FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

WITH

INDEPENDENT AUDITOR'S REPORT

CONTENTS

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

Report on the Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of September 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Agency adopted new accounting guidance in 2013 related to the presentation of deferred outflows of resources and other financial reporting matters. Our opinion is not modified with respect to this matter.

Other Matters

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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, 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.

Hogan Taylor LLP

January 27, 2014

OKLAHOMA HOUSING FINANCE AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

September 30, 2013

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, 2013 and 2012. 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 Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; the Statements of Cash Flows; and the Notes to the Financial Statements.

The Statements of Net Position answers the question, "How is our financial health at the end of the year?" This statement includes all assets, deferred outflows, liabilities and deferred inflows 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 position presented in this statement is 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 position may serve as a useful indicator of whether the financial position of OHFA is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position measures the activities of OHFA's operations over the past year and presents the operating income and change in net position. 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 Statements 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 Position for the Single Family Mortgage Revenue Bond Funds as well as a Supplemental Combining Schedule of Revenues, Expenses, and Changes in Net Position for the Single Family Mortgage Revenue Bond Programs. These supplemental schedules are presented to provide the reader with information regarding the financial condition of each Single Family Mortgage Revenue Bond Program of the Oklahoma Housing Finance Agency (the Agency).

FINANCIAL HIGHLIGHTS
Year ended September 30, 2013

- Total assets decreased by $90.9 million.
- Total liabilities decreased by $64.3 million.
- Net Position decreased by $26.3 million.
- Made 1,158 single family mortgage loans available to first time homebuyers compared to 1,247 in 2012.
- Provided 121,133 unit months of Section 8 rental assistance compared to 122,989 in 2012.
- Paid $49.7 million in rental assistance to benefit Section 8 voucher holders compared to $50.2 million in 2012.
- Paid $70.3 million in rental assistance to project based Section 8 properties compared to $71.7 million in 2012.

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 2013 duties consisted of 190 contracts, totaling 12,894 assisted units, compared to 2012 duties of 193 contracts, totaling 13,069 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

The following table presents condensed statements of net position for the Agency as of September 30, 2013, 2012 and 2011 (in millions):

Condensed Statements of Net Position

	2013	2012	2011
Assets			
Current assets	$ 16.3	$ 22.5	$ 29.0
Noncurrent assets:			
Restricted	581.9	642.2	726.2
Net capital assets	2.9	2.9	3.3
Unrestricted	45.7	70.1	30.8
Total assets	646.8	737.7	789.3
Deferred outflows	0.3	-	-
Liabilities			
Current liabilities	27.3	97.4	69.0
Noncurrent liabilities	479.9	474.1	556.4
Total liabilities	507.2	571.5	625.4
Net Position			
Invested in capital assets	2.9	2.9	3.2
Restricted for single family bond programs	87.7	108.9	109.7
Restricted for Section 8 Voucher Program	2.9	3.9	7.1
Unrestricted	46.4	50.5	43.9
Total net position	$ 139.9	$ 166.2	$ 163.9

Explanations of significant variances between 2013 and 2012 on the condensed statements of net position follow:

The decrease in total assets of $90.9 million is primarily due to the net effect of 1) adding $197.6 million of new assets and related bonds and notes payable from new bond issues and, 2) paying down $267.3 million of bonds and notes 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) a $26.3 million net position loss incurred 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 provided temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The Treasury has been purchasing NIBP housing bonds backed by securities of Fannie Mae and Freddie Mac (Government Sponsored Enterprises or GSEs), which allowed HFAs to continue to temporarily issue housing bonds equal to their normal traditional issuance volume given the prior years' difficulties and challenges in the housing and related financing markets. The program allowed 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 expired December 31, 2012.

The decrease in total liabilities of $64.3 million is primarily due to the net effect of three factors. The addition of two new single family bond programs increased bonds payable by $162.8 million in 2013. Payments and pre-payments of $205.9 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 $26.5 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 $21.2 million decrease in net position restricted for Single Family Bond Programs is a result of $26.1 million of net operating loss (including a $23.2 million net decrease in the fair value of investments) and a transfer of $4.9 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 position, which is restricted, decreased by $1.0 million due to receiving $1.0 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 an expense in the current year. These items are reported in net position 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 $2.9 million and $3.9 million respectively, as of September 30, 2013 and 2012.

The decrease in Agency General Fund unrestricted net position of $4.2 million is due to $1.3 million in net operating income (excluding Single Family Bond Programs) plus expenditures of non-Section 8 Voucher program federal grants of $0.6 million in excess of grant revenues less a transfer of $4.9 million from the Agency General Fund to the Single Family Bond program.

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

The decrease in total assets of $51.6 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) $2.3 million of additional net position generated by the Agency.

The decrease in total liabilities of $53.9 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 MBS. 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 $0.8 million decrease in net position restricted for Single Family Bond Programs is a result of $2.9 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 position, which is restricted, decreased by $3.2 million due to receiving $3.2 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 position instead of as a payable or receivable with HUD. These funds are only available to pay HAP under the Section 8 Voucher Program. The Agency had funds restricted for the Section 8 Voucher Program of $3.9 million and $7.1 million respectively, as of September 30, 2012 and 2011.

The increase of $6.3 million in Agency General Fund unrestricted net position plus net position invested in capital assets from $47.1 million to $53.4 million is due to $8.4 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.

The following table presents condensed statements of revenues, expenses and changes in net position for the Agency for the years ended September 30, 2013, 2012, and 2011 (in millions):

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2013	2012	2011
Operating and Nonoperating Revenues			
Investments and program loans	$ 29.7	$ 33.0	$ 34.7
Net increase (decrease) in fair value of investments	(24.5)	0.5	15.8
Fees and other income	11.7	12.5	12.4
Gain on sale of investments	1.1	2.0	1.0
Federal and state program income	126.8	147.3	210.4
Total revenues	144.8	195.3	274.3
Operating and Nonoperating Expenses			
Interest on bonds and notes	22.7	25.2	27.1
Other bond program expenses	8.1	5.6	3.3
Salaries, general and administrative	12.0	11.6	11.4
Federal and state program expenses	128.3	150.6	210.0
Total expenses	171.1	193.0	251.8
Increase (decrease) in net position	(26.3)	2.3	22.5
Net position at beginning of year	166.2	163.9	147.2
Net position at end of year	$ 139.9	$ 166.2	$ 163.9

Explanations of significant fluctuations between 2013 and 2012 in the condensed statements of revenues, expenses, and changes in net position follow:

> The net decrease in interest income from investments and program loans of $3.3 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 decrease in the fair value of investments of $24.5 million for 2013 was due to market interest rates being higher than in the previous year, causing a decrease in the value of older, lower 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 $1.1 million is due to the Agency capitalizing on an opportunity to sell newly pooled Single Family Bond Program loan mortgage backed securities originated in 2013 at a gain on the open market.
>
> Federal program expenses decreased by $22.3 million due primarily to the net effect of a $1.4 million decrease in the Section 8 Contract Administration Program, a $4.9 million decrease in the HOME Investment Partnership program, a $13.8 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 $1.5 million decrease in the Tax Credit Assistance Program (American Recovery and Reinvestment Act or ARRA).
>
> Interest expense on bonds and notes payable decreased by $2.5 million in 2013 from 2012. Bonds and notes payable are $63.5 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 decrease in net position of $26.3 million from 2013 to 2012 is primarily due to an operating loss of $24.8 million, which primarily consists of a $24.5 million decrease in the fair value of investments. An additional $1.5 million of the decrease in net position is due to a $1.5 million nonoperating loss due to OHFA receiving $1.5 million less in federal program revenues than federal program expenses.

