

Cleveland County
Home Loan Authority

Financial Statements

June 30, 2011

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Cleveland County Home Loan Authority
Financial Statements
For the Fiscal Year Ended June 30, 2011

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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 assets 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, 2011 and the related statements of revenues, expenses and changes in net assets 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, 2011, and its changes in net assets, 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 February 14, 2013, 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
February 14, 2013

BASIC FINANCIAL STATEMENTS

Cleveland County Home Loan Authority
Statement of Net Assets
June 30, 2011

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 805,429
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Total Current Assets	<u>808,079</u>
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Noncurrent assets

Restricted assets

Cash and Cash Equivalents	385,978
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Investments	31,780,615
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Deferred bond issuance costs, net	<u>319,006</u>
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Total Restricted Assets	<u>32,485,599</u>
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Capital assets not being depreciated	22,500
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Capital assets being depreciated	<u>1,742,659</u>
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Total Assets	<u><u>\$ 35,058,837</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Interest Payable	\$ 58,421
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Due to Related Party	513
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Current Maturities of Bonds Payable	<u>164,979</u>
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Total Current Liabilities	<u>223,913</u>
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Noncurrent Liabilities

Bonds Payable	<u>30,879,167</u>
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Total Liabilities	<u>31,103,080</u>
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Net Assets

Invested in Capital Assets	1,765,159
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Restricted for Single Family Bonds	810,532
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Unrestricted	<u>1,380,066</u>
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Total Net Assets	<u>3,955,757</u>
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Total Liabilities and Net Assets	<u><u>\$ 35,058,837</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 Net Assets
For the Year Ended June 30, 2011

REVENUES

Investment Income	
Program Loans and Bonds	\$ 623,553
Net Change in Fair Value of Investments	5,020
Participation Fees and Other Income	<u>51,508</u>
 Total Revenues	 <u>680,081</u>

EXPENSES

Interest	218,843
Legal	15,900
Trustee, Issuer and Other Fees	51,084
Depreciation	48,286
Other General and Administrative	<u>29,273</u>
 Total Expenses	 <u>363,386</u>

CHANGE IN NET ASSETS 316,695

NET ASSETS, BEGINNING OF YEAR 3,639,062

NET ASSETS, END OF YEAR \$ 3,955,757

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, 2011

OPERATING ACTIVITIES

Cash received from fees	\$ 51,508
Cash received from interest on investments	(2,650)
Cash received from program loan repayments	2,813,401
Payments for trustee and other fees	<u>(183,632)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 2,678,627

NONCAPITAL FINANCING ACTIVITIES

Principal paid on bonds payable	\$ (2,606,153)
Interest paid on bonds payable	(385,122)
Purchase of Program Investments	<u>(19,400)</u>

NET CASH (USED) BY NONCAPITAL
FINANCING ACTIVITIES \$ (3,010,675)

NET CHANGE IN CASH \$ (332,048)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,523,455

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,191,407

As shown on Statement of Net Assets

Current cash and cash equivalents	\$ 805,429
Restricted cash and cash equivalents	<u>385,978</u>
	<u><u>\$ 1,191,407</u></u>

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

Adjustments to reconcile Change in Net Assets to
Net Cash Used by Operations

Change in Net Assets	\$ 316,695
Depreciation	48,286
Interest Expense on Bonds	218,843
Program Loan Repayments	2,112,278
Amortization of Fees and Finance Costs	(87,374)
Change in Fair Value of Investments	(5,019)
Net Change in Other Assets and Liabilities	<u>74,918</u>
	<u><u>\$ 2,678,627</u></u>

SUPPLEMENTAL DISCLOSURE

Non-cash increase in zero coupon bond	<u><u>\$ 49,033</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, 2011

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, 2011

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.

The Authority applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, that are not in conflict with applicable GASB pronouncements. In addition, the Authority applies applicable FASB Statements issued after November 30, 1989, except those that conflict or contradict GASB.

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 assets. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. 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, 2011

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 Assets

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 assets, it uses restricted net assets first.

