

**Cleveland County**  
**Home Loan Authority**

Financial Statements

June 30, 2012

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Cleveland County Home Loan Authority  
Financial Statements  
For the Fiscal Year Ended June 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of net position of Cleveland County Home Loan Authority (a public trust and agency of the State of Oklahoma, a component unit of Cleveland County, Oklahoma) as June 30, 2012 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended. These financial statements are the responsibility of the Cleveland County Home Loan Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cleveland County Home Loan Authority, as of June 30, 2012, and its changes in net position, and its 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 issued our report dated May 16, 2014, on our consideration of 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

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internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cleveland County Home Loan Authority has not presented the Management's Discussion and Analysis that the governmental 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 who considers 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.

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 accompanying supplementary information as indicated in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
May 16, 2014

## **BASIC FINANCIAL STATEMENTS**

Cleveland County Home Loan Authority  
Statement of Net Position  
June 30, 2012

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 718,646
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Total Current Assets	<u>718,646</u>
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Noncurrent assets

Restricted assets

Cash and Cash Equivalents	1,586,334
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Investments	20,072,494
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Deferred bond issuance costs, net	<u>152,093</u>
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Total Restricted Assets	<u>21,810,921</u>
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Capital assets not being depreciated	22,500
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Capital assets being depreciated	<u>1,746,870</u>
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Total Assets	<u><u>\$ 24,298,937</u></u>
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**LIABILITIES AND NET POSITION**

Current Liabilities

Interest Payable	\$ 48,006
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Due to Related Party	513
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Current Maturities of Bonds Payable	<u>134,467</u>
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Total Current Liabilities	<u>182,986</u>
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Noncurrent Liabilities

Bonds Payable	<u>20,348,456</u>
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Total Liabilities	<u>20,531,442</u>
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Net Position

Invested in Capital Assets	1,769,370
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Restricted for Single Family Bonds	634,442
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Unrestricted	<u>1,363,683</u>
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Total Net Position	<u>3,767,495</u>
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Total Liabilities and Net Position	<u><u>\$ 24,298,937</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 Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended June 30, 2012

**REVENUES**

Investment Income	
Program Loans and Bonds	\$ 576,860
Sale of Easement	43,600
Net Change in Fair Value of Investments	293,605
Participation Fees and Other Income	<u>52,365</u>
 Total Revenues	 <u>966,430</u>

**EXPENSES**

Interest	763,503
Legal	15,750
Trustee, Issuer and Other Fees	294,827
Depreciation	48,617
Other General and Administrative	<u>31,997</u>
 Total Expenses	 <u>1,154,694</u>

CHANGE IN NET POSITION (188,264)

**NET POSITION, BEGINNING OF YEAR** 3,955,759

**NET POSITION, END OF YEAR** \$ 3,767,495

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, 2012

OPERATING ACTIVITIES

Cash received from fees	\$ 55,015
Cash from sale of easement	43,600
Cash received from program loan repayments	23,211,957
Payments for purchase of program loans	(10,555,666)
Payments for trustee and other fees	<u>(284,791)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 12,470,115

NONCAPITAL FINANCING ACTIVITIES

Principal paid on bonds payable	\$ (10,529,797)
Interest paid on bonds payable	<u>(773,918)</u>

NET CASH (USED) BY NONCAPITAL  
FINANCING ACTIVITIES \$ (11,303,715)

NET CHANGE IN CASH \$ 1,113,573

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,191,407

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 2,304,980

As shown on Statement of Net Assets

Current cash and cash equivalents	\$ 718,646
Restricted cash and cash equivalents	<u>1,586,334</u>
	<u><u>\$ 2,304,980</u></u>

Reconciliation of Change in Net Position to Net Cash Used by Operations

Adjustments to reconcile Change in Net Position to

Net Cash Used by Operations

Change in Net Assets	\$ (188,264)
Depreciation	48,617
Interest Expense on Bonds	763,503
Program Loan Repayments	22,542,531
Amortization of Fees and Finance Costs	57,784
Change in Fair Value of Investments	(293,605)
Net Change in Other Assets and Liabilities	<u>95,215</u>
	<u><u>\$ 12,470,115</u></u>

SUPPLEMENTAL DISCLOSURE

Non-cash increase in zero coupon bond	<u><u>\$ 77,703</u></u>
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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, 2012

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, 2012

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, 2012

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 and costs associated with bond issues 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, 2012

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. The Authority was not exposed to custodial credit risk as of June 30, 2012.

