

OKLAHOMA COUNTY FINANCE AUTHORITY

Financial Statements

June 30, 2016 and 2015

OKLAHOMA COUNTY FINANCE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Oklahoma County Finance Authority
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma County Finance Authority (the "Authority"), a component unit of Oklahoma County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

Auditors' 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 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 auditors' 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 auditors consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 financial position of the Authority as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3–6 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, 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.

2015 Financial Statements

The financial statements of the Authority as of June 30, 2015, were audited by other auditors whose report dated August 20, 2015, expressed an unmodified opinion on those statements.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2016, 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.

Shawnee, Oklahoma
August 23, 2016

Finley & Cook, PLLC

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

The Oklahoma County Finance Authority (OCFA) is a public trust established pursuant to a trust indenture dated May 9, 1983. Under the trust indenture, the OCFA was created for the use and benefit of Oklahoma County under the provisions of Title 60, Oklahoma Statutes 1981, Sections 176 to 180.3, inclusive, as amended and supplemented, the Oklahoma Public Trust Act, and other applicable statutes of the State of Oklahoma.

The OCFA is authorized, in the furtherance of public purposes, to issue its revenue notes and bonds in order to provide funds for the development of commercial and industrial projects which will benefit Oklahoma County, including, but not limited to, educational, medical and housing projects. Pursuant to the respective trust indentures governing each project, the notes or bonds payable of each project do not constitute a debt, liability, or moral obligation of the State of Oklahoma, or any political subdivision thereof, or of Oklahoma County or the OCFA, nor does the indebtedness constitute a personal obligation of the trustees of the OCFA. The OCFA has no taxing power.

This section of the OCFA's annual financial report presents a discussion and analysis of its financial performance for the years ended June 30, 2016 and 2015. Please read it in conjunction with the financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three financial statements presented are as follows:

- **Statement of Net Position** - This statement presents information reflecting the OCFA's assets, liabilities and net position. Net position represents the amount of total assets less total liabilities.
- **Statement of Revenues, Expenses and Changes in Net Position** - This statement reflects the operating revenues and expenses, as well as nonoperating revenues and expenses, during the year. The primary operating revenues are annual fees. Operating expenses are limited to general and administrative expenses. The change in net position for an enterprise fund is similar to net profit or loss for a business.
- **Statement of Cash Flows** - This statement presents cash collections and payments by operating, investing and noncapital financing activities to arrive at the net increase or decrease in cash for the fiscal year.

The following tables summarize the financial position and results of operations of the OCFA for 2016, 2015, and 2014.

CONDENSED STATEMENTS OF NET POSITION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current assets	\$ 3,681,632	3,484,689	3,570,229
Noncurrent assets	23,007	33,305	43,600
Total assets	<u>\$ 3,704,639</u>	<u>3,517,994</u>	<u>3,613,829</u>
Liabilities and Net Position			
Current liabilities	\$ 4,837	3,489	2,949
Net position	3,699,802	3,514,505	3,610,880
Total liabilities and net position	<u>\$ 3,704,639</u>	<u>3,517,994</u>	<u>3,613,829</u>

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 242,673	200,969	234,768
Operating expenses	67,846	58,610	61,575
Operating income	174,827	142,359	173,193
Nonoperating revenues (expenses), net	10,470	(238,734)	(287,308)
Change in net position	185,297	(96,375)	(114,115)
Net position at beginning of year	3,514,505	3,610,880	3,724,995
Net position at end of year	<u>\$ 3,699,802</u>	<u>3,514,505</u>	<u>3,610,880</u>

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

FISCAL YEAR 2016

DEVELOPMENTS

Conduit Debt Obligations

The OCFA, as a conduit issuer, issued three conduit debt obligations during 2016 for \$63.9 million. Net principal pay downs on all conduit debt obligations totaled \$29.6 million during 2016. Outstanding conduit debt obligations increased from \$373.2 million at June 30, 2015, to \$407.5 million at June 30, 2016.

See note 3 to the financial statements for additional details and a listing of the OCFA's conduit debt obligations.

FINANCIAL HIGHLIGHTS

Statement of Net Position

Cash and Investments – Investments consist of certificates of deposit with maturities ranging from 6 to 12 months. Total cash and investments increased \$167,000 from \$3.35 million at June 30, 2015, to \$3.52 million at June 30, 2016. The increase was attributable to the current year change in net position.

Accounts Receivable – Accounts receivable consist of outstanding annual fees billed to conduit borrowers. Total accounts receivable decreased \$12,000 from \$78,000 at June 30, 2015, to \$66,000 at June 30, 2016.

