

**CANADIAN COUNTY HOME
FINANCE AUTHORITY**

BASIC FINANCIAL STATEMENTS
WITH OTHER INFORMATION

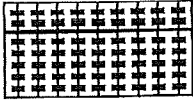
JUNE 30, 2014

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CANADIAN COUNTY HOME FINANCE AUTHORITY

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KNOL & MINNEY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Canadian County Home Finance Authority
El Reno, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Canadian County Home Finance Authority ("Trust") a component unit of Canadian County, Oklahoma as of June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Canadian County Home Finance Authority as of June 30, 2014, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Trust 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 the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements as a whole. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015 on our consideration of Canadian County Home Finance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Kmul & Whaney, PLLC

February 26, 2015

CANADIAN COUNTY HOME FINANCE AUTHORITY
STATEMENT OF NET POSITION
June 30, 2014

| | Primary Government | | |
|---|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets: | | | |
| Unrestricted assets: | | | |
| Cash and cash equivalents | \$ 42,457 | \$ - | \$ 42,457 |
| Investments | - | - | - |
| Other receivables | 230,539 | - | 230,539 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | - | - |
| Money market accounts | - | 191,870 | 191,870 |
| Investment agreements | - | - | - |
| Mortgage-backed securities | - | 89,450 | 89,450 |
| Interest receivable | - | 49,313 | 49,313 |
| Note receivable | - | 8,613,098 | 8,613,098 |
| Other assets | - | - | - |
| Bond discount (net) | - | 40,299 | 40,299 |
| Total assets | <u>272,996</u> | <u>8,984,030</u> | <u>9,257,026</u> |
| Liabilities: | | | |
| Liabilities payable from restricted assets: | | | |
| Accrued interest | - | 49,312 | 49,312 |
| Escrow liability | - | 86,798 | 86,798 |
| Revenue bonds payable | - | 8,803,893 | 8,803,893 |
| Bond premium | - | - | - |
| Total liabilities | <u>-</u> | <u>8,940,003</u> | <u>8,940,003</u> |
| Net assets: | | | |
| Restricted for bond retirement | - | 44,027 | 44,027 |
| Unrestricted | 272,996 | - | 272,996 |
| Total net assets | <u>\$ 272,996</u> | <u>\$ 44,027</u> | <u>\$ 317,023</u> |

The accompanying notes are an integral part of these financial statements

CANADIAN COUNTY HOME FINANCE AUTHORITY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

| | <u>Expenses</u> | <u>Program Revenues Charges for Services</u> | <u>Net (Expense)/ Revenue</u> |
|---------------------------------------|-------------------|--|---------------------------------------|
| Functions/Programs: | | | |
| Governmental activities: | | | |
| Public purpose | \$ 16,454 | \$ - | \$ (16,454) |
| Total Governmental activities | <u>16,454</u> | <u>-</u> | <u>(16,454)</u> |
| Business-type activities: | | | |
| Public purpose bond activities | 862,236 | 891,000 | 28,764 |
| Total Business-type activities | <u>862,236</u> | <u>891,000</u> | <u>28,764</u> |
| Total | <u>\$ 878,690</u> | <u>\$ 891,000</u> | <u>\$ 12,310</u> |

| | <u>Net (Expense)/Revenue and Changes in Net Assets</u> | | |
|---|--|-------------------------------------|-------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Net (expense)/revenue | \$ (16,454) | \$ 28,764 | \$ 12,310 |
| General revenues: | | | |
| Investment income | 25 | - | 25 |
| Miscellaneous | 2,500 | - | 2,500 |
| Transfers in (out) | - | (112,745) | (112,745) |
| Total general revenues and transfers | <u>2,525</u> | <u>(112,745)</u> | <u>(110,220)</u> |
| Change in net assets | (13,929) | (83,981) | (97,910) |
| Net assets, beginning | <u>286,925</u> | <u>128,008</u> | <u>414,933</u> |
| Net assets, ending | <u>\$ 272,996</u> | <u>\$ 44,027</u> | <u>\$ 317,023</u> |

