OKLAHOMA HOUSING FINANCE AGENCY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 and 2013

WITH

INDEPENDENT AUDITOR'S REPORTS

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, which collectively comprise the Agency's basic financial statements as listed in the table of contents, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements.

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 financial position of the Agency as of September 30, 2014 and 2013, 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.

Other Matters

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 9 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 supplemental 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 20, 2015 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 20, 2015

OKLAHOMA HOUSING FINANCE AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

September 30, 2014

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, 2014 and 2013. 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 basic financial statements, notes to financial statements, and supplemental information.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report of OHFA consists of three sections: management's discussion and analysis, the basic financial statements, and supplemental information. OHFA's basic financial statements include: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Fund Net Position; the Statement of Cash Flows; and the Notes to the Basic 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 measure the activities of OHFA's operations over the past year and present 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 Agency.

FINANCIAL HIGHLIGHTS

Year ended September 30, 2014

- Total assets decreased by $75.4 million.
- Total liabilities decreased by $78.6 million.
- Net position increased by $2.9 million.
- Made 669 single family mortgage loans available to first time homebuyers compared to 1,158 in 2013.
- Provided 121,841 unit months of Section 8 rental assistance compared to 121,133 in 2013.
- Paid $49.0 million in rental assistance to benefit Section 8 voucher holders compared to $49.7 million in 2013.
- Paid $70.8 million in rental assistance to project based Section 8 properties compared to $70.3 million in 2013.

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 Loan Program makes affordable home loans available to first time homebuyers through proceeds from mortgage revenue bonds or selling mortgage backed securities in the open market via the "To Be Announced" (TBA) program. The TBA program also provides affordable mortgages with down payment and closing cost assistance to borrowers without the first time home buyer requirement.

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 2014 duties consisted of 190 contracts, totaling 12,864 assisted units, compared to 2013 duties of 190 contracts, totaling 12,894 assisted units. The Agency receives a fee to administer the program based on the number of units under contract.

CONDENSED FINANCIAL INFORMATION

Statement of Net position

The following table presents condensed statements of net position for the Agency as of September 30, 2014, 2013 and 2012 (in millions):

Condensed Statements of Net position

	2014	2013	2012
Assets			
Current assets	$ 35.8	$ 16.3	$ 22.5
Noncurrent assets:			
Restricted	513.8	581.9	642.2
Net capital assets	3.0	2.9	2.9
Unrestricted	18.8	45.7	70.1
Total assets	571.4	646.8	737.7
Deferred Outflows	-	0.3	-
Liabilities			
Current liabilities	15.1	27.1	97.4
Noncurrent liabilities	413.6	480.2	474.1
Total liabilities	428.7	507.3	571.5
Net Position			
Invested in capital assets	3.0	2.9	2.9
Restricted for single family bond programs	87.0	87.7	108.9
Restricted for Section 8 Voucher Program	0.8	2.9	3.9
Unrestricted	51.9	46.3	50.5
Total net position	$ 142.7	$ 139.8	$ 166.2

Explanations of significant variances between 2014 and 2013 on the condensed statements of net position follow:

The decrease in total assets of $75.4 million is primarily due to the net effect of 1) adding $66.7 million of new assets and related bonds and notes payable from new bond issues and, 2) paying down $144.9 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 $2.9 million net position increase realized by the Agency.

The decrease in total liabilities of $78.6 million is primarily due to the net effect of three factors. The addition of a new single family bond programs increased bonds payable by $56.3 million in 2014. Payments and pre-payments of $122.8 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 $11.1 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 $0.7 million decrease in net position restricted for Single Family Bond Programs is a result of $1.9 million of net operating income (including a $1.0 million net increase in the fair value of investments) and a transfer of $2.6 million from the Single Family Bond program to the Agency.

The Section 8 Voucher Program is included in the Agency General Fund and that program's net position, which is restricted, decreased by $2.1 million due to receiving $2.1 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 $0.8 million and $2.9 million, respectively, as of September 30, 2014 and 2013.

The increase in Agency General Fund unrestricted net position of $5.6 million is due to $3.1 million in net operating income (excluding Single Family Bond Programs) less expenditures of $0.1 million of unrestricted net position for net position invested in capital assets plus a transfer of $2.6 million from the Single Family Bond program to the Agency General Fund.

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 decrease 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 allows 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 $64.2 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 $3.8 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.

Revenues, Expenses and Changes in Net position

The following table presents condensed statements of revenues, expenses and changes in net position for the Agency for the years ended September 30, 2014, 2013, and 2012 (in millions):

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2014	2013	2012
Operating and Nonoperating Revenues			
Investments and program loans	$ 25.9	$ 29.7	$ 33.0
Net increase in fair value of investments	0.9	(24.5)	0.5
Fees and other income	11.1	11.7	12.5
Gain on sale of investments	1.4	1.1	2.0
Federal and state program income	124.2	126.8	147.3
Total revenues	163.5	144.8	195.3
Operating and Nonoperating Expenses			
Interest on bonds and notes	18.5	22.7	25.2
Other bond program expenses	4.2	8.1	5.6
Salaries, general and administrative	11.6	12.0	11.6
Federal and state program expenses	126.3	128.4	150.6
Total expenses	160.6	171.2	193.0
Increase in net position	2.9	(26.4)	2.3
Net position at beginning of year	139.8	166.2	163.9
Net position at end of year	$ 142.7	$ 139.8	$ 166.2

Explanations of significant fluctuations between 2014 and 2013 in revenues, expenses, and changes in net position follow:

The net decrease in interest income from investments and program loans of $3.8 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 loans are added to the portfolio and MBS being sold into the market via the TBA program instead of being placed into a bond issue due to market conditions. 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 $0.9 million for 2014 was due to market interest rates being lower than in the previous year, causing an increase in the value of older, higher yielding interest rate securities. The market values of fixed interest rate investments typically have an inverse relationship to interest rates.

The gain on sale of investments of $1.4 million is due to the Agency capitalizing on an opportunity to sell newly pooled Single Family Loan Program mortgage backed securities at a gain on the open market via the TBA program.

