



FINANCIAL STATEMENTS

JUNE 30, 2015

Includes Independent Auditor's
Report Issued By



Management's Discussion and Analysis

THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY

This section of the Oklahoma Development Finance Authority's (the Authority's) annual financial report presents a discussion and analysis of its financial performance for the year ended June 30, 2015. Please read it in conjunction with the financial statements which follow this section. The following table summarizes the financial position and results of operations of the Authority for 2015 and 2014.

	2015	2014
Assets:		
Current assets	\$ 14,357,456	\$ 14,067,677
Capital assets	1,646,867	1,707,609
Other non-current assets	1,187,567	1,179,446
Total Assets	17,191,890	16,954,732
Liabilities:		
Current liabilities	536,281	296,230
Other non-current liabilities	-	-
Bonds payable	9,999,000	9,999,000
Total Liabilities	10,535,281	10,295,230
Net Position:		
Invested in capital assets	1,646,867	1,707,609
Unrestricted	5,009,742	4,951,893
Total Net Position	\$ 6,656,609	\$ 6,659,502
Operating Revenues:		
Fee revenue	\$ 958,999	\$ 982,475
Interest and Investment income	76,672	112,223
Other	6,462	11,856
Total Operating Revenues	1,042,133	1,106,554
Operating Expenses:		
Interest expense	249,975	249,975
Other operating expenses	795,051	844,246
Total Operating Expenses	1,045,026	1,094,221
Gain (loss) on sale of assets	-	(24)
Change in net assets	(2,893)	12,309
Total net position, beginning of the year	6,659,502	6,647,193
Total net position, end of the year	\$ 6,656,609	\$ 6,659,502

Management's Discussion and Analysis

THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY

OVERVIEW OF THE FINANCIAL STATEMENTS

The three financial statements presented within the financial statements are as follows:

- Statement of Net Position – This statement presents information reflecting the Authority's assets, liabilities and net position. Net position represents the amount of total assets less total liabilities. The statement of net position is categorized as to current and non-current assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the statement date. The Authority's investment balances are considered current assets, as the Authority has historically experienced a high portfolio turnover rate.
- Statement of Revenues, Expenses and Changes in Net Position – This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses during the operating year. Major sources of operating revenues are administrative fee income and major sources of operating expenses being personnel and interest expense. The change in net position for an enterprise fund is similar to net profit or loss for any other business enterprise.
- Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, financial and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the calendar year.

FINANCIAL HIGHLIGHTS

- The Authority's total assets at June 30, 2015 increased by \$237,158. Current assets increased \$289,779 with cash increasing by \$231,986 and investments and other current assets increasing \$57,793.
- Total liabilities increased \$240,051 in 2015 primarily due to the escrow liability account increased in the amount of \$200,000. Payables also went up by \$40,051.
- There was a decrease in total operating revenues of \$64,421 primarily due to a decrease in fee revenue of \$23,476 and in investment income of \$35,551. The decrease in fee revenue can be attributed to a change in fee structure starting January, 2015, in that legal fees were billed separately and not included in ODFA acceptance fees as they had been previously, and thus they were not recorded as revenue in the last half of the year. The drop in investment income is primarily market related.
- Operating expenses decreased \$49,196, the major part of the decreased being attributed to the way legal fees in connection with debt closings are now recorded. Previously legal fees charged in connection with closings were included in ODFA acceptance fees and expensed as paid, however effective January, 2015 the billing method changed and legal fees were no longer reflected as expenses in the statement of changes in net position.
- Net position decreased by \$2,893 in 2015.

Management's Discussion and Analysis
THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
OVERVIEW OF THE FINANCIAL STATEMENTS

DEBT ADMINISTRATION

The Authority has \$9,999,000 of outstanding debt at June 30, 2015. The bonds are related to the Oklahoma Quality Jobs Investment Program, a designated fund within the Authority.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide patrons and interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for its finances. If you have questions about this report or need additional financial information, contact:

Oklahoma Development Finance Authority
9220 North Kelley
Oklahoma City, Oklahoma 73131
Telephone: 405-842-1145



