

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND
SUPPLEMENTAL DATA FOR THE
TWELVE MONTHS ENDED MARCH 31, 2012**

CYNTHIA L WARREN CPA, P.C.

Eufaula, Oklahoma 74432

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
MARCH 31, 2012**

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CYNTHIA L WARREN CPA, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of Osage County
Pawhuska, Oklahoma

I have audited the accompanying basic financial statements of the Housing Authority of Osage County as of March 31, 2012, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of Osage County's management. My responsibility is to express an opinion on these financial statements based on my audit.

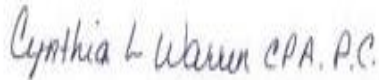
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 financial position of the Housing Authority of Osage County as of March 31, 2012, and the changes in its financial position and its cash flows 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 a report dated December 18, 2012 on my consideration of the Housing Authority of Osage County'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 this audit.

Management's Discussion and Analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the Housing Authority's basic financial statements. 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 basic financial statements of Housing Authority of Osage County. The accompanying Financial Data Schedule is also presented for purposes of additional analysis and is not a required part of the basic financial statements of the Housing Authority of Osage County. Such 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in dark ink that reads "Cynthia L. Warren CPA, P.C.".

Cynthia L Warren CPA, P.C.
December 18, 2012

Osage County Housing Authority Management's Discussion and Analysis For the Year Ended March 31, 2012

Introduction

This Management's Discussion and Analysis (MD&A) of the Osage County Housing Authority (Authority) provides an introduction and overview to the financial statements of the Authority for the fiscal year ended March 31, 2012. The Authority presents this discussion and analysis of its financial performance during the fiscal year ended March 31, 2012, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Osage County Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has two individual programs. They include the Low Rent Public Housing Program, and the Capital Fund Program.

- The Low Rent Program consists of 280 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing & Urban Development based on a formula.
- The Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

Management's Discussion and Analysis-Cont.

This overview of the financial statement is intended to inform and introduce the reader to the Authority's basic financial statements. The basic financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Assets
- The Statement of Revenues, Expense, and Changes in Net Assets
- The Statement of Cash Flows

Overview of the Financial Statements

The Statement of Net Assets presents information on the assets and liabilities, with the differences between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. To the extent applicable, Net Assets is comprised of three individual components:

- *Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation.
- *Restricted Net Assets* consists of assets that are restricted by limitations placed on these assets by an external source or party.
- *Unrestricted Net Assets* consists of net assets that do not meet the definition of the above categories. Unrestricted net assets is basically the amount of funds available for future year operations.

The Statement of Revenues, Expenses, and Changes in Net Assets reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended March 31, 2012, to determine the change in net assets for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash and cash equivalents account balance for the year ended March 31, 2012.

Supplemental Information contains Schedule of Expenditures of Federal Awards and the HUD required Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2012.

Management's Discussion and Analysis-Cont.

Financial Highlights

- The Authority's total net assets decreased from \$7,231,569 to \$6,419,949, a decrease of \$811,620 or 11%. The total assets decreased by \$1,004,756 or 13%.
- The unrestricted net asset balance is listed as \$895,495 at March 31, 2012. This represents a decrease of \$138,622 or 13% from the previous year.
- Total Revenues decreased from \$1,583,775 to \$989,686, a decrease of \$594,089 or 38%.
- Total expenses increased by \$8,156 from \$1,793,150 to \$1,801,306 for the current year. This represents an increase of less than 1%.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended March 31, 2012, and March 31, 2011.

Net Assets as of March 31,

<u>Category</u>	<u>FYE 2012</u>	<u>FYE 2011</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 1,028,720	\$ 1,360,478	\$ (331,758)	-24%
Capital Assets (Net of Depreciation)	\$ 5,524,454	\$ 6,197,452	\$ (672,998)	-11%
Total Assets	\$ 6,553,174	\$ 7,557,930	\$ (1,004,756)	-13.29%
Current Liabilities	\$ 131,444	\$ 323,659	\$ (192,215)	-59%
Long Term Liabilities	\$ 1,781	\$ 2,702	\$ (921)	-34%
Total Liabilities	\$ 133,225	\$ 326,361	\$ (193,136)	-59%
Unrestricted Net Assets	\$ 895,495	\$ 1,034,117	\$ (138,622)	-13%
Investment in Net Capital Assets	\$ 5,524,454	\$ 6,197,452	\$ (672,998)	-11%
Total Net Assets	\$ 6,419,949	\$ 7,231,569	\$ (811,620)	-11%

Current Assets

Total current assets decreased from \$1,360,478 to \$1,028,720, a decrease of \$331,758 from March 31, 2011 to March 31, 2012. This was primarily due to a decrease in cash of \$173,396 and a decrease in Accounts Receivable HUD of \$181,633.

Capital Assets

Capital assets decreased from \$6,197,452 to \$5,524,454, a decrease of \$672,998 from March 31, 2011 to March 31, 2012. This was primarily due to depreciation of assets.

Management's Discussion and Analysis-Cont.

Overview of the Financial Statements-Cont.

Current Liabilities

Total liabilities decreased from \$326,361 to \$133,225, a decrease of \$193,136 from March 31, 2011 to March 31, 2012. This was primarily due to a decrease in accounts payable for the current year

Net Assets

The Authority's total net asset balance decreased \$811,620 from the previous year.

The Authority's unrestricted net assets decreased from \$1,034,117 to \$895,495, a decrease of \$138,622, or 13% for the current year. The principal reason for the decrease is due to a deficiency in operating revenue over operating expense. Unrestricted net asset account balances represent the amount available for future appropriations.