Federal program income decreased by $2.6 million due primarily to the net effect of a $0.5 million increase in the Section 8 Contract Administration Program revenue, a $1.2 million decrease in the HOME Investment Partnership program revenue, and a $1.9 million decrease in the Section 8 Voucher program revenue.

Interest expense on bonds and notes payable decreased by $4.2 million in 2014 from 2013. Bonds and notes payable are $78.2 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.

Federal program expenses decreased by $2.0 million due primarily to the net effect of a $0.5 million increase in the Section 8 Contract Administration Program expenses, a $1.2 million decrease in the HOME Investment Partnership program expenses, and a $0.8 million decrease in the Section 8 Voucher program expenses, and a $0.5 million decrease in Disaster Housing Assistance Grant expenses.

The increase in net position of $2.9 million from 2013 to 2014 is primarily due to an operating income of $5.0 million, offset by a $2.1 million decrease in net position due to a $2.1 million nonoperating loss due to OHFA receiving $2.1 million less in federal program revenues than federal program expenses.

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 $26.4 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 $1.6 million of the decrease in net position is due to a $1.6 million nonoperating loss due to OHFA receiving $1.6 million less in federal program revenues than federal program expenses.

Capital Assets and Long-Term Debt Administration

Capital Assets

As of September 30, 2014, the Agency had invested $3.0 million in a broad range of capital assets, including buildings and building improvements, land and furniture and equipment. This amount represents a net change of $0.1 million (including additions and disposals).

Long-Term Debt

As of September 30, 2014, the Agency had $424.7 million in bonds and notes payable outstanding, which is a decrease of 15.5% from last year's amount of $502.9 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, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 29,185,676	$ 9,679,250
Investments	5,532,733	5,351,246
Accounts receivable (net of an allowance for doubtful accounts of $665,759 and $672,398 for 2014 and 2013, respectively)	113,851	412,638
Accounts receivable - U.S. Department of Housing and Urban Development	585,252	319,057
Prepaid expenses	355,281	336,019
Interest receivable	62,808	204,459
Total current assets	35,835,601	16,302,669
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	25,824,460	39,689,797
Investments	485,723,009	539,561,081
Interest receivable	1,760,000	2,047,451
Program loans receivable (net of allowance of $555,033 and $555,033 for 2014 and 2013, respectively)	492,191	620,023
Long-term investments	18,750,256	45,642,005
Nondepreciated capital assets	550,000	550,000
Capital assets, net	2,422,133	2,386,822
Total noncurrent assets	535,522,049	630,497,179
Total assets	571,357,650	646,799,848
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivatives	7,689	281,252
Liabilities		
Current liabilities:		
Salaries and related expenses	373,926	341,464
Accounts payable - vendors and contractors	94,720	201,123
Accounts payable - U.S. Department of Housing and Urban Development	2,364	6,952
Accounts payable - Family Self Sufficiency Program	379,694	337,995
Accounts payable - other	261,582	172,669
Hedging payable	7,689	281,252
Unearned revenue	350,031	362,409
Compensated absences	1,113,676	953,475
Interest payable	1,398,676	1,704,290
Current maturities of bonds and notes payable	11,145,082	22,963,400
Total current liabilities	15,127,440	27,325,029
Noncurrent liabilities:		
Bonds and notes payable, less current maturities	413,553,223	479,923,273
Total noncurrent liabilities	413,553,223	479,923,273
Total liabilities	428,680,663	507,248,302
Net Position		
Invested in capital assets	2,972,133	2,936,822
Restricted for single family bond programs	87,038,145	87,688,652
Restricted for Section 8 Voucher Program	793,306	2,855,547
Unrestricted	51,881,092	46,351,777
Total net position	$ 142,684,676	$ 139,832,798

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended September 30, 2014 and 2013

	2014	2013
Operating Revenues		
Investment income	$ 25,853,735	$ 29,655,617
Program loan income	32,370	70,958
Net increase (decrease) in fair value of investments	915,653	(24,472,106)
Realized gain on sale of investments	1,380,237	1,067,367
Fees and other income	11,103,542	11,681,162
Total operating revenues	39,285,537	18,002,998
Operating Expenses		
Interest on bonds and notes payable	18,498,325	22,712,391
Mortgage servicing fees	2,453,824	2,567,320
Trustees, issuer and other fees	94,024	104,647
Homebuyer assistance payments	1,105,689	4,029,430
Bond issue costs	568,035	1,379,287
Salaries and related expenses	8,888,659	8,720,024
Other general and administrative	2,698,099	3,297,909
Total operating expenses	34,306,655	42,811,008
Operating income (loss)	4,978,882	(24,808,010)
Nonoperating revenue (expenses):		
Federal and state program income	124,209,577	126,791,139
Federal and state program expenses	(126,336,581)	(128,344,792)
Total nonoperating loss	(2,127,004)	(1,553,653)
Increase (decrease) in net position	2,851,878	(26,361,663)
Total net position, beginning of year	139,832,798	166,194,461
Total net position, end of year	$ 142,684,676	$ 139,832,798

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS

Years ended September 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Receipts from fees	$ 10,514,741	$ 11,583,394
Receipts from program loan payments	183,901	919,635
Receipts from other sources	282,815	341,215
Payments to employees	(8,695,996)	(8,402,144)
Payments to suppliers	(1,965,824)	(2,841,140)
Payments for purchases of program loans	(46,342)	(626,085)
Payments for bond fees	(2,401,187)	(4,941,391)
Payments for trustee and other fees	(203,792)	(104,647)
Payments for homebuyer assistance	(1,105,689)	(4,029,430)
Net cash used in operating activities	(3,437,373)	(8,100,593)
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds and notes payable	66,693,996	203,741,510
Principal paid on bonds and notes payable	(144,882,364)	(267,259,432)
Interest paid on bonds and notes payable	(18,803,939)	(22,953,884)
Payment of bond issuance costs	(568,035)	(69,394)
Receipt of federal and state program income	124,209,577	126,791,139
Payment of federal and state program expenses	(126,336,581)	(128,344,792)
Net cash used in noncapital financing activities	(99,687,346)	(88,094,853)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(383,895)	(354,381)
Net cash used in capital and related financing activities	(383,895)	(354,381)
Cash Flows from Investing Activities		
Purchase of investments	(174,209,642)	(269,839,488)
Proceeds from sales and maturities of investments	257,053,866	280,491,262
Interest received on investments	26,305,479	29,914,186
Net cash provided by investing activities	109,149,703	40,565,960
Net increase (decrease) in cash	5,641,089	(55,983,867)
Cash and cash equivalents, beginning of year	49,369,047	105,352,914
Cash and cash equivalents, end of year	$ 55,010,136	$ 49,369,047
Cash and Cash Equivalents as Reported in Statement of Net Position		
Unrestricted	$ 29,185,676	$ 9,679,250
Restricted	25,824,460	39,689,797
	$ 55,010,136	$ 49,369,047

