OKLAHOMA HOUSING FINANCE AGENCY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 and 2010

WITH

INDEPENDENT AUDITORS' REPORT

CONTENTS

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Oklahoma Housing Finance Agency

We have audited the accompanying financial statements of Oklahoma Housing Finance Agency (the Agency), a component unit of the State of Oklahoma, as of and for the years ended September 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Oklahoma Housing Finance Agency, as of September 30, 2011 and 2010, and the results of its operations and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2012, 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.

The management's discussion and analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hogan Taylor LLP

January 26, 2012

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OKLAHOMA HOUSING FINANCE AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

September 30, 2011

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, 2011 and 2010. This information is presented to provide additional information regarding the activities of OHFA and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This analysis should be read in conjunction with the financial statements, notes to financial statements, and supplemental information.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS
Year ended September 30, 2011

- Total assets decreased by $32.2 million.
- Total liabilities decreased by $54.8 million.
- Net assets increased by $22.5 million.
- Made 1,042 single family mortgage loans available to first time homebuyers compared to 1,118 in 2010.
- Provided 124,159 unit months of Section 8 rental assistance compared to 122,310 in 2010.
- Paid $50.5 million in rental assistance to benefit Section 8 voucher holders compared to $50.1 million in 2010.
- Paid $69.0 million in rental assistance to project based Section 8 properties compared to $65.4 million in 2010.

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

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

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

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

As Section 8 Contract Administrator for project-based Section 8 properties located throughout Oklahoma for the Department of Housing and Urban Development (HUD), OHFA's 2011 duties consisted of 194 contracts, totaling 13,119 assisted units, compared to 2010 duties of 196 contracts, totaling 12,789 assisted units. The Agency receives a fee to administer the program based on the number of units under contract and an incentive fee based on the Agency's performance level compared to HUD's acceptable quality levels of administration. Thus far, the Agency has achieved or exceeded the acceptable quality levels set by HUD.

CONDENSED FINANCIAL INFORMATION

Statement of Net Assets

The following table presents condensed statements of net assets for the Agency as of September 30, 2011, 2010, and 2009 (in millions):

Condensed Statements of Net Assets

	2011	2010	2009
Assets			
Current assets	$ 29.0	$ 27.7	$ 31.8
Noncurrent assets:			
Restricted	732.0	756.8	733.1
Net capital assets	3.3	3.4	3.6
Unrestricted	30.8	39.5	11.1
Total assets	795.1	827.4	779.6
Liabilities			
Current liabilities	69.0	47.8	20.5
Noncurrent liabilities	556.4	632.4	629.1
Total liabilities	625.4	680.2	649.6
Net Assets			
Invested in capital assets	3.2	3.4	3.6
Restricted for single family bond programs	115.5	96.5	83.6
Restricted for Section 8 Voucher Program	7.1	6.6	7.7
Unrestricted	43.9	40.7	35.1
Total net assets	$ 169.7	$ 147.2	$ 130.0

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

> The decrease in total assets of $32.3 million is primarily due to the net effect of 1) adding $110.0 million of new assets and related bonds payable from new bond issues, 2) paying down $156.2 million of bonds payable from payments and prepayments of Agency Mortgage Backed Security investments due to homeowners refinancing their mortgages due to historic low market interest rates and 3) $22.5 million of net income generated by the Agency.
>
> OHFA signed an agreement to participate in the U.S. Department of Treasury's (Treasury) New Issue Bond Program (NIBP) to improve the Agency's ability to issue bond debt at attractive rates due to the decline in the tax exempt bond market. The NIBP provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The Treasury will purchase NIBP housing bonds backed by securities of Fannie Mae and Freddie

Mac (Government Sponsored Enterprises or GSEs), which allows HFAs to continue to temporarily issue housing bonds equal to their normal traditional issuance volume given the current difficulties and challenges in the housing and related financing markets. The program allows HFAs, through the Treasury and GSEs, to issue bonds at a rate lower than market rate to blend with market rate bonds to facilitate loans to first time home buyers. This program was set to expire December 31, 2011, but was extended to December 31, 2012, by the Treasury Department on November 23, 2011.

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

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

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

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

Explanations of significant variances between 2010 and 2009 on the condensed statements of net assets follow:

The increase in total assets of $47.8 million is primarily due to the net effect of 1) adding $150.0 million of cash equivalents and related bonds payable from participation in the Treasury Department's New Issue Bond Program (NIBP) in the current year, 2) paying down $130.9 of bonds payable from payments and prepayments of Agency Mortgage Back Security investments due to homeowners refinancing their mortgages due to historic low market interest rates, and 3) $17.2 million of net income generated by the Agency.

OHFA signed an agreement to participate in the NIBP program to improve the Agency's ability to issue bond debt at attractive rates due to the decline in the tax exempt bond market. The NIBP provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The Treasury will purchase NIBP housing bonds backed by securities of

Fannie Mae and Freddie Mac (Government Sponsored Enterprises or GSEs, which allows HFAs to continue to temporarily issue housing bonds equal to their normal traditional issuance volume given the current difficulties and challenges in the housing and related financing markets. The program allows HFAs, through the Treasury and GSEs, to issue bonds at a rate lower than market rate to blend with market rate bonds to facilitate loans to first time home buyers.

The increase in total liabilities of $30.6 million is primarily due to three factors. The addition of the NIBP program in 2010 increased noncurrent liabilities by $120.0 million for the related long term bonds payable and increased current liabilities by $30.0 million for related bonds payable scheduled to be refunded in October 2010 (FY 2011) as part of the 2010A Single Family Bond Program. Payments and pre-payments of $130.9 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 increased due to the Agency advancing $16.0 million on its line of credit with Federal Home Loan Bank of Topeka to warehouse Mortgage Backed Securities (MBS) on a short term basis until they can be transferred into a future Single Family Bond Program.

The $12.8 million increase in net assets restricted for Single Family Bond Programs is a result of $12.8 million of net operating income (including a $9.3 million net increase in the fair value of investments).

The Section 8 Voucher Program is included in the Agency General Fund and that program's net assets, which are restricted, decreased by $1.1 million due to expending $0.6 million more on rental assistance payments than program receipts revenues in the current year and $0.5 million in funds that were previously classified as restricted for Section 8 Voucher Program being reclassified by HUD to a less restrictive category in FY 2010. Since 2006, HUD has required agencies to report receipts from HUD in excess of program expenditures as income and to report assistance payments in excess of program receipts as expense in the current year. These items are reported in net assets instead of as a payable or receivable with HUD. These funds are only available to pay Housing Assistance Payments (HAP) under the Section 8 Voucher Program. The Agency General Fund had funds restricted for the Section 8 Voucher Program of $6.7 million and $7.7 million respectively, as of September 30, 2010 and 2009.

The increase in unrestricted net assets of $5.6 million is due to $5.1 million in net operating income for the Agency (excluding Single Family Bond Programs) and $0.5 million in funds that were previously classified as restricted for the Section 8 Voucher Program in 2009 that were reclassified by HUD to a less restrictive category in 2010.

