

ROGERS COUNTY HOUSING FINANCE AUTHORITY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 and 2010
WITH
INDEPENDENT AUDITOR'S REPORT

STEVEN L. TERRY, CPA, P.C.

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Rogers County Housing Finance Authority
Claremore, Oklahoma

I have audited the accompanying financial statements of Rogers County Housing Finance Authority, a component unit of Rogers County, Oklahoma, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Rogers County Housing Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rogers County Housing Finance Authority's governing board. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the Rogers County Housing Finance Authority and do not purport to, and do not, present fairly the financial position of Rogers County, Oklahoma, as of December 31, 2011 and 2010 and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rogers County Housing Finance Authority as of December 31, 2011 and 2010, and the changes in financial position and cash flows thereof for the years 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 July 25, 2012, on my consideration of Rogers County Housing 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 audits.

The Rogers County Housing Finance Authority has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Steven L. Terry, CPA, P.C.
Certified Public Accountant

Tulsa, Oklahoma
July 25, 2012

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash in bank	\$173,837	\$ 148,577
Money market accounts and current portion of long-term investments (Note 5)	—	11,004,618
Accrued interest receivable	<u>20</u>	<u>8,604</u>
Total current assets	<u>173,857</u>	<u>11,161,799</u>
Long-term investments:		
Investment in GNMA securities (Note 5)	—	1,879,471
Other long-term investments (Note 5)	<u>321,058</u>	<u>9,396,945</u>
Total	321,058	11,276,416
Less current portion	<u>—</u>	<u>10,981,962</u>
	<u>321,058</u>	<u>294,454</u>
Intangible assets:		
Debt issuance costs (net of accumulated amortization of \$665,776 and \$1,440,391 in 2011 and 2010, respectively) (Note 6)	<u>82,715</u>	<u>136,680</u>
	<u>\$577,630</u>	<u>\$11,592,933</u>

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

LIABILITIES AND FUND BALANCE

	<u>2011</u>	<u>2010</u>
Current liabilities:		
Accounts payable	\$ —	\$ —
Accrued interest payable	—	330,685
Current portion of bonds payable	<u>—</u>	<u>10,570,700</u>
Total current liabilities	<u>—</u>	<u>10,901,385</u>
Long-term liabilities:		
Bonds payable, less current portion (<i>Note 7</i>)	<u>301,884</u>	<u>277,484</u>
Total liabilities	<u>301,884</u>	<u>11,178,869</u>
Fund balance	<u>275,746</u>	<u>414,064</u>
	<u>\$577,630</u>	<u>\$11,592,933</u>

ROGERS COUNTY HOUSING FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Investment income	\$ 89,879	\$1,015,534
Gain on sale of GNMA securities (Note 4)	63,648	—
Other income	<u>141</u>	<u>209</u>
Total revenues	<u>153,668</u>	<u>1,015,743</u>
Expenditures:		
Interest expense	118,336	902,192
Bond premium expense (Note 4)	44,124	—
Trustee fees and expenses	6,571	3,486
Amortization expense	48,997	46,877
Financial advisory and legal fees (Note 4)	63,658	—
Other professional fees	<u>10,300</u>	<u>10,190</u>
Total expenditures	<u>291,986</u>	<u>962,745</u>
Revenues in excess of (less than) expenditures	(138,318)	52,998
Fund balance at beginning of year	<u>414,064</u>	<u>361,066</u>
Fund balance at end of year	<u>\$275,746</u>	<u>\$ 414,064</u>

The accompanying notes are an integral part of these financial statements.

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Interest and dividends received	\$ 34,349	\$759,250
Other cash received	141	209
Cash paid to suppliers and employees	(80,529)	(13,676)
Interest paid	(419,653)	(876,899)
Bond redemption premiums paid	(44,124)	—
Income taxes paid	<u>—</u>	<u>—</u>
Net cash used by operating activities	(<u>509,816</u>)	(<u>131,116</u>)
Cash flows from investing activities:		
Proceeds from sales of GNMA securities	1,943,119	484,611
Proceeds from sales of other investments	9,256,218	224,697
Purchase of GNMA securities	—	(292,892)
Purchase of other investments	(<u>93,561</u>)	(<u>21,201</u>)
Net cash provided by investing activities	<u>11,105,776</u>	<u>395,215</u>
Cash flows from capital and related financing activities:		
Principal payments on bonds payable	(<u>10,570,700</u>)	(<u>273,400</u>)
Net cash used by financing activities	(<u>10,570,700</u>)	(<u>273,400</u>)
Net decrease in cash	25,260	(9,301)
Cash, beginning of year	<u>148,577</u>	<u>157,878</u>
Cash, end of year	<u>\$ 173,837</u>	<u>\$148,577</u>

The accompanying notes are an integral part of these financial statements.