As of June 30, 2012, \$1,586,334 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, 2012

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>
Federal National Mortgage Association Coupon Bond	\$ 736,545	\$ -	\$ -	\$ 736,545
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736,545</u>
GNMA Pooled Loans	15,835,014			
FNMA Pooled Loans	<u>3,500,935</u>			
	<u>\$ 20,072,494</u>			

As shown in the statement of net assets

Restricted	
Investments	\$ 20,072,494
	<u>\$ 20,072,494</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, 2012, and changes for the fiscal year then ended are as follows:

Cleveland County Home Loan Authority  
Notes to Financial Statements  
June 30, 2012

III. BONDS AND NOTES PAYABLE (continued)

Single Family Revenue Bonds	Issued	Average Interest Rate	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
1991A	7/15/1991	9.68%	7/15/2014	\$ 549,567	\$ 77,703	\$ -	\$ 627,270	\$ -
2004	11/1/2004	Variable converting to fixed rate	11/1/2037	10,043,103	-	2,449,797	7,593,306	134,467
2009	12/21/2009	Variable converting to fixed rate	12/1/2041	20,000,000	-	8,080,000	11,920,000	-
				\$ 30,592,670	\$ 77,703	\$ 10,529,797	\$ 20,140,576	\$ 134,467
plus bond premium				451,476	-	109,129	342,347	
				\$ 31,044,146	\$ 77,703	\$ 10,638,926	\$ 20,482,923	

*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, 2012, are as follows:

	Principal and Interest	Less Interest	Total Principal
2013	\$ 564,480	\$ 431,863	\$ 132,617
2014	536,292	396,855	139,437
2015	564,480	416,733	147,747
2016	564,478	407,924	156,554
2017	1,314,481	521,323	793,158
2018-2022	2,822,401	1,832,314	990,087
2023-2027	2,802,831	1,480,244	1,322,587
2028-2032	2,822,400	1,055,552	1,766,848
Thereafter	15,171,895	480,354	14,691,541
Total	\$ 27,163,738	7,023,162	\$ 20,140,576

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, 2012

V. CAPITAL ASSETS

As of June 30, 2012, capital assets consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, not being depreciated</i>				
Land	\$ 22,500	\$ -	\$ -	\$ 22,500
<i>Capital assets, being depreciated</i>				
Buildings	1,595,655	52,828	-	1,648,483
District #2 Maintenance Building	57,029	-	-	57,029
Sheriff Sub Station	144,383	-	-	144,383
Fairgrounds Road	25,936	-	-	25,936
Parking Lot	47,716	-	-	47,716
Building Addition	60,765	-	-	60,765
Total capital assets, being depreciated	1,931,484	52,828	-	1,984,312
Less Accumulated Depreciation	(188,825)	(48,617)	-	(237,442)
Total capital assets, being depreciated, net	1,742,659	4,211	-	1,746,870
Business-type activities capital assets, net	\$ 1,765,159	\$ 4,211	\$ -	\$ 1,769,370

VI. LEASE OF PROPERTY

The Authority leases a building to a local business. The property under this lease at June 30, 2012 is \$366,076 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 for the next five year lease term which ends December, 2012.

VII. NEW GASB STANDARD

In Fiscal year 2012, the Authority implemented GASB Statement 63, Reporting Deferred Outflows, Deferred Inflows, and Net Position. This statement includes a title change from the "Statement of Net Assets" to "Statement of Net Position", requires deferred outflows to be reported in a separate section after assets, deferred inflows reported as a separate section after liabilities. Only those items specifically defined by GASB may be reported as deferred outflows or inflows. The only effect on the financial statements was the change in terminology "net assets" to "net position".

VIII. SUBSEQUENT EVENTS

The 2009 Single Family Revenue Bonds were paid off in February, 2013.



