

**HOUSING AUTHORITY OF THE
CHEROKEE NATION OF OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2012 AND 2011**

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

**ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS:	
Statements of Net Assets	7
Statements of Revenues, Expenses and Changes in Net Assets	8
Statements of Cash Flows	9
Notes to Financial Statements	10



INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners

We have audited the accompanying statements of net assets of the Housing Authority of the Cherokee Nation of Oklahoma (the "Housing Authority") a component unit of the Cherokee Nation, as of September 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Cherokee Nation of Oklahoma as of September 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Arledge & Associates, P.C.
Edmond, Oklahoma
February 27, 2013



Housing Authority of the Cherokee Nation

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HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

September 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS **(Unaudited)**

Our discussion and analysis of the Housing Authority of the Cherokee Nation of Oklahoma's (the "Housing Authority's") financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the financial statements and the accompanying notes to those financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The *Statement of Net Assets* provides information about the assets owned and the liabilities owed as of September 30, 2012, with the net difference reported as "net assets." The *Statement of Revenues, Expenses, and Changes in Net Assets* provides information about revenues received and expenditures made during FY-2012 and the resulting net increase or decrease in "net assets". The *Statement of Cash Flows* provides a breakdown, by major category, of actual cash received and cash disbursed by the Housing Authority during FY-2012. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). Additionally, due to the Housing Authority's relationship with the Cherokee Nation (the "Nation"), the Housing Authority's financial results are included in the Comprehensive Annual Financial Report of the Nation as a Component Unit.

FINANCIAL HIGHLIGHTS

Total assets at year-end were \$115,237,945 a \$6,656,957 million decrease from FY-2011. Of this amount, current assets totaled \$24,267,188 and consisted primarily of cash and investments. Non-current assets totaled \$90,970,757 and consisted primarily of inventory of homes of \$543,630, net capital assets (property, buildings and equipment) of \$59,160,394, mortgages receivable of \$20,183,816, investments restricted for debt service of \$2,575,606 and investments restricted under the Housing Authority's lease to own programs of \$6,455,794 (see Note 7 to the financial statements).

Total liabilities at year-end were \$20,489,322, a decrease of \$3,050,363 million from FY-2011. Of this amount, current liabilities totaled \$2,494,920. Long term liabilities at year end consist of notes payable of \$11,538,608 consisting primarily of Title VI and Assumable Mortgage Program loans, and \$6,455,794 of Trust liabilities, consisting primarily of Homebuyers' Monthly Equity Payments (MEPA) held by the Housing Authority on behalf of the homebuyers.

The overall net assets decreased by \$3,606,594 for the year.

Net assets invested in capital assets decreased by a net of \$2,668,491 during FY-2012 due primarily to the conveyance of paid off Mutual Help homes during the period and current year depreciation.

Total revenues for the year totaled \$2,973,458 compared with \$3,116,672 for FY-2011. Operating revenue of \$760,505 was composed of sales of Title VI homes of \$568,338 and other income of \$192,167 for FY-2012. Non-operating revenue was composed of interest income of \$1,053,164, Federal grant revenue of \$842,704, gain on sale of assumable mortgage homes/equipment of \$3,935 and gain on conveyance of homes/equipment of \$313,150. For FY-2011, operating revenue of \$507,136 was composed of sales of Title VI homes of \$328,948 and other income of \$178,188. Non operating revenue was composed of interest income of \$1,085,898, Federal grant revenue of \$1,099,359, gain on sale of equipment/excess land of \$41,514, and gain on conveyance of homes/equipment of \$382,765.

Operating expenses totaled \$5,991,666 for FY-2012 compared to \$5,784,945 for FY-2011. Non-operating interest expense of \$286,511 was incurred in FY-2012 compared to \$418,360 for FY-2011.

Overall for the year ending September 30, 2012, Net Assets decreased \$3,606,594 with ending Net Assets at year-end totaling \$94,748,623 of which \$57,776,472 was invested in capital assets, \$1,379,428 was restricted for investment in partnerships/joint ventures, \$2,575,606 was restricted for debt service, and the remaining balance restricted for program services.

CAPITAL ASSETS

As of September 30, 2012, the Housing Authority's investment in capital assets was \$59,160,394 (net of accumulated depreciation). This investment consists of land, buildings, equipment, and software.

CAPITAL ASSETS (Cont'd)

Major capital asset additions during the current fiscal year include the following:

- Purchases of homes related to the Housing Authority's Mutual Help Program totaled \$801,760 for the year.
- Purchases of homes related to the Housing Authority's new Housing Opportunity Program (HOP) totaled \$354,887.
- Construction in process related to new home construction totaling \$937,395.
- Purchase of new computer equipment totaling \$153,595.
- Acquisition of donated land totaling \$266,463.

Additional information on the Housing Authority's capital assets can be found in Note 5.

LONG-TERM DEBT

The Housing Authority repaid \$1,854,094 in principal on the Title VI loan for the year ending September 30, 2012. The Title VI loan balance at September 30, 2012 totaled \$13,039,002. Additional information on all of the Housing Authority's debt can be found in Note 8.

ECONOMIC FACTORS AND NEXT YEAR'S OUTLOOK

1. The Housing Authority of the Cherokee Nation re-assumed the operations of housing programs from the Cherokee Nation on October 1, 2012. These programs were previously assumed and operated by the Cherokee Nation between May 1, 2008 and September 30, 2012.
2. The Housing Authority also assumed the transfer of Housing Department employees from the Cherokee Nation and began employing staff to carry out operations at the Housing Authority.
3. Benefits packages for employees of the Housing Authority (including medical, dental, 401k plan) and Risk Management operations is administered by the Cherokee Nation pursuant to a Memorandum of Agreement (MOA) through both entities.
4. A separate Memorandum of Agreement (MOA) exists between the Housing Authority and the Cherokee Nation for the Housing Authority to administer Native American Housing Assistance and Self-Determination (NAHASDA) and other grant funds as a sub-recipient of the Cherokee Nation.
5. The Housing Authority has purchased a financial system and is taking steps to separate all Information Technology (IT) functions from the Cherokee Nation. This includes the staffing capacity to assume all IT related functions, including system security, of the Housing Authority's independent IT network.
6. The Executive Director, on behalf of the Housing Authority, employs a senior management team to assist with carrying out the operations. This team includes a Director of Finance (Chief Financial Officer), Director of Information Technology (Chief Information Officer), Director of Operations, Director of Evaluation and Compliance, Director of Housing Management, Director of Facilities/Maintenance, and a Director of Development.