Unrestricted Net Position – Unrestricted net position increased \$185,000 from \$3.51 million at June 30, 2015, to \$3.70 million at June 30, 2016. The increase was attributable to the 2016 change in net position.

Statement of Revenues, Expenses and Changes in Net Position

Change in Net Position – The change in net position increased \$281,000 from \$(96,000) in 2015 to \$185,000 in 2016. The increase was due to the \$249,000 increase in net nonoperating revenues and the \$33,000 increase in operating income. See discussions above and below.

Operating Revenues – Total operating revenues increased \$42,000 from \$201,000 in 2015 to \$243,000 in 2016.

- Annual fees increased \$26,000 from \$201,000 in 2015 to \$227,000 in 2016. In consideration for issuing conduit debt through the OCFA, conduit borrowers are obligated to pay the OCFA an annual fee, which is based on outstanding conduit debt balances. The increase in annual fees is consistent with the increase in conduit debt obligations outstanding.
- Acceptance and application fees increased from zero in 2015 to \$16,000 in 2016. In addition to annual fees, the OCFA can require conduit borrowers to pay the OCFA acceptance and application fees, which are based on specific transaction details of new conduit debt issuances.

Operating Expenses – General and administrative expenses increased \$9,000 from \$59,000 in 2015 to \$68,000 in 2016.

Nonoperating Revenues (Expenses) – Nonoperating revenues (expenses) increased \$249,000 from \$(239,000) in 2015 to \$10,000 in 2016. The increase is attributable to the \$250,000 decrease in discretionary expenditures from \$250,000 in 2015 (contribution to the Oklahoma City Public School District) to zero in 2016.

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

FISCAL YEAR 2015

DEVELOPMENTS

Conduit Debt Obligations

The OCFA, as a conduit issuer, issued one conduit debt obligation during 2015 for \$3.0 million. Net principal pay downs on all conduit debt obligations totaled \$29.9 million during 2015. Outstanding conduit debt obligations decreased from \$400.1 million at June 30, 2014, to \$373.2 million at June 30, 2015.

See note 3 to the financial statements for additional details and a listing of the OCFA's conduit debt obligations.

Contribution to the Oklahoma City Public School District

During 2015, the OCFA made a \$250,000 contribution to the Oklahoma City Public School District to partially fund capital improvements to the Harding high school building. The contribution is reflected as a nonoperating expense in the statement of revenues, expenses and changes in net position.

FINANCIAL HIGHLIGHTS

Statement of Net Position

Cash and Investments – Investments consist of certificates of deposit with maturities ranging from 6 to 12 months. Total cash and investments decreased \$93,000 from \$3.45 million at June 30, 2014, to \$3.35 million at June 30, 2015. The decrease was attributable to the current year change in net position.

Accounts Receivable – Accounts receivable consist of outstanding annual fees billed to conduit borrowers. Total accounts receivable increased \$4,000 from \$74,000 at June 30, 2014, to \$78,000 at June 30, 2015.

Unrestricted Net Position – Unrestricted net position decreased \$96,000 from \$3.61 million at June 30, 2014, to \$3.51 million at June 30, 2015. The decrease was attributable to the 2015 change in net position.

Statement of Revenues, Expenses and Changes in Net Position

Change in Net Position – The change in net position increased \$18,000 from \$(114,000) in 2014 to \$(96,000) in 2015. The increase was due to the \$49,000 reduction in net nonoperating expenses, offset by the \$34,000 reduction in operating revenues. See discussions above and below.

Operating Revenues – Total operating revenues decreased \$34,000 from \$235,000 in 2014 to \$201,000 in 2015.

- Annual fees decreased \$11,000 from \$212,000 in 2014 to \$201,000 in 2015. In consideration for issuing conduit debt through the OCFA, conduit borrowers are obligated to pay the OCFA an annual fee, which is based on outstanding conduit debt balances. The decrease in annual fees is consistent with the decrease in conduit debt obligations outstanding.
- Acceptance and application fees decreased from \$23,000 in 2014 to zero in 2015. In addition to annual fees, the OCFA can require conduit borrowers to pay the OCFA acceptance and application fees, which are based on specific transaction details of new conduit debt issuances.

Operating Expenses – General and administrative expenses decreased \$3,000 from \$62,000 in 2014 to \$59,000 in 2015.

Nonoperating Revenues (Expenses) – Nonoperating revenues (expenses) increased \$48,000 from \$(287,000) in 2014 to \$(239,000) in 2015. The increase is attributable to the \$50,000 decrease in discretionary expenditures from \$300,000 in 2014 (transfer to Oklahoma County for its SHINE Program) to \$250,000 in 2015 (contribution to the Oklahoma City Public School District).