Revenues, Expenses and Changes in Fund Net Assets

The following table presents condensed statements of revenues, expenses and changes fund in net assets for the Agency for the years ended September 30, 2011, 2010, and 2009 (in millions):

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

	2011	2010	2009
Operating and Nonoperating Revenues			
Investments and program loans	$ 34.7	$ 38.3	$ 42.4
Net increase in fair value of investments	15.8	10.2	29.3
Fees and other income	12.4	13.1	11.6
Gain on sale of investments	1.0	2.9	-
Federal and state program income	210.4	145.4	116.8
Total revenues	274.3	209.9	200.1
Operating and Nonoperating Expenses			
Interest on bonds and notes	27.1	30.8	35.6
Other bond program expenses	3.3	3.4	3.6
Salaries, general and administrative	11.4	12.5	11.1
Federal and state program expenses	210.0	146.0	121.3
Total expenses	251.8	192.7	171.6
Change in Net Assets	22.5	17.2	28.5
Net assets at beginning of year	147.2	130.0	101.5
Net assets at end of year	$ 169.7	$ 147.2	$ 130.0

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

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

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

The gain on sale of investments of $1.0 million is due to the Agency capitalizing on an opportunity to sell newly pooled Single Family Bond Program loan mortgage backed securities originated in

2011 at a gain on the open market due to the drastic decrease in market interest rates during the year.

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

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

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

Explanations of significant fluctuations between 2010 and 2009 in revenues, expenses, and changes in fund net assets follow:

The net decrease in interest income from investments and program loans of $4.1 million is primarily due to older, higher interest rate bond program loan pools being paid down at a faster rate as consumers refinance their mortgages, than new, lower interest rate bond program loan pools are added to the portfolio. Also, due to the current low market interest rate environment, as Agency investments mature, the proceeds are invested at a lower interest rate than the maturing investment.

The net increase in the fair value of investments of $10.2 million for 2010 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 $2.9 million is due to the Agency capitalizing on an opportunity to sell newly pooled Single Family Bond Program loan mortgage backed securities originated in 2010 at a gain on the open market due to the drastic decrease in market interest rates during the year.

Federal program revenues increased by $37.0 million due primarily to the net effect of a $3.8 million increase in the Section 8 Contract Administration Program and an increase of $5.3 million in the Section 8 Voucher Program. In addition, the Agency was chosen to administer federal funds for two new programs under the American Recovery and Reinvestment Act (ARRA). These two new programs for 2010 were HUD's Tax Credit Assistance Program (TCAP) and the Treasury Department's Section 1602 Exchange Program. The primary purpose for these funds is to fill the vacuum left by the virtual freeze of the tax credit syndication market in the Low Income Housing Tax Credit Program due to the housing and related finance crisis. These funds allowed developers to continue to develop affordable housing in spite of the financing crisis. The new programs increased revenues by $4.5 million and $12.9 million, respectively, and increased federal program expenses by $4.5 million and $12.9 million, respectively.

Interest expense on bonds and notes payable decreased by $4.8 million in 2010 from 2009. The decrease is due in part to a below market interest rate on the $150.0 million bonds issued through the NIBP which were received in January 2010. NIBP requires proceeds to be invested in very short term government obligations, whose return is negligible. Bonds payable, excluding the NIBP bonds, are $130.9 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 assets of $11.3 million is primarily due to the net effect of the reduction in the increase in fair value of investments of $19.1 million between 2010 and 2009, the gain on sale of investments of $2.9 million, and negative contributions of $4.5 million and $0.6 million from 2010 and 2009, respectively, from federal program activities. The increase in net assets of $17.2 million at the end of 2010 is due to the net income for 2010.

Capital Assets and Long-Term Debt Administration

Capital Assets

As of September 30, 2011, the Agency had invested $3.3 million in a broad range of capital assets, including buildings and building improvements, land and furniture and equipment. This amount represents a net decrease (including additions and disposals) of approximately $0.2 million.

Long-Term Debt

As of September 30, 2011, the Agency had $619.0 million in bonds and notes payable outstanding. This is a decrease of 8.0% from last year's amount of $673.5 million. (More detailed information about the bonds and notes payable is presented in Note 7 to the financial statements.)

ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION

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

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

CONTACTING OHFA'S FINANCIAL MANAGEMENT

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

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF NET ASSETS

September 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 25,209,005	$ 22,551,671
Investments	2,584,000	3,807,340
Accounts receivable	281,123	149,740
Accounts receivable - U.S. Department of Housing and Urban Development	639,388	695,208
Prepaid expenses	271,036	271,407
Interest receivable	146,983	209,461
Total current assets	29,131,535	27,684,827
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	112,108,954	166,659,235
Investments	610,715,861	583,988,353
Interest receivable	2,543,192	2,596,522
Deferred finance costs, net	5,824,993	4,799,130
Program loans receivable	842,128	986,932
Long-term investments	30,765,802	37,279,585
Nondepreciated capital assets	550,000	550,000
Capital assets, net	2,699,887	2,889,804
Total noncurrent assets	766,050,817	799,749,561
Total assets	795,182,352	827,434,388
Liabilities		
Current liabilities:		
Salaries and related expenses	12,869	290,464
Accounts payable - vendors and contractors	196,154	114,807
Accounts payable - U.S. Department of Housing and Urban Development	164,105	117,753
Accounts payable - Family Self Sufficiency Program	315,391	319,195
Accounts payable - other	1,357,568	473,604
Deferred revenue	309,277	699,830
Compensated absences	977,641	942,493
Interest payable	2,379,595	2,353,642
Current maturities of bonds and notes payable	63,280,990	42,426,006
Total current liabilities	68,993,590	47,737,794
Noncurrent liabilities:		
Bonds and notes payable, less current maturities	555,708,650	631,091,499
Unamortized bond issuance costs	77,703	44,803
Deferred revenue	31,938	446,354
HOME funds payable	619,222	865,292
Total noncurrent liabilities	556,437,513	632,447,948
Total liabilities	625,431,103	680,185,742
Net Assets		
Invested in capital assets	3,249,887	3,439,804
Restricted for single family bond programs	115,535,838	96,443,255
Restricted for Section 8 Voucher Program	7,041,660	6,660,711
Unrestricted	43,923,864	40,704,876
Total net assets	$ 169,751,249	$ 147,248,646

See notes to the financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Years ended September 30, 2011 and 2010

	2011	2010
Operating Revenues		
Investment income	$ 34,514,168	$ 37,628,180
Program loans	189,720	677,253
Net increase in fair value of investments	15,791,121	10,210,562
Realized gain on sale of investments	985,208	2,861,806
Fees and other income	12,442,962	13,111,975
Total operating revenues	63,923,179	64,489,776
Operating Expenses		
Interest on bonds and notes payable	27,132,955	30,755,925
Mortgage servicing fees	2,562,015	2,846,597
Amortization of deferred finance costs	613,350	326,274
Trustees, issuer and other fees	102,731	112,120
Salaries and related expenses	8,708,025	8,554,676
Arbitrage payments	39,277	41,385
Other general and administrative	2,578,479	3,953,262
Total operating expenses	41,736,832	46,590,239
Operating income	22,186,347	17,899,537
Nonoperating revenue (expenses):		
Federal and state program income	210,345,454	145,378,044
Federal and state program expenses	(210,029,198)	(145,993,162)
Nonoperating income (loss)	316,256	(615,118)
Increase in net assets	22,502,603	17,284,419
Total net assets, beginning of year	147,248,646	129,964,227
Total net assets, end of year	$ 169,751,249	$ 147,248,646

