

FINANCIAL STATEMENTS AND REPORTS OF THE
PAYNE COUNTY FACILITIES AUTHORITY
STILLWATER, OKLAHOMA

June 30, 2012

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

PAYNE COUNTY FACILITIES AUTHORITY
STILLWATER, OKLAHOMA
June 30, 2012

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Independent Auditor's Report

To the Trustee
Payne County Facilities Authority
Stillwater, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Payne County Facilities Authority, a component unit of Payne County, State of Oklahoma, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Payne County Facilities Authority's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

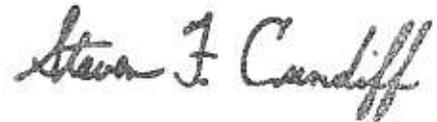
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Payne County Facilities Authority, a component unit of Payne County, State of Oklahoma, as of June 30, 2012, and the respective change in financial position and, where applicable, its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Payne County Facilities Authority has not presented the Management's Discussion and Analysis and the budgetary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

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 fund schedules listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

September 10, 2012

A handwritten signature in black ink that reads "Steven F. Cundiff". The signature is written in a cursive style with a large, stylized 'S' and 'C'.

Steven F. Cundiff, CPA, Inc.

BASIC FINANCIAL STATEMENTS

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PAYNE COUNTY FACILITIES AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2012

Statement 1

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents (note 2)	\$ 550,488.74	\$ 2,517,324.61	\$ 3,067,813.35
Accrued interest receivable	-	20.18	20.18
Total current assets	<u>550,488.74</u>	<u>2,517,344.79</u>	<u>3,067,833.53</u>
Noncurrent assets:			
Building construction in progress (note 3)	-	-	-
Bond issuance and discount costs	-	203,064.79	203,064.79
Less accumulated amortization	-	(152,297.90)	(152,297.90)
Total noncurrent assets	<u>-</u>	<u>50,766.89</u>	<u>50,766.89</u>
Total assets	<u>\$ 550,488.74</u>	<u>\$ 2,568,111.68</u>	<u>\$ 3,118,600.42</u>
LIABILITIES			
Current liabilities:			
Accounts payable (note 4)	\$ -	\$ -	\$ -
Accrued interest payable (note 6)	-	161,986.02	161,986.02
Current portion of long-term debt	-	1,240,000.00	1,240,000.00
Total current liabilities	<u>-</u>	<u>1,401,986.02</u>	<u>1,401,986.02</u>
Noncurrent liabilities:			
Long-term debt:			
Sales tax revenue note payable (note 6)	-	13,140,000.00	13,140,000.00
Subordinate sales tax revenue note payable (note 6)	-	1,035,000.00	1,035,000.00
Less current portion of long-term debt	-	(1,240,000.00)	(1,240,000.00)
Total noncurrent liabilities	<u>-</u>	<u>12,935,000.00</u>	<u>12,935,000.00</u>
Total liabilities	<u>-</u>	<u>14,336,986.02</u>	<u>14,336,986.02</u>
NET ASSETS			
Restricted for debt service	-	2,112,519.77	2,112,519.77
Unassigned	550,488.74	(13,881,394.11)	(13,330,905.37)
Total net assets	<u>550,488.74</u>	<u>(11,768,874.34)</u>	<u>(11,218,385.60)</u>
Total liabilities and net assets	<u>\$ 550,488.74</u>	<u>\$ 2,568,111.68</u>	<u>\$ 3,118,600.42</u>

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

PAYNE COUNTY FACILITIES AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets			Statement 2
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Government Activities	Business-type Activities	Totals	
Governmental activities:								
Facility acquisitions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total governmental activities	-	-	-	-	-	-	-	
Business-type activities:								
Interest expense	681,319.88	-	-	-	-	(681,319.88)	(681,319.88)	
Facility construction and operation	49,728.37	-	-	-	-	(49,728.37)	(49,728.37)	
Total business-type activities	731,048.25	-	-	-	-	(731,048.25)	(731,048.25)	
Total	\$ 731,048.25	\$ -	\$ -	\$ -	\$ -	\$ (731,048.25)	\$ (731,048.25)	
General revenues:								
Investment income					\$ 4,633.47	\$ 170.65	\$ 4,804.12	
Sales tax					1,850,695.52	-	1,850,695.52	
Transfers - internal activity					(1,863,195.52)	1,863,195.52	-	
Transfers - external activity: Transfer completed jail facilities to Payne County					-	(20,432,003.99)	-	
Total general revenues and transfers					(7,866.53)	(18,568,637.82)	1,855,499.64	
Change in net assets					(7,866.53)	(19,299,686.07)	(19,307,552.60)	
Net assets - beginning					558,355.27	7,530,811.73	8,089,167.00	
Net assets - ending					\$ 550,488.74	\$(11,768,874.34)	\$(11,218,385.60)	