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Reconciliation of revenues in excess of expenditures to net cash used by operating activities:		
Revenues in excess of (less than) expenditures	(\$ <u>138,318</u>)	\$ <u>52,998</u>
Adjustments to reconcile revenues in excess of expenditures to net cash used by operating activities:		
Amortization of bond issuance costs	53,965	62,022
Amortization of bond premiums	(4,968)	(15,145)
Amortization of bond discounts	—	—
Accreted interest income on investments	(64,114)	(256,958)
Accreted interest expense on collateralized mortgage obligations	29,368	26,508
Gain on sale of GNMA securities	(63,648)	—
Change in assets and liabilities:		
(Increase) decrease in accrued interest receivable	8,584	674
Increase (decrease) in accrued interest payable	(330,685)	(1,215)
Increase (decrease) in accounts payable	<u>—</u>	<u>—</u>
Total adjustments	(<u>371,498</u>)	(<u>184,114</u>)
Net cash used by operating activities	(\$ <u>509,816</u>)	(\$ <u>131,116</u>)

ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

1 - Nature of Organization and Activities

The Rogers County Housing Finance Authority (the "Authority") is a public trust created under a Trust Indenture dated October 16, 1978 under the authority and pursuant to the provisions of Title 60, Oklahoma Statutes 1981, Sections 176-180.4, as amended in the Oklahoma Trust Act. The Authority, by virtue of common control and dependence, is a component unit of Rogers County, Oklahoma. A three-member board appointed by the Board of County Commissioners serves as Trustees of the Authority. Rogers County maintains a beneficial interest in the Authority. The financial activities of Rogers County and its other component units are not included in the financial statements of the Authority.

The public purpose of the trust is to assist in making efficient use of resources to provide housing for low to moderate income residential use within Rogers County, Oklahoma.

Single Family Mortgage Issues

On September 1, 1990, a Bond Indenture between the Trustees of the Authority and the Liberty National Bank and Trust Company of Oklahoma City was approved and provided for the issuance of \$8,750,000 Single Family Mortgage Revenue Refunding Bonds, Series 1990 A, and \$440,000 Taxable Single Family Mortgage Revenue Refunding Bonds, Series 1990. A second indenture between the Trustees of the Authority and the Liberty National Bank and Trust Company of Oklahoma City was also approved on September 1, 1990, which provided for the issuance of Capital Accumulator Bonds in the amount of \$80,866. These three bond issues are referred to collectively as the 1990 Single Family Mortgage Bonds. The proceeds of the 1990 Single Family Mortgage Bonds were used to pay the related costs of issuance and to redeem the 1987 capital Accumulator Bonds in full and to redeem a significant position of the 1980 Single Family Mortgage Revenue Bonds.

On July 15, 1991, a Bond Indenture between the Trustees and Liberty National Bank and Trust Company of Oklahoma City was approved providing for the issuance of \$7,713,168 Municipal Refunding Collateralized Mortgage Obligations. This bond issue is referred to as the 1991 Bonds. The 1991 Bonds were used to pay the related costs of issuance, to redeem both the Authority's 1990 Taxable Single and 1990 B Subordinate Single Family Mortgage Revenue Refunding Bonds, and to purchase and hold escrowed obligations for the sole purpose of defeasing the Single Family Mortgage Revenue Refunding Bonds, Series 1990 A.

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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1 - Nature of Organization and Activities (Continued)

Single Family Mortgage Issues (Continued)

On March 1, 1999, a Bond Indenture between the Trustees of the Authority and Bank of Oklahoma, National Association was approved providing for the issuance of \$7,400,000 Single Family Mortgage Revenue Bonds. This bond issue is referred to as the 1999 Bonds. The proceeds of the 1999 Bonds were used to pay the related costs of issuance and to aid in providing an adequate supply of residential housing for qualified persons or families within the jurisdiction of the Authority.

On April 1, 2001, a Bond Indenture between the Trustees of the Authority and Bank of Oklahoma, National Association was approved providing for the issuance of \$13,070,000 Single Family Mortgage Revenue Bonds. This bond issuance is referred to as the 2001 Bonds. The proceeds of the 2001 bonds were used to pay the related costs of issuance and to aid in providing an adequate supply of residential housing for qualified persons or families within the jurisdiction of the Authority.

