


**Cleveland County**  
**Home Loan Authority**  
Financial Statements  
June 30, 2017

STATE OF OKLAHOMA  
COUNTY OF CLEVELAND  
FILED FOR RECORD

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FANNY BEJINSON, County Clerk  
By  Deputy



**Mary E. Johnson & Associates, PLLC**  
Certified Public Accountants

Cleveland County Home Loan Authority  
Financial Statements  
For the Fiscal Year Ended June 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Cleveland County Home Loan Authority  
Norman, Oklahoma

We have audited the accompanying financial statements of Cleveland County Home Loan Authority (a public trust and agency of the State of Oklahoma, a component unit of Cleveland County, Oklahoma) as of and for the year ended June 30, 2017 and the related notes to the 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland County Home Loan Authority as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cleveland County Home Loan Authority's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2018 on our consideration of the Cleveland County Home Loan 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 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* in considering Cleveland County Home Loan Authority's internal control over financial reporting and compliance

*Mary E Johnson & Associates PLLC*

Ardmore, Oklahoma  
July 9, 2018

## **BASIC FINANCIAL STATEMENTS**

Cleveland County Home Loan Authority  
Statement of Net Position  
June 30, 2017

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 755,947
Restricted Cash and Cash Equivalents	<u>38,990</u>
 Total Current Assets	 <u>794,937</u>

Noncurrent assets

Restricted assets	
Investments	<u>2,167,572</u>
 Total Restricted Assets	 <u>2,167,572</u>

Capital assets not being depreciated	22,500
Capital assets being depreciated	<u>2,187,687</u>

Total Assets	<u>\$ 5,172,696</u>
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**LIABILITIES AND NET POSITION**

Current Liabilities

Accounts Payable	\$ 4,600
Interest Payable	9,335
Current Maturities of Bonds Payable	<u>48,751</u>
 Total Current Liabilities	 <u>62,686</u>

Noncurrent Liabilities

Bonds Payable	<u>2,017,980</u>
 Total Liabilities	 <u>2,080,666</u>

Net Position

Invested in Capital Assets	2,210,187
Restricted for Single Family Bonds	130,964
Unrestricted	<u>750,879</u>

Total Net Position	<u>3,092,030</u>
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Total Liabilities and Net Position	<u>\$ 5,172,696</u>
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The notes to the financial statements are an integral part of this statement

Cleveland County Home Loan Authority  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended June 30, 2017

**REVENUES**

Investment Income	
Program Loans and Bonds	\$ 107,937
Net Change in Fair Value of Investments	(52,389)
Participation Fees and Other Income	<u>50,013</u>
Total Revenues	<u>105,561</u>

**EXPENSES**

Interest	94,235
Accounting and Other Professional Services	7,035
Trustee, Issuer and Other Fees	1,901
Depreciation	68,800
Other General and Administrative	<u>3,719</u>
Total Expenses	<u>175,690</u>

Operating Net Income (Loss)	(70,129)
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CHANGE IN NET POSITION	(70,129)
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NET POSITION, BEGINNING OF YEAR	<u>3,162,159</u>
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NET POSITION, END OF YEAR	<u><u>\$ 3,092,030</u></u>
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The notes to the financial statements are an integral part of this statement



Cleveland County Home Loan Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2017

OPERATING ACTIVITIES	
Cash received from fees	\$ 50,727
Cash received from program loan repayments	595,365
Payments for trustee and other fees	<u>(54,703)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 591,389</u>
NONCAPITAL FINANCING ACTIVITIES	
Principal paid on bonds payable	\$ (554,363)
Interest paid on bonds payable	<u>(96,877)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>\$ (651,240)</u>
INVESTING ACTIVITIES	
Receipt of funds from County	<u>\$ 86,375</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ 86,375</u>
NET CHANGE IN CASH	\$ 26,524
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>768,413</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 794,937</u></u>
As shown on Statement of Net Assets	
Current cash and cash equivalents	\$ 755,947
Restricted cash and cash equivalents	<u>38,990</u>
	<u><u>\$ 794,937</u></u>
<u>Reconciliation of Change in Net Position to Net Cash Used by Operations:</u>	
Adjustments to reconcile Change in Net Position to	
Net Cash Used by Operations	
Change in Net Assets	\$ (70,129)
Depreciation	68,800
Interest Expense on Bonds	94,235
Program Loan Repayments	470,176
Amortization of Fees and Finance Costs	(27,718)
Change in Fair Value of Investments	52,389
Net Change in Other Assets and Liabilities	<u>3,636</u>
	<u><u>\$ 591,389</u></u>

