



FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023. 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 2023 and 2022.

Assets:	<u>2023</u>	<u>2022</u>
Current assets	\$ 9,667,442	\$ 10,607,842
Capital assets	1,330,741	1,388,319
Other non-current assets	<u>2,166,961</u>	<u>61,413</u>
Total Assets	<u>13,165,144</u>	<u>12,057,574</u>
Liabilities:		
Current liabilities	10,952	3,696
Bonds payable	3,000,000	3,000,000
Other non-current liabilities	<u>-</u>	<u>10,944</u>
Total Liabilities	<u>3,010,952</u>	<u>3,014,640</u>
Deferred inflows of resources	<u>5,661</u>	<u>15,482</u>
Net Position:		
Invested in capital assets	1,330,741	1,388,319
Unrestricted	<u>8,817,790</u>	<u>7,639,133</u>
Total Net Position	<u>\$ 10,148,531</u>	<u>\$ 9,027,452</u>
Operating Revenues:		
Fee revenue	\$ 2,085,884	\$ 1,251,519
Interest and Investment income	178,740	21,668
Other	<u>9,508</u>	<u>9,259</u>
Total Operating Revenues	<u>2,274,132</u>	<u>1,282,446</u>
Operating Expenses:		
Interest expense	203,530	139,953
Other operating expenses	<u>949,523</u>	<u>862,612</u>
Total Operating Expenses	<u>1,153,053</u>	<u>1,002,565</u>
Other income (expense)	<u>-</u>	<u>-</u>
Change in net position	1,121,079	279,881
Total net position, beginning of the year	<u>9,027,452</u>	<u>8,747,571</u>
Total net position, end of the year	<u>\$ 10,148,531</u>	<u>\$ 9,027,452</u>

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 increased by \$1,107,570 on June 30, 2023. The primary change factor was the increase in the net position, which resulted in an increase in total cash and investments. Cash was transferred to investments during the year to take advantage of the higher interest rates, resulting in a decrease in cash of approximately \$4 million and an increase in investments of approximately \$5 million. Also, accounts receivable increased during the year by approximately \$180,000.
- Total liabilities decreased by \$3,688 in 2023. The primary decrease was the reduction in lease liabilities by approximately \$3,200. This reduction was due to the payment of lease obligations and the expiration of certain leases, which are recorded in accordance with accounting standard GASB 87.
- Total operating revenues increased by \$991,686 in 2023, primarily due to increases in administrative fee revenue, application and closing fee revenue, and interest income. Administrative fee revenue increased by approximately \$405,000, application and closing fee revenue increased by approximately \$428,000, and interest income increased by approximately \$157,000.
- Operating expenses increased by \$150,488 in 2023. The increase was primarily due to increases in management expenses, interest expense, and bad debt expense. Management expenses increased by approximately \$36,000, interest expense increased by approximately \$63,000 due to an increase in rates, and bad debt expense increased by approximately \$41,000.
- Net position increased by \$1,121,079 in 2023, primarily due to the increases discussed above.

Management's Discussion and Analysis
THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

DEBT ADMINISTRATION

The Authority has \$3,000,000 of outstanding debt at June 30, 2023. The bonds are Series 1996 that are due August 31, 2045. The registered owner of the bonds is Oklahoma Industrial Finance 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

Opinion

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, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Development Finance Authority, as of June 30, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

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 16-17) 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 and *Government Auditing Standards*. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023, 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.



Oklahoma City, Oklahoma
October 19, 2023

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Total Primary Government	Component Unit (Credit Enhancement Reserve Fund)
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,966,244	\$ 1,259,456
Interest receivable	25,405	-
Fees receivable and other current assets	720,528	-
Lease receivable	5,598	-
Investments	2,949,667	-
Total current assets	9,667,442	1,259,456
Noncurrent assets:		
Investments	2,126,877	-
Notes receivable, net of allowance for uncollectible loans of \$632,923	29,131	-
Lease receivable	-	-
Capital assets, net of accumulated depreciation of \$465,037	1,330,741	-
Right-of-use asset	10,953	-
Total noncurrent assets	3,497,702	-
Total assets	13,165,144	1,259,456
Liabilities		
Current liabilities		
Accounts payable	-	-
Lease liability	10,952	-
Total current liabilities	10,952	-
Noncurrent Liabilities		
Bonds payable	3,000,000	-
Deferred revenue	-	11,478
Lease liability	-	-
Total noncurrent liabilities	3,000,000	11,478
Total liabilities	3,010,952	11,478
Deferred inflows of resources	5,661	-
Net Position		
Invested in capital assets	1,330,741	-
Unrestricted	8,817,790	1,247,978
Total net position	\$ 10,148,531	\$ 1,247,978