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Development Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Development Finance Authority ("Authority"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2015 and the related notes to the financial statements.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from 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 entity'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 entity'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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oklahoma Development Finance Authority, as of June 30, 2015, and

the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, on our consideration of the 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 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-iii 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 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 consisted 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 provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority as a whole. The schedules of net position and schedules of revenues, expenses and change in net position (pages 15-18) are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



October 15, 2015

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Total Primary Government</u>	<u>Component Unit (Credit Enhancement Reserve Fund)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,487,021	\$ 1,185,746
Interest receivable	19,995	-
Fees receivable and other current assets	648,648	-
Investments	201,792	-
Total current assets	<u>14,357,456</u>	<u>1,185,746</u>
Noncurrent assets:		
Notes receivable, net of allowance for uncollectible loans of \$632,923	1,187,567	-
Capital assets, net of accumulated depreciation of \$172,076	1,646,867	-
Total noncurrent assets	<u>2,834,434</u>	<u>-</u>
Total assets	<u>17,191,890</u>	<u>1,185,746</u>
Liabilities		
Current liabilities		
Accounts payable	216,545	-
DHS Escrow	319,736	-
Total current liabilities	<u>536,281</u>	<u>-</u>
Noncurrent Liabilities		
Bonds payable	9,999,000	-
Deferred revenue	-	173,484
Total noncurrent liabilities	<u>9,999,000</u>	<u>173,484</u>
Total liabilities	<u>10,535,281</u>	<u>173,484</u>
Net Position		
Invested in capital assets	1,646,867	-
Unrestricted	5,009,742	1,012,262
Total net position	<u>\$ 6,656,609</u>	<u>\$ 1,012,262</u>

See accompanying notes.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

	Total Primary Government	Component Unit (Credit Enhancement Reserve Fund)
Operating revenues:		
Fee revenue	\$ 958,999	\$ -
Insurance premiums	-	21,410
Interest and investment income	76,672	12
Other	6,462	-
Total operating revenues	<u>1,042,133</u>	<u>21,422</u>
Operating expenses:		
Personnel services	550,805	-
Professional services	86,669	-
Administrative	91,146	3,500
Program expenses	-	-
Depreciation	66,431	-
Interest expense	249,975	-
Total operating expenses	<u>1,045,026</u>	<u>3,500</u>
Operating income (loss)	(2,893)	17,922
Income from non-operating activities		
Gain (loss) on sale of asset	-	-
Total income from non-operating activities	<u>-</u>	<u>-</u>
Change in net position	<u>(2,893)</u>	<u>17,922</u>
Net position, beginning of year	<u>6,659,502</u>	<u>994,341</u>
Net position, end of year	<u>\$ 6,656,609</u>	<u>\$ 1,012,263</u>

See accompanying notes.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

	Total Primary Government	Component Unit (Credit Enhancement Reserve Fund)
Cash flows from operating activities:		
Cash received for fees and insurance premiums	\$ 881,177	\$ 12,011
Cash paid to suppliers and employees	(488,569)	(3,500)
Interest and investment income received on investments	66,692	-
Interest paid on debt	(249,975)	-
Net cash provided by operating activities	<u>209,325</u>	<u>8,511</u>
Cash flows from investing activities:		
Investment activities, net	30,782	-
Advances on notes receivable	(8,121)	-
Net cash used provided by (used in) investing activities	<u>22,661</u>	<u>-</u>
Net increase in cash and cash equivalents	231,986	8,511
Cash and cash equivalents, beginning of year	13,255,035	1,177,235
Cash and cash equivalents, end of year	<u>\$ 13,487,021</u>	<u>\$ 1,185,746</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (2,893)	\$ 17,922
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	66,431	-
Change in assets and liabilities:		
Fees receivable and other current assets	(77,822)	-
Interest receivable	(16,442)	-
Accounts payable	240,051	(9,411)
Net cash provided by operating activities	<u>\$ 209,325</u>	<u>\$ 8,511</u>

See accompanying notes.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The Oklahoma Development Finance Authority (the "Authority") is a tax-exempt public trust organized under the laws of the state of Oklahoma (the "State") by Declaration of Trust dated November 1, 1974. The Authority (previously the Oklahoma Development Authority) amended its Declaration of Trust and changed its name to the Oklahoma Development Finance Authority in 1988. The beneficiary of the Authority is the State.