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

CONTACTING THE OCFA

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

J. Kelly Work, General Counsel
Oklahoma County Finance Authority
105 North Hudson, Suite 304
Oklahoma City, Oklahoma 73102
Telephone: (405) 232-2790 or (405) 235-2329

OKLAHOMA COUNTY FINANCE AUTHORITY

Statements of Net Position June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash	\$ 2,011,151	1,852,172
Accounts receivable	43,393	44,603
Accrued annual fees	115,340	84,940
Investments	1,508,408	1,499,971
Other current assets	3,340	3,003
Total current assets	3,681,632	3,484,689
Noncurrent assets		
Accounts receivable	23,007	33,305
Total assets	\$ 3,704,639	3,517,994
Liabilities		
Current liabilities		
Accounts payable	\$ 4,837	3,489
Total current liabilities	4,837	3,489
Net Position		
Unrestricted	3,699,802	3,514,505
Total net position	3,699,802	3,514,505
Total liabilities and net position	\$ 3,704,639	3,517,994

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Annual fees	\$ 226,907	200,969
Acceptance and application fees	15,766	—
Total operating revenues	<u>242,673</u>	<u>200,969</u>
Operating Expenses		
General and administrative expenses	67,846	58,610
Total operating expenses	<u>67,846</u>	<u>58,610</u>
Operating income	174,827	142,359
Nonoperating Revenues (Expenses)		
Interest income	10,470	11,266
Contribution to the Oklahoma City Public School District	—	(250,000)
Total nonoperating revenues (expenses)	<u>10,470</u>	<u>(238,734)</u>
Change in net position	185,297	(96,375)
Net position at beginning of year	<u>3,514,505</u>	<u>3,610,880</u>
Net position at end of year	<u>\$ 3,699,802</u>	<u>3,514,505</u>

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2016 and 2015

1 ORGANIZATION

The Oklahoma County Finance Authority (OCFA) is a public trust established pursuant to a trust indenture dated May 9, 1983. Under the trust indenture, the OCFA was created for the use and benefit of Oklahoma County under the provisions of Title 60, Oklahoma Statutes 1981, Sections 176 to 180.3, inclusive, as amended and supplemented, the Oklahoma Public Trust Act, and other applicable statutes of the State of Oklahoma.

The OCFA is authorized, in the furtherance of public purposes, to issue its revenue notes and bonds in order to provide funds for the development of commercial and industrial projects which will benefit Oklahoma County, including, but not limited to, educational, medical and housing projects. Pursuant to the respective trust indentures governing each project, the notes or bonds payable of each project do not constitute a debt, liability, or moral obligation of the State of Oklahoma, or any political subdivision thereof, nor does the indebtedness constitute a personal obligation of the trustees of the OCFA. The OCFA has no taxing power.

The OCFA's Board of Trustees is appointed by the County Commissioners of Oklahoma County. In addition, the County Commissioners ultimately approve all conduit notes and bond obligations issued by the OCFA.

The OCFA is considered a discretely presented component unit of Oklahoma County and its financial statements are included in Oklahoma County's comprehensive annual financial report.

METHOD OF ACCOUNTING

The OCFA is accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is for costs and expenses (including depreciation) of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

OCFA OPERATIONS

The primary operating revenue of the OCFA is from annual fees charged to the conduit borrowers on the outstanding conduit debt balances. Additionally, the OCFA may charge conduit borrowers one time acceptance fees on new issuances.

Nonoperating revenues consist of interest income. The OCFA's operating expenses include expenses incurred as normal costs of carrying out its mission. These include but are not limited to rent, contracted and professional expenses, and other general and administrative costs.

CONDUIT DEBT ACTIVITIES

The OCFA arranges for nonrecourse debt through trustee banks on the bond or note agreements it administers. At approximately the same time, the OCFA enters into note agreements with the conduit borrowers. The note agreements transfer title to the borrower at the inception of the agreement. Such transactions would normally result in the recording of a receivable and corresponding debt by the OCFA; however, due to the nonrecourse nature of the related debt instruments, and because the OCFA acts only in a trustee capacity for the proceeds of the debt instruments, such assets and liabilities are not recorded by the OCFA.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2016 and 2015

FUND ACCOUNTING

The trust indenture agreements for the OCFA's conduit bond and note issues create project (or revenue) funds into which all revenue and income from the various trust estates are deposited. Certain of the trust indentures also provide for the creation of additional funds, known as sinking funds, reserve funds, and renewal and replacement funds, in which prescribed mandatory balances are accumulated to be used ultimately for the retirement of bonds and to provide assurance against default in the payment of interest and principal.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the OCFA are presented in conformity with accounting principles generally accepted in the United States of America as applied to state and local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BASIS OF ACCOUNTING

These financial statements have been prepared using the economic measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

INVESTMENTS

Investments consist of nonnegotiable certificates of deposit with original maturities exceeding three months but no more than 12 months at the date of purchase. The certificates of deposit are carried at cost, which approximates fair value.

