Tulsa County Home Finance Authority

Financial Statements and
Independent Auditor's Reports

December 31, 2020 and 2019

Stanfield + O'Dell
CPAs & ADVISORS

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Report on the Financial Statements

We have audited the accompanying financial statements of Tulsa County Home Finance Authority, a component unit of Tulsa County, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the 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 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. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulsa County Home Finance Authority as of December 31, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America 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, which considers it to be an essential part of 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 this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2021 on our consideration of Tulsa County Home Finance 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 Tulsa County Home Finance Authority's internal control over financial reporting and compliance.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
July15, 2021

Tulsa County Home Finance Authority

Statements of Net Position

December 31,

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (Notes A and B)	$ 4,111,218	4,122,400
Cash designated for DPA program operations	462,965	463,401
Total assets	$ 4,574,183	$ 4,585,801
Liabilities and net position		
Current liabilities:		
Total current liabilities	$ -	$ -
Net position:		
Unrestricted	4,574,183	4,585,801
Total liabilities and net position	$ 4,574,183	$ 4,585,801

The accompanying notes are an integral part of these financial statements.

Tulsa County Home Finance Authority

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31,

	2020	2019
Operating revenues:		
Issuer and authority fees	$ 280	$ 9,826
Program fees	-	349
Dividend and interest income	10,702	66,480
Total operating revenues	10,982	76,655
Operating expenses:		
Program expenses	1,600	1,700
Professional fees, legal and accounting	21,000	22,850
Total operating expenses	22,600	24,550
Operating income (loss) before non-operating income	(11,618)	52,105
Non-operating income		
Gain from redemption and defeasance of bonds	-	491,395
Change in net position	(11,618)	543,500
Net position		
Beginning of year	4,585,801	4,042,301
End of year	$ 4,574,183	$ 4,585,801

The accompanying notes are an integral part of these financial statements.

Tulsa County Home Finance Authority

Statements of Cash Flows

Years Ended December 31,

	2020	2019
Cash flows from operating activities:		
Cash received from sources	$ 280	$ 10,175
Cash paid to suppliers and conduit debt financing	(22,600)	(24,550)
Interest and dividend income	10,702	66,480
Net cash provided by operating activities	(11,618)	52,105
Cash flows from noncapital financing activities:		
Proceeds from redemption and defeasance of bonds	-	491,395
Cash flows from investing activities:		
Down payment assistance payments	-	(5,104)
Reimbursements of down payment assistance	-	8,059
Net cash provided by investing activities	-	2,955
Increase in cash	(11,618)	546,455
Cash and cash equivalents, beginning of year	4,585,801	4,039,346
Cash and cash equivalents, end of year	$ 4,574,183	$ 4,585,801
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net position	$ (11,618)	$ 543,500
Gain from redemption and defeasance of bonds	-	(491,395)
Net cash provided by operating activities	$ (11,618)	$ 52,105

The accompanying notes are an integral part of these financial statements.

Note A – Summary of Significant Accounting Policies

1. Origins of the Authority

The Tulsa County Home Finance Authority (the Authority) is a public trust created under the laws of the State of Oklahoma. The Authority is operated for public purposes which functions by the terms of a trust indenture dated October 16, 1978. The Authority is a component unit of Tulsa County.

The Authority was created for the primary purpose of providing mortgage funds for residential loans to qualified home buyers and for certain multi-family housing projects in the County of Tulsa, Oklahoma. The Authority achieved its purpose in prior years through the issuance of revenue bonds. The bonds are not general obligations of the County of Tulsa, State of Oklahoma, Tulsa County Home Finance Authority, or any other political corporation, subdivision or agency thereof, but are special and limited conduit debt obligations payable by the Authority solely and only from payments received from the mortgage loans services by the lenders, the specific revenues, funds and assets pledged by the Authority, and the revenues and funds derived from GNMA/FNMA securities, of the respective bond issue(s).

In 2014, the Authority initiated a new program to provide down payment assistance to qualified home buyers. Banks and lending institutions provide mortgage loans to qualified buyers who receive down payment assistance from the Authority. These mortgage loans are subsequently pooled and sold to an investor. The fees paid by the investor in connection with this program are used to reimburse the Authority for advances made to home buyers. Amounts received in excess of advances are reported as program fees.

No down payment assistance payments were made during 2020. Activity of the Authority for 2020 consisted of collection of interest on money-market funds and payment of administrative costs.

The ultimate beneficiary of the Authority is the County of Tulsa, Oklahoma, which is entitled solely to the benefits of the Authority as administered by the Trustees, and at the termination of the Authority, shall receive the residue of the trust estate.

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements provide information about the Authority's business-type activities. These financial statements are also often referred to as enterprise fund financial statements.

"Measurement Focus" is an accounting term used to describe *which* transactions and types of balances are recorded within the various financial statements. The expression, "Basis of Accounting" refers to *when* transactions or events are recorded regardless of the measurement focus applied.

Because of the "businesslike" characteristics of the Authority's operations, the accompanying financial statements report using the *economic resources measurement focus* and the *accrual basis of accounting*. The accounting objectives of the "economic resources" measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Note A – Summary of Significant Accounting Policies – Continued

2. *Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued*

Under full accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows.