Revenues & Expenses and Changes in Net Assets

Years Ended March 31, 2012 and 2011

<u>Category</u>	<u>FYE 2012</u>	<u>FYE 2011</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 302,849	\$ 342,046	\$ (39,197)	-11%
HUD Operating Grants	\$ 651,463	\$ 770,185	\$ (118,722)	-15%
Capital Grants	\$ -	\$ 433,630	\$ (433,630)	-100%
Interest Income	\$ 9,005	\$ 14,194	\$ (5,189)	-37%
Other Revenue	\$ 26,369	\$ 23,720	\$ 2,649	11%
Total Revenue	\$ 989,686	\$ 1,583,775	\$ (594,089)	-38%
			\$ -	
Administration	\$ 313,751	\$ 358,607	\$ (44,856)	-13%
Tenant Services	\$ 4,020	\$ 7,432	\$ (3,412)	-46%
Utilities	\$ 34,752	\$ 31,406	\$ 3,346	11%
Ordinary Maintenance	\$ 610,825	\$ 484,334	\$ 126,491	26%
General Expense	\$ 145,032	\$ 148,669	\$ (3,637)	-2%
Extraordinary Maintenance	\$ 8,025	\$ 89,534	\$ (81,509)	-91%
Depreciation	\$ 684,901	\$ 673,168	\$ 11,733	2%
			\$ -	
Total Expenses	\$ 1,801,306	\$ 1,793,150	\$ 8,156	0%
Change in Net Assets	\$ (811,620)	\$ (209,375)	\$ (602,245)	288%
Net Assets, Beginning of Year	\$ 7,231,569	\$ 7,440,944	\$ (209,375)	-3%
Net Assets, End of Year	\$ 6,419,949	\$ 7,231,569	\$ (811,620)	-11%

Management's Discussion and Analysis-Cont.

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenue decreased by \$594,089 during the current fiscal year. Significant changes noted between the current and previous fiscal years include:

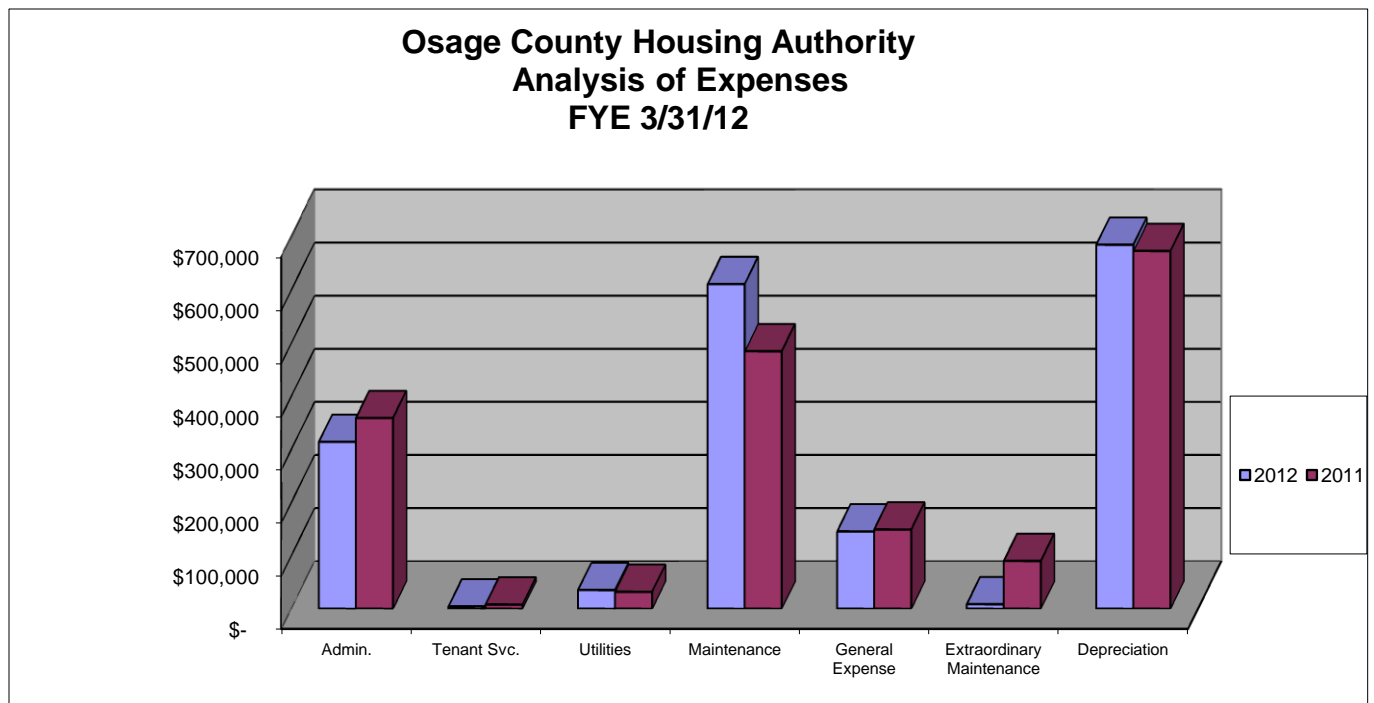
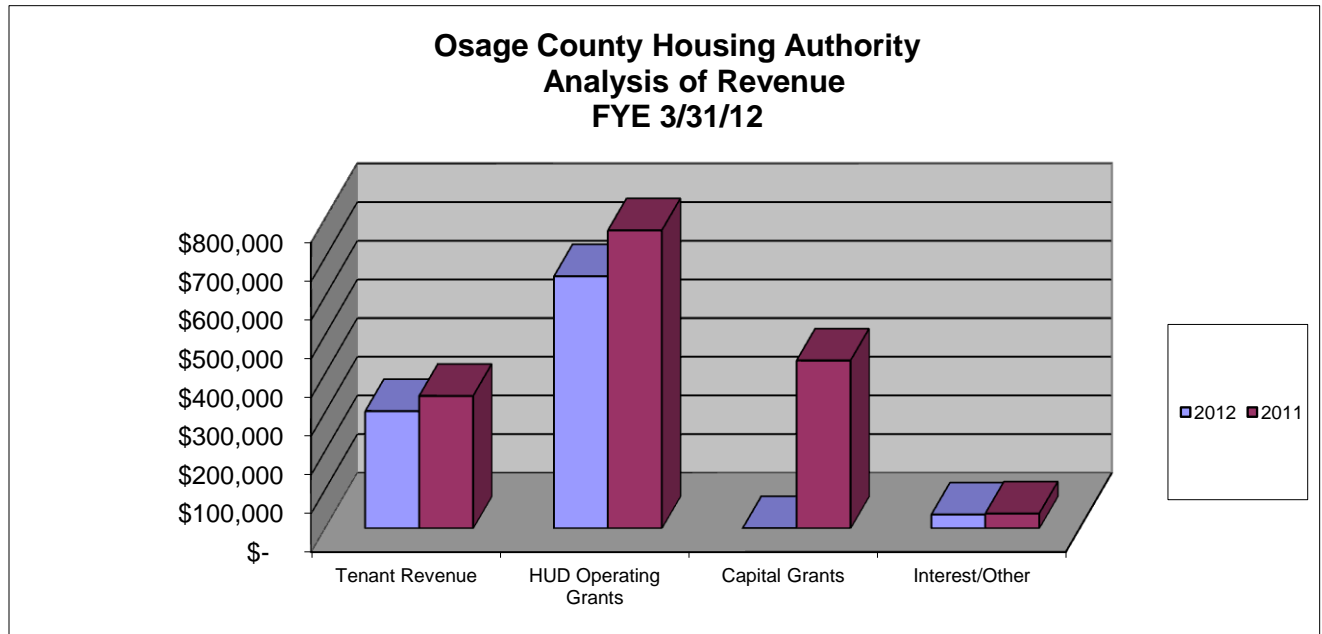
- Tenant Revenue decreased by \$39,197 due to a combination of a decrease in unit units leased from 3,105 to 3,070 and a decrease in rent from \$314,888 to \$270,020.
- HUD operating grants decreased by \$118,722. This was due to a recapture from HUD of operating grants related to the Low Rent Program and operating revenue related to the Capital Fund Program decreasing by \$13,715.
- Capital grants decreased by \$433,630. This is due to decreased activity in capital improvement projects funded through the Capital Fund.
- Interest Income decreased from \$14,194 in the previous year to \$9,005, a difference of \$5,189 or 37%. The decrease is due to reduced interest rates from 1.25 to .75% and reduced cash balance by \$173,396.