Explanations of significant fluctuations between 2012 and 2011 in the condensed statements of revenues, expenses, and changes in net position 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 $52.6 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 position of $20.2 million from $22.5 million in 2011 to $2.3 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 position of $2.3 million at the end of 2012 is due to the net income for 2012.

Capital Assets and Long-Term Debt Administration

<u>Capital Assets</u>

As of September 30, 2013, 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 no net change (including additions and disposals).

<u>Long-Term Debt</u>

As of September 30, 2013, the Agency had $502.9 million in bonds and notes payable outstanding, which is a decrease of 11.2% from last year's amount of $566.4 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 POSITION

September 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 9,679,250	$ 18,146,167
Investments	5,351,246	3,186,000
Accounts receivable (net of an allowance for doubtful accounts of $672,398 and $473,663 for 2013 and 2012, respectively)	412,638	229,089
Accounts receivable - U.S. Department of Housing and Urban Development	319,057	383,761
Prepaid expenses	336,019	301,898
Interest receivable	204,459	268,499
Total current assets	16,302,669	22,515,414
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	39,689,797	87,206,747
Investments	539,561,081	551,390,706
Interest receivable	2,047,451	2,196,648
Program loans receivable (net of allowance of $555,033 and $0, for 2013 and 2012, respectively)	620,023	1,442,978
Long-term investments	45,642,005	70,034,142
Nondepreciated capital assets	550,000	550,000
Capital assets, net	2,386,822	2,358,397
Total noncurrent assets	630,497,179	715,179,618
Total assets	646,799,848	737,695,032
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivatives	281,252	-
Liabilities		
Current liabilities:		
Salaries and related expenses	341,464	18,996
Accounts payable - vendors and contractors	201,123	110,017
Accounts payable - U.S. Department of Housing and Urban Development	70,181	80,076
Accounts payable - Family Self Sufficiency Program	337,995	271,221
Accounts payable - other	111,324	1,277,198
Hedging payable	281,252	-
Unearned revenue	360,525	260,149
Compensated absences	953,475	958,063
Interest payable	1,704,290	2,050,860
Current maturities of bonds and notes payable	22,963,400	92,375,716
Total current liabilities	27,325,029	97,402,296
Noncurrent liabilities:		
Bonds and notes payable, less current maturities	479,923,273	474,028,881
Bond issuance costs payable	-	69,394
Total noncurrent liabilities	479,923,273	474,098,275
Total liabilities	507,248,302	571,500,571
Net Position		
Invested in capital assets	2,936,822	2,908,397
Restricted for single family bond programs	87,688,652	108,868,934
Restricted for Section 8 Voucher Program	2,855,547	3,886,161
Unrestricted	46,351,777	50,530,969
Total net position	$ 139,832,798	$ 166,194,461

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended September 30, 2013 and 2012

	2013	2012
Operating Revenues		
Investment income	$ 29,655,617	$ 32,947,150
Program loan income	70,958	94,057
Net increase (decrease) in fair value of investments	(24,472,106)	526,857
Realized gain on sale of investments	1,067,367	1,962,453
Fees and other income	11,681,162	12,455,811
Total operating revenues	18,002,998	47,986,328
Operating Expenses		
Interest on bonds and notes payable	22,712,391	25,175,144
Mortgage servicing fees	2,567,320	2,697,157
Trustees, issuer and other fees	104,647	153,481
Homebuyer assistance payments	4,029,430	2,345,410
Bond issue costs	1,379,287	442,863
Salaries and related expenses	8,720,024	8,929,926
Other general and administrative	3,297,909	2,658,722
Total operating expenses	42,811,008	42,402,703
Operating income (loss)	(24,808,010)	5,583,625
Nonoperating revenues (expenses):		
Federal and state program income	126,791,139	147,323,075
Federal and state program expenses	(128,344,792)	(150,638,495)
Total nonoperating loss	(1,553,653)	(3,315,420)
Increase (decrease) in net position	(26,361,663)	2,268,205
Total net position, beginning of year	166,194,461	163,926,256
Total net position, end of year	$ 139,832,798	$ 166,194,461

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS

Years ended September 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Receipts from fees	$ 11,583,394	$ 12,315,497
Receipts from program loan payments	919,635	506,703
Receipts from other sources	341,215	330,316
Payments to employees	(8,402,144)	(8,943,377)
Payments to suppliers	(2,841,140)	(2,249,877)
Payments for purchases of program loans	(626,085)	(1,081,935)
Payments for bond fees	(4,941,391)	(2,872,029)
Payments for trustee and other fees	(104,647)	(153,481)
Payments for homebuyer assistance	(4,029,430)	(2,366,660)
Net cash used in operating activities	(8,100,593)	(4,514,843)
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds and notes payable	203,741,510	157,073,110
Principal paid on bonds and notes payable	(267,259,432)	(209,658,153)
Interest paid on bonds and notes payable	(22,953,884)	(25,608,953)
Payment of bond issuance costs	(69,394)	(451,172)
Receipt of federal and state program income	126,791,139	147,323,075
Payment of federal and state program expenses	(128,344,792)	(151,257,717)
Net cash used in noncapital financing activities	(88,094,853)	(82,579,810)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(354,381)	(55,134)
Net cash used in capital and related financing activities	(354,381)	(55,134)
Cash Flows from Investing Activities		
Purchase of investments	(269,839,488)	(223,078,171)
Proceeds from sales and maturities of investments	280,491,262	245,022,296
Interest received on investments	29,914,186	33,240,617
Net cash provided by investing activities	40,565,960	55,184,742
Net decrease in cash	(55,983,867)	(31,965,045)
Cash and cash equivalents, beginning of year	105,352,914	137,317,959
Cash and cash equivalents, end of year	$ 49,369,047	$ 105,352,914
Cash and Cash Equivalents as Reported in Statement of Net Position		
Unrestricted	$ 9,679,250	$ 18,146,167
Restricted	39,689,797	87,206,747
	$ 49,369,047	$ 105,352,914

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS (continued)