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

PAYNE COUNTY FACILITIES AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2012

	Statement 3
	<u>Governmental</u> <u>Fund Type</u> <u>Special Revenue</u> <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	\$ 550,488.74
Accrued interest receivable	-
Total current assets	<u>550,488.74</u>
Noncurrent assets:	
Building construction in progress	-
Bond issuance and discount costs	-
Less accumulated amortization	-
Total noncurrent assets	<u>-</u>
 Total assets	 <u>\$ 550,488.74</u>
LIABILITIES	
Current liabilities:	
Accrued interest payable	\$ -
Accounts payable	-
Total current liabilities	<u>-</u>
Noncurrent liabilities:	
Long-term debt:	
Revenue bonds payable	-
Total noncurrent liabilities	<u>-</u>
 Total liabilities	 <u>-</u>
NET ASSETS	
Restricted for debt service	-
Unassigned	550,488.74
Total net assets	<u>550,488.74</u>
 Total liabilities and net assets	 <u>\$ 550,488.74</u>

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

PAYNE COUNTY FACILITIES AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2012

Statement 4

Governmental Fund Type

Special Revenue Fund

Operating revenues:	
Interest income	4,633.47
Limited purpose sales tax revenue	<u>\$ 1,850,695.52</u>
Total operating revenues	<u>1,855,328.99</u>
Operating expenses:	
Administrative costs	-
Operating expense	-
Total expenditures	<u>-</u>
Net operating income	1,855,328.99
Nonoperating revenue (expense)	
Interest income	-
Interest expense	<u>-</u>
Total nonoperating revenue (expense)	<u>-</u>
Net income before transfers	1,855,328.99
Operating transfers in	-
Operating transfers out	<u>(1,863,195.52)</u>
Net income	(7,866.53)
Net assets beginning of year	
Restricted for debt service	-
Unassigned	<u>558,355.27</u>
Total net assets beginning of year	<u>558,355.27</u>
Net assets end of year	
Restricted for debt service	-
Unassigned	<u>550,488.74</u>
Total net assets end of year	<u>\$ 550,488.74</u>

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

**PAYNE COUNTY FACILITIES AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012**

	Statement 5
	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	\$ 2,517,324.61
Accrued interest receivable	20.18
Total current assets	2,517,344.79
Noncurrent assets:	
Building construction in progress (note 3)	-
Bond issuance and discount costs	203,064.79
Less accumulated amortization	(152,297.90)
Total noncurrent assets	50,766.89
Total assets	\$ 2,568,111.68
LIABILITIES	
Current liabilities:	
Accounts payable (note 4)	-
Accrued interest payable (note 6)	\$ 161,986.02
Current portion of long-term debt	1,240,000.00
Total current liabilities	1,401,986.02
Noncurrent liabilities:	
Long-term debt:	
Sales tax revenue note payable (note 6)	13,140,000.00
Subordinate sales tax revenue note payable (note 6)	1,035,000.00
Less current portion of long-term debt	(1,240,000.00)
Total noncurrent liabilities	12,935,000.00
Total liabilities	14,336,986.02
NET ASSETS	
Restricted for debt service	2,112,519.77
Unassigned	(13,881,394.11)
Total net assets	(11,768,874.34)
Total liabilities and net assets	\$ 2,568,111.68

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

PAYNE COUNTY FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Statement 6
	Enterprise Fund
Operating revenues:	
Miscellaneous revenue	\$ -
Total operating revenues	-
Operating expenses:	
Administrative costs	12,500.00
Operating expense	37,228.37
Total expenditures	49,728.37
Net operating income	(49,728.37)
Nonoperating revenue (expense)	
Interest income	170.65
Interest expense	(681,319.88)
Total nonoperating revenue (expense)	(681,149.23)
Net income before transfers	(730,877.60)
Operating transfers in	1,863,195.52
Operating transfers out	-
Transfer building and equipment to Payne County	(20,432,003.99)
Net income	(19,299,686.07)
Net assets beginning of year	
Restricted for debt service	2,088,005.22
Unassigned	5,442,806.51
Total net assets beginning of year	7,530,811.73
Net assets end of year	
Restricted for debt service	2,112,519.77
Unassigned	(13,881,394.11)
Total net assets end of year	\$ (11,768,874.34)

