OKLAHOMA HOUSING FINANCE AGENCY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 and 2011

WITH

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

We have audited the accompanying financial statements of Oklahoma Housing Finance Agency (the Agency), a component unit of the State of Oklahoma, as of and for the years ended September 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Oklahoma Housing Finance Agency, as of September 30, 2012 and 2011, and the results of its operations and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2013, on our consideration of Oklahoma Housing Finance Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

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management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

HoganTaylor LLP

January 28, 2013

OKLAHOMA HOUSING FINANCE AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

September 30, 2012

OHFA was created in 1975 to provide funds to promote the development of adequate residential housing to families of Oklahoma with low and moderate incomes. OHFA is a self-supporting public trust and follows enterprise fund accounting.

As management of Oklahoma Housing Finance Agency (OHFA or Agency), we offer readers of OHFA's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2012 and 2011. This information is presented to provide additional information regarding the activities of OHFA and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This analysis should be read in conjunction with the financial statements, notes to financial statements, and supplemental information.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report of OHFA consists of three sections: management's discussion and analysis, the basic financial statements, and supplemental information. OHFA's basic financial statements include: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Fund Net Assets; the Statement of Cash Flows; and the Notes to the Financial Statements.

The Statement of Net Assets answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of OHFA, both financial and capital, short term and long term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The resulting net assets presented in this statement are displayed as restricted and unrestricted. Assets are restricted when their use is subject to external limits such as bond resolutions, legal agreements or statutes. Assets not included in this category are characterized as unrestricted. Over time, changes in net assets may serve as a useful indicator of whether the financial position of OHFA is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Assets measures the activities of OHFA's operations over the past year and presents the operating income and change in net assets. It can be used to determine whether OHFA has successfully recovered all of its costs through mortgage and loan interest, investment interest, externally funded programs, and other revenue sources. This statement helps answer the question, "Is OHFA as a whole better off or worse off as a result of this year's activities?"

The primary purpose of the Statement of Cash Flows is to provide information about the sources and uses of OHFA's cash and the components of the change in cash balance during the reporting period. This statement reports cash receipts, cash payments, and net changes resulting from operating, noncapital financing, capital financing, and investing activities. It provides answers to such questions as "Where did cash come from?," "What was cash used for?," and "What was the change in cash balance during the reporting period?"

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition, this report contains a Supplemental Combining Schedule of Net Assets for the Single Family Mortgage Revenue Bond Funds as well as a Supplemental Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets for the Single Family Mortgage Revenue Bond Funds. These supplemental schedules are presented to provide the reader with information regarding the financial condition of each Single Family Mortgage Revenue Bond issue of the Oklahoma Housing Finance Agency (the Agency).

FINANCIAL HIGHLIGHTS
Year ended September 30, 2012

- Total assets decreased by $50.4 million.
- Total liabilities decreased by $54.2 million.
- Net assets increased by $3.8 million.
- Made 1,247 single family mortgage loans available to first time homebuyers compared to 1,042 in 2011.
- Provided 122,989 unit months of Section 8 rental assistance compared to 124,159 in 2011.
- Paid $50.2 million in rental assistance to benefit Section 8 voucher holders compared to $50.5 million in 2011.
- Paid $71.7 million in rental assistance to project based Section 8 properties compared to $69.0 million in 2011.

The Agency has maintained a General Obligation issuer rating of A1 from Moody's Investors Service since June 2006. This rating reflects OHFA's sound financial condition, a bond program collateralized by highly rated mortgage backed securities, as well as capable and dedicated management.

The Section 8 program provides rental assistance to many elderly, single parent, or working families in need of help with their rent payments.

The Single Family bond program makes affordable home loans available to first time homebuyers through proceeds from mortgage revenue bonds.

Housing Tax Credits are provided to developers as an incentive to build new, affordable complexes or rehabilitate complexes in need of repair.

As Section 8 Contract Administrator for project-based Section 8 properties located throughout Oklahoma for the Department of Housing and Urban Development (HUD), OHFA's 2012 duties consisted of 193 contracts, totaling 13,069 assisted units, compared to 2011 duties of 194 contracts, totaling 13,119 assisted units. The Agency receives a fee to administer the program based on the number of units under contract and an incentive fee based on the Agency's performance level compared to HUD's acceptable quality levels of administration. Thus far, the Agency has achieved or exceeded the acceptable quality levels set by HUD.

CONDENSED FINANCIAL INFORMATION

Statement of Net Assets

The following table presents condensed statements of net assets for the Agency as of September 30, 2012, 2011 and 2010 (in millions):

Condensed Statements of Net Assets

	2012	2011	2010
Assets			
Current assets	$ 22.5	$ 29.0	$ 27.7
Noncurrent assets:			
Restricted	649.3	732.0	756.8
Net capital assets	2.9	3.3	3.4
Unrestricted	70.0	30.8	39.5
Total assets	744.7	795.1	827.4
Liabilities			
Current liabilities	97.5	69.0	47.8
Noncurrent liabilities	473.7	556.4	632.4
Total liabilities	571.2	625.4	680.2
Net Assets			
Invested in capital assets	2.9	3.2	3.4
Restricted for single family bond programs	116.2	115.5	96.5
Restricted for Section 8 Voucher Program	3.8	7.1	6.6
Unrestricted	50.6	43.9	40.7
Total net assets	$ 173.5	$ 169.7	$ 147.2

Explanations of significant variances between 2012 and 2011 on the condensed statements of net assets follow:

> The decrease in total assets of $50.4 million is primarily due to the net effect of 1) adding $70.0 million of new assets and related bonds payable from new bond issues, 2) paying down $153.5 million of bonds payable from payments and prepayments of Agency Mortgage Backed Security investments due to homeowners refinancing their mortgages due to historic low market interest rates, 3) the Agency purchasing Mortgaged Backed Securities (MBS) with an additional $29.9 million increase in draws against its line of credit with the Federal Home Loan Bank of Topeka, and 4) $3.8 million of net assets generated by the Agency.
>
> OHFA participates in the U.S. Department of Treasury's (Treasury) New Issue Bond Program (NIBP) to improve the Agency's ability to issue bond debt at attractive rates due to the decline in the tax exempt bond market. The NIBP provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The Treasury will purchase NIBP housing bonds backed by securities of Fannie Mae and Freddie Mac (Government Sponsored Enterprises or GSEs), which allows HFAs to continue to temporarily

issue housing bonds equal to their normal traditional issuance volume given the current difficulties and challenges in the housing and related financing markets. The program allows HFAs, through the Treasury and GSEs, to issue bonds at a rate lower than market rate to blend with market rate bonds to facilitate loans to first time home buyers. This program was set to expire December 31, 2011, but was extended to December 31, 2012, by the Treasury Department on November 23, 2011. The Agency's NIBP participation is $150.0 million.

The decrease in total liabilities of $54.2 million is primarily due to the net effect of three factors. The addition of a new single family bond program increased bonds payable by $70.0 million in 2012. Payments and pre-payments of $153.5 million on bonds payable decreased total liabilities as loans were paid down early by homeowners refinancing their mortgages to take advantage of historic low market mortgage rates. In addition, liabilities increased due to the Agency advancing an additional $29.9 million on its line of credit with Federal Home Loan Bank of Topeka to purchase mortgage backed securities. The line of credit is used to warehouse (MBS) on a short term basis until they can be transferred into a future Single Family Bond Program or sold on the open market.

The $0.7 million increase in net assets restricted for Single Family Bond Programs is a result of $1.4 million of net operating loss (including a $3.4 million net decrease in the fair value of investments) and a transfer of $2.1 million from the Agency to the Single Family Bond program.

The Section 8 Voucher Program is included in the Agency General Fund and that program's net assets, which are restricted, decreased by $3.3 million due to receiving $3.3 million less in rental assistance payments than program expenditures in the current year. Since 2006, HUD has required agencies to report receipts from HUD in excess of program expenditures as income and to report assistance payments in excess of program receipts as expense in the current year. These items are reported in net assets instead of as a payable or receivable with HUD. These funds are only available to pay Housing Assistance Payments (HAP) under the Section 8 Voucher Program. The Agency had funds restricted for the Section 8 Voucher Program of $3.8 million and $7.1 million respectively, as of September 30, 2012 and 2011.

The increase of $6.4 million in Agency General Fund unrestricted net assets plus net assets invested in capital assets from $47.1 million to $53.5 million is due to $8.5 million in net operating income (excluding Single Family Bond Programs) less a transfer of $2.1 million from the Agency General Fund to the Single Family Bond program.

Explanations of significant variances between 2011 and 2010 on the condensed statement of net assets follow:

The decrease in total assets of $32.3 million is primarily due to the net effect of 1) adding $110.0 million of new assets and related bonds payable from new bond issues, 2) paying down $156.2 million of bonds payable from payments and prepayments of Agency Mortgage Backed Security investments due to homeowners refinancing their mortgages due to historic low market interest rates and 3) $22.5 million net assets generated by the Agency.

OHFA signed an agreement to participate in the U.S. Department of Treasury's (Treasury) New Issue Bond Program (NIBP) to improve the Agency's ability to issue bond debt at attractive rates due to the decline in the tax exempt bond market. The NIBP provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The Treasury will purchase NIBP housing bonds backed by securities of Fannie Mae and Freddie Mac (Government Sponsored Enterprises or GSEs), which allows HFAs to continue to temporarily issue housing bonds equal to their normal traditional issuance volume given the current difficulties and challenges in the housing and related financing markets. The program allows HFAs, through the Treasury and GSEs, to issue bonds at a rate lower than market rate to blend with market rate bonds to facilitate loans to first time home buyers. This program was set to expire December 31, 2011, but was extended to December 31, 2012, by the Treasury Department on November 23, 2011.

The decrease in total liabilities of $54.8 million is primarily due to the net effect of three factors. The addition of two new single family bond programs increased bonds payable by $110.0 million in 2011. Payments and pre-payments of $156.2 million on bonds payable decreased total liabilities as loans were paid down early by homeowners refinancing their mortgages to take advantage of historic low market mortgage rates. In addition, liabilities decreased due to the Agency paying down $8.3 million on its line of credit with Federal Home Loan Bank of Topeka. The line of credit is used to warehouse Mortgage Backed Securities (MBS) on a short term basis until they can be transferred into a future Single Family Bond Program or sold on the open market.