The Authority was established to provide financing for both public and private entities in the State. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for Authority financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State. For public programs, bond and note proceeds are deposited into trust funds to be loaned out to qualifying program participants. Interest for the trust investments and the loans is used to pay interest on the bonds and notes issued by the Authority.

The Authority is a component unit of the State and is combined with other similar funds to comprise the Proprietary Component Units of the State. In evaluating how to define the Authority, for financial reporting purposes, management has determined that there is one entity over which the Authority exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authority. The Authority exercises significant influence or accountability over the Oklahoma Credit Enhancement Reserve Fund (the "Fund").

Under Oklahoma statutes, the Credit Enhancement Reserve Fund Act (the "Act") created the Fund to be managed, administered, and utilized by the Authority solely to secure the payment of interest, principle, and premium, if any, on the revenue bonds and other financial obligations issued by the Authority for the purpose of enhancing and supporting the credit of such obligations. In addition, the Act authorizes the Fund to issue bonds which are the direct and general obligations of the State (to which the full faith and credit of the State is pledged) in a total principle amount not to exceed \$100,000,000 for the purpose of generating monies to be deposited to the Fund.

The Fund is a discretely presented component unit of the Authority and is reported as an enterprise fund. The Fund does not prepare separately issued financial statements. Collectively, the Authority and the Fund are also referred to the Authority.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Activities: The Authority administers several programs, as noted below, to meet the various economic needs of the State.

Conduit Lending Program: The Conduit Lending Program is completed through the authorization and sale of revenue bonds, notes, certificates of participation, or other evidence of indebtedness. Funds generated by such sale are then available for loans to qualified borrowers. The Authority does not guarantee such obligations.

First-Time Farmer Loan Program: The First-Time Farmer Loan Program is administered in conjunction with the Oklahoma Department of Agriculture and was established during 1994. This program is administered by the Authority using federal and state tax-exempt bond financing to reduce a farmer's interest rate for capital purchases. This program is structured so that a direct loan can be made between a borrower and a lender or between a buyer and a seller.

Small Business Financing Program: The Small Business Financing Program continues its efforts to provide additional funds and financing opportunities to Oklahoma's small business community. The Authority has assisted Rural Enterprises, Inc. ("REI") of Durant, Oklahoma, with the development of their SBA Micro Loan Program by furnishing seed money for the program.

Quality Jobs Investment Program: The Quality Jobs Investment Program ("QJIP") encourages the growth of equity and near equity capital for Oklahoma businesses. Under this program, the Authority can match dollar for dollar an investment enterprise's private capital for helping new and expanding businesses. The Program was created by the Authority and funded through a bond issuance in the amount of \$9,999,000 in 1997 with the proceeds restricted to fund the program.

Tax-Exempt Guaranty Pool: The Tax-Exempt Guaranty Pool ("TEGP") is designed to assist the Oklahoma Industrial Finance Authority (the "OIFA") in issuing tax-exempt bonds. TGEF acts as a private credit enhancement reserve fund to guarantee any loss after all resources of the OIFA have been exhausted. The guarantee is limited to the resources of the TGEF. The program was created by the Authority and funded through a transfer of \$500,000 from the Authority's unrestricted net assets.

The Public Facilities Financing Program: The Public Facilities Financing Program is designed to provide low-cost financing to an applying governmental entity for practically any need of the entity. In order to qualify, the governmental entity's project must contribute to the economic viability or attractiveness of the area impacted by the project, demonstrate strong public support, and the governmental entity must demonstrate the ability to repay borrowed funds.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Fund administers the following program:

Credit Enhancement Reserve Fund (“CERF”) Lending Program – The Authority is concentrating on CERF lending activities involving municipal or other governmentally supported obligations, primarily through the Public Facilities Financing Program.

Basis of Accounting: The operations of the Authority and the Fund are accounted for as enterprise funds on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred.

Balances classified as operating revenues and expenses are those which comprise the Authority's principal ongoing operations. Since the Authority's operations consist of administering economic development through the issuance of bonds and notes, most revenues and expenses are considered operating.

Use of Estimates: Accounting principles generally accepted in the United States of America 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 periods. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Authority and the Fund, for purposes of reporting cash flows, consider cash equivalents to include all highly liquid investments with an original maturity of three months, including money market mutual funds.