The accompanying notes are an integral part of these financial statements

**CANADIAN COUNTY HOME FINANCE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

| | <u>General Fund</u> |
|---|----------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 42,457 |
| Investments | - |
| Other receivables | 230,539 |
| Interest Receivable | <u>-</u> |
| Total assets | <u><u>\$ 272,996</u></u> |
| Fund balance: | |
| Unassigned | \$ <u>272,996</u> |
| Total liabilities and fund balance | <u><u>\$ 272,996</u></u> |

The accompanying notes are an integral part of these financial statements

**CANADIAN COUNTY HOME FINANCE AUTHORITY
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2014**

| | |
|--|------------|
| Total fund balance - total governmental funds | \$ 272,996 |
|--|------------|

Amounts reported for governmental activities in the statement of net assets are different because:

No current differences between fund balance and net assets

| | |
|--|-------------------|
| Net assets of governmental activities | \$ <u>272,996</u> |
|--|-------------------|

The accompanying notes are an integral part of these financial statements

**CANADIAN COUNTY HOME FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

| | <u>General Fund</u> |
|--|---------------------|
| Revenues: | |
| Investment income | \$ 25 |
| Miscellaneous | <u>2,500</u> |
| Total revenues | <u>2,525</u> |
| Expenditures: | |
| Current: | |
| General government | <u>16,454</u> |
| Total expenditures | <u>16,454</u> |
| Change in fund balances before transfers in (out) | <u>(13,929)</u> |
| Transfers in (out) | <u>-</u> |
| Net change in fund balances | (13,929) |
| Fund balances, beginning | <u>286,925</u> |
| Fund balances, ending | <u>\$ 272,996</u> |

The accompanying notes are an integral part of these financial statements

CANADIAN COUNTY HOME FINANCE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

| | |
|---|-------------|
| Net change in fund balances - total governmental funds | \$ (13,929) |
|---|-------------|

Amounts reported for governmental activities in the statement of activities are different because:

No current differences between net change in fund balance and change in net assets _____

| | |
|--|--------------------|
| Change in net assets of governmental activities | \$ <u>(13,929)</u> |
|--|--------------------|

The accompanying notes are an integral part of these financial statements

CANADIAN COUNTY HOME FINANCE AUTHORITY
STATEMENT OF NET POSITION
June 30, 2014

| | Multi-Family Housing Revenue Bonds <u>Series 2003</u> | Single family Housing Revenue Bonds <u>Nonmajor funds</u> | <u>Total</u> |
|---|--|--|---------------------|
| Restricted assets: | | | |
| Money market accounts | \$ 184,542 | \$ 7,328 | \$ 191,870 |
| Investment agreements | - | - | - |
| Mortgage-backed securities | - | 89,450 | 89,450 |
| Interest receivable | 48,449 | 864 | 49,313 |
| Note receivable | 8,613,098 | - | 8,613,098 |
| Other Assets | - | - | - |
| Discounts and deferred amount on refunding | - | 40,299 | 40,299 |
| | <u>8,846,089</u> | <u>137,941</u> | <u>8,984,030</u> |
| Total restricted assets | | | |
| | <u>8,846,089</u> | <u>137,941</u> | <u>8,984,030</u> |
| Liabilities payable from restricted assets: | | | |
| Escrow liability | 86,798 | - | 86,798 |
| Accrued interest | 48,449 | 863 | 49,312 |
| Bonds payable | 8,613,097 | 190,796 | 8,803,893 |
| Premiums on bonds | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities payable from restricted assets | | | |
| | <u>8,748,344</u> | <u>191,659</u> | <u>8,940,003</u> |
| Net position: | | | |
| Restricted for bond retirement | \$ <u>97,745</u> | \$ <u>(53,718)</u> | \$ <u>44,027</u> |