The $19.1 million increase in net assets restricted for Single Family Bond Programs is a result of $15.9 million of net operating income (including a $13.7 million net increase in the fair value of investments) and a transfer of $3.2 million from the Agency to the Single Family Bond program.

The Section 8 Voucher Program is included in the Agency General Fund and that program's net assets, which are restricted, increased by $0.3 million due to receiving $0.3 million more in rental assistance payments than program expenditures in the current year. Since 2006, HUD has required agencies to report receipts from HUD in excess of program expenditures as income and to report assistance payments in excess of program receipts as expense in the current year. These items are reported in net assets instead of as a payable or receivable with HUD. These funds are only available to pay Housing Assistance Payments (HAP) under the Section 8 Voucher Program. The Agency had funds restricted for the Section 8 Voucher Program of $7.1 million and $6.7 million respectively, as of September 30, 2011 and 2010.

The increase in Agency General Fund unrestricted net assets of $3.4 million is due to $6.3 million in net operating income (excluding Single Family Bond Programs) plus federal grants of $0.3 million less a transfer of $3.2 million from the Agency General Fund to the Single Family Bond program.

Revenues, Expenses and Changes in Fund Net Assets

The following table presents condensed statements of revenues, expenses and changes in fund net assets for the Agency for the years ended September 30, 2012, 2011, and 2010 (in millions):

Condensed Statements of Revenues, Expenses and Changes in Fund Net Assets

	2012	2011	2010
Operating and Nonoperating Revenues			
Investments and program loans	$ 33.0	$ 34.7	$ 38.3
Net increase in fair value of investments	0.5	15.8	10.2
Fees and other income	12.0	12.4	13.1
Gain on sale of investments	2.0	1.0	2.9
Federal and state program income	147.3	210.4	145.4
Total revenues	194.8	274.3	209.9
Operating and Nonoperating Expenses			
Interest on bonds and notes	25.2	27.1	30.8
Other bond program expenses	3.6	3.3	3.4
Salaries, general and administrative	11.6	11.4	12.5
Federal and state program expenses	150.6	210.0	146.0
Total expenses	191.0	251.8	192.7
Increase in net assets	3.8	22.5	17.2
Net assets at beginning of year	169.7	147.2	130.0
Net assets at end of year	$ 173.5	$ 169.7	$ 147.2

Explanations of significant fluctuations between 2012 and 2011 in revenues, expenses, and changes in fund net assets follow:

The net decrease in interest income from investments and program loans of $1.7 million is primarily due to older, higher interest bond program loan pools being paid down at a faster rate, as consumers refinance their mortgages, than new, lower interest rate bond program loan pools are added to the portfolio. Also, due to the current low market interest rate environment, as Agency investments mature, the proceeds are invested at a lower interest rate than the maturing investment.

The net increase in the fair value of investments of $0.5 million for 2012 was due to market interest rates stabilizing during 2012, compared to the significant drop in 2011. The market values of fixed interest rate investments typically have an inverse relationship to interest rates.

The gain on sale of investments of $2.0 million is due to the Agency capitalizing on an opportunity to sell Single Family Bond Program loan mortgage backed securities at a gain on the open market.

Federal program income decreased by $63.1 million, due primarily to the net effect of a $2.8 million increase in the Section 8 Contract Administration Program, a $3.4 million decrease in the Section 8 Housing Choice Voucher Program, a $44.3 million decrease in the Section 1602 Grants to States for Low-Income Housing in Lieu of Low-Income Housing Credits (American Recovery and Reinvestment Act or ARRA), and a $17.9 million decrease in the Tax Credit Assistance Program (American Recovery and Reinvestment Act or ARRA). The two ARRA programs were both new to the Agency in 2010 and closed out during 2012.

Federal program expenses decreased by $59.4 million, due primarily to the net effect of a $2.8 million increase in the Section 8 Contract Administration Program, a $0.2 million increase in the Section 8 Housing Choice Voucher Program, a $44.3 million decrease in the Section 1602 Grants to States for Low-Income Housing in Lieu of Low-Income Housing Credits (American Recovery and Reinvestment Act or ARRA), and a $17.9 million decrease in the Tax Credit Assistance Program (American Recovery and Reinvestment Act or ARRA). The two ARRA programs were both new to the Agency in 2010 and closed out during 2012.

Interest expense on bonds and notes payable decreased by $1.9 million in 2012 from 2011. Bonds and notes payable are $53.6 million less than prior year due to principal payments in excess of new borrowings for lending to first time homebuyers. Also, higher interest rate bonds were paying off faster because borrowers were refinancing their homes due to the lower market interest rates.

The decrease of the increase in net assets of $18.7 million from $22.5 million in 2011 to $3.8 million in 2012 is primarily due to the increase in fair value of investments being $15.3 million lower in 2012 than in 2011. The increase in net assets of $3.8 million at the end of 2012 is due to the net income for 2012.

Explanations of significant fluctuations between 2011 and 2010 in revenues, expenses, and changes in fund net assets follow:

The net decrease in interest income from investments and program loans of $3.6 million is primarily due to older, higher interest bond program loan pools being paid down at a faster rate, as consumers refinance their mortgages, than new, lower interest rate bond program loan pools are added to the portfolio. Also, due to the current low market interest rate environment, as Agency investments mature, the proceeds are invested at a lower interest rate than the maturing investment.

The net increase in the fair value of investments of $15.8 million for 2011 was due to market interest rates being lower than in the previous year, causing an increase in the value of older, higher yielding interest rate securities. The market values of fixed interest rate investments typically have an inverse relationship to interest rates.

The gain on sale of investments of $1.0 million is due to the Agency capitalizing on an opportunity to sell newly pooled Single Family Bond Program loan mortgage backed securities originated in 2011 at a gain on the open market due to the drastic decrease in market interest rates during the year.

Federal program revenues and expenses increased by $64.0 million due primarily to the net effect of a $3.6 million increase in the Section 8 Contract Administration Program, a $45.2 million increase in the Section 1602 Grants to States for Low-Income Housing in Lieu of Low-Income Housing Credits (American Recovery and Reinvestment Act or ARRA), and a $14.9 million increase in the Tax Credit Assistance Program (American Recovery and Reinvestment Act or ARRA). The two ARRA programs were both new to the Agency in 2010.

Interest expense on bonds and notes payable decreased by $3.7 million in 2011 from 2010. Bonds and notes payable are $54.5 million less than prior year due to principal payments in excess of new borrowings for lending to first time homebuyers. Also, higher interest rate bonds were paying off faster because borrowers were refinancing their homes due to the lower market interest rates.

The increase in net assets of $5.3 million from 2010 to 2011 is primarily due to the increase in fair value of investments being $5.6 million higher in 2011 than in 2010. The increase in net assets of $22.5 million at the end of 2011 is due to the net income for 2011.

Capital Assets and Long-Term Debt Administration

Capital Assets

As of September 30, 2012, the Agency had invested $2.9 million in a broad range of capital assets, including buildings and building improvements, land and furniture and equipment. This amount represents a net decrease (including additions and disposals) of approximately $0.3 million.

Long-Term Debt

As of September 30, 2012, the Agency had $565.4 million in bonds and notes payable outstanding. This is a decrease of 8.7% from last year's amount of $619.0 million. (More detailed information about the bonds and notes payable is presented in Note 7 to the financial statements.)

ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION

OHFA's main sources of revenues include mortgage loan activity, investment interest income, and externally funded grants. Market interest rates have an effect on both the mortgage program and investment income revenues. If interest rates rise, mortgage and investment income should increase as new loans are originated and new investments are purchased at higher rates. If interest rates fall, mortgage and investment income will decrease as new loans are originated and new investments are purchased at the lower rates. Any decrease in interest rates could also cause an increase in prepayments on higher rate mortgages. Administrative fees for administering federal programs continue to be reduced. Large federal deficits or changes in programs or funding levels could have a negative impact on externally funded program revenues.

The Agency expects to continue its commitment to its mission of helping to place people in homes while preserving a strong financial position during the coming year.

CONTACTING OHFA'S FINANCIAL MANAGEMENT

This discussion and analysis is to provide additional information to our stakeholders regarding the activities of the Agency. If you have questions about this report, or need additional financial information, contact the OHFA Finance Team Leader, Eldon Overstreet, JD, CPA, at (405) 419-8209; Oklahoma Housing Finance Agency, P.O. Box 26720, Oklahoma City, Oklahoma 73126-0720; e-mail: eldon.overstreet@ohfa.org; or visit our website at www.ohfa.org.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF NET ASSETS

September 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 18,146,167	$ 25,209,005
Investments	3,186,000	2,584,000
Accounts receivable (net of an allowance for doubtful accounts of $473,663 and $402,015 for 2012 and 2011, respectively)	229,089	281,123
Accounts receivable - U.S. Department of Housing and Urban Development	383,761	639,388
Prepaid expenses	301,898	271,036
Interest receivable	268,499	146,983
Total current assets	22,515,414	29,131,535
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	87,206,747	112,108,954
Investments	551,390,706	610,715,861
Interest receivable	2,196,648	2,543,192
Deferred finance costs, net	7,065,093	5,824,993
Program loans receivable	1,442,978	842,128
Long-term investments	70,034,142	30,765,802
Nondepreciated capital assets	550,000	550,000
Capital assets, net	2,358,397	2,699,887
Total noncurrent assets	722,244,711	766,050,817
Total assets	744,760,125	795,182,352
Liabilities		
Current liabilities:		
Salaries and related expenses	18,996	12,869
Accounts payable - vendors and contractors	110,017	196,154
Accounts payable - U.S. Department of Housing and Urban Development	80,076	164,105
Accounts payable - Family Self Sufficiency Program	271,221	315,391
Accounts payable - other	1,382,272	1,357,568
Deferred revenue	260,149	309,277
Compensated absences	958,063	977,641
Interest payable	2,050,860	2,379,595
Current maturities of bonds and notes payable	92,375,716	63,280,990
Total current liabilities	97,507,370	68,993,590
Noncurrent liabilities:		
Bonds and notes payable, less current maturities	472,975,386	555,708,650
Bond issuance costs payable	78,890	77,703
Deferred revenue	658,456	31,938
HOME funds payable	-	619,222
Total noncurrent liabilities	473,712,732	556,437,513
Total liabilities	571,220,102	625,431,103
Net Assets		
Invested in capital assets	2,908,397	3,249,887
Restricted for single family bond programs	116,214,496	115,535,838
Restricted for Section 8 Voucher Program	3,771,673	7,041,660
Unrestricted	50,645,457	43,923,864
Total net assets	$ 173,540,023	$ 169,751,249

