

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Creek County Home Finance Authority
Sapulpa, Oklahoma

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Creek County Home Finance Authority (a component unit of Creek County, Oklahoma), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Creek County Home Finance Authority's basic financial statements.

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 statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. 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 judgement, 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

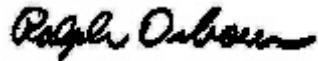
Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Creek County Home Finance Authority as of June 30, 2013, and the respective changes in financial position, thereof, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Creek County Home Finance Authority has not presented Management's Discussion and Analysis or budgetary comparison schedules that the Governmental Accounting Standards Board has determined are necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 10, 2013, on my consideration of Creek County Home Finance Authority's internal control over financial reporting and my 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 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 my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 10, 2013

CREEK COUNTY HOME FINANCE AUTHORITY
 SAPULPA, OKLAHOMA
 STATEMENT OF NET ASSETS
 JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 181,386
Interest receivable	<u>239</u>
Total current assets	<u>181,625</u>
Non-current assets:	
Capital assets	
Land	16,941
Other capital assets net of accumulated depreciation	<u>25,464</u>
Total non-current assets	<u>42,405</u>
Total assets	<u>224,030</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,074
Escrow payments held in trust	<u>893</u>
Total current liabilities	<u>2,967</u>
Total liabilities	<u>2,967</u>
NET ASSETS	
Nonspendable	42,644
Unassigned	<u>178,419</u>
Total net assets	<u>\$ 221,063</u>

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Revenue</u>				
	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue</u>	
<u>Expenses</u>					
Function/Programs					
Governmental activities					
Residential devel.	\$ 58,756	\$ 43,080	\$ -	\$ -	\$ (15,676)
Total governmental activities	<u>58,756</u>	<u>43,080</u>	<u>-</u>	<u>-</u>	<u>(15,676)</u>
Total government	<u>\$ 58,756</u>	<u>\$ 43,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,676)</u>

	<u>Governmental Activities</u>
Changes in net assets:	
Net (expense) revenue	\$ <u>(15,676)</u>
General revenues	
Interest	1,113
Return of grant funds	<u>(16,849)</u>
Total general revenues	<u>(15,736)</u>
Change in net assets	(31,412)
Net assets - beginning	<u>252,475</u>
Net assets - ending	<u>\$ 221,063</u>

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 181,386	\$ 181,386
Interest receivable	<u>239</u>	<u>239</u>
TOTAL ASSETS	<u>\$ 181,625</u>	<u>\$ 181,625</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 2,074	\$ 2,074
Escrow payments held in trust	<u>893</u>	<u>893</u>
TOTAL LIABILITIES	<u>2,967</u>	<u>2,967</u>
FUND BALANCES		
Nonspendable	239	239
Unassigned	<u>178,419</u>	<u>178,419</u>
TOTAL FUND BALANCES	<u>178,658</u>	<u>178,658</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 181,625</u>	<u>\$ 181,625</u>

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
 SAPULPA, OKLAHOMA
 RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
 WITH THE STATEMENT OF NET ASSETS
 JUNE 30, 2013

Total fund balance \$ 178,658

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Land	16,941	
Capital assets	152,382	
Accumulated depreciation	<u>(126,918)</u>	<u>42,405</u>

Total net assets \$ 221,063

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenue		
Rentals	\$ 18,000	\$ 18,000
Mortgage payments from purchasers	17,955	17,955
Down payments from purchasers	7,000	7,000
Other Income	125	125
Interest	<u>1,113</u>	<u>1,113</u>
 Total revenue	 <u>44,193</u>	 <u>44,193</u>
Expenditures		
Current		
Administrative and general	19,663	19,663
Professional fees	2,450	2,450
Expense participation	15,000	15,000
Insurance	2,191	2,191
Operating expenses	825	825
Repair and maintenance	10,895	10,895
Purchase of property	6,941	6,941
Cost of property sales	<u>2,770</u>	<u>2,770</u>
 Total expenditures	 <u>60,735</u>	 <u>60,735</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(16,542)</u>	 <u>(16,542)</u>
 Other financing sources (uses)		
Return of grant funds	<u>(16,849)</u>	<u>(16,849)</u>
 Net other financing sources (uses)	 <u>(16,849)</u>	 <u>(16,849)</u>
 Net change in fund balances	 (33,391)	 (33,391)
 Fund balances, beginning	 <u>212,049</u>	 <u>212,049</u>
 Fund balances, ending	 <u>\$ 178,658</u>	 <u>\$ 178,658</u>

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds \$ (33,391)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(4,962)	
Capital outlay	<u>6,941</u>	<u>1,979</u>
Change in net assets		<u>\$ (31,412)</u>

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - Basis of Presentation

Creek County Home Finance Authority (the "Authority") is a public trust created by the Board of County Commissioners of Creek County Oklahoma (the "County") February 20, 1979 under the provisions of Title 60, Oklahoma Statutes. The primary purpose of the trust is to assist in providing adequate housing for low to moderate income families in Creek County Oklahoma through the issuance of revenue bonds.