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

**PAYNE COUNTY FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012**

	Statement 7
	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to suppliers	\$ -
Cash operating expenses	(12,500.00)
Net cash provided (used) by operating activities	<u>(12,500.00)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	1,863,195.52
Operating transfers out	-
Net operating transfers	<u>1,863,195.52</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to fixed assets	(18,747.13)
Principal paid on debt	(1,145,000.00)
Interest expense	(694,347.00)
Net cash provided (used) by capital and related financing activities	<u>(1,858,094.13)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	170.33
Net cash provided (used) by investing activities	<u>170.33</u>
Net increase (decrease) in cash and cash equivalents	(7,228.28)
Total cash and cash equivalents, beginning of the year	<u>2,524,552.89</u>
Total cash and cash equivalents, end of year	<u>\$ 2,517,324.61</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (49,728.37)
Changes in assets and liabilities:	
Amortization expense	37,228.37
Net cash provided by operating activities	<u>\$ (12,500.00)</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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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 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 is considered a component unit of Payne County.

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 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.

**PAYNE COUNTY FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statements of Net Assets 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.

The District has presented the classification of the fund balance on the balance sheet in the following hierarchy:

Nonspendable, restricted, committed, assigned, or unassigned. The District's Special Revenue Fund's fund balance is classified as unassigned and the District's Enterprise Fund's fund balance is classified as restricted for debt service for the bond fund portion and unassigned for the construction fund portion.

Measurement Focus

On the government-wide Statement of Net Assets 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.

**PAYNE COUNTY FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

Measurement Focus (continued)

- 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 assets (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 assets.

- 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.

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

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.

**PAYNE COUNTY FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

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 did not formally adopt a budget for the special revenue fund. The budget presented 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, 2012.

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

Inventories - The Authority had no inventory at June 30, 2012.

Fixed Assets and Property, Plant and Equipment - The Authority concluded 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.

The Authority has 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 has 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 has 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.

Bond Issuance and Discount Costs - Bond issuance and discount costs are capitalized and amortized over the terms of the bonds using the straight line method of amortization.

**PAYNE COUNTY FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Equity (continued)

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

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.

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 cash balances at June 30, 2012, were completely insured or collateralized by federal deposit insurance.

3. Building Construction in Progress

The authority is building new jail facilities for Payne County and renovating the Payne County Courthouse, both located at Sixth and Husband, in Stillwater, Oklahoma. This project was completed as of June 30, 2012 and transferred to Payne County.

4. Accounts payable

Accounts payable in the Authority are composed of payables to construction vendors. There were no payables as of June 30, 2012.

5. Interfund Receivables and Payables

There were no interfund receivables or payables at June 30, 2012.

**PAYNE COUNTY FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

6. General Long-term Debt

A Sales Tax Revenue Note Series 2006 has been 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.

Also, a Subordinate Sales Tax Agreement dated January 1, 2007 has been executed by the Authority for additional construction monies for the new jail facilities. This note in the amount of \$1,895,000.00 is required to be fully paid serially over the next eleven 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 following is a summary of the long-term debt transactions of the Authority for the year ended June 30, 2012:

	<u>Sales Tax Revenue Note Series 2006</u>	<u>Subordinate Sales Tax Revenue Note Series 2007</u>	<u>Total</u>
Balance, July 1, 2011	\$ 14,105,000.00	\$ 1,215,000.00	\$ 15,320,000.00
Additions	0.00	0.00	0.00
Retirements	<u>(965,000.00)</u>	<u>(180,000.00)</u>	<u>(1,145,000.00)</u>
Balance June 30, 2012	<u>\$ 13,140,000.00</u>	<u>\$ 1,035,000.00</u>	<u>\$ 14,175,000.00</u>

A brief description of the outstanding Sales Tax Revenue Note Series 2006 at June 30, 2012 is set forth below:

<u>Date of Issue</u>	<u>Bond Interest Rate</u>	<u>Bond Due Date</u>	<u>Total Amount Outstanding</u>
6-2-06	4.64%	10-1-12	515,000.00
6-2-06	4.64%	4-1-13	535,000.00
6-2-06	4.64%	10-1-13	565,000.00
6-2-06	4.64%	4-1-14	585,000.00
6-2-06	4.64%	10-1-14	610,000.00
6-2-06	4.64%	4-1-15	635,000.00
6-2-06	4.64%	10-1-15	665,000.00
6-2-06	4.64%	4-1-16	675,000.00
6-2-06	4.64%	10-1-16	720,000.00
6-2-06	4.64%	4-1-17	730,000.00
6-2-06	4.64%	10-1-17	775,000.00
6-2-06	4.64%	4-1-18	785,000.00
6-2-06	4.64%	10-1-18	835,000.00
6-2-06	4.64%	4-1-19	840,000.00
6-2-06	4.64%	10-1-19	885,000.00
6-2-06	4.64%	4-1-20	900,000.00
6-2-06	4.64%	10-1-20	935,000.00
6-2-06	4.64%	4-1-21	950,000.00
		Total	<u>\$ 13,140,000.00</u>