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Years ended September 30, 2012 and 2011

	2012	2011
Operating Revenues		
Investment income	$ 32,947,150	$ 34,514,168
Program loan income	94,057	189,720
Net increase in fair value of investments	526,857	15,791,121
Realized gain on sale of investments	1,962,453	985,208
Fees and other income	12,002,140	12,442,962
Total operating revenues	47,532,657	63,923,179
Operating Expenses		
Interest on bonds and notes payable	25,177,798	27,132,955
Mortgage servicing fees	2,697,157	2,562,015
Amortization of deferred finance costs	811,379	613,350
Trustees, issuer and other fees	153,481	102,731
Salaries and related expenses	8,929,926	8,708,025
Arbitrage payments	-	39,277
Other general and administrative	2,658,722	2,578,479
Total operating expenses	40,428,463	41,736,832
Operating income	7,104,194	22,186,347
Nonoperating revenue (expenses):		
Federal and state program income	147,323,075	210,345,454
Federal and state program expenses	(150,638,495)	(210,029,198)
Nonoperating revenues (expenses), net	(3,315,420)	316,256
Increase in net assets	3,788,774	22,502,603
Total net assets, beginning of year	169,751,249	147,248,646
Total net assets, end of year	$ 173,540,023	$ 169,751,249

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS

Years ended September 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Receipts from fees	$ 12,520,282	$ 12,288,162
Receipts from program loan payments	506,703	431,598
Receipts from other sources	330,316	298,207
Payments to employees	(8,943,377)	(8,950,472)
Payments to suppliers	(2,249,877)	(1,928,178)
Payments for purchases of program loans	(1,081,935)	(218,800)
Payments for bond fees	(2,872,029)	(1,691,907)
Payments for trustee and other fees	(153,481)	(1,107,475)
Payments for other expenses	(21,250)	(97,128)
Net cash used in operating activities	(1,964,648)	(975,993)
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds and notes payable	156,019,615	181,481,371
Principal paid on bonds and notes payable	(209,658,153)	(236,009,236)
Interest paid on bonds and notes payable	(25,506,533)	(27,107,002)
Payment of bond issuance costs	(2,050,292)	(1,606,308)
Receipt of federal and state program income	147,323,075	210,345,454
Payment of federal and state program expenses	(151,257,717)	(210,275,267)
Net cash used in noncapital financing activities	(85,130,005)	(83,170,988)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(55,134)	(283,606)
Net cash used in capital and related financing activities	(55,134)	(283,606)
Cash Flows from Investing Activities		
Purchase of investments	(223,078,171)	(278,914,426)
Proceeds from sales and maturities of investments	245,022,296	276,700,365
Interest received on investments	33,240,617	34,751,701
Net cash provided by investing activities	55,184,742	32,537,640
Net decrease in cash	(31,965,045)	(51,892,947)
Cash and cash equivalents, beginning of year	137,317,959	189,210,906
Cash and cash equivalents, end of year	$ 105,352,914	$ 137,317,959
Cash and Cash Equivalents as Reported in Statement of Net Assets		
Unrestricted	$ 18,146,167	$ 25,209,005
Restricted	87,206,747	112,108,954
	$ 105,352,914	$ 137,317,959

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS
(continued)

Year ended September 30, 2012 and 2011

	2012	2011
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating income	$ 7,104,194	$ 22,186,347
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	395,262	473,258
Interest from investments	(33,015,589)	(34,635,894)
Amortization of fees and deferred finance costs	811,379	613,350
Net decrease in fair value of investments	(526,857)	(15,791,121)
Realized gain on sale of investments	(1,962,453)	(985,208)
Loss on disposal of capital assets	1,362	267
Interest on bonds and notes payable	25,177,798	27,132,955
Change in operating assets and liabilities:		
Accounts receivable	271,245	(56,371)
Prepaid expenses	(30,862)	371
Program loans receivable	(600,850)	144,804
Accounts payable and accrued expenses	(147,089)	711,070
Deferred revenue	577,390	(804,969)
Compensated absences	(19,578)	35,148
Net cash used in operating activities	$ (1,964,648)	$ (975,993)

Note 1 – Authorizing Legislation and Activities

Oklahoma Housing Finance Agency (OHFA or Agency) is a public trust established pursuant to a Trust Indenture, as amended, which was originally adopted on May 1, 1975. Under the Trust Indenture, OHFA was created for the benefit of the State of Oklahoma (the State) pursuant to the Oklahoma Public Trust Act (the Act). Pursuant to the Act, the Governor of the State of Oklahoma, on behalf of the State, approved the creation of OHFA and accepted the beneficial interest created thereby on May 1, 1975. The Trust Indenture was last amended as of August 19, 2002, with the approval of the Governor of the State of Oklahoma. The Governor has, pursuant to the Trust Indenture, approved the by-laws of OHFA. The Governor also appoints the five-member Board of Trustees and the resident board member representing the Section 8 program.

OHFA is authorized, in the furtherance of public purposes, to issue mortgage revenue bonds through its Single Family Bond Programs (or Single Family Mortgage Revenue Bond Programs) in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State. In no event does the indebtedness constitute a debt, liability, or moral obligation of the State or any political subdivision thereof. OHFA has no taxing power. The Agency receives application, servicing and issuer fees in connection with its revenue bond programs.

OHFA is included in the State's financial reporting entity. The State reports the transactions of OHFA in its Comprehensive Annual Financial Report as a major component unit.

In addition to its revenue bond programs, OHFA administers Section 8 Housing Assistance Payments Programs for the U.S. Department of Housing and Urban Development (HUD). OHFA receives an administrative fee based on the number of housing units administered under its contracts with HUD plus reimbursement for certain preliminary costs incurred during the implementation phase of units added to OHFA's contracts with HUD. OHFA also administers the HOME (Home Investment Partnerships) Program for HUD. The intent of the HOME Program is to provide decent affordable housing to lower-income households, expand the capacity of nonprofit housing providers, strengthen the ability of state and local governments to provide housing, and leverage private sector participation. Activities that are eligible under HOME include homeowner rehabilitation, home buyer activities, rental housing and tenant-based rental assistance. OHFA receives reimbursement of eligible costs associated with the administration of the program.

OHFA is the Section 8 Contract Administrator for federal HUD-financed Section 8 properties located throughout Oklahoma. The Agency receives a fee to administer the program and an incentive-based administrative fee determined by the number of units under contract and the Agency's performance level compared to HUD's acceptable quality levels of administration. The Agency also administers the U.S. Department of Treasury's (Treasury) Low Income Housing Tax Credit (LIHTC) program for the State of Oklahoma. The Agency receives application and service fees from developers who participate in the LIHTC program. In 2009, OHFA was selected to administer the disbursement of federal funds from two new programs under the American Recovery and Reinvestment Act (ARRA). Tax Credit Assistance Program (TCAP) administered through HUD and Section 1602 Grants to States for Low-Income Housing in Lieu of Low-Income Housing Credits administered through the Treasury are used to complete housing tax credit developments that were stalled due to the collapse of the tax credit syndication market as a result of the housing and financial crisis. The Agency receives no fees for administering these programs. Also in 2009, OHFA signed an agreement with Treasury to participate in the New Issue Bond Program (NIBP) to improve the Agency's ability to issue bond debt at attractive rates due to the decline in the tax exempt bond market. The program allows the Treasury, through Fannie Mae and Freddie Mac (Government Sponsored Enterprises or GSEs), to purchase housing bonds issued by the Agency at a lower than market rate to blend with market rate Single Family Bond Program bonds to provide funds for low interest loans to first time home buyers.

OHFA also administers certain other federal and state programs.

Note 2 – Summary of Significant Accounting Policies

Financial statement presentation

OHFA accounts for revenues and expenses related to temporary funding of certain single family first mortgage loans within its general fund until the loans are sold in specified increments in connection with related bond programs, when required, due to the temporary restrictions associated with bond programs. Intergovernmental grants are also accounted for within the Agency's general fund. Pursuant to OHFA's bond obligation resolutions, separate funds are established by each trustee bank to record all transactions relating to OHFA programs financed under each of the resolutions. Within each fund, there is a group of accounts required by the respective resolutions. The Single Family Bond Program funds and the general fund have been presented on a combined basis because OHFA is considered a single enterprise fund for financial reporting purposes. All interfund balances and transactions have been eliminated in the financial statements.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion for State and Local Governments*, GASB No. Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*

Basis of accounting

The Agency accounts for its activities within a proprietary fund type. The Agency's activities meet the definition of an enterprise fund because it is the intent of the Agency to recover, primarily through user charges, the cost of providing goods or services to the general public.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized by the proprietary fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When the Agency incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used.

Cash and cash equivalents

For purposes of the statement of cash flows, OHFA's cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash with an original maturity of 90 days or less.

Investments

The Agency's investment policy for the general fund is governed by state statute and the Board of Trustees' "Statement of Investment Policy." Permissible investments include direct obligations of the United States Government and Agencies, mortgage-backed securities guaranteed by Federal Agencies, certificates of deposit, repurchase agreements and savings accounts. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by Federal Deposit Insurance Corporation (FDIC) insurance. Investments are reported at fair value.

The short-term investments within the Single Family Bond Programs are generally restricted by the various bond resolutions as to authorized investments. Most are commonly held in guaranteed investment contracts or money market accounts collateralized by government securities. These short-term investments are reported at cost, which approximates their fair values.

As required by GASB Statement No. 31, *Accounting for and Financial Reporting for Certain Investments and External Investment Pools*, U.S. government and agency securities and mortgage-backed securities are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers, brokers, investment banks or other services at the valuation date.

