GRADY COUNTY HOME FINANCE AUTHORITY

Financial Statements
For the Year Ended December 31, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Grady County Home Finance Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2011.

FINANCIAL HIGHLIGHTS:

Net Assets: The Authority's net assets increased by $87,859 from $1,219,876 in 2010 to $1,307,735 in 2011. This increase was primarily due to a decrease in housing program expense.

Liabilities: There were no liabilities at December 2010 or December 2011.

Revenues: The Authority's income consists principally of income on investments (interest income) of $57,656 and unrealized gain on investments of $40,598.

Expenses: The Authority's operating expenses decreased $47,077 from $52,552 in 2010 to $5,475 in 2011. This change was primarily due to a decrease in the housing program expense.

USING THIS ANNUAL REPORT

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities include all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when the cash is received or paid. These statements provide information about whether the entity is better off or worse off as a result of the year's activities.

Net assets are the difference between the Authority's assets and liabilities. Over time, increases or decreases in the Authority's net assets provide one indicator of the financial health of the Authority.

FINANCIAL ANALYSIS

Net Assets

The Authority's net assets increased by $87,859. A comparative overview of the major components of the Statement of Net Assets is shown below.

Statement of Net Assets

	Business-type Activities		% Inc. (Dec.)
	2011	2010	
Current assets	$ 133,316	$ 80,181	66%
Noncurrent assets	1,174,419	1,139,695	3%
Total assets	1,307,735	1,219,876	7%
Total liabilities	-	-	0%
Net assets:			
Unrestricted	1,307,735	1,219,876	7%
Total net assets	$ 1,307,735	$ 1,219,876	7%

Net assets increased primarily as a result of a decrease in housing program expense.

Change in Net Assets

A comparative of the major components of the Statement of Revenues, Expenses, and Change in Net Assets is shown below.

Statement of Revenues, Expenses, and Changes in Net Assets

	Business-type Activities			
	2011	2010	Difference	%Increase (Decrease)
OPERATING REVENUES	$ -	$ -	$ -	0%
Operating Expenses:				
Attorney Fees	1,241	4,318	(3,077)	-71%
Audit Fee		4,000	(4,000)	-100%
Housing Program		40,000	(40,000)	-100%
Insurance	4,234	4,234		0%
Total Operating Expenses	5,475	52,552	(47,077)	-90%
Operating Income (Loss)	(5,475)	(52,552)	47,077	-90%
Non operating Revenues(Expenses):				
Income on Investments	57,656	57,753	(97)	0%
Banking and Investment Fees	(4,920)	(2,234)	(2,686)	120%
Unrealized Gain(Loss)on Investments	40,598	(11,944)	52,542	440%
Total Non operating Revenues (Expenses):	93,334	43,575	49,759	114%
Increase(Decrease) in Net Assets	87,859	(8,977)	96,836	1079%
BEGINNING NET ASSETS	1,219,876	1,228,853	(8,977)	-1%
ENDING NET ASSETS	$ 1,307,735	$ 1,219,876	$ 87,859	7%

Economic Factors and Next Year's Estimates

The Authority anticipates for 2012 investment income of approximately $ 51,000. The expenses are anticipated to be higher due to higher professional fees and a possible housing program expense.

Contacting Grady County Home Finance Authority

This financial report is designed to provide our citizens, customers, taxpayers, bondholders, and creditors with a general overview of the Authority's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Grady County Home Finance Authority at the Grady County Court House in Chickasha, Oklahoma.

Unaudited.

ROBERT D. TURNER C.P.A.
808 WEST GORE BLVD. • LAWTON, OK 73501 • (580) 248-7738 • fax (877) 366-0330

INDEPENDENT AUDITOR'S REPORT

May 31, 2012

To the Board of Trustees
Grady County Home Finance Authority
P.O. Box 533
Chickasha, Oklahoma 73023-0533

I have audited the accompanying statement of net assets of the Grady County Home Finance Authority (a component unit of Grady County Oklahoma) as of December 31, 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended comprising the basic financial statements of the component unit. These financial statements are the responsibility of the 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 basic financial statements are free of material misstatements. 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 financial position of the Grady County Home Finance Authority, as of December 31, 2011, and the changes in financial position and cash flows thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2012 on my consideration of the Grady 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 my testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 1 through 3 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Robert D. Turner

Robert D. Turner, CPA

GRADY COUNTY HOME FINANCE AUTHORITY
Statement of Net Assets
December 31, 2011

ASSETS:	
CURRENT ASSETS:	
Cash and Cash Equivalents	$ 126,876
Accrued Interest	6,440
Total Current Assets	133,316
NONCURRENT ASSETS:	
Investments	1,174,419
Total Noncurrent Assets	1,174,419
Total Assets	1,307,735
LIABILITIES AND NET ASSETS:	
Liabilities	0
Net Assets:	
Unrestricted Net Assets	1,307,735
Total Net Assets	$ 1,307,735