Fees Receivable and Other Current Assets: The majority of the fees receivable and other current assets consist of fees receivable. Fees receivable include amounts billed for administrative fees as of June 30, 2015. Fees receivable are accrued based on the annual fee as stipulated in the various bond indentures.

Investments: The Authority invests in various SBA Loan Pools. The SBA Loan Pools are recorded at fair value based on the average of two bids from independent brokers. Unrealized gains and losses and interest income are included in investment income.

Capital Assets: Capital assets are stated at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over an estimated useful life of 39 years for the building and five years for automobiles, furniture, and equipment.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserve for Losses: The reserve for losses is an estimate based on management's evaluation of the loan portfolio (those obligations guaranteed by the Fund) giving consideration to general economic conditions, the nature and volume of the loan portfolio, and the historic loan loss experience of the Fund. It is maintained at a level that management considers adequate to absorb potential losses in the loan portfolio.

Deferred Revenue: On certain debt financing which the Fund is guaranteeing, the Fund will receive all of its insurance premiums in advance. These premiums are deferred and recognized as revenue over the life of the various debt obligations on a straight-line basis.

Income Taxes: The Authority, as an integral part of the State, is exempt from federal and state income taxes.

Recently Issued Accounting Pronouncements: The following accounting pronouncements were issued during or subsequent to the fiscal year ended June 30, 2015.

In June, 2015 GASB issued *Statement No. 72 Fair Value Measurement and Application* effective for periods beginning after June 15, 2015. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement could potentially impact ODFA's 2016 financial statements.

In June, 2015 GASB issued *Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope Of GASB Statement 68 And Amendments To Certain Provisions of GASB 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. This statement will not impact the financial statements of ODFA.

In June, 2015 GASB issued *Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is not expected to impact the financial statements of ODFA.

In June, 2015, GASB issued *Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective for fiscal years beginning after June 15, 2017. This statement is not expected to impact the financial statements of ODFA.

**OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Recently Issued Accounting Pronouncements (continued):

In June, 2015 GASB issued *Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* effective for reporting periods beginning after June 15, 2015. This statement was issued to provide general guidance regarding the hierarchy of generally accepted accounting principles as it pertains to application of those principles in a government reporting environment. This statement is not expected to impact the financial reporting of ODFA.

In August, 2015 GASB issued *Statement No. 77, Tax Abatement Disclosures*, effective for periods beginning after December 15, 2015. This statement requires state and local governments that enter in to tax abatement agreements to report certain critical information about those agreements. Since ODFA does not have taxing authority it is unlikely that this statement will impact its financial statements.

NOTE B-DEPOSITS AND INVESTMENTS

Custodial Credit Risk-Deposits: Custodial credit risk is the risk that in event of a bank failure, any or all of the government's deposits may be lost. The Authority and Fund's deposits with a bank are invested in money market funds and then swept in to its operating account as needed. The money market funds' assets consist of U.S. Treasury bills, notes and securities backed by the full faith and credit of the U.S. Government. Any balances not invested in these money market funds are covered by FDIC insurance or are adequately covered by pledged collateral.

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

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority investments consist entirely of funds in SBA Loan Pools.

The Authority's and the Fund's cash and cash equivalents and investments consisted of the following at June 30, 2015:

<u>Type</u>	<u>Carrying value</u>	
	<u>Authority</u>	<u>Fund</u>
Cash and cash equivalents		
Money market mutual funds	\$ 1,342,285	\$ 1,185,746
Investment certificate issued by related entity	12,144,736	-
	<u>\$ 13,487,021</u>	<u>\$ 1,185,746</u>
Investments		
SBA loan pools	201,792	-
	<u>\$ 201,792</u>	<u>\$ -</u>

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE B-DEPOSITS AND INVESTMENTS (Continued)

Deposits: At June 30, 2015, the bank balances of the Authority's and the Fund's cash deposits were \$13,487,021 and \$1,185,746, respectively. Bank balances were covered by Federal Deposit Insurance or were deposited in cash funds indirectly invested in U.S. Treasury securities and backed by the full faith and credit of the U.S. Government.

Investments: The Authority's investments in SBA Loan Pools of \$201,792 are not evidenced by securities; therefore, these investments are not subject to risk categorization.