See notes to the financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS

Years ended September 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Receipts from fees	$ 12,288,162	$ 12,856,268
Receipts from program loan payments	431,598	2,570,500
Receipts from other sources	298,207	266,029
Payments to employees	(8,950,472)	(8,473,538)
Payments to suppliers	(1,928,178)	(3,519,563)
Payments for purchases of program loans	(218,800)	(1,130,511)
Payments for bond fees	(1,691,907)	(4,317,774)
Payments for trustee and other fees	(1,107,475)	(1,242,947)
Payments for other expenses	(97,128)	(281,690)
Net cash used in operating activities	(975,993)	(3,273,226)
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds and notes payable	181,481,371	204,439,626
Principal paid on bonds and notes payable	(236,009,236)	(169,270,572)
Interest paid on bonds and notes payable	(27,107,002)	(31,172,904)
Refund (payment) of bond issuance costs	(1,606,308)	1,606,040
Receipt of federal and state program income	210,345,454	145,378,044
Payment of federal and state program expenses	(210,275,267)	(146,441,954)
Net cash provided by (used in) noncapital financing activities	(83,170,988)	4,538,280
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(283,606)	(397,388)
Net cash used in capital and related financing activities	(283,606)	(397,388)
Cash Flows from Investing Activities		
Purchase of investments	(278,914,426)	(120,963,673)
Proceeds from sales and maturities of investments	276,700,365	223,834,956
Interest received on investments	34,751,701	38,521,003
Net cash provided by investing activities	32,537,640	141,392,286
Net increase (decrease) in cash	(51,892,947)	142,259,952
Cash and cash equivalents, beginning of year	189,210,906	46,950,954
Cash and cash equivalents, end of year	$ 137,317,959	$ 189,210,906
Cash and Cash Equivalents as Reported in Statement of Net Assets		
Unrestricted	$ 25,209,005	$ 11,673,218
Restricted	112,108,954	177,537,688
	$ 137,317,959	$ 189,210,906

See notes to the financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS
(continued)

Years ended September 30, 2011 and 2010

	2011	2010
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating income	$ 22,186,347	$ 17,899,537
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	473,258	488,401
Interest from investments	(34,635,894)	(38,123,921)
Amortization of fees and deferred finance costs	613,350	326,274
Net increase in fair value of investments	(15,791,121)	(10,210,562)
Realized gain on sale of investments	(985,208)	(2,861,806)
Loss on disposal of capital assets	267	5,587
Interest on bonds and notes payable	27,132,955	30,755,925
Change in operating assets and liabilities:		
Accounts receivable	(56,371)	222,569
Prepaid expenses	371	(21,086)
Program loans receivable	144,804	1,258,470
Accounts payable and accrued expenses	711,070	(1,720,547)
Deferred revenue	(804,969)	(1,321,978)
Compensated absences	35,148	29,911
Net cash used in operating activities	$ (975,993)	$ (3,273,226)

See notes to the financial statements.

Note 1 – Authorizing Legislation and Activities

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

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

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

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

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

OHFA also administers certain other federal and state programs.

Note 2 – Summary of Significant Accounting Policies

Financial statement presentation

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

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are prepared in accordance with GASB Statement 34 – *Basic Financial Statements – and Management's Discussion for State and Local Governments*, GASB Statement 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement 38 – *Certain Financial Statement Note Disclosures*.

Basis of accounting

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

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, OHFA has elected to apply all private-sector standards of accounting and financial reporting issued prior to December 1, 1989.

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

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

Cash and cash equivalents

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

Investments

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

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

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

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

Without consideration of the respective net increase in the fair value of investments, OHFA's 2011 and 2010 net operating income would have been $6,395,226 and $7,688,975, respectively.

Program loans receivable

Program loans receivable primarily consist of Housing Trust Fund loans secured by mortgages. These loans are reported at cost.

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, 2011 and 2010, was $473,258 and $488,405, respectively, and is included with other general and administrative expense on the Statements of Revenues, Expenses and Changes in Fund Net Assets.

Deferred revenue

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

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

Deferred finance costs

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

Restrictions and designations of net assets

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

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

Reclassifications

Certain amounts have been reclassified in the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no affect on previously reported net assets.

Note 3 – Cash and Investments

Deposit custodial credit risk

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

Current Agency policy for deposits not held by the Single Family Bond Programs requires the lesser of the cost or fair value of the collateral pledged to be 110% of the deposit value. As of September 30, 2011 and 2010, the Agency was not exposed to custodial credit risk.

As of September 30, 2011 and 2010, $115,814,800 and $171,637,066 of the total cash consisted primarily of money market accounts held at trustee banks. These funds are classified as investments for the purposes of GASB Statement No. 40 *Deposit and Investment Risk Disclosures* requirements and therefore are not subject to custodial credit risk. For presentation on the face of the Statements of Net Assets, these funds are classified as cash equivalents.

Investment interest rate risk

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

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

	September 30, 2010			
		Investment Maturity		
	Fair Value	Less than One Year	One to Three Years	Greater Than Three Years
Agency General Fund:				
GNMA pooled loans	$ 29,877,534	$ -	$ -	$ 29,877,534
Federal Home Loan Bank	1,004,526	-	1,004,526	-
FNMA securities	745,719	243,765	501,954	-
Bond debentures	2,480,828	1,208,994	1,271,834	-
Certificates of deposit	6,978,318	3,737,826	3,240,492	-
Total investments in securities	41,086,925	$ 5,190,585	$ 6,018,806	$ 29,877,534
Single Family Bond Programs:				
GNMA pooled loans	458,105,164			
FNMA pooled loans	116,738,637			
Guaranteed investment contracts	9,144,552			
Total investments	$625,075,278			

Investment custodial credit risk

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

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

	2011	2010
Current:		
Agency General Fund	$ 2,584,000	$ 3,807,340
Noncurrent:		
Restricted - Single Family Bond Programs	610,715,861	583,988,353
Agency General Fund	30,765,802	37,279,585
Total noncurrent	641,481,663	621,267,938
Total investments	$ 644,065,663	$ 625,075,278

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

Concentration of investment credit risk

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

	September 30, 2011			September 30, 2010		
	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	$ 28,380,631		4.4%	$ 29,877,534		4.8%
Federal Home Loan Bank securities	-		0.0%	1,004,526		0.2%
FNMA securities	-		0.0%	747,202		0.1%
Federal Home Loan Mortgage Corporation	499,625		0.1%	-		0.0%
Bond debentures	-		0.0%	2,207,467		0.4%
Certificates of deposit	4,469,546		0.7%	7,250,196		1.1%
	33,349,802		5.2%	41,086,925		6.6%
Single Family Bond Programs:						
GNMA pooled loans	505,830,579	*	78.5%	458,105,164	*	73.3%
FNMA pooled loans	101,351,476	*	15.7%	116,738,637	*	18.7%
Guaranteed investment contracts	3,533,806		0.6%	9,144,552		1.4%
	610,715,861		94.8%	583,988,353		93.4%
Total investments	$644,065,663		100.0%	$625,075,278		100.0%

Note 4 – Program Loans Receivable

Program loans receivable consist of the following at September 30:

	2011	2010
Single Family Program Funds, Special Securities (1993 A & B), bearing interest at 8.50% - 8.95%, maturing December 2014, AMBAC insured.	$ 55,936	$ 83,483
Housing Trust Fund, Chickasha Housing - Part 1, bearing interest at 5.00%, loan to be repaid out of 75% of cash flow from the property, no set term or maturity date.	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.	263,333	269,390
Housing Trust Fund, Wyndam-Norman, bearing interest at 1.00%, 24-month term, collateralized by mortgages, maturing March 2012. Board of Trustees approved modification of the original loan in July 2010 with new terms and maturity date of March 2012.	100,000	250,000
Housing Trust Fund, Delta Community Action Foundation, bearing interest at 1.00% 12-month term, collateralized by mortgages, maturing September 2011. Board of Trustees approved modification of the original loan in July 2010 with new terms and maturity date of June 2012.	101,649	101,649
Housing Trust Fund, Tri-County Indian Nations, bearing interest at 1.00%, 6-month term, collateralized by mortgages, matured September 2010. Board of Trustees approved modification of the original loan in May 2010 with new maturity date of March 2012.	86,900	86,900
Housing Trust Fund, City of Miami, bearing interest at 1.00%, 18-month term, maturing September 2012.	38,800	-
	$ 842,128	$ 986,932