**PAYNE COUNTY FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

General Long-term Debt (continued)

A brief description of the outstanding Subordinate Sales Tax Revenue Note Series 2007 at June 30, 2012 is set forth below:

<u>Date of Issue</u>	<u>Bond Interest Rate</u>	<u>Bond Due Date</u>	<u>Total Amount Outstanding</u>
1-4-07	4.35%	10-1-12	95,000.00
1-4-07	4.35%	4-1-13	95,000.00
1-4-07	4.35%	10-1-13	100,000.00
1-4-07	4.35%	4-1-14	100,000.00
1-4-07	4.35%	10-1-14	100,000.00
1-4-07	4.35%	4-1-15	105,000.00
1-4-07	4.35%	10-1-15	105,000.00
1-4-07	4.35%	4-1-16	110,000.00
1-4-07	4.35%	10-1-16	110,000.00
1-4-07	4.35%	4-1-17	115,000.00
		Total	<u>\$ 1,035,000.00</u>

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	1,075,000.00	585,568.02	1,660,568.02
2014	1,172,500.00	534,527.97	1,707,027.97
2015	1,272,500.00	479,022.00	1,751,522.00
2016	1,367,500.00	418,875.99	1,786,375.99
2017	1,477,500.00	354,147.99	1,831,647.99
2018	1,590,000.00	284,316.00	1,874,316.00
2019	1,700,000.00	209,206.04	1,909,206.04
2020	1,810,000.00	129,050.04	1,939,050.04
2021	1,417,500.00	43,905.99	1,461,405.99
Total	<u>\$ 12,882,500.00</u>	<u>\$ 3,038,620.04</u>	<u>\$ 15,921,120.04</u>

The annual debt service requirements for retirements of the Subordinate Sales Tax Revenue Note Series 2007 principal and payment of interest are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	192,500.00	40,890.00	233,390.00
2014	200,000.00	32,407.50	232,407.50
2015	207,500.00	23,653.11	231,153.11
2016	217,500.00	14,518.14	232,018.14
2017	170,000.00	4,948.11	174,948.11
Total	<u>\$ 987,500.00</u>	<u>\$ 116,416.86</u>	<u>\$ 1,103,916.86</u>

Accrued interest payable on the general long-term debt incurred during the year ending June 30, 2012 was:

Accrued interest payable	<u>\$ 161,986.02</u>
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**PAYNE COUNTY FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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. The Authority has created a Subordinate Series 2006 Sales Tax Revenue Note (Series 2007) for the county jail project, subordinate to, but paid back under the sales tax revenue of one fourth of one percent (1/4%) agreement under 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, interest expense, and the amortization of bond issuance and discount costs. 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	1,863,195.52
Enterprise fund:		
Special revenue fund	1,863,195.52	0.00
Total	\$ 1,863,195.52	\$ 1,863,195.52

9. Risk management

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

10. Subsequent Events

Subsequent events have been evaluated through September 10, 2012, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PAYNE COUNTY FACILITIES AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2012

Exhibit 1

	Governmental Fund Types		
	Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Interest income	\$ -	\$ 4,633.47	\$ 4,633.47
Limited purpose sales tax revenue	1,850,695.52	1,850,695.52	-
Total operating revenues	1,850,695.52	1,855,328.99	4,633.47
Operating expenses:			
Administrative costs	-	-	-
Operating expense	-	-	-
Total expenditures	-	-	-
Net operating income	1,850,695.52	1,855,328.99	4,633.47
Nonoperating revenue (expense)			
Interest income	-	-	-
Interest expense	-	-	-
Total nonoperating revenue (expense)	-	-	-
Net income before transfers	1,850,695.52	1,855,328.99	4,633.47
Operating transfers in	-	-	-
Operating transfers out	(1,850,695.52)	(1,863,195.52)	(12,500.00)
Net income	-	(7,866.53)	(7,866.53)
Net assets beginning of year			
Restricted for debt service	-	-	-
Unassigned	-	558,355.27	558,355.27
Total net assets beginning of year	-	558,355.27	558,355.27
Net assets end of year			
Restricted for debt service	-	-	-
Unassigned	-	550,488.74	550,488.74
Total net assets end of year	\$ -	\$ 550,488.74	\$ 550,488.74

