

OKLAHOMA COUNTY FINANCE AUTHORITY

June 30, 2011

OKLAHOMA COUNTY FINANCE AUTHORITY

June 30, 2011

AUDITED FINANCIAL STATEMENTS

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Independent Auditors' Report

The Board of Trustees
Oklahoma County Finance Authority
Oklahoma City, Oklahoma

We have audited the accompanying statement of net assets of Oklahoma County Finance Authority (the "Authority"), a component unit of Oklahoma County, as of June 30, 2011, and the related statement of revenues, expenses and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's trustees. Our responsibility is to express an opinion on the Authority's 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma County Finance Authority as of June 30, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 14, 2011

OKLAHOMA COUNTY FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Oklahoma County Finance Authority (the "Authority") is a public trust established pursuant to a trust indenture dated May 9, 1983. Under the trust indenture, the Authority was created for the use and benefit of Oklahoma County (the "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 Authority 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 the 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 the County or the Authority, nor does the indebtedness constitute a personal obligation of the trustees of the Authority. The Authority has no taxing power.

This section of the Authority's annual financial report presents a discussion and analysis of its financial performance for the year ended June 30, 2011. Please read it in conjunction with the financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Statement of Net Assets - This statement presents information reflecting the Authority's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities.
- Statement of Revenues, Expenses and Changes in Net Assets - 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 are professional fees and general and administrative expenses. The change in net assets 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 fiscal year.

OKLAHOMA COUNTY FINANCE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

The following table summarizes the financial position and results of operations of the Authority for 2011 and 2010.

	<u>2011</u>	<u>2010</u>
		(as restated)
Condensed Statements of Net Assets		
Assets:		
Current assets	\$ 3,325,332	\$ 3,253,343
Noncurrent assets	<u>60,000</u>	<u>-</u>
Total Assets	3,385,332	3,253,343
Liabilities:		
Current liabilities	<u>4,463</u>	<u>932</u>
Total Liabilities	<u>4,463</u>	<u>932</u>
Net Assets:		
Unrestricted net assets	<u>3,380,869</u>	<u>3,252,411</u>
Total Net Assets	<u>\$ 3,380,869</u>	<u>\$ 3,252,411</u>

Condensed Statements of Revenues, Expenses and Changes in Net Assets

Operating Revenues:		
Administrative and acceptance fees	\$ 157,550	\$ 263,228
Project owner reimbursements	<u>14,376</u>	<u>14,117</u>
Total Operating Revenues	<u>171,926</u>	<u>277,345</u>
Operating Expenses:		
General and administrative	31,253	36,964
Professional fees	<u>23,940</u>	<u>20,148</u>
Operating Expenses	<u>55,193</u>	<u>57,112</u>
Operating Income	116,733	220,233
Non-Operating Revenues:		
Interest income	<u>11,725</u>	<u>22,461</u>
Non-Operating Revenues	<u>11,725</u>	<u>22,461</u>
Change in Net Assets	128,458	242,694
Net Assets at Beginning of Year	<u>3,252,411</u>	<u>3,009,717</u>
Net Assets at End of Year	<u>\$ 3,380,869</u>	<u>\$ 3,252,411</u>

OKLAHOMA COUNTY FINANCE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

FINANCIAL HIGHLIGHTS

- The Authority's total assets increased from June 30, 2010 to June 30, 2011 by \$132,000. This increase is primarily attributable to the change in net assets generated in fiscal year 2011.
- Total operating revenues for fiscal year 2011 decreased by \$105,000 over fiscal year 2010.
 - Acceptance fee revenues decreased from \$173,000 in fiscal year 2010 to \$0 in fiscal year 2011. Since the Authority had no conduit debt obligations issued in fiscal year 2011, there were no acceptance fee revenues.
 - Administrative fees increased by \$68,000 in 2011, from \$90,000 in 2010 to \$158,000 in 2011. The principal causes of the increase were an increase in the Authority's average conduit debt obligation outstanding in fiscal year 2011 over 2010, which contributed \$22,000 of the increase, and a reduction in the amount of uncollectible revenues of \$57,000 in 2011 compared to 2010. Administrative fee revenues are reflected net of estimated uncollectible revenues.
- There was no significant change in total operating expenses which decreased slightly from \$57,000 in fiscal year 2010 to \$55,000 in fiscal year 2011.
- The Authority's total net assets increased from June 30, 2010 to June 30, 2011 by \$128,000. This increase represents the change in net assets generated in fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2011, the Authority had invested \$4,000 in capital assets, including office furniture. As of June 30, 2011 and 2010 these capital assets were fully depreciated resulting in net capital assets of \$0.

The Authority has no outstanding debt as of June 30, 2011.

