Tulsa County Home Finance Authority

ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED
DECEMBER 31, 2021

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Tulsa County Home Finance Authority
Board of Trustees
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Tulsa County Home Finance Authority

Opinion

We have audited the accompanying financial statements of Tulsa County Home Finance Authority, a component unit of Tulsa County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

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, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tulsa County Home Finance Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note A, the financial statements present only Tulsa County Home Finance Authority and do not purport to, and do not, present fairly the financial position of Tulsa County, as of December 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Tulsa County Home Finance Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Government Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022, on our consideration of the 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 controls 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 the Tulsa County Home Finance Authority's internal control over financial reporting and compliance.

[illegible] CPA PLLC

May 16, 2022

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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*

To the Board of Trustees
Tulsa County Home Finance Authority

We have audited, in accordance with the 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 the business-type activities of the Tulsa County Home Finance Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Tulsa County Home Finance Authority's basic financial statements, and have issued our report thereon dated May 16, 2022. Management did not present the Management's Discussion and Analysis required by the Government Accounting Standards Board.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tulsa County Home Finance Authority's internal control over financial reporting (internal control) to determine the 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 the Tulsa County Home Finance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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.

David Olson CPA PLLC

May 16, 2022

Tulsa County Home Finance Authority
Statement of Net Position
December 31, 2021

ASSETS		
Cash and Cash Equivalents	$	4,096,210.23
Cash and Cash Equivalents, DPA Program		461,473.22
Total Assets		4,557,683.45
LIABILITIES		
Accounts Payable - Professional Fees		8,000.00
NET POSITION		
Total Net Position, Unrestricted	$	4,549,683.45

The accompanying Notes to the Financial Statements are an integral part of this statement.

Tulsa County Home Finance Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021

Operating Expenses		
Trustee Fees	$	(1,500.00)
Professional Fees		(10,950.00)
Legal Fees		(12,000.00)
Net Income (Loss) from Operations		(24,450.00)
Non Operating Revenue (Expense)		
Dividend Income		683.05
Investment Loss		(732.85)
Total Non Operating Revenue (Expense)		(49.80)
Net Income (Loss)		(24,499.80)
Net Position, Beginning of Year		4,574,183.25
Net Position, End of Year	$	4,549,683.45

The accompanying Notes to the Financial Statements are an integral part of this statement.

Tulsa County Home Finance Authority
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities		
Trustee Fees	$	(1,500.00)
Professional Fees		(2,950.00)
Legal Fees		(12,000.00)
Net Cash Provided (Used) by Operating Activities		(16,450.00)
Cash Flows from Non Operating Activities		
Investment Loss		(732.85)
Cash Flows from Investing Activities		
Interest Received from Deposits with 3rd Party		683.05
Net Cash Inflow (Outflow) From All Activities		(16,499.80)
Cash and Cash Equivalents at Beginning of Year		4,574,183.25
Cash and Cash Equivalents at End of Year		4,557,683.45
Cash and Cash Equivalents		
Cash and Cash Equivalents at End of Year		4,557,683.45
Cash and Cash Equivalents at End of Year		4,557,683.45
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Net Operating Income (Loss)		(24,450.00)
Increase (Decrease) in Accounts Payable		8,000.00
Net Cash Provided (Used) by Operating Activities	$	(16,450.00)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Tulsa County Home Finance Authority
Notes to the Financial Statements
For the Year Ended December 31, 2021

The following notes to the financial statements are an integral part of Tulsa County Home Finance Authority's financial statements.

I. Summary of Significant Accounting Policies

Tulsa County Home Finance Authority, Tulsa, Oklahoma (the Authority) was established as a Trust for the use and benefit of the Beneficiary for the public purposes hereinafter set forth, under the provisions of Title 60, Oklahoma Statues 2001, Sections 176 to 180.4, inclusive, as amended, and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Authority began operation on October 16, 1978 and is a component unit of Tulsa County. The ultimate beneficiary of the Authority is Tulsa County, 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 rust estate. The Authority is exempt from federal and state income taxes.

The Authority was created for the primary purpose of providing mortgage funds for residential loans to qualified home buyers and certain multi-family housing projects in Tulsa County, Oklahoma through the issuance of revenue bonds. The bonds are not general obligations of Tulsa County, the State of Oklahoma, the 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. The conduit debt obligations are reduced by payments received from the mortgage loan services by the lenders, specific revenues, funds and assets pledged by the Authority, and the revenues and funds derived from GNMA/FNMA securities, of the respective bond issues.

In 2014, the Authority initiated a new program to provide down payment assistance to qualified home buyers. Bank 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 payments assistance payments were made during 2021.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, as amended by GASB Statement No. 61, *"The Financial Reporting Entity."* This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an *"economic resources"* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), 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 position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or the economic asset used.

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. The principal operating revenues of the Authority's enterprise fund are charges to bond issuer fees and investment income earned from those fees. Operating expenses for enterprise fund include the cost of bond issues administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Net Position and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Trust considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Restricted and Unrestricted Assets

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, 2021.

3. Reimbursable Advances

Reimbursable advances consist of down payment assistance provided to the home buyer that are reimbursable from investors. There were no outstanding advances at December 31, 2021.

4. Capital Assets

The Authority's capitalization policy is to capitalize individual fixed assets with an acquisition cost of $500 or greater. The Authority had no depreciable assets at December 31, 2021.

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Position and Revenues (continued)

5. Equity Classifications

Equity is classified as net position and displayed in three components:

a. Invested in capital assets, net of related debt --- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
b. Restricted net position --- Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net position --- All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

6. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 results could differ from those estimates.

II. Detailed Notes Concerning the Funds

A. Cash

Custodial Credit Risk – 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's cash deposits are maintained in financial institutions. As of December 31, 2021, none of the Authority's deposits were exposed to custodial credit risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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.

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

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

II. Detailed Notes Concerning the Funds (continued)

B. 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 government entity for the express purpose of providing capital financing for a specific third party that is not 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 or any political subdivision and are payable solely from pledged revenues. The Authority has elected to exclude both conduit debt as a liability and the related assets from their statement of net position.

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 the bonds to pay principal and interest. The bonds were paid in full on December 1, 2021. The Authority has no outstanding conduit debt at December 31, 2021.

III. Other Information

A. 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.

B. Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.