Note 5 – Capital Assets

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

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

Capital assets activity for the year ended September 30, 2010, 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	2,555,213	345,886	(206,062)	2,695,037
Building	2,409,299	-	-	2,409,299
Improvements	1,181,715	51,956	-	1,233,671
Total capital assets being depreciated	6,146,227	397,842	(206,062)	6,338,007
Less accumulated depreciation:				
Furniture and equipment	(1,982,484)	(308,626)	200,025	(2,091,085)
Building	(455,939)	(60,234)	-	(516,173)
Improvements	(721,400)	(119,545)	-	(840,945)
Total accumulated depreciation	(3,159,823)	(488,405)	200,025	(3,448,203)
Total capital assets being depreciated	2,986,404	(90,563)	(6,037)	2,889,804
Capital assets, net	$ 3,536,404	$ (90,563)	$ (6,037)	$ 3,439,804

Note 6 – Conduit Debt

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

As of September 30, 2011 and 2010, there were two series of multi-family bonds outstanding with an aggregate principal amount payable of $8,344,399 and $9,214,840, respectively.

Note 7 – Bonds and Notes Payable

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

During 2010, OHFA received $150 million under an agreement to participate in the U.S. Department of Treasury's (Treasury) New Issue Bond Program (NIBP) to improve the Agency's ability to issue bond debt at attractive rates due to the decline in the tax exempt bond market. The NIBP provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The Treasury will purchase NIBP housing bonds backed by securities of Fannie Mae and Freddie Mac (Government Sponsored Enterprises or GSEs). This allows HFAs to continue to issue housing bonds equal to their traditional issuance volume given the current difficulties and challenges in the housing and related financing markets. The program allows HFAs, through the Treasury and GSEs, to issue bonds at a rate lower than market to blend with market rate bonds to facilitate loans to first time home buyers. As a result, the 2009C Single Family Bond Program was issued for $150 million in 2010. This low interest rate facility is to be utilized in future bond issues to lower rates for first time home buyers. During 2011, OHFA utilized $30 million of NIBP funds for the 2010A Single Family Bond Program and $36 million for the 2011A Single Family Bond Program. The NIBP program was initially set to expire December 31, 2011, but was extended to December 31, 2012 by the Treasury Department on November 23, 2011. As a result of the extension, $42 million of the 2009C Single Family Bond Program bonds are presented as a noncurrent liability and $42 million are presented as a current liability due to a refunding in November 2011 (fiscal year 2012).

Effective April 26, 2010, the Agency entered into a line of credit agreement with the Federal Home Loan Bank. The agreement requires monthly interest payments at the three month LIBOR rate (0.23% at September 30, 2011), matures April 26, 2012, and is collateralized by investment securities. The outstanding balance at September 30, 2011, was $7,730,000.

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

Single Family Bond Program	Issued	Average Interest Rates	Maturity Through	Beginning Balance 9/30/2009	Additions	Reductions	Ending Balance 9/30/2010	Additions	Reductions	Ending Balance 9/30/2011	Amount Due in One Year
1987 A	5/28/1987	8.00%	5/1/2018	$ 4,250,000	$ -	$ 920,000	$ 3,330,000	$ -	$ 810,000	$ 2,520,000	$ 810,000
1991 A&B	11/1/1991	7.35%	11/1/2024	1,142,883	-	212,989	929,894	-	220,708	709,186	243,990
1997 A	3/12/1997	6.24%	9/1/2028	975,000	-	975,000	-	-	-	-	-
1997 B-1		5.55%	3/1/2028								
B-2		6.06%	9/1/2029								
B-3	10/2/1997	6.75%	9/1/2018	2,250,000	-	2,250,000	-	-	-	-	-
1998 D-1		5.40%	3/1/2029								
D-2		5.31%	3/1/2030								
D-3	10/22/1998	5.15%	9/1/2019	4,861,149	-	4,861,149	-	-	-	-	-
1999 A-1		5.50%	3/1/2029								
A-2		5.39%	3/1/2030								
A-3	2/19/1999	6.05%	9/1/2020	5,678,195	-	5,678,195	-	-	-	-	-
1999 B-1		6.22%	9/1/2026								
B-2		5.53%	3/1/2030								
B-3	5/27/1999	6.65%	9/1/2020	5,133,463	-	5,133,463	-	-	-	-	-
1999 C	10/28/1999	7.10%	9/1/2031	280,270	-	82,821	197,449	-	5,849	191,600	72,000
1999 D-1		6.58%	9/1/2026								
D-2		6.15%	9/1/2030								
D-3	10/15/1999	7.02%	9/1/2026	3,836,161	-	3,836,161	-	-	-	-	-
2000 A-1		6.83%	9/1/2018								
A-2		5.63%	9/1/2031								
A-3		7.62%	9/1/2027								
A-4	3/1/2000	4.30%	9/1/2031	1,803,090	-	794,799	1,008,291	-	350,795	657,496	20,000
2000 B	4/1/2000	7.60%	9/1/2026	540,153	-	160,748	379,405	-	55,760	323,645	60,000
2000 C-1		5.11%	9/1/2014								
C-2		6.52%	9/1/2028								
C-3	6/14/2000	7.81%	9/1/2028	3,781,761	-	1,499,411	2,282,350	-	784,761	1,497,589	20,000
2000D	10/4/2000	6.40%	9/1/2031	2,331,326	-	702,872	1,628,454	-	303,330	1,325,124	45,000
2001 A-1	4/26/2001	4.87%	3/1/2021	-	-	-	-	-		-	
2001 B-1											
B-2	9/1/2001	5.52%	9/1/2032	6,250,000	-	2,185,000	4,065,000	-	1,280,000	2,785,000	100,000
2002 A&B	2/15/2002	4.97%	9/1/2034	4,955,000	-	1,115,000	3,840,000	-	715,000	3,125,000	70,000
2002 C	5/23/2002	3.19%	9/1/2033	9,950,000	-	2,330,000	7,620,000	-	1,485,000	6,135,000	155,000
2003 A	1/31/2003	3.91%	9/1/2034	10,185,000	-	2,970,000	7,215,000	-	1,465,000	5,750,000	135,000
2003 B	5/30/2003	3.85%	9/1/2028	21,240,000	-	3,940,000	17,300,000	-	2,865,000	14,435,000	460,000
2003 C	8/22/2003	5.45%	9/1/2034	14,685,000	-	2,700,000	11,985,000	-	1,975,000	10,010,000	230,000
2004 A	4/20/2004	4.44%	3/1/2035	15,705,000	-	2,135,000	13,570,000	-	2,205,000	11,365,000	280,000
2004 B	7/8/2004	5.43%	3/1/2035	23,770,000	-	4,750,000	19,020,000	-	3,305,000	15,715,000	325,000
2005 A	1/21/2005	3.70%	9/1/2035	20,785,000	-	3,730,000	17,055,000	-	2,555,000	14,500,000	330,000
2005 B	6/15/2005	3.93%	3/1/2036	30,495,000	-	5,840,000	24,655,000	-	4,330,000	20,325,000	410,000
2005 C	7/7/2005	3.82%	9/1/2036	29,645,000	-	4,955,000	24,690,000	-	3,655,000	21,035,000	475,000
2005 D	10/7/2005	4.14%	9/1/2036	14,915,000	-	3,725,000	11,190,000	-	2,175,000	9,015,000	195,000
2006 A	1/12/2006	4.23%	3/1/2037	30,005,000	-	6,150,000	23,855,000	-	5,435,000	18,420,000	360,000
2006 B	3/22/2006	4.22%	9/1/2037	31,470,000	-	6,400,000	25,070,000	-	4,060,000	21,010,000	430,000
2006 C	5/18/2006	4.48%	9/1/2037	33,450,000	-	5,675,000	27,775,000	-	5,880,000	21,895,000	410,000
2006 D	10/1/2006	4.16%	3/1/2037	33,110,000	-	6,210,000	26,900,000	-	4,460,000	22,440,000	435,000
2007 A	2/1/2007	5.16%	3/1/2038	43,750,000	-	7,295,000	36,455,000	-	5,710,000	30,745,000	435,000
2007 B	5/1/2007	4.94%	9/1/2038	34,390,000	-	5,870,000	28,520,000	-	3,810,000	24,710,000	400,000
2007 C	7/1/2007	5.60%	9/1/2038	30,085,000	-	5,045,000	25,040,000	-	3,655,000	21,385,000	325,000
2007 D	10/1/2007	5.35%	3/1/2039	35,295,000	-	6,585,000	28,710,000	-	4,935,000	23,775,000	385,000
2008 A	7/9/2008	4.84%	3/1/2039	24,115,000	-	4,915,000	19,200,000	-	4,315,000	14,885,000	755,000
2008 B	9/30/2008	3.84%	3/1/2039	39,530,000	-	5,475,000	34,055,000	-	6,865,000	27,190,000	760,000
2009 A	5/2/2009	3.25%	9/2/2033	30,905,000	-	2,255,000	28,650,000	-	4,360,000	24,290,000	1,560,000
2009 B	9/2/2009	3.32%	9/2/2040	32,800,000	-	1,510,000	31,290,000	-	3,695,000	27,595,000	830,000
2009 C	12/18/2009	0.73%	12/13/2012	-	150,000,000	-	150,000,000	-	66,000,000	84,000,000	42,000,000
2010A	10/1/2010	3.59%	9/1/2041	-	-	-	-	50,000,000	2,285,000	47,715,000	900,000
2011A	5/19/2011	3.79%	9/1/2041	-	-	-	-	60,000,000	215,000	59,785,000	1,130,000
Total Single Family Bond Programs				638,348,451	150,000,000	130,867,608	657,480,843	110,000,000	156,221,203	611,259,640	55,550,990
Agency Line of Credit	4/26/10	0.23%	4/26/12	-	54,439,626	38,402,964	16,036,662	73,981,371	82,288,033	7,730,000	7,730,000
Total bonds and notes payable				$ 638,348,451	$ 204,439,626	$ 169,270,572	$ 673,517,505	$ 183,981,371	$ 238,509,236	$ 618,989,640	$ 63,280,990