The accompanying notes are an integral part of these financial statements

CANADIAN COUNTY HOME FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPES
Year Ended June 30, 2014

| | Multi-Family Housing Revenue Bonds Series 2003 | Single family Housing Revenue Bonds Nonmajor Funds | Totals |
|--------------------------------------|---|---|------------------|
| Revenues: | | | |
| Investment income | \$ 664,309 | \$ 7,799 | \$ 672,108 |
| Realized investment gains (losses) | - | - | - |
| Unrealized investment gains (losses) | - | (666) | (666) |
| Miscellaneous | 219,558 | - | 219,558 |
| Total revenues | <u>883,867</u> | <u>7,133</u> | <u>891,000</u> |
| Expenses: | | | |
| Interest expense | 664,705 | 12,460 | 677,165 |
| Administrative fees | 5,000 | 63 | 5,063 |
| Real estate taxes | 115,200 | - | 115,200 |
| Insurance | 64,808 | | 64,808 |
| Miscellaneous | - | | - |
| Total expenses | <u>849,713</u> | <u>12,523</u> | <u>862,236</u> |
| Operating income (loss) | <u>34,154</u> | <u>(5,390)</u> | <u>28,764</u> |
| Transfers in (out) | <u>(112,745)</u> | <u>-</u> | <u>(112,745)</u> |
| Change in net position | (78,591) | (5,390) | (83,981) |
| Net position, beginning | <u>176,336</u> | <u>(48,328)</u> | <u>128,008</u> |
| Net position, ending | <u>\$ 97,745</u> | <u>\$ (53,718)</u> | <u>\$ 44,027</u> |

The accompanying notes are an integral part of these financial statements

CANADIAN COUNTY HOME FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Multi-Family Housing Revenue Bonds Series 2003 | Single family Housing Revenue Bonds Nonmajor Funds | Totals |
|---|---|---|-------------------|
| Cash flows operating activities: | | | |
| Cash received from investment gains and earnings | \$ 664,309 | \$ 7,799 | \$ 672,108 |
| Cash received from maturing investments | - | 14,266 | 14,266 |
| Cash received from borrowers for principal | - | - | - |
| Cash received from borrowers for interest | - | - | - |
| Cash received from other sources | 238,651 | - | 238,651 |
| Cash payments for new investments | - | - | - |
| Cash payments to trustees | (5,000) | (63) | (5,063) |
| Cash payments to borrowers | - | - | - |
| Cash payments for miscellaneous expenses | (180,008) | - | (180,008) |
| Cash payments for bond principal | - | (14,115) | (14,115) |
| Cash payments for bond interest | (664,288) | (7,831) | (672,119) |
| Net cash provided (used) by operating activities | <u>53,664</u> | <u>56</u> | <u>53,720</u> |
| Cash flows from non-capital financing activities: | | | |
| Miscellaneous | - | - | - |
| Transfers to General fund | (112,745) | - | (112,745) |
| Net cash provided (used) by non-capital financing activities | <u>(112,745)</u> | <u>-</u> | <u>(112,745)</u> |
| Net increase (decrease) in cash and cash equivalents | (59,081) | 56 | (59,025) |
| Cash and cash equivalents, beginning of year | <u>243,623</u> | <u>7,272</u> | <u>250,895</u> |
| Cash and cash equivalents, end of year | <u>\$ 184,542</u> | <u>\$ 7,328</u> | <u>\$ 191,870</u> |

The accompanying notes are an integral part of these financial statements

CANADIAN COUNTY HOME FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Multi-Family Housing Revenue Bonds Series 2003 | Single family Housing Revenue Bonds Nonmajor Funds | Totals |
|---|---|---|------------------|
| (Continued) | | | |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Income (loss) from operations | \$ 34,154 | \$ (5,390) | \$ 28,764 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Amortization of premium on bonds | - | 4,628 | 4,628 |
| Unrealized investment (gains) losses | - | (666) | (666) |
| Changes in assets and liabilities: | | | |
| Investment agreements | - | - | - |
| Mortgaged-backed securities | - | 15,599 | 15,599 |
| Interest receivable | 7,325 | - | 7,325 |
| Note receivable | 79,951 | - | 79,951 |
| Interest payable | (6,908) | - | (6,908) |
| Long-term debt | (79,951) | (14,115) | (94,066) |
| Escrow liability | 19,093 | - | 19,093 |
| Net cash provided (used) by operating activities | \$ 53,664 | \$ 56 | \$ 53,720 |