On June 1, 2002, a Bond Indenture between the Trustees of the Authority and Bank of Oklahoma, National Association was approved providing for the issuance of \$13,000,000 Single Family Mortgage Revenue Bonds. This bond issuance is referred to as the 2002 Bonds. The proceeds of the 2002 Bonds were used for the purpose of providing funds to currently refund a portion of certain outstanding single family mortgage revenue bonds of the Authority. None of the proceeds were used to pay the costs of issuing the bonds.

Multifamily Mortgage Issues

On November 13, 1990, a Bond Indenture between the Trustees and BancFirst of Stillwater, Oklahoma was approved, providing for the issuance of \$7,175,000 Multifamily Housing Refunding Revenue Bonds, Series 1990 A, and \$395,000 Taxable Multifamily Housing Refunding Revenue Bonds, Series 1990 B. Both of these multifamily bond issues were FNMA collateralized. These two bond issues are referred to collectively as the 1990 Multifamily Mortgage Bonds. The proceeds of the 1990 Multifamily Mortgage Bonds were used to pay the related costs of issuance and to acquire the mortgages of certain multifamily dwelling units and to provide an escrow account for the purpose of defeasing the bonds originally used to finance the units.

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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1 - Nature of Organization and Activities (Continued)

Conduit Debt Obligations

Since 1982 a number of other residential projects were approved on an individual basis. All of the projects had as their exempt purpose the furnishing of low income rental housing to residents of Rogers County, Oklahoma. These notes were secured by the properties financed and were payable solely from payments received on the underlying mortgage loans. The Authority functioned as a conduit for these notes and was not obligated in any manner for their repayment.

There were no such projects in existence during 2010 or 2011.

2 - Summary of Significant Accounting Policies

Measurement focus, basis of accounting and basis of presentation – Fund accounting

The accounts of the Authority are organized as a proprietary fund that is considered to be a separate accounting entity. The operations of the fund are summarized by providing a separate set of self-balancing accounts that include its assets, liabilities, net assets, revenues and expenses. A proprietary fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses) of providing facilities is financed through user charges or debt (bond) proceeds. Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or non-current) are included in the balance sheet.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 29, the Authority has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) pronouncements issued on or before November 30, 1989 (now included in the “Codification” described in the following paragraph) that do not conflict with GASB.

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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2 - Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting and basis of presentation – Fund Accounting (Continued)

On July 1, 2009, the FASB issued the FASB Accounting Standards Codification (the "Codification"), the single source of authoritative non-governmental U.S. generally accepted accounting principles ("GAAP"). All other non-grandfathered accounting literature not included in the Codification is non-authoritative. As the Codification was not intended to change or alter existing GAAP, it did not have any impact on the Authority's financial statements.

Where existing GAAP is applicable to the Authority's accounting policies, the term "FASB guidance" is used when referring to GAAP in these financial statements.

Deposits and Investments

Oklahoma statutes allow the Authority to invest in certificates of deposit, repurchase agreements, pass books, bankers acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure these funds. In addition, the Authority can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For purposes of the Statement of Cash Flows, cash includes only cash in bank demand deposit (checking) accounts. The carrying amount of the Authority's cash in bank was covered by federal depository insurance or by collateral held by the pledging bank's trust department in the Authority's name.

Money market accounts, consisting of various U.S. treasury securities and other time deposits held by banks acting as independent trustees, are classified as short-term investments. These funds are invested in compliance with the Authority's various bond indentures which restrict the type, quality and maturity of investments.

The Authority accounts for its investments in both marketable and non-marketable debt and equity securities using FASB guidance, which requires the classification of securities into one of three categories at time of purchase: available for sale, held to maturity, or trading. The Authority has no investments classified in the available for sale or trading categories.

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued)

At December 31, 2011 and 2010, all of the Authority's investments in marketable and non-marketable debt securities were classified as held to maturity, as they consist of various investments which management has the positive intent and ability to hold to maturity. Such investments are stated at cost, adjusted for amortization of discounts (accreted interest) to maturity. Interest, dividends, and amortization of discounts for all investments are included in investment income.

Debt issuance costs

The costs related to the issuance of revenue bonds and other debt are capitalized and amortized to expense using the straight line method over the lives of the related debt.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3 - Fund and Account Descriptions

1990 Single Family Project Fund, The Bank of New York Trust Company, N.A. – This fund contains several sub-accounts which each have a separate function pertaining to the collection, accumulation or disbursement of funds for the project as a whole. All accounts are administered by The Bank of New York Trust Company (as independent Trustee) in accordance with the provisions of the bond indenture issued in 1990.