Debt requirements on bonds and notes payable at September 30, 2011, are as follows (in thousands):

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032+	Total
Principal and interest	$ 89,421	$ 81,052	$ 38,544	$ 37,299	$ 36,952	$ 184,039	$ 180,462	$ 175,937	$ 203,653	$ 1,027,359
Less interest	26,140	25,166	24,470	24,004	23,247	108,315	86,727	58,847	31,453	408,369
Total principal	$ 63,281	$ 55,886	$ 14,074	$ 13,295	$ 13,705	$ 75,724	$ 93,735	$ 117,090	$ 172,200	$ 618,990

Note 8 – Retirement Plans

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

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

OHFA's required contributions under the plans for 2011, 2010, and 2009 were $961,290, $925,666, and $858,270, respectively and were equal to the required contributions under both plans for each respective year.

Note 9 – Risk Management

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

Note 10 – Contingencies

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

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

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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, 2011, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on the Single Family Mortgage Revenue Bond Programs and the combining statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hogan Taylor LLP

January 26, 2012

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OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS

September 30, 2011

	1987 Series A	1991 Series A & B	1994 Master Indenture Accumulation Fund	1999 Series C	2000 Series A	2000 Series B	2000 Series C
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 284,227	$ 17,330	$ 8,359,970	$ 1,759	$ 24,929	$ 2,947	$ 28,432
Investments	3,566,777	810,588	9,555,802	254,007	2,056,324	391,452	3,404,342
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	22,321	4,345	39,015	1,397	9,998	2,268	27,770
Deferred finance costs, net	-	-	-	-	-	-	20,552
Total assets	3,873,325	832,263	17,954,787	257,163	2,091,251	396,667	3,481,096
Liabilities							
Current liabilities:							
Accounts payable	41	11	94,794	14	218	33	499
Interest payable	16,794	4,344	-	1,134	3,498	2,050	8,065
Current maturities of bonds payable	810,000	243,990	-	72,000	20,000	60,000	20,000
Total current liabilities	826,835	248,345	94,794	73,148	23,716	62,083	28,564
Noncurrent liabilities:							
Bonds payable, less current maturities	1,710,000	465,196	-	119,600	637,496	263,645	1,477,589
Unamortized bond issuance costs	-	-	-	-	-	-	-
Deferred revenue	16,465	-	-	-	-	-	-
HOME funds payable	-	-	-	-	-	-	298,858
Total noncurrent liabilities	1,726,465	465,196	-	119,600	637,496	263,645	1,776,447
Total liabilities	2,553,300	713,541	94,794	192,748	661,212	325,728	1,805,011
Net Assets							
Restricted for single family bond programs	$ 1,320,025	$ 118,722	$ 17,859,993	$ 64,415	$ 1,430,039	$ 70,939	$ 1,676,085

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS (continued)

September 30, 2011

	2000 Series D	2001 Series A	2001 Series B	2002 Series A & B	2002 Series C	2003 Series A	2003 Series B
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 15,872	$ 207,636	$ 1,270	$ 181,620	$ 167,984	$ 143,578	$ 427,569
Investments	2,270,304	3,738	6,311,901	4,444,725	6,970,581	10,951,381	16,435,254
Due from (to) other funds	-	1,029,989	(691,523)	(338,466)	-	-	-
Interest receivable	11,051	-	26,605	19,193	31,439	44,163	62,963
Deferred finance costs, net	10,356	-	27,217	35,725	118,784	23,054	12,423
Total assets	2,307,583	1,241,363	5,675,470	4,342,797	7,288,788	11,162,176	16,938,209
Liabilities							
Current liabilities:							
Accounts payable	251	-	617	866	1,159	2,394	2,843
Interest payable	6,898	-	13,173	14,954	30,070	24,575	55,010
Current maturities of bonds payable	45,000	-	100,000	70,000	155,000	135,000	460,000
Total current liabilities	52,149	-	113,790	85,820	186,229	161,969	517,853
Noncurrent liabilities:							
Bonds payable, less current maturities	1,280,124	-	2,685,000	3,055,000	5,980,000	5,615,000	13,975,000
Unamortized bond issuance costs	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
HOME funds payable	74,467	-	116,073	100,277	29,547	-	-
Total noncurrent liabilities	1,354,591	-	2,801,073	3,155,277	6,009,547	5,615,000	13,975,000
Total liabilities	1,406,740	-	2,914,863	3,241,097	6,195,776	5,776,969	14,492,853
Net Assets							
Restricted for single family bond programs	$ 900,843	$ 1,241,363	$ 2,760,607	$ 1,101,700	$ 1,093,012	$ 5,385,207	$ 2,445,356

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS (continued)