7. The Housing Authority continues to oversee its 501(c)3, Cherokee Affordable Housing Inc., which has a partnerships for the operations of four Low Income Housing Tax Credit Projects throughout the Cherokee Nation.
8. The Board of Commissioners and the Executive Director will continue to administer the business and operations of the Housing Authority. The MOA with the Cherokee Nation will allow for the Housing Authority to act as a sub recipient of grant funds, specifically NAHASDA, and administer those funds on behalf of the Nation.
9. The Executive Director maintains constant and open communications with the Cherokee Nation Executive (Principal Chief) and Legislative (Tribal Council) branches of government. He also remains in constant communications with other Executive Directors of the tribal government in order to advance housing operations.
10. The Executive Director and the Cherokee Nation closely follow actions at the federal government level to insure funding. This is furthered by membership to the National American Indian Housing Council (NAIHC) and the National Congress of American Indians (NCAI) on the national level. It is also supported on a regional level with membership of the Southern Plains Indian Housing Association (SPIHA). The Executive Director stays abreast of current issues that stand to affect federal funding through these memberships.
11. The Cherokee Nation has nominated and SPIHA has passed a Resolution in support on the Executive Director serving on the Negotiated Rulemaking Committee that is scheduled to be convened this year on the NAHASDA formula.
12. The Executive Director, with Cherokee Nation's support, will follow issues related to NAHASDA Reauthorization which is set to expire on October 1, 2013. He has already opened the line of communication with Congressional leadership and members in the both the House and Senate on this and other issues.
13. The Housing Authority has developed a program for the construction of new homes, using non-NAHASDA related sources. This program will result in additional assets for the Housing Authority related to housing stock.
14. As the Housing Authority continues to pay down Title VI debt, it will look at the possibility of developing new housing options under the Title VI program.
15. The Housing Authority sought and was granted approval to demolish its oldest rental property, Project 45-01, at Pryor and rebuild with NAHASDA funds. This will result in improving low rent apartment options in locations where the Housing Authority currently does not own apartments.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Housing Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the Cherokee Nation, P.O. Box 1007, Tahlequah, OK 74465.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

STATEMENTS OF NET ASSETS
September 30, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$ 971,472	\$ 1,081,089
Investments	21,303,910	24,493,607
Accounts receivable	236,196	220,591
Accrued interest	484,953	399,471
Mortgages receivable-Title VI	575,900	568,737
Due from other governments - Cherokee Nation	588,669	174,517
Prepaid expenses	19,802	16,777
Other current assets	86,286	143,654
	<u>24,267,188</u>	<u>27,098,443</u>
Noncurrent Assets:		
Restricted investments	9,031,400	8,952,753
Inventory of homes for sale	543,630	712,429
Notes receivable-partnerships/joint ventures	315,423	281,718
Investment in partnerships/joint ventures	1,379,428	1,379,440
Mortgages receivable-Title VI	20,183,816	21,242,592
Capital assets, net	59,160,394	61,828,885
Other noncurrent assets	356,666	398,642
	<u>90,970,757</u>	<u>94,796,459</u>
Total assets	<u>115,237,945</u>	<u>121,894,902</u>
LIABILITIES		
Current Liabilities:		
Accrued expenses	153,978	55,469
Deferred grant and other revenue	456,626	473,393
Notes payable	1,884,316	1,854,094
	<u>2,494,920</u>	<u>2,382,956</u>
Noncurrent Liabilities:		
Trust liabilities	6,455,794	7,271,793
Notes payable	11,538,608	13,884,936
	<u>17,994,402</u>	<u>21,156,729</u>
Total liabilities	<u>20,489,322</u>	<u>23,539,685</u>
NET ASSETS		
Invested in capital assets, net of related debt	57,776,472	59,982,952
Investment in partnerships/joint ventures	1,379,428	1,379,440
Restricted for debt service	2,575,606	2,572,705
Restricted for program services	33,017,117	34,420,120
	<u>94,748,623</u>	<u>98,355,217</u>
Total net assets	<u>\$ 94,748,623</u>	<u>\$ 98,355,217</u>

See independent auditor's report and accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the fiscal years ended September 30, 2012 and 2011

OPERATING REVENUES:	<u>2012</u>	<u>2011</u>
Sale of homes - Title VI	\$ 568,338	\$ 328,948
Less cost of sales - Title VI	<u>568,338</u>	<u>358,061</u>
Gain (Loss) on sale of homes	-	(29,113)
Other income	<u>192,167</u>	<u>178,188</u>
Total operating revenues	<u>192,167</u>	<u>149,075</u>
 OPERATING EXPENSES:		
Cost of operations	2,025,969	1,782,409
Other expenses	140,475	45,193
Depreciation	<u>3,825,222</u>	<u>3,957,343</u>
Total operating expenses	<u>5,991,666</u>	<u>5,784,945</u>
Operating income (loss)	<u>(5,799,499)</u>	<u>(5,635,870)</u>
 NON-OPERATING REVENUES (EXPENSES):		
Gain on conveyance of homes/equipment/land disposal	313,150	382,765
Gain on sale of equipment/excess land/AMP homes	3,935	41,514
Grant revenue	842,704	1,099,359
Interest income	1,053,164	1,085,898
Interest expense	<u>(286,511)</u>	<u>(418,360)</u>
Total non-operating revenues	<u>1,926,442</u>	<u>2,191,176</u>
Income (loss) before contributions	(3,873,057)	(3,444,694)
Capital contributions - donated land	<u>266,463</u>	<u>1,226,438</u>
Increase (decrease) in net assets	(3,606,594)	(2,218,256)
 NET ASSETS		
Net assets - beginning of period	<u>98,355,217</u>	<u>100,573,473</u>
Net assets - end of period	<u>\$ 94,748,623</u>	<u>\$ 98,355,217</u>

See independent auditor's report and accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

STATEMENTS OF CASH FLOWS

For the fiscal years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from (paid to) participants	\$ (15,605)	\$ (6,587)
Cash received from other sources	190,967	176,988
Cash paid to suppliers	<u>(2,857,182)</u>	<u>(3,202,490)</u>
Net cash provided (used) by operating activities	<u>(2,681,820)</u>	<u>(3,032,089)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Grant revenue	842,704	1,099,359
Title VI loan principal payments	(1,854,094)	(2,692,423)
Title VI interest paid	<u>(189,531)</u>	<u>(300,127)</u>
Net cash provided (used) by non-capital financing activities	<u>(1,200,921)</u>	<u>(1,893,191)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposal of Mutual Help and IHBG homes	1,294,704	1,439,289
Proceeds from disposal of equipment/land/AMP homes	146,331	139,402
Loan principal payments	(462,012)	(114,594)
Loan interest paid	(96,980)	(118,233)
Purchase of property	<u>(2,285,013)</u>	<u>(82,673)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,402,970)</u>	<u>1,263,191</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	14,372,000	20,033,011
Purchase of investments	(11,260,950)	(18,712,168)
Investment income	228,029	289,108
Loan to LITC partnership	-	(16,320)
Title VI mortgage interest received	705,960	780,443
Title VI principal received on mortgage	652,556	579,215
Deletions (additions) to inventory of homes for sale	568,338	261,174
Title VI escrow paid	<u>(89,839)</u>	<u>(73,857)</u>
Net cash provided (used) by investing activities	<u>5,176,094</u>	<u>3,140,606</u>
Net increase (decrease) in cash and cash equivalents	(109,617)	(521,483)
Cash and cash equivalents-beginning of year	1,081,089	1,602,572
Cash and cash equivalents-end of year	<u>\$ 971,472</u>	<u>\$ 1,081,089</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (5,799,499)	\$ (5,635,870)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	3,825,222	3,957,343
Loss (gain) on Title VI sales	-	29,113
Change in assets and liabilities:		
(Increase) Decrease In:		
Accounts receivable	(15,605)	(6,587)
Due from other governments	(869,999)	-
Prepaid expenses	(3,025)	(3,962)
Other assets	99,344	(26,550)
Increase (Decrease) In:		
Accounts payable	-	(252)
Accrued expenses	98,509	(7,610)
Due to other governments	-	(1,336,572)
Deferred revenue	<u>(16,767)</u>	<u>(1,142)</u>
Net cash provided (used) by operating activities	<u>\$ (2,681,820)</u>	<u>\$ (3,032,089)</u>