Total expenses increased by \$8,156. Significant differences between the years include:

- Administration expenses decreased by \$44,856 due to a decrease in administrative salaries and benefits which was as a result of the transition process of replacing the executive director in the previous year.
- Tenant Services expense decreased by \$3,412 due to decreased costs for tenant activities.
- Utilities increased by \$3,346 from \$31,406 to \$34,752 due to an increase in utility consumption.
- Ordinary Maintenance increased from \$484,334 to \$610,825 primarily due to an increase in unit turnaround of \$76,851 and materials of \$46,892.

We have provided the following presentations to demonstrate the revenues and expenses by summarized account category:

Management's Discussion and Analysis-Cont.



Management's Discussion and Analysis-Cont.

Capital Assets

As of March 31, 2012, the Authority's investment in capital assets was \$5,524,454. This investment includes land, building, and equipment.

<u>Category</u>	<u>FYE 2012</u>	<u>FYE 2011</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 174,821	\$ 174,821	\$ -	0%
Buildings	\$ 16,993,019	\$ 16,546,350	\$ 446,669	3%
Equipment	\$ 275,533	\$ 274,429	\$ 1,104	0%
Construction in Progress	\$ -	\$ 435,870	\$ (435,870)	0%
Accumulated Depreciation	\$ (11,918,919)	\$ (11,234,018)	\$ (684,901)	6%
Total Net Capital Assets	\$ 5,524,454	\$ 6,197,452	\$ (672,998)	-11%

- The increase in buildings is due to the completion of the roof project for the office and community center.
- The increase in equipment is due to the purchase of a laptop.

Economic Facts and Conditions

Due to the HUD budget cuts in the 2012 federal fiscal year, agencies with more than 4 months of expenses in reserve (working capital) were subject to a recapture. As a result, the PHA has incurred a significant reduction in their operating subsidy for the 2012 calendar year. The formula funding amount calculated for the 2012 calendar year was \$355,168. Of this amount \$201,964 was withheld as an allocation adjustment.

We continue to be concerned with the funding levels set out by Congress for Operating Funds, however we will continue to offer safe, decent, and affordable housing to our tenants with the funding levels we receive. New appliances (ranges and refrigerators) have been purchased and installed in all 30 units in Fairfax as part of the 2011 CFP funds. We are in the process of signing a contract for replacing and installing new entry doors and storm doors for most of the units. Additionally, new windows will be installed in the remaining units in Hominy. This will complete the PHA in having new energy efficient storm windows in all 280 units. This contract will incorporate the funding of 2011 and 2012 Capital Fund Programs. At the present time we do not have any pending lawsuits or grievances.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Osage County Housing Authority
Christi McNeil, Executive Director
PO Box 818
Pawhuska, OK 74056