The accompanying notes are an integral part of these financial statements

**CANADIAN COUNTY HOME FINANCE AUTHORITY
CANADIAN COUNTY
El Reno, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Canadian County Home Finance Authority (the Authority) is a public trust created under the laws of the State of Oklahoma for public purposes, which functions by the terms of a trust indenture dated December 27, 1978. The Authority was created for the primary purpose of providing mortgage funds for residential loans to qualified homebuyers and for certain multifamily housing projects in the County of Canadian, Oklahoma. The Authority is exempt from federal and state income taxes.

The beneficiary of the Authority is the County of Canadian, State of Oklahoma, which is entitled solely to the benefits of the Authority as administered by the trustees, and at the termination of the Authority shall receive the residue of the trust estate. The Authority is managed by a Board of Trustees appointed by the Board of County Commissioners of Canadian County, Oklahoma. As of June 30, 2014, the Board of County Commissioners is the appointed Board of Trustees for the Authority.

The Authority, by virtue of common control and dependence, is a component unit of Canadian County, Oklahoma. The financial activities of Canadian County and its other component units are not included in the financial statements of the Authority.

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Authority has the option to apply FASB pronouncements issued after that date to its business-type activities, the Authority has chosen not to do so.

The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Authority achieves its purpose through the issuance of revenue bonds. The bonds are not general obligations of the County of Canadian, State of Oklahoma, Canadian County Home Finance Authority, or any other political corporation, subdivision or agency thereof. These bonds are special and limited obligations payable by the Authority solely, and only, from mortgage loan payments and servicer fees and notes receivable from borrowers, and from revenues derived from the sale any repossessed properties, earnings from investments in GNMA and other securities, and interest on notes receivable from borrowers, depending on the respective bond issue.

The net proceeds are invested primarily in the following: (1) deposits, whereby the financial institutions agree to lend the amounts deposited to qualifying borrowers; (2) GNMA certificates, whereby various third parties make loans to qualifying borrowers, pool the loans, exchange the loan pool for participation certificates issued by GNMA, and sell the GNMA certificates to the Authority; (3) mortgage loans, whereby the loans are insured by a private mortgage insurer; (4) short-term investing agreements; and (5) rental properties owned and operated for the benefit of the Authority.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**CANADIAN COUNTY HOME FINANCE AUTHORITY
CANADIAN COUNTY
El Reno, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The government-wide financial statements report the use of the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. 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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the Authority as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by revenues derived from investment earnings and other charges for products, goods or services provided to external parties.

Fund Financial Statements – Fund financial statements are designed to present financial information of the Authority at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are presented separately but labeled appropriately.

Fund Accounting – The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. The following are the Authority's major governmental funds:

General Fund – The General Fund is the principal fund for the Authority which accounts for all financial transactions not appropriately accounted for in other funds.

**CANADIAN COUNTY HOME FINANCE AUTHORITY
CANADIAN COUNTY
El Reno, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Proprietary Funds – are used to account for operations of the Authority's organizations and activities which are similar to those often found in private business enterprises. Proprietary funds can be classified as enterprise funds.

Enterprise Funds – are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues received, disbursements made, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following are the Authority's major proprietary funds:

Bond funds of Canadian County Home Finance Authority that are considered to be major proprietary funds are the Series 2000 A, B and C Single Family Mortgage Revenue Bonds and the Series 2003 Multi-Family Housing Revenue Refunding and Improvement Bonds. These funds derive their cash flows from mortgage receivable payments and servicer fees, payments on notes receivable from borrowers, and from the liquidation on investments which are purchased to generate earnings to pay principal and interest on bonds. Revenues are derived from the sale any repossessed properties, earnings from investments in GNMA and other securities, and interest on notes receivable from borrowers, depending on the respective bond issue. This revenue is used to repay debt that has been provided for mortgage funds for residential loans to qualified homebuyers or certain multifamily housing projects.

