

OKLAHOMA COUNTY FINANCE AUTHORITY

Financial Statements

June 30, 2012

OKLAHOMA COUNTY FINANCE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Oklahoma County Finance Authority
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of the Oklahoma County Finance Authority (the Authority), a component unit of Oklahoma County, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the OCFA's trustees. Our responsibility is to express opinions 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and 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 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 important for assessing the results of our audit.

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.


Edmond, Oklahoma
October 25, 2012

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 year ended June 30, 2012. 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 Assets - This statement presents information reflecting the OCFA'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, during the year. The primary operating revenues are annual fees. Operating expenses are limited to general and administrative expenses. The change in net assets for an enterprise fund is similar to net profit or loss for a business enterprise.
- Statement of Cash Flows - This statement presents cash collections and payments by operating, financing and investing 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 2012 and 2011.

CONDENSED STATEMENTS OF NET ASSETS

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 3,650,688	\$ 3,325,332
Noncurrent assets	64,929	60,000
	<u>\$ 3,715,617</u>	<u>\$ 3,385,332</u>
Liabilities and Net Assets:		
Current liabilities	\$ 35,887	\$ 4,463
Net assets	<u>3,679,730</u>	<u>3,380,869</u>
	<u>\$ 3,715,617</u>	<u>\$ 3,385,332</u>

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 395,166	\$ 171,926
Operating expenses	<u>105,859</u>	<u>55,193</u>
Operating income	289,307	116,733
Non-operating revenues	<u>9,554</u>	<u>11,725</u>
Change in net assets	298,861	128,458
Net assets at beginning of year	<u>3,380,869</u>	<u>3,252,411</u>
Net assets at end of year	<u>\$ 3,679,730</u>	<u>\$ 3,380,869</u>

CURRENT YEAR DEVELOPMENTS

Conduit Debt Obligations

The OCFA's conduit debt obligations totaled \$399 million at June 30, 2012 compared to \$327 million at June 30, 2011. The \$72 million increase is attributable to the issuance of \$99 million of conduit debt obligations during 2012, offset by \$27 million of principal pay downs on existing conduit debt obligations. There were no issuances of conduit debt obligations during 2011. See note 3 to the financial statements for additional details and a listing of the OCFA's conduit debt obligations.

Accounts Receivable

Accounts receivable consist of amounts due from individual projects for annual fees. Annual fees due from each project owner are based upon conduit debt outstanding and terms as specified in the trust indentures of the respective projects.

At June 30, 2011, gross accounts receivable approximated \$295,000, of which 74% was more than one year old. As a result, the OCFA's allowance for uncollectible accounts at June 30, 2011 was \$125,000.

In July 2011, the OCFA embarked on an aggressive campaign to collect old outstanding accounts receivables. From July 1, 2011 through October 15, 2012, OCFA collected \$214,000 of the \$295,000 balance outstanding as of June 30, 2011. The OCFA is working with the project owners on the \$81,000 outstanding and expects the remaining amounts to be paid in full.

At the same time, the OCFA also focused on collections of 2012 invoices. Invoices for annual fees in 2012 totaled \$182,000, of which 100% was collected by September 30, 2012.

As a result of the successful collection campaign, the OCFA reversed the allowance for doubtful accounts from \$125,000 at June 30, 2011 to zero at June 30, 2012.

FINANCIAL HIGHLIGHTS

Statement of Net Assets

The OCFA's total assets were \$3.72 million and \$3.39 million at June 30, 2012 and 2011, respectively. The \$330,000 increase is primarily attributable to the change in net assets generated in 2012.

Cash was \$2.00 million and \$0.47 million at June 30, 2012 and 2011, respectively.

Investments were \$1.46 million and \$2.66 million at June 30, 2012 and 2011, respectively. During 2012, low interest rate certificates of deposits at a local bank totaling \$2.04 million matured. Funds were transferred to an interest bearing savings account. Over time, the OCFA began a program to purchase certificates of deposits with multiple local banks to maximize interest rates. This program continues through 2013.

OKLAHOMA COUNTY FINANCE AUTHORITY

Management's Discussion and Analysis

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues were \$395,000 and \$172,000 for the years ended June 30, 2012 and 2011, respectively.

Annual fees for 2012 of \$195,000 were not significantly different from 2011.

Acceptance and applications fees were \$75,000 and \$0, for the years ended June 30, 2012 and 2011, respectively. As noted above, the OCFA had issuances of \$99 million in conduit debt obligations during 2012, whereas there were none in 2011.

Operating revenues in 2012 were positively affected by the recovery in the allowance for doubtful accounts of \$125,000, whereas 2011 operating revenues were negatively affected by the provision for the allowance for doubtful accounts of \$22,000.