See accompanying notes.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	<u>Total Primary Government</u>	<u>Component Unit (Credit Enhancement Reserve Fund)</u>
Operating revenues:		
Fee revenue	\$ 2,085,884	\$ -
Insurance premiums	-	6,839
Interest and investment income	178,740	33,740
Rental income	9,508	-
Total operating revenues	<u>2,274,132</u>	<u>40,579</u>
Operating expenses:		
Personnel services	573,894	-
Professional services	117,181	-
Administrative	200,870	1,500
Depreciation	57,578	-
Interest expense	203,530	-
Total operating expenses	<u>1,153,053</u>	<u>1,500</u>
Operating income	1,121,079	39,079
Income from non-operating activities:		
Gain (loss) on sale of asset	-	-
Income from in-kind sponsorship	7,500	-
In-kind sponsorship expense	(7,500)	-
Investment adjustment	-	-
Total income from non-operating activities	<u>-</u>	<u>-</u>
Change in net position	<u>1,121,079</u>	<u>39,079</u>
Net position, beginning of year	<u>9,027,452</u>	<u>1,208,899</u>
Net position, end of year	<u>\$ 10,148,531</u>	<u>\$ 1,247,978</u>

See accompanying notes.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	Total Primary Government	Component Unit (Credit Enhancement Reserve Fund)
Cash flows from operating activities:		
Cash received for fees and insurance premiums	\$ 1,905,896	\$ -
Interest and investment income received on investments	188,481	33,742
Cash paid for personnel	(573,894)	-
Cash paid to suppliers	(318,301)	(1,500)
Interest paid on debt	(203,530)	-
Net cash provided by operating activities	<u>998,652</u>	<u>32,242</u>
Cash flows from investing activities:		
Purchases of capital assets	-	-
Sale of capital assets	-	-
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Purchase of Investments	(5,090,590)	-
Proceeds of Investments	-	-
Proceeds of from Debt	-	-
Payments of Debt	-	-
Net cash used provided by (used in) investing activities	<u>(5,090,590)</u>	<u>-</u>
Net increase in cash and cash equivalents	(4,091,938)	32,242
Cash and cash equivalents, beginning of year	10,058,182	1,227,214
Cash and cash equivalents, end of year	<u>\$ 5,966,244</u>	<u>\$ 1,259,456</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,121,079	\$ 39,079
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	57,578	-
Change in assets and liabilities:		
Lease receivable	10,057	-
Fees receivable and other current assets	(180,823)	-
Right-of-use asset	3,438	-
Accounts payable	416	-
Escrow payable	-	-
Lease liability	(3,272)	-
Deferred revenue and reserve for losses	-	(6,837)
Deferred inflows of resources	(9,821)	-
Net cash provided by operating activities	<u>\$ 998,652</u>	<u>\$ 32,242</u>

See accompanying notes.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, principal, 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 principal 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, 2023

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.

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. TEGP 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 TEGP. 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.

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.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023. Fees receivable are accrued based on the annual fee as stipulated in the various bond indentures.

Investments: Investments are recorded at fair value which is determined by the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and 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 thirty-nine years for the building. Five years for automobiles, furniture and equipment. Three years for computers, mobile phones and tablets.

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.

Subsequent events: Management has evaluated subsequent events through October 19, 2023, the date the financial statements were available to be issued.

Recently Issued Accounting Pronouncements: As of the fiscal year ended June 30, 2023, there have been no new accounting pronouncements issued during or subsequent to this period that impact the Authority's financial statements.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, however the Authority participates, through an investment certificate, funds managed by the Oklahoma State Treasurer which is required to limit its investments in accordance with Oklahoma laws.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer.

The Authority's and the Fund's cash and cash equivalents and investments consisted of the following at June 30, 2023:

<u>Type</u>	<u>Carrying value</u>	
	<u>Authority</u>	<u>Fund</u>
Cash and cash equivalents		
Money market mutual funds	\$ 159,244	\$ 1,259,456
Investment certificate issued by related entity	5,807,000	-
	<u>\$ 5,966,244</u>	<u>\$ 1,259,456</u>
Investments		
Certificate of deposit	\$ 1,896,040	-
Treasury bonds	3,173,120	-
SBA loan pools	7,384	-
	<u>\$ 5,076,544</u>	<u>\$ -</u>

Deposits: At June 30, 2023, the bank balances of the Authority's and the Fund's cash deposits were \$5,966,244 and \$1,259,456, respectively. Bank balances were covered by Federal Deposit Insurance Corporation (FDIC) 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.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE B-DEPOSITS AND INVESTMENTS (Continued)

Investments: The Authority classifies its fair value instruments according to the fair value hierarchy established by generally accepted accounting principles (GAAP). This hierarchy is determined based on the valuation inputs utilized for assessing the fair value of each asset:

- *Level 1 Inputs:* These inputs consist of quoted market prices in active markets for identical assets.
- *Level 2 Inputs:* These inputs are significant, observable inputs other than quoted market prices for identical assets.
- *Level 3 Inputs:* These inputs are considered significant but unobservable.