The Authority is governed by a nine member board of trustees appointed by the Board of County Commissioners. The County is entitled to receive the residue of the trust estate upon termination of the trust. The County does not have any authority, power, or right to control or direct the actions of the trustees or to transact any business for the Authority. The County and the Authority are related organizations. The Authority is a component unit of the County.

The Authority and Creek County Home Finance Authority are governed by boards of trustees with identical membership. Transactions regularly occur between the two authorities. Financial information for Creek County Home Finance Authority is reported in a separately audited financial report. Transactions between these authorities are discussed in Note H.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Authority general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Fund Financial Statements

Fund financial statements of the Authority are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus and Basis of Accounting

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

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales taxes, intergovernmental revenues, and investment income. In general, other revenues and expenses are recognized when cash is received.

FUND TYPES AND MAJOR FUNDS

The Authority is a special purpose governmental unit. It reports a general fund and no other funds.

Budget

The Authority has not adopted an annual operating budget. Therefore, the budget comparisons are not reported.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled if not used. Any cancelled encumbrances are added to fund balance.

Inventories and Prepays

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. The Authority has not maintained inventory records, however, the value of inventory on hand at June 30, 2013 is not believed to be material.

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepays are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Authority's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Authority maintains infrastructure assets records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-60

Employee Benefits

The Authority does not have employees.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Authority will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, and are held by counterparty or the counterparty's trust department but not in the name of the Authority. The Authority's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Authority's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Authority had deposits at financial institutions with a carrying amount of approximately \$181,386 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$181,935.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2013, the Authority's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - RECEIVABLES

The Authority has accrued interest receivable on certificates of deposit held at June 30, 2013.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE D - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
Governmental activities					
Balance, June 30, 2012	\$ 146,403	\$ -	\$ 5,979	\$ 152,382	\$ 10,000
Increases	-	-	-	-	6,941
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>146,403</u>	<u>-</u>	<u>5,979</u>	<u>152,382</u>	<u>16,941</u>
Accumulated Depreciation					
Balance, June 30, 2012	118,465	-	3,491	121,956	
Increase	4,724	-	238	4,962	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>123,189</u>	<u>-</u>	<u>3,729</u>	<u>126,918</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 23,214</u>	<u>\$ -</u>	<u>\$ 2,250</u>	<u>\$ 25,464</u>	<u>\$ 16,941</u>

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the government as follows:

GOVERNMENT ACTIVITIES

Residential Development \$ 4,962

NOTE E - MORTGAGE AND ESCROW PAYMENTS

During fiscal year ended June 30, 2012, the Authority purchased and rehabilitated properties with grant funds. Purchasers of these properties make mortgage payments directly to the Authority. These funds are retained by the Authority for future projects and payment of expenses. Additional payments made to the Authority above principal and interest are held in an escrow fund which is used to pay annual homeowners insurance expenses for the purchasers. The unexpended funds held for this purpose are recorded as escrow funds held in trust. The balance of the escrow funds held in trust at June 30, 2013 was \$893.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE F - RELATED PARTY TRANSACTIONS

As indicated in Note A financial transactions occur between the Authority and Creek County Home Finance Authority on a regular basis. Creek County Home Finance Authority does not have an office staff or pay normal office expenses, such as utilities. In lieu of maintaining separate staffs and paying office expenses, Creek County Home Finance Authority pays Creek County Industrial Authority \$1,000 per month or \$12,000 per year in expense participation fees. Additional payments may be required if additional activity requires additional personnel time or costs related to Creek County Home Finance business. During the fiscal year ended June 30, 2013, Creek County Home Finance paid a total of \$15,000 in participation fees. The payments are recognized as revenue and expense in the financial statements of the respective authorities.

NOTE G - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2013, the date which financial statements were available, to determine if any items need to be disclosed. The Authority sold the property purchased during the year to Community Action Resource and Development, Inc on August 26, 2013 for \$12,636.96.

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 Honorable Members of the Board of Trustees
Creek County Home Finance Authority
Sapulpa, Oklahoma

I 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 governmental activities, each major fund, and the aggregate remaining fund information of Creek County Home Finance Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Creek County Home Finance Authority's basic financial statements and have issued my report thereon dated October 10, 2013 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Creek 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Creek County Home Finance Authority's internal control. Accordingly, I do not express an opinion of the effectiveness of Creek 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.

My consideration of internal control over financial reporting 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.

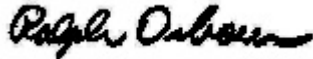
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Creek County Home Finance Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 10, 2013