OTHER SUPPLEMENTARY INFORMATION

**PAYNE COUNTY FACILITIES AUTHORITY
COMBINING SCHEDULE OF NET ASSETS
ENTERPRISE FUND ACCOUNTS
JUNE 30, 2012**

Schedule 1

	Construction Fund	Bond Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 242,836.32	\$ 2,274,488.29	\$ 2,517,324.61
Accrued interest receivable	2.68	17.50	20.18
Total current assets	242,839.00	2,274,505.79	2,517,344.79
Noncurrent assets:			
Jail Facilities construction in progress	-	-	-
Renovation of courthouse in progress	-	-	-
Bond issuance and discount costs	203,064.79	-	203,064.79
Less accumulated amortization	(152,297.90)	-	(152,297.90)
Total noncurrent assets	50,766.89	-	50,766.89
Total assets	\$ 293,605.89	\$ 2,274,505.79	\$ 2,568,111.68
LIABILITIES			
Current liabilities:			
Accrued interest payable	\$ -	\$ 161,986.02	\$ 161,986.02
Accounts payable	-	-	-
Total current liabilities	-	161,986.02	161,986.02
Noncurrent liabilities:			
Long-term debt:			
Sales tax revenue note payable series 2006	13,140,000.00	-	13,140,000.00
Sales tax revenue subordinate note payable series 2007	1,035,000.00	-	1,035,000.00
Total noncurrent liabilities	14,175,000.00	-	14,175,000.00
Total liabilities	14,175,000.00	161,986.02	14,336,986.02
NET ASSETS			
Restricted for debt service	-	2,112,519.77	2,112,519.77
Unassigned	(13,881,394.11)	-	(13,881,394.11)
Total net assets	(13,881,394.11)	2,112,519.77	(11,768,874.34)
Total liabilities and net assets	\$ 293,605.89	\$ 2,274,505.79	\$ 2,568,111.68

PAYNE COUNTY FACILITIES AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 ENTERPRISE FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Construction Fund	Bond Fund	Schedule 2 Total
Operating revenues:			
Miscellaneous revenue	\$ -	\$ -	\$ -
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses:			
Administrative costs	12,500.00	-	12,500.00
Amortization expense	37,228.37	-	37,228.37
Total expenditures	<u>49,728.37</u>	<u>-</u>	<u>49,728.37</u>
Net operating income	(49,728.37)	-	(49,728.37)
Nonoperating revenue (expense)			
Interest income	31.74	138.91	170.65
Interest expense	<u>-</u>	<u>(681,319.88)</u>	<u>(681,319.88)</u>
Total nonoperating revenue (expense)	<u>31.74</u>	<u>(681,180.97)</u>	<u>(681,149.23)</u>
Net income before transfers	(49,696.63)	(681,180.97)	(730,877.60)
Operating transfers in	-	1,863,195.52	1,863,195.52
Operating transfers in/out	1,157,500.00	(1,157,500.00)	-
Transfer to Payne County	<u>(20,432,003.99)</u>	<u>-</u>	<u>(20,432,003.99)</u>
Net income	(19,324,200.62)	24,514.55	(19,299,686.07)
Net assets beginning of year			
Restricted for debt service	-	2,088,005.22	2,088,005.22
Unassigned	5,442,806.51	-	5,442,806.51
Total net assets beginning of year	<u>5,442,806.51</u>	<u>2,088,005.22</u>	<u>7,530,811.73</u>
Net assets end of year			
Restricted for debt service	-	2,112,519.77	2,112,519.77
Unassigned	<u>(13,881,394.11)</u>	<u>-</u>	<u>(13,881,394.11)</u>
Total net assets end of year	<u>\$ (13,881,394.11)</u>	<u>\$ 2,112,519.77</u>	<u>\$ (11,768,874.34)</u>

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**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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information 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, 2012, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 10, 2012. 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. 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.

Internal Control Over Financial Reporting

Management of Payne County Facilities Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Payne County Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Payne County Facilities Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a significant 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.

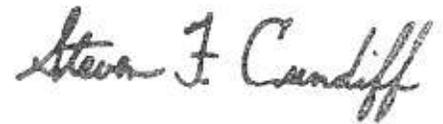
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, and contracts, grant agreements, and other matters, 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*.

This report is intended solely for the information and use of the Payne County Facilities Authority management, and all applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 10, 2012

A handwritten signature in black ink that reads "Steven F. Cundiff". The signature is written in a cursive style with a large, stylized "S" and "C".

Steven F. Cundiff, CPA Inc.