Operating expenses were \$106,000 and \$55,000 for the years ended June 30, 2012 and 2011. The increase is primarily attributable to additional accounting expenses necessary to address the accounts receivable issues discussed above, as well as other accounting matters.

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

Statement of Net Assets June 30, 2012

Assets

Current assets

Cash	\$	1,995,047
Accounts receivable		89,611
Accrued annual fees		96,110
Investments		1,464,216
Other current assets		5,704
Total current assets		<u>3,650,688</u>

Noncurrent assets

Accounts receivable		<u>64,929</u>
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Total assets	\$	<u>3,715,617</u>
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Liabilities

Current liabilities

Accounts payable	\$	<u>35,887</u>
Total current liabilities		<u>35,887</u>

Net Assets

Unrestricted		<u>3,679,730</u>
Total net assets		<u>3,679,730</u>

Total liabilities and net assets	\$	<u>3,715,617</u>
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See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2012

Operating Revenues

Annual fees	\$ 194,971
Acceptance and application fees	75,385
Recoveries on allowance for doubtful accounts	124,810
Total operating revenues	<u>395,166</u>

Operating Expenses

General and administrative expenses	<u>105,859</u>
Total operating expenses	<u>105,859</u>

Operating income 289,307

Non-operating Revenues

Interest income	<u>9,554</u>
Total non-operating revenues	<u>9,554</u>

Change in net assets 298,861

Net assets at June 30, 2011 3,380,869

Net assets at June 30, 2012 \$ 3,679,730

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows From Operating Activities

Cash received for annual fees	\$ 322,903
Cash received for acceptance and application fees	75,385
Operating expenses paid	<u>(73,725)</u>
Net cash provided by operating activities	<u>324,563</u>

Cash Flows From Investing Activities

Proceeds from maturities of investments	5,210,716
Purchases of investments	<u>(4,016,593)</u>
Interest income received on investments	9,540
Net cash provided by investing activities	<u>1,203,663</u>

Net increase in cash 1,528,226

Cash at June 30, 2011 466,821

Cash at June 30, 2012 \$ 1,995,047

Reconciliation of operating income to net cash provided by operating activities:

Operating income	289,307
Adjustments to reconcile operating income to net cash provided by operating activities:	
Recoveries to allowance for uncollectible accounts	(124,810)
Changes in operating assets and liabilities:	
Accounts receivable and accrued fees	127,932
Other current assets	710
Accounts payable	31,424
Net cash provided by operating activities	<u>\$ 324,563</u>

See accompanying notes to the financial statements.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2012

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, 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 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.

The financial statements of the OCFA are prepared in accordance with accounting principles generally accepted in the United States. The OCFA's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The OCFA's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

OCFA OPERATIONS

The primary operating revenue of the OCFA is from annual fees charged to borrowers on the outstanding principal balance of the borrowers' bonds, based on percentages as specified in the trust indentures of the respective projects. Additionally, the OCFA may charge borrowers one time acceptance fees on new issuances.

Non-operating 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.

FINANCING 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 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, 2012

FUND ACCOUNTING

The trust indenture agreements for the OCFA'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.

2 SIGNIFICANT ACCOUNTING POLICIES

Accounting policies used by the OCFA reflect industry practices and conform to accounting principles generally accepted in the United States of America. The more significant of such policies are discussed below.

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.

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 amounts due from individual projects for annual fees. Annual fees due from each project owner are based upon conduit debt outstanding and terms 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. At June 30, 2012, all outstanding receivables are considered fully collectible. Provisions for uncollectible revenues are separately reported in operating revenues in the accompanying statement of revenues, expenses and changes in net assets. Recoveries totaled approximately \$125,000 during the year ended June 30, 2012.

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, 2012

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.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2012

As of June 30, 2012, the outstanding principal balances due on these notes and bonds were as follows:

