

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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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, 2011, 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, 2011, 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 September 20, 2011, 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.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Creek County Home Finance Authority's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 combined financial statements of the Authority. The schedule of expenditures of

federal awards is the responsibility of management and were derived from and relate 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 in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 20, 2011

CREEK COUNTY HOME FINANCE AUTHORITY
 SAPULPA, OKLAHOMA
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 240,428
Lease revenue receivable	1,500
Interest receivable	<u>239</u>
Total current assets	<u>242,167</u>
Non-current assets:	
Capital assets	
Land	10,000
Other capital assets net of accumulated depreciation	<u>35,389</u>
Total non-current assets	<u>45,389</u>
Total assets	<u>287,556</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>-</u>
Total current liabilities	<u>-</u>
Total liabilities	<u>-</u>
NET ASSETS	
Nonspendable	47,128
Restricted for bonds	61,145
Unassigned	<u>179,283</u>
Total net assets	<u>\$ 287,556</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, 2011

	<u>Expenses</u>	<u>Program Revenue</u>			<u>Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Function/Programs					
Governmental activities					
Residential devel.	\$748,890	\$ 18,000	\$ -	\$ 701,063	\$(29,827)
Total governmental activities	<u>748,890</u>	<u>18,000</u>	<u>-</u>	<u>701,063</u>	<u>(29,827)</u>
Total government	<u>\$748,890</u>	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 701,063</u>	<u>\$(29,827)</u>

	<u>Governmental Activities</u>
Changes in net assets:	
Net (expense) revenue	\$ (29,827)
General revenues	
Interest	2,579
Bond rebate	<u>143</u>
Total general revenues	<u>2,722</u>
Change in net assets	(27,105)
Net assets - beginning	<u>314,661</u>
Net assets - ending	<u>\$ 287,556</u>

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
 SAPULPA, OKLAHOMA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 240,428	\$ 240,428
Lease revenue receivable	1,500	1,500
Interest receivable	<u>239</u>	<u>239</u>
TOTAL ASSETS	<u>\$ 242,167</u>	<u>\$ 242,167</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Reserved for bonds	61,145	61,145
Unassigned	<u>181,022</u>	<u>181,022</u>
TOTAL FUND BALANCES	<u>242,167</u>	<u>242,167</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 242,167</u>	<u>\$ 242,167</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, 2011

Total fund balance		\$ 242,167
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	(116,993)	45,389
Total net assets		\$ 287,556

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, 2011

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenue		
Rentals	\$ 18,000	\$ 18,000
Interest	<u>2,579</u>	<u>2,579</u>
Total revenue	<u>20,579</u>	<u>20,579</u>
Expenditures		
Current		
Professional fees	900	900
Expense participation	13,000	13,000
Insurance	1,846	1,846
Operating expenses	8,203	8,203
Repair and maintenance	2,829	2,829
DHS Building project	15,000	15,000
Courthouse project	7,718	7,718
Demo and Rehab	<u>694,432</u>	<u>694,432</u>
Total expenditures	<u>743,928</u>	<u>743,928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(723,349)</u>	<u>(723,349)</u>
Other financing sources (uses)		
Oklahoma Department of Commerce Grant	701,063	701,063
Bond rebate received	<u>143</u>	<u>143</u>
Net other financing sources (uses)	<u>701,206</u>	<u>701,206</u>
Net change in fund balances	(22,143)	(22,143)
Fund balances, beginning	<u>264,310</u>	<u>264,310</u>
Fund balances, ending	<u>\$ 242,167</u>	<u>\$ 242,167</u>

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
 SAPULPA, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

Net changes in fund balances - total governmental funds \$ (22,143)

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

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

Depreciation expense	(4,962)	
Capital outlay	-	<u>(4,962)</u>
Change in net assets		<u>\$ (27,105)</u>

The accompanying notes are an integral part of this statement.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011

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, 2011

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, 2011 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, 2011

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, 2011, 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 \$240,428 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$240,428.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2011.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2011, 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, 2011.