September 30, 2011

	2003 Series C	2004 Series A	2004 Series B	2005 Series A	2005 Series B	2005 Series C	2005 Series D
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 68,497	$ 416,549	$ 375,628	$ 448,907	$ 792,608	$ 710,007	$ 461,416
Investments	11,631,748	12,924,853	18,252,070	16,321,245	23,347,993	23,335,611	9,866,399
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	49,440	49,087	78,111	66,478	95,247	93,833	40,075
Deferred finance costs, net	11,411	89,292	42,087	-	-	-	-
Total assets	11,761,096	13,479,781	18,747,896	16,836,630	24,235,848	24,139,451	10,367,890
Liabilities							
Current liabilities:							
Accounts payable	1,177	1,366	1,510	1,374	2,434	2,310	435
Interest payable	46,325	46,264	74,640	61,404	83,744	87,609	39,379
Current maturities of bonds payable	230,000	280,000	325,000	330,000	410,000	475,000	195,000
Total current liabilities	277,502	327,630	401,150	392,778	496,178	564,919	234,814
Noncurrent liabilities:							
Bonds payable, less current maturities	9,780,000	11,085,000	15,390,000	14,170,000	19,915,000	20,560,000	8,820,000
Unamortized bond issuance costs	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
HOME funds payable	-	-	-	-	-	-	-
Total noncurrent liabilities	9,780,000	11,085,000	15,390,000	14,170,000	19,915,000	20,560,000	8,820,000
Total liabilities	10,057,502	11,412,630	15,791,150	14,562,778	20,411,178	21,124,919	9,054,814
Net Assets							
Restricted for single family bond programs	$ 1,703,594	$ 2,067,151	$ 2,956,746	$ 2,273,852	$ 3,824,670	$ 3,014,532	$ 1,313,076

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS (continued)

September 30, 2011

	2006 Series A	2006 Series B	2006 Series C	2006 Series D	2007 Series A	2007 Series B	2007 Series C
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 584,789	$ 475,465	$ 1,443,327	$ 703,498	$ 1,216,109	$ 1,396,789	$ 753,126
Investments	20,576,609	24,604,833	24,033,531	24,827,320	33,561,067	26,394,042	23,473,320
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	85,495	103,395	104,836	120,354	143,558	114,934	108,170
Deferred finance costs, net	-	-	-	24,936	48,836	23,564	31,864
Total assets	21,246,893	25,183,693	25,581,694	25,676,108	34,969,570	27,929,329	24,366,480
Liabilities							
Current liabilities:							
Accounts payable	1,786	4,753	2,924	2,833	9,415	3,101	2,698
Interest payable	82,545	91,035	99,815	97,977	131,620	109,341	102,424
Current maturities of bonds payable	360,000	430,000	410,000	435,000	435,000	400,000	325,000
Total current liabilities	444,331	525,788	512,739	535,810	576,035	512,442	430,122
Noncurrent liabilities:							
Bonds payable, less current maturities	18,060,000	20,580,000	21,485,000	22,005,000	30,310,000	24,310,000	21,060,000
Unamortized bond issuance costs	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
HOME funds payable	-	-	-	-	-	-	-
Total noncurrent liabilities	18,060,000	20,580,000	21,485,000	22,005,000	30,310,000	24,310,000	21,060,000
Total liabilities	18,504,331	21,105,788	21,997,739	22,540,810	30,886,035	24,822,442	21,490,122
Net Assets							
Restricted for single family bond programs	$ 2,742,562	$ 4,077,905	$ 3,583,955	$ 3,135,298	$ 4,083,535	$ 3,106,887	$ 2,876,358

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS (continued)

September 30, 2011

	2007 Series D	2008 Series A	2008 Series B	2009 Series A	2009 Series B	2009 Series C NIBP Master Indenture	2010 Series A 2009 C-1
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 1,102,281	$ 977,013	$ 908,354	$ 217,865	$ 6,652	$ 84,227,275	$ 896,953
Investments	25,869,053	17,689,683	30,377,538	29,789,642	32,434,292	-	46,001,967
Due from (to) other funds	-	-	-	-	-	-	-
Interest receivable	115,089	82,203	138,905	119,501	133,179	4	169,718
Deferred finance costs, net	-	260,248	312,901	939,922	1,028,505	365,000	754,572
Total assets	27,086,423	19,009,147	31,737,698	31,066,930	33,602,628	84,592,279	47,823,210
Liabilities							
Current liabilities:							
Accounts payable	3,047	2,165	3,768	3,407	3,768	-	1,021,752
Interest payable	107,701	74,186	126,336	83,561	101,119	225,405	142,279
Current maturities of bonds payable	385,000	755,000	760,000	1,560,000	830,000	42,000,000	900,000
Total current liabilities	495,748	831,351	890,104	1,646,968	934,887	42,225,405	2,064,031
Noncurrent liabilities:							
Bonds payable, less current maturities	23,390,000	14,130,000	26,430,000	22,730,000	26,765,000	42,000,000	46,815,000
Unamortized bond issuance costs	-	-	-	-	4,306	52,931	4,973
Deferred revenue	-	-	-	-	-	-	-
HOME funds payable	-	-	-	-	-	-	-
Total noncurrent liabilities	23,390,000	14,130,000	26,430,000	22,730,000	26,769,306	42,052,931	46,819,973
Total liabilities	23,885,748	14,961,351	27,320,104	24,376,968	27,704,193	84,278,336	48,884,004
Net Assets							
Restricted for single family bond programs	$ 3,200,675	$ 4,047,796	$ 4,417,594	$ 6,689,962	$ 5,898,435	$ 313,943	$ (1,060,794)

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS (continued)

September 30, 2011

	2011 Series A 2009 C-2	Total Single Family Bond Programs
Assets		
Noncurrent assets:		
Cash and cash equivalents	$ 4,060,723	$112,108,954
Investments	67,975,869	610,715,861
Due from (to) other funds	-	-
Interest receivable	229,052	2,543,192
Deferred finance costs, net	1,643,744	5,824,993
Total assets	73,909,388	731,193,000
Liabilities		
Current liabilities:		
Accounts payable	109,597	1,289,360
Interest payable	184,025	2,379,299
Current maturities of bonds payable	1,130,000	55,550,990
Total current liabilities	1,423,622	59,219,649
Noncurrent liabilities:		
Bonds payable, less current maturities	58,655,000	555,708,650
Unamortized bond issuance costs	15,493	77,703
Deferred revenue	15,473	31,938
HOME funds payable	-	619,222
Total noncurrent liabilities	58,685,966	556,437,513
Total liabilities	60,109,588	615,657,162
Net Assets		
Restricted for single family bond programs	$ 13,799,800	$115,535,838

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2011

	1987 Series A	1991 Series A & B	1994 Master Indenture Accumulation Fund	1999 Series C	2000 Series A	2000 Series B	2000 Series C
Operating Revenues							
Investment income	$ 316,720	$ 62,623	$ 563,204	$ (475)	$ 148,414	$ 31,407	$ 250,541
Program loans	-	-	119,695	-	-	-	-
Net increase (decrease) in fair value of investments	(80,791)	(8,697)	(30,277)	1,225	(23,486)	(7,231)	(32,439)
Other income	4,315	-	33,144	-	-	-	-
Total operating revenues	240,244	53,926	685,766	750	124,928	24,176	218,102
Operating Expenses							
Interest on bonds payable	229,573	58,704	-	13,797	58,545	26,982	125,573
Mortgage servicing fees	18,707	4,006	42,051	1,095	9,918	1,787	15,956
Amortization of deferred finance costs	-	-	-	-	5,541	11,413	9,115
Trustees, issuer and other fees	4,056	1,065	16,016	4,112	5,261	5,350	9,965
Arbitrage payment	-	-	-	-	-	-	-
Other general and administrative	-	-	57,077	-	-	-	-
Total operating expenses	252,336	63,775	115,144	19,004	79,265	45,532	160,609
Operating income (loss) before transfers	(12,092)	(9,849)	570,622	(18,254)	45,663	(21,356)	57,493
Equity transfers in (out)	-	-	(150,254)	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(12,092)	(9,849)	420,368	(18,254)	45,663	(21,356)	57,493
Total net assets, beginning of year	1,332,117	128,571	17,439,625	82,669	1,384,376	92,295	1,618,592
Total net assets, end of year	$ 1,320,025	$ 118,722	$ 17,859,993	$ 64,415	$ 1,430,039	$ 70,939	$ 1,676,085