The Authority's investment portfolio comprises the following components:

Certificates of Deposit (CDs) and Treasury Securities:

- The Authority categorizes its holdings of Treasury securities and CDs as Level 1 inputs. These securities include Treasury securities with maturities ranging from four to thirteen months. The total value of long-term Treasury securities is \$694,463, and short-term Treasury securities amount to \$2,478,657. It is important to note that these Treasury securities are fully backed by the full faith and credit of the U.S. Government.
- The CDs are invested in various banks, all of which remain below the FDIC insurance limit. The CDs in the Authority's portfolio have varying maturities, ranging from eleven months to twenty-three months. The total value of long-term CDs is \$1,425,030, with short-term CDs totaling \$471,010.

Small Business Administration (SBA) Loan Pools:

- The Authority maintains investments in Small Business Administration (SBA) loan pools with a total value of \$7,384. The valuation of these SBA loan pools is determined based on the average of two bids received from independent brokers, which the Authority categorizes as Level 2 inputs.

NOTE C-NOTES RECEIVABLE

At June 30, 2023, the Authority has various notes receivable from two entities, net of allowance, totaling \$29,131. 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 to November, 2028 and are unsecured.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE D -LEASE RECEIVABLE

As of June 30, 2023, the Authority reports leases receivable at a net present value of \$5,598. In the fiscal year 2023, the Authority recognized lease revenue of \$9,508 and interest revenue of \$29 related to lease payments received. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases," the Authority reports the following information related to its lease arrangements:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Office lease	\$ 5,598	\$ 9,508	\$ 29

The Authority entered into a lease agreement with a private company on March 1, 2021, which spans a three-year term. Under the terms of this lease agreement, the private company makes monthly lease payments of \$800. Additionally, as part of this lease arrangement, the private company receives a waiver of annual association dues and noncash credits to be utilized at local sponsorship events. The fair value of these noncash benefits is estimated at \$7,500. This value is recognized in the financial statements as both in-kind revenue and in-kind expense.

NOTE E-CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>
Land	\$ 285,624	\$ -	\$ -	\$ 285,624
Buildings	1,302,435	-	-	1,302,435
Automobiles	77,806	-	-	77,806
Furniture and equipment	187,490	-	-	187,490
	1,853,355	-	-	1,853,355
Accumulated depreciation	(465,036)	(57,578)	-	(522,614)
	\$ 1,388,319	\$ (40,402)	\$ -	\$ 1,330,741

Depreciation is calculated using the straight-line method over estimated useful lives as follows: Automobiles-5 years; Furniture and equipment-5 years; Electronic devices-3 years.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE F-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 G-THE OKLAHOMA CREDIT ENHANCEMENT RESERVE FUND

The Oklahoma Credit Enhancement Reserve Fund is managed, administered, and utilized by the Authority to enhance and support the credit of insured debt obligations issued by the Authority and, in the event of default, to make funds available to fulfill commitments for these insured debt obligations. Under the constitution of the State of Oklahoma, 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 up to \$100,000,000, for the sole purpose of generating monies to be deposited to the Fund in the event there are insufficient assets or pledged revenue streams to meet debt obligations insured by the Fund.

At June 30, 2023, there were approximately \$16.1 million of outstanding financial obligations insured by the Fund. The Fund has a net position (available net assets) of \$1,247,978 available to cover potential losses resulting from claims insured by the Fund as of June 30, 2023. In addition, the Authority has accrued a reserve for losses of approximately \$632,923 as of June 30, 2023 to cover potential losses from the \$3,000,000 outstanding financial obligations insured by the Fund. In the event of a claim, Management believes these cash reserves will allow the Fund adequate resources to keep principal and interest payments current until such time state general obligation bonds can be issued. As of June 30, 2023, no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds have been issued, and it is the full intention of the Authority to utilize the Fund's existing available net assets to meet obligations arising from losses insured by the Fund.