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS (continued)

Years ended September 30, 2014 and 2013

	2014	2013
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities		
Operating income (loss)	$ 4,978,882	$ (24,808,010)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	347,772	325,580
Interest from investments	(25,876,377)	(29,700,949)
Bond issue costs	568,035	-
Net (increase) decrease in fair value of investments	(915,653)	24,472,106
Realized (gain) loss on sale of investments	(1,380,237)	(1,067,367)
Loss on disposal of capital assets	812	376
Interest on bonds and notes payable	18,498,325	22,712,391
Change in operating assets and liabilities:		
Accounts receivable	(20,045)	(138,181)
Prepaid expenses	254,301	(315,373)
Program loans receivable	127,832	822,955
Accounts payable and accrued expenses	104,720	(783,045)
Unearned revenue	(285,941)	383,512
Compensated absences	160,201	(4,588)
Net cash used in operating activities	$ (3,437,373)	$ (8,100,593)

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.

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.*

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 2014 and 2013 net operating income (loss) would have been $4,063,229 and $(335,904), 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, 2014 and 2013.

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, 2014 and 2013, was $347,772 and $325,580, 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, 2014 and 2013, the Agency was not exposed to custodial credit risk.

As of September 30, 2014 and 2013, $25,936,495 and $39,735,773, respectively, 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, 2014			
		Investment Maturity		
	Fair Value	Less than One Year	One to Three Years	Greater Than Three Years
Agency General Fund:				
GNMA pooled loans	$ 4,457,552	$ -	$ -	$ 4,457,552
Corporate bonds	1,606,176	-	1,606,176	-
Federal National Mortgage Association	-	-	-	-
Federal Farm Credit Bank	498,600	-	498,600	-
Certificates of deposit	17,111,003	5,524,939	11,586,064	
Municipal bonds	609,658	-	609,658	-
Total investments in securities	24,282,989	$ 5,524,939	$14,300,498	$ 4,457,552
Single Family Bond Programs:				
GNMA pooled loans	444,919,033			
FNMA pooled loans	39,449,469			
Guaranteed investment contracts	1,354,507			
Total investments	$510,005,998			

	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			

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:

	2014	2013
Current:		
Agency General Fund	$ 5,532,733	$ 5,351,246
Noncurrent:		
Restricted - Single Family Bond Programs	485,723,009	539,561,081
Agency General Fund	18,750,256	45,642,005
Total noncurrent	504,473,265	585,203,086
Total investments	$510,005,998	$590,554,332

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, 2014			September 30, 2013		
	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	$ 4,457,552		0.9%	$ 31,189,385	*	5.2%
Corporate bonds	1,606,176		0.3%	1,642,194		0.3%
Federal National Mortgage Association	-		0.0%	775,475		0.1%
Federal Farm Credit Bank	498,600		0.1%	496,725		0.1%
Certificates of deposit	17,111,003		3.4%	16,889,472		2.9%
Municipal bonds	609,658		0.1%	-		0.0%
	24,282,989		4.8%	50,993,251		8.6%
Single Family Bond Programs:						
GNMA pooled loans	444,919,033	*	87.2%	483,786,761	*	81.9%
FNMA pooled loans	39,449,469	*	7.7%	52,989,977	*	9.0%
Guaranteed investment contracts	1,354,507		0.3%	2,784,343		0.5%
	485,723,009		95.2%	539,561,081		91.4%
Total investments	$ 510,005,998		100.0%	$ 590,554,332		100.0%

Mortgage-backed security (MBS) forward contracts

Beginning in 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, 2014, are as follows:

Forward Contracts to Sell TBA Mortgage-Backed Securities	Notional Amount September 30, 2014	Trade Date	Delivery Date	Coupon Rate	Net Fair Values as Reported in the Statement of Net Position at September 30, 2014
Bank of America Merrill Lynch					
GNMA II	$ 1,500,000	7/23/2014	10/23/2014	4.00%	$ 469
GNMA II	1,000,000	7/25/2014	10/23/2014	4.00%	(3,750)
GNMA II	552,500	9/12/2014	10/23/2014	4.00%	(1,986)
Bank of New York Mellon					
GNMA II	1,000,000	8/12/2014	10/23/2014	4.00%	(2,422)
	$ 4,052,500				$ (7,689)

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)
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:

	2014	2013
Single Family Program Funds, Special Securities (1993 A & B), bearing interest at 8.50% - 8.95%, maturing December 2014, AMBAC insured.	$ 8,363	$ 17,976
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.	241,976	249,383
Housing Trust Fund, Verde Investments, bearing interest at 1.00%, 18-month term, maturity October 2015.	46,342	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	255,033
Allowance for doubtful accounts	(555,033)	(555,033)
	$ 492,191	$ 620,023

Note 5 – Capital Assets

Capital assets activity for the year ended September 30, 2014, 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	2,865,203	383,895	(132,538)	3,116,560
Building	2,409,299	-	-	2,409,299
Improvements	1,461,411	-	-	1,461,411
Total capital assets being depreciated	6,735,913	383,895	(132,538)	6,987,270
Less accumulated depreciation:				
Furniture and equipment	(2,548,738)	(206,688)	131,726	(2,623,700)
Building	(696,869)	(60,234)	-	(757,103)
Improvements	(1,103,484)	(80,850)	-	(1,184,334)
Total accumulated depreciation	(4,349,091)	(347,772)	131,726	(4,565,137)
Total capital assets being depreciated	2,386,822	36,123	(812)	2,422,133
Capital assets, net	$ 2,936,822	$ 36,123	$ (812)	$ 2,972,133

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

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, nor any political subdivision thereof, is obligated in any manner for repayment of these bonds.