1991 Collateralized Mortgage Obligation Fund, The Bank of New York Trust Company, N.A. – This fund contains several sub-accounts which each have a separate function pertaining to the collection, accumulation or disbursement of funds for the project as a whole. All accounts are administered by The Bank of New York Trust Company (as independent Trustee) in accordance with the provisions of the bond indenture issued in 1991.

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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3 - Fund and Account Descriptions (Continued)

Other Projects Fund (Dormant) – These accounts collected the notes receivable from various rental projects and disbursed the note payments to the lending institutions on behalf of the Authority. All notes receivable and payable had identical terms except that there was a small administrative fee due monthly to the Authority based on 1/8 of one percent annually of the unpaid balance on certain projects.

1999 Single Family Project Fund, Bank of Oklahoma, N.A. – This fund contains several sub-accounts which each have a separate function pertaining to the collection, accumulation or disbursement of funds for the project as a whole. All accounts are administered by Bank of Oklahoma (as independent Trustee) in accordance with the provisions of the bond indenture issued in 1999.

2001 Single Family Project Fund, Bank of Oklahoma, N.A. – This fund contains several sub-accounts which each have a separate function pertaining to the collection, accumulation or disbursement of funds for the project as a whole. All accounts are administered by Bank of Oklahoma (as independent Trustee) in accordance with the provisions of the bond indenture issued in 2001.

4 - Sale of GNMA Securities and Bond Redemption

In March 2011 the Board of Trustees of the Authority determined that it was in the Authority's best interest to sell the GNMA certificates securing the outstanding Single Family Mortgage Revenue Bonds, Series 1999A and 2001, and to redeem or purchase all of the outstanding bonds. Pursuant to a resolution of the Board of Trustees, all of the GNMA securities held by the Authority were sold on March 25, 2011 for \$1,882,160, with the Authority realizing a gain on the sale of \$63,648.

The proceeds of the sale were used to redeem all of the outstanding Single Family Mortgage Revenue Bonds, Series 1999A and 2001, on April 1, 2011. The total redemption costs of the outstanding bonds were \$1,803,724, including premiums of \$44,124. Financial advisory and legal and professional fees incurred with the redemption were \$63,658.

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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5 - Investments

At December 31, 2011 and 2010, the Authority's investments consisted of the following held to maturity securities and other investments carried at amortized cost:

	<u>2011</u>	<u>2010</u>
GNMA Securities:		
GNMA pool bonds, 5.47% interest, maturing 2029-2031	\$ —	\$ 1,842,038
GNMA pool bonds, 6.03% interest, maturing 2031	<u>—</u>	<u>37,433</u>
	<u>—</u>	<u>1,879,471</u>
Other investments:		
U.S. Treasury securities federal coupon strips, maturing 2011, 5.4%-5.6% yield, Resolution Funding Corporation (Original cost plus accreted interest of \$7,759,551 at December 31, 2010)	—	9,102,491
U.S. Treasury securities federal coupon strips, maturing 2014, 5.8% yield, Resolution Funding Corporation (\$54,884 original cost plus accreted interest of \$266,174 and \$239,570 in 2011 and 2010, respectively)	321,058	294,454
Money Market Funds (U.S. Treasury securities):		
Bank of Oklahoma	—	21,201
Bank of New York	<u>—</u>	<u>1,455</u>
	<u>321,058</u>	<u>9,419,601</u>
Total	321,058	11,299,072
Less money market funds and investments classified as current assets	<u>—</u>	<u>11,004,618</u>
	<u>\$321,058</u>	<u>\$ 294,454</u>

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011 AND 2010**

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5 - Investments (Continued)

Held to maturity and other investments at December 31, 2011 and 2010 were summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Market Value</u>
<u>December 31, 2011:</u>				
U.S. Treasury securities federal coupon strips: Maturing 2014	\$ <u>321,058</u>	\$ <u>71,450</u>	\$ <u>—</u>	\$ <u>392,508</u>
<u>December 31, 2010:</u>				
GNMA pool bonds	\$ 1,879,471	\$164,765	\$ —	\$ 2,044,236
U.S. Treasury securities federal coupon strips:				
Maturing 2010-2011	9,102,491	35,955	—	9,138,446
Maturing 2014	294,454	81,722	—	376,176
Money Market funds	<u>22,656</u>	<u>—</u>	<u>—</u>	<u>22,656</u>
	<u>\$11,299,072</u>	<u>\$282,442</u>	<u>\$ —</u>	<u>\$11,581,514</u>

Scheduled maturities of investments classified as held to maturity at December 31, 2011 were as follows:

	<u>Amortized Cost</u>	<u>Market Value</u>
Due in:		
2012	\$ —	\$ —
2013-2017	<u>321,058</u>	<u>392,508</u>
	<u>\$321,058</u>	<u>\$392,508</u>

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

5 - Investments (Continued)

Actual maturities may differ from scheduled maturities because the borrowers have the right to call or prepay certain obligations, sometimes without penalties. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the market value of the Authority's investments.