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2011

	2000 Series D	2001 Series A	2001 Series B	2002 Series A & B	2002 Series C	2003 Series A	2003 Series B
Operating Revenues							
Investment income	$ 153,867	$ 212	$ 389,572	$ 274,610	$ 459,105	$ 629,669	$ 934,397
Program loans	-	2,031	-	-	-	-	-
Net increase (decrease) in fair value of investments	19,330	-	77,695	36,527	28,191	200,804	216,795
Other income	-	711	-	-	-	-	-
Total operating revenues	173,197	2,954	467,267	311,137	487,296	830,473	1,151,192
Operating Expenses							
Interest on bonds payable	95,561	-	205,114	211,282	410,840	352,040	758,561
Mortgage servicing fees	10,056	117	30,184	22,059	33,576	52,540	81,668
Amortization of deferred finance costs	2,371	-	12,509	8,174	28,752	5,874	2,466
Trustees, issuer and other fees	5,809	2,565	15,343	16,371	21,055	41,290	47,124
Arbitrage payment	-	-	-	-	-	-	-
Other general and administrative	-	771	-	-	-	-	-
Total operating expenses	113,797	3,453	263,150	257,886	494,223	451,744	889,819
Operating income (loss) before transfers	59,400	(499)	204,117	53,251	(6,927)	378,729	261,373
Equity transfers in (out)	-	(1,100,000)	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	59,400	(1,100,499)	204,117	53,251	(6,927)	378,729	261,373
Total net assets, beginning of year	841,443	2,341,862	2,556,490	1,048,449	1,099,939	5,006,478	2,183,983
Total net assets, end of year	$ 900,843	$ 1,241,363	$ 2,760,607	$ 1,101,700	$ 1,093,012	$ 5,385,207	$ 2,445,356

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2011

	2003 Series C	2004 Series A	2004 Series B	2005 Series A	2005 Series B	2005 Series C	2005 Series D
Operating Revenues							
Investment income	$ 712,527	$ 700,532	$ 1,148,219	$ 927,929	$ 1,356,311	$ 1,326,737	$ 574,497
Program loans	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	132,521	211,471	157,207	254,351	293,554	339,105	88,467
Other income	-	-	-	-	-	-	-
Total operating revenues	845,048	912,003	1,305,426	1,182,280	1,649,865	1,665,842	662,964
Operating Expenses							
Interest on bonds payable	632,621	625,778	1,023,277	821,285	1,144,065	1,174,662	537,269
Mortgage servicing fees	55,975	64,240	89,369	79,398	115,973	115,386	49,617
Amortization of deferred finance costs	2,251	17,324	8,851	-	-	-	-
Trustees, issuer and other fees	21,312	24,492	26,553	24,715	41,290	39,892	9,507
Arbitrage payment	-	-	-	-	-	-	-
Other general and administrative	-	-	-	-	-	-	-
Total operating expenses	712,159	731,834	1,148,050	925,398	1,301,328	1,329,940	596,393
Operating income (loss) before transfers	132,889	180,169	157,376	256,882	348,537	335,902	66,571
Equity transfers in (out)	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	132,889	180,169	157,376	256,882	348,537	335,902	66,571
Total net assets, beginning of year	1,570,705	1,886,982	2,799,370	2,016,970	3,476,133	2,678,630	1,246,505
Total net assets, end of year	$ 1,703,594	$ 2,067,151	$ 2,956,746	$ 2,273,852	$ 3,824,670	$ 3,014,532	$ 1,313,076

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2011

	2006 Series A	2006 Series B	2006 Series C	2006 Series D	2007 Series A	2007 Series B	2007 Series C
Operating Revenues							
Investment income	$ 1,240,167	$ 1,471,032	$ 1,532,698	$ 1,553,301	$ 1,885,721	$ 1,634,450	$ 1,499,755
Program loans	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	85,929	241,147	104,860	207,726	321,174	255,100	217,000
Other income	-	-	-	-	-	-	-
Total operating revenues	1,326,096	1,712,179	1,637,558	1,761,027	2,206,895	1,889,550	1,716,755
Operating Expenses							
Interest on bonds payable	1,152,601	1,235,842	1,397,504	1,326,304	1,764,763	1,464,959	1,372,158
Mortgage servicing fees	105,199	113,817	123,427	122,343	21,037	132,186	104,458
Amortization of deferred finance costs	-	-	-	778	3,682	(987)	384
Trustees, issuer and other fees	30,753	74,806	48,946	47,662	146,405	52,567	45,700
Arbitrage payment	-	-	-	14,924	14,637	9,715	-
Other general and administrative	-	-	-	-	-	-	-
Total operating expenses	1,288,553	1,424,465	1,569,877	1,512,011	1,950,524	1,658,440	1,522,700
Operating income (loss) before transfers	37,543	287,714	67,681	249,016	256,371	231,110	194,055
Equity transfers in (out)	-	-	-	(11,384)	(11,267)	(15,054)	(11,876)
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	37,543	287,714	67,681	237,632	245,104	216,056	182,179
Total net assets, beginning of year	2,705,019	3,790,191	3,516,274	2,897,666	3,838,431	2,890,831	2,694,179
Total net assets, end of year	$ 2,742,562	$ 4,077,905	$ 3,583,955	$ 3,135,298	$ 4,083,535	$ 3,106,887	$ 2,876,358

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2011

	2007 Series D	2008 Series A	2008 Series B	2009 Series A	2009 Series B	2009 Series C NIBP Master Indenture	2010 Series A 2009 C-1
Operating Revenues							
Investment income	$ 1,642,337	$ 1,178,508	$ 1,960,842	$ 1,629,896	$ 1,844,810	$ 123,432	$ 2,069,688
Program loans	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	176,047	120,535	252,606	628,477	582,757	-	3,372,892
Other income	11,969	-	-	-	-	-	-
Total operating revenues	1,830,353	1,299,043	2,213,448	2,258,373	2,427,567	123,432	5,442,580
Operating Expenses							
Interest on bonds payable	1,470,520	1,004,777	1,708,227	1,083,293	1,300,552	174,510	1,514,302
Mortgage servicing fees	129,786	88,394	149,690	139,107	150,475	-	183,363
Amortization of deferred finance costs	-	68,409	74,701	157,743	193,998	-	-
Trustees, issuer and other fees	51,481	37,627	62,663	57,891	60,703	-	3,394
Arbitrage payment	-	-	-	-	-	-	-
Other general and administrative	-	-	-	-	-	-	-
Total operating expenses	1,651,787	1,199,207	1,995,281	1,438,034	1,705,728	174,510	1,701,059
Operating income (loss) before transfers	178,566	99,836	218,167	820,339	721,839	(51,078)	3,741,521
Equity transfers in (out)	-	296,636	(28,940)	1,091,148	(81,588)	25,000	(6,510,035)
Operating transfers in (out)	-	-	-	-	-	-	1,707,720
Net income (loss)	178,566	396,472	189,227	1,911,487	640,251	(26,078)	(1,060,794)
Total net assets, beginning of year	3,022,109	3,651,324	4,228,367	4,778,475	5,258,184	340,021	-
Total net assets, end of year	$ 3,200,675	$ 4,047,796	$ 4,417,594	$ 6,689,962	$ 5,898,435	$ 313,943	$ (1,060,794)