See independent auditor's report and accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Housing Authority of the Cherokee Nation of Oklahoma (the "Housing Authority") was created under the provisions of the laws of the State of Oklahoma and provides affordable housing and other services to low income Native Americans within the boundaries of the Cherokee Nation (the "Nation"). Effective October 1, 1997, the Native American Housing Assistance and Self-Determination Act (NAHASDA) was implemented. NAHASDA recognizes the system of federal housing assistance to Native Americans by eliminating several separate programs of assistance and replacing them with a single block grant program. In addition to this, the purpose of NAHASDA is to provide federal assistance for Indian tribes in a manner that recognizes the right of Indian self-determination and tribal self-governance. This is implemented through the use of an annual Indian Housing Plan submitted to the Department of Housing and Urban Development (DHUD) for approval. Pursuant to Tribal Council legislation, the Nation was designated the responsible party for the federally funded NAHASDA program in 2000. Subsequent to that action, various components of the Indian Housing plan are passed through the Nation to the Housing Authority under a Memorandum of Agreement for implementation and day-to-day management.

Based on the forgoing criteria and in compliance with the provisions of GASB No. 14, *The Financial Reporting Entity*, the Housing Authority is included in the Nation's Comprehensive Annual Financial Report as a "component unit".

Cherokee Affordable Housing, Inc. (CAH) - CAH is a non-profit 501(c)3 corporation organized under the laws of the State of Oklahoma created primarily to serve as the eligible 501(c)3 entity required to fill the position of general partner in the low income housing tax credit partnerships and related projects that have been developed by the Housing Authority and a third party developer (see Note 6). CAH's financial activity is limited only to its role in the tax credit partnerships. The board of directors for CAH consists of the same board members of the Housing Authority. The president of CAH is the executive director of the Housing Authority. Based on the foregoing criteria and in compliance with the provisions of GASB No. 14, *The Financial Reporting Entity*, CAH is included as a "blended" component unit in the Housing Authority's financial statements.

Memorandum of Agreement:

During FY-2007, the Housing Authority was notified by the Cherokee Nation of the Nation's intent to unify all housing programs under the direction of the Cherokee Nation. As such, the commissioners of the Housing Authority, on February 19, 2008, entered into a Memorandum of Agreement ("MOA") with the Cherokee Nation for the purpose of designating the Cherokee Nation as the entity to administer housing programs on behalf of the Housing Authority. The MOA was effective May 1, 2008, and remains in effect unless terminated by either party in accordance with the terms of the MOA.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Memorandum of Agreement (Cont'd):

The terms of the MOA provides that the day to day operations of the Housing Authority are now administered by the Nation's newly established Housing Services Division with all such related financial activity occurring since May 1, 2008 reflected on its accounting records.

All former employees of the Housing Authority were either transferred to the Housing Services Division or were terminated effective May 1, 2008. The Housing Authority continues as separate legal entity, with a Board of Commissioners. The Housing Authority continues to hold title to all real property, continues to maintain custody over cash and investments associated with proceeds of sale and MEPA trust liabilities, continues to maintain assets and related liabilities associated with the Title VI loan program and the Assumable Mortgage program, and continues to provide the necessary guarantees associated with the Low Income Tax Credit projects (See Note 13). The Group Leader of the newly created Housing Services Division of the Cherokee Nation serves as the Executive Director of the Housing Authority.

Additionally, the Board of Commissioners have agreed to effectuate the transfer, effective October 1, 2008, of all Title VI Notes and Mortgages to the Cherokee Nation as part of the ongoing consolidation of all housing programs. However, the final transfer will not be completed until all legal and title issues associated with transferring the notes and mortgages from the Housing Authority's name to the Nation have been considered and addressed. As of September 30, 2012, the Title VI transfer has not been addressed.

Also, as part of the MOA described above, the Housing Authority annually reviews the need to provide proceeds of sale funds to the Cherokee Nation to assist with the cost of administering the housing programs. When approved, these amounts have been included in the "Cost of Operations" line of the operating expenses section of the statement of revenues, expenses and changes in net assets.

See Note 12.

B. BASIS OF ACCOUNTING

The accounting and reporting policies of the Housing Authority conform to accounting principles generally accepted in the United States of America for units of local government as promulgated by the Governmental Accounting Standards Board ("GASB").

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. BASIS OF ACCOUNTING (CONT'D)

The Housing Authority accounts for its activities within a proprietary fund. The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The accrual basis of accounting is utilized by the proprietary fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. Pursuant to GASB Statement No. 33, the Housing Authority records revenue on its voluntary nonexchange transactions when all applicable eligibility requirements, including expenditure-driven transactions, are met. Resources transmitted before the eligibility requirements have been met are reported as deferred revenues.

Under the guidelines of GASB Statement No. 20, the Housing Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

C. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

D. CASH AND CASH EQUIVALENTS

For purposes of reporting the statement of cash flows, the Housing Authority has defined cash and cash equivalents as cash and investment items having an original maturity of three months or less.

E. INVESTMENTS

Investments are carried at fair value. By policy, the Housing Authority's funds are invested in DHUD approved types of investments which include (1) direct obligations of the United States; obligations issued by Government sponsored entities; securities that are guaranteed or insured by the United States; mutual (or other) funds registered with the Securities and Exchange Commission and which invest only in obligations of the United States or securities that are guaranteed or insured by the United States; or (2) accounts that are insured by an agency or instrumentality of the United States or fully collateralized to insure protection of the funds, even in the event of bank failure.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. INVENTORY OF HOMES FOR SALE

As a result of the operation of the Title VI Loan program, the Housing Authority has built or acquired a number of homes in various locations in anticipation of the expected demand for the homes as well as homes for specific homebuyers in accordance with an agreement with them. The amount in inventory for the years ended September 30, 2012 and 2011 was \$543,630 and \$712,429, respectively. This inventory is carried at the lower of cost or market value.

G. CAPITAL ASSETS-HOME OWNERSHIP PROGRAMS

The Housing Authority has several lease-to-own homebuyer programs wherein the tenant/homebuyer may eventually purchase the house in accordance with contractual agreements. Until the time of transfer, these homes remain the property of the Housing Authority. The costs of those units are depreciated over the expected term of payoff at the time of the original agreement, generally 25 years. When the home is paid off in accordance with the agreements, and title is passed to the homebuyer, a gain or loss is recognized on the transfer of the house to the homebuyer. See Note 7 for further disclosure regarding the Housing Authority's lease-to-own programs.

H. CAPITAL ASSETS-OTHER

Other assets that the Housing Authority has for its rental programs, area offices and central administrative offices that are not held for systematic disposition are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Maintenance and repairs are expensed as incurred. The Housing Authority capitalizes property and equipment whose costs are \$5,000 or more per unit.

I. OPERATING AND NONOPERATING REVENUE AND EXPENSE

Operating revenues are those revenues produced as a result of selling homes under the Title VI Program, providing housing units, or providing other services. Operating expenses include all costs of normal operations. Nonoperating revenues include grant revenue, gain on conveyance of homes/equipment, interest income and other nonrecurring revenue. Nonoperating expenses include interest expense and other nonrecurring expenses.