As of September 30, 2014 and 2013, there were three series and two series of multi-family bonds outstanding with an aggregate principal amount payable of $11,263,148 and $6,641,243, 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, 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.

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 (0.24% at September 30, 2014), matures April 24, 2015, and is collateralized by investment securities. The outstanding balance as of September 30, 2014 and 2013, was $0 and $11,100,000, 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		Maturity Through	Ending Balance 9/30/2012	Additions	Reductions	Ending Balance 9/30/2013	Additions	Reductions	Ending Balance 9/30/2014	Amount Due in One Year
1987 A	5/28/1987	n/a	n/a	n/a	$ 1,375,000	$ -	$ 755,000	$ 620,000	$ -	$ 620,000	$ -	$ -
1991 A&B	11/1/1991	7.35%	7.35%	11/1/2024	634,376	-	98,706	535,670	-	126,874	408,796	42,000
2003 A	1/31/2003	n/a	n/a	n/a	3,765,000	-	2,235,000	1,530,000	-	1,530,000	-	-
2003 B	5/30/2003	n/a	n/a	n/a	11,825,000	-	2,455,000	9,370,000	-	9,370,000	-	-
2003 C	8/22/2003	n/a	n/a	n/a	8,525,000	-	1,520,000	7,005,000	-	7,005,000	-	-
2004 A	4/20/2004	n/a	n/a	n/a	9,225,000	-	2,315,000	6,910,000	-	6,910,000	-	-
2004 B	7/8/2004	n/a	n/a	n/a	12,370,000	-	2,800,000	9,570,000	-	9,570,000	-	-
2005 A	1/21/2005	4.15%	5.75%	9/1/2035	12,250,000	-	2,365,000	9,885,000	-	1,935,000	7,950,000	225,000
2005 B	6/15/2005	4.30%	5.35%	3/1/2036	15,650,000	-	3,605,000	12,045,000	-	2,350,000	9,695,000	225,000
2005 C	7/7/2005	3.85%	5.70%	3/1/2036	16,835,000	-	3,565,000	13,270,000	-	3,090,000	10,180,000	275,000
2005 D	10/7/2005	4.35%	5.95%	9/1/2036	6,980,000	-	2,370,000	4,610,000	-	1,165,000	3,445,000	85,000
2006 A	1/12/2006	4.30%	6.00%	3/1/2037	14,425,000	-	3,440,000	10,985,000	-	2,380,000	8,605,000	195,000
2006 B	3/22/2006	4.25%	5.75%	9/1/2037	16,490,000	-	4,570,000	11,920,000	-	3,840,000	8,080,000	215,000
2006 C	5/18/2006	4.65%	5.95%	9/1/2037	16,055,000	-	4,725,000	11,330,000	-	3,285,000	8,045,000	180,000
2006 D	10/1/2006	4.25%	5.88%	9/1/2037	17,035,000	-	4,745,000	12,290,000	-	2,635,000	9,655,000	240,000
2007 A	2/1/2007	4.35%	5.80%	3/1/2038	24,270,000	-	5,765,000	18,505,000	-	5,315,000	13,190,000	170,000
2007 B	5/1/2007	4.25%	5.95%	9/1/2038	19,110,000	-	6,060,000	13,050,000	-	3,275,000	9,775,000	150,000
2007 C	7/1/2007	5.05%	6.30%	9/1/2038	17,005,000	-	5,210,000	11,795,000	-	4,425,000	7,370,000	35,000
2007 D	10/1/2007	5.05%	5.75%	3/1/2039	19,135,000	-	5,205,000	13,930,000	-	4,275,000	9,655,000	175,000
2008 A	7/9/2008	4.90%	6.80%	3/1/2039	11,165,000	-	3,280,000	7,885,000	-	3,055,000	4,830,000	235,000
2008 B	9/30/2008	3.85%	6.50%	3/1/2039	21,960,000	-	5,725,000	16,235,000	-	3,485,000	12,750,000	385,000
2009 A	5/2/2009	3.25%	5.25%	9/1/2029	19,090,000	-	5,120,000	13,970,000	-	4,125,000	9,845,000	855,000
2009 B	9/2/2009	3.00%	5.15%	9/1/2036	23,245,000	-	5,310,000	17,935,000	-	3,965,000	13,970,000	595,000
2009 C	12/18/2009	n/a	n/a	n/a	42,000,000	-	42,000,000	-	-	-	-	-
2010 A	10/1/2010	4.38%	4.50%	9/1/2027	43,270,000	-	29,945,000	13,325,000	-	2,835,000	10,490,000	655,000
2011 A	5/19/2011	1.85%	5.00%	3/1/2028	55,805,000	-	38,025,000	17,780,000	-	3,415,000	14,365,000	815,000
2011 B	11/4/2011	1.60%	4.75%	9/1/2041	68,255,000	-	7,620,000	60,635,000	-	7,810,000	52,825,000	940,000
2012 A	12/5/2012	0.70%	5.00%	9/1/2043	-	105,500,000	2,505,000	102,995,000	-	7,375,000	95,620,000	1,965,000
2013 A&B	4/30/2013	2.75%	3.00%	9/1/2041	-	57,295,000	2,595,000	54,700,000	-	8,300,000	46,400,000	1,151,720
2013 C&D	10/30/2013	3.35%	3.75%	3/1/2044	-	-	-	-	56,293,996	5,315,379	50,978,617	1,336,362
Total Single Family Bond Programs					527,749,376	162,795,000	205,928,706	484,615,670	56,293,996	122,782,253	418,127,413	11,145,082
Agency Line of Credit	4/26/10	0.24%	0.24%	4/24/15	37,601,726	34,829,000	61,330,726	11,100,000	10,400,000	21,500,000	-	-
Total bonds and notes payable					$ 565,351,102	$ 197,624,000	$ 267,259,432	$ 495,715,670	$ 66,693,996	$ 144,282,253	$ 418,127,413	$ 11,145,082
Unamortized premium					1,053,495	6,396,318	278,810	7,171,003	-	600,111	6,570,892	
Total bonds and notes payable including unamortized premium					$ 566,404,597	$ 204,020,318	$ 267,538,242	$ 502,886,673	$ 66,693,996	$ 144,882,364	$ 424,698,305	$ 11,145,082