Years ended September 30, 2013 and 2012

	2013	2012
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities		
Operating income (loss)	$ (24,808,010)	$ 5,583,625
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	325,580	395,262
Interest from investments	(29,700,949)	(33,015,589)
Bond issue costs	-	442,863
Net (increase) decrease in fair value of investments	24,472,106	(526,857)
Realized gain on sale of investments	(1,067,367)	(1,962,453)
Loss on disposal of capital assets	376	1,362
Interest on bonds and notes payable	22,712,391	25,175,144
Change in operating assets and liabilities:		
Accounts receivable	(138,181)	271,245
Prepaid expenses	(315,373)	(30,862)
Program loans receivable	822,955	(600,850)
Accounts payable and accrued expenses	(781,161)	(147,089)
Unearned revenue	381,628	(81,066)
Compensated absences	(4,588)	(19,578)
Net cash used in operating activities	$ (8,100,593)	$ (4,514,843)

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 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. All federal funds related to these programs were disbursed as of September 30, 2012. Also in 2009, OHFA signed an agreement with the 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 Statement No. 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.*

Changes in Accounting Principle

For the year ended September 30, 2013, the Agency adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. GASB No. 63 introduces and defines deferred outflows and inflows of resources as financial statement elements. Deferred outflows of resources are defined as a consumption of net assets and deferred inflows of resources are defined as an acquisition of net assets which are applicable to a future period and distinct from assets and liabilities. The Agency's adoption of GASB No. 63 required renaming net assets as net position and a presentation of deferred outflows of resources as a separate distinction on the Statements of Net Position.

The Agency also adopted the provision of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Agency's implementation of GASB No. 65 required debt issuance costs to be expensed and prior period financial statements to be restated.

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 position. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. The accrual basis of accounting is utilized by a proprietary fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

The 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 position, it uses restricted net position first unless unrestricted net position 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 or decrease in the fair value of investments, OHFA's 2013 and 2012 net operating income (loss) would have been ($335,904) and $5,056,768, 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 recorded an allowance for uncollectible program loans of $555,033 as of September 30, 2013. No allowance was deemed necessary 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, 2013 and 2012, was $325,580 and $395,262, respectively, and is included with other general and administrative expense on the Statements of Revenues, Expenses and Changes in Fund Net Position.

Unearned revenue

Unearned 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 unearned and recorded as a liability.

The only exception to this accounting policy is the Section 8 Housing Choice Voucher Program. Per HUD guidance, excess budget authority disbursed to a Public Housing Agency that is not utilized to pay Housing Assistance Payments (HAP) becomes part of the net position – restricted for Section 8 Voucher Program.

Bond Issue Costs

Bond issue costs are costs associated with issuing bonds and are expensed in the period incurred.

Restrictions and designations of net position

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 position 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 Position restricted for the Section 8 Voucher Program represent funds received from HUD in excess of HAP expenditures. 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 for amounts above the FDIC insurance coverage.

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, 2013 and 2012, the Agency was not exposed to custodial credit risk.

As of September 30, 2013 and 2012, $39,735,773 and $87,930,529 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 Position, 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, 2013			
		Investment Maturity		
	Fair Value	Less than One Year	One to Three Years	Greater Than Three Years
Agency General Fund:				
GNMA pooled loans	$ 31,189,385	$ -	$ -	$31,189,385
Corporate bonds	1,642,194	-	1,642,194	-
Federal National Mortgage Association	775,475	775,475	-	-
Federal Farm Credit Bank	496,725	-	496,725	-
Certificates of deposit	16,889,472	4,575,771	12,313,701	-
Total investments in securities	50,993,251	$ 5,351,246	$14,452,620	$31,189,385
Single Family Bond Programs:				
GNMA pooled loans	483,786,761			
FNMA pooled loans	52,989,977			
Guaranteed investment contracts	2,784,343			
Total investments	$ 590,554,332			

	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			

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 Farm Credit Bank, FNMA, GNMA and Federal Home Loan Mortgage Corporation, are all rated AA+ by Standard & Poor's and AAA by Moody's. The corporate bonds are rated AAA by Standard and Poor's and Moody's. Credit ratings are not available for the guaranteed investment contracts.

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

	2013	2012
Current:		
Agency General Fund	$ 5,351,246	$ 3,186,000
Noncurrent:		
Restricted - Single Family Bond Programs	539,561,081	551,390,706
Agency General Fund	45,642,005	70,034,142
Total noncurrent	585,203,086	621,424,848
Total investments	$ 590,554,332	$ 624,610,848

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 (*) as follows.

	September 30, 2013			September 30, 2012		
	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	$ 31,189,385	*	5.2%	$ 62,965,934	*	10.1%
Corporate bonds	1,642,194		0.3%	1,669,216		0.3%
Federal Home Loan Mortgage Corporation	-		0.0%	1,000,740		0.2%
Federal National Mortgage Association	775,475		0.1%	812,213		0.1%
Federal Farm Credit Bank	496,725		0.1%	500,010		0.0%
Certificates of deposit	16,889,472		2.9%	6,272,029		1.0%
	50,993,251		8.6%	73,220,142		11.7%
Single Family Bond Programs:						
GNMA pooled loans	483,786,761	*	81.9%	473,054,047	*	75.7%
FNMA pooled loans	52,989,977	*	9.0%	75,217,593	*	12.0%
Guaranteed investment contracts	2,784,343		0.5%	3,119,066		0.6%
	539,561,081		91.4%	551,390,706		88.3%
Total investments	$590,554,332		100.0%	$624,610,848		100.0%

Mortgage-backed security (MBS) forward contracts

During 2013, the Agency entered into forward contracts to hedge the interest rate risk of delivering MBS securities guaranteed by GNMA in the future, before the securities are ready for delivery (referred to as "to-be-announced" or TBA Mortgage-Backed Securities). These securities represent pools of qualified mortgage loans originated by Agency approved lenders. The forward contracts offset the financial impact to the Agency of changes in interest rates between the time of loan reservations made to originating mortgage lenders and the securitization and sale of such loans as GNMA securities. The forward contracts are considered derivative instruments and the fair values were obtained from an external pricing specialist which used acceptable methods and assumptions in accordance with GASB requirements, subject to review and approval by the Agency. A positive fair value represents money due the Agency by the counterparty, while a negative fair value represents money payable by the Agency.

Outstanding forward sales contracts as of September 30, 2013, are as follows:

Forward Contracts to Sell TBA Mortgage-Backed Securities	Notional Amount September 30, 2013	Trade Date	Delivery Date	Coupon Rate	Net Fair Values as reported in the Statement of Net Position at September 30, 2013
Bank of America Merrill Lynch					
GNMA II	$ 1,000,000	7/25/2013	10/21/2013	4.50%	$ (18,750)
GNMA II	1,200,000	8/8/2013	10/21/2013	4.50%	(14,063)
GNMA II	1,300,000	8/26/2013	11/21/2013	4.50%	(19,703)
GNMA II	156,100	9/16/2013	10/21/2013	5.00%	(463)
GNMA II	1,600,000	9/18/2013	12/19/2013	4.50%	(19,500)
GNMA II	1,200,000	9/26/2013	12/19/2013	4.50%	(750)