Mortgage-backed securities reported by the Single Family Bond Programs are pass-through certificates of the Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA), which securitize qualified pools of loans or individual loans under the respective programs. These securities are reported at fair value. Mortgage-backed securities do not have a contractual maturity date, and the Agency may be subject to the risk of prepayment on these mortgage-backed securities.

Without consideration of the respective net increase in the fair value of investments, OHFA's 2012 and 2011 net operating income would have been $6,577,337 and $6,395,226, respectively.

Program loans receivable

Program loans receivable primarily consist of Housing Trust Fund loans secured by mortgages. These loans are reported at cost. Based on management's evaluation of program loans receivable, the Agency has determined that program loans receivable were fully collectible as of September 30, 2012.

Capital assets

Capital assets are carried at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from 1 to 40 years. Maintenance and repairs are expensed as incurred. Total depreciation expense for the years ended September 30, 2012 and 2011, was $395,262 and $473,258, respectively, and is included with other general and administrative expense on the Statements of Revenues, Expenses and Changes in Fund Net Assets.

Deferred revenue

Deferred revenue arises when potential revenue does not meet the available criterion for recognition or the resources were received by the Agency before it has a legal claim to the resources. Amounts received under certain intergovernmental grant agreements are recognized only to the extent of allowable expenses. Any amounts received in excess of expenditures incurred are deferred.

The lone exception to this revenue deferral accounting policy is the Section 8 Housing Choice Voucher Program. Per HUD guidance issued in Public and Indian Housing Notice, PIH 2006-3, excess budget authority disbursed to a Public Housing Agency that is not utilized to pay Housing Assistance Payments (HAP) will become part of the fund balance account. Accordingly, OHFA records payments received from HUD in excess of HAP expenditures as federal program revenues which flow to net assets restricted to Section 8 Voucher Program.

Deferred finance costs

Deferred finance costs are costs associated with bond funds which are being recovered through future revenues associated with the funds and are amortized over the life of the loans.

Restrictions and designations of net assets

The use of assets of each of the Single Family Bond Program funds is restricted by the related bond resolution. Certain amounts in the program funds are considered subject to the restriction that they may be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes. The Agency has designated $8,000,000 of unrestricted net assets to provide funds and reserves to purchase single family loans to be acquired from future issuances under the Single Family Mortgage Revenue Bond Programs.

Net assets restricted for the Section 8 Voucher Program represent funds received from HUD in excess of HAP expenditures which are classified as fund balance per Public and Indian Housing Notice 2006-3. These funds can only be utilized to make HAP payments for the Section 8 Voucher Program.

Note 3 – Cash and Investments

Deposit custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Agency requires that financial institutions pledge collateral securities to secure the deposits of the Agency in each institution.

Current Agency policy for deposits not held by the Single Family Bond Programs requires the lesser of the cost or fair value of the collateral pledged to be 110% of the deposit value. As of September 30, 2012 and 2011, the Agency was not exposed to custodial credit risk.

As of September 30, 2012 and 2011, $87,930,529 and $115,814,800 of the total cash consisted primarily of money market accounts held at trustee banks. These funds are classified as investments for the purposes of GASB Statement No. 40 *Deposit and Investment Risk Disclosures* requirements and therefore are not subject to custodial credit risk. For presentation on the face of the Statements of Net Assets, these funds are classified as cash equivalents.

Investment interest rate risk

The Agency limits investments to those having maturities of no more than 36 months, unless specifically authorized by the Agency Board of Trustees, which helps manage its exposure to fair value losses from increasing interest rates. The Agency's investments in securities and related maturities as of September 30 are listed below:

	September 30, 2012			
		Investment Maturity		
	Fair Value	Less than One Year	One to Three Years	Greater Than Three Years
Agency General Fund:				
GNMA pooled loans	$ 62,965,934	$ -	$ -	$ 62,965,934
Corporate Bonds	1,669,216	-	1,669,216	-
Federal Home Loan Mortgage Corporation	1,000,740	-	1,000,740	-
Federal National Mortgage Association	812,213	-	812,213	-
Federal Farm Credit Bank	500,010	-	500,010	-
Certificates of deposit	6,272,029	3,186,000	3,086,029	-
Total investments in securities	73,220,142	$ 3,186,000	$ 7,068,208	$ 62,965,934
Single Family Bond Programs:				
GNMA pooled loans	473,054,047			
FNMA pooled loans	75,217,593			
Guaranteed investment contracts	3,119,066			
Total investments	$ 624,610,848			

	September 30, 2011			
		Investment Maturity		
	Fair Value	Less than One Year	One to Three Years	Greater Than Three Years
Agency General Fund:				
GNMA pooled loans	$ 28,380,631	$ -	$ -	$ 28,380,631
Federal Home Loan Mortgage Corporation	499,625	-	499,625	-
Certificates of deposit	4,469,546	2,584,000	1,885,546	-
Total investments in securities	33,349,802	$ 2,584,000	$ 2,385,171	$ 28,380,631
Single Family Bond Programs:				
GNMA pooled loans	505,830,579			
FNMA pooled loans	101,351,476			
Guaranteed investment contracts	3,533,806			
Total investments	$ 644,065,663			

Investment custodial credit risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Agency's investments in securities are held by the investment's counterparty in the name of the Agency. Federal Home Loan Bank, FNMA, GNMA and Federal Home Loan Mortgage Corporation, are all rated AA+ by Standard & Poor's and AAA by Moody's. Credit ratings were not available for the bond debentures held by the Agency.

At September 30 total investments are reported in the Statements of Net Assets in the following classifications:

	2012	2011
Current:		
Agency General Fund	$ 3,186,000	$ 2,584,000
Noncurrent:		
Restricted - Single Family Bond Programs	551,390,706	610,715,861
Agency General Fund	70,034,142	30,765,802
Total noncurrent	621,424,848	641,481,663
Total investments	$ 624,610,848	$ 644,065,663

The net change in fair value of investments shown in the financial statements takes into account all changes in fair value that occurred during the year. Fair value amounts for individual investments fluctuate based on changes in the market interest rates available to investors.

Concentration of investment credit risk

The Agency places no limit on the amount the Agency can invest in any one type of issuer. Investments by issuer that account for 5% or more of the Agency's total investments are indicated by an asterisk (*) below.

	September 30, 2012			September 30, 2011		
	Fair Value		Credit Exposure as a Percentage of Total Investments	Fair Value		Credit Exposure as a Percentage of Total Investments
Agency General Fund:						
GNMA pooled loans	$ 62,965,934	*	10.1%	$ 28,380,631		4.4%
Corporate Bonds	1,669,216		0.3%	-		0.0%
Federal Home Loan Mortgage Corporation	1,000,740		0.2%	499,625		0.1%
Federal National Mortgage Association	812,213		0.1%	-		0.0%
Federal Farm Credit Bank	500,010		0.0%	-		0.0%
Certificates of deposit	6,272,029		1.0%	4,469,546		0.7%
	73,220,142		11.7%	33,349,802		5.2%
Single Family Bond Programs:						
GNMA pooled loans	473,054,047	*	75.7%	505,830,579	*	78.5%
FNMA pooled loans	75,217,593	*	12.0%	101,351,476	*	15.7%
Guaranteed investment contracts	3,119,066		0.6%	3,533,806		0.6%
	551,390,706		88.3%	610,715,861		94.8%
Total investments	$624,610,848		100.0%	$644,065,663		100.0%

Note 4 – Program Loans Receivable

Program loans receivable consist of the following at September 30:

		2012		2011
Single Family Program Funds, Special Securities (1993 A & B), bearing interest at 8.50% - 8.95%, maturing December 2014, AMBAC insured.	$	30,425	$	55,936
Housing Trust Fund, Chickasha Housing - Part 1, bearing interest at 5.00%, loan to be repaid out of 75.00% of cash flow from the property, collateralized by mortgages, maturing September 2023.		195,510		195,510
Housing Trust Fund, Chickasha Housing - Part 2, bearing interest at 3.90%, 219-month term, collateralized by mortgages, maturing September 2023.		256,508		263,333
Housing Trust Fund, S.A.S. Construction, bearing interest at 1.00%, 18-month term, maturing July 2013.		402,766		-
Housing Trust Fund, Turning Point Ministries, Inc., bearing interest at 1.00%, 18-month term, maturing April 2013.		257,769		-
HOME Investment Partnerships Program, ORO Development Corporation, bearing interest at 0.00%, collateralized by a mortgage; no set term or maturity date.		300,000		-
Housing Trust Fund, Wyndam-Norman, bearing interest at 1.00%, 24-month term, collateralized by mortgages, maturing March 2012. Board of Trustees approved modification of the original loan in July 2010 with new terms, matured March 2012.		-		100,000
Housing Trust Fund, Delta Community Action Foundation, bearing interest at 1.00% 12-month term, collateralized by mortgages, maturing September 2011. Board of Trustees approved modification of the original loan in July 2010 with new terms, matured June 2012.		-		101,649
Housing Trust Fund, Tri-County Indian Nations, bearing interest at 1.00%, 6-month term, collateralized by mortgages, matured September 2010. Board of Trustees approved modification of the original loan in May 2010, matured March 2012.		-		86,900
Housing Trust Fund, City of Miami, bearing interest at 1.00%, 18-month term, matured September 2012.		-		38,800
	$	1,442,978	$	842,128

Note 5 – Capital Assets

Capital assets activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 550,000	$ -	$ -	$ 550,000
Capital assets being depreciated:				
Furniture and equipment	2,809,724	52,114	(107,954)	2,753,884
Building	2,409,299	-	-	2,409,299
Improvements	1,284,518	3,020	(782)	1,286,756
Total capital assets being depreciated	6,503,541	55,134	(108,736)	6,449,939
Less accumulated depreciation:				
Furniture and equipment	(2,264,635)	(256,513)	107,374	(2,413,774)
Building	(576,405)	(60,232)	-	(636,637)
Improvements	(962,614)	(78,517)	-	(1,041,131)
Total accumulated depreciation	(3,803,654)	(395,262)	107,374	(4,091,542)
Total capital assets being depreciated	2,699,887	(340,128)	(1,362)	2,358,397
Capital assets, net	$ 3,249,887	$ (340,128)	$ (1,362)	$ 2,908,397

Capital assets activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 550,000	$ -	$ -	$ 550,000
Capital assets being depreciated:				
Furniture and equipment	2,695,037	232,759	(118,072)	2,809,724
Building	2,409,299	-	-	2,409,299
Improvements	1,233,671	50,847	-	1,284,518
Total capital assets being depreciated	6,338,007	283,606	(118,072)	6,503,541
Less accumulated depreciation:				
Furniture and equipment	(2,091,085)	(291,357)	117,807	(2,264,635)
Building	(516,173)	(60,232)	-	(576,405)
Improvements	(840,945)	(121,669)	-	(962,614)
Total accumulated depreciation	(3,448,203)	(473,258)	117,807	(3,803,654)
Total capital assets being depreciated	2,889,804	(189,652)	(265)	2,699,887
Capital assets, net	$ 3,439,804	$ (189,652)	$ (265)	$ 3,249,887

Note 6 – Conduit Debt

As indicated in Note 1, the Agency has issued multi-family mortgage revenue bonds to promote the development of adequate residential housing and other economic development. The net proceeds of these bonds are used to provide interim and permanent financing for multi-family construction projects, and establish debt-service reserves as required by the various trust indentures. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Agency, the State of Oklahoma, nor any political subdivision thereof, is obligated in any manner for repayment of these bonds.