Debt requirements on bonds and notes payable at September 30, 2014, are as follows (in thousands):

	2015	2016	2017	2018	2019	2020-24	2025-29	2030-34	2035-39	2040+	Total
Principal and interest	$ 27,842	$ 27,930	$ 28,170	$ 28,084	$ 28,087	$ 138,851	$ 134,017	$ 119,551	$ 91,747	$ 38,433	$ 662,712
Less interest	16,697	16,334	16,130	15,643	15,131	67,109	49,391	31,486	13,598	3,066	244,585
Total principal	$ 11,145	$ 11,596	$ 12,040	$ 12,441	$ 12,956	$ 71,742	$ 84,626	$ 88,065	$ 78,149	$ 35,367	418,127
Unamortized Premium											6,571
											$ 424,698

Note 8 – Retirement Plans

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

All employees hired after June 30, 1997, are required to participate in the OPERS Plan. The OPERS Plan is a multi-employer public employee retirement plan, which is a defined benefit pension plan. The benefit provisions of the OPERS Plan are established by state statute. The contribution rates for employees and participating employers are as follows: employees – 3.5% of all allowable compensation; employers – 15.5% of allowable annual compensation beginning July 1, 2009, and 16.5% of allowable compensation for July 1, 2011. There is no maximum compensation level for retirement purposes. OHFA is currently 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 2014, 2013, and 2012, were $1,035,494, $1,031,674 and $1,029,283, 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, in the opinion of management. 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

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2014, appears on pages 1 and 2. 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 20, 2015

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OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2014

	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	$ -	$ 6,164	$ 13,296,125	$ -	$ -	$ -	$ -
Investments	-	435,767	17,000,118	-	-	-	-
Interest receivable	-	2,530	73,071	-	-	-	-
Total assets	-	444,461	30,369,314	-	-	-	-
Liabilities							
Current liabilities:							
Accounts payable	-	-	300	-	-	-	-
Interest payable	-	2,504	-	-	-	-	-
Current maturities of bonds payable	-	42,000	-	-	-	-	-
Total current liabilities	-	44,504	300	-	-	-	-
Noncurrent liabilities:							
Bonds payable, less current maturities	-	366,796	-	-	-	-	-
Total liabilities	-	411,300	300	-	-	-	-
Net Position							
Restricted for single family bond programs	$ -	$ 33,161	$ 30,369,014	$ -	$ -	$ -	$ -

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2014

	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	$ -	$ 377,102	$ 276,310	$ 374,775	$ 55,385	$ 578,689	$ 272,990
Investments	-	9,187,684	12,276,840	11,741,867	4,127,105	9,808,829	10,890,466
Interest receivable	-	37,460	50,281	47,211	16,722	40,428	46,723
Total assets	-	9,602,246	12,603,431	12,163,853	4,199,212	10,427,946	11,210,179
Liabilities							
Current liabilities:							
Accounts payable	-	883	1,398	1,350	193	921	2,496
Interest payable	-	32,325	39,270	41,385	14,815	37,788	34,591
Current maturities of bonds payable	-	225,000	225,000	275,000	85,000	195,000	215,000
Total current liabilities	-	258,208	265,668	317,735	100,008	233,709	252,087
Noncurrent liabilities:							
Bonds payable, less current maturities	-	7,725,000	9,470,000	9,905,000	3,360,000	8,410,000	7,865,000
Total liabilities	-	7,983,208	9,735,668	10,222,735	3,460,008	8,643,709	8,117,087
Net Position							
Restricted for single family bond programs	$ -	$ 1,619,038	$ 2,867,763	$ 1,941,118	$ 739,204	$ 1,784,237	$ 3,093,092

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2014

	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	$ 420,116	$ 383,596	$ 707,037	$ 750,483	$ 457,307	$ 626,652	$ 502,844
Investments	9,752,269	11,288,583	14,553,723	10,575,917	8,094,663	10,795,078	8,016,526
Interest receivable	42,294	48,745	62,202	45,701	36,778	47,187	37,141
Total assets	10,214,679	11,720,924	15,322,962	11,372,101	8,588,748	11,468,917	8,556,511
Liabilities							
Current liabilities:							
Accounts payable	1,233	1,396	4,845	1,400	1,098	1,384	1,092
Interest payable	36,499	41,621	55,946	43,553	36,091	43,764	24,909
Current maturities of bonds payable	180,000	240,000	170,000	150,000	35,000	175,000	235,000
Total current liabilities	217,732	283,017	230,791	194,953	72,189	220,148	261,001
Noncurrent liabilities:							
Bonds payable, less current maturities	7,865,000	9,415,000	13,020,000	9,625,000	7,335,000	9,480,000	4,595,000
Total liabilities	8,082,732	9,698,017	13,250,791	9,819,953	7,407,189	9,700,148	4,856,001
Net Position							
Restricted for single family bond programs	$ 2,131,947	$ 2,022,907	$ 2,072,171	$ 1,552,148	$ 1,181,559	$ 1,768,769	$ 3,700,510