The Series 1999 Single Family Mortgage Revenue Bonds and the Series 2006 Single Family Mortgage Revenue Refunding Bonds of the Authority do not meet the percentage criteria for major funds but the Authority has elected to treat the two non-major funds as though they were major funds for purposes of presentation within the proprietary funds of the financial statements rather than aggregating this information separately solely for the benefit of user understandability of the financial statements.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Authority can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at four financial institutions and are carried at cost. For purposes of statements of cash flows, the Authority considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

2. Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The Authority's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial condition. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

CANADIAN COUNTY HOME FINANCE AUTHORITY
CANADIAN COUNTY
El Reno, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

3. 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 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. Accordingly, actual results could differ from those estimates.

4. Classification of Revenues

The Authority has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as interest payments made to the Authority. These are considered operating revenues since the primary purpose of the Authority is to provide mortgage funds for residential loans to qualified homebuyers and for certain multifamily housing projects.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary Fund Accounting*, and GASB No. 34.

5. Net Assets

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

CANADIAN COUNTY HOME FINANCE AUTHORITY
CANADIAN COUNTY
El Reno, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Net Assets/Fund Balance (Continued)

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

2. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2014, the Authority held deposits of approximately \$234,327 at financial institutions. These institutions are required by law to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times. As of June 30, 2014, the balances in cash and certificates of deposit were fully secured.

Investment Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CANADIAN COUNTY HOME FINANCE AUTHORITY
CANADIAN COUNTY
El Reno, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DEPOSITS AND INVESTMENTS (Continued)

Investment Credit Risk

The Authority has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2014 are as follows:

| Type | Average Maturity (Years) | Credit Rating | Market Value | Cost |
|-------------------|--------------------------------|------------------|-------------------|-------------------|
| Investments | | | | |
| Money market | N/A | AAAm | \$ 191,870 | \$ 191,870 |
| GNMA securities | 18.12 | N/A | 89,450 | 88,112 |
| Total investments | | | <u>\$ 281,320</u> | <u>\$ 279,982</u> |

Concentration of Investment Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. The Authority has the following of credit risk: 68% in Money Market funds (\$191,870) and 32% in GNMA securities (\$89,450).

3. BONDS PAYABLE

The following represents the authorized amount of bonds of the Authority that are not retired or defeased as of June 30, 2014:

Single Family Mortgage Revenue Bonds
Series 1999

Multifamily Housing Revenue Bonds
Series 2003

**CANADIAN COUNTY HOME FINANCE AUTHORITY
CANADIAN COUNTY
El Reno, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

3. BONDS PAYABLE (Continued)

The legal description of the bonds, their referred name, and the financial institutions in charge of administering funds are as follows:

| <u>Legal Name</u> | <u>Reference</u> |
|--|------------------------|
| Bank of New York is trustee for the following: | |
| Single Family Mortgage Refunding Revenue Bonds (GNMA Mortgage-Backed Securities Program) | Series 1999 |
| Single Family Mortgage Revenue Bonds (Canadian and Cleveland Counties, Oklahoma Joint Powers Program) (GNMA Mortgage-Backed Securities Program) | Series 2000A, B, and C |
| <i>Defeased bonds – Subordinate Single Family Mortgage Revenue Refunding Bonds</i> | <i>Series 1991B</i> |

Bank of Oklahoma is trustee for the following:

| | |
|---|-------------|
| Single Family Mortgage Revenue Refunding Bonds Draw Down | Series 2006 |
|---|-------------|

BancFirst of Oklahoma is trustee for the following:

| | |
|--|-------------|
| Multifamily Housing Revenue Refunding and Improvement Bonds (Chapelridge Apartments of West OKC Project) | Series 2003 |
|--|-------------|

The Series 1999 bonds were issued to refund the Single Family Mortgage Revenue Bonds Series 1989. The Series 2000 bonds were issued to refund the Single Family Mortgage Revenue Refunding Bonds Series 1998A. The Series 2006 Draw Down bonds were issued to refund the Single Family Mortgage Revenue Refunding Bonds Series 2003A. The Series 2003 bonds (Chapelridge) were issued for a multifamily housing project in eastern Canadian County.