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
STATEMENT OF NET ASSETS
MARCH 31, 2012**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 166,958
Cash and Cash Equivalents, Restricted for Security Deposits	78,411
Tenant Accounts Receivable, Net	2,195
Accrued Interest Receivable	412
Investments	692,613
Prepaid Expenses	50,896
Inventory	37,235
Total Current Assets	<u>1,028,720</u>

Noncurrent Assets:

Capital Assets, Non-depreciable	174,821
Capital Assets, Net of Depreciation	<u>5,349,633</u>
Total Capital Assets	<u>5,524,454</u>
Total Assets	<u><u>\$ 6,553,174</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable, Vendors	\$ 5,435
Due to Other Government - PILOT Taxes	19,610
Accrued Wages and Payroll Taxes Payable	14,451
Accrued Compensated Absences	6,700
Deferred Revenues	5,466
Other Current Liabilities	1,371
Tenant Security Deposits	<u>78,411</u>
Total Current Liabilities	131,444

Long-term Liabilities:

Accrued Compensated Absences	<u>1,781</u>
Total Liabilities	<u>133,225</u>

Net Assets:

Invested in Capital Assets	5,524,454
Unrestricted Net Assets	<u>895,495</u>
Total Net Assets	<u>6,419,949</u>
Total Liabilities and Net Assets	<u><u>\$ 6,553,174</u></u>

The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2012**

Operating Revenue:

Tenant Revenue	\$ 302,849
Operating Grants and Subsidies	651,463
Other Income	26,369
Total Operating Revenue	<u>980,681</u>

Operating Expenses:

Administration	313,751
Tenant Services	4,020
Utilities	34,752
Maintenance	618,850
General Expense	145,032
Depreciation	684,901
Total Operating Expenses	<u>1,801,306</u>

Operating Income (Loss)	(820,625)
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Nonoperating Revenue (Expense)

Investment Income	9,005
Net Income (Loss) Before Capital Grants	<u>(811,620)</u>

Change in Net Assets	(811,620)
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Total Net Assets, Beginning	<u>7,231,569</u>
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Total Net Assets, Ending	<u><u>\$ 6,419,949</u></u>
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The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2012**

Cash Flows from Operating Activities:

Receipts from Tenants	\$ 303,488
Receipts from Operating Grants	833,096
Receipts from Other Operating Activities	26,369
Payments to Employees	(514,966)
Payments to Suppliers and Vendors	(783,702)
Payments for PILOT Taxes	(23,628)
Net Cash Provided (Used) by Operating Activities	<u>(159,343)</u>

Cash Flows from Capital and Related Financing Activities:

Purchases of Land, Structures and Equipment	<u>(11,903)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(11,903)</u>

Cash Flows from Investing Activities:

Receipts of Interest Income	9,218
Purchase of Investments	<u>(11,368)</u>
Net Cash Provided (Used) from Investing Activities	<u>(2,150)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(173,396)
Cash and Cash Equivalents, Beginning	<u>418,765</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 245,369</u></u>

Reconciliation to Statement of Net Assets:

Cash and Cash Equivalents	\$ 166,958
Cash and Cash Equivalents, Restricted	<u>78,411</u>
	<u><u>\$ 245,369</u></u>

The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2012**

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities:

Operating Income (Loss)	<u>\$ (820,625)</u>
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Adjustments to reconcile Operating Income (Loss) to Net

Cash Provided (Used) by Operating Activities:

Depreciation	684,901
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Change in Assets and Liabilities:

Accounts Receivable and Due from Other Governments	181,462
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Prepaid Expenses	(1,177)
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Inventory	(10,768)
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Accounts Payable	(195,395)
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Tenant Security Deposits	2,308
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Accrued Liabilities	1,509
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Deferred Revenues	<u>(1,558)</u>
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Total Adjustments	<u>661,282</u>
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Net Cash Provided (Used) by Operating Activities	<u><u>\$ (159,343)</u></u>
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The accompanying notes to the financial statements are an integral part hereof.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

NOTE 1 - REPORTING ENTITY

The agency was created under the provisions of the laws of the State of Oklahoma. The purpose of the agency is to administer Public Housing Programs authorized by the United States Housing Act. The governing board employs executives; authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development (Annual Contributions Contract) pursuant to that agency's regulations and statutory authorizations; and causes the agency to construct, own, and operate public housing facilities.

The Housing Authority's basic financial statements include all organizations, activities, and functions that comprise the Housing Authority. Component units are legally separate entities for which the Housing Authority is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Housing Authority's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Housing Authority. As of March 31, 2012, and for the fiscal year then ended, the Housing Authority had no component units required to be blended in these financial statements or discretely presented.

Programs Administered by the Authority

The Housing Authority administers an annual contributions contract to provide low-income housing with primary financial support from the U.S. Department of Housing and Urban Development (HUD). Contracts administered by the Housing Authority are as follow:

Public Housing - The Housing Authority owns, operates and maintains 280 units of Public Housing. The properties were acquired through bonds and notes guaranteed by HUD and through grants, subject to the terms of an Annual Contributions Contract with HUD. Revenues consist primarily of rents and other fees collected from tenants, and an Operating Subsidy from HUD.

Capital Fund Program - Funds from the Capital Fund Program provided by HUD are used to maintain and improve the Housing Authority. Substantially all additions to land, structures and equipment of the Housing Authority are accomplished through these capital fund grants.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Housing Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and become measurable and expenses are recognized when incurred, if measurable. The Housing Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

For accounting and financial reporting purposes, the Housing Authority of Osage County is considered a special purpose government engaged solely in business-type activities. As such, the accounting and financial reporting treatment is similar to enterprise funds of a general purpose government. Enterprise funds are accounted for on the economic resources measurement focus and report all assets and liabilities, both current and noncurrent, in the Statement of Net Assets. Net assets are segregated into Investment in Capital Assets, Restricted and Unrestricted components, to the extent applicable.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Budgetary Process

The Housing Authority adopts an operating budget for each fiscal year which is approved by the Board of Commissioners with revisions being prepared as needed. However, the budget does not establish legal spending limits and is instead designed to serve as a financial plan.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of amounts deposited in checking, money market and investments accounts with an original maturity of three months or less. Cash equivalents, if any, are carried at fair value.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments

Investments consist of certificates of deposit, which are considered money market type investments as defined by the Governmental Accounting Standards Board. The investments are reported at cost, which approximates fair market value.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future periods. These payments are recorded as prepaid expenses.