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, 2014

	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	$ 382,034	$ 154,858	$ 358,762	$ 341,697	$ 330,968	$ 491,162	$ 738,656
Investments	14,814,278	17,527,313	18,737,837	-	30,443,159	44,846,697	46,040,760
Interest receivable	67,373	70,105	77,912	3	112,005	154,025	156,601
Total assets	15,263,685	17,752,276	19,174,511	341,700	30,886,132	45,491,884	46,936,017
Liabilities							
Current liabilities:							
Accounts payable	1,897	2,303	2,447	-	14,303	22,101	21,974
Interest payable	60,304	36,651	53,743	-	39,039	55,435	127,194
Current maturities of bonds payable	385,000	855,000	595,000	-	655,000	815,000	940,000
Total current liabilities	447,201	893,954	651,190	-	708,342	892,536	1,089,168
Noncurrent liabilities:							
Bonds payable, less current maturities	12,365,000	8,990,000	13,375,000	-	9,835,000	13,550,000	52,700,338
Total liabilities	12,812,201	9,883,954	14,026,190	-	10,543,342	14,442,536	53,789,506
Net Position							
Restricted for single family bond programs	$ 2,451,484	$ 7,868,322	$ 5,148,321	$ 341,700	$ 20,342,790	$ 31,049,348	$ (6,853,489)

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, 2014

	2012 Series A 2009 C-4	2013 Series A & B	2013 Series C & D	Total Single Family Bond Programs
Assets				
Noncurrent assets:				
Cash and cash equivalents	$ 2,445,340	$ 792,482	$ 702,926	$ 25,824,460
Investments	105,146,435	-	59,621,095	485,723,009
Interest receivable	293,632	7	193,863	1,760,000
Total assets	107,885,407	792,489	60,517,884	513,307,469
Liabilities				
Current liabilities:				
Accounts payable	51,940	16,312	19,077	172,343
Interest payable	279,076	111,729	150,444	1,398,676
Current maturities of bonds payable	1,965,000	1,151,720	1,336,362	11,145,082
Total current liabilities	2,296,016	1,279,761	1,505,883	12,716,101
Noncurrent liabilities:				
Bonds payable, less current maturities	99,060,173	45,598,661	49,642,255	413,553,223
Total liabilities	101,356,189	46,878,422	51,148,138	426,269,324
Net Position				
Restricted for single family bond programs	$ 6,529,218	$ (46,085,933)	$ 9,369,746	$ 87,038,145

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

Year ended September 30, 2014

	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	$ 98,313	$ 37,448	$ 1,032,846	$ 5,885	$ 7,130	$ 5,463	$ 3,282
Program loan income	-	-	22,642	-	-	-	-
Net increase (decrease) in fair value of investments	-	(26,541)	(63,990)	-	-	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	98,313	10,907	991,498	5,885	7,130	5,463	3,282
Operating Expenses							
Interest on bonds payable	19,392	35,159	-	8,871	48,697	43,405	38,490
Mortgage servicing fees	6,851	2,394	76,951	3,502	5,014	3,508	3,277
Trustees, issuer and other fees	1,421	695	40,670	-	-	-	-
Homebuyers assistance payments	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Other general and administrative	-	-	-	-	-	12,550	84,200
Total operating expenses	27,664	38,248	117,621	12,373	53,711	59,463	125,967
Operating income (loss) before transfers	70,649	(27,341)	873,877	(6,488)	(46,581)	(54,000)	(122,685)
Equity transfers in (out)	-	-	6,142,346	(5,295,010)	(1,809,601)	(1,184,003)	(1,247,592)
Operating transfers in (out)	(1,329,591)	-	-	-	-	-	-
Net income (loss)	(1,258,942)	(27,341)	7,016,223	(5,301,498)	(1,856,182)	(1,238,003)	(1,370,277)
Total net position, beginning of year	1,258,942	60,502	23,352,791	5,301,498	1,856,182	1,238,003	1,370,277
Total net position, end of year	$ -	$ 33,161	$ 30,369,014	$ -	$ -	$ -	$ -

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, 2014

	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	$ 8,233	$ 545,193	$ 711,241	$ 702,363	$ 239,916	$ 598,615	$ 722,149
Program loan income	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	-	(42,132)	(33,022)	(95,217)	(19,710)	(66,935)	(129,502)
Other income	-	-	1,554	-	-	-	-
Total operating revenues	8,233	503,061	679,773	607,146	220,206	531,680	592,647
Operating Expenses							
Interest on bonds payable	61,804	456,261	551,522	612,411	215,538	524,468	539,995
Mortgage servicing fees	4,798	46,867	60,715	61,347	20,765	50,711	55,359
Trustees, issuer and other fees	-	15,902	23,289	23,088	5,863	17,103	39,642
Homebuyers assistance payments	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Other general and administrative	-	-	-	-	-	-	-
Total operating expenses	66,602	519,030	635,526	696,846	242,166	592,282	634,996
Operating income (loss) before transfers	(58,369)	(15,969)	44,247	(89,700)	(21,960)	(60,602)	(42,349)
Equity transfers in (out)	(1,998,563)	-	(1,554)	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(2,056,932)	(15,969)	42,693	(89,700)	(21,960)	(60,602)	(42,349)
Total net position, beginning of year	2,056,932	1,635,007	2,825,070	2,030,818	761,164	1,844,839	3,135,441
Total net position, end of year	$ -	$ 1,619,038	$ 2,867,763	$ 1,941,118	$ 739,204	$ 1,784,237	$ 3,093,092

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, 2014

	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	$ 630,128	$ 733,957	$ 919,693	$ 670,591	$ 580,745	$ 706,190	$ 560,427
Program loan income	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	(126,040)	(59,969)	(136,820)	(52,242)	(179,267)	(85,938)	(85,594)
Other income	897	-	-	684	-	3,004	-
Total operating revenues	504,985	673,988	782,873	619,033	401,478	623,256	474,833
Operating Expenses							
Interest on bonds payable	557,980	598,139	834,856	620,855	591,284	665,402	422,822
Mortgage servicing fees	51,196	57,101	75,752	54,548	44,957	56,338	42,286
Trustees, issuer and other fees	22,104	24,299	74,510	23,737	19,764	23,974	19,980
Homebuyers assistance payments	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Other general and administrative	-	-	-	-	-	-	-
Total operating expenses	631,280	679,539	985,118	699,140	656,005	745,714	485,088
Operating income (loss) before transfers	(126,295)	(5,551)	(202,245)	(80,107)	(254,527)	(122,458)	(10,255)
Equity transfers in (out)	(897)	-	-	(684)	-	(3,004)	214,133
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(127,192)	(5,551)	(202,245)	(80,791)	(254,527)	(125,462)	203,878
Total net position, beginning of year	2,259,139	2,028,458	2,274,416	1,632,939	1,436,086	1,894,231	3,496,632
Total net position, end of year	$ 2,131,947	$ 2,022,907	$ 2,072,171	$ 1,552,148	$ 1,181,559	$ 1,768,769	$ 3,700,510

