

OKLAHOMA COUNTY FINANCE AUTHORITY

Financial Statements
June 30, 2015 and 2014

OKLAHOMA COUNTY FINANCE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma County Finance Authority

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 years ended June 30, 2015 and 2014, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2015 and 2014, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Arlidge & Associates, P.C.

August 20, 2015

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, 2015 and 2014. 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 2015, 2014, and 2013.

CONDENSED STATEMENTS OF NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets	\$ 3,484,689	3,570,229	3,674,590
Noncurrent assets	33,305	43,600	53,892
Total assets	<u>\$ 3,517,994</u>	<u>3,613,829</u>	<u>3,728,482</u>
Liabilities and Net Position			
Current liabilities	\$ 3,489	2,949	3,487
Net position	<u>3,514,505</u>	<u>3,610,880</u>	<u>3,724,995</u>
Totals liabilities and net position	<u>\$ 3,517,994</u>	<u>3,613,829</u>	<u>3,728,482</u>

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 200,969	234,768	246,480
Operating expenses	<u>58,610</u>	<u>61,575</u>	<u>66,914</u>
Operating income	142,359	173,193	179,566
Nonoperating expenses (revenues), net	<u>238,734</u>	<u>287,308</u>	<u>134,301</u>
Change in net position	(96,375)	(114,115)	45,265
Net position at beginning of year	<u>3,610,880</u>	<u>3,724,995</u>	<u>3,679,730</u>
Net position at end of year	<u>\$ 3,514,505</u>	<u>3,610,880</u>	<u>3,724,995</u>

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 to \$373.2 million from June 30, 2014 to 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 deposits 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 Expenses (Revenues) – Nonoperating expenses (revenues) decreased \$48,000 from \$287,000 in 2014 to \$239,000 in 2015. The decrease 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

FISCAL YEAR 2014

DEVELOPMENTS

Conduit Debt Obligations

The OCFA, as a conduit issuer, issued two conduit debt obligations during 2014 totaling \$22.3 million. Net principal pay downs on all conduit debt obligations totaled \$46.2 million during 2014. Outstanding conduit debt obligations decreased from \$424.0 million to \$400.1 million from June 30, 2013 to June 30, 2014.

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

Transfer to Oklahoma County

During 2014, the OCFA transferred \$300,000 to Oklahoma County to partially fund its SHINE (Start Helping Impacted Neighborhoods Everywhere) Program. Through the Oklahoma County's SHINE Programs, court ordered low level offenders remove graffiti, cut overgrown vegetation, and pick up trash from public areas in Oklahoma County. The transfer 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 deposits with maturities ranging from 6 to 12 months. Total cash and investments decreased \$77,000 from \$3.52 million at June 30, 2013 to \$3.45 million at June 30, 2014. 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 decreased \$32,000 from \$106,000 at June 30, 2013 to \$74,000 at June 30, 2014. The decrease was attributable to the collection of current and noncurrent accounts receivable.

Unrestricted Net Position – Unrestricted net position decreased \$114,000 from \$3.72 million at June 30, 2013 to \$3.61 million at June 30, 2014. The decrease was attributable to the 2014 change in net position.

Statement of Revenues, Expenses and Changes in Net Position

Change in Net Position – The change in net position decreased \$159,000 from \$45,000 in 2013 to (\$114,000) in 2014. The decrease was due to the \$150,000 increase in the transfer to Oklahoma County in 2014 over 2013. See discussions above.

Operating Revenues – Total operating revenues decreased \$11,000 from \$246,000 in 2013 to \$235,000 in 2014.

- Annual fees decreased \$23,000 from \$235,000 in 2013 to \$212,000 in 2014. 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 increased \$12,000 from \$11,000 in 2013 to \$23,000 in 2014. 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 \$5,000 from \$67,000 in 2013 to \$62,000 in 2014.

Nonoperating Expenses (Revenues) – Nonoperating expenses (revenues) decreased \$153,000 from \$134,000 in 2013 to \$287,000 in 2014. The decrease is attributable to the increase in the transfer to Oklahoma County for its SHINE Program discussed above from \$150,000 in 2013 to \$300,000 in 2014.