Inventory

Inventory balances consist of expendable supplies held for consumption. The inventory is valued at cost. The Housing Authority uses the first-in, first-out basis in determination of cost.

Capital Assets

Capital assets acquired are valued at historical cost. It is the policy of the Housing Authority to capitalize all assets with a cost of \$1,000 or greater. Donated capital assets are valued at the estimated fair value at the date of the donation. Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statement of net assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follow:

Dwelling Structures	15 - 40 years
Nondwelling Structures	40 years
Equipment	3 - 5 years

Compensated Absences

It is the Housing Authority's policy to allow employees to accumulate earned but unused vacation and sick pay benefits up to certain limits. These amounts accrued, for which the employee is vested that would be paid upon termination, are charged to expense and a corresponding liability is established when earned. The portion of the liability that is anticipated to be paid within the next fiscal year is reported as a current liability, while the remainder is reported as a long-term liability.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Operating and Non-operating Revenues and Expenses

The statement of revenues, expenses, and changes in net assets distinguishes operating revenues and expenses from non-operating. Operating revenues and expenses generally include revenues resulting from the providing of housing services to tenants, including housing assistance grants and subsidies, and the costs associated with providing those services, including depreciation of capital assets. These activities are consistent with those classified as "operating activities" in the statement of cash flows. All other revenues and expenses are classified as either non-operating revenues and expenses or separately reported activities, such as capital grants, that are reported following operating income or loss.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

It is the Housing Authority's policy to invest in those securities which are authorized by HUD. Such investments generally consist of obligation of the U.S. government and its agencies and instrumentalities, collateralized or insured certificates of deposit, or other bank deposits, and certain other commercial instruments. The deposits and investments held at March 31, 2012, and reported at fair value, are as follows:

<u>TYPE</u>	<u>Carrying Value</u>
Deposits:	
Demand Deposits	\$ 245,194
Cash on Hand	<u>175</u>
	245,369
Investments:	
Certificates of Deposit	<u>692,613</u>
Total Deposits and Investments	<u><u>\$ 937,982</u></u>
Reconciliation to Statement of Net Assets:	
Cash and Cash Equivalents	\$ 166,958
Cash and Cash Equivalents, Restricted	78,411
Investments	<u>692,613</u>
	<u><u>\$ 937,982</u></u>

Custodial Credit Risk - HUD regulations and State law governs the requirements for managing custodial credit risk. Such regulations and law require uninsured deposits to be secured with collateral having market value at least equal to the amount of uninsured deposits. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$948,948 at March 31, 2012, which was fully insured by depository insurance or secured with collateral held by the Housing Authority's agent in its name.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS, Continued

Investment Interest Rate Risk - The Housing Authority's investment policy mandates that investing be performed in accordance with HUD regulations and State Statutes. The investment policy has no formal limitation of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Nonnegotiable certificates of deposit are not subject to interest rate risk, therefore their maturity dates are not provided.

Investment Credit Risk - The Housing Authority's investment policy limits its investment choices to those allowed by HUD regulations and state laws as follows:

- A. U.S. Treasury Bills
- B. U.S. Treasury Notes and Bonds
- C. Obligations of Federal Government Agencies
- D. Securities of Federal Government Agencies
- E. Insured Money Market Deposit Accounts
- F. Municipal Depository Fund
- G. Super NOW Accounts
- H. Certificates of Deposit
- I. Repurchase Agreements
- J. Sweep Accounts
- K. Separate Trading of Registered Interest and Principal of Securities
- L. Mutual Funds that meet the HUD criteria.

Concentration of Investment Credit Risk - The Housing Authority places no limit on the amount it may invest in any one issuer. At March 31, 2012, the Housing Authority had limited concentration of credit risk because the investments consist of Certificates of Deposit.

NOTE 4 - ACCOUNTS RECEIVABLE

All receivables from tenants are for rentals and service charges. These receivables are shown net of an allowance for uncollectible amounts. The total accounts receivable balance is \$2,544 less an allowance of \$349 for a net accounts receivable of \$2,195 at March 31, 2012.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

NOTE 5 - CAPITAL ASSETS

A summary of Capital Assets as presented in the Statement of Net Assets is as follows:

	Balance			Balance
	<u>3/31/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>3/31/2012</u>
Non-depreciable Capital Assets:				
Land	\$ 174,821	\$ -	\$ -	\$ 174,821
Construction in Progress	<u>435,870</u>	<u>-</u>	<u>(435,870)</u>	<u>-</u>
	<u>610,691</u>	<u>-</u>	<u>(435,870)</u>	<u>174,821</u>
Depreciable Capital Assets:				
Buildings and Improvements	16,546,350	446,670	-	16,993,020
Furniture & Equipment	<u>274,429</u>	<u>1,103</u>	<u>-</u>	<u>275,532</u>
	<u>16,820,779</u>	<u>447,773</u>	<u>-</u>	<u>17,268,552</u>
Less Accumulated Depreciation:				
Buildings and Improvements	10,982,641	668,369	-	11,651,010
Furniture & Equipment	<u>251,377</u>	<u>16,532</u>	<u>-</u>	<u>267,909</u>
	<u>11,234,018</u>	<u>684,901</u>	<u>-</u>	<u>11,918,919</u>
Net Depreciable Capital Assets	<u>5,586,761</u>	<u>(237,128)</u>	<u>-</u>	<u>5,349,633</u>
Total	<u>\$ 6,197,452</u>	<u>\$ (237,128)</u>	<u>\$ (435,870)</u>	<u>\$ 5,524,454</u>

Depreciation expense for the year ending March 31, 2012 is \$684,901.