The notes to the financial statements are an integral part of this statement

## NOTES TO FINANCIAL STATEMENTS

Cleveland County Home Loan Authority  
Notes to Financial Statements  
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Nature of Operations*

The Cleveland County Home Loan Authority (the Authority) is a public trust and agency of the State of Oklahoma. It was created by a Trust Indenture dated October 10, 1978 and amended pursuant to resolutions of the Trustees of the Authority and the Board of County Commissioners of Cleveland County, Oklahoma for the use and benefit of the County of Cleveland, Oklahoma (Beneficiary) under authority of and pursuant to provisions of Title 60, Section 176-180.4, inclusive, and all applicable statutes and laws of the State of Oklahoma.

The Authority by virtue of common control and dependence is a component unit of Cleveland County, Oklahoma. The Board of County Commissioners appoints Trustees of the Authority. The Trustees are citizens and residents of Cleveland County, as set forth in the Trust Indenture. Upon expiration of any Trustee's term in office, the appointment of a successor Trustee will be made by a majority vote of the Board of County Commissioners. The financial activities of Cleveland County and its other component units are not included in the financial statements of the Authority.

*Purposes of the Trust*

- To assist the Beneficiary, its governmental agencies, municipalities and private entities, agencies and citizens in making the most efficient use of their resources and powers in providing housing for low to moderate income residential use of every type in accordance with the needs and benefits of the Beneficiary, in order to lessen the burdens on governments.
- To formulate, develop and administer or utilize short and long range studies, programs, plans or activities relating to the improvement of housing for residential use or economic and environmental conditions of residents of the Beneficiary, in order to provide, as appropriate assistance, services, facilities and resources for the benefit of the people of the Beneficiary.
- To promote the development of adequate low to moderate income residential use housing within the territorial limits of the Beneficiary whether single family dwellings or multi-family dwellings.

*Financial Statement Presentation*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Government Accounting Standards Board (GASB). Pursuant to the Authority's bond obligation resolutions, separate funds are established by each trustee bank to record all transactions relating to the Authority's programs financed under each resolution. Within each fund, there is a group of accounts required by the respective resolutions. The

Cleveland County Home Loan Authority  
Notes to Financial Statements  
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial Statement Presentation (continued)*

single family bond funds and the general fund have been presented on a combined basis because the Authority is considered a single proprietary fund for financial reporting purposes.

*Basis of Accounting*

The Authority accounts for its activities within a proprietary fund. The Authority's activities meet the definition of an enterprise fund because it is the intent of the Authority to recover, primarily through user charges, the cost of providing goods or services to the general public.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The accrual basis of accounting is utilized by the proprietary fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cleveland County Home Loan Authority  
Notes to Financial Statements  
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Cash and Cash Equivalents*

The Authority has defined cash and cash equivalents to include demand deposits, cash with trustees and highly liquid investments with original maturities of three months or less.

*Investments*

The investments within the bond programs are generally restricted by the various bond resolutions as to authorized investments. Short-term investments are held in guaranteed investment contracts or money market accounts collateralized by government securities. These short-term investments are reported at cost, which approximates market values.

U.S. government and agency securities, guaranteed investment contracts and mortgage-backed securities are reported at fair value as determined by the investment custodians, utilizing prices quoted by securities dealers, brokers, investment banks or other services at the valuation date.

Pooled loans reported by the single family bond programs are pass-through certificates of the Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) which securitize qualified pools of loans or individual loans under respective programs. These securities are reported at fair value. Mortgage-backed securities do not have a contractual maturity date, and the Authority may be subject to the risk of prepayment on these mortgage-backed securities.

*Bond Premium and Issuance Costs*

The bond premiums are being amortized over the life of the bonds using the straight-line method.

*Restrictions of Net Position*

The use of assets of each single family bond program fund is restricted by the related bond resolution. Certain amounts in the program funds are considered subject to the restriction that they may be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes. When the Authority incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first.

Cleveland County Home Loan Authority  
Notes to Financial Statements  
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Capital Assets*

Capital assets being depreciated are buildings and a parking lot. These assets are recorded at cost and depreciated over a useful life of 40 years on a straight-line basis. Capital assets not being depreciated are land.