Forward Contracts to Sell TBA Mortgage-Backed Securities	Notional Amount September 30, 2013	Trade Date	Delivery Date	Coupon Rate	Net Fair Values as reported in the Statement of Net Position at September 30, 2013
Bank of New York Mellon					
GNMA I	5,800,000	6/27/2013	10/21/2013	4.00%	(87,000)
GNMA II	1,200,000	7/22/2013	10/21/2013	4.50%	(18,375)
GNMA II	750,000	7/22/2013	10/21/2013	5.00%	(9,727)
GNMA II	1,000,000	7/31/2013	10/21/2013	4.50%	(20,625)
GNMA II	1,000,000	8/22/2013	11/21/2013	5.00%	(19,219)
GNMA II	1,100,000	8/28/2013	11/21/2013	4.50%	(18,391)
GNMA II	1,000,000	8/30/2013	11/21/2013	5.00%	(11,719)
GNMA II	1,000,000	9/10/2013	11/21/2013	5.00%	(9,844)
GNMA II	1,000,000	9/16/2013	10/21/2013	5.00%	(3,905)
GNMA II	1,000,000	9/18/2013	12/19/2013	5.00%	(9,218)
	$ 21,306,100				$ (281,252)

Note 4 – Program Loans Receivable

Program loans receivable consist of the following at September 30:

	2013	2012
Single Family Program Funds, Special Securities (1993 A & B), bearing interest at 8.50% - 8.95%, maturing December 2014, AMBAC insured.	$ 17,976	$ 30,425
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.	249,383	256,508
Housing Trust Fund, S.A.S. Construction, bearing interest at 1.00%, 18-month term. Paid in full.	-	402,766
Housing Trust Fund, Turning Point Ministries, Inc., bearing interest at 1.00%, 18-month term. Paid in full.	-	257,769
Housing Trust Fund, Verde Investments, bearing interest at 1.00%, 18-month term, maturing September 2013. Paid in full during October 2013.	157,154	-
HOME Investment Partnerships Program, ORO Development Corporation, bearing interest at 0.00%, collateralized by a mortgage; no set term or maturity date.	300,000	300,000
HOME Investment Partnerships Program, Delta-Shellibrook Estates, bearing interest at 0.00%, no set term or maturity date.	255,033	-
Allowance for doubtful program loans.	(555,033)	-
	$ 620,023	$ 1,442,978

Note 5 – Capital Assets

Capital assets activity for the year ended September 30, 2013, 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	2,753,884	179,726	(68,407)	2,865,203
Building	2,409,299	-	-	2,409,299
Improvements	1,286,756	174,655	-	1,461,411
Total capital assets being depreciated	6,449,939	354,381	(68,407)	6,735,913
Less accumulated depreciation:				
Furniture and equipment	(2,413,774)	(202,995)	68,031	(2,548,738)
Building	(636,637)	(60,232)	-	(696,869)
Improvements	(1,041,131)	(62,353)	-	(1,103,484)
Total accumulated depreciation	(4,091,542)	(325,580)	68,031	(4,349,091)
Total capital assets being depreciated	2,358,397	28,801	(376)	2,386,822
Capital assets, net	$ 2,908,397	$ 28,801	$ (376)	$ 2,936,822

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

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, 2013 and 2012, there were two series of multi-family bonds outstanding with an aggregate principal amount payable of $6,641,243 and $7,271,594, 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 Treasury's 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 provided temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. Since 2010, the Treasury has been purchasing NIBP housing bonds backed by securities of Fannie Mae and Freddie Mac (Government Sponsored Enterprises or GSEs). This allowed HFAs to continue to issue housing bonds equal to their traditional issuance volume as a result of the difficulties and challenges in the housing and related financing markets in previous years. The program allowed 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 was 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. As the program expired December 31, 2012, the remaining $42.0 million of the 2009C Single Family Bond Program bonds was presented as a current liability as of September 30, 2012. These funds were utilized in the 2012A Single Family Bond Program which was issued during December 2012.

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 (0.18% at September 30, 2013), matures April 25, 2014, and is collateralized by investment securities. The outstanding balance as of September 30, 2013 and 2012, was $11,100,000 and $37,601,726 respectively.