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, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash	\$ 1,852,172	1,717,273
Accounts receivable	44,603	30,746
Accrued annual fees	84,940	90,970
Investments	1,499,971	1,728,083
Other current assets	3,003	3,157
Total current assets	3,484,689	3,570,229
Noncurrent assets		
Accounts receivable	33,305	43,600
Total assets	\$ 3,517,994	3,613,829
 Liabilities		
Current liabilities		
Accounts payable	\$ 3,489	2,949
Total current liabilities	3,489	2,949
 Net Position		
Unrestricted	3,514,505	3,610,880
Total net position	3,514,505	3,610,880
Total liabilities and net position	\$ 3,517,994	3,613,829

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Annual fees	\$ 200,969	212,203
Acceptance and application fees	—	22,565
Total operating revenues	200,969	234,768
Operating Expenses		
General and administrative expenses	58,610	61,575
Total operating expenses	58,610	61,575
Operating income	142,359	173,193
Nonoperating Expenses (Revenues)		
Contribution to the Oklahoma City Public School District	250,000	—
Transfer to Oklahoma County	—	300,000
Interest income	(11,266)	(12,692)
Total nonoperating expenses (revenues)	238,734	287,308
Change in net position	(96,375)	(114,115)
Net position at beginning of year	3,610,880	3,724,995
Net position at end of year	\$ 3,514,505	3,610,880

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Statements of Cash Flows Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Cash received for annual fees	\$ 203,437	249,120
Cash received for acceptance and application fees	—	22,565
Operating expenses paid	(58,070)	(62,113)
Net cash provided by operating activities	145,367	209,572
Cash Flows From Noncapital Financing Activities		
Contribution paid to the Oklahoma City Public School District	(250,000)	—
Cash paid to Oklahoma County	—	(300,000)
Net cash used in noncapital financing activities	(250,000)	(300,000)
Cash Flows From Investing Activities		
Proceeds from maturities of investments	2,247,527	2,470,265
Purchases of investments	(2,019,415)	(2,481,401)
Interest income received on investments	11,420	13,345
Net cash provided by investing activities	239,532	2,209
Net increase (decrease) in cash	134,899	(88,219)
Cash at beginning of year	1,717,273	1,805,492
Cash at end of year	\$ 1,852,172	1,717,273
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 142,359	173,193
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable and accrued fees	2,468	36,917
Accounts payable	540	(538)
Net cash provided by operating activities	\$ 145,367	209,572

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2015 and 2014

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, 2015 and 2014

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. 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, 2015 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.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2015 and 2014

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 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, 2015 and 2014 is as follows:

Project	Issuance Month	Original Amount	2015	2014
Single Family Mortgage Revenue Bonds (GNMA ARM Mortgage-Backed Securities Program) Series 1995	Nov 1995	\$ 13,000,000	819,033	896,164
Multifamily Housing Revenue Bonds (ChapelRidge of North Edmond Project) Series 2003	May 2003	8,250,000	7,667,935	7,744,832
Multifamily Housing Revenue Refunding Bonds (ChapelRidge of MWC Tinker Project) Series 2004	Jun 2004	7,800,000	7,317,713	7,386,915
Multifamily Housing Revenue Refunding Bonds (Rockwell Villa Apartments Project) Series 2004	Dec 2004	2,500,000	1,296,904	1,334,057
Multifamily Housing Revenue Bonds (London Square Apartments Project) Series 2004	Dec 2004	9,000,000	5,919,942	6,073,498
Revenue Refunding Bonds (Epworth Villa Project) Series 2004B	Jan 2005	5,040,000	3,500,000	3,500,000
Retirement Facility Revenue Bonds (Concordia Life Care Community) Series 2005A	Nov 2005	26,330,000	24,235,000	24,700,000
Series 2005B-1		3,500,000	3,500,000	3,500,000
Series 2005B-2		4,000,000	4,000,000	4,000,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2005A	Dec 2005	11,460,000	10,195,000	10,480,000
Series 2005B		2,000,000	2,000,000	2,000,000
Educational Facilities Lease Revenue Bonds (Millwood Public Schools Project) Series 2007	Aug 2007	5,460,000	3,040,000	3,480,000
Educational Facilities Lease Revenue Bonds (Jones Public Schools Project) Series 2008	Sep 2008	9,825,000	7,290,000	8,725,000
Educational Facilities Lease Revenue Bonds (Western Heights Public Schools Project) Series 2009	Jun 2009	43,840,000	27,740,000	31,675,000
Educational Facilities Lease Revenue Bonds (Choctaw-Nicomia Park Public Schools Project) Series 2009A	Jul 2009	7,165,000	—	3,150,000
Series 2009B		53,585,000	53,585,000	53,585,000
Educational Facilities Lease Revenue Bonds (Crooked Oak Public Schools Project) Series 2009A	Aug 2009	10,480,000	6,970,000	7,935,000
Educational Facilities Lease Revenue Bonds (Deer Creek Public Schools Project) Series 2010A	Apr 2010	51,800,000	35,745,000	41,100,000