CREEK COUNTY HOME FINANCE AUTHORITY
SAPULPA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE D - CAPITAL ASSETS

Changes in capital assets.

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
Governmental activities					
Balance, June 30, 2010	\$ 146,403	\$ -	\$ 5,979	\$ 152,382	\$ 10,000
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>146,403</u>	<u>-</u>	<u>5,979</u>	<u>152,382</u>	<u>10,000</u>
Accumulated Depreciation					
Balance, June 30, 2010	109,017	-	3,014	112,031	
Increase	4,724	-	238	4,962	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>113,741</u>	<u>-</u>	<u>3,252</u>	<u>116,993</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 32,662</u>	<u>\$ -</u>	<u>\$ 2,727</u>	<u>\$ 35,389</u>	<u>\$ 10,000</u>

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES

Residential Development \$ 4,962

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 issues revenue bonds which are 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, 2011

The Authority has issued and outstanding various bond issues as follows. The Authority has its Creek County Home Finance Authority subordinate Single Family Mortgage Revenue Refunding Bonds Series 1992B in the amount of \$179,413 outstanding. 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. Revenues from the 1992A bond issues are used to retire the Series A bonds first. Any funds remaining after the Series A bonds are retired will be used to retire the Series B bonds. Funds remaining after the retirement of these bond series will be transferred to the Authority. At this time, the trustee has no way to determine if or when any funds will remain after the bond issues are retired. Section 2.03 of the bond indenture states the bonds are special limited obligations of the issuer payable solely from pledged revenues (mortgage payments) 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.

NOTE G - ARBITRAGE REBATE

Pursuant to the Tax Reform Act of 1986, governmental entities issuing tax exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation and remit such rebate to the federal government, subject to certain restrictions. Arbitrage rebate calculations for the revenue bonds in Note F have been completed. The latest rebate calculation for the 1992 bonds show no rebate due. The rebate calculation for the Series 2000 bonds as of November 15, 2006 showed a rebate liability of \$30,464. The rebate amount was paid. The next calculation is due November 15, 2011.

NOTE H - 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 I - 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.

CREEK COUNTY HOME FINANCE AUTHORITY
 CREEK COUNTY, OKLAHOMA
 SCHEDULE OF FEDERAL AWARDS EXPENDED
 FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA#</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Passed Through State Dept. Of Commerce Neighborhood Stabilization Program (CDBG)	14.228		\$ 701,063
Total Passed Through State Dept. Of Commerce			701,063
Total Expenditures of Federal Awards			<u>\$ 701,063</u>

See accompanying notes to the schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Creek County Home Finance Authority (the Authority) under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

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

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

Compliance

I have audited Creek County Home Finance Authority's 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 June 30, 2011. Creek County Home Finance Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Creek County Home Finance Authority's management. My responsibility is to express an opinion on Creek County Home Finance Authority's compliance based on my audit.

I conducted my 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 I 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 Creek County Home Finance Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstance. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Creek County Home Finance Authority's compliance with those requirements.

In my opinion, Creek County Home Finance 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 June 30, 2011.

Internal Control Over Compliance

Management of Creek County Home Finance 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 my audit, I considered Creek County Home Finance 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 my 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, I do not express an opinion on the effectiveness Creek County Home Finance 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 the 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, Board of Trustees, others within the organization, 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.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 7, 2011

REPORT ON INTERNAL CONTROL OVER 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, 2011, which collectively comprise Creek County Home Finance Authority's basic financial statements, and have issued my report thereon dated September 20, 2011 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
Certified Public Accountant
Bristow, Oklahoma
September 20, 2011

CREEK COUNTY HOME FINANCE AUTHORITY
 CREEK COUNTY, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COST
 FOR THE YEAR ENDED JUNE 30, 2011

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 No

Significant deficiency identified that is not considered to be material weakness(es)? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified? Yes No

Significant deficiency identified that is not considered to be material weakness(es)? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 Yes No

Programs tested as Major Programs

CFDA Number(s)

14.228

Name of Federal Program or Cluster

Neighborhood Stabilization Program

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

Auditee qualified as low-risk auditee? Yes No