NOTE 6 - ACCRUED COMPENSATED ABSENCES

Accrued Compensated Absences consists of employee vacation and sick pay benefits which have been earned but not used. These benefits total \$8,481 of which \$6,700 is current and \$1,781 is long-term. The current portion is anticipated to be used in the next twelve months with the long-term portion anticipated to be used after the next twelve months. The following is a summary of the long-term portion.

	Balance			Balance
	<u>3/31/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>3/31/2012</u>
Accrued Compensated Absences	<u>\$ 10,808</u>	<u>\$ 29,849</u>	<u>\$ 32,176</u>	<u>\$ 8,481</u>

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The activities of the Housing Authority are currently funded in large part by the Federal Government and future operations of the Authority are reliant on continuation of this funding from the Federal Government. The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries. Although these amounts cannot be determined at this time, the Housing Authority expects such amounts to be immaterial.

NOTE 8 - 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 for which the Housing Authority purchases commercial insurance.

Management believes this coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 9 - RETIREMENT

The Housing Authority participates in a defined contribution plan administered by the Housing Renewal and Local Agency Retirement Plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. Plan provisions and changes to plan contributions are determined by the Board of Commissioners of the Housing Authority.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Housing Authority is required to contribute 8% of annual covered payroll. Employees may make additional contributions. The Housing Authority's contribution for each employee and income allocated to the employee's account are fully invested after five years of continuous service. Normal retirement date shall be the first day of the month following the employee's 65th birthday or after 10 years of participation in the plan.

Annual contributions for the year ending March 31, 2012 for the Housing Authority and the participants are \$26,393 and \$6,752, respectively or a total of \$33,145. These contributions have been made by the Housing Authority. Contributions for March 31, 2011 are \$56,767.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

NOTE 10 - ECONOMIC DEPENDENCY

The Housing Authority receives a significant portion of its revenue from funds provided through federal grants. The grant amounts are appropriated each year at the federal level. If significant budget cuts occur at the federal level, the amount of funds the Housing Authority receives could be reduced substantially and have an adverse effect on its operations. Although management expects decreases in funding, significant adverse changes in services provided are not expected to occur by the Housing Authority.

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2012**

<u>Federal Grantor/Program Title</u>		<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Public & Indian Housing	*	14.850	\$ 651,463
Total			<u>\$ 651,463</u>

* Major Program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal contract and grant activity of the Housing Authority of Osage County and is presented on the accrual basis of accounting. 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."*

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
MARCH 31, 2012**

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$166,958	\$166,958	\$166,958
112 Cash - Restricted - Modernization and Development	\$0	\$0	\$0
113 Cash - Other Restricted	\$0	\$0	\$0
114 Cash - Tenant Security Deposits	\$78,411	\$78,411	\$78,411
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0
100 Total Cash	\$245,369	\$245,369	\$245,369
121 Accounts Receivable - PHA Projects	\$0	\$0	\$0
122 Accounts Receivable - HUD Other Projects	\$0	\$0	\$0
124 Accounts Receivable - Other Government	\$0	\$0	\$0
125 Accounts Receivable - Miscellaneous	\$0	\$0	\$0
126 Accounts Receivable - Tenants	\$2,544	\$2,544	\$2,544
126.1 Allowance for Doubtful Accounts -Tenants	-\$349	-\$349	-\$349
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0
128 Fraud Recovery	\$0	\$0	\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0
129 Accrued Interest Receivable	\$412	\$412	\$412
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,607	\$2,607	\$2,607
131 Investments - Unrestricted	\$692,613	\$692,613	\$692,613
132 Investments - Restricted	\$0	\$0	\$0
135 Investments - Restricted for Payment of Current Liability	\$0	\$0	\$0
142 Prepaid Expenses and Other Assets	\$50,896	\$50,896	\$50,896
143 Inventories	\$41,372	\$41,372	\$41,372
143.1 Allowance for Obsolete Inventories	-\$4,137	-\$4,137	-\$4,137
144 Inter Program Due From	\$0	\$0	\$0
145 Assets Held for Sale	\$0	\$0	\$0
150 Total Current Assets	\$1,028,720	\$1,028,720	\$1,028,720