(continued)

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements
June 30, 2015 and 2014

Project	Issuance Month	Original Amount	2015	2014
Educational Facilities Lease Revenue Bonds (Bethany Public Schools Project) Series 2011A	Oct 2011	2,205,000	600,000	1,175,000
Lease Revenue Bonds (Oklahoma City County Health Department Project) Series 2012	Jan 2012	8,395,000	7,385,000	7,730,000
Educational Facilities Lease Revenue Bonds (Midwest City-Del City Public Schools Project) Series 2012	Feb 2012	72,620,000	42,835,000	51,805,000
Lease Revenue Notes (Deer Creek Public Schools Project) Series 2012	Jun 2012	15,705,000	13,540,826	14,142,208
Educational Facilities Lease Revenue Bonds (Luther Public Schools Project) Series 2012	Sep 2012	10,560,000	9,130,000	9,850,000
Revenue Bonds (Epworth Villa Project) Series 2012A	Dec 2012	72,765,000	70,530,000	71,310,000
Series 2012B		2,605,000	—	545,000
Educational Facilities Lease Revenue Bonds (Western Heights Public Schools Project) Series 2013	Jul 2013	14,265,000	13,345,000	14,265,000
Educational Facilities Lease Revenue Bonds (Crooked Oak Public Schools Project) Series 2013A	Aug 2013	7,660,000	7,660,000	7,660,000
Series 2013B		390,000	390,000	390,000
Revenue Note (Science Museum Oklahoma Project) Series 2014	Dec 2014	3,000,000	2,925,477	—
		\$ 485,205,000	373,162,830	400,137,674

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2015 and 2014

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 \$1.85 million and \$1.72 million, at June 30, 2015 and 2014, respectively, is fully insured or collateralized with securities.

Investments

As of June 30, 2015 and 2014, the OCFA had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Ratings</u>
2015			
Certificates of deposit	\$ 1,499,971	0.83	N/A
2014			
Certificates of deposit	\$ 1,728,083	0.86	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 deposits 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, 2015 and 2014

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, 2015 and 2014, the OCFA's investments are certificates of deposit in local banks. The OCFA's portfolio of certificates of deposit at June 30, 2015 and 2014 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 TRANSFER TO OKLAHOMA COUNTY

During 2014, the OCFA transferred \$300,000 to Oklahoma County to partially fund its SHINE (Start Helping Impacted Neighborhoods Everywhere) Program. Through the Oklahoma County's SHINE Programs, court ordered low level offenders remove graffiti, cut overgrown vegetation, and pick up trash from public areas in Oklahoma County.

7 RELATED PARTY TRANSACTIONS

The OCFA held certificates of deposits totaling \$358,000 and \$356,000 at June 30, 2015 and 2014, respectively, from a bank where the OCFA's former Chairman serves as President and Chief Executive Officer. Interest rates on these certificates of deposits are comparable to the portfolio of certificates of deposits. As discussed in note 4, these certificates of deposits, as with all certificates of deposits in the portfolio, are fully insured or collateralized with securities.

8 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 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 County Finance Authority

We have audited, in accordance with the 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 County Finance Authority (the "Authority") as of and for the year ended June 30, 2015, 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 20, 2015.

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 opinions 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.

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 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.

Arlidge & Associates, P.C.

August 20, 2015