The Authority, as a conduit bond issuer, has had outstanding issues which have been in default in the payment of principal and interest. Since the notes and bonds issued by the Authority are only limited obligations of the Authority, as discussed above, the Authority has not incurred any losses as a result of these defaults. See Note B to the financial statements for additional details concerning the Authority's conduit debt obligations.

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:

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

STATEMENT OF NET ASSETS

OKLAHOMA COUNTY FINANCE AUTHORITY

June 30, 2011

CURRENT ASSETS

Cash and cash equivalents	\$	466,821
Certificates of deposit		2,658,339
Accrued interest receivable		3,290
Prepaid insurance		3,110
Accounts receivable, less allowance for uncollectible accounts of approximately \$107,000		<u>193,772</u>
TOTAL CURRENT ASSETS		3,325,332

NONCURRENT ASSETS

Accounts receivable, less allowance for doubtful accounts of approximatey \$18,000		<u>60,000</u>
TOTAL ASSETS		3,385,332

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		<u>4,463</u>
TOTAL CURRENT LIABILITIES		<u>4,463</u>

NET ASSETS

Unrestricted net assets		<u>3,380,869</u>
TOTAL NET ASSETS	\$	<u><u>3,380,869</u></u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OKLAHOMA COUNTY FINANCE AUTHORITY

Year Ended June 30, 2011

OPERATING REVENUES

Administrative fees	\$ 157,550
Project owner reimbursements	<u>14,376</u>
	<u>171,926</u>

EXPENSES

General and administrative	31,253
Professional fees	<u>23,940</u>
	<u>55,193</u>

OPERATING INCOME 116,733

NONOPERATING REVENUES

Interest income	<u>11,725</u>
	<u>11,725</u>

CHANGE IN NET ASSETS 128,458

NET ASSETS AT BEGINNING OF YEAR (as restated) 3,252,411

NET ASSETS AT END OF YEAR \$ 3,380,869

See notes to financial statements.

STATEMENT OF CASH FLOWS

OKLAHOMA COUNTY FINANCE AUTHORITY

Year Ended June 30, 2011

OPERATING ACTIVITIES

Cash received from project owners	\$ 138,654
Operating expenses paid	<u>(51,836)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	86,818

INVESTING ACTIVITIES

Interest income received	11,204
Purchases of certificates of deposit	(5,310,761)
Maturities of certificates of deposit	<u>5,299,731</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>174</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 86,992

CASH AND CASH EQUIVALENTS AT

BEGINNING OF YEAR (as reclassified) 379,829

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 466,821

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 116,733
Adjustments to reconcile operating income to net cash provided by operating activities:	
Revenue reduced for uncollectible accounts	22,021
Changes in operating assets and liabilities:	
Accounts receivable	(55,293)
Other current assets	(174)
Accounts payable	<u>3,531</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 86,818

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA COUNTY FINANCE AUTHORITY

June 30, 2011

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Oklahoma County Finance Authority (the "Authority") is a public trust established pursuant to a trust indenture dated May 9, 1983. Under the trust indenture, the Authority was created for the use and benefit of Oklahoma County (the "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 Authority 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 the 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 the County or the Authority, nor does the indebtedness constitute a personal obligation of the trustees of the Authority. The Authority has no taxing power.

The Authority's Board of Trustees is appointed by the County Commissioners of Oklahoma County. In addition, the County Commissioners ultimately approve all notes and bond obligations issued by the Authority. Accordingly, the Authority is considered a component unit of the County and its financial statements are included as a discrete presentation in the County's comprehensive annual financial report.

Method of Accounting: The Authority 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.

The Governmental Accounting Standards Board ("GASB") is the recognized standard setting body for accounting principles generally accepted applicable to governments in the United States of America. The Authority applies all applicable GASB pronouncements issued on or before November 30, 1989 when not in conflict with GASB pronouncements. In accordance with GASB Statement No. 20, the Authority has elected not to implement FASB Statements after the applicable date.

Basis of Accounting: The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY FINANCE AUTHORITY

June 30, 2011

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Authority Operations: The primary operating revenue of the Authority is from administrative and acceptance fees charged to borrowers on the outstanding principal balance of the borrowers' bonds. The proportionate reimbursement of audit costs from borrowers is based on each borrower's outstanding principal balance and is also included in operating revenue. Nonoperating revenues consist primarily of interest income. The Authority's operating expenses include expenses incurred as normal costs of carrying out its mission. These include but are not limited to rent, office supplies, contracted and professional expenses, depreciation, and other general and administrative costs.