Changes in long-term debt are as follows:

| | <u>Balance 6/30/2013</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 6/30/2014</u> | <u>Current Portion</u> |
|--|------------------------------|------------------|--------------------|------------------------------|----------------------------|
| <u>Business-Type Activities</u> | | | | | |
| Bonds payable | \$ 8,897,960 | \$ - | \$ (94,067) | \$ 8,803,893 | \$ - |
| Less discounts and deferred amount on refunding | (44,927) | - | 4,628 | (40,299) | - |
| Add premiums | - | - | - | - | - |
| Total | <u>\$ 8,936,394</u> | <u>\$ -</u> | <u>\$ (89,439)</u> | <u>\$ 8,763,594</u> | <u>\$ -</u> |

**CANADIAN COUNTY HOME FINANCE AUTHORITY
CANADIAN COUNTY
El Reno, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

3. BONDS PAYABLE (Continued)

The following are outstanding at June 30, 2014:

| | |
|---------------------------|---------------------|
| Series 1999 | 190,796 |
| Series 2003 (Chapelridge) | 8,613,097 |
| | <u>\$ 8,803,893</u> |

Multifamily Housing Revenue Refunding and Improvement Bonds Series 2003

The Authority entered into a bond indenture with BancFirst on May 2, 2003 to serve as bond trustee providing for the issuance of \$9.4 million of Multifamily Housing Revenue Refunding and Improvement Bonds (Chapelridge Apartments of West OKC Project) Series 2003. A portion of these bonds refunded \$7 million of Multifamily Housing Revenue Bonds (Chapelridge Apartments of Yukon Project) Series 2002A, which were issued in September, 2002. The proceeds of the bonds will be applied to finance the acquisition, construction, and equipping of a 200-unit residential rental development located in eastern Canadian County, Oklahoma. Interest is payable on the first of each month until maturity at an interest rate of 6.75% per annum. The maturities of the Series 2003 bonds are as follows:

| Year | Principal | Interest |
|-----------|---------------------|----------------------|
| 2015 | - | 581,384 |
| 2016 | - | 581,384 |
| 2017 | - | 581,384 |
| 2018 | - | 581,384 |
| 2019 | - | 581,384 |
| 2020-2024 | - | 2,906,920 |
| 2025-2029 | - | 2,906,920 |
| 2030-2034 | - | 2,906,920 |
| 2035-2039 | | 2,906,920 |
| 2040-2044 | | 2,906,920 |
| 2045 | 8,613,097 | 581,384 |
| | <u>\$ 8,613,097</u> | <u>\$ 18,022,905</u> |

Single Family Mortgage Revenue Bonds

GNMA-Collateralized Single Family Mortgage Refunding Revenue Bonds Series 1999

In 1999, the Authority entered into a bond indenture with Bank One Trust Company, NA as bond trustee providing for the issuance of \$3,774,098 of GNMA-Collateralized Single Family Mortgage Refunding Revenue Bonds Series 1999 to provide funds to refund the Series 1989 bond issue. Interest is paid monthly at a rate of 6.31% per annum.