ACCOUNTS RECEIVABLE

Accounts receivable consist of outstanding annual fees billed to conduit borrowers. Those amounts not expected to be collected within one year are reported as noncurrent assets in the accompanying statements of net position.

Management continually assesses the need for an allowance for uncollectible accounts for estimated losses resulting from the inability of third parties to make required payments. When deemed appropriate, the OCFA records an allowance for uncollectible accounts with a charge against operating revenues. Balances that remain outstanding after the OCFA has used reasonable collection efforts are written off against the allowance for uncollectible accounts.

Management considers all accounts receivable at June 30, 2016, to be fully collectible. As such, there is no allowance for uncollectible accounts recorded at such date.

INCOME TAXES

As a political subdivision of the State of Oklahoma, the OCFA is exempt from federal and state income taxes.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes; accordingly, actual results could differ from those estimates.

DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 23, 2016, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements June 30, 2016 and 2015

3 CONDUIT DEBT OBLIGATIONS

As indicated in Note 1, the activities of the OCFA consist primarily of arranging financing to industrial, commercial and other various organizations in an effort to promote economic development which will benefit Oklahoma County. Over time, these transactions have taken on various forms, including notes and bonds. The OCFA loans the proceeds from the notes and bonds to the organizations, or the OCFA leases the facilities acquired with the proceeds to the organizations under financing lease arrangements providing for transfer of the property to such organizations at the end of the lease.

The notes and bonds issued by the OCFA are special and limited obligations of the OCFA, payable solely out of revenues derived from and in connection with the underlying loan agreements and the underlying security provided under the loan agreements. The OCFA, Oklahoma County, the State of Oklahoma, or any other political subdivision thereof is not obligated, in any manner, for repayment of the notes and bonds. Accordingly, the notes and bonds are not reported as liabilities in the accompanying financial statements nor are the related investments reported as assets.

Since the OCFA was established, some financed projects have defaulted in the payment of principal and interest on the OCFA's conduit debt obligations. Since the notes and bonds issued by the OCFA are only limited obligations of the OCFA, the OCFA has not incurred any losses as a result of these defaults.

A summary of conduit debt obligations at June 30, 2016 and 2015, is as follows:

Project	Issuance Month	Original Amount	2016	2015
GNMA ARM Mortgage-Backed Securities Program				
Single Family Mortgage Revenue Bonds Series 1995	Nov 1995	\$ 13,000,000	690,369	819,033
ChapelRidge of North Edmond Project				
Multifamily Housing Revenue Bonds Series 2003	May 2003	8,250,000	7,585,684	7,667,935
ChapelRidge of MWC Tinker Project				
Multifamily Housing Revenue Refunding Bonds Series 2004	Jun 2004	7,800,000	7,243,804	7,317,713
Rockwell Villa Apartments Project				
Multifamily Housing Revenue Refunding Bonds Series 2004	Dec 2004	2,500,000	1,257,122	1,296,904
London Square Apartments Project				
Multifamily Housing Revenue Bonds Series 2004	Dec 2004	9,000,000	5,755,858	5,919,942
Epworth Villa Project				
Revenue Refunding Bonds Series 2004B	Jan 2005	5,040,000	3,500,000	3,500,000
Concordia Life Care Community				
Retirement Facility Revenue Bonds Series 2005A	Nov 2005	26,330,000	23,740,000	24,235,000
Series 2005B-1		3,500,000	3,500,000	3,500,000
Series 2005B-2		4,000,000	4,000,000	4,000,000
Epworth Villa Project				
Revenue Refunding Bonds Series 2005A	Dec 2005	11,460,000	9,895,000	10,195,000
Series 2005B		2,000,000	2,000,000	2,000,000
Millwood Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2007	Aug 2007	5,460,000	2,585,000	3,040,000
Jones Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2008	Sep 2008	9,825,000	7,290,000	7,290,000

(continued)

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements
June 30, 2016 and 2015