## **Supplementary Information**

Cleveland County Home Loan Authority  
Single Family Mortgage Revenue Bond Funds  
Supplemental Combining Schedule of Net Position  
June 30, 2012

	Mortgage Revenue Bonds Series 1991A	Single Family Series 2004	Single Family Series 2009	Total
<b>ASSETS</b>				
Noncurrent assets				
Restricted assets				
Cash and Cash Equivalents	\$ -	\$ 140,861	\$ 1,445,473	\$ 1,586,334
Investments	736,545	8,317,866	11,018,083	20,072,494
Deferred bond issuance costs, net	-	14,580	137,513	152,093
	<u>736,545</u>	<u>8,473,307</u>	<u>12,601,069</u>	<u>21,810,921</u>
Total Assets	\$ 736,545	8,473,307	12,601,069	\$ 21,810,921
<b>LIABILITIES AND NET POSITION</b>				
Current Liabilities				
Interest Payable	\$ 12,199	\$ 35,807	\$ -	\$ 48,006
Due to General Fund	-	-	645,550	645,550
Current Maturities of Bonds Payable	-	134,467	-	134,467
	<u>12,199</u>	<u>170,274</u>	<u>645,550</u>	<u>828,023</u>
Total Current Liabilities	12,199	170,274	645,550	828,023
Noncurrent Liabilities				
Bonds Payable	627,270	7,801,186	11,920,000	20,348,456
	<u>627,270</u>	<u>7,801,186</u>	<u>11,920,000</u>	<u>20,348,456</u>
Total Noncurrent Liabilities	627,270	7,801,186	11,920,000	20,348,456
Total Liabilities	639,469	7,971,460	12,565,550	21,176,479
Net Position				
Restricted for Single Family Bonds	97,076	501,847	35,519	634,442
	<u>97,076</u>	<u>501,847</u>	<u>35,519</u>	<u>634,442</u>
Total Liabilities and Net Position	\$ 736,545	\$ 8,473,307	\$ 12,601,069	\$ 21,810,921

Cleveland County Home Loan Authority  
Single Family Mortgage Revenue Bond Funds  
Supplemental Combining Schedule of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2012

	Mortgage Revenue Bonds Series <u>1991A</u>	Single Family Series <u>2004</u>	Single Family Series <u>2009</u>	<u>Total</u>
<b>REVENUES</b>				
Interest Income				
Program Loans and Bonds	\$ 53,616	\$ 417,948	\$ 105,296	\$ 576,860
Net Change in Fair Value of Investments	(37,183)	(107,542)	438,330	293,605
Participation Fees and Other Income	<u>-</u>	<u>-</u>	<u>11,774</u>	<u>11,774</u>
 Total Revenue	<u>16,433</u>	<u>310,406</u>	<u>555,400</u>	<u>882,239</u>
 <b>EXPENSES</b>				
Interest	78,816	388,035	296,652	763,503
Trustee, Issuer and Other Fees	<u>-</u>	<u>44,894</u>	<u>249,933</u>	<u>294,827</u>
 Total Expenses	<u>78,816</u>	<u>432,929</u>	<u>546,585</u>	<u>1,058,330</u>
 Income (Loss) before transfers	(62,383)	(122,523)	8,815	(176,091)
 Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 CHANGE IN NET POSITION	(62,383)	(122,523)	8,815	(176,091)
 <b>NET POSITION, BEGINNING OF YEAR</b>	<u>159,459</u>	<u>624,370</u>	<u>26,704</u>	<u>810,533</u>
 <b>NET POSITION, END OF YEAR</b>	<u>\$ 97,076</u>	<u>\$ 501,847</u>	<u>\$ 35,519</u>	<u>\$ 634,442</u>

Cleveland County Home Loan Authority  
Supplemental Combining Schedule of Net Position  
June 30, 2012

<b>ASSETS</b>	<b>Single Family Bond Programs</b>	<b>Agency General Fund</b>	<b>Combined Totals</b>
Current Assets			
Cash and Cash Equivalents	\$ -	\$ 718,646	\$ 718,646
Interfund	(645,550)	645,550	-
Total Current Assets	(645,550)	1,364,196	718,646
Noncurrent assets			
Restricted assets			
Cash and Cash Equivalents	1,586,334	-	1,586,334
Investments	20,072,494	-	20,072,494
Deferred bond issuance costs, net	152,093	-	152,093
Total Restricted Assets	21,810,921	-	21,810,921
Capital assets not being depreciated	-	22,500	22,500
Capital assets being depreciated	-	1,746,870	1,746,870
Total Assets	\$ 21,165,371	\$ 3,133,566	\$ 24,298,937
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Interest Payable	48,006	-	48,006
Due to Related Party	-	513	513
Current Maturities of Bonds Payable	134,467	-	134,467
Total Current Liabilities	182,473	513	182,986
Noncurrent Liabilities			
Bonds Payable	20,348,456	-	20,348,456
Total Noncurrent Liabilities	20,348,456	-	20,348,456
Total Liabilities	20,530,929	513	20,531,442
Net Position			
Invested in Capital Assets	-	1,769,370	1,769,370
Restricted for Single Family Bonds	634,442	-	634,442
Unrestricted	-	1,363,683	1,363,683
Total Net Position	634,442	3,133,053	3,767,495
Total Liabilities and Net Position	\$ 21,165,371	\$ 3,133,566	\$ 24,298,937