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
MARCH 31, 2012**

	Project Total	Subtotal	Total
161 Land	\$174,821	\$174,821	\$174,821
162 Buildings	\$16,993,019	\$16,993,019	\$16,993,019
163 Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0
164 Furniture, Equipment & Machinery - Administration	\$275,533	\$275,533	\$275,533
165 Leasehold Improvements	\$0	\$0	\$0
166 Accumulated Depreciation	-\$11,918,919	-\$11,918,919	-\$11,918,919
167 Construction in Progress	\$0	\$0	\$0
168 Infrastructure	\$0	\$0	\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,524,454	\$5,524,454	\$5,524,454
174 Other Assets	\$0	\$0	\$0
176 Investments in Joint Ventures	\$0	\$0	\$0
180 Total Non-Current Assets	\$5,524,454	\$5,524,454	\$5,524,454
190 Total Assets	\$6,553,174	\$6,553,174	\$6,553,174
311 Bank Overdraft	\$0	\$0	\$0
312 Accounts Payable <= 90 Days	\$5,435	\$5,435	\$5,435
313 Accounts Payable >90 Days Past Due	\$0	\$0	\$0
321 Accrued Wage/Payroll Taxes Payable	\$14,451	\$14,451	\$14,451
322 Accrued Compensated Absences - Current Portion	\$6,700	\$6,700	\$6,700
324 Accrued Contingency Liability	\$0	\$0	\$0
325 Accrued Interest Payable	\$0	\$0	\$0
331 Accounts Payable - HUD PHA Programs	\$0	\$0	\$0
332 Account Payable - PHA Projects	\$0	\$0	\$0
333 Accounts Payable - Other Government	\$19,610	\$19,610	\$19,610
341 Tenant Security Deposits	\$78,411	\$78,411	\$78,411
342 Deferred Revenues	\$5,466	\$5,466	\$5,466
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0	\$0
345 Other Current Liabilities	\$0	\$0	\$0
346 Accrued Liabilities - Other	\$1,371	\$1,371	\$1,371
347 Inter Program - Due To	\$0	\$0	\$0
348 Loan Liability - Current	\$0	\$0	\$0
310 Total Current Liabilities	\$131,444	\$131,444	\$131,444

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
MARCH 31, 2012**

	Project Total	Subtotal	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0	\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0	\$0
353 Non-current Liabilities - Other	\$0	\$0	\$0
354 Accrued Compensated Absences - Non Current	\$1,781	\$1,781	\$1,781
355 Loan Liability - Non Current	\$0	\$0	\$0
356 FASB 5 Liabilities	\$0	\$0	\$0
357 Accrued Pension and OPEB Liabilities	\$0	\$0	\$0
350 Total Non-Current Liabilities	\$1,781	\$1,781	\$1,781
300 Total Liabilities	\$133,225	\$133,225	\$133,225
508.1 Invested In Capital Assets, Net of Related Debt	\$5,524,454	\$5,524,454	\$5,524,454
509.2 Fund Balance Reserved			
511.2 Unreserved, Designated Fund Balance			
511.1 Restricted Net Assets	\$0	\$0	\$0
512.1 Unrestricted Net Assets	\$895,495	\$895,495	\$895,495
512.2 Unreserved, Undesignated Fund Balance			
513 Total Equity/Net Assets	\$6,419,949	\$6,419,949	\$6,419,949
600 Total Liabilities and Equity/Net Assets	\$6,553,174	\$6,553,174	\$6,553,174

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
MARCH 31, 2012**

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$270,020	\$270,020	\$270,020
70400 Tenant Revenue - Other	\$32,829	\$32,829	\$32,829
70500 Total Tenant Revenue	\$302,849	\$302,849	\$302,849
70600 HUD PHA Operating Grants	\$651,463	\$651,463	\$651,463
70610 Capital Grants	\$0	\$0	\$0
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants	\$0	\$0	\$0
71100 Investment Income - Unrestricted	\$9,005	\$9,005	\$9,005
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0	\$0
71400 Fraud Recovery	\$0	\$0	\$0
71500 Other Revenue	\$26,369	\$26,369	\$26,369
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0
72000 Investment Income - Restricted	\$0	\$0	\$0
70000 Total Revenue	\$989,686	\$989,686	\$989,686
91100 Administrative Salaries	\$169,034	\$169,034	\$169,034
91200 Auditing Fees	\$7,350	\$7,350	\$7,350
91300 Management Fee	\$0	\$0	\$0
91310 Book-keeping Fee	\$0	\$0	\$0
91400 Advertising and Marketing	\$2,639	\$2,639	\$2,639
91500 Employee Benefit contributions - Administrative	\$74,658	\$74,658	\$74,658
91600 Office Expenses	\$19,192	\$19,192	\$19,192
91700 Legal Expense	\$0	\$0	\$0
91800 Travel	\$17,685	\$17,685	\$17,685
91810 Allocated Overhead	\$0	\$0	\$0
91900 Other	\$23,193	\$23,193	\$23,193
91000 Total Operating - Administrative	\$313,751	\$313,751	\$313,751

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
MARCH 31, 2012**

	Project Total	Subtotal	Total
92000 Asset Management Fee	\$0	\$0	\$0
92100 Tenant Services - Salaries	\$0	\$0	\$0
92200 Relocation Costs	\$0	\$0	\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0
92400 Tenant Services - Other	\$4,020	\$4,020	\$4,020
92500 Total Tenant Services	\$4,020	\$4,020	\$4,020
93100 Water	\$2,371	\$2,371	\$2,371
93200 Electricity	\$18,592	\$18,592	\$18,592
93300 Gas	\$10,535	\$10,535	\$10,535
93400 Fuel	\$3,254	\$3,254	\$3,254
93500 Labor	\$0	\$0	\$0
93600 Sewer	\$0	\$0	\$0
93700 Employee Benefit Contributions - Utilities	\$0	\$0	\$0
93800 Other Utilities Expense	\$0	\$0	\$0
93000 Total Utilities	\$34,752	\$34,752	\$34,752
94100 Ordinary Maintenance and Operations - Labor	\$197,404	\$197,404	\$197,404
94200 Ordinary Maintenance and Operations - Materials and Other	\$130,211	\$130,211	\$130,211
94300 Ordinary Maintenance and Operations Contracts	\$207,831	\$207,831	\$207,831
94500 Employee Benefit Contributions - Ordinary Maintenance	\$75,379	\$75,379	\$75,379
94000 Total Maintenance	\$610,825	\$610,825	\$610,825
95100 Protective Services - Labor	\$0	\$0	\$0
95200 Protective Services - Other Contract Costs	\$0	\$0	\$0
95300 Protective Services - Other	\$0	\$0	\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0	\$0
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance	\$53,931	\$53,931	\$53,931
96120 Liability Insurance	\$9,417	\$9,417	\$9,417
96130 Workmen's Compensation	\$12,212	\$12,212	\$12,212
96140 All Other Insurance	\$9,667	\$9,667	\$9,667
96100 Total insurance Premiums	\$85,227	\$85,227	\$85,227