Project	Issuance Month	Original Amount	2016	2015
Western Heights Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2009	Jun 2009	\$ 43,840,000	23,670,000	27,740,000
Choctaw-Nicomma Park Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2009B	Jul 2009	53,585,000	49,285,000	53,585,000
Crooked Oak Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2009A	Aug 2009	10,480,000	5,940,000	6,970,000
Deer Creek Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2010A	Apr 2010	51,800,000	30,250,000	35,745,000
Bethany Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2011A	Oct 2011	2,205,000	—	600,000
Oklahoma City County Health Department Project				
Lease Revenue Bonds Series 2012	Jan 2012	8,395,000	7,035,000	7,385,000
Midwest City-Del City Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2012	Feb 2012	72,620,000	34,440,000	42,835,000
Deer Creek Public Schools Project				
Lease Revenue Notes Series 2012	Jun 2012	15,705,000	12,919,730	13,540,826
Luther Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2012	Sep 2012	10,560,000	8,395,000	9,130,000
Epworth Villa Project				
Revenue Bonds Series 2012A	Dec 2012	72,765,000	69,405,000	70,530,000
Western Heights Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2013	Jul 2013	14,265,000	12,400,000	13,345,000
Crooked Oak Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2013A	Aug 2013	7,660,000	7,660,000	7,660,000
Series 2013B		390,000	390,000	390,000
Science Museum Oklahoma Project				
Revenue Note Series 2014	Dec 2014	3,000,000	2,772,042	2,925,477
Bethany Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2015	Aug 2015	4,110,000	4,110,000	—
Deer Creek Public Schools Project				
Lease Revenue Notes Series 2015	Oct 2015	45,860,000	45,860,000	—
Harrah Public Schools Project				
Educational Facilities Lease Revenue Bonds Series 2016	Jun 2016	13,945,000	13,945,000	—
		\$ 539,350,000	407,519,609	373,162,830

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2016 and 2015

4 DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the OCFA may not recover its deposits. The OCFA's policy to minimize its exposure to custodial credit risk for deposit is that all deposits shall either be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the cognizant Federal Reserve Bank or invested in United States government obligations, and direct debt obligations of municipalities, counties and school districts in the State of Oklahoma, in the OCFA's name. The OCFA's bank balance of \$2.01 million and \$1.85 million, at June 30, 2016 and 2015, respectively, is fully insured or collateralized with securities.

INVESTMENTS

As of June 30, 2016 and 2015, the OCFA had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Ratings</u>
2016			
Certificates of deposit	\$ 1,508,408	0.83	N/A
2015			
Certificates of deposit	\$ 1,499,971	0.83	N/A

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The OCFA minimizes its exposure to interest rate risk by limiting the duration of certificates of deposit or other fixed-income securities.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The OCFA minimizes its exposure to investment credit risk by adopting investment policies that comply with Oklahoma State statutes. As a result, investments are limited to the following:

- Direct obligations of the United States government, its agencies and instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged;
- Obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds;
- Collateralized or insured certificates of deposit;
- Repurchase agreements that have underlying collateral of direct obligations or obligations of the United States government, its agencies and instrumentalities; and
- Money market funds and repurchase agreements which investments consist of the authorized investments of United States government agency obligations with restrictions as specified in state law.

The OCFA has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations and agencies as of year end. Unless there is information to the contrary, obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2016 and 2015

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the OCFA will not be able to recover the value of its investments. The OCFA minimizes its exposure to custodial credit risk for investments by adopting investment policies that comply with Oklahoma State statutes discussed above. At June 30, 2016 and 2015, the OCFA's investments are certificates of deposit in local banks. The OCFA's portfolio of certificates of deposit at June 30, 2016 and 2015 is fully insured or collateralized with securities.

5 CONTRIBUTION TO THE OKLAHOMA CITY PUBLIC SCHOOL DISTRICT

During 2015, the OCFA contributed \$250,000 to the Oklahoma City Public School District to partially fund capital improvements to the Harding high school building.

6 RELATED-PARTY TRANSACTIONS

The OCFA held certificates of deposit totaling \$360,000 and \$358,000 at June 30, 2016 and 2015, respectively, from a bank where the OCFA's former Chairman serves as President and Chief Executive Officer. Interest rates on these certificates of deposit are comparable to the portfolio of certificates of deposit. As discussed in note 4, these certificates of deposits, as with all certificates of deposit in the portfolio, are fully insured or collateralized with securities.

7 CONTINGENCIES

From time to time, the OCFA may be named as a defendant in foreclosure or other proceedings against a project in which the OCFA has issued its revenue bonds or notes. However, as described in Note 1, the OCFA is not obligated, in any manner, for repayment of the bonds or notes. Therefore the financial statements do not include any provisions for loss contingencies.



**INDEPENDENT AUDITORS' 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**

Board of Trustees
Oklahoma County Finance Authority
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States 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 County Finance Authority (the "Authority"), a component unit of Oklahoma County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Authority'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shawnee, Oklahoma
August 23, 2016