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, 2014

	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	$ 949,696	$ 997,421	$ 1,126,132	$ 23	$ 1,601,124	$ 2,245,727	$ 2,220,176
Program loan income	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	(11,170)	(3,264)	(1,975)	-	57,119	(382,148)	31,526
Other income	101	3,094	12,520	-	58,941	54,411	35,857
Total operating revenues	938,627	997,251	1,136,677	23	1,717,184	1,917,990	2,287,559
Operating Expenses							
Interest on bonds payable	852,454	531,155	754,617	-	536,239	717,747	1,494,009
Mortgage servicing fees	72,497	85,019	91,310	-	151,544	231,594	228,529
Trustees, issuer and other fees	31,558	36,938	38,678	-	210,427	322,904	324,019
Homebuyers assistance payments	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Other general and administrative	-	-	-	10,607	-	-	-
Total operating expenses	956,509	653,112	884,605	10,607	898,210	1,272,245	2,046,557
Operating income (loss) before transfers	(17,882)	344,139	252,072	(10,584)	818,974	645,745	241,002
Equity transfers in (out)	(101)	628,664	135,993	247,616	(2,933,466)	(6,559,065)	1,323,790
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(17,983)	972,803	388,065	237,032	(2,114,492)	(5,913,320)	1,564,792
Total net position, beginning of year	2,469,467	6,895,519	4,760,256	104,668	22,457,282	36,962,668	(8,418,281)
Total net position, end of year	$ 2,451,484	$ 7,868,322	$ 5,148,321	$ 341,700	$ 20,342,790	$ 31,049,348	$ (6,853,489)

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, 2014

	2012 Series A 2009 C-4	2013 Series A & B	2013 Series C & D	Total Single Family Bond Programs
Operating Revenues				
Investment income	$ 4,208,066	$ 23	$ 2,673,137	$ 25,541,333
Program loan income	-	-	-	22,642
Net increase (decrease) in fair value of investments	1,123,592	-	1,431,972	1,042,733
Other income	94,115	-	37,845	303,023
Total operating revenues	5,425,773	23	4,142,954	26,909,731
Operating Expenses				
Interest on bonds payable	3,023,607	1,389,241	1,749,863	18,496,283
Mortgage servicing fees	535,109	-	273,985	2,453,824
Trustees, issuer and other fees	430,200	217,704	302,580	2,291,049
Homebuyers assistance payments	15,750	-	1,089,939	1,105,689
Bond issue costs	-	-	568,035	568,035
Other general and administrative	2,411	-	-	109,768
Total operating expenses	4,007,077	1,606,945	3,984,402	25,024,648
Operating income (loss) before transfers	1,418,696	(1,606,922)	158,552	1,885,083
Equity transfers in (out)	(7,811,661)	9,739,474	10,413,185	-
Operating transfers in (out)	(4,008)	-	(1,201,991)	(2,535,590)
Net income (loss)	(6,396,973)	8,132,552	9,369,746	(650,507)
Total net position, beginning of year	12,926,191	(54,218,485)	-	87,688,652
Total net position, end of year	$ 6,529,218	$ (46,085,933)	$ 9,369,746	$ 87,038,145

See independent auditor's report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2014

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Assets				
Current assets:				
Cash and cash equivalents	$ -	$ 29,185,676	$ -	$ 29,185,676
Investments	-	5,532,733	-	5,532,733
Accounts receivable (net of an allowance for doubtful accounts of $665,759 and $672,398, for 2014 and 2013, respectively)	-	286,194	(172,343)	113,851
Accounts receivable - U.S. Department of Housing and Urban Development	-	585,252	-	585,252
Prepaid expenses	-	355,281	-	355,281
Interest receivable	-	62,808	-	62,808
Total current assets	-	36,007,944	(172,343)	35,835,601
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	25,824,460	-	-	25,824,460
Investments	485,723,009	-	-	485,723,009
Interest receivable	1,760,000	-	-	1,760,000
Program loans receivable (net of an allowance of $555,033 and $555,033, for 2014 and 2013, respectively)	-	492,191	-	492,191
Long-term investments	-	18,750,256	-	18,750,256
Nondepreciated capital assets	-	550,000	-	550,000
Capital assets, net	-	2,422,133	-	2,422,133
Total noncurrent assets	513,307,469	22,214,580	-	535,522,049
Total assets	513,307,469	58,222,524	(172,343)	571,357,650
Deferred outflows of resources:				
Accumulated decrease in fair value of hedging derivatives	-	7,689	-	7,689
Liabilities				
Current liabilities:				
Salaries and related expenses	-	373,926	-	373,926
Accounts payable - vendors and contractors	-	94,720	-	94,720
Accounts Payable - U.S. Department of Housing and Urban Development	-	2,364	-	2,364
Accounts payable - Family Self Sufficiency Program	-	379,694	-	379,694
Accounts payable - other	172,343	261,582	(172,343)	261,582
Hedging payable	-	7,689	-	7,689
Unearned revenue	-	350,031	-	350,031
Compensated absences	-	1,113,676	-	1,113,676
Interest payable	1,398,676	-	-	1,398,676
Current maturities of bonds and notes payable	11,145,082	-	-	11,145,082
Total current liabilities	12,716,101	2,583,682	(172,343)	15,127,440
Noncurrent liabilities:				
Bonds and notes payable, less current maturities	413,553,223	-	-	413,553,223
Total noncurrent liabilities	413,553,223	-	-	413,553,223
Total liabilities	426,269,324	2,583,682	(172,343)	428,680,663
Net Position				
Invested in capital assets	-	2,972,133	-	2,972,133
Restricted for single family bond programs	87,038,145	-	-	87,038,145
Restricted for Section 8 Voucher Program	-	793,306	-	793,306
Unrestricted	-	51,881,092	-	51,881,092
Total net position	$ 87,038,145	$ 55,646,531	$ -	$ 142,684,676