As of September 30, 2012 and 2011, there were two series of multi-family bonds outstanding with an aggregate principal amount payable of $7,271,594 and $8,344,399, respectively.

Note 7 – Bonds and Notes Payable

The Single Family Bond Programs are generally payable in annual and semiannual installments and are subject to mandatory sinking fund requirements. These bonds are special obligations payable solely from the income and receipts of these indentures. Neither the Agency, the State of Oklahoma, nor any political subdivision thereof, is obligated in any manner for the repayment of these bonds, which are secured by mortgage loans and other assets of their respective indentures.

During 2010, OHFA received $150.0 million under an agreement to participate in the U.S. Department of Treasury's (Treasury) New Issue Bond Program (NIBP) to improve the Agency's ability to issue bond debt at attractive rates due to the decline in the tax exempt bond market. The NIBP provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The Treasury will purchase NIBP housing bonds backed by securities of Fannie Mae and Freddie Mac (Government Sponsored Enterprises or GSEs). This allows HFAs to continue to issue housing bonds equal to their traditional issuance volume given the current difficulties and challenges in the housing and related financing markets. The program allows HFAs, through the Treasury and GSEs, to issue bonds at a rate lower than market to blend with market rate bonds to facilitate loans to first time home buyers. As a result, the 2009C Single Family Bond Program was issued for $150.0 million in 2010. This low interest rate facility is utilized in bond issues to lower rates for first time home buyers. During 2011, OHFA utilized $30.0 million of NIBP funds for the 2010A Single Family Bond Program and $36.0 million for the 2011A Single Family Bond Program. During 2012, OHFA utilized $42.0 million of NIBP funds for the 2011B Single Family Bond Program. The NIBP program was initially set to expire December 31, 2011, but was extended to December 31, 2012, by the Treasury Department on November 23, 2011. Since the program expired December 31, 2012, the remaining $42.0 million of the 2009C Single Family Bond Program bonds is presented as a current liability and was utilized for a refunding in December 2012 (fiscal year 2013).

Effective April 26, 2010, the Agency entered into a line of credit agreement with the Federal Home Loan Bank. The agreement requires monthly interest payments at the three month LIBOR rate (0.25% at September 30, 2012), matures April 25, 2013, and is collateralized by investment securities. The outstanding balance at September 30, 2012, was $37,601,726.

Bonds and notes payable and changes for the fiscal year then ended are as follows:

Single Family Bond Program	Issued	Average Interest Rates	Maturity Through	Ending Balance 9/30/2010	Additions	Reductions	Ending Balance 9/30/2011	Additions	Reductions	Ending Balance 9/30/2012	Amount Due in One Year
1987 A	5/28/1987	8.00%	5/1/2018	$ 3,330,000	$ -	$ 810,000	$ 2,520,000	$ -	$ 1,145,000	$ 1,375,000	$ 810,000
1991 A&B	11/1/1991	7.35%	11/1/2024	929,894	-	220,708	709,186	-	74,810	634,376	243,990
1999 C	10/28/1999	7.10%	9/1/2031	197,449	-	5,849	191,600	-	191,600	-	-
2000 A-4	3/1/2000	4.30%	9/1/2031	1,008,291	-	350,795	657,496	-	657,496	-	-
2000 B	4/1/2000	7.60%	9/1/2026	379,405	-	55,760	323,645	-	323,645	-	-
2000 C-3	6/14/2000	7.81%	9/1/2028	2,282,350	-	784,761	1,497,589	-	1,497,589	-	-
2000 D	10/4/2000	6.40%	9/1/2031	1,628,454	-	303,330	1,325,124	-	1,325,124	-	-
2001 B-2	9/1/2001	5.52%	9/1/2032	4,065,000	-	1,280,000	2,785,000	-	2,785,000	-	-
2002 A&B	2/15/2002	4.97%	9/1/2034	3,840,000	-	715,000	3,125,000	-	3,125,000	-	-
2002 C	5/23/2002	3.19%	9/1/2033	7,620,000	-	1,485,000	6,135,000	-	6,135,000	-	-
2003 A	1/31/2003	3.91%	9/1/2034	7,215,000	-	1,465,000	5,750,000	-	1,985,000	3,765,000	100,000
2003 B	5/30/2003	3.85%	9/1/2028	17,300,000	-	2,865,000	14,435,000	-	2,610,000	11,825,000	405,000
2003 C	8/22/2003	5.45%	9/1/2034	11,985,000	-	1,975,000	10,010,000	-	1,485,000	8,525,000	215,000
2004 A	4/20/2004	4.44%	3/1/2035	13,570,000	-	2,205,000	11,365,000	-	2,140,000	9,225,000	240,000
2004 B	7/8/2004	5.43%	3/1/2035	19,020,000	-	3,305,000	15,715,000	-	3,345,000	12,370,000	265,000
2005 A	1/21/2005	3.70%	9/1/2035	17,055,000	-	2,555,000	14,500,000	-	2,250,000	12,250,000	290,000
2005 B	6/15/2005	3.93%	3/1/2036	24,655,000	-	4,330,000	20,325,000	-	4,675,000	15,650,000	345,000
2005 C	7/7/2005	3.82%	9/1/2036	24,690,000	-	3,655,000	21,035,000	-	4,200,000	16,835,000	400,000
2005 D	10/7/2005	4.14%	9/1/2036	11,190,000	-	2,175,000	9,015,000	-	2,035,000	6,980,000	160,000
2006 A	1/12/2006	4.23%	3/1/2037	23,855,000	-	5,435,000	18,420,000	-	3,995,000	14,425,000	305,000
2006 B	3/22/2006	4.22%	9/1/2037	25,070,000	-	4,060,000	21,010,000	-	4,520,000	16,490,000	360,000
2006 C	5/18/2006	4.48%	9/1/2037	27,775,000	-	5,880,000	21,895,000	-	5,840,000	16,055,000	315,000
2006 D	10/1/2006	4.16%	3/1/2037	26,900,000	-	4,460,000	22,440,000	-	5,405,000	17,035,000	355,000
2007 A	2/1/2007	5.16%	3/1/2038	36,455,000	-	5,710,000	30,745,000	-	6,475,000	24,270,000	340,000
2007 B	5/1/2007	4.94%	9/1/2038	28,520,000	-	3,810,000	24,710,000	-	5,600,000	19,110,000	295,000
2007 C	7/1/2007	5.60%	9/1/2038	25,040,000	-	3,655,000	21,385,000	-	4,380,000	17,005,000	110,000
2007 D	10/1/2007	5.35%	3/1/2039	28,710,000	-	4,935,000	23,775,000	-	4,640,000	19,135,000	335,000
2008 A	7/9/2008	4.84%	3/1/2039	19,200,000	-	4,315,000	14,885,000	-	3,720,000	11,165,000	580,000
2008 B	9/30/2008	3.84%	3/1/2039	34,055,000	-	6,865,000	27,190,000	-	5,230,000	21,960,000	625,000
2009 A	5/2/2009	3.25%	9/2/2033	28,650,000	-	4,360,000	24,290,000	-	5,200,000	19,090,000	1,455,000
2009 B	9/2/2009	3.32%	9/2/2040	31,290,000	-	3,695,000	27,595,000	-	4,350,000	23,245,000	875,000
2009 C	12/18/2009	0.73%	12/13/2012	150,000,000	-	66,000,000	84,000,000	-	42,000,000	42,000,000	42,000,000
2010 A	10/1/2010	3.59%	9/1/2041	-	50,000,000	2,285,000	47,715,000	-	4,445,000	43,270,000	840,000
2011 A	5/19/2011	3.79%	9/1/2041	-	60,000,000	215,000	59,785,000	-	3,980,000	55,805,000	1,010,000
2011 B	11/4/2011	2.75%	9/1/2041	-	-	-	-	70,000,000	1,745,000	68,255,000	1,500,000
Total Single Family Bond Programs				657,480,843	110,000,000	156,221,203	611,259,640	70,000,000	153,510,264	527,749,376	54,773,990
Agency Line of Credit	4/26/10	0.25%	4/25/13	16,036,662	73,981,371	82,288,033	7,730,000	86,019,615	56,147,889	37,601,726	37,601,726
Total bonds and notes payable				$ 673,517,505	$ 183,981,371	$ 238,509,236	$ 618,989,640	$ 156,019,615	$ 209,658,153	$ 565,351,102	$ 92,375,716

Debt requirements on bonds and notes payable at September 30, 2012, are as follows (in thousands):

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033+	Total
Principal and interest	$ 114,315	$ 34,288	$ 33,046	$ 32,761	$ 33,079	$ 163,636	$ 163,912	$ 154,331	$ 174,910	$ 904,278
Less interest	21,939	21,433	20,941	20,441	20,289	91,741	71,952	47,301	22,890	338,927
Total principal	$ 92,376	$ 12,855	$ 12,105	$ 12,320	$ 12,790	$ 71,895	$ 91,960	$ 107,030	$ 152,020	$ 565,351

Note 8 – Retirement Plans

Employees hired prior to July 1, 1997, who elect not to be covered by the Oklahoma Public Employees Retirement Plan (OPERS Plan), are covered by the Oklahoma Housing Finance Agency Retirement Plan (OHFA Plan). The OHFA Plan is a defined contribution plan. No new employees are allowed to join this plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The Board of Trustees approved a monthly contribution to the OHFA Plan equaling the required contribution for the OPERS plan. The contribution to the OHFA plan was 15.5% of allowable compensation beginning July 1, 2009, and increased to 16.5% of allowable compensation July 1, 2011.