**CANADIAN COUNTY HOME FINANCE AUTHORITY
CANADIAN COUNTY
El Reno, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

3. BONDS PAYABLE (Continued)

The maturities the Series 1999 bonds are as follows:

| Year | Principal | Interest |
|-----------|-------------------|-------------------|
| 2015 | - | 12,039 |
| 2016 | - | 12,039 |
| 2017 | - | 12,039 |
| 2018 | - | 12,039 |
| 2019 | - | 12,039 |
| 2020-2024 | 190,796 | 60,196 |
| | <u>\$ 190,796</u> | <u>\$ 120,392</u> |

As set forth in the bond indenture, the bonds are secured by the pledge of revenues and other amounts derived by the Authority from the Series 1999 bonds and the GNMA securities. The bonds are subject to early redemption provisions as described in the bond indenture. A custodial receipt was also issued in the amount of \$106,250. The custodial receipt holder receives interest at a rate of 1.75% on the outstanding bonds.

Other debt matters

On September 1, 2004 the Authority entered in to an inter-local cooperation agreement with the Cleveland County Home Loan Authority and the Cleveland County Development Authority for the purpose of refunding prior bonds of the cooperating authorities and issuing new bonds to make funds available for financing mortgage loans within the counties. At June 30, 2014, the Authority had not refunded or issued any bonds related to the September 1, 2004 inter-local agreement.

4. RELATED PARTY TRANSACTIONS

The Authority advanced \$98,839 in a prior year to the Canadian County Public Facilities Authority for operating expenses of the Canadian County Juvenile Detention Facility, renovating the Mistletoe Building in El Reno, Oklahoma, and for other expenditures. As of June 30, 2014 the balance of the advance is \$230,539. The Board of Trustees of the Authority and the Canadian County Public Facilities Authority have represented that the amounts advanced will be repaid in the future with rental income from facilities owned by Canadian County Public Facilities Authority.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 26, 2015, which is the date the financial statements were available to be issued.

CANADIAN COUNTY HOME FINANCE AUTHORITY
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUND TYPES
June 30, 2014

| | Single Family Housing Revenue Bonds | | | Total Non-Major Funds |
|---|--|--------------------------|----------------|-----------------------------|
| | Series 1999 | Series 2000 A, B, & C | Series 2006 | |
| Restricted assets: | | | | |
| Money market accounts | \$ 7,328 | \$ - | \$ - | \$ 7,328 |
| Investment agreements | - | - | - | - |
| Mortgage-backed securities | 89,450 | - | - | 89,450 |
| Interest receivable | 864 | - | - | 864 |
| Note receivable | - | - | - | - |
| Other assets | - | - | - | - |
| Discounts and deferred amount on refunding | 40,299 | - | - | 40,299 |
| Total restricted assets | <u>137,941</u> | <u>-</u> | <u>-</u> | <u>137,941</u> |
| Liabilities payable from restricted assets: | | | | |
| Amounts held in escrow | - | - | - | - |
| Accrued interest | 863 | - | - | 863 |
| Bonds payable | 190,796 | - | - | 190,796 |
| Premiums on bonds | - | - | - | - |
| Total liabilities payable from restricted assets | <u>191,659</u> | <u>-</u> | <u>-</u> | <u>191,659</u> |
| Net assets: | | | | |
| Net assets restricted for bond retirement | \$ <u>(53,718)</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>(53,718)</u> |

CANADIAN COUNTY HOME FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR PROPRIETARY FUND TYPES
Year Ended June 30, 2014

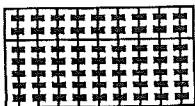
| | Single Family Housing Revenue Bonds | | | Total Non-Major Funds |
|--|--|--------------------------|----------------|-----------------------------|
| | Series 1999 | Series 2000 A, B, & C | Series 2006 | |
| Revenues: | | | | |
| Investment income | \$ 7,799 | \$ - | \$ - | \$ 7,799 |
| Realized investment gains (losses) | - | - | - | - |
| Unrealized investment gains (losses) | (666) | - | - | (666) |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>7,133</u> | <u>-</u> | <u>-</u> | <u>7,133</u> |
| Expenses: | | | | |
| Interest expense | 12,460 | - | - | 12,460 |
| Administrative fees | 63 | - | - | 63 |
| Miscellaneous | - | - | - | - |
| Total expenses | <u>12,523</u> | <u>-</u> | <u>-</u> | <u>12,523</u> |
| Operating income (loss) | <u>(5,390)</u> | <u>-</u> | <u>-</u> | <u>(5,390)</u> |
| Transfers in (out) | - | - | - | - |
| Change in net assets | (5,390) | - | - | (5,390) |
| Net assets, beginning, restated | <u>(48,328)</u> | <u>-</u> | <u>-</u> | <u>(48,328)</u> |
| Net assets, ending | <u>\$ (53,718)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (53,718)</u> |