Project	Date of Issuance	Original Amount	Balance
Single Family Mortgage Revenue Bonds (GNMA ARM Mortgage-Backed Securities Program) Series 1995	Nov 1, 1995	\$ 13,000,000	\$ 1,097,225
Revenue Refunding Bonds (Epworth Villa Project) Series 1997A	Mar 15, 1997	17,630,000	3,830,000
Revenue Note (OmniDome Project) Series 1999	May 26, 1999	1,531,500	204,200
Revenue Bonds (Epworth Villa Project) Series 2000B	Dec 1, 2000	3,000,000	3,000,000
Multifamily Housing Revenue Bonds (ChapelRidge of North Edmond Project) Series 2003	May 1, 2003	8,250,000	7,883,936
Multifamily Housing Revenue Refunding Bonds (ChapelRidge of MWC Tinker Project) Series 2004	Jun 1, 2004	7,800,000	7,512,374
Multifamily Housing Revenue Refunding Bonds (Rockwell Villa Apartments Project) Series 2004	Dec 15, 2004	2,500,000	1,409,469
Multifamily Housing Revenue Bonds (London Square Apartments Project) Series 2004	Dec 17, 2004	9,000,000	6,486,809
Variable Rate Demand Multifamily Housing Revenue Bonds (SAIL Associates, LLC Project) Series 2004	Dec 17, 2004	6,900,000	6,435,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2004A	Jan 5, 2005	10,410,000	8,505,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2004B	Jan 5, 2005	5,040,000	3,500,000
Retirement Facility Revenue Bonds (Concordia Life Care Community) Series 2005A	Nov 29, 2005	26,330,000	25,560,000
Retirement Facility Revenue Bonds (Concordia Life Care Community) Series 2005B-1	Nov 29, 2005	3,500,000	3,500,000
Retirement Facility Revenue Bonds (Concordia Life Care Community) Series 2005B-2	Nov 29, 2005	4,000,000	4,000,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2005A	Dec 7, 2005	11,460,000	10,995,000
Revenue Refunding Bonds (Epworth Villa Project) Series 2005B	Dec 7, 2005	2,000,000	2,000,000
Multifamily Housing Revenue Bonds (Village at Oakwood) Series 2007	Jun 15, 2007	4,400,000	4,340,000
Educational Facilities Lease Revenue Bonds (Millwood Public Schools Project) Series 2007	Aug 1, 2007	5,460,000	4,295,000
Educational Facilities Lease Revenue Bonds (Jones Public Schools Project) Series 2008	Sep 1, 2008	9,825,000	9,690,000
Educational Facilities Lease Revenue Bonds (Western Heights Public Schools Project) Series 2009	Jun 1, 2009	43,840,000	41,075,000
Industrial Development Revenue Notes (Southwest Electric Co. Project) Series 2009	Jun 1, 2009	7,085,000	912,281
Educational Facilities Lease Revenue Bonds (Choctaw-Nicoma Park Public Schools Project) Series 2009A	Jul 10, 2009	7,165,000	6,515,000
Educational Facilities Lease Revenue Bonds (Choctaw-Nicoma Park Public Schools Project) Series 2009B	Jul 10, 2009	53,585,000	53,585,000
Educational Facilities Lease Revenue Bonds (Crooked Oak Public Schools Project) Series 2009A	Aug 4, 2009	10,480,000	9,690,000
Educational Facilities Lease Revenue Bonds (Putnam City Public Schools Project) Series 2010	Mar 1, 2010	49,820,000	23,835,000
Educational Facilities Lease Revenue Bonds (Deer Creek Public Schools Project) Series 2010A	Apr 1, 2010	51,800,000	49,860,000
Educational Facilities Lease Revenue Bonds (Bethany Public Schools Project) Series 2011A	Oct 14, 2011	2,205,000	2,205,000
Educational Facilities Lease Revenue Bonds (Bethany Public Schools Project) Series 2011B	Oct 14, 2011	60,000	60,000
Lease Revenue Bonds (Oklahoma City County Health Department Project) Series 2012	Jan 18, 2012	8,395,000	8,395,000
Educational Facilities Lease Revenue Bonds (Midwest City-Del City Public Schools Project) Series 2012	Feb 22, 2012	72,620,000	72,620,000
Lease Revenue Notes (Deer Creek Public Schools Project) Series 2012	Jun 13, 2012	15,705,000	15,705,000
		<u>\$ 474,796,500</u>	<u>\$ 398,701,294</u>

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2012

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. At June 30, 2012, the OCFA's bank balance of \$2.0 million is fully insured or collateralized with securities.

Investments

As of June 30, 2012, the OCFA had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Ratings</u>
Certificates of deposit	\$ 1,464,216	0.84	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.

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, 2012, the OCFA's investments are certificates of deposit in local banks. At June 30, 2012, the OCFA's \$1.5 million portfolio of certificates of deposit is fully insured or collateralized with securities.

OKLAHOMA COUNTY FINANCE AUTHORITY

Notes to the Financial Statements

June 30, 2012

5 RELATED PARTY TRANSACTIONS

At June 30, 2012, the OCFA holds certificates of deposits totaling \$351,000 from a bank where the OCFA's Chairman serves as President and Chief Executive Officer. The OCFA's initial investment in certificates of deposits at this bank began before the OCFA's Chairman was a trustee of the Authority. 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.

6 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.

**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, 2012, and have issued our report thereon dated October 25, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective 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.

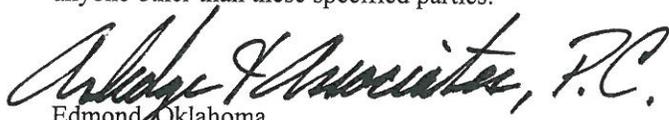
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting 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, 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*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Edmond, Oklahoma
October 25, 2012