J. INCOME TAXES

The Housing Authority is organized as an agency of the State of Oklahoma and, as such, is exempt from federal and state taxation. Accordingly, no provision for income taxes has been made in the financial statements.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

2. DEPOSITS AND INVESTMENTS

Deposits - It is the policy of the Housing Authority to maintain its bank deposits in federally insured banking institutions. Collateralization with third-party banks is required for funds on deposit that exceed the \$250,000 amount that the Federal Depository Insurance Corporation (FDIC) insures for each bank.

The custodial credit risk for deposits is the risk that the Housing Authority will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At September 30, 2012 and 2011, all of the Housing Authority's deposits were insured or collateralized with securities held by the pledging financial institution in the Housing Authority's name.

Investments - Investments are subject to credit risk, interest rate risk and custody risk. Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Regarding the management of credit risk, it is the policy of the Housing Authority to follow the DHUD approved types of Investment as stated in Note 1, which limits the investments to obligations of the United States or its agencies and instrumentalities, Government Sponsored Entities, Mutual Funds registered with the SEC and invested only in United States obligations or other accounts insured by an agency of the United States or that are fully collateralized to insure the protection of the funds.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Housing Authority's policy for NAHASDA funds is to generally follow the policy set forth by DHUD in 24 CFR 1000.58, which limits investments to a maximum of two years. Non-NAHASDA funds can be invested longer than two years in accordance with overall projected cash needs. At September 30, 2012 and 2011, approximately \$22,442,000 and \$12,267,000, respectively, of the Housing Authority's investments were invested in securities having an original maturity in excess of two years.

For investments, custodial risk is the risk that in the event of the failure of the counterparty, the Housing Authority will not be able to recover the value of its investments in the possession of an outside third party. The Housing Authority policy provides that investments are held by third party custodians with whom the Housing Authority has custodial agreements in the Housing Authority's name or be held in the name of both parties by the Federal Reserve Bank.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)
September 30, 2012 and 2011

2. DEPOSITS AND INVESTMENTS (CONT'D)

Summary of Investments - The Housing Authority's investments are stated at fair value. A summary of the investments held at September 30, 2012, their maturities and their current credit rating are as follows:

Investment Type	Fair Value	Less Than 1	1-5	Credit Rating	
				S&P	Moody's
Money Market Funds	\$ 1,066,302	\$ 1,066,302	\$ -	(1)	(1)
Government Obligations Fund	1,088,559	1,088,559	-	(2)	(2)
Federal Home Loan Mortgage Corporation	2,548,000	2,043,000	505,000	AA+	Aaa
Federal National Mortgage Association	<u>1,917,344</u>	<u>-</u>	<u>1,917,344</u>	AA+	Aaa
Total	\$ <u>6,620,205</u>	\$ <u>4,197,861</u>	\$ <u>2,422,344</u>		

A summary of the investments held at September 30, 2011, their maturities and their current credit rating are as follows:

Investment Type	Fair Value	Less Than 1	1-5	Credit Rating	
				S&P	Moody's
Money Market Funds	\$ 1,618,980	\$ 1,618,980	\$ -	(1)	(1)
Government Obligations Fund	1,060,436	1,060,436	-	(2)	(2)
Federal Home Loan Mortgage Corporation	2,545,100	-	2,545,100	AA+	Aaa
Federal National Mortgage Association	970,916	-	970,916	AA+	Aaa
Federal Home Loan Bank	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	AA+	Aaa
Total	\$ <u>7,195,432</u>	\$ <u>2,679,416</u>	\$ <u>4,516,016</u>		

(1) While these Money Market Funds do not have formal ratings, they are Governmental or Institutional type funds that are invested only in securities that have the highest short-term rating from at least two NRSRO's.

(2)Not rated.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)
September 30, 2012 and 2011

2. DEPOSITS AND INVESTMENTS (CONT'D)

A reconciliation of the investments presented above to the investments as presented in the statements of net assets follows:

	2012	2011
Investments as presented above	\$ 6,620,205	\$ 7,195,432
Plus: Certificates of Deposit reported as investments and restricted investments of which approximately 58% and 42% mature in one year or less and the remaining 42% and 58% in 1 to 5 years for 2012 and 2011 respectively	<u>23,715,105</u>	<u>26,250,928</u>
Total investments and restricted investments	<u>\$ 30,335,310</u>	<u>\$ 33,446,360</u>

The Investments are utilized for different purposes and as such, some are restricted as to their use and availability. This is summarized as follows:

	2012	2011
Unrestricted:		
General Operation	\$ <u>21,303,910</u>	\$ <u>24,493,607</u>
Restricted:		
MEPA Investments	6,455,794	6,380,048
Title VI Investments	<u>2,575,606</u>	<u>2,572,705</u>
Subtotal	<u>9,031,400</u>	<u>8,952,753</u>
Total Investments	<u>\$ 30,335,310</u>	<u>\$ 33,446,360</u>

The Investments that are designated as MEPA are internally restricted as they represent the amount of monies that are in the New Mutual Help Homebuyers Monthly Equity Payment Account at September 30, 2012 and 2011. The agreement with the Homebuyers is that the funds will be invested and any earnings will be applied to their account at least annually. When the Homebuyer accumulates enough equity in their account from various sources, then the funds attributable to MEPA and other sources will be released to the Housing Authority in payment of the home (see Note 7).

The Title VI Investments are externally restricted as part of the original Title VI loan agreement as collateral for the repayment of the Title VI loans.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)
September 30, 2012 and 2011

3. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2012 and 2011, consisted of the following:

	<u>2012</u>	<u>2011</u>
Accounts receivable for insurance and other	\$ 218,621	\$ 200,800
Tenant loans receivable	17,575	19,491
Other receivables	-	300
	<u>236,196</u>	<u>220,591</u>
Total accounts receivable	236,196	220,591
Accounts receivable-net	<u>\$ 236,196</u>	<u>\$ 220,591</u>

4. MORTGAGES RECEIVABLE - TITLE VI

The Housing Authority has receivables at September 30, 2012 and 2011, totaling \$20,759,716 and \$21,811,329, respectively, from individuals who are participating in the Title VI loan program. Each of these loans is secured by a mortgage on the property provided by the Housing Authority. The loans have an interest rate of 4% and are payable over 30 years. No allowance has been recorded as of September 30, 2012 or 2011 as the Housing Authority believes the amounts to be collectable or the houses can be reacquired quickly by the Housing Authority and the value will equal or exceed the amount of the loan. Also see Note 8.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

5. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2012 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 937,395	\$ (647,221)	\$ 290,174
Land	11,889,623	303,836	(329,269)	11,864,190
Total capital assets not being depreciated:	<u>11,889,623</u>	<u>1,241,231</u>	<u>(976,490)</u>	<u>12,154,364</u>
Other capital assets:				
Buildings and improvements	114,049,673	1,803,871	(3,522,126)	112,331,418
Equipment	3,742,880	153,595	(56,680)	3,839,795
Total other capital assets, historical cost	<u>117,792,553</u>	<u>1,957,466</u>	<u>(3,578,806)</u>	<u>116,171,213</u>
Less accumulated depreciation for:				
Buildings and improvements	(64,320,131)	(3,792,326)	2,458,150	(65,654,307)
Equipment	<u>(3,533,160)</u>	<u>(32,896)</u>	<u>55,180</u>	<u>(3,510,876)</u>
Total accumulated depreciation	<u>(67,853,291)</u>	<u>(3,825,222)</u>	<u>2,513,330</u>	<u>(69,165,183)</u>
Other capital assets, net	<u>49,939,262</u>	<u>(1,867,756)</u>	<u>(1,065,476)</u>	<u>47,006,030</u>
Total capital assets, net	<u>\$ 61,828,885</u>	<u>\$ (626,525)</u>	<u>\$ (2,041,966)</u>	<u>\$ 59,160,394</u>