All employees hired after June 30, 1997, are required to participate in the OPERS Plan. The OPERS Plan is a multi-employer public employee retirement plan, which is a defined benefit pension plan. The benefit provisions of the OPERS Plan are established by state statute. The contribution rates for employees and participating employers are as follows: employees – 3.5% of all allowable compensation; employers – 15.5% of allowable annual compensation beginning July 1, 2009, and 16.5% of allowable compensation for July 1, 2011. There is no maximum compensation level for retirement purposes. OHFA is not liable to fund any OPERS Plan deficiency. The OPERS Plan issues separate annual financial reports. Copies of these reports may be obtained from the retirement system.

OHFA's required contributions under the plans for 2012, 2011, and 2010 were $1,029,283, $961,290, and $925,666, respectively and were equal to the required contributions under both plans for each respective year.

Note 9 – Risk Management

OHFA is exposed to various risks of loss related to torts; theft of, damage to, and destruction to assets; errors and omissions; injuries to employees; and natural disasters. OHFA pays an annual premium to a private insurance carrier for its tort liability, property loss and general liability insurance coverage. OHFA purchases commercial employee life insurance and pays an annual premium to the Oklahoma State and Education Employers Group Insurance Board for its employee health insurance coverage. OHFA carries insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident insurance. There has not been any significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. The Agency is not subject to significant risk of loss with respect to the above risks.

Note 10 – Contingencies

Intergovernmental Financial Assistance – OHFA administers various federal and state programs. These programs are subject to audit and adjustments by the awarding agencies and other organizations. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable program. The amount, if any, of expenditures disallowed cannot be determined at this time. OHFA expects such amounts, if any, to be immaterial.

Litigation – OHFA, in the normal course of business, is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, OHFA believes the resolution of these matters will not have a material adverse effect on the financial condition of OHFA.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Trustees
Oklahoma Housing Finance Agency

Our report on our audit of the basic financial statements of Oklahoma Housing Finance Agency for September 30, 2012, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on the Single Family Mortgage Revenue Bond Programs and the combining statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hogan Taylor LLP

January 28, 2013

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OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS

September 30, 2012

	1987 Series A	1991 Series A & B	1994 Master Indenture Accumulation Fund	2003 Series A	2003 Series B	2003 Series C	2004 Series A
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 70,292	$ 7,817	$ 10,106,586	$ 211,192	$ 93,479	$ 59,896	$ 686,578
Investments	2,520,269	742,931	14,532,211	8,954,752	14,065,425	10,085,089	10,310,452
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	16,475	3,935	63,734	35,815	53,739	42,252	38,897
Deferred finance costs, net	-	-	-	15,095	10,177	9,718	72,479
Total assets	2,607,036	754,683	24,702,531	9,216,854	14,222,820	10,196,955	11,108,406
Liabilities							
Current liabilities:							
Accounts payable	-	-	57,217	2,178	2,521	1,087	1,237
Interest payable	9,162	3,886	-	15,918	45,041	39,165	37,523
Current maturities of bonds payable	810,000	243,990	-	100,000	405,000	215,000	240,000
Total current liabilities	819,162	247,876	57,217	118,096	452,562	255,252	278,760
Noncurrent liabilities:							
Bonds payable, less current maturities	565,000	390,386	-	3,665,000	11,420,000	8,310,000	8,985,000
Bond issuance costs payable	-	-	-	-	-	-	-
Deferred revenue	12,165	-	-	-	-	-	-
Total noncurrent liabilities	577,165	390,386	-	3,665,000	11,420,000	8,310,000	8,985,000
Total liabilities	1,396,327	638,262	57,217	3,783,096	11,872,562	8,565,252	9,263,760
Net Assets							
Restricted for single family bond programs	$ 1,210,709	$ 116,421	$ 24,645,314	$ 5,433,758	$ 2,350,258	$ 1,631,703	$ 1,844,646

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS (continued)

September 30, 2012

	2004 Series B	2005 Series A	2005 Series B	2005 Series C	2005 Series D	2006 Series A	2006 Series B
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 281,969	$ 544,281	$ 922,697	$ 618,060	$ 93,481	$ 865,692	$ 506,675
Investments	14,666,621	13,736,497	18,156,205	18,828,273	8,016,445	15,916,689	19,810,316
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	62,007	55,904	73,682	75,569	32,468	65,860	82,962
Deferred finance costs, net	33,129	-	-	-	-	-	-
Total assets	15,043,726	14,336,682	19,152,584	19,521,902	8,142,394	16,848,241	20,399,953
Liabilities							
Current liabilities:							
Accounts payable	1,299	1,315	2,111	2,072	372	1,504	3,907
Interest payable	58,725	51,390	64,475	69,903	30,465	64,575	71,263
Current maturities of bonds payable	265,000	290,000	345,000	400,000	160,000	305,000	360,000
Total current liabilities	325,024	342,705	411,586	471,975	190,837	371,079	435,170
Noncurrent liabilities:							
Bonds payable, less current maturities	12,105,000	11,960,000	15,305,000	16,435,000	6,820,000	14,120,000	16,130,000
Bond issuance costs payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total noncurrent liabilities	12,105,000	11,960,000	15,305,000	16,435,000	6,820,000	14,120,000	16,130,000
Total liabilities	12,430,024	12,302,705	15,716,586	16,906,975	7,010,837	14,491,079	16,565,170
Net Assets							
Restricted for single family bond programs	$ 2,613,702	$ 2,033,977	$ 3,435,998	$ 2,614,927	$ 1,131,557	$ 2,357,162	$ 3,834,783

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS (continued)

September 30, 2012

	2006 Series C	2006 Series D	2007 Series A	2007 Series B	2007 Series C	2007 Series D	2008 Series A
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 1,330,752	$ 393,156	$ 1,704,172	$ 1,128,026	$ 1,306,777	$ 1,232,503	$ 762,061
Investments	17,642,007	19,264,637	25,943,000	20,550,067	18,123,539	20,777,787	14,197,205
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	76,685	81,534	110,567	89,111	82,817	91,469	65,777
Deferred finance costs, net	-	18,574	38,072	16,015	23,979	-	189,937
Total assets	19,049,444	19,757,901	27,795,811	21,783,219	19,537,112	22,101,759	15,214,980
Liabilities							
Current liabilities:							
Accounts payable	2,318	2,395	7,979	2,692	2,385	2,668	1,878
Interest payable	73,478	74,625	103,660	84,698	81,392	86,563	56,313
Current maturities of bonds payable	315,000	355,000	340,000	295,000	110,000	335,000	580,000
Total current liabilities	390,796	432,020	451,639	382,390	193,777	424,231	638,191
Noncurrent liabilities:							
Bonds payable, less current maturities	15,740,000	16,680,000	23,930,000	18,815,000	16,895,000	18,800,000	10,585,000
Bond issuance costs payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total noncurrent liabilities	15,740,000	16,680,000	23,930,000	18,815,000	16,895,000	18,800,000	10,585,000
Total liabilities	16,130,796	17,112,020	24,381,639	19,197,390	17,088,777	19,224,231	11,223,191
Net Assets							
Restricted for single family bond programs	$ 2,918,648	$ 2,645,881	$ 3,414,172	$ 2,585,829	$ 2,448,335	$ 2,877,528	$ 3,991,789

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS (continued)

September 30, 2012

	2008 Series B	2009 Series A	2009 Series B	2009 Series C NIBP Master Indenture	2010 Series A 2009 C-1	2011 Series A 2009 C-1
Assets						
Noncurrent assets:						
Cash and cash equivalents	$ 1,731,571	$ 129,087	$ 593,532	$ 42,239,053	$ 1,270,381	$ 1,220,151
Investments	23,766,979	25,412,964	27,723,042	-	41,601,413	64,319,216
Due from (to) other funds	-	-	-	8,173	6,051,212	(6,187,485)
Interest receivable	108,063	101,140	113,974	-	151,872	214,047
Deferred finance costs, net	236,724	730,267	841,279	100,128	554,335	1,574,383
Total assets	25,843,337	26,373,458	29,271,827	42,347,354	49,629,213	61,140,312
Liabilities						
Current liabilities:						
Accounts payable	3,271	3,336	3,607	-	879,145	29,093
Interest payable	102,707	67,403	86,564	169,658	161,828	175,282
Current maturities of bonds payable	625,000	1,455,000	875,000	42,000,000	840,000	1,010,000
Total current liabilities	730,978	1,525,739	965,171	42,169,658	1,880,973	1,214,375
Noncurrent liabilities:						
Bonds payable, less current maturities	21,335,000	17,635,000	22,370,000	-	42,430,000	54,795,000
Bond issuance costs payable	-	-	-	69,394	-	-
Deferred revenue	-	-	-	-	-	-
Total noncurrent liabilities	21,335,000	17,635,000	22,370,000	69,394	42,430,000	54,795,000
Total liabilities	22,065,978	19,160,739	23,335,171	42,239,052	44,310,973	56,009,375
Net Assets						
Restricted for single family bond programs	$ 3,777,359	$ 7,212,719	$ 5,936,656	$ 108,302	$ 5,318,240	$ 5,130,937

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS (continued)