II. CASH AND INVESTMENTS

*Custodial Credit Risk*

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk but follow state law related to collateral requirements. As of June 30, 2017, \$505,947 of the Authority's bank balance was exposed to custodial credit risk as uninsured and uncollateralized

As of June 30, 2017, \$38,990 restricted cash within the single family bond funds consists of money market mutual funds held at trustee banks. These funds are classified as investments for the purposes of disclosure requirements and therefore are not subject to custodial credit risk. For presentation on the face of the statement of net position, these funds are classified as cash equivalents. Additionally, these amounts are not insured by the FDIC and are not obligations of or guaranteed by the trustee bank.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Authority's investments are held in the Authority's name so are not subject to custodial credit risk.

*Concentration of Investment Credit Risk*

The Authority places no limit on the amount that may be invested in one issuer. More than 5% of the Authority's investments are in GNMA and FNMA pooled loans. These investments are 100% of the Authority's total investments and are reported in the single family bond funds.

*Investment Credit Risk*

The Authority's investments in Federal National Mortgage Association bonds were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

Cleveland County Home Loan Authority  
Notes to Financial Statements  
June 30, 2017

II. CASH AND INVESTMENTS (continued)

*Investment Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will reduce the fair value of a government's investments. The longer the period until an investment matures, the greater the negative impact that changes in interest rates can have on fair value. The Authority does not have a policy to manage exposure. The Authority's investments in securities and related maturities are listed below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
GNMA Pooled Loans	1,320,993			1,320,993
FNMA Pooled Loans	<u>846,579</u>			<u>846,579</u>
	<u>\$ 2,167,572</u>			<u>\$ 2,167,572</u>

As shown in the statement of net assets

Restricted	
Investments	\$ 2,167,572
	<u>\$ 2,167,572</u>

III. BONDS AND NOTES PAYABLE

The single family program bonds are generally payable in annual and semiannual installments and are subject to mandatory sinking fund requirements. These bonds are special obligations of the Authority, payable solely from the income and receipts of these indentures. These bonds are secured by mortgage loans and other assets of their respective indentures and are repaid as the mortgage lenders remit principal and interest from the mortgage loans to GNMA and FNMA. GNMA and FNMA then in turn pay down on the certificates held by the Trustee. The Trustee makes monthly payments of principal and interest to the bondholders.

Bonds and notes payable as of June 30, 2017, and changes for the fiscal year then ended are as follows:

Cleveland County Home Loan Authority  
Notes to Financial Statements  
June 30, 2017

III. BONDS AND NOTES PAYABLE (continued)

Single Family Revenue Bonds	Issued	Average Interest Rate	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2004	11/1/2004	Variable converting to fixed rate	11/1/2037	\$ 2,522,677	\$ -	\$ 554,363	\$ 1,968,314	\$ 48,751
				\$ 2,522,677	\$ -	\$ 554,363	\$ 1,968,314	\$ 48,751
plus bond premium				126,135	-	27,718	98,417	
				<u>\$ 2,648,812</u>	<u>\$ -</u>	<u>\$ 582,081</u>	<u>\$ 2,066,731</u>	

*Variable Rate Terms:* The interest rate on the bonds is initially set at a short term rate defined in the bond indenture. The rate is adjusted to a permanent rate on each certificate issue date.

Debt requirements on bonds payable as of June 30, 2017, are as follows:

	Principal and Interest	Less Interest	Total Principal
2018	\$ 161,710	112,959	\$ 48,751
2019	146,405	95,546	50,859
2020	161,707	107,804	53,903
2021	161,707	104,578	57,129
2022	161,708	101,160	60,548
2023-2027	808,535	446,884	361,651
2028-2032	806,141	322,466	483,675
2033-2037	791,498	162,073	629,425
2038-2039	237,613	15,240	222,373
Total	<u>\$ 3,437,024</u>	<u>\$ 1,468,710</u>	<u>\$ 1,968,314</u>

IV. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft, damage and destruction of assets and natural disasters. The Authority purchases commercial insurance as a member of the Association of County Commissioners of Oklahoma Self-Insurance Group ("ACCO-SIG") for property and liability insurance. The Authority pays a premium to the group for participation each year.



