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

(OSUF PHASE III STUDENT HOUSING, L.L.C. – STILLWATER PROJECT)

$25,025,000 Student Housing Revenue Bonds 1999 Series A

DECEMBER 31, 2011

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

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STILLWATER, OKLAHOMA
December 31, 2011

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Independent Auditor's Report

To the Trustee
Payne County Economic Development Authority
Stillwater, Oklahoma

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information 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, 2011, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Payne County Economic Development 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 business-type activities, each major fund, and the aggregate remaining fund information, of the Payne County Economic Development Authority, a component unit of Payne County, State of Oklahoma, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, there of, 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 January 5, 2012, 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* and should be considered in conjunction with this report in considering the results of our audit.

Payne County Economic Development 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 basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Payne County Economic Development Authority's basic financial statements. The supplemental information as noted in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. These statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Steven F. Cundiff

Steven F. Cundiff, CPA, Inc.

January 5, 2012

BASIC FINANCIAL STATEMENTS

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

		Business-type Activities
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	$	387,247.88
Total current assets		387,247.88
Total assets	$	387,247.88
LIABILITIES		
Current liabilities:		
Total current liabilities		-
Total liabilities		-
NET ASSETS		
Unassigned		387,247.88
Total net assets		387,247.88
Total liabilities and net assets	$	387,247.88

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

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues	Net (Expense)/ Revenue
Business-type activities:			
Payne County Treasurer Fund Economic Development	$ 6,889.00	$ -	$ (6,889.00)
Oklahoma State University Foundation 1999A Issue	616,393.22	286,638.68	(329,754.54)
Total business-type activities	$ 623,282.22	$ 286,638.68	$ (336,643.54)
Net (expense)/revenue			$ (336,643.54)
Change in net assets			(336,643.54)
Net assets - beginning			
Restricted for debt service		329,754.54	
Unassigned		389,861.95	
			719,616.49
Restricted for debt service		-	
Unassigned		387,247.88	
Net assets - ending			$ 382,972.95

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

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2011

		Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	$	387,247.88
Total current assets		387,247.88
Total assets	$	387,247.88
LIABILITIES		
Current liabilities:		
Total current liabilities		-
Total liabilities		-
NET ASSETS		
Unassigned		387,247.88
Total net assets		387,247.88
Total liabilities and net assets	$	387,247.88

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 FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2011

	Enterprise Fund
Operating revenues:	
Treasurers administrative fee income	$ -
Total operating revenues	-
Operating expenses:	
Administrative & trustee fees	(2,500.00)
Operating expense	(6,904.61)
Total expenditures	(9,404.61)
Net operating income	(9,404.61)
Nonoperating revenue (expense)	
Interest income	290,913.61
Interest expense	(613,877.61)
Total nonoperating revenue (expense)	(322,964.00)
Net income before transfers	(332,368.61)
Operating transfers in	-
Operating transfers out	-
Net income	(332,368.61)
Net assets beginning of year:	
Restricted for debt service	329,754.54
Unrestricted	389,861.95
Total net assets beginning of year	719,616.49
Net assets end of year:	
Restricted for debt service	-
Unrestricted	387,247.88
Total net assets end of year	$ 387,247.88

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

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2011

		Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Treasurers administrative fee income		-
Operating expenses		(6,889.00)
Net cash provided (used) by operating activities		(6,889.00)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in		-
Operating transfers out		-
Net operating transfers		-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from current investments		-
Proceeds from sales and maturities of long-term investments		-
Interest and dividends		4,274.93
Net cash provided (used) by investing activities		4,274.93
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		-
Net increase (decrease) in cash and cash equivalents		(2,614.07)
Total cash and cash equivalents, beginning of the year		389,861.95
Total cash and cash equivalents, end of the year	$	387,247.88
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	(6,889.00)
Changes in assets and liabilities:		
Accrued revenue receivable		-
Accounts payable		-
Net cash provided by operating activities	$	(6,889.00)

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

NOTES TO THE FINANCIAL STATEMENTS

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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. 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.

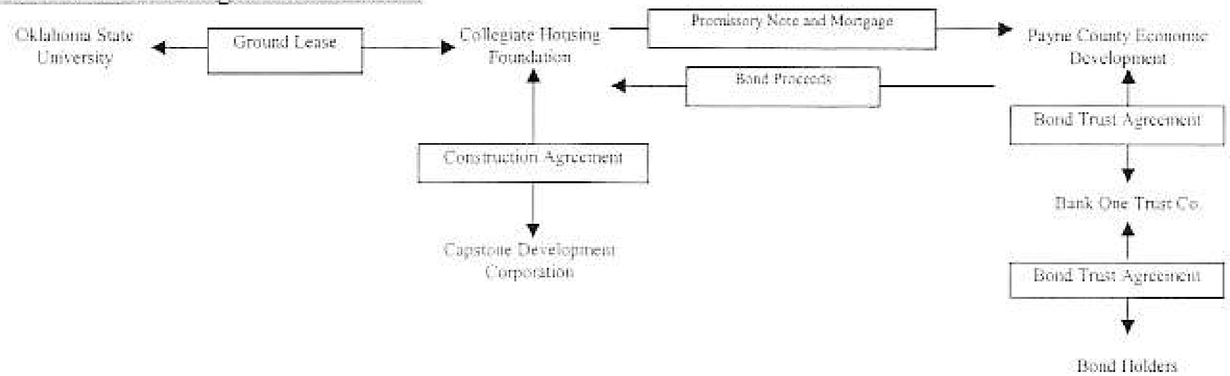
Based upon the application of these criteria, there are no potential component units included in the Authority's reporting entity.