September 30, 2012

	2011 Series B 2009 C-2	Total Single Family Bond Programs (Prior to Eliminations)	Eliminations	Total Single Family Bond Programs
Assets				
Noncurrent assets:				
Cash and cash equivalents	$ 17,096,830	$ 87,206,747	$ -	$ 87,206,747
Investments	61,726,675	551,390,706	-	551,390,706
Due from (to) other funds	136,273	8,173	(8,173)	-
Interest receivable	206,293	2,196,648	-	2,196,648
Deferred finance costs, net	2,600,802	7,065,093	-	7,065,093
Total assets	81,766,873	647,867,367	(8,173)	647,859,194
Liabilities				
Current liabilities:				
Accounts payable	105,074	1,122,661	(8,173)	1,114,488
Interest payable	157,826	2,043,488	-	2,043,488
Current maturities of bonds payable	1,500,000	54,773,990	-	54,773,990
Total current liabilities	1,762,900	57,940,139	(8,173)	57,931,966
Noncurrent liabilities:				
Bonds payable, less current maturities	66,755,000	472,975,386	-	472,975,386
Bond issuance costs payable	9,496	78,890	-	78,890
Deferred revenue	646,291	658,456	-	658,456
Total noncurrent liabilities	67,410,787	473,712,732	-	473,712,732
Total liabilities	69,173,687	531,652,871	(8,173)	531,644,698
Net Assets				
Restricted for single family bond programs	$ 12,593,186	$ 116,214,496	$ -	$116,214,496

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Year ended September 30, 2012

	1987 Series A	1991 Series A & B	1994 Master Indenture Accumulation Fund	1999 Series C	2000 Series A	2000 Series B	2000 Series C
Operating Revenues							
Investment income	$ 241,744	$ 53,113	$ 819,040	$ 6,007	$ 11,307	$ 9,698	$ 9,070
Program loan income	-	-	68,439	-	-	-	-
Net increase (decrease) in fair value of investments	(186,454)	(1,823)	(92,682)	-	-	-	-
Realized gain (loss) on sale of investments	-	-	-	-	(24,840)	-	(143,078)
Other income	4,300	-	39,538	-	-	-	-
Total operating revenues	59,590	51,290	834,335	6,007	(13,533)	9,698	(134,008)
Operating Expenses							
Interest on bonds payable	151,271	49,358	-	5,621	4,197	10,193	9,063
Mortgage servicing fees	14,360	3,354	58,570	446	1,160	672	1,569
Amortization of deferred finance costs	-	-	-	-	(218)	-	20,053
Trustees, issuer and other fees	3,275	3,473	58,137	1,705	3,333	2,141	3,333
Other general and administrative	-	-	-	-	-	-	-
Total operating expenses	168,906	56,185	116,707	7,772	8,472	13,006	34,018
Operating income (loss) before transfers	(109,316)	(4,895)	717,628	(1,765)	(22,005)	(3,308)	(168,026)
Equity transfers in (out)	-	2,594	6,067,693	(62,650)	(1,408,034)	(67,631)	(1,508,059)
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(109,316)	(2,301)	6,785,321	(64,415)	(1,430,039)	(70,939)	(1,676,085)
Total net assets, beginning of year	1,320,025	118,722	17,859,993	64,415	1,430,039	70,939	1,676,085
Total net assets, end of year	$ 1,210,709	$ 116,421	$ 24,645,314	$ -	$ -	$ -	$ -

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (continued)

Year ended September 30, 2012

	2000 Series D	2001 Series A	2001 Series B	2002 Series A & B	2002 Series C	2003 Series A	2003 Series B
Operating Revenues							
Investment income	$ 12,218	$ 26	$ 19,326	$ 94,191	$ 162,940	$ 534,912	$ 778,904
Program loan income	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	-	-	-	-	-	(140,351)	(147,648)
Realized gain (loss) on sale of investments	(58,026)	-	(37,088)	5,048	(49,931)	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	(45,808)	26	(17,762)	99,239	113,009	394,561	631,256
Operating Expenses							
Interest on bonds payable	8,272	-	15,805	80,685	162,126	258,057	616,126
Mortgage servicing fees	999	1	4,403	8,475	12,416	44,288	68,287
Amortization of deferred finance costs	10,105	-	27,217	35,725	118,784	7,959	2,246
Trustees, issuer and other fees	3,332	628	5,069	8,437	10,304	35,706	39,695
Other general and administrative	-	-	-	8,900	12,350	-	-
Total operating expenses	22,708	629	52,494	142,222	315,980	346,010	726,354
Operating income (loss) before transfers	(68,516)	(603)	(70,256)	(42,983)	(202,971)	48,551	(95,098)
Equity transfers in (out)	(832,327)	(1,240,760)	(2,690,351)	(1,058,717)	(890,041)	-	-
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(900,843)	(1,241,363)	(2,760,607)	(1,101,700)	(1,093,012)	48,551	(95,098)
Total net assets, beginning of year	900,843	1,241,363	2,760,607	1,101,700	1,093,012	5,385,207	2,445,356
Total net assets, end of year	$ -	$ -	$ -	$ -	$ -	$ 5,433,758	$ 2,350,258

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (continued)

Year ended September 30, 2012

	2003 Series C	2004 Series A	2004 Series B	2005 Series A	2005 Series B	2005 Series C	2005 Series D
Operating Revenues							
Investment income	$ 602,669	$ 586,267	$ 942,806	$ 803,383	$ 1,090,996	$ 1,094,674	$ 463,124
Program loan income	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	(81,209)	(192,270)	(345,292)	(251,195)	(432,352)	(385,639)	(162,917)
Realized gain (loss) on sale of investments	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	521,460	393,997	597,514	552,188	658,644	709,035	300,207
Operating Expenses							
Interest on bonds payable	525,216	524,246	836,074	700,707	919,095	979,292	433,113
Mortgage servicing fees	47,578	54,082	73,133	68,956	94,012	95,592	40,126
Amortization of deferred finance costs	1,693	16,814	8,958	-	-	-	-
Trustees, issuer and other fees	18,864	21,360	22,393	22,400	34,209	33,756	8,487
Other general and administrative	-	-	-	-	-	-	-
Total operating expenses	593,351	616,502	940,558	792,063	1,047,316	1,108,640	481,726
Operating income (loss) before transfers	(71,891)	(222,505)	(343,044)	(239,875)	(388,672)	(399,605)	(181,519)
Equity transfers in (out)	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(71,891)	(222,505)	(343,044)	(239,875)	(388,672)	(399,605)	(181,519)
Total net assets, beginning of year	1,703,594	2,067,151	2,956,746	2,273,852	3,824,670	3,014,532	1,313,076
Total net assets, end of year	$ 1,631,703	$ 1,844,646	$ 2,613,702	$ 2,033,977	$ 3,435,998	$ 2,614,927	$ 1,131,557

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (continued)

Year ended September 30, 2012

	2006 Series A	2006 Series B	2006 Series C	2006 Series D	2007 Series A	2007 Series B	2007 Series C
Operating Revenues							
Investment income	$ 978,527	$ 1,269,135	$ 1,170,757	$ 1,249,460	$ 1,653,542	$ 1,323,641	$ 1,230,841
Program loan income	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	(368,040)	(350,772)	(618,287)	(511,837)	(589,101)	(474,527)	(380,268)
Realized gain (loss) on sale of investments	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	610,487	918,363	552,470	737,623	1,064,441	849,114	850,573
Operating Expenses							
Interest on bonds payable	887,135	1,002,453	1,083,982	1,082,016	1,465,384	1,211,293	1,137,715
Mortgage servicing fees	83,102	98,151	95,145	99,210	136,517	107,803	94,307
Amortization of deferred finance costs	-	-	-	5,474	9,727	2,926	4,888
Trustees, issuer and other fees	25,650	60,881	38,650	39,453	121,139	43,526	38,689
Other general and administrative	-	-	-	-	-	-	-
Total operating expenses	995,887	1,161,485	1,217,777	1,226,153	1,732,767	1,365,548	1,275,599
Operating income (loss) before transfers	(385,400)	(243,122)	(665,307)	(488,530)	(668,326)	(516,434)	(425,026)
Equity transfers in (out)	-	-	-	(887)	(1,037)	(4,624)	(2,997)
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(385,400)	(243,122)	(665,307)	(489,417)	(669,363)	(521,058)	(428,023)
Total net assets, beginning of year	2,742,562	4,077,905	3,583,955	3,135,298	4,083,535	3,106,887	2,876,358
Total net assets, end of year	$ 2,357,162	$ 3,834,783	$ 2,918,648	$ 2,645,881	$ 3,414,172	$ 2,585,829	$ 2,448,335

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (continued)

Year ended September 30, 2012

	2007 Series D	2008 Series A	2008 Series B	2009 Series A	2009 Series B	2009 Series C NIBP Master Indenture	2010 Series A 2009 C-1
Operating Revenues							
Investment income	$ 1,340,679	$ 949,684	$ 1,618,748	$ 1,440,798	$ 1,623,458	$ 55,751	$ 2,112,436
Program loan income	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	(308,790)	(362,836)	(577,143)	(372,678)	(276,587)	-	6,012
Realized gain (loss) on sale of investments	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	1,031,889	586,848	1,041,605	1,068,120	1,346,871	55,751	2,118,448
Operating Expenses							
Interest on bonds payable	1,205,676	795,024	1,429,796	915,034	1,140,983	35,095	1,658,478
Mortgage servicing fees	106,299	71,253	123,851	123,515	132,818	-	199,238
Amortization of deferred finance costs	-	58,508	47,050	195,997	151,815	-	85,658
Trustees, issuer and other fees	43,061	31,368	52,016	52,457	59,959	6,696	310,957
Other general and administrative	-	-	-	-	-	-	-
Total operating expenses	1,355,036	956,153	1,652,713	1,287,003	1,485,575	41,791	2,254,331
Operating income (loss) before transfers	(323,147)	(369,305)	(611,108)	(218,883)	(138,704)	13,960	(135,883)
Equity transfers in (out)	-	313,298	(29,127)	741,640	176,925	(219,601)	6,552,751
Operating transfers in (out)	-	-	-	-	-	-	(37,834)
Net income (loss)	(323,147)	(56,007)	(640,235)	522,757	38,221	(205,641)	6,379,034
Total net assets, beginning of year	3,200,675	4,047,796	4,417,594	6,689,962	5,898,435	313,943	(1,060,794)
Total net assets, end of year	$ 2,877,528	$ 3,991,789	$ 3,777,359	$ 7,212,719	$ 5,936,656	$ 108,302	$ 5,318,240