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

Single Family Bond Program	Issued	Interest Rate Range on Outstanding Amount as of 9/30/13		Maturity Through	Ending Balance 9/30/2011	Additions	Reductions	Ending Balance 9/30/2012	Additions	Reductions	Ending Balance 9/30/2013	Amount Due in One Year
1987 A	5/28/1987	8.00%	8.00%	5/1/2018	$ 2,520,000	$ -	$ 1,145,000	$ 1,375,000	$ -	$ 755,000	$ 620,000	$ 620,000
1991 A&B	11/1/1991	7.35%	7.35%	11/1/2024	709,186	-	74,810	634,376	-	98,706	535,670	98,400
1999 C	10/28/1999	n/a	n/a	9/1/2031	191,600	-	191,600	-	-	-	-	-
2000 A-4	3/1/2000	n/a	n/a	9/1/2031	657,496	-	657,496	-	-	-	-	-
2000 B	4/1/2000	n/a	n/a	9/1/2026	323,645	-	323,645	-	-	-	-	-
2000 C-3	6/14/2000	n/a	n/a	9/1/2028	1,497,589	-	1,497,589	-	-	-	-	-
2000 D	10/4/2000	n/a	n/a	9/1/2031	1,325,124	-	1,325,124	-	-	-	-	-
2001 B-2	9/1/2001	n/a	n/a	9/1/2032	2,785,000	-	2,785,000	-	-	-	-	-
2002 A&B	2/15/2002	n/a	n/a	9/1/2034	3,125,000	-	3,125,000	-	-	-	-	-
2002 C	5/23/2002	n/a	n/a	9/1/2033	6,135,000	-	6,135,000	-	-	-	-	-
2003 A	1/31/2003	4.45%	5.25%	9/1/2034	5,750,000	-	1,985,000	3,765,000	-	2,235,000	1,530,000	45,000
2003 B	5/30/2003	3.85%	4.88%	9/1/2028	14,435,000	-	2,610,000	11,825,000	-	2,455,000	9,370,000	345,000
2003 C	8/22/2003	4.35%	6.05%	9/1/2034	10,010,000	-	1,485,000	8,525,000	-	1,520,000	7,005,000	190,000
2004 A	4/20/2004	3.90%	5.15%	3/1/2035	11,365,000	-	2,140,000	9,225,000	-	2,315,000	6,910,000	185,000
2004 B	7/8/2004	4.90%	6.15%	3/1/2035	15,715,000	-	3,345,000	12,370,000	-	2,800,000	9,570,000	240,000
2005 A	1/21/2005	4.00%	5.75%	9/1/2035	14,500,000	-	2,250,000	12,250,000	-	2,365,000	9,885,000	240,000
2005 B	6/15/2005	4.15%	5.35%	3/1/2036	20,325,000	-	4,675,000	15,650,000	-	3,605,000	12,045,000	275,000
2005 C	7/7/2005	3.75%	5.70%	9/1/2036	21,035,000	-	4,200,000	16,835,000	-	3,565,000	13,270,000	325,000
2005 D	10/7/2005	4.25%	5.95%	9/1/2036	9,015,000	-	2,035,000	6,980,000	-	2,370,000	4,610,000	110,000
2006 A	1/12/2006	4.20%	6.00%	3/1/2037	18,420,000	-	3,995,000	14,425,000	-	3,440,000	10,985,000	235,000
2006 B	3/22/2006	4.30%	5.75%	9/1/2037	21,010,000	-	4,520,000	16,490,000	-	4,570,000	11,920,000	280,000
2006 C	5/18/2006	4.55%	5.95%	9/1/2037	21,895,000	-	5,840,000	16,055,000	-	4,725,000	11,330,000	230,000
2006 D	10/1/2006	4.20%	5.88%	3/1/2037	22,440,000	-	5,405,000	17,035,000	-	4,745,000	12,290,000	280,000
2007 A	2/1/2007	4.35%	5.80%	3/1/2038	30,745,000	-	6,475,000	24,270,000	-	5,765,000	18,505,000	200,000
2007 B	5/1/2007	4.15%	5.95%	9/1/2038	24,710,000	-	5,600,000	19,110,000	-	6,060,000	13,050,000	205,000
2007 C	7/1/2007	5.05%	6.30%	9/1/2038	21,385,000	-	4,380,000	17,005,000	-	5,210,000	11,795,000	65,000
2007 D	10/1/2007	5.05%	5.75%	3/1/2039	23,775,000	-	4,640,000	19,135,000	-	5,205,000	13,930,000	245,000
2008 A	7/9/2008	4.75%	6.80%	3/1/2039	14,885,000	-	3,720,000	11,165,000	-	3,280,000	7,885,000	430,000
2008 B	9/30/2008	3.65%	6.50%	3/1/2039	27,190,000	-	5,230,000	21,960,000	-	5,725,000	16,235,000	485,000
2009 A	5/2/2009	3.05%	5.25%	9/2/2033	24,290,000	-	5,200,000	19,090,000	-	5,120,000	13,970,000	1,120,000
2009 B	9/2/2009	2.70%	5.15%	9/2/2040	27,595,000	-	4,350,000	23,245,000	-	5,310,000	17,935,000	710,000
2009 C	12/18/2009	n/a	n/a	12/13/2012	84,000,000	-	42,000,000	42,000,000	-	42,000,000	-	-
2010 A	10/1/2010	4.38%	4.50%	9/1/2041	47,715,000	-	4,445,000	43,270,000	-	29,945,000	13,325,000	750,000
2011 A	5/19/2011	1.38%	5.00%	9/1/2041	59,785,000	-	3,980,000	55,805,000	-	38,025,000	17,780,000	740,000
2011 B	11/4/2011	1.10%	4.75%	9/1/2041	-	70,000,000	1,745,000	68,255,000	-	7,620,000	60,635,000	1,135,000
2012 A	12/5/2012	0.45%	5.00%	9/1/2043	-	-	-	-	105,500,000	2,505,000	102,995,000	2,080,000
2013 A&B	4/30/2013	2.75%	3.00%	9/1/2041	-	-	-	-	57,295,000	2,595,000	54,700,000	-
Total Single Family Bond Programs					611,259,640	70,000,000	153,510,264	527,749,376	162,795,000	205,928,706	484,615,670	11,863,400
Agency Line of Credit	4/26/10	0.18%	0.18%	4/25/14	7,730,000	86,019,615	56,147,889	37,601,726	34,829,000	61,330,726	11,100,000	11,100,000
Total bonds and notes payable					618,989,640	156,019,615	209,658,153	565,351,102	197,624,000	267,259,432	495,715,670	22,963,400
Unamortized premium					-	1,080,429	26,934	1,053,495	6,396,318	278,810	7,171,003	-
Total bonds and notes payable including unamortized premium					$ 618,989,640	$ 157,100,044	$ 209,685,087	$ 566,404,597	$ 204,020,318	$ 267,538,242	$ 502,886,673	$ 22,963,400

Debt requirements on bonds and notes payable at September 30, 2013, are as follows (in thousands):

	2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2033	2034+	Total
Principal and interest	$ 43,281	$ 31,487	$ 31,386	$ 31,829	$ 31,676	$ 156,042	$ 154,996	$ 133,888	$ 205,211	$ 819,796
Less interest	20,318	19,904	19,503	19,336	18,793	84,758	65,481	44,203	31,784	324,080
Total principal	$ 22,963	$ 11,583	$ 11,883	$ 12,493	$ 12,883	$ 71,284	$ 89,515	$ 89,685	$ 173,427	495,716
Unamortized premium										7,171
										$ 502,887

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 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 2013, 2012, and 2011 were $1,031,674, $1,029,283 and $961,290, 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 AUDITOR'S 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, 2013, 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 27, 2014

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OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2013

	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	$ 127,252	$ 7,193	$ 12,047,326	$ 231,406	$ 400,140	$ 240,701	$ 248,082
Investments	1,744,256	588,941	11,254,047	6,579,977	10,819,591	7,999,875	8,029,317
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	11,565	3,318	51,418	26,606	42,085	34,187	31,045
Total assets	1,883,073	599,452	23,352,791	6,837,989	11,261,816	8,274,763	8,308,444
Liabilities							
Current liabilities:							
Accounts payable	-	-	-	-	-	-	-
Interest payable	4,131	3,280	-	6,491	35,634	31,760	28,167
Current maturities of bonds payable	620,000	98,400	-	45,000	345,000	190,000	185,000
Total current liabilities	624,131	101,680	-	51,491	380,634	221,760	213,167
Noncurrent liabilities:							
Bonds payable, less current maturities	-	437,270	-	1,485,000	9,025,000	6,815,000	6,725,000
Total liabilities	624,131	538,950	-	1,536,491	9,405,634	7,036,760	6,938,167
Net Position							
Restricted for single family bond programs	$ 1,258,942	$ 60,502	$ 23,352,791	$ 5,301,498	$ 1,856,182	$ 1,238,003	$ 1,370,277

See independent auditor's report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2013

	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	$ 328,211	$ 473,168	$ 599,540	$ 463,775	$ 314,880	$ 654,520	$ 537,826
Investments	11,295,029	11,043,282	14,262,450	14,832,921	5,055,790	12,174,573	14,510,609
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	48,919	45,614	59,168	60,489	20,846	50,853	61,668
Total assets	11,672,159	11,562,064	14,921,158	15,357,185	5,391,516	12,879,946	15,110,103
Liabilities							
Current liabilities:							
Accounts payable	-	1,074	1,691	1,659	262	1,152	3,298
Interest payable	45,227	40,983	49,397	54,708	20,090	48,955	51,364
Current maturities of bonds payable	240,000	240,000	275,000	325,000	110,000	235,000	280,000
Total current liabilities	285,227	282,057	326,088	381,367	130,352	285,107	334,662
Noncurrent liabilities:							
Bonds payable, less current maturities	9,330,000	9,645,000	11,770,000	12,945,000	4,500,000	10,750,000	11,640,000
Total liabilities	9,615,227	9,927,057	12,096,088	13,326,367	4,630,352	11,035,107	11,974,662
Net Position							
Restricted for single family bond programs	$ 2,056,932	$ 1,635,007	$ 2,825,070	$ 2,030,818	$ 761,164	$ 1,844,839	$ 3,135,441