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than one</u>	<u>One to Five</u>	<u>Six to Ten</u>	<u>More than Ten</u>
Authority SBA Loan Pools	\$ 201,792	\$ -	\$ 36,943	\$ 16,040	\$ 148,809
	<u>\$ 201,792</u>	<u>\$ -</u>	<u>\$ 36,943</u>	<u>\$ 16,040</u>	<u>\$ 148,809</u>

NOTE C-NOTES RECEIVABLE

At June 30, 2015, the Authority's Quality Job Investment Program has various notes receivable from four entities, net of allowance, totaling \$1,187,567. The notes bear interest at variable interest rates ranging from the national prime rate to national prime plus 300 basis points. Interest is compounded monthly, quarterly or annually, as defined in each note agreement. The notes mature January 2009 to October, 2015 and are unsecured.

NOTE D-CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Land	\$ 285,624	-	-	\$ 285,624
Buildings	1,302,435	-	-	1,302,435
Automobiles	71,951	49	-	72,000
Furniture and equipment	153,245	5,639	-	158,884
	<u>199,286</u>	<u>5,688</u>	<u>-</u>	<u>1,818,943</u>
Accumulated depreciation	(105,645)	(66,431)	-	(172,076)
	<u>\$ 90,702</u>	<u>\$ (60,743)</u>	<u>\$ -</u>	<u>\$ 1,646,867</u>

Depreciation is calculated using the straight-line method over estimated useful lives as follows: Automobiles-5 years; Furniture and equipment-5 years.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE E-NONRECOURSE DEBT, NOTES RECEIVABLE AND FUNDS IN TRUST (CONDUIT DEBT)

Certain financing agreements are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired with proceeds of the debt obligations, or from the disposition of collateral. The Authority does not hold these notes receivable or trust investments in amounts equal to the loan-term financings.

The financings are not the general obligations of the Authority, and it is the opinion of the Authority's management and its legal counsel that, in the event of default by the borrower(s), the Authority has no responsibility for repayment of such financings.

Accordingly, the nonrecourse debt and the related notes receivable and trust investments have been excluded from the financial statements.

NOTE F-THE OKLAHOMA CREDIT ENHANCEMENT RESERVE FUND

Under the constitution of the State, the Fund may issue bonds of the State, to be known as the Oklahoma Credit Enhancement Reserve General Obligation Bonds, in a total principal amount of \$100,000,000 for the sole purpose of generating monies to be deposited to the Fund if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by the Authority solely to secure the payment of principal and interest on revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations.

As of June 30, 2015, there were approximately \$36.6 million of outstanding financial obligations insured by the Fund. The Authority has accrued a reserve for losses of approximately \$632,923 as of June 30, 2015, to cover potential losses from the outstanding financial obligations insured by the Fund. Through June 30, 2015, Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds have not been issued since it is the intention of the Authority to utilize existing assets to meet obligations arising from losses reserved by the Fund.

NOTE G-TAX-EXEMPT GUARANTY POOL

In August 1995, the Authority's Board of Directors created the Pool to assist the OIFA in obtaining tax-exempt financing on OIFA projects. The Pool was funded in fiscal year 1998 with \$500,000 of unrestricted monies held by the Authority. The Pool sets up a private credit enhancement reserve fund to guarantee a portion of any loss up to the amount in the Pool after all other resources to collect by the OIFA have been exhausted. At no time will the liability of the Pool be greater than the \$500,000 funding plus any premiums retained by the Pool.

At June 30, 2015, there were no outstanding financial obligations related to OIFA projects insured by the Pool.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE H-RELATED PARTIES

The Authority has a month-to-month agreement whereby OIFA provides staff support and administrative services to the Authority. The Authority in turn provides office space for OIFA and reimburses OIFA for its proportionate share of OIFA employees' salaries, benefits, taxes, and other costs. The Authority paid OIFA approximately \$534,442 during the year ended June 30, 2015 for these services.

The Authority's assets include an investment certificate issued by OIFA. The certificate was issued in connection with an investment certificate agreement dated July 1, 2012 that expires June 30, 2022. The certificate agreement enables the Authority to invest up to \$15 million with OIFA, which in turn deposits the funds with the Oklahoma State Treasurer under its OK Invest Program. The Authority has \$12,144,736 deposited toward this certificate at June 30, 2015. The certificate calls for the Authority to be paid interest earnings monthly at the rate of 1.25% below the OK Invest's rate of return for the month. Under the terms of the certificate, the Authority can request that OIFA return its principal amount within three days, therefore these funds have been included in cash and cash equivalents in the Authority's statement of net position. The certificate can also be terminated by either party upon three days' notice, at which time all principal and accrued interest will be paid to the Authority.