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (continued)

Year ended September 30, 2012

	2011 Series A 2009 C-2	2011 Series B 2009 C-2	Total Single Family Bond Programs
Operating Revenues			
Investment income	$ 2,982,232	$ 2,523,670	$ 31,859,774
Program loan income	-	-	68,439
Net increase (decrease) in fair value of investments	853,446	3,393,035	(3,358,205)
Realized gain (loss) on sale of investments	-	-	(307,915)
Other income	-	445,536	489,374
Total operating revenues	3,835,678	6,362,241	28,751,467
Operating Expenses			
Interest on bonds payable	2,178,351	1,618,058	25,134,990
Mortgage servicing fees	304,963	228,506	2,697,157
Amortization of deferred finance costs	-	-	811,379
Trustees, issuer and other fees	241,668	8,697	1,514,904
Other general and administrative	-	-	21,250
Total operating expenses	2,724,982	1,855,261	30,179,680
Operating income (loss) before transfers	1,110,696	4,506,980	(1,428,213)
Equity transfers in (out)	(9,637,246)	5,799,188	-
Operating transfers in (out)	(142,313)	2,287,018	2,106,871
Net income (loss)	(8,668,863)	12,593,186	678,658
Total net assets, beginning of year	13,799,800	-	115,535,838
Total net assets, end of year	$ 5,130,937	$ 12,593,186	$ 116,214,496

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS

September 30, 2012

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Assets				
Current assets:				
Cash and cash equivalents	$ -	$ 18,146,167	$ -	$ 18,146,167
Investments	-	3,186,000	-	3,186,000
Accounts receivable (net of an allowance for doubtful accounts of $473,663 and $402,015 for 2012 and 2011, respectively)	-	329,459	(100,370)	229,089
Accounts receivable - U.S. Department of Housing and Urban Development	-	383,761	-	383,761
Prepaid expenses	-	301,898	-	301,898
Interest receivable	-	268,499	-	268,499
Total current assets	-	22,615,784	(100,370)	22,515,414
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	87,206,747	-	-	87,206,747
Investments	551,390,706	-	-	551,390,706
Interest receivable	2,196,648	-	-	2,196,648
Deferred finance costs, net	7,065,093	-	-	7,065,093
Program loans receivable	-	1,442,978	-	1,442,978
Long-term investments	-	70,034,142	-	70,034,142
Nondepreciated capital assets	-	550,000	-	550,000
Capital assets, net	-	2,358,397	-	2,358,397
Total noncurrent assets	647,859,194	74,385,517	-	722,244,711
Total assets	647,859,194	97,001,301	(100,370)	744,760,125
Liabilities				
Current liabilities:				
Salaries and related expenses	-	18,996	-	18,996
Accounts payable - vendors and contractors	-	110,017	-	110,017
Accounts Payable - U.S. Department of Housing and Urban Development	-	80,076	-	80,076
Accounts payable - Family Self Sufficiency Program	-	271,221	-	271,221
Accounts payable - other	1,114,488	368,154	(100,370)	1,382,272
Deferred revenue	-	260,149	-	260,149
Compensated absences	-	958,063	-	958,063
Interest payable	2,043,488	7,372	-	2,050,860
Current maturities of bonds and notes payable	54,773,990	37,601,726	-	92,375,716
Total current liabilities	57,931,966	39,675,774	(100,370)	97,507,370
Noncurrent liabilities:				
Bonds and notes payable, less current maturities	472,975,386	-	-	472,975,386
Bond issuance costs payable	78,890	-	-	78,890
Deferred revenue	658,456	-	-	658,456
Total noncurrent liabilities	473,712,732	-	-	473,712,732
Total liabilities	531,644,698	39,675,774	(100,370)	571,220,102
Net Assets				
Invested in capital assets	-	2,908,397	-	2,908,397
Restricted for single family bond programs	116,214,496	-	-	116,214,496
Restricted for Section 8 Voucher Program	-	3,771,673	-	3,771,673
Unrestricted	-	50,645,457	-	50,645,457
Total net assets	$ 116,214,496	$ 57,325,527	$ -	$ 173,540,023

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Year ended September 30, 2012

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Operating Revenues				
Investment income	$ 31,859,774	$ 1,087,376	$ -	$ 32,947,150
Program loan income	68,439	25,618	-	94,057
Net increase (decrease) in fair value of investments	(3,358,205)	3,885,062	-	526,857
Realized gain (loss) on sale of investments	(307,915)	2,270,368	-	1,962,453
Fees and other income	489,374	12,874,189	(1,361,423)	12,002,140
Total operating revenues	28,751,467	20,142,613	(1,361,423)	47,532,657
Operating Expenses				
Interest on bonds and notes payable	25,134,990	42,808	-	25,177,798
Mortgage servicing fees	2,697,157	-	-	2,697,157
Amortization of deferred finance costs	811,379	-	-	811,379
Trustees, issuer and other fees	1,514,904	-	(1,361,423)	153,481
Salaries and related expenses	-	8,929,926	-	8,929,926
Other general and administrative	21,250	2,637,472	-	2,658,722
Total operating expenses	30,179,680	11,610,206	(1,361,423)	40,428,463
Operating income (loss)	(1,428,213)	8,532,407	-	7,104,194
Nonoperating revenues (expenses):				
Federal and state program income	-	147,323,075	-	147,323,075
Federal and state program expenses	-	(150,638,495)	-	(150,638,495)
Total nonoperating loss	-	(3,315,420)	-	(3,315,420)
Income (loss) before transfers	(1,428,213)	5,216,987	-	3,788,774
Transfers	2,106,871	(2,106,871)	-	-
Increase in net assets	678,658	3,110,116	-	3,788,774
Total net assets, beginning of year	115,535,838	54,215,411	-	169,751,249
Total net assets, end of year	$116,214,496	$ 57,325,527	$ -	$173,540,023

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS

Year ended September 30, 2012

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Cash Flows from Operating Activities				
Receipts (payments) from (of) fees	$ 1,115,892	$ 12,765,813	$ (1,361,423)	$ 12,520,282
Receipts from program loan payments	-	506,703	-	506,703
Receipts from other sources	-	330,316	-	330,316
Payments to employees	-	(8,943,377)	-	(8,943,377)
Payments to suppliers	-	(2,249,877)	-	(2,249,877)
Payment for purchases of program loans	-	(1,081,935)	-	(1,081,935)
Payments for bond fees	(2,872,029)		-	(2,872,029)
Payments for trustee and other fees	(1,514,904)	-	1,361,423	(153,481)
Payments for other expenses	(21,250)	-	-	(21,250)
Net cash provided by (used in) operating activities	(3,292,291)	1,327,643	-	(1,964,648)
Cash Flows from Noncapital Financing Activities				
Proceeds from issuance of bonds and notes payable	70,000,000	86,019,615	-	156,019,615
Principal paid on bonds and notes payable	(153,510,264)	(56,147,889)	-	(209,658,153)
Interest paid on bonds and notes payable	(25,470,801)	(35,732)	-	(25,506,533)
Payment of bond issuance costs	(2,050,292)	-	-	(2,050,292)
Receipt of federal and state program income	-	147,323,075	-	147,323,075
Payment of federal and state program expenses	(619,222)	(150,638,495)	-	(151,257,717)
Transfers	2,106,871	(2,106,871)	-	-
Net cash provided by (used in) noncapital financing activities	(109,543,708)	24,413,703	-	(85,130,005)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(55,134)	-	(55,134)
Net cash used in capital and related financing activities	-	(55,134)	-	(55,134)
Cash Flows from Investing Activities				
Purchase of investments	(103,842,899)	(119,235,272)	-	(223,078,171)
Proceeds from sales and maturities of investments	159,501,934	85,520,362	-	245,022,296
Interest received on investments	32,274,757	965,860	-	33,240,617
Net cash provided by (used in) investing activities	87,933,792	(32,749,050)	-	55,184,742
Net decrease in cash	(24,902,207)	(7,062,838)	-	(31,965,045)
Cash and cash equivalents, beginning of year	112,108,954	25,209,005	-	137,317,959
Cash and cash equivalents, end of year	$ 87,206,747	$ 18,146,167	$ -	$ 105,352,914
Cash and Cash Equivalents as Reported in Statement of Net Assets				
Unrestricted	$ -	$ 18,146,167	$ -	$ 18,146,167
Restricted	87,206,747	-	-	87,206,747
	$ 87,206,747	$ 18,146,167	$ -	$ 105,352,914

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS (continued)

Year ended September 30, 2012

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	$ (1,428,213)	$ 8,532,407	$ -	$ 7,104,194
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	395,262	-	395,262
Interest from investments	(31,928,213)	(1,087,376)	-	(33,015,589)
Amortization of fees and deferred finance costs	811,379	-	-	811,379
Net increase (decrease) in fair value of investments	3,358,205	(3,885,062)	-	(526,857)
Realized gain (loss) on sale of investments	307,915	(2,270,368)	-	(1,962,453)
Loss on disposal of capital assets	-	1,362	-	1,362
Interest on bonds and notes payable	25,134,990	42,808	-	25,177,798
Change in operating assets and liabilities:				
Accounts receivable	-	271,245	-	271,245
Prepaid expenses	-	(30,862)	-	(30,862)
Program loans receivable	-	(600,850)	-	(600,850)
Accounts payable and accrued expenses	(174,872)	27,783	-	(147,089)
Deferred revenue	626,518	(49,128)	-	577,390
Compensated absences	-	(19,578)	-	(19,578)
Net cash provided by (used in) operating activities	$ (3,292,291)	$ 1,327,643	$ -	$ (1,964,648)

OTHER REPORT

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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
Oklahoma Housing Finance Agency

We have audited the financial statements of Oklahoma Housing Finance Agency (the Agency) as of and for the year ended September 30, 2012, and have issued our report thereon dated January 28, 2013. We conducted our 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

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of management and the Board of Trustees, 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 those specified parties.

Hogan Taylor LLP

January 28, 2013