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2013

	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	$ 580,470	$ 421,295	$ 1,901,338	$ 1,329,838	$ 1,229,409	$ 1,516,038	$ 718,394
Investments	13,004,878	13,892,941	18,881,378	13,354,573	12,004,410	14,309,140	10,654,319
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	57,439	59,986	82,049	58,853	55,953	64,190	50,513
Total assets	13,642,787	14,374,222	20,864,765	14,743,264	13,289,772	15,889,368	11,423,226
Liabilities							
Current liabilities:							
Accounts payable	1,730	1,803	6,596	1,892	1,663	2,060	1,469
Interest payable	51,918	53,961	78,753	58,433	57,023	63,077	40,125
Current maturities of bonds payable	230,000	280,000	200,000	205,000	65,000	245,000	430,000
Total current liabilities	283,648	335,764	285,349	265,325	123,686	310,137	471,594
Noncurrent liabilities:							
Bonds payable, less current maturities	11,100,000	12,010,000	18,305,000	12,845,000	11,730,000	13,685,000	7,455,000
Total liabilities	11,383,648	12,345,764	18,590,349	13,110,325	11,853,686	13,995,137	7,926,594
Net Position							
Restricted for single family bond programs	$ 2,259,139	$ 2,028,458	$ 2,274,416	$ 1,632,939	$ 1,436,086	$ 1,894,231	$ 3,496,632

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2013

	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-2	2011 Series B 2009 C-3
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 694,229	$ 473,968	$ 489,385	$ 104,668	$ 825,677	$ 1,336,660	$ 1,737,002
Investments	18,005,788	20,362,709	22,184,462	-	34,892,703	53,311,976	51,406,657
Due from (to) other funds	-	-	-	-	72,758	3,541	44,989
Interest receivable	83,724	82,397	92,350	-	130,285	184,056	176,612
Total assets	18,783,741	20,919,074	22,766,197	104,668	35,921,423	54,836,233	53,365,260
Liabilities							
Current liabilities:							
Accounts payable	2,418	2,709	2,946	-	89,544	28,601	69,090
Interest payable	76,856	50,846	67,995	-	49,597	64,964	143,568
Current maturities of bonds payable	485,000	1,120,000	710,000	-	750,000	740,000	1,135,000
Total current liabilities	564,274	1,173,555	780,941	-	889,141	833,565	1,347,658
Noncurrent liabilities:							
Bonds payable, less current maturities	15,750,000	12,850,000	17,225,000	-	12,575,000	17,040,000	60,435,883
Total liabilities	16,314,274	14,023,555	18,005,941	-	13,464,141	17,873,565	61,783,541
Net Position							
Restricted for single family bond programs	$ 2,469,467	$ 6,895,519	$ 4,760,256	$ 104,668	$ 22,457,282	$ 36,962,668	$ (8,418,281)

See independent auditor's report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2013

	2012 Series A 2009 C-4	2013 Series A & B	Total Single Family Bond Programs (Prior to Eliminations)	Eliminations	Total Single Family Bond Programs
Assets					
Noncurrent assets:					
Cash and cash equivalents	$ 8,611,698	$ 1,045,708	$ 39,689,797	$ -	$ 39,689,797
Investments	113,104,489	-	539,561,081	-	539,561,081
Due from (to) other funds	-	-	121,288	(121,288)	-
Interest receivable	321,255	8	2,047,451	-	2,047,451
Total assets	122,037,442	1,045,716	581,419,617	(121,288)	581,298,329
Liabilities					
Current liabilities:					
Accounts payable	-	19,337	240,994	(121,288)	119,706
Interest payable	294,188	131,807	1,703,298	-	1,703,298
Current maturities of bonds payable	2,080,000	-	11,863,400	-	11,863,400
Total current liabilities	2,374,188	151,144	13,807,692	(121,288)	13,686,404
Noncurrent liabilities:					
Bonds payable, less current maturities	106,737,063	55,113,057	479,923,273	-	479,923,273
Total liabilities	109,111,251	55,264,201	493,730,965	(121,288)	493,609,677
Net Position					
Restricted for single family bond programs	$ 12,926,191	$ (54,218,485)	$ 87,688,652	$ -	$ 87,688,652

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended September 30, 2013

	1987 Series A	1991 Series A & B	1994 Master Indenture Accumulation Fund	2003 Series A	2003 Series B	2003 Series C	2004 Series A
Operating Revenues							
Investment income	$ 176,417	$ 45,848	$ 735,375	$ 417,719	$ 644,767	$ 516,972	$ 460,756
Program loan income	-	-	45,332	-	-	-	-
Net decrease in fair value of investments	(50,953)	(55,289)	(670,424)	(327,208)	(536,072)	(400,651)	(389,856)
Other income	-	-	48,307	-	-	-	-
Total operating revenues	125,464	(9,441)	158,590	90,511	108,695	116,321	70,900
Operating Expenses							
Interest on bonds payable	76,470	42,726	-	148,621	505,428	445,298	415,113
Mortgage servicing fees	10,511	2,909	55,734	33,882	56,771	40,557	42,481
Trustees, issuer and other fees	2,415	843	47,862	25,173	30,395	14,448	15,196
Homebuyer assistance payments	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Total operating expenses	89,396	46,478	103,596	207,676	592,594	500,303	472,790
Operating income (loss) before transfers	36,068	(55,919)	54,994	(117,165)	(483,899)	(383,982)	(401,890)
Equity transfers in (out)	-	-	(1,347,517)	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	36,068	(55,919)	(1,292,523)	(117,165)	(483,899)	(383,982)	(401,890)
Total net position, beginning of year	1,222,874	116,421	24,645,314	5,418,663	2,340,081	1,621,985	1,772,167
Total net position, end of year	$ 1,258,942	$ 60,502	$ 23,352,791	$ 5,301,498	$ 1,856,182	$ 1,238,003	$ 1,370,277

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2013

	2004 Series B	2005 Series A	2005 Series B	2005 Series C	2005 Series D	2006 Series A	2006 Series B
Operating Revenues							
Investment income	$ 744,973	$ 655,424	$ 863,027	$ 878,135	$ 337,962	$ 758,192	$ 982,320
Program loan income	-	-	-	-	-	-	-
Net decrease in fair value of investments	(548,564)	(411,863)	(664,241)	(579,269)	(344,543)	(501,149)	(774,116)
Other income	548	-	-	-	-	-	-
Total operating revenues	196,957	243,561	198,786	298,866	(6,581)	257,043	208,204
Operating Expenses							
Interest on bonds payable	645,857	567,527	708,017	778,859	327,033	684,457	778,727
Mortgage servicing fees	57,512	56,380	74,070	76,616	29,730	64,386	76,652
Trustees, issuer and other fees	16,681	18,624	27,627	27,500	7,049	20,523	52,167
Homebuyer assistance payments	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Total operating expenses	720,050	642,531	809,714	882,975	363,812	769,366	907,546
Operating income (loss) before transfers	(523,093)	(398,970)	(610,928)	(584,109)	(370,393)	(512,323)	(699,342)
Equity transfers in (out)	(548)	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(523,641)	(398,970)	(610,928)	(584,109)	(370,393)	(512,323)	(699,342)
Total net position, beginning of year	2,580,573	2,033,977	3,435,998	2,614,927	1,131,557	2,357,162	3,834,783
Total net position, end of year	$ 2,056,932	$ 1,635,007	$ 2,825,070	$ 2,030,818	$ 761,164	$ 1,844,839	$ 3,135,441