Cleveland County Home Loan Authority
Notes to Financial Statements
June 30, 2011

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.

Subsequent Events

The Authority has evaluated subsequent events through February 14, 2013, the date which the financial statements are available to be issued

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, 2011.

As of June 30, 2011, \$385,978 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 assets, 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 U.S Treasury Bills, GNMA and FNMA pooled loans. These investments are 97% of the Authority's total investments and are reported in the single family bond funds.

Cleveland County Home Loan Authority
Notes to Financial Statements
June 30, 2011

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>
U. S. Treasury Bills	\$ 20,026,024	\$ 20,026,024	\$ -	\$ -
Federal National Mortgage Association Coupon Bond	720,113	-	-	720,113
		<u>\$ 20,026,024</u>	<u>\$ -</u>	<u>\$ 720,113</u>
GNMA Pooled Loans	6,636,445			
FNMA Pooled Loans	4,398,033			
	<u>\$ 31,780,615</u>			

As shown in the statement of net assets

Restricted	
Investments	\$ 31,780,615
	<u>\$ 31,780,615</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, 2011, and changes for the fiscal year then ended are as follows:

Cleveland County Home Loan Authority
Notes to Financial Statements
June 30, 2011

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	\$ 499,397	\$ 50,170	\$ -	\$ 549,567	\$ -
2004	11/1/2004	Variable converting to fixed rate	11/1/2037	12,650,393	-	2,607,290	10,043,103	164,979
2009	12/21/2009	Variable converting to fixed rate	12/1/2041	20,000,000	-	-	20,000,000	-
				\$ 33,149,790	\$ 50,170	\$ 2,607,290	\$ 30,592,670	\$ 164,979
plus bond premium				571,098	-	119,622	451,476	
				<u>\$ 33,720,888</u>	<u>\$ 50,170</u>	<u>\$ 2,726,912</u>	<u>\$ 31,044,146</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, 2011, are as follows:

	Principal and Interest	Less Interest	Total Principal
2012	\$ 742,414	\$ 577,735	\$ 164,679
2013	705,321	532,155	173,166
2014	742,415	558,932	183,483
2015	742,410	547,998	194,412
2016	1,492,414	736,851	755,563
2017-2021	3,712,057	2,482,682	1,229,375
2022-2026	3,687,292	2,045,282	1,642,010
2027-2031	3,712,057	1,518,791	2,193,266
Thereafter	<u>24,911,760</u>	<u>855,044</u>	<u>24,056,716</u>
Total	<u>\$ 40,448,140</u>	<u>9,855,470</u>	<u>\$ 30,592,670</u>

Subsequent to year-end, the Authority received \$697,421 as a result of the restructure of the 2009 bond issue including early call of bonds, sale of mortgage certificates relating to said bonds and other means of funds release.

Cleveland County Home Loan Authority
Notes to Financial Statements
June 30, 2011

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.

V. CAPITAL ASSETS

As of June 30, 2011, 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	-	-	1,595,655
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	-	-	1,931,484
Less Accumulated Depreciation	(140,539)	(48,286)	-	(188,825)
Total capital assets, being depreciated, net	1,790,945	(48,286)	-	1,742,659
Business-type activities capital assets, net	\$ 1,813,445	\$ (48,286)	\$ -	\$ 1,765,159

VI. LEASE OF PROPERTY

The Authority leases a building to a local business. The property under this lease at June 30, 2011 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.