SEE THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

GRADY COUNTY HOME FINANCE AUTHORITY
Statement of Revenues and Expenses and Changes In Net Assets
For The Year Ended December 31, 2011

OPERATING REVENUES:	$ -
OPERATING EXPENSES:	
Attorney Fees	1,241
Insurance	4,234
Total Operating Expenses	5,475
Operating Income (Loss)	(5,475)
NONOPERATING REVENUES AND EXPENSES:	
Income on Investments	57,656
Banking and Investment Fees	(4,920)
Unrealized Gain (Loss) on Investments	40,598
Total Non Operating Revenue (Expense)	93,334
Increase (Decrease) in Net Assets	87,859
Beginning Net Assets	1,219,876
Ending Net Assets	$ 1,307,735

SEE THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

GRADY COUNTY HOME FINANCE AUTHORITY
Statement of Cash Flows
For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Attorney Fees	$ (1,241)
Insurance	(4,234)
Net Cash Used in Operating Activities	(5,475)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Income on Investments	56,916
Banking and Investment Fees	(4,920)
Sales of Investments	428,676
Purchases of Investments	(422,803)
Net Cash Provided by Investing Activities	57,869
Net Increase (Decrease) in Cash and Cash Equivalents	52,394
Balance - Beginning of Year	74,482
Balance – End of Year	$ 126,876
NONCASH ACTIVITIES:	
Unrealized Gain (Loss) on Investments	$ 40,598

SEE THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

Note 1 -- Summary of Significant Accounting Policies

These financial statements of the Authority are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

Financial Reporting Entity

The Grady County Home Finance Authority was created as a public trust under Title 60 of the Oklahoma State Statutes on February 5, 1979, with Grady County, Oklahoma named as the beneficiary thereof. The purpose of the Authority is generally providing housing of every type for low to moderate income persons residing in Grady County. Grady County Home Finance Authority is a component unit of Grady County, Oklahoma. Trustees are appointed by the Board of Commissioners of the beneficiary and may be removed without cause by the Board of Commissioners of the beneficiary.

Measurement Focus and Basis of Accounting

The Authority prepares its financial statements on the accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when the obligation is incurred. The Authority utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Budget

Title 60 requires public trusts to have budgets. This budget requirement does not set legal appropriations, therefore, a budget to actual statement is not required.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and highly liquid investments and time deposits with original maturities of ninety days or less.

Investments

Investments with an original maturity of one year or less are recorded at cost. Long-term investments are recorded at fair value in accordance with GASB Statement 31.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non capital financing, or investing activities.

Cash and Investment

		Maturities in Years				
Type	Fair Value	On Demand	Less Than One	1-5	6 – 10	More Than 10
Demand deposits	$ 126,876	$ 126,876	-	-	-	-
U.S. Agencies Obligations	1,174,419			151,105	218,642	804,672
Total	$ 1,301,295	$ 126,876	$ -	$ 151,105	$ 218,642	$ 804,672
Reconciliation to Statement Of Net Assets,						
Cash and cash equivalents	$ 126,876					
Investments, noncurrent	1,174,419					
Total	$ 1,301,295					

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Deposits

in financial institutions, reported as components of cash, cash equivalents, and investments were fully insured by depository insurance or secured with collateral held by the Authority's Agent in its name. Investments in U.S. Agency obligations and trust money market accounts were either 1) insured or registered and held by the Authority or by the Authority's agent in the Authority's name or 2) uninsured and unregistered and held by counterparty's trust department or agent in the Authority's name.

Investment Credit Risk -- The Authority has no investment policy that limits its investment choices. At December 31, 2011, the Authority's investments in U.S. Agency obligations not directly guaranteed by the U.S. Government totaling $ 561,269 were rated AAA by Standard and Poors.

Concentration of Credit Risk -- The Authority places no limit on the amount it may invest in any one issuer.

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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

May 31, 2012

The Board of Trustees of
Grady County Home Finance Authority

I have audited the financial statements of Grady County Home Finance Authority as of and for the year ended December 31, 2011, and have issued my report thereon dated May 31, 2012. 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 Grady County Home Finance Authority's control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Grady County Home Finance Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Grady 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 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 would not necessarily identify all deficiencies in internal control that might be 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 Grady 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, and other matters 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 test 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 finance committee, management, Board of Trustees, and Oklahoma State Auditor and Inspector's Office and is not intended to be and should not be used by anyone other than these specified parties.

Robert D. Turner

Robert D. Turner, C.P.A.