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2013

	2006 Series C	2006 Series D	2007 Series A	2007 Series B	2007 Series C	2007 Series D	2008 Series A
Operating Revenues							
Investment income	$ 867,485	$ 953,906	$ 1,249,352	$ 946,763	$ 888,524	$ 1,039,072	$ 746,377
Program loan income	-	-	-	-	-	-	-
Net decrease in fair value of investments	(627,040)	(639,965)	(1,022,069)	(877,844)	(909,538)	(947,494)	(628,655)
Other income	-	-	-	-	-	-	3,449
Total operating revenues	240,445	313,941	227,283	68,919	(21,014)	91,578	121,171
Operating Expenses							
Interest on bonds payable	800,113	808,924	1,126,106	895,978	869,970	957,484	607,781
Mortgage servicing fees	70,445	73,574	103,118	78,004	68,558	82,999	56,133
Trustees, issuer and other fees	29,396	30,292	99,743	31,812	28,728	34,392	25,423
Homebuyer assistance payments	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Total operating expenses	899,954	912,790	1,328,967	1,005,794	967,256	1,074,875	689,337
Operating income (loss) before transfers	(659,509)	(598,849)	(1,101,684)	(936,875)	(988,270)	(983,297)	(568,166)
Equity transfers in (out)	-	-	-	-	-	-	262,946
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(659,509)	(598,849)	(1,101,684)	(936,875)	(988,270)	(983,297)	(305,220)
Total net position, beginning of year	2,918,648	2,627,307	3,376,100	2,569,814	2,424,356	2,877,528	3,801,852
Total net position, end of year	$ 2,259,139	$ 2,028,458	$ 2,274,416	$ 1,632,939	$ 1,436,086	$ 1,894,231	$ 3,496,632

See independent auditor's report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2013

	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-2	2011 Series B 2009 C-3
Operating Revenues							
Investment income	$ 1,217,889	$ 1,221,523	$ 1,376,171	$ 9,223	$ 1,851,563	$ 2,646,834	$ 2,534,611
Program loan income	-	-	-	-	-	-	-
Net decrease in fair value of investments	(1,034,658)	(788,727)	(858,968)	-	(1,395,583)	(2,713,162)	(2,487,845)
Other income	9,267	17,041	38,153	69,393	66,824	60,817	30,946
Total operating revenues	192,498	449,837	555,356	78,616	522,804	(5,511)	77,712
Operating Expenses							
Interest on bonds payable	1,121,884	749,590	966,014	(21,250)	1,131,807	1,542,133	1,707,552
Mortgage servicing fees	93,184	103,226	111,595	-	175,249	272,155	261,049
Trustees, issuer and other fees	39,331	44,375	46,833	-	245,953	372,350	205,058
Homebuyer assistance payments	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Total operating expenses	1,254,399	897,191	1,124,442	(21,250)	1,553,009	2,186,638	2,173,659
Operating income (loss) before transfers	(1,061,901)	(447,354)	(569,086)	99,866	(1,030,205)	(2,192,149)	(2,095,947)
Equity transfers in (out)	(9,267)	860,421	233,965	(3,372)	17,814,785	35,598,263	(16,009,080)
Operating transfers in (out)	-	-	-	-	908,797	-	(13,004)
Net income (loss)	(1,071,168)	413,067	(335,121)	96,494	17,693,377	33,406,114	(18,118,031)
Total net position, beginning of year	3,540,635	6,482,452	5,095,377	8,174	4,763,905	3,556,554	9,699,750
Total net position, end of year	$ 2,469,467	$ 6,895,519	$ 4,760,256	$ 104,668	$ 22,457,282	$ 36,962,668	$ (8,418,281)

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2013

	2012 Series A 2009 C-4	2013 Series A & B	Total Single Family Bond Programs
Operating Revenues			
Investment income	$ 2,950,305	$ 22	$ 28,717,507
Program loan income	-	-	45,332
Net decrease in fair value of investments	(2,041,154)	-	(23,226,900)
Other income	330,933	-	675,678
Total operating revenues	1,240,084	22	6,211,617
Operating Expenses			
Interest on bonds payable	2,638,552	657,824	22,684,595
Mortgage servicing fees	339,840	-	2,567,320
Trustees, issuer and other fees	12,405	102,295	1,654,889
Homebuyer assistance payments	4,029,430	-	4,029,430
Bond issue costs	821,998	557,289	1,379,287
Total operating expenses	7,842,225	1,317,408	32,315,521
Operating income (loss) before transfers	(6,602,141)	(1,317,386)	(26,103,904)
Equity transfers in (out)	15,625,138	(53,025,734)	-
Operating transfers in (out)	3,903,194	124,635	4,923,622
Net income (loss)	12,926,191	(54,218,485)	(21,180,282)
Total net position, beginning of year	-	-	108,868,934
Total net position, end of year	$ 12,926,191	$ (54,218,485)	$ 87,688,652

See independent auditor's report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2013

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Assets				
Current assets:				
Cash and cash equivalents	$ -	$ 9,679,250	$ -	$ 9,679,250
Investments	-	5,351,246	-	5,351,246
Accounts receivable (net of an allowance for doubtful accounts of $672,398 and $473,398, for 2013 and 2012, respectively)	-	532,344	(119,706)	412,638
Accounts receivable - U.S. Department of Housing and Urban Development	-	319,057	-	319,057
Prepaid expenses	-	336,019	-	336,019
Interest receivable	-	204,459	-	204,459
Total current assets	-	16,422,375	(119,706)	16,302,669
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	39,689,797	-	-	39,689,797
Investments	539,561,081	-	-	539,561,081
Interest receivable	2,047,451	-	-	2,047,451
Program loans receivable (net of an allowance of $555,033 and $0, for 2013 and 2012, respectively)	-	620,023	-	620,023
Long-term investments	-	45,642,005	-	45,642,005
Nondepreciated capital assets	-	550,000	-	550,000
Capital assets, net	-	2,386,822	-	2,386,822
Total noncurrent assets	581,298,329	49,198,850	-	630,497,179
Total assets	581,298,329	65,621,225	(119,706)	646,799,848
Deferred outflows of resources:				
Accumulated decrease in fair value of hedging derivatives	-	281,252	-	281,252
Liabilities				
Current liabilities:				
Salaries and related expenses	-	341,464	-	341,464
Accounts payable - vendors and contractors	-	201,123	-	201,123
Accounts payable - U.S. Department of Housing and Urban Development	-	70,181	-	70,181
Accounts payable - Family Self Sufficiency Program	-	337,995	-	337,995
Accounts payable - other	119,706	111,324	(119,706)	111,324
Hedging payable	-	281,252	-	281,252
Unearned revenue	-	360,525	-	360,525
Compensated absences	-	953,475	-	953,475
Interest payable	1,703,298	992	-	1,704,290
Current maturities of bonds and notes payable	11,863,400	11,100,000	-	22,963,400
Total current liabilities	13,686,404	13,758,331	(119,706)	27,325,029
Noncurrent liabilities:				
Bonds and notes payable, less current maturities	479,923,273	-	-	479,923,273
Total liabilities	493,609,677	13,758,331	(119,706)	507,248,302
Net Position				
Invested in capital assets	-	2,936,822	-	2,936,822
Restricted for single family bond programs	87,688,652	-	-	87,688,652
Restricted for Section 8 Voucher Program	-	2,855,547	-	2,855,547
Unrestricted	-	46,351,777	-	46,351,777
Total net position	$ 87,688,652	$ 52,144,146	$ -	$ 139,832,798