Supplementary Information

Cleveland County Home Loan Authority
Single Family Mortgage Revenue Bond Funds
Supplemental Combining Schedule of Net Assets
June 30, 2011

	Mortgage Revenue Bonds Series 1991A	Single Family Series 2004	Single Family Series 2009	Total
ASSETS				
Noncurrent assets				
Restricted assets				
Cash and Cash Equivalents	\$ -	\$ 85,099	\$ 300,879	\$ 385,978
Investments	720,113	11,034,477	20,026,025	31,780,615
Deferred bond issuance costs, net	-	46,707	272,299	319,006
Total Assets	<u>\$ 720,113</u>	<u>11,166,283</u>	<u>20,599,203</u>	<u>\$ 32,485,599</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Interest Payable	\$ 11,086	\$ 47,335	\$ -	\$ 58,421
Due to General Fund	-	-	572,500	572,500
Current Maturities of Bonds Payable	-	164,979	-	164,979
Total Current Liabilities	<u>11,086</u>	<u>212,314</u>	<u>572,500</u>	<u>795,900</u>
Noncurrent Liabilities				
Bonds Payable	<u>549,567</u>	<u>10,329,600</u>	<u>20,000,000</u>	<u>30,879,167</u>
Total Noncurrent Liabilities	<u>549,567</u>	<u>10,329,600</u>	<u>20,000,000</u>	<u>30,879,167</u>
Total Liabilities	<u>560,653</u>	<u>10,541,914</u>	<u>20,572,500</u>	<u>31,675,067</u>
Net Assets				
Restricted for Single Family Bonds	<u>159,460</u>	<u>624,369</u>	<u>26,703</u>	<u>810,532</u>
Total Liabilities and Net Assets	<u>\$ 720,113</u>	<u>\$ 11,166,283</u>	<u>\$ 20,599,203</u>	<u>\$ 32,485,599</u>

Cleveland County Home Loan Authority
Single Family Mortgage Revenue Bond Funds
Supplemental Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

	Mortgage Revenue Bonds Series <u>1991A</u>	Single Family Series <u>2004</u>	Single Family Series <u>2009</u>	<u>Total</u>
REVENUES				
Interest Income				
Program Loans and Bonds	\$ 49,033	\$ 555,636	\$ 18,884	\$ 623,553
Net Change in Fair Value of Investments	(9,965)	14,985	-	5,020
Participation Fees and Other Income	<u>-</u>	<u>-</u>	<u>617</u>	<u>617</u>
 Total Revenue	<u>39,068</u>	<u>570,621</u>	<u>19,501</u>	<u>629,190</u>
 EXPENSES				
Interest	51,320	323,523	(156,000)	218,843
Trustee, Issuer and Other Fees	<u>-</u>	<u>51,084</u>	<u>-</u>	<u>51,084</u>
 Total Expenses	<u>51,320</u>	<u>374,607</u>	<u>(156,000)</u>	<u>269,927</u>
 Income (Loss) before transfers	(12,252)	196,014	175,501	359,263
 Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 CHANGE IN NET ASSETS	(12,252)	196,014	175,501	359,263
 NET ASSETS, BEGINNING OF YEAR	<u>171,712</u>	<u>428,355</u>	<u>(148,798)</u>	<u>451,269</u>
 NET ASSETS, END OF YEAR	<u>\$ 159,460</u>	<u>\$ 624,369</u>	<u>\$ 26,703</u>	<u>\$ 810,532</u>

Cleveland County Home Loan Authority
Supplemental Combining Schedule of Net Assets
June 30, 2011

ASSETS	Single Family Bond Programs	Agency General Fund	Combined Totals
Current Assets			
Cash and Cash Equivalents	\$ -	\$ 805,429	\$ 805,429
Interfund	(572,500)	572,500	-
Total Current Assets	(572,500)	1,380,579	808,079
Noncurrent assets			
Restricted assets			
Cash and Cash Equivalents	385,978	-	385,978
Investments	31,780,615	-	31,780,615
Deferred bond issuance costs, net	319,006	-	319,006
Total Restricted Assets	32,485,599	-	32,485,599
Capital assets not being depreciated	-	22,500	22,500
Capital assets being depreciated	-	1,742,659	1,742,659
Total Assets	\$ 31,913,099	\$ 3,145,738	\$ 35,058,837
LIABILITIES AND NET ASSETS			
Current Liabilities			
Interest Payable	58,421	-	58,421
Due to Related Party	-	513	513
Current Maturities of Bonds Payable	164,979	-	164,979
Total Current Liabilities	223,400	513	223,913
Noncurrent Liabilities			
Bonds Payable	30,879,167	-	30,879,167
Total Noncurrent Liabilities	30,879,167	-	30,879,167
Total Liabilities	31,102,567	513	31,103,080
Net Assets			
Invested in Capital Assets	-	1,765,159	1,765,159
Restricted for Single Family Bonds	810,532	-	810,532
Unrestricted	-	1,380,066	1,380,066
Total Net Assets	810,532	3,145,225	3,955,757
Total Liabilities and Net Assets	\$ 31,913,099	\$ 3,145,738	\$ 35,058,837