Financing Activities: The Authority arranges for nonrecourse debt through trustee banks on the bond or note agreements it administers. At approximately the same time, the Authority enters into note agreements with the 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 Authority; however, due to the nonrecourse nature of the related debt instruments, and because the Authority acts only in a trustee capacity for the proceeds of the debt instruments, such assets and liabilities are not recorded by the Authority.

Fund Accounting: The trust indenture agreements for the Authority's 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.

Cash Equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid investments to be cash equivalents.

Certificates of Deposit: Certificates of deposit consist of nonnegotiable certificates of deposit with original maturities exceeding three months. Certificates of deposit are carried at cost, which approximates fair value.

Accounts Receivable: Accounts receivable consist of amounts due from individual projects for administrative and auditing fees. The amounts of the fees are based upon percentages as specified in the trust indentures of the respective projects. Amounts not expected to be collected within one year are reported as noncurrent assets in the accompanying statement of net assets. An allowance for uncollectible accounts has been provided on those receivables for which significant uncertainties exist regarding the collectability of those receivables. Provisions for uncollectible revenues are reported as a reduction of administrative and acceptance fee revenues in the accompanying statement of revenues, expenses and changes in net assets. Such provisions totaled approximately \$22,000 during the year ended June 30, 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY FINANCE AUTHORITY

June 30, 2011

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

The Authority's accounts receivable consist of the following amounts:

Billed as of June 30, 2011	\$	121,430
Billed subsequent to year-end		60,393
Accrued unbilled revenues		71,949
	\$	<u>253,772</u>

Income Taxes: As a political subdivision of the state of Oklahoma, the Authority 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.

Reclassifications: On the statement of cash flows, cash and cash equivalents at beginning of year is lower by approximately \$1,962,000 from amounts reported in the 2010 financial statements (not presented herein), due to reclassifications between cash and cash equivalents and certificates of deposit.

Restatement of Beginning Net Assets: During the year ended June 30, 2011, management discovered an error related to administrative fee billings. As a result of identifying the error, management concluded that accounting adjustments were necessary to correct beginning net assets. Accordingly, net assets at June 30, 2010 have been increased by approximately \$209,000.

NOTE B--CONDUIT DEBT OBLIGATIONS

As indicated in Note A, the activities of the Authority consist primarily of arranging financing to industrial, commercial and other various organizations in an effort to promote economic development which will benefit the County. Over time, these transactions have taken on various forms, including notes and bonds.

The Authority loans the proceeds from the notes and bonds to the organizations, or the Authority 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 Authority are special and limited obligations of the Authority, 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 Authority, the 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.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY FINANCE AUTHORITY

June 30, 2011

NOTE B--CONDUIT DEBT OBLIGATIONS--Continued

As of June 30, 2011, the outstanding principal balances due on these notes and bonds were as follows:

<u>Project</u>	<u>Date of Issuance</u>	<u>Original Balance</u>	<u>Balance</u>
Single Family Mortgage Revenue Bonds (GNMA ARM Mortgage-Backed Securities Program) Series 1995	11/1/95	\$ 13,000,000	\$ 1,198,736
Revenue Refunding Bonds (Epworth Villa Project) Series 1997A	3/15/97	17,630,000	3,830,000
Revenue Note (Omni Dome Project) Series 1999	5/26/99	1,531,500	306,300
Revenue Bonds (Epworth Villa Project) Series 2000B	12/1/00	3,000,000	3,000,000
Multifamily Housing Revenue Bonds (ChapelRidge of North Edmond Project) Series 2003	5/1/03	8,250,000	7,946,772
Multifamily Housing Revenue Refunding Bonds (ChapelRidge of MWC Tinker Project) Series 2004	6/1/04	7,800,000	7,569,175
Multifamily Housing Revenue Refunding Bonds (Rockwell Villa Apartments Project) Series 2004	12/15/04	2,500,000	1,471,694
Multifamily Housing Revenue Bonds (London Square Apartments Project) Series 2004	12/17/04	9,000,000	6,739,870
Multifamily Housing Revenue Bonds (SAIL Associates, LLC Project) Series 2004	12/17/04	6,900,000	6,535,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2004A	1/5/05	10,410,000	8,830,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2004B	1/5/05	5,040,000	3,825,000
Retirement Facility Revenue Bonds (Concordia Life Care Community) Series 2005A	11/29/05	26,330,000	25,955,000
Retirement Facility Revenue Bonds (Concordia Life Care Community) Series 2005B-1	11/29/05	3,500,000	3,500,000
Retirement Facility Revenue Bonds (Concordia Life Care Community) Series 2005B-2	11/29/05	4,000,000	4,000,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2005A	12/7/05	11,460,000	11,235,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2005B	12/7/05	2,000,000	2,000,000
Multifamily Housing Revenue Bonds (Village at Oakwood) Series 2007	6/15/07	4,400,000	4,370,000
Educational Facilities Lease Revenue Bonds (Millwood Public Schools Project) Series 2007	8/1/07	5,460,000	4,680,000
Educational Facilities Lease Revenue Bonds (Jones Public Schools Project) Series 2008	9/1/08	9,825,000	9,690,000
Educational Facilities Lease Revenue Bonds (Western Heights Public Schools Project) Series 2009	6/1/09	43,840,000	43,840,000
Industrial Development Revenue Notes (Southwest Electric Co. Project) Series 2009	7/1/09	7,085,000	1,929,377
Educational Facilities Lease Revenue Bonds (Choctaw-Nicomoma Park Public Schools Project) Series 2009A	7/10/09	7,165,000	7,165,000
Educational Facilities Lease Revenue Bonds (Choctaw-Nicomoma Park Public Schools Project) Series 2009B	7/10/09	53,585,000	53,585,000
Educational Facilities Lease Revenue Bonds (Choctaw-Nicomoma Park Public Schools Project) Series 2009C	7/10/09	175,000	175,000
Educational Facilities Lease Revenue Bonds (Crooked Oak Public Schools Project) Series 2009A	8/4/09	10,480,000	10,480,000
Educational Facilities Lease Revenue Bonds (Crooked Oak Public Schools Project) Series 2009B	8/4/09	255,000	255,000
Educational Facilities Lease Revenue Bonds (Putnam City Public Schools Project) Series 2010	3/1/10	49,820,000	41,460,000
Educational Facilities Lease Revenue Bonds (Deer Creek Public Schools Project) Series 2010A	4/1/10	51,800,000	51,560,000
		<u>\$ 376,241,500</u>	<u>\$ 327,131,924</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY FINANCE AUTHORITY