The Payne County Economic Development 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.

Summary of Significant Accounting Policies (continued)

Reporting Entity (continued)

1999 Student Housing Revenue Bonds



Accordingly, on November 1, 1999, the Authority and Bank One Trust Company, N.A. (the "Trustee") approved a bond trust indenture (the "Original Indenture") providing for issuance of student housing revenue bonds in the aggregate principal amount of $25,405,000.00. The initial $25,025,000.00 of these said bonds were issued, being designated the $25,025,000.00 Payne County Economic Development Authority Student Housing Revenue Bonds (Collegiate Housing Foundation-Stillwater Project) Series 1999A (the Series 1999A Bonds) for the purpose of providing funds to finance the cost of acquisition, construction, furnishing and equipping of a 627 bedroom student housing facility (the "Project") to be located on the campus of Oklahoma State University.

The Original Indenture also provides the Trustee will serve on behalf of the Authority in dealing with certain entities (the Participants) and for paying necessary expenses incidental there to. As of November 1, 1999, the Participants and the Authority executed agreements that note the above relationships. These bonds were paid off June 1, 2011.

B. Basis of Presentation

Government-wide Fund 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 expenditure/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:

Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

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.

During the current year, the District implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard requires the presentation of 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.

The funds of the financial reporting entity are described below:

Payne County Treasurer's Administrative Fee Account

Revenue Fund: Monies in the Revenue Fund are derived from fees administering the Payne County Economic Developments Authority's other projects. The revenues are used to make grants to other Payne County government entities.

C. Measurement Focus and Basis of Accounting

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.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

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 available spendable financial resources at the end of the period.

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.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonable estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The Authority did not adopt a budget for any of the special revenue funds.

E. 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 - Investments consist of Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes, and Federal Home Loan Bank Discount Notes with maturities greater than three months when purchased. All investments are presented at market value.

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

Inventories - The Authority had no inventory at December 31, 2011.

Summary of Significant Accounting Policies (continued)
Assets, Liabilities and Fund Equity (continued)

Accrued Investment Interest - Interest earned on investments but uncollected as of year end.

Accrued Revenue Receivable - Revenue earned but uncollected as of year end.

Equity Classifications - Equity is classified as net assets and displayed in two components:

a. Restricted for debt service - Consists of net assets with constraints placed on the use by the terms of the bond indenture.
b. Unassigned - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted and unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

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.

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 balance at December 31, 2011, 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.

3. Interfund Receivables and Payables

There were no interfund receivables or payables at December 31, 2011.

4. General Long-term Debt

1999 Student Housing Revenue Bonds

Bond issues have been issued by the Authority for Payne County economic development. These bonds are required to be fully paid serially over the next 40 years. General long-term debt of the Authority consists of bonds payable. Debt service requirements for bonds are payable solely from fund balance and future revenues of the Bond fund.

General Long-term Debt (continued)

The following is a summary of the long-term debt transactions of the Authority for the year ended December 31, 2011:

	Bonds Payable 1999A Series OSU Housing
Balance, 1-01-11	$ 23,325,000.00
Additions	.00
Retirements	(23,325,000.00)
Balance, 12-31-11	$ 0.00
Accrued interest Payable 12-31-11	$ 0.00

5. Subsequent Events

Subsequent events have been evaluated through January 5, 2012, which is the date the financial statements were available to be issued.

PAYNE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2011

	Enterprise Fund		
	Revenue Fund	Escrow Fund	Total
Operating revenues:			
Oklahoma State University remittance	$ -	$ -	$ -
Treasurer administrative fee income	-	-	-
Total operating revenues	-	-	-
Operating expenses:			
Administrative & trustee fees	-	(2,500.00)	(2,500.00)
Operating expense	(6,889.00)	(15.61)	(6,904.61)
Fund service fees	-	-	-
Total expenditures	(6,889.00)	(2,515.61)	(9,404.61)
Net operating income	(6,889.00)	(2,515.61)	(9,404.61)
Nonoperating revenue (expense)			
Other income (loss)	-	-	-
Interest income	4,274.93	286,638.68	290,913.61
Interest expense	-	(613,877.61)	(613,877.61)
Total nonoperating revenue (expense)	4,274.93	(327,238.93)	(322,964.00)
Net income before transfers	(2,614.07)	(329,754.54)	(332,368.61)
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Net income	(2,614.07)	(329,754.54)	(332,368.61)
Net assets beginning of year			
Restricted for debt service	-	329,754.54	329,754.54
Unassigned	389,861.95	-	389,861.95
Total net assets beginning of year	389,861.95	329,754.54	719,616.49
Net assets end of year			
Restricted for debt service	-	-	-
Unassigned	387,247.88	-	387,247.88
Total net assets end of year	$ 387,247.88	$ -	$ 387,247.88

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

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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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information 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, 2011, which collectively comprise the Payne County Economic Development Authority's basic financial statements and have issued our report thereon dated January 5, 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
In planning and performing our audit, we considered Payne County Economic Development 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 on the effectiveness of the Payne County Economic Development 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 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 Economic Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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 Economic Development 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 specific parties.

January 5, 2012

Steven F. Cundiff

Steven F. Cundiff, CPA Inc.