OKLAHOMA HOUSING FINANCE AGENCY

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

Year ended September 30, 2014

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Operating Revenues				
Investment income	$ 25,541,333	$ 312,402	$ -	$ 25,853,735
Program loan income	22,642	9,728	-	32,370
Net increase (decrease) in fair value of investments	1,042,733	(127,080)	-	915,653
Realized gain (loss) on sale of investments	-	1,380,237	-	1,380,237
Fees and other income	303,023	12,997,544	(2,197,025)	11,103,542
Total operating revenues	26,909,731	14,572,831	(2,197,025)	39,285,537
Operating Expenses				
Interest on bonds and notes payable	18,496,283	2,042	-	18,498,325
Mortgage servicing fees	2,453,824	-	-	2,453,824
Trustees, issuer and other fees	2,291,049	-	(2,197,025)	94,024
Homebuyer assistance payments	1,105,689	-	-	1,105,689
Bond issue costs	568,035	-	-	568,035
Salaries and related expenses	-	8,888,659	-	8,888,659
Other general and administrative	109,768	2,588,331	-	2,698,099
Total operating expenses	25,024,648	11,479,032	(2,197,025)	34,306,655
Operating income (loss)	1,885,083	3,093,799	-	4,978,882
Nonoperating revenues (expenses):				
Federal and state program income	-	124,209,577	-	124,209,577
Federal and state program expenses	-	(126,336,581)	-	(126,336,581)
Total nonoperating loss	-	(2,127,004)	-	(2,127,004)
Income (loss) before transfers	1,885,083	966,795	-	2,851,878
Transfers	(2,535,590)	2,535,590	-	-
Increase (decrease) in net position	(650,507)	3,502,385	-	2,851,878
Total net position, beginning of year	87,688,652	52,144,146	-	139,832,798
Total net position, end of year	$ 87,038,145	$ 55,646,531	$ -	$142,684,676

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS

Year ended September 30, 2014

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Cash Flows from Operating Activities				
Receipts (payments) from (of) fees	$ 303,023	$ 12,408,743	$ (2,197,025)	$ 10,514,741
Receipts from program loan payments	-	183,901	-	183,901
Receipts from other sources	-	282,815	-	282,815
Payments to employees	-	(8,695,996)	-	(8,695,996)
Payments to suppliers	-	(1,965,824)	-	(1,965,824)
Payment for purchases of program loans	-	(46,342)	-	(46,342)
Payments for bond fees	(2,401,187)	-	-	(2,401,187)
Payments for trustee and other fees	(2,400,817)	-	2,197,025	(203,792)
Payments for homebuyer assistance	(1,105,689)	-	-	(1,105,689)
Net cash provided by (used in) operating activities	(5,604,670)	2,167,297	-	(3,437,373)
Cash Flows from Noncapital Financing Activities				
Proceeds from issuance of bonds and notes payable	56,293,996	10,400,000	-	66,693,996
Principal paid on bonds and notes payable	(123,382,364)	(21,500,000)	-	(144,882,364)
Interest paid on bonds and notes payable	(18,800,905)	(3,034)	-	(18,803,939)
Payment of bond issuance costs	(568,035)	-	-	(568,035)
Receipt of federal and state program income	-	124,209,577	-	124,209,577
Payment of federal and state program expenses	-	(126,336,581)	-	(126,336,581)
Transfers	(2,535,590)	2,535,590	-	-
Net cash used in noncapital financing activities	(88,992,898)	(10,694,448)	-	(99,687,346)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(383,895)	-	(383,895)
Net cash used in capital and related financing activities	-	(383,895)	-	(383,895)
Cash Flows from Investing Activities				
Purchase of investments	(92,014,544)	(82,195,098)	-	(174,209,642)
Proceeds from sales and maturities of investments	146,895,349	110,158,517	-	257,053,866
Interest received on investments	25,851,426	454,053	-	26,305,479
Net cash provided by investing activities	80,732,231	28,417,472	-	109,149,703
Net increase (decrease) in cash	(13,865,337)	19,506,426	-	5,641,089
Cash and cash equivalents, beginning of year	39,689,797	9,679,250	-	49,369,047
Cash and cash equivalents, end of year	$ 25,824,460	$ 29,185,676	$ -	$ 55,010,136
Cash and Cash Equivalents as Reported in Statement of Net Position				
Unrestricted	$ -	$ 29,185,676	$ -	$ 29,185,676
Restricted	25,824,460	-	-	25,824,460
	$ 25,824,460	$ 29,185,676	$ -	$ 55,010,136

See independent auditor's report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS (continued)

Year ended September 30, 2014

	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)	$ 1,885,083	$ 3,093,799	$ -	$ 4,978,882
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	347,772	-	347,772
Interest from investments	(25,563,975)	(312,402)	-	(25,876,377)
Bond issue costs	568,035	-	-	568,035
Net increase (decrease) in fair value of investments	(1,042,733)	127,080	-	(915,653)
Realized gain on sale of investments	-	(1,380,237)	-	(1,380,237)
Loss on disposal of capital assets	-	812	-	812
Interest on bonds and notes payable	18,496,283	2,042	-	18,498,325
Change in operating assets and liabilities:				
Accounts receivable	-	(20,045)	-	(20,045)
Prepaid expenses	-	254,301	-	254,301
Program loans receivable	-	127,832	-	127,832
Accounts payable and accrued expenses	52,637	52,083	-	104,720
Unearned revenue	-	(285,941)	-	(285,941)
Compensated absences	-	160,201	-	160,201
Net cash provided by (used in) operating activities	$ (5,604,670)	$ 2,167,297	$ -	$ (3,437,373)

See independent auditor's report on supplemental information.

OTHER REPORT

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2014, 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 20, 2015.

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 20, 2015