

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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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, 2012, which collectively comprise Creek County Home Finance Authority's basic financial statements. These financial statements are the responsibility of Creek County Home Finance Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my 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, 2012, and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 20, 2012, on my consideration of Creek County Home Finance Authority's internal control over financial reporting and on 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 conjunction with this report in assessing the results of my audit.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
November 20, 2012

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 211,811
Interest receivable	<u>239</u>
Total current assets	<u>212,050</u>
Non-current assets:	
Capital assets	
Land	10,000
Other capital assets net of accumulated depreciation	<u>30,426</u>
Total non-current assets	<u>40,426</u>
Total assets	<u>252,476</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>-</u>
Total current liabilities	<u>-</u>
Total liabilities	<u>-</u>
NET ASSETS	
Nonspendable	40,665
Restricted for bonds	61,337
Unassigned	<u>150,474</u>
Total net assets	<u><u>\$ 252,476</u></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, 2012

		<u>Program Revenue</u>			
		<u>Charges</u>	<u>Operating</u>	<u>Capital</u>	
	<u>Expenses</u>	<u>For</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Revenue</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	
Function/Programs					
Governmental activities					
Residential devel.	\$266,054	\$ 27,526	\$ -	\$ 184,018	\$ (54,510)
Total governmental activities	<u>266,054</u>	<u>27,526</u>	<u>-</u>	<u>184,018</u>	<u>(54,510)</u>
Total government	<u>\$266,054</u>	<u>\$ 27,526</u>	<u>\$ -</u>	<u>\$ 184,018</u>	<u>\$ (54,510)</u>
		<u>Governmental Activities</u>			
Changes in net assets:					
Net (expense) revenue		\$	(54,510)		
General revenues					
Interest			1,497		
Bond rebate			<u>17,933</u>		
Total general revenues			<u>19,430</u>		
Change in net assets			(35,080)		
Net assets - beginning			<u>287,556</u>		
Net assets - ending			<u>\$ 252,476</u>		

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 211,811	\$ 211,811
Interest receivable	<u>239</u>	<u>239</u>
TOTAL ASSETS	<u>\$ 212,050</u>	<u>\$ 212,050</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Reserved for bonds	61,337	61,337
Unassigned	<u>150,713</u>	<u>150,713</u>
TOTAL FUND BALANCES	<u>212,050</u>	<u>212,050</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 212,050</u>	<u>\$ 212,050</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, 2012

Total fund balance \$ 212,050

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	10,000	
Capital assets	152,382	
Accumulated depreciation	<u>(121,956)</u>	<u>40,426</u>

Total net assets \$ 252,476

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, 2012

	General Fund	Total Governmental Funds
Revenue		
Rentals	\$ 18,000	\$ 18,000
Payments from Purchasers	6,813	6,813
Grants	184,018	184,018
Other Income	2,713	2,713
Interest	<u>1,497</u>	<u>1,497</u>
Total revenue	<u>213,041</u>	<u>213,041</u>
Expenditures		
Current		
Professional fees	2,400	2,400
Expense participation	14,500	14,500
Insurance	1,994	1,994
Operating expenses	725	725
Repair and maintenance	600	600
Demo and Rehab	<u>240,872</u>	<u>240,872</u>
Total expenditures	<u>261,091</u>	<u>261,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,050)</u>	<u>(48,050)</u>
Other financing sources (uses)		
Bond rebate received	<u>17,933</u>	<u>17,933</u>
Net other financing sources (uses)	<u>17,933</u>	<u>17,933</u>
Net change in fund balances	(30,117)	(30,117)
Fund balances, beginning	<u>242,167</u>	<u>242,167</u>
Fund balances, ending	<u>\$ 212,050</u>	<u>\$ 212,050</u>

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 Industrial Authority are governed by boards of trustees with identical membership. Transactions regularly occur between the two authorities. Financial information for Creek County Industrial 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, 2012

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, 2012

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 Prepaids

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, 2012 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids 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, 2012

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, 2012, 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 \$211,811 at June 30, 2012. The bank balance of the deposits at June 30, 2012 was approximately \$212,214.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2012.

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 monitors the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2012, 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, 2012.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE D - CAPITAL ASSETS

Changes in capital assets.

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

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated Land
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	
Governmental activities					
Balance, June 30, 2011	\$ 146,403	\$ -	\$ 5,979	\$ 152,382	\$ 10,000
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	<u>146,403</u>	<u>-</u>	<u>5,979</u>	<u>152,382</u>	<u>10,000</u>
Accumulated Depreciation					
Balance, June 30, 2011	113,741	-	3,252	116,993	
Increase	4,724	-	239	4,963	
Decreases	-	-	-	-	
Balance, June 30, 2012	<u>118,465</u>	<u>-</u>	<u>3,491</u>	<u>121,956</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 27,938</u>	<u>\$ -</u>	<u>\$ 2,488</u>	<u>\$ 30,426</u>	<u>\$ 10,000</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES

Residential Development \$ 4,963

NOTE E - RESERVED FUND BALANCE

The Authority has reserved fund balance for bonds in the amount of \$61,337. The Authority has reserved this amount for bond payments not made by the trustee bank. This money represents the amount held for matured bonds from issues listed in Note F. The bonds have matured but not been presented for payment. The bond holder may present the bond to the Authority for payment.

NOTE F - REVENUE BONDS

The Authority was created for the purpose of assisting low to moderate income families in obtaining affordable housing. As part of fulfilling its mission, the Authority issued revenue bonds which were payable from the interest and principal payments on the mortgages financed with the bond proceeds.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The Authority issued its Single Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities Program), Series 2000 dated November 1, 2000 in the amount of \$7,090,000. Financial transactions relating to the bond issues are handled by a trustee bank. The bond indenture states the bonds are special limited obligations of the issuer payable solely from pledged revenues and other assets pledged therefore. The bonds and interest thereon do not constitute an indebtedness, liability, general or moral obligation or a loan of the faith and credit of a charge of any taxing power, if any, of the issuer, the county, the state, or any political subdivision thereof with the meaning if any constitutional or statutory provision, and shall not constitute nor give rise to any to a pecuniary liability of the issuer, the county, the state, or any political subdivision thereof, or a charge against their general credit or taxing power. The 2000 series bond issue was retired during the year.

NOTE G - RELATED PARTY TRANSACTIONS

As indicated in Note 1A financial transactions occur between the Authority and Creek County Industrial 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. The payments are recognized as revenue and expense in the financial statements of the respective authorities.

NOTE H - 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.

REPORT ON INTERNAL CONTROL FINANCIAL REPORTING AND 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 the accompanying 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, 2012, which collectively comprise Creek County Home Finance Authority's basic financial statements, and have issued my report thereon dated November 20, 2012 which did not include Management's Discussion and Analysis or budgetary comparison schedule. I conducted my 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

In planning and performing my audit, I considered Creek County Home Finance Authority's internal control over financial reporting as a basis for designing my auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Creek County Home Finance 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
November 20, 2012