Cleveland County Home Loan Authority
Supplemental Combining Schedule of Revenues, Expenses and Changes in Net Asset
For the Year Ended June 30, 2011

	Single Family Bond Programs	Agency General Fund	Combined Totals
REVENUES			
Investment Income			
Program Loans and Bonds	\$ 623,553	\$ -	\$ 623,553
Net Change in Fair Value of Investments	5,020	-	5,020
Participation Fees and Other Income	<u>617</u>	<u>50,891</u>	<u>51,508</u>
Total Revenues	<u>629,190</u>	<u>50,891</u>	<u>680,081</u>
EXPENSES			
Interest	218,843	-	218,843
Legal	-	15,900	15,900
Trustee, Issuer and Other Fees	51,084	-	51,084
Depreciation	-	48,286	48,286
Other General and Administrative	<u>-</u>	<u>29,273</u>	<u>29,273</u>
Total Expenses	<u>269,927</u>	<u>93,459</u>	<u>363,386</u>
CHANGE IN NET ASSETS	359,263	(42,568)	316,695
NET ASSETS, BEGINNING OF YEAR	<u>451,269</u>	<u>3,187,793</u>	<u>3,639,062</u>
NET ASSETS, END OF YEAR	<u><u>\$ 810,532</u></u>	<u><u>\$ 3,145,225</u></u>	<u><u>\$ 3,955,757</u></u>

Cleveland County Home Loan Authority
Supplemental Combining Schedule of Cash Flows
For the Year Ended June 30, 2011

	Single Family Bond Programs	Agency General Fund	Combined Totals
OPERATING ACTIVITIES			
Cash received from fees	\$ 617	\$ 50,891	\$ 51,508
Cash received from interest on investments	-	(2,650)	(2,650)
Cash received from program loan repayments	2,813,401	-	2,813,401
Payments for trustee and other fees	(138,458)	(45,174)	(183,632)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,675,560	\$ 3,067	\$ 2,678,627
NONCAPITAL FINANCING ACTIVITIES			
Principal paid on bonds payable	\$ (2,606,153)	\$ -	\$ (2,606,153)
Interest paid on bonds payable	(385,122)	-	(385,122)
Program Loan Proceeds	300,000	(300,000)	-
Purchase of Program Investments	(19,400)	-	(19,400)
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ (2,710,675)	\$ (300,000)	\$ (3,010,675)
NET CHANGE IN CASH	\$ (35,115)	\$ (296,933)	\$ (332,048)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	421,093	1,102,362	1,523,455
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 385,978	\$ 805,429	\$ 1,191,407
Reconciliation of Change in Net Assets to Net Cash Used by Operations			
Change in Net Assets	\$ 359,263	\$ (42,568)	\$ 316,695
Adjustments			
Depreciation	-	48,286	48,286
(Gain) Loss on Investments	-	-	-
Interest Expense on Bonds	218,843	-	218,843
Program Loan Repayments	2,112,278	-	2,112,278
Purchase of Program Loans	-	-	-
Amortization of Fees and Finance Costs	(87,374)	-	(87,374)
Change in Fair Value of Investments	(5,019)	-	(5,019)
Net Change in Other Assets and Liabilities	77,569	(2,651)	74,918
	\$ 2,675,560	\$ 3,067	\$ 2,678,627

**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, 2011, and have issued our report thereon dated February 14, 2013. 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
February 13, 2013