Cleveland County Home Loan Authority  
Notes to Financial Statements  
June 30, 2017

V. CAPITAL ASSETS

As of June 30, 2017, capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets, not being depreciated</i>				
Land	\$ 22,500	\$ -	\$ -	\$ 22,500
<i>Capital assets, being depreciated</i>				
Buildings	2,649,264	-	-	2,649,264
Fairgrounds Road	25,936	-	-	25,936
Office Equipment	5,566	-	-	5,566
Parking Lot	47,716	-	-	47,716
Total capital assets, being depreciated	<u>2,728,482</u>	<u>-</u>	<u>-</u>	<u>2,728,482</u>
Less Accumulated Depreciation	<u>(471,995)</u>	<u>(68,800)</u>	<u>-</u>	<u>(540,795)</u>
Total capital assets, being depreciated, net	<u>2,256,487</u>	<u>(68,800)</u>	<u>-</u>	<u>2,187,687</u>
Business-type activities capital assets, net	<u>\$ 2,278,987</u>	<u>\$ (68,800)</u>	<u>\$ -</u>	<u>\$ 2,210,187</u>

VI. LEASE OF PROPERTY

The Authority leases a building to a local business. The property under this lease at June 30, 2017 is \$371,890 carrying value. The initial term in December, 2003 was five years. The tenant has two consecutive options to extend the term of the lease for an additional five years each. Annual base rent was \$24,000 per year which expired December 2013, and was renewed for the next five years at \$3,016 monthly amount for an annual amount of \$36,192 which will expired December 31, 2018.

VII. RELATED PARTY

The Authority is a component unit of Cleveland County. The Authority paid on the behalf of the County, closing costs related to purchase of properties. These funds were reimbursed by the County in the amount of \$86,175.

## Supplementary Information

Cleveland County Home Loan Authority  
Supplemental Combining Schedule of Net Position  
June 30, 2017

	Single Family Series 2004	Agency General Fund	Combined Totals
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ -	\$ 755,947	\$ 755,947
Restricted Cash and Cash Equivalents	38,990	-	38,990
Intragovernmental Receivable	468	(468)	-
Total Current Assets	<u>39,458</u>	<u>755,479</u>	<u>794,937</u>
Noncurrent assets			
Restricted assets			
Investments	2,167,572	-	2,167,572
Total Restricted Assets	<u>2,167,572</u>	<u>-</u>	<u>2,167,572</u>
Capital assets not being depreciated	-	22,500	22,500
Capital assets being depreciated	-	2,187,687	2,187,687
Total Assets	<u>\$ 2,207,030</u>	<u>\$ 2,965,666</u>	<u>\$ 5,172,696</u>
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Accounts Payable	\$ -	\$ 4,600	\$ 4,600
Interest Payable	9,335	-	9,335
Current Maturities of Bonds Payable	48,751	-	48,751
Total Current Liabilities	<u>58,086</u>	<u>4,600</u>	<u>62,686</u>
Noncurrent Liabilities			
Bonds Payable	2,017,980	-	2,017,980
Total Noncurrent Liabilities	<u>2,017,980</u>	<u>-</u>	<u>2,017,980</u>
Total Liabilities	<u>2,076,066</u>	<u>4,600</u>	<u>2,080,666</u>
Net Position			
Invested in Capital Assets	-	2,210,187	2,210,187
Restricted for Single Family Bonds	130,964	-	130,964
Unrestricted	-	750,879	750,879
Total Net Position	<u>130,964</u>	<u>2,961,066</u>	<u>3,092,030</u>
Total Liabilities and Net Position	<u>\$ 2,207,030</u>	<u>\$ 2,965,666</u>	<u>\$ 5,172,696</u>

Cleveland County Home Loan Authority  
 Supplemental Combining Schedule of Revenues, Expenses and Changes in Net Asset  
 For the Year Ended June 30, 2017