The Authority utilizes an enterprise fund to record its financial operating activities. In governmental accounting, the enterprise fund is used to account for operations that are financed and operated in a manner similar to private business or where the Board of Trustees has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The enterprise fund used by the Authority distinguishes operation *revenues* from *non-operating* items. Operating revenues and expenses generally result from investing and bond issue services in connection with the Authority's ongoing operations. The principal operating revenues are charges to bond issuer fees and the investment income from those fees. Operating expenses include the cost of bond issues and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and the unrestricted resources as they are needed. The Authority had no restricted resources at December 31, 2020 and 2019.

3. *Cash and Cash Equivalents and Investments*

For purposes of the statements of net position and statements of cash flows, the Authority considers all U.S. Treasury money market accounts to be cash equivalents. Cash and cash equivalents consist of highly liquid depository accounts with initial maturities of three months or less when purchased. For purposes of financial statement disclosures, they are considered to be investments.

4. *Reimbursable Advances*

Reimbursable advances represent down payment assistance provided to the home buyer that are reimbursable from investors. There were no outstanding advances at December 31, 2020 or 2019.

5. *Property and Equipment*

The Authority did not own any property and equipment at December 31, 2020 and 2019. The Authority's capitalization policy is to capitalize individual fixed assets with an acquisition cost of $500 or greater.

6. *Income Tax*

The Authority, by statute, is exempt from Federal and State income taxes.

Note A – Summary of Significant Accounting Policies – Continued

7. Use of Estimates

The preparation of the basic 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

8. Advertising Costs

The Authority's policy is to expense all advertising costs in the period in which they are incurred. For the years ended December 31, 2020 and 2019, the Authority did not incur any advertising expenses.

Note B – Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid depository accounts held through a bank trust department. Bond indenture agreements and the Authority's trust instrument govern the investment of funds of the Authority. Allowable investments include money market fund accounts and other direct obligations of the U.S. government and its agencies whose debt instruments are guaranteed by the U.S. government. The Authority's deposits of cash are invested in short-term U.S. Treasury money market accounts which are reported at market value.

While the Authority has a large amount of funds that are considered uninsured deposits, these funds are invested in a U.S. Treasury security money market fund, the underlying investments of which are backed by the full faith and credit of the U.S. government.

1. Custodial Credit Risk

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 deposits or investments that are in the possession of an outside party. As of December 31, 2020, no investments were exposed to custodial credit risk.

2. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As mentioned previously, the Authority's investment policies are dictated by their trust instrument. As such, the Authority only invests in U.S. Treasury money market accounts whose underlying securities are backed by the full faith and credit of the U.S. government. The Authority believes that they have mitigated credit risk to the highest degree possible.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority holds excess cash in a U.S. Treasury money market mutual fund that consists of short-term U.S. Treasury obligations, so changes in interest rates do not have a material impact on the value of the account.

Note B – Cash and Cash Equivalents – Continued

4. Concentration of Credit Risk

Concentration of credit risk is required to be disclosed by GASB Statement 40. GASB Statement 40 requires disclosure when the percent is five percent or more in any one issuer. External investment pools and obligations of the U.S. government are exempt from concentration risk disclosures.

Note C – Conduit Debt Obligations

Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

The bonds issued by the Authority are conduit debt and are not the legal obligation of the Authority, county, state, nor any political subdivision and are payable solely from the pledged revenues. Accordingly, the Authority has elected to exclude both the conduit debt as a liability and the related assets from their statements of net position.

On July 22, 2019, on the advice of the Authorities' financial advisors, the board of trustees for the Authority passed a resolution to approve the sale of the mortgage backed securities being held as security on the 2003-series and 2006-series bonds. On August 19, 2019, the securities securing the 2003-series bonds were sold to BOK Financial Securities for $2,820,031. The proceeds were set aside by the trustee of bonds to pay principal and interest. The bonds were redeemed in full at December 31, 2019. On September 20, 2019, the securities securing the 2006-series bonds were sold to BOK Financial Securities for $3,822,471. The proceeds were set aside by the trustee of bonds to pay principal and interest through December 1, 2021, the planned date to redeem the bonds in whole. These transactions met the criteria for an in-substance defeasance, thus the outstanding bonds are no longer deemed to be outstanding conduit debt. The Authority had no outstanding conduit debt at December 31, 2020 and 2019. The outstanding balance of the defeased 2006-series bonds was $3,318,625 at December 31, 2020 and 2019.

Gain from redemption and defeasance of bonds: Under GASB Statement No. 86, amounts received beyond the net carrying amount of the related debt are to be recognized as gain in the year of the defeasance. The Authority was entitled to any excess funds remaining after the redemption or defeasance of the related bonds. Gain from these activities during 2019 are as follows:

Excess proceeds from defeasance of 2003-series bonds	$ 212,859
Excess proceeds from defeasance of 2006-series bonds	226,913
Remaining funds from redemption of 1994-series bonds	51,623
Gain from redemption and defeasance of bonds	$ 491,395

Note D – Contracts for Service

The Authority has entered into "origination and servicing agreements" with various banks, savings and loan associations, mortgage companies, and similar financial institutions to originate and service the mortgage loans being funded by the Authority from the various conduit debt obligation bond issues. The agreements provide that the loans must meet certain criteria relating to maximum loan amount, interest rates, income requirements, and insurance requirements.

Note E – Subsequent Events and Date of Management's Review

Subsequent events were evaluated through July 15, 2021, which is the date that the financial statements were available to be issued.

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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*

Governing Body
Tulsa County Home Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tulsa County Home Finance Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Tulsa County Home Finance Authority's basic financial statements, and have issued our report thereon dated July 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tulsa County Home Finance Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tulsa County Home Finance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Tulsa County Home Finance 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 Tulsa County Home Finance 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.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
July 15, 2021