6 - Debt Issuance Costs

Debt issuance costs related to the various bond issues by the Authority were paid from the proceeds of the bonds. Costs related to the issuance of the various bond issues consisted primarily of underwriting fees and legal fees. Total debt issuance costs related to each bond issue are being amortized on a straight line basis over the term of the bonds. A proportionate amount of additional amortization expense is recorded upon mandatory or other redemptions of outstanding bond principal.

At December 31, 2011 and 2010, the total unamortized debt issuance costs consisted of the following:

	<u>Original Costs</u>	<u>Unamortized Costs</u>	
		<u>2011</u>	<u>2010</u>
1990 Single Family Mortgage Bonds	\$ 301,429	\$ —	\$ 1,236
1990 Multifamily Mortgage Bonds	—	—	—
1991 Municipal Refunding Collateralized Mortgage Obligations	748,491	82,715	115,258
1999 Single Family Mortgage Bonds and GNMA Securities	193,866	—	20,186
2001 Single Family Mortgage Bonds	<u>333,285</u>	<u>—</u>	<u>—</u>
	<u>\$1,577,071</u>	<u>\$82,715</u>	<u>\$136,680</u>

The debt issuance costs and accumulated amortization related to the 1990, and 1999 Single Family mortgage bonds were written off in 2011 upon redemption of the bonds (see Notes 4 and 7).

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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7 – Bonds Payable

At December 31, 2011 and 2010, the Authority’s various single family and multifamily bond issues outstanding consisted of the following:

	<u>2011</u>	<u>2010</u>
1990 Single Family Mortgage Bonds, 8.85% interest only due semiannually through maturity in February 2011	\$ —	\$ 8,750,000
1991 Municipal Refunding Collateralized Mortgage Obligations, Class A-3 (\$400,000), interest accreted quarterly through maturity in July 2014	301,884	272,516
1999 Single Family Mortgage Bonds, 5.4% interest only due monthly through scheduled maturity in August 2032	—	1,794,000
2001 Single Family Mortgage Bonds, 5.98% interest only due monthly through scheduled maturity in October 2034	<u>—</u>	<u>26,700</u>
	301,884	11,843,216
Unamortized bond premiums (discounts)	<u>—</u>	<u>4,968</u>
Total	301,884	11,848,184
Less portion due within one year	<u>—</u>	<u>10,570,700</u>
	<u>\$301,884</u>	<u>\$ 277,484</u>

Pursuant to the bond indentures, the Single Family Mortgage Revenue Bonds Series 1999A and 2001 were subject to redemption in whole or in part at any time on or after April 1, 2011, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date and subject to a 2½%-3% premium (penalty) on early redemption. All of the outstanding 1999 and 2001 Single Family Mortgage Bonds were redeemed on April 1, 2011, pursuant to a resolution of the Board of Trustees of the Authority (see Note 4).

**ROGERS COUNTY HOUSING FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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7 – Bonds Payable (Continued)

Certain of the bond issues were issued at a premium or a discount from the bond principal amounts. Such premiums or discounts were being amortized over the lives of the related bond issues using the straight line method. Amortization expense was also adjusted for scheduled mandatory or other redemptions of bond principal in proportion to the bond amount redeemed as compared to the original bond principal outstanding.

Scheduled aggregate principal installments due on outstanding bonds subsequent to December 31, 2011 are as follows:

2012	\$ —
2014	<u>301,884</u>
	<u>\$301,884</u>

8 – Subsequent Events

Subsequent events have been evaluated by management of the Authority through July 25, 2012, which was the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

STEVEN L. TERRY, CPA, P.C.
Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Rogers County Housing Finance Authority
Claremore, Oklahoma

I have audited the financial statements of Rogers County Housing Finance Authority (the "Authority") as of and for the year ended December 31, 2011, and have issued my report thereon dated July 25, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. The Authority did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority'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 Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in 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 organization'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 Rogers County Housing 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 of 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 Board of Trustees, management, others within the organization, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Steven L. Terry, CPA, P.C.
Certified Public Accountant

Tulsa, Oklahoma
July 25, 2012