Current year "land additions" listed above consists of land totaling \$266,463 purchased by the Cherokee Nation and donated to the Housing Authority for future project use.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

5. CAPITAL ASSETS (CONT'D)

A summary of capital asset activity for fiscal year 2011 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 11,048,448	\$ 1,226,438	\$ (385,263)	\$ 11,889,623
Total capital assets not being depreciated:	<u>11,048,448</u>	<u>1,226,438</u>	<u>(385,263)</u>	<u>11,889,623</u>
Other capital assets:				
Buildings and improvements	117,878,599	82,673	(3,911,599)	114,049,673
Equipment	4,311,628	-	(568,748)	3,742,880
Total other capital assets, historical cost	<u>122,190,227</u>	<u>82,673</u>	<u>(4,480,347)</u>	<u>117,792,553</u>
Less accumulated depreciation for:				
Buildings and improvements	(63,571,645)	(3,910,930)	3,162,444	(64,320,131)
Equipment	(4,035,495)	(46,413)	548,748	(3,533,160)
Total accumulated depreciation	<u>(67,607,140)</u>	<u>(3,957,343)</u>	<u>3,711,192</u>	<u>(67,853,291)</u>
Other capital assets, net	<u>54,583,087</u>	<u>(3,874,670)</u>	<u>(769,155)</u>	<u>49,939,262</u>
Total capital assets, net	<u>\$ 65,631,535</u>	<u>\$ (2,648,232)</u>	<u>\$ (1,154,418)</u>	<u>\$ 61,828,885</u>

FY-2011 "land additions" listed above consists of land totaling \$1,213,938 purchased by the Cherokee Nation and donated to the Housing Authority for future project use as well as land totaling \$12,500 purchased by Nowata County and donated to the Housing Authority for future project use.

6. INVESTMENT IN LIMITED PARTNERSHIPS/JOINT VENTURES

The Housing Authority has utilized tax credit incentives provided by the Federal government to reduce the cost it would normally incur to provide low income housing to the elderly and other low income families. This was accomplished by participating in four partnerships which have built low income housing projects that qualified for Low Income Housing Tax Credits ("LIHTC") made available by the Federal government. The projects comprise 155 housing units and are managed by outside parties under management agreements as provided by the partnership agreements.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

6. INVESTMENT IN LIMITED PARTNERSHIPS/JOINT VENTURES (CONT'D)

These partnerships are accounted for as joint ventures utilizing the equity method of accounting. Separate audited financial statements of the partnerships/joint ventures are available upon request. The Housing Authority began entering into the limited partnerships in 2001 with a local nonprofit 501(C) 3 organization to build LIHTC rental properties, initially as a limited partner during the construction phase and then was converted to Special Limited Partner status at the end of construction period.

The Partnerships were created to provide a vehicle for use in benefiting from Low Income Housing Tax Credits, available through the Oklahoma Housing Finance Authority, as a means to obtain significant funding of the various housing projects, through the sale of the Tax Credits to qualified investors who then became the limited partners upon their investment into the partnerships.

For each of the projects, the Housing Authority committed to invest a certain amount of funds, contingent upon the award of the low income tax credits by the Oklahoma Housing Finance Authority.

The following summarizes the investments between the Housing Authority for each of the partnerships/joint ventures as of September 30, 2012:

Type of investment	Jay Senior Housing	Stilwell Sr. Housing	Northview Estates	Wisdom Keepers	Total
Note receivable	\$ 750,000	\$ 250,000	\$ 1,088,600	\$ -	\$ 2,088,600
Initial operating loan	30,000	30,000	51,400	50,000	161,400
Management fee loan	16,320	-	-	-	16,320
Discount	<u>(708,058)</u>	<u>(252,240)</u>	<u>(944,467)</u>	<u>(46,132)</u>	<u>(1,950,897)</u>
Notes Receivable, net	<u>88,262</u>	<u>27,760</u>	<u>195,533</u>	<u>3,868</u>	<u>315,423</u>
Capital Investment	<u>\$ 342,696</u>	<u>\$ 610,135</u>	<u>\$ 315</u>	<u>\$ 426,282</u>	<u>\$ 1,379,428</u>

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

6. INVESTMENT IN LIMITED PARTNERSHIPS/JOINT VENTURES (CONT'D)

The following summarizes the investments between the Housing Authority for each of the partnerships/joint ventures as of September 30, 2011:

Type of investment	Jay Senior Housing	Stilwell Sr. Housing	Northview Estates	Wisdom Keepers	Total
Note receivable	\$ 750,000	\$ 250,000	\$ 1,088,600	\$ -	\$ 2,088,600
Initial operating loan	30,000	30,000	51,400	50,000	161,400
Management fee loan	16,320				16,320
Discount	<u>(716,165)</u>	<u>(255,368)</u>	<u>(966,501)</u>	<u>(46,568)</u>	<u>(1,984,602)</u>
Notes Receivable, net	<u>80,155</u>	<u>24,632</u>	<u>173,499</u>	<u>3,432</u>	<u>281,718</u>
Capital Investment	\$ <u>342,700</u>	\$ <u>610,139</u>	\$ <u>315</u>	\$ <u>426,286</u>	\$ <u>1,379,440</u>

The Notes receivable have a 31 year due date from issuance with no interest on the notes, with the exception of the note receivable from the Northview Estates partnership. The Northview note has an interest rate of 4.79%, which is the long-term annual AFR rate at the time of execution of the note. Payments on this note can be made based on the available prior years' cash flow as defined in the partnership agreement. Any unpaid accrued interest under this calculation will be due at the same time as the principal under the loan agreement, or 31 years from inception. The notes receivable and operating loans originally aggregated \$2,250,000 and have been discounted by \$2,157,000 to reflect an appropriate rate of return accorded similar investments, resulting in an initial balance of \$93,000. The discount is being accreted back to income over the 31 year term of the respective loans and the collectibility is to be reevaluated annually.

The initial aggregate capital investment of \$1,390,000, net of the changes in the Housing Authority's equity accounts, is carried on the accompanying statement of net assets as investment in partnerships/joint ventures and is adjusted on a go forward basis to reflect the changes to the Housing Authority's equity account in the partnerships/joint ventures. During FY-2012 and FY-2011, the Housing Authority's equity account decreased by \$12 and \$11, respectively, for its share of the partnerships/joint ventures net loss.

The Housing Authority, as a Special Limited Partner, has also entered into long-term lease agreements with three of the partnerships to provide land as a site for the Projects. Each lease is for \$1 per year for a term of 99 years. The Housing Authority's cost basis in this land and improvements was \$1,514,780 and has been expensed as the Housing Authority received no additional equity for its contribution to these projects.