CANADIAN COUNTY HOME FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Single Family Housing Revenue Bonds | | | Refunding Draw Down Series 2006 | Totals |
|--|--|-------------------------|------|--|----------|
| | Series 1999 | Series 2000 A, B & C | | | |
| Cash flows operating activities: | | | | | |
| Cash received from investment gains and earnings | \$ 7,799 | \$ - | \$ - | \$ - | \$ 7,799 |
| Cash received from maturing investments | 14,266 | - | - | - | 14,266 |
| Cash received from borrowers for principal | - | - | - | - | - |
| Cash received from borrowers for interest | - | - | - | - | - |
| Cash received from other sources | - | - | - | - | - |
| Cash payments for new investments | - | - | - | - | - |
| Cash payments to trustees | (63) | - | - | - | (63) |
| Cash payments to borrowers | - | - | - | - | - |
| Cash payments for miscellaneous expenses | - | - | - | - | - |
| Cash payments for bond principal | (14,115) | - | - | - | (14,115) |
| Cash payments for bond interest | (7,831) | - | - | - | (7,831) |
| Net cash provided (used) by operating activities | 56 | - | - | - | 56 |
| Cash flows from non-capital financing activities: | | | | | |
| Transfers to General fund | - | - | - | - | - |
| Net cash provided (used) by non-capital financing activities | - | - | - | - | - |
| Net increase (decrease) in cash and cash equivalents | 56 | - | - | - | 56 |
| Cash and cash equivalents, beginning of year | 7,272 | - | - | - | 7,272 |
| Cash and cash equivalents, end of year | \$ 7,328 | \$ - | \$ - | \$ - | \$ 7,328 |

CANADIAN COUNTY HOME FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Single Family Housing Revenue Bonds | | | Refunding Draw Down Series 2006 | Totals |
|---|--|-------------------------|-------------|--|--------------|
| | Series 1999 | Series 2000 A, B & C | | | |
| (Continued) | | | | | |
| Reconciliation of operating income to net cash | | | | | |
| provided by operating activities: | | | | | |
| Income (loss) from operations | \$ (5,390) | \$ - | \$ - | \$ - | \$ (5,390) |
| Adjustments to reconcile operating income to | | | | | |
| net cash provided by operating activities: | | | | | |
| Amortization | 4,628 | - | - | - | 4,628 |
| Unrealized investment (gains) losses | (666) | - | - | - | (666) |
| Changes in assets and liabilities: | | | | | |
| Investment agreements | - | - | - | - | - |
| Mortgaged-backed securities | 15,599 | - | - | - | 15,599 |
| Interest receivable | - | - | - | - | - |
| Note receivable | - | - | - | - | - |
| Interest payable | - | - | - | - | - |
| Long-term debt | (14,115) | - | - | - | (14,115) |
| Premium on bonds | - | - | - | - | - |
| Net cash provided (used) by operating activities | \$ 56 | \$ - | \$ - | \$ - | \$ 56 |



KNOL & MINNEY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Canadian County Home Finance Authority
El Reno, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Canadian County Home Finance Authority (Trust), a component unit of Canadian County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated February 26, 2015. The trust did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trust's internal control over financial reporting (internal control) to determine the audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 Trust'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*.

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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kneal & Murney, PLLC". The signature is written in a cursive, flowing style.

February 26, 2015