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
MARCH 31, 2012**

	Project Total	Subtotal	Total
96200 Other General Expenses	\$43	\$43	\$43
96210 Compensated Absences	\$29,849	\$29,849	\$29,849
96300 Payments in Lieu of Taxes	\$19,610	\$19,610	\$19,610
96400 Bad debt - Tenant Rents	\$10,303	\$10,303	\$10,303
96500 Bad debt - Mortgages	\$0	\$0	\$0
96600 Bad debt - Other	\$0	\$0	\$0
96800 Severance Expense	\$0	\$0	\$0
96000 Total Other General Expenses	\$59,805	\$59,805	\$59,805
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0	\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0	\$0	\$0
96730 Amortization of Bond Issue Costs	\$0	\$0	\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,108,380	\$1,108,380	\$1,108,380
97000 Excess of Operating Revenue over Operating Expenses	-\$118,694	-\$118,694	-\$118,694
97100 Extraordinary Maintenance	\$8,025	\$8,025	\$8,025
97200 Casualty Losses - Non-capitalized	\$0	\$0	\$0
97300 Housing Assistance Payments	\$0	\$0	\$0
97350 HAP Portability-In	\$0	\$0	\$0
97400 Depreciation Expense	\$684,901	\$684,901	\$684,901
97500 Fraud Losses	\$0	\$0	\$0
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense	\$0	\$0	\$0
90000 Total Expenses	\$1,801,306	\$1,801,306	\$1,801,306
10010 Operating Transfer In	\$0	\$0	\$0
10020 Operating transfer Out	\$0	\$0	\$0
10030 Operating Transfers from/to Primary Government	\$0	\$0	\$0
10040 Operating Transfers from/to Component Unit	\$0	\$0	\$0

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
FINANCIAL DATA SCHEDULE
MARCH 31, 2012**

	Project Total	Subtotal	Total
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0	\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0	\$0
10091 Inter Project Excess Cash Transfer In	\$0	\$0	\$0
10092 Inter Project Excess Cash Transfer Out	\$0	\$0	\$0
10093 Transfers between Program and Project - In	\$0	\$0	\$0
10094 Transfers between Project and Program - Out	\$0	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$811,620	-\$811,620	-\$811,620
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$7,231,569	\$7,231,569	\$7,231,569
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0
11050 Changes in Compensated Absence Balance			
11060 Changes in Contingent Liability Balance			
11070 Changes in Unrecognized Pension Transition Liability			
11080 Changes in Special Term/Severance Benefits Liability			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	3384	3384	3384
11210 Number of Unit Months Leased	3070	3070	3070
11270 Excess Cash	\$716,780	\$716,780	\$716,780
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$10,800	\$10,800	\$10,800
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$1,103	\$1,103	\$1,103
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0

CYNTHIA L WARREN CPA, P.C.

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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**

Board of Commissioners
Housing Authority of Osage County
Pawhuska, Oklahoma

I have audited the financial statements of the Housing Authority of Osage County, as of and for the year ended March 31, 2012, and have issued my report thereon dated December 18, 2012. *Management's Discussion and Analysis* on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I did not audit the information and express no opinion on it. 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 the Housing Authority of Osage County's internal 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 Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

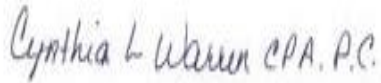
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination 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 the 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 the financial statements are free of material misstatement, I performed tests of 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 statements 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 the management, the board of commissioners, others within the entity 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.

A handwritten signature in dark ink that reads "Cynthia L. Warren CPA, P.C.".

Cynthia L Warren CPA, P.C.
December 18, 2012

CYNTHIA L WARREN CPA, P.C.

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**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**

Board of Commissioners
Housing Authority of Osage County
Pawhuska, Oklahoma

Compliance

I have audited the compliance of the Housing Authority of Osage County 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 the Housing Authority of Osage County's major federal programs for the year ended March 31, 2012. The Housing Authority of Osage County'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 of Osage County's management. My responsibility is to express an opinion on the Housing Authority of Osage County'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. 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 the Housing Authority of Osage County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Housing Authority of Osage County's compliance with those requirements.

In my opinion, the Housing Authority of Osage County 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 March 31, 2012.

Internal Control Over Compliance

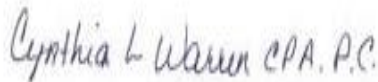
Management of the Housing Authority of Osage County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I

considered the Housing Authority of Osage County'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 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 in internal control over compliance is a deficiency, or a 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 and use of management, the board of commissioners, others within the entity, 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.



Cynthia L Warren CPA, P.C.
December 18, 2012

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2012**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Housing Authority of Osage County.
2. No material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Housing Authority of Osage County, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses in internal control over compliance with requirements applicable to major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal awards program expresses an unqualified opinion on all major federal programs.
6. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included the following:
#14.850 Public and Indian Housing
8. The threshold used to distinguish between type A and type B programs is \$300,000.
9. The Housing Authority of Osage County qualified as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

**HOUSING AUTHORITY OF OSAGE COUNTY
PAWHUSKA, OKLAHOMA
SCHEDULE OF SUMMARY STATUS OF PRIOR AUDIT FINDINGS
MARCH 31, 2012**

The prior report on the audit of the financial statements as of and for the twelve months ended March 31, 2011, contained no findings.