Through September 30, 2005, the Housing Authority had received or recognized development fees of approximately \$990,000 as the co-developer of the four LITC projects. No additional development fees are to be recognized in the future for these projects.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

6. INVESTMENT IN LIMITED PARTNERSHIPS/JOINT VENTURES (CONT'D)

Condensed financial statements for each of these partnerships/joint ventures at December 31, 2011, and the fiscal year then ended follow

	Jay Senior Housing	Stilwell Sr. Housing	Northview Estates	Wisdom Keepers	Total
	Balance Sheets				
Current assets	\$ 96,781	\$ 124,090	\$ 169,800	\$ 157,153	\$ 547,824
Noncurrent assets	1,976,022	2,123,852	3,400,419	2,489,382	9,989,675
Current liabilities	59,692	37,773	259,884	61,251	418,600
Long-term liabilities	750,250	493,933	1,088,600	300,500	2,633,283
Net equity of the Authority	342,674	610,112	223	426,256	1,379,265
Net equity - others	920,187	1,106,124	2,221,512	1,858,528	6,106,351
	Profit and Loss				
Operating revenue	\$ 151,372	\$ 165,288	\$ 188,761	\$ 166,899	\$ 672,320
Operating expense	(153,028)	(154,746)	(165,354)	(146,849)	(619,977)
Depreciation expense	(84,700)	(94,453)	(146,389)	(107,022)	(432,564)
Nonoperating - other	371	322	(51,526)	332	(50,501)
Net income (loss)	(85,985)	(83,589)	(174,508)	(86,640)	(430,722)

Audited financial statements are available from the partnerships/joint ventures upon request.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

6. INVESTMENT IN LIMITED PARTNERSHIPS/JOINT VENTURES (CONT'D)

During FY-2011 Jay Senior Housing LP received additional non-interest bearing funding from the Housing Authority to assist in paying management fees. Based on prior experience, management of the Housing Authority believes the loan will likely take longer than one year to be repaid and has therefore been classified as long-term.

Condensed financial statements for each of these partnerships/joint ventures at December 31, 2010, and the fiscal year then ended follow

	Jay Senior Housing	Stilwell Sr. Housing	Northview Estates	Wisdom Keepers	Total
	Balance Sheets				
Current assets	\$ 101,554	\$ 116,477	\$ 185,659	\$ 137,177	\$ 540,867
Noncurrent assets	2,058,242	2,218,305	3,526,919	2,596,404	10,399,870
Current liabilities	60,450	40,774	227,735	61,407	390,366
Long-term liabilities	750,500	494,183	1,088,600	300,750	2,634,033
Net equity of the Authority	342,682	610,120	240	426,264	1,379,306
Net equity - others	1,006,164	1,189,705	2,396,003	1,945,160	6,537,032
	Profit and Loss				
Operating revenue	\$ 154,365	\$ 139,732	\$ 181,726	\$ 157,865	\$ 633,688
Operating expense	(138,384)	(135,119)	(128,876)	(122,973)	(525,352)
Depreciation expense	(84,095)	(94,546)	(150,602)	(107,022)	(436,265)
Nonoperating - other	535	414	(51,228)	409	(49,870)
Net income (loss)	(67,579)	(89,519)	(148,980)	(71,721)	(377,799)

Audited financial statements are available from the partnerships/joint ventures upon request.

The Housing Authority's Component Unit, Cherokee Affordable Housing ("CAH") is the only general partner in these partnerships and has a partnership interest of .005%. The Housing Authority is a Special Limited Partner with a partnership interest of .005%. The remaining 99.99% interest in each partnership is held by a Limited Partner that is a syndicated Tax Credit Fund LLC. These Limited Partners provide the majority of the financing for each of the projects in exchange for the Income Tax Credits and other tax deductions that are provided from the qualification and operation of the partnerships.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

6. INVESTMENT IN LIMITED PARTNERSHIPS/JOINT VENTURES (CONT'D)

In addition to the cash investments and other costs incurred in connection with the Limited Partnerships, the Housing Authority has provided a "Tax Credit Recapture Guarantee" to the Limited Partner (third-party syndicator of the tax credits) for each of the Partnerships should the Internal Revenue Service disallow the use of any of the tax credits to third-party investors by the Limited Partner. The Housing Authority and developer have also provided an "Operating Deficit Guarantee" which would require the Housing Authority and developer to provide capital for operations should the need arise.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

7. TRUST LIABILITIES AND RELATED ASSETS

The Housing Authority has several lease-to-own homebuyer programs wherein the tenant/homebuyer may eventually purchase the house in accordance with contractual agreements. These transactions are similar to a financing lease, however are not accounted for as such as the amount and collectibility of the minimum lease payments is not predictable. Until the time of transfer, these homes remain the property of the Housing Authority. The costs of these units are depreciated over the expected term of payoff at the time of the original agreement, generally 25 years. When the home is paid off in accordance with the agreements and title is transferred to the homebuyer, a gain or loss is recognized by the Housing Authority. For the years ended September 30, 2012 and 2011, a gain of \$313,150 and \$382,765, respectively, was recorded in connection with such transfers.

The Trust Liabilities reflected in the accompanying financial statements primarily includes a liability for funds that have been received from the tenants or homebuyers in the various lease-to-own programs operated by the Housing Authority. These funds are held in a trust type account to be applied to various uses, depending on the agreement with the tenant/homebuyer. The largest of the amounts included in this category are for accounts attributable to the New Mutual Help Housing Program wherein the tenant/homebuyers are credited with a portion of the funds that they have contributed as well as other amounts credited to them in accordance with DHUD requirements and program policies. Under the provisions of mutual-help occupancy agreements, tenant/homebuyers are required to make payments based on the family or household income. After deducting an administrative fee as set forth by DHUD, the remaining balance is credited to the participant's equity payment account ("MEPA"). The balance of the MEPA accounts, which are being held and invested by the Housing Authority on behalf of the New Mutual Help homebuyers, was \$5,767,749 and \$6,408,547 as of September 30, 2012 and 2011, respectively. These investments are presented as restricted investments in the accompanying Statement of Net Assets. These MEPA Funds, along with other credits to these tenant/homebuyers totaled \$6,375,296 and \$7,190,903 at September 30, 2012 and 2011, respectively. Although these funds will generally be retained by the Housing Authority upon the transfer of home ownership to the tenant/homeowner, they are presented as a liability until then because the funds are effectively owned by the tenant /homeowner. Upon transfer of the home to the tenant/homeowner the funds will be considered revenue and applied to the carrying value of the related home and a gain or loss will be recorded by the Housing Authority.

Additionally, at September 30, 2012 and 2011, other amounts included in this category include escrow deposits held by the Housing Authority associated with the Title VI program mortgages totaling \$28,373 and \$22,915, respectively, and low income housing tenants' security deposits of \$52,125 and \$57,975, respectively.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

8. NOTES PAYABLE

NAHASDA Title VI Loan Program

In July of 2002, the Cherokee Nation (the "Nation"), the Housing Authority, Bank One, N.A. (now JPMorgan Chase Bank, N.A.) and the United States Department of Housing and Urban Development ("DHUD") entered into a Title VI loan agreement, under the authorization of the Native American Housing and Self Determination Act ("NAHASDA") whereby the Nation was authorized to borrow up to \$50 million from Bank One for the purpose of enabling the Housing Authority to construct single family residences within the Nation's 14 county jurisdictional area. The Title VI program allows tribal governments to pledge future grants toward repayment of the loan, thereby securing financing currently. On December 30, 2002, the Nation and the Housing Authority entered into a Supplemental Memorandum of Agreement ("SMOA") for the purpose of setting forth the procedures and the parties' agreement related to the disbursement, use, repayment, and handling of the funds obtained under the Title VI loan. The Nation serves as the recipient of the loan proceeds and advances funds to the Housing Authority as requested under the agreed procedures.