NOTE I-LEASE AGREEMENTS

The Authority leased a portion of its office space to the State Bond Advisor's Office. Rental income from leases for the year ended June 30, 2015, was approximately \$6,400.

NOTE J-BONDS PAYABLE

The Authority has issued revenue bonds to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program.

Revenue bonds outstanding at June 30, 2015, are as follows:

Oklahoma Development Finance Authority Oklahoma Quality Jobs Investment Program Revenue Bond, Series 1996, due April 1, 2031	<u>\$9,999,000</u>
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The registered owner of the bonds is the OIFA, a related party. There were no additions or retirements of revenue bonds during the year ended June 30, 2015. The original maturity date of the bond was April 1, 2006. However, on April 1, 2006 the Authority and OIFA signed an agreement to extend the maturity date to April 1, 2031.

Interest rates are variable with payments due quarterly with principal and all unpaid interest due at maturity. The variable rate of interest is equal to the OIFA's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2015 was 2.5%.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE J-BONDS PAYABLE (Continued)

The bonds are payable solely from and secured by (1) revenues derived by the Quality Job Investment Program from loan repayments, (2) funds in the Quality job Investment Program fund established by the Authority to support this bond and (3) a Credit Enhancement Reserve Fund guarantee insurance policy issued to the Oklahoma Industrial Finance Authority.

Neither the State nor any political subdivision is obligated to pay principal or interest on the bonds. The Authority does not have any taxing authority.

The annual debt service requirements to pay principal and interest on Quality Jobs Investment Program Revenue Bond, Series 1996, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	-	249,975
2017	-	249,975
2018	-	249,975
2019-2023	-	1,249,875
2024-2028	-	1,249,875
2029-2031	9,999,000	562,443
Total	<u>\$ 9,999,000</u>	<u>\$ 3,812,118</u>

Interest requirements for the variable rate debt were determined by using the rate in effect at June 30, 2015.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
SCHEDULE OF NET POSITION-TAX EXEMPT GUARANTY POOL
JUNE 30, 2015

Assets:

Cash and cash equivalents	\$ 731,432
Investments	804
Total assets	<u>732,236</u>

Liabilities

Accounts payable	-
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Net Position

	<u>\$ 732,236</u>
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OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
TAX EXEMPT GUARANTY POOL
YEAR ENDED JUNE 30, 2015

Operating revenues:		
Fee revenue	\$	3,239
Investment income		104
Total operating revenues		3,343
Operating expenses:		
Guaranty obligation		-
Interfund transfer		-
Total operating expenses		-
Change in net position		3,343
Net position, beginning of year		728,893
Net position, end of year		\$ 732,236

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
SCHEDULE OF NET POSITION-QUALITY JOBS INVESTMENT PROGRAM
JUNE 30, 2015

Assets:

Cash and cash equivalents	\$ 5,836,386
Accounts receivable- other	-
Interest receivable	11,281
Notes receivable	1,187,567
Investments	201,792
	<hr/> 7,237,026

Liabilities:

Accounts payable	200,000
Bonds payable	9,999,000
	<hr/> 10,199,000

Deficiency in Net Position	<hr/> <hr/> \$ (2,961,974)
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OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 QUALITY JOBS INVESTMENT PROGRAM
 YEAR ENDED JUNE 30, 2015

Operating revenues:	
Investment income	\$ 41,927
Total operating revenues	<u>41,927</u>
Operating expenses	
Interest expense	249,975
Management expense	6,000
Other	<u>2,094</u>
Total operating expenses	<u>258,069</u>
Change in net position	(216,142)
Deficiency in net position, beginning of year	<u>(2,745,832)</u>
Deficiency in net position, end of year	<u><u>\$ (2,961,974)</u></u>



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Oklahoma Development Finance Authority

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 Oklahoma Development Finance Authority ("Authority") as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oklahoma Development Finance Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 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 Oklahoma Development Finance 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, non-compliance 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.

HBC CPAs & Advisors

October 15, 2015