NOTE H-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, 2023, there were no outstanding financial obligations related to OIFA projects insured by the Pool.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE I-RELATED PARTIES

The Authority maintains a month-to-month agreement with the Oklahoma Industrial Finance Authority (OIFA), pursuant to which OIFA provides staff support and administrative services to the Authority. In exchange, the Authority offers office space to OIFA and reimburses OIFA for its proportionate share of employee salaries, benefits, taxes, and other associated costs. During the fiscal year ending June 30, 2023, the Authority disbursed approximately \$560,000 to OIFA for the provision of these services.

Additionally, the Authority holds an investment certificate issued by OIFA. This certificate was originally established in conjunction with an Investment Certificate Agreement dated July 1, 2012, with an expiration date of June 30, 2023. The agreement permitted the Authority to invest up to \$20 million with OIFA, who, in turn, deposited the funds with the Oklahoma State Treasurer under its OK Invest Program. As of June 30, 2023, the Authority had \$5,807,000 deposited toward this certificate.

Between July 1, 2020, and April 30, 2021, the certificate stipulated that the Authority would receive monthly interest earnings calculated at a rate of 1.25% below the OK Invest Program's rate of return for the respective month. However, the certificate was subsequently updated on May 1, 2021, to align the annual interest rate with one-fifth of the rate paid by the OK Invest Program's monthly return. The Authority has the option to request the return of its principal amount within three days. Consequently, these funds have been included in the Authority's statement of net position as part of its cash and cash equivalents.

Furthermore, the certificate can be terminated by either party upon three days' notice, at which point the Authority will receive the full principal amount along with any accrued interest.

NOTE J-LEASES

The Authority reports the following information related to its lease arrangements:

Describe	Date	Payment Terms	Payment Amount	Interest Rate	Balance June 30, 2023
Copier	9/10/2021	5 years	\$ 300	0.82%	\$ 10,951

In 2021, the Authority entered into a lease agreement with a company to manage their print services. The lease pertains to copier services provided to the Authority. Under the terms of the lease agreement, the Authority is committed to making monthly lease payments of \$300 with a term that spans five years.

The lease is classified as an operating lease. Operating leases are recognized as a straight-line expense over the lease term, while financing leases result in the recognition of a lease liability and a corresponding right-of-use asset. Consequently, the Authority records lease expense of \$300 per month in its statement of activities.

Year Ending June 30	Principal	Interest
2024	3,522	77
2025	3,550	48
2026	3,579	18
2027	300	-
	<u>\$ 10,950</u>	<u>\$ 143</u>

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE K-BONDS PAYABLE

The Authority has issued revenue bonds to fund loans to various investment enterprises.

Revenue bonds outstanding at June 30, 2023, are as follows:

Oklahoma Development Finance Authority, Series 1996, due August 31, 2045	<u>\$3,000,000</u>
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The registered owner of the bonds is the OIFA, a related party.

On June 30, 2023 the Authority owed \$3,000,000 for bonds under the *ODFA Quality Jobs Investment Program Revenue Bond- Series 1996*.

Interest rates are variable with payments due quarterly and 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 plus 300 basis points (3.00%) per annum. The interest rate at June 30, 2023 was 4.65%.

The bonds are payable solely from and secured by (1) revenues derived from loan repayments, (2) funds 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 Oklahoma Development Finance Authority Revenue Bond, Series 1996, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	-	165,000
2025	-	165,000
2026	-	165,000
2027	-	165,000
2028	-	165,000
2029-2045	3,000,000	2,640,000
Total	\$ 3,000,000	\$ 3,465,000

The annual interest service requirement above is based on an average of the prior three years of interest paid, as the interest rate is variable and changes quarterly.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
SCHEDULE OF NET POSITION-TAX EXEMPT GUARANTY POOL
JUNE 30, 2023

Assets:

Cash and cash equivalents	\$ 767,925
Due from general fund	-
Total assets	<u>767,925</u>

Liabilities

Accounts payable	-
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Net Position

<u>\$ 767,925</u>

**OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
TAX EXEMPT GUARANTY POOL
YEAR ENDED JUNE 30, 2023**

Operating revenues:		
Interest income	\$	2,857
Total operating revenues		2,857
Operating expenses:		
Guaranty obligation		-
Interfund transfer		-
Total operating expenses		-
Change in net position		2,857
Net position, beginning of year		765,068
Net position, end of year	\$	767,925



INDEPENDENT AUDITOR'S 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 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, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oklahoma Development Finance Authority's internal control over financial reporting (internal control) as a basis for designing 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 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.

Report on 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, noncompliance with which could have a direct and material effect on the financial statements. 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

Oklahoma City, Oklahoma
October 19, 2023