The Housing Authority provides construction or acquisition of housing for eligible participants using Title VI loan proceeds from the Nation. The participants enter into promissory notes and mortgage agreements with the Housing Authority for repayment of the principal and interest related to the assistance provided (see Note 4). All promissory notes, collateral, mortgages, etc. obtained by the Housing Authority in conjunction with the use of Title VI loan proceeds are pledged by the Housing Authority to the Nation as collateral for the repayment of the Title VI loan proceeds advanced to the Housing Authority by the Nation.

As part of its participation in the Title VI loan, the Housing Authority was required to deposit securities in escrow ("Pledge Account") with Bank One in an amount equal to five percent of the total loan authorization, or \$2,500,000. These securities are pledged as collateral for the Title VI loan to cover the portion of the loan balance not guaranteed by HUD's 95% "Certificate of Guarantee" provided to Bank One (now JPMorgan Chase Bank, N.A.) as part of the Title VI loan. The interest and dividends generated on these securities remains the property of the Housing Authority. The pledge remains in effect for 10 years beginning July 30, 2002. Then every two years thereafter, a request for release of a portion of the securities can be made. The securities pledged have a fair value of \$2,575,606 and \$2,572,705 at September 30, 2012 and 2011, respectively, and have been reported as restricted investments in the Statement of Net Assets.

Additionally, as part of its participation in the Title VI loan program, the Housing Authority has committed to reimburse the Nation for any costs incurred by the Nation related to the Housing Authority not complying with the terms of the SMOA or the requirements of the Title VI program. The Housing Authority, through its signing of the SMOA, agrees to abide by all conditions specified in the Title VI loan agreement.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

8. NOTES PAYABLE (CONT'D)

NAHASDA Title VI Loan Program (Cont'd)

As collateral for the Title VI loan, the Nation has pledged all current and future grants for which the borrower becomes eligible under NAHASDA as well as program income directly generated from the use of the loan proceeds, program income derived from the sale or lease of real property acquired, rehabilitated or constructed with loan proceeds, and the securities deposited to the Pledge Account. Any program income generated from the above is required to be deposited into a "Loan Repayment Account" to serve as an additional source for payment of principal and interest related to the Title VI loan.

During FY-2012 and FY-2011, the Housing Authority did not receive any loan advances for the Title VI program. The cumulative amount of funds drawn on the available loan funds is \$33,231,000 at September 30, 2012 and 2011. The loan is divided into two separate "pools" which carry different interest rates over the life of the loan. Pool A, whose balance at September 30, 2012 and 2011 was \$821,481 and \$1,473,778, respectively, and carries an interest rate of 6.7%. Pool B, whose balance at September 30, 2012 and 2011 was \$11,217,521 and \$12,419,319, respectively, and carries a variable interest rate, reset monthly, derived from the 30 day LIBOR + 70 basis points, which at September 30, 2012 and 2011 was 0.91% and 0.95%, respectively. Pool A is repayable in monthly principal payments of \$54,358 through May 1, 2022, plus interest. Pool B principal payments of \$100,150 began March of 2005 and are scheduled through June 1, 2022, plus interest. During FY-2012 and FY-2011, the Housing Authority made total principal repayments on Pool A of \$652,297 and \$1,490,626 and on Pool B of \$1,201,797 and \$1,201,797, respectively.

Claremore QuadPlex Note

During FY-2006, the Housing Authority borrowed \$151,500 for its costs related to the Claremore QuadPlex project. The loan is repaid in monthly payments, beginning February 1, 2006, of \$1,341 including principal and interest. The loan carries an interest rate of 6.75%. The final payment will be made on February 1, 2021. At September 30, 2012 and 2011 the loan balance was \$101,566 and \$110,469, respectively.

Assumable Mortgage Program ("AMP")

During FY-2007, the Housing Authority began its Assumable Mortgage Program. The Housing Authority has taken out 2 loans in FY-2010 and 4 loans in FY-2009 in the amount of \$185,275 and \$338,019, respectively for use in the purchase of 25 total homes provided to program participants. Interest rates on the loans vary from 5.50% to 7.125% and are payable in monthly installments over thirty years. At September 30, 2012 and 2011 the loan balance was \$1,282,356 and \$1,735,464, respectively.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

8. NOTES PAYABLE (CONT'D)

A summary of activity in the notes payable follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Title VI Notes	\$ 13,893,096	\$ -	\$ 1,854,094	\$ 12,039,002	\$ 1,854,094
QuadPlex Note	110,469	-	8,903	101,566	9,524
AMP Notes	1,735,465	-	453,109	1,282,356	20,698
Totals	<u>\$ 15,739,030</u>	<u>\$ -</u>	<u>\$ 2,316,106</u>	<u>\$ 13,422,924</u>	<u>\$ 1,884,316</u>

Future principal and interest payments related to the notes payable at September 30, 2012, are as follows:

Year Ending September 30	Principal	Interest	Total
2013	\$ 1,884,316	\$ 220,082	\$ 2,104,398
2014	1,403,192	173,543	1,576,735
2015	1,236,130	158,349	1,394,479
2016	1,238,389	145,172	1,383,561
2017	1,240,802	131,488	1,372,290
2018 - 2022	5,416,669	453,028	5,869,697
2023 - 2027	220,762	281,402	502,164
2028 - 2032	300,986	201,180	502,166
2033 - 2037	410,656	90,114	500,770
2038 - 2042	71,022	2,286	73,308
Totals	<u>\$ 13,422,924</u>	<u>\$ 1,856,644</u>	<u>\$ 15,279,568</u>

9. RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Housing Authority maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settlements have not exceeded insurance coverage in the past three years.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

9. RISK MANAGEMENT (CONT'D)

The Housing Authority participates in AMERIND Risk Management Corporation, ("AMERIND"), an insurance pooling arrangement wherein the risk of loss to the property and equipment of the Housing Authority is shared by a large number of Indian Housing Authorities in the United States. The Housing Authority has a deposit of \$356,666 with AMERIND to cover contingencies, which represents an interest in the operations of AMERIND and is included in other noncurrent assets in the accompanying financial statements. In addition, the Housing Authority pays an annual premium to cover losses and expenses.

AMERIND also has a program which provides insurance to low income Cherokee homeowners in the Nation's jurisdictional area. The Housing Authority facilitates this insurance program by administering required paperwork and making upfront payments to AMERIND. The Housing Authority collects these payments from home owners on a monthly basis throughout the year. The Housing Authority receives no fees or revenues for its assistance in this process and does incur losses to the extent that it pays in advance for insurance and is not reimbursed by the homeowner. During FY-2009, the Cherokee Nation assumed responsibility for making annual upfront payments to AMERIND.