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended September 30, 2013

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Operating Revenues				
Investment income	$ 28,717,507	$ 938,110	$ -	$ 29,655,617
Program loan income	45,332	25,626	-	70,958
Net decrease in fair value of investments	(23,226,900)	(1,245,206)	-	(24,472,106)
Realized gain on sale of investments	-	1,067,367	-	1,067,367
Fees and other income	675,678	12,555,726	(1,550,242)	11,681,162
Total operating revenues	6,211,617	13,341,623	(1,550,242)	18,002,998
Operating Expenses				
Interest on bonds and notes payable	22,684,595	27,796	-	22,712,391
Mortgage servicing fees	2,567,320	-	-	2,567,320
Trustees, issuer and other fees	1,654,889	-	(1,550,242)	104,647
Homebuyer assistance payments	4,029,430	-	-	4,029,430
Bond issue costs	1,379,287	-	-	1,379,287
Salaries and related expenses	-	8,720,024	-	8,720,024
Other general and administrative	-	3,297,909	-	3,297,909
Total operating expenses	32,315,521	12,045,729	(1,550,242)	42,811,008
Operating income (loss)	(26,103,904)	1,295,894	-	(24,808,010)
Nonoperating revenues (expenses):				
Federal and state program income	-	126,791,139	-	126,791,139
Federal and state program expenses	-	(128,344,792)	-	(128,344,792)
Total nonoperating loss	-	(1,553,653)	-	(1,553,653)
Loss before transfers	(26,103,904)	(257,759)	-	(26,361,663)
Transfers	4,923,622	(4,923,622)	-	-
Decrease in net position	(21,180,282)	(5,181,381)	-	(26,361,663)
Total net position, beginning of year	108,868,934	57,325,527	-	166,194,461
Total net position, end of year	$ 87,688,652	$ 52,144,146	$ -	$139,832,798

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS

Year ended September 30, 2013

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Cash Flows from Operating Activities				
Receipts (payments) from (of) fees	$ 675,678	$ 12,457,958	$ (1,550,242)	$ 11,583,394
Receipts from program loan payments	-	919,635	-	919,635
Receipts from other sources	-	341,215	-	341,215
Payments to employees	-	(8,402,144)	-	(8,402,144)
Payments to suppliers	-	(2,841,140)	-	(2,841,140)
Payment for purchases of program loans	-	(626,085)	-	(626,085)
Payments for bond fees	(4,941,391)	-	-	(4,941,391)
Payments for trustee and other fees	(1,654,889)	-	1,550,242	(104,647)
Payments for homebuyer assistance	(4,029,430)	-	-	(4,029,430)
Net cash provided by (used in) operating activities	(9,950,032)	1,849,439	-	(8,100,593)
Cash Flows from Noncapital Financing Activities				
Proceeds from issuance of bonds and notes payable	168,912,510	34,829,000	-	203,741,510
Principal paid on bonds and notes payable	(205,928,706)	(61,330,726)	-	(267,259,432)
Interest paid on bonds and notes payable	(22,919,708)	(34,176)	-	(22,953,884)
Payment of bond issuance costs	(69,394)	-	-	(69,394)
Receipt of federal and state program income	-	126,791,139	-	126,791,139
Payment of federal and state program expenses	-	(128,344,792)	-	(128,344,792)
Transfers	4,923,622	(4,923,622)	-	-
Net cash used in noncapital financing activities	(55,081,676)	(33,013,177)	-	(88,094,853)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(354,381)	-	(354,381)
Net cash used in capital and related financing activities	-	(354,381)	-	(354,381)
Cash Flows from Investing Activities				
Purchase of investments	(146,893,285)	(122,946,203)	-	(269,839,488)
Proceeds from sales and maturities of investments	135,496,007	144,995,255	-	280,491,262
Interest received on investments	28,912,036	1,002,150	-	29,914,186
Net cash provided by investing activities	17,514,758	23,051,202	-	40,565,960
Net decrease in cash	(47,516,950)	(8,466,917)	-	(55,983,867)
Cash and cash equivalents, beginning of year	87,206,747	18,146,167	-	105,352,914
Cash and cash equivalents, end of year	$ 39,689,797	$ 9,679,250	$ -	$ 49,369,047
Cash and Cash Equivalents as Reported in Statement of Net Position				
Unrestricted	$ -	$ 9,679,250	$ -	$ 9,679,250
Restricted	39,689,797	-	-	39,689,797
	$ 39,689,797	$ 9,679,250	$ -	$ 49,369,047

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS (continued)

Year ended September 30, 2013

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	$ (26,103,904)	$ 1,295,894	$ -	$ (24,808,010)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	325,580	-	325,580
Interest from investments	(28,762,839)	(938,110)	-	(29,700,949)
Net decrease in fair value of investments	23,226,900	1,245,206	-	24,472,106
Realized gain on sale of investments	-	(1,067,367)	-	(1,067,367)
Loss on disposal of capital assets	-	376	-	376
Interest on bonds and notes payable	22,684,595	27,796	-	22,712,391
Change in operating assets and liabilities:				
Accounts receivable	-	(138,181)	-	(138,181)
Prepaid expenses	-	(315,373)	-	(315,373)
Program loans receivable	-	822,955	-	822,955
Accounts payable and accrued expenses	(994,784)	213,623	-	(781,161)
Unearned revenue	-	381,628	-	381,628
Compensated absences	-	(4,588)	-	(4,588)
Net cash provided by (used in) operating activities	$ (9,950,032)	$ 1,849,439	$ -	$ (8,100,593)

OTHER REPORT

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

We have audited, in accordance with the 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, the financial statements of Oklahoma Housing Finance Agency (the Agency), which comprise the statement of net position as of September 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hogan Taylor LLP

January 27, 2014