	Single Family Series 2004	Agency General Fund	Elimination Entry	Combined Totals
<b>REVENUES</b>				
Investment Income				
Program Loans and Bonds	\$ 107,937	\$ -	\$ -	\$ 107,937
Net Change in Fair Value of Investments	(52,389)	-	-	(52,389)
Participation Fees and Other Income	468	50,727	(1,182)	50,013
Total Revenues	<u>56,016</u>	<u>50,727</u>	<u>(1,182)</u>	<u>105,561</u>
<b>EXPENSES</b>				
Interest	94,235	-	-	94,235
Accounting and Other Professional Services	-	7,035	-	7,035
Trustee, Issuer and Other Fees	3,083	-	(1,182)	1,901
Depreciation	-	68,800	-	68,800
Other General and Administrative	-	3,719	-	3,719
Total Expenses	<u>97,318</u>	<u>79,554</u>	<u>(1,182)</u>	<u>175,690</u>
Operating Income (Loss)	(41,302)	(28,827)	-	(70,129)
CHANGE IN NET POSITION	(41,302)	(28,827)	-	(70,129)
NET POSITION, BEGINNING OF YEAR	<u>172,266</u>	<u>2,989,893</u>	<u>-</u>	<u>3,162,159</u>
NET POSITION, END OF YEAR	<u>\$ 130,964</u>	<u>\$ 2,961,066</u>	<u>\$ -</u>	<u>\$ 3,092,030</u>

Cleveland County Home Loan Authority  
Supplemental Combining Schedule of Cash Flows  
For the Year Ended June 30, 2017

	Single Family Series 2004	Agency General Fund	Combined Totals
<b>OPERATING ACTIVITIES</b>			
Cash received from fees	\$ -	\$ 50,727	\$ 50,727
Cash received from program loan repayments	595,365	-	595,365
Payments for trustee and other fees	(30,801)	(23,902)	(54,703)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 564,564</b>	<b>\$ 26,825</b>	<b>\$ 591,389</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Principal paid on bonds payable	\$ (554,363)	\$ -	\$ (554,363)
Interest paid on bonds payable	(96,877)	-	(96,877)
<b>NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>\$ (651,240)</b>	<b>\$ -</b>	<b>\$ (651,240)</b>
<b>INVESTING ACTIVITIES</b>			
Cash received from intergovernment activities	\$ -	\$ 86,375	\$ 86,375
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ -</b>	<b>\$ 86,375</b>	<b>\$ 86,375</b>
<b>NET CHANGE IN CASH</b>	<b>\$ (86,676)</b>	<b>\$ 113,200</b>	<b>\$ 26,524</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>125,666</b>	<b>642,747</b>	<b>768,413</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 38,990</b>	<b>\$ 755,947</b>	<b>\$ 794,937</b>
<b>Reconciliation of Change in Net Position to Net Cash Used by Operations</b>			
Change in Net Position	\$ (41,302)	\$ (28,827)	\$ (70,129)
Adjustments			
Depreciation	-	68,800	68,800
Interest Expense on Bonds	94,235	-	94,235
Program Loan Repayments	470,176	-	470,176
Amortization of Fees and Finance Costs	(27,718)	-	(27,718)
Change in Fair Value of Investments	52,389	-	52,389
Net Change in Other Assets and Liabilities	16,784	(13,148)	3,636
	<b>\$ 564,564</b>	<b>\$ 26,825</b>	<b>\$ 591,389</b>

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL AND COMPLIANCE**



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*

Board of Trustees  
Cleveland County Home Loan Authority  
Norman, Oklahoma

We audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Cleveland County Home Loan Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated July 9, 2018. Our report included a paragraph indicating that management omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Our opinion on the basic financial statements was not affected by this missing information.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland County Home Loan Authority's internal control over financial reporting (internal control) in order to determine the auditing 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 Cleveland County Home Loan Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cleveland County Home Loan 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 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 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 Cleveland County Home Loan 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 the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

**Condition:** The Authority did not maintain proper collateral for deposits in excess of Federal Deposit Insurance.

**Criteria:** Title 62-511,517.4 requires the custodian of public funds to secure proper collateral for sums deposited in excess of deposits insured by Federal Deposit Insurance Corporation.

**Cause:** The Authority failed to obtain collateral from the banking institution holding the funds after the call of the 2009 bonds which increased the cash deposits.

**Effect:** Approximately \$505,947 was uncollateralized and uninsured as of June 30, 2017.

**Recommendation:** The Authority needs to obtain collateral for funds that exceed Federal Deposit Insurance.

**View of Responsible Officials:** The Authority is aware of the need to obtain this collateral and this was an oversight that will be corrected.

#### Cleveland County Home Loan Authority's Response to Findings

Cleveland County Home Loan Authority's response to the findings identified in our audit is described previously. Cleveland County Home Loan Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



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.

*Mary Johnson & Associates PLLC*

Ardmore, Oklahoma  
July 9, 2018