Cleveland County Home Loan Authority  
Supplemental Combining Schedule of Revenues, Expenses and Changes in Net Asset  
For the Year Ended June 30, 2012

	Single Family Bond Programs	Agency General Fund	Combined Totals
<b>REVENUES</b>			
Investment Income			
Program Loans and Bonds	\$ 576,860	\$ -	\$ 576,860
Gain on Sale of Assets	-	43,600	43,600
Net Change in Fair Value of Investments	293,605	-	293,605
Participation Fees and Other Income	<u>11,774</u>	<u>40,591</u>	<u>52,365</u>
Total Revenues	<u>882,239</u>	<u>84,191</u>	<u>966,430</u>
<b>EXPENSES</b>			
Interest	763,503	-	763,503
Legal	-	15,750	15,750
Trustee, Issuer and Other Fees	294,827	-	294,827
Depreciation	-	48,617	48,617
Other General and Administrative	<u>-</u>	<u>31,997</u>	<u>31,997</u>
Total Expenses	<u>1,058,330</u>	<u>96,364</u>	<u>1,154,694</u>
CHANGE IN NET POSITION	(176,091)	(12,173)	(188,264)
NET POSITION, BEGINNING OF YEAR	<u>810,533</u>	<u>3,145,226</u>	<u>3,955,759</u>
NET POSITION, END OF YEAR	<u>\$ 634,442</u>	<u>\$ 3,133,053</u>	<u>\$ 3,767,495</u>

Cleveland County Home Loan Authority  
Supplemental Combining Schedule of Cash Flows  
For the Year Ended June 30, 2012

	Single Family Bond Programs	Agency General Fund	Combined Totals
OPERATING ACTIVITIES			
Cash received from fees	\$ 11,774	\$ 43,241	\$ 55,015
Cash received from sale of assets	-	43,600	43,600
Cash received from program loan repayments	23,211,957	-	23,211,957
Payments for purchase of program loans	(10,555,666)	-	(10,555,666)
Payments for trustee and other fees	(237,043)	(47,748)	(284,791)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 12,431,022	\$ 39,093	\$ 12,470,115
NONCAPITAL FINANCING ACTIVITIES			
Principal paid on bonds payable	\$ (10,529,797)	\$ -	\$ (10,529,797)
Interest paid on bonds payable	(773,918)	-	(773,918)
Program Loan Proceeds	73,050	(73,050)	-
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ (11,230,665)	\$ (73,050)	\$ (11,303,715)
NET CHANGE IN CASH	\$ 1,200,357	\$ (86,784)	\$ 1,113,573
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	385,977	805,430	1,191,407
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,586,334	\$ 718,646	\$ 2,304,980
Reconciliation of Change in Net Position to Net Cash Used by Operations			
Change in Net Position	\$ (176,091)	\$ (12,173)	\$ (188,264)
Adjustments			
Depreciation	-	48,617	48,617
(Gain) Loss on Assets	-	-	-
Interest Expense on Bonds	763,503	-	763,503
Program Loan Repayments	22,542,531	-	22,542,531
Purchase of Program Loans	(10,555,666)	-	(10,555,666)
Amortization of Fees and Finance Costs	57,784	-	57,784
Change in Fair Value of Investments	(293,605)	-	(293,605)
Net Change in Other Assets and Liabilities	92,566	2,649	95,215
	\$ 12,431,022	\$ 39,093	\$ 12,470,115

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



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 have audited the financial statements of Cleveland County Home Loan Authority as of and for the year ended June 30, 2012, and have issued our report thereon dated May 16, 2014. 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.

Internal Control Over Financial Reporting

Management of Cleveland County Home Loan Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cleveland County Home Loan Authority's internal control over financial reporting in order to determine our auditing procedures 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 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph 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.

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#### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees, management and the State of Oklahoma auditor and inspector, Cleveland County and bond holders and is not intended to be and should not be used by anyone other than these specified parties.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
May 16, 2014