June 30, 2011

NOTE B--CONDUIT DEBT OBLIGATIONS--Continued

The Authority, as a conduit bond issuer, has had outstanding issues which have been in default in the payment of principal and interest. Since the notes and bonds issued by the Authority are only limited obligations of the Authority, as discussed above, the Authority has not incurred any losses as a result of these defaults.

NOTE C--CASH, CASH EQUIVALENTS AND DEPOSITS

The Authority has cash and cash equivalents held by certain financial institutions. Cash equivalents primarily consist of nonnegotiable certificates of deposit with original maturities less than three months. The bank balances of the Authority's cash and cash equivalents at June 30, 2011 equaled the carrying amounts. Nonnegotiable certificates of deposits with original maturities exceeding three months are separately classified on the accompanying statement of net assets.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk is that all deposits shall either be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the Authority's name. At June 30, 2011, the Authority's deposits were not exposed to custodial credit risk since all deposits were either insured by Federal Deposit Insurance or collateralized by securities held in the Authority's name.

Investment Credit Risk: The Authority's investment policy limits investments to those permitted by Oklahoma state statute, which include the following:

- a. Obligations of the U.S. Government, its agencies and instrumentalities;
- b. Collateralized or insured non-negotiable certificates of deposit or other evidences of deposit that are either insured or secured with acceptable collateral with an in-state financial institution, and fully insured deposits in out-of-state financial institutions;
- c. Insured or fully collateralized negotiable certificates of deposit;
- d. Repurchase agreements that have underlying collateral consisting of those items specified in paragraph a above; and
- e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph a.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY FINANCE AUTHORITY

June 30, 2011

NOTE C--CASH, CASH EQUIVALENTS AND DEPOSITS--Continued

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The Authority 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 – rating agencies – as of year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

NOTE D--COMMITMENTS AND CONTINGENCIES

From time to time, the Authority may be named as a defendant in foreclosure or other proceedings against a project in which the Authority has issued its revenue bonds or notes. However, as described in Note B, the Authority is not obligated, in any manner, for repayment of the bonds or notes.

In July 2007, a trustee bank demanded that the Authority repay approximately \$394,000 plus accrued interest to a bond trustee account related to the \$10,000,000 1996 Single Family Residence Revenue Bonds issuance. The trustee bank is asserting that the funds were returned to the Authority in error. The Authority's management believes that the Authority was entitled to the funds, and has not repaid the funds to the trustee bank. The Authority has not received any communication from the trustee bank since 2007 when litigation was threatened. Thus, this matter remained outstanding during fiscal year 2011 and the Authority has not changed its belief that it was entitled to the applicable fees. Management does not believe this matter will result in litigation. However, the ultimate outcome of this matter cannot presently be determined.

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 the financial statements of Oklahoma County Finance Authority (the "Authority") as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. 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 of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, and applicable governmental agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 14, 2011