10. RELATED-PARTY TRANSACTIONS

For the years ended September 30, 2012 and 2011, the Housing Authority and the Nation have the following related-party transactions due to their relationship with NAHASDA funding (see Note 1A). The Housing Authority has recorded \$842,704 and \$1,099,359 in grant revenue in 2012 and 2011, respectively, which is the result of pass through funding from the Nation in relation to the Nation's NAHASDA funding. Additionally, proceeds of sale funds totaling \$1,945,380 and \$1,500,000, for FY-2012 and FY-2011, respectively, were provided to the Cherokee Nation to assist with the cost of administering the housing programs. These amounts are reflected in the "Cost of Operations" line of the operating expenses section of the statement of revenues, expenses and changes in net assets (see Note 1A).

11. COMMITMENTS, ECONOMIC DEPENDENCY, AND CONTINGENCIES

As discussed in Note 6, the Housing Authority has provided a "Tax Credit Recapture Guarantee" to the Limited Partners of the various Limited Partnerships (third-party syndicator of the tax credits) should the Internal Revenue Service disallow the use of any of the tax credits being marketed to third-party investors by the Partnership. The aggregate tax credits provided through these partnerships was approximately \$13,600,000. The Housing Authority has also provided an "Operating Deficit Guarantee" which would require the Housing Authority to provide capital for operations should the need arise. To date, the Housing Authority has not been required to provide any "Deficit Guarantee" funding, and management of the Housing Authority does not believe funding for Deficit Guarantee or Tax Credit Recapture will be required in the future.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

NOTES TO FINANCIAL STATEMENTS (CONT'D)

September 30, 2012 and 2011

11. COMMITMENTS, ECONOMIC DEPENDENCY, AND CONTINGENCIES (CONT'D)

The Housing Authority's revenues were primarily from federal awards, most of which were passed through the Cherokee Nation under Memoranda of Agreement. These are subject to availability of funds, authorization by the Cherokee Nation and the Housing Authority's compliance with those agreements and federal rules and regulations.

The Housing Authority administers various federal programs. These programs are subject to audit and adjustments by the awarding agencies and other organizations. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable program. The amount, if any, of expenses disallowed cannot be determined at this time. The Housing Authority expects such amounts, if any, to be immaterial. The management of the Housing Authority is unaware of any lawsuits or other contingencies that may cause unforeseen additional costs.

12. DISCONTINUANCE OF MEMORANDUM OF AGREEMENT WITH CHEROKEE NATION – RESUMPTION OF HOUSING ACTIVITIES

Subsequent to year end, effective October 1, 2012, the Housing Authority and the Cherokee Nation have elected to discontinue the operating structure as previously outlined in the Memorandum of Agreement (“MOA”) dated February 19, 2008. See Note 1 A. As such, the Housing Authority is re-assuming all operational responsibilities as had previously existed prior to the MOA dated February 19, 2008.

**HOUSING AUTHORITY OF THE
CHEROKEE NATION OF OKLAHOMA**

**SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES**

SEPTEMBER 30, 2012

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

TABLE OF CONTENTS

PAGE

SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:

**Reports related to financial statements of the reporting entity
Required by GAO Government Auditing Standards:**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	1
---	---

Reports related to Federal Assistance Programs Required by OMB Circular A-133:

Independent Auditor's Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	6

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 Commissioners

We have audited the financial statements of the Housing Authority of the Cherokee Nation of Oklahoma (the "Housing Authority"), a component unit of the Cherokee Nation, as of and for the year ended September 30, 2012, and have issued our report thereon dated February 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting as a basis for designing our auditing 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 Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Arledge & Associates, P.C.
Edmond, Oklahoma
February 25, 2013

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners

Compliance

We have audited the Housing Authority of the Cherokee Nation of Oklahoma's (the "Housing Authority"), a component unit of the Cherokee Nation, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Authority's compliance with those requirements.

In our opinion, the Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control

over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Housing Authority, as of and for the year ended September 30, 2012, and have issued our report thereon dated February 25, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners, management, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.


Edmond, Oklahoma
February 25, 2013

**HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>FUND SOURCE</u>	<u>GRANT NAME</u>	<u>GRANT NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT AWARD</u>	<u>CUMULATIVE GRANT EXPENDITURES 10/1/2011</u>	<u>PRELIMINARY BALANCE</u>	<u>CURRENT YEAR GRANT EXPENDITURES</u>	<u>CUMULATIVE GRANT EXPENDITURES 9/30/2012</u>	<u>GRANT BALANCE 9/30/2012</u>
U.S. Department of Housing and Urban Development:									
(Pass-through from the Cherokee Nation)	Indian Housing Block Grant	10IT4005780	14.867	842,704	-	842,704	842,704	842,704	-
	Sub-Total			842,704	-	842,704	842,704	842,704	-
	Section 8 Housing Choice Vouchers	OK045V0-2006	14.871	1,547,794	1,514,084	33,710	33,710	1,547,794	-
	Sub-Total			1,547,794	1,514,084	33,710	33,710	1,547,794	-
	Total Department of Housing and Urban Development			2,390,498	1,514,084	876,414	876,414	2,390,498	-
Total Expenditures of Federal Awards				\$ 2,390,498	\$ 1,514,084	\$ 876,414	\$ 876,414	\$ 2,390,498	\$ -

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the Housing Authority's federal award programs presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

NOTE B: NON CASH AWARDS

The Housing Authority of the Cherokee Nation of Oklahoma receives additional federal assistance in the form of a loan guarantee as a sub-recipient of Title VI loan proceeds passed through from the Cherokee Nation. The loan guarantee is provided through the Title VI Federal Guarantee for Financing Tribal Housing Activities program - C.F. D. A. # 14.869. The ending loan balance at 9-30-2012 was \$12,039,002.

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2012

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified
not considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.869	Title VI Federal Guarantees for Financing Tribal Housing Activities
14.867	Indian Housing Block Grant

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)

Year Ended September 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

There are no findings requiring reporting under this section.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

There are no findings requiring reporting under this section.



Housing Authority of the Cherokee Nation

1500 Hensley Drive

P.O. Box 1007

Tahlequah, OK 74465-1007

Phone 918-456-5482 Fax 918-458-5671

HOUSING AUTHORITY OF THE CHEROKEE NATION OF OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2012

GENERAL

There were no prior year findings that are required to be reported under OMB Circular A-133 for FY-2011.

Sincerely,

Gary Cooper, Executive Director



Housing Authority of the Cherokee Nation

1500 Hensley Drive

P.O. Box 1007

Tahlequah, OK 74465-1007

Phone 918-456-5482 Fax 918-458-5671

CORRECTIVE ACTION PLAN

February 25, 2013

Department of Housing and Urban Development

Housing Authority of the Cherokee Nation of Oklahoma respectfully submits the following corrective action plan for the year ended September 30, 2012.

Name and address of independent public accounting firm: Arledge & Associates, P.C., 309 North Bryant, Edmond, OK 73034.

Audit period: October 1, 2011 to September 30, 2012.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Audit Results, does not include findings and is not addressed.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There are no findings requiring reporting under this section.

III. FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

There are no findings requiring reporting under this section.

If the Department of Housing and Urban Development has questions regarding this plan, please call Gary Cooper, Executive Director at (918) 456-5482.

Sincerely,

Gary Cooper, Executive Director