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2011

	2011 Series A 2009 C-2	Total Single Family Bond Programs
Operating Revenues		
Investment income	$ 1,261,544	$ 33,488,800
Program loans	-	121,726
Net increase (decrease) in fair value of investments	5,315,636	13,756,208
Other income	-	50,139
Total operating revenues	6,577,180	47,416,873
Operating Expenses		
Interest on bonds payable	636,159	27,112,000
Mortgage servicing fees	105,055	2,562,015
Amortization of deferred finance costs	-	613,350
Trustees, issuer and other fees	3,737	1,107,477
Arbitrage payment	-	39,277
Other general and administrative	-	57,848
Total operating expenses	744,951	31,491,967
Operating income (loss) before transfers	5,832,229	15,924,906
Equity transfers in (out)	6,507,614	-
Operating transfers in (out)	1,459,957	3,167,677
Net income (loss)	13,799,800	19,092,583
Total net assets, beginning of year	-	96,443,255
Total net assets, end of year	$ 13,799,800	$115,535,838

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF NET ASSETS

September 30, 2011

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Assets				
Current assets:				
Cash and cash equivalents	$ -	$ 25,209,005	$ -	$ 25,209,005
Investments	-	2,584,000	-	2,584,000
Accounts receivable	-	345,077	(63,954)	281,123
Accounts receivable - U.S. Department of Housing and Urban Development	-	639,388	-	639,388
Prepaid expenses	-	271,036	-	271,036
Interest receivable	-	146,983	-	146,983
Total current assets	-	29,195,489	(63,954)	29,131,535
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	112,108,954	-	-	112,108,954
Investments	610,715,861	-	-	610,715,861
Interest receivable	2,543,192	-	-	2,543,192
Deferred finance costs, net	5,824,993	-	-	5,824,993
Program loans receivable	-	842,128	-	842,128
Long-term investments	-	30,765,802	-	30,765,802
Nondepreciated capital assets	-	550,000	-	550,000
Capital assets, net	-	2,699,887	-	2,699,887
Total noncurrent assets	731,193,000	34,857,817	-	766,050,817
Total assets	731,193,000	64,053,306	(63,954)	795,182,352
Liabilities				
Current liabilities:				
Salaries and related expenses	-	12,869	-	12,869
Accounts payable - vendors and contractors	-	196,154	-	196,154
Accounts Payable - U.S. Department of Housing and Urban Development	-	164,105	-	164,105
Accounts payable - Family Self Sufficiency Program	-	315,391	-	315,391
Accounts payable - other	1,289,360	132,162	(63,954)	1,357,568
Deferred revenue	-	309,277	-	309,277
Compensated absences	-	977,641	-	977,641
Interest payable	2,379,299	296	-	2,379,595
Current maturities of bonds and notes payable	55,550,990	7,730,000	-	63,280,990
Total current liabilities	59,219,649	9,837,895	(63,954)	68,993,590
Noncurrent liabilities:				
Bonds and notes payable, less current maturities	555,708,650	-	-	555,708,650
Unamortized bond issuance costs	77,703	-	-	77,703
Deferred revenue	31,938	-	-	31,938
HOME funds payable	619,222	-	-	619,222
Total noncurrent liabilities	556,437,513	-	-	556,437,513
Total liabilities	615,657,162	9,837,895	(63,954)	625,431,103
Net Assets				
Invested in capital assets	-	3,249,887	-	3,249,887
Restricted for single family bond programs	115,535,838	-	-	115,535,838
Restricted for Section 8 Voucher Program	-	7,041,660	-	7,041,660
Unrestricted	-	43,923,864	-	43,923,864
Total net assets	$ 115,535,838	$ 54,215,411	$ -	$ 169,751,249

OKLAHOMA HOUSING FINANCE AGENCY

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

Year ended September 30, 2011

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Operating Revenues				
Investment income	$ 33,488,800	$ 1,025,368	$ -	$ 34,514,168
Program loans	121,726	67,994	-	189,720
Net increase in fair value of investments	13,756,208	2,034,913	-	15,791,121
Realized gain on sale of investments	-	985,208	-	985,208
Fees and other income	50,139	13,397,569	(1,004,746)	12,442,962
Total operating revenues	47,416,873	17,511,052	(1,004,746)	63,923,179
Operating Expenses				
Interest on bonds and notes payable	27,112,000	20,955	-	27,132,955
Mortgage servicing fees	2,562,015	-	-	2,562,015
Amortization of deferred finance costs	613,350	-	-	613,350
Trustees, issuer and other fees	1,107,477	-	(1,004,746)	102,731
Salaries and related expenses	-	8,708,025	-	8,708,025
Arbitrage payment	39,277	-	-	39,277
Other general and administrative	57,848	2,520,631	-	2,578,479
Total operating expenses	31,491,967	11,249,611	(1,004,746)	41,736,832
Operating income	15,924,906	6,261,441	-	22,186,347
Nonoperating revenues (expenses):				
Federal and state program income	-	210,345,454	-	210,345,454
Federal and state program expenses	-	(210,029,198)	-	(210,029,198)
Total nonoperating income	-	316,256	-	316,256
Income before transfers	15,924,906	6,577,697	-	22,502,603
Transfers	3,167,677	(3,167,677)	-	-
Increase in net assets	19,092,583	3,410,020	-	22,502,603
Total net assets, beginning of year	96,443,255	50,805,391	-	147,248,646
Total net assets, end of year	$ 115,535,838	$ 54,215,411	$ -	$ 169,751,249

See independent auditors' report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS

Year ended September 30, 2011

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Cash Flows from Operating Activities				
Receipts (payments) from (of) fees	$ (364,276)	$ 12,652,438	$ -	$ 12,288,162
Receipts from program loan payments	-	431,598	-	431,598
Receipts from other sources	-	298,207	-	298,207
Payments to employees	-	(8,950,472)	-	(8,950,472)
Payments to suppliers	-	(1,928,178)	-	(1,928,178)
Payment for purchase of program loans	-	(218,800)	-	(218,800)
Payments for bond fees	(1,691,907)	-	-	(1,691,907)
Payments for trustee and other fees	(1,107,475)	-	-	(1,107,475)
Payments for other expenses	(97,128)	-	-	(97,128)
Net cash provided by (used in) operating activities	(3,260,786)	2,284,793	-	(975,993)
Cash Flows from Noncapital Financing Activities				
Proceeds from issuance of bonds and notes payable	107,500,000	73,981,371	-	181,481,371
Principal paid on bonds and notes payable	(153,721,203)	(82,288,033)	-	(236,009,236)
Interest paid on bonds and notes payable	(27,076,143)	(30,859)	-	(27,107,002)
Payment of bond issuance costs	(1,606,308)	-	-	(1,606,308)
Receipt of federal and state program income	-	210,345,454	-	210,345,454
Payment of federal and state program expenses	(246,069)	(210,029,198)	-	(210,275,267)
Transfers	3,167,677	(3,167,677)	-	-
Net cash used in noncapital financing activities	(71,982,046)	(11,188,942)	-	(83,170,988)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(283,606)	-	(283,606)
Net cash used in capital and related financing activities	-	(283,606)	-	(283,606)
Cash Flows from Investing Activities				
Purchase of investments	(139,144,054)	(139,770,372)	-	(278,914,426)
Proceeds from sales and maturities of investments	126,172,750	150,527,615	-	276,700,365
Interest received on investments	33,663,855	1,087,846	-	34,751,701
Net cash provided by investing activities	20,692,551	11,845,089	-	32,537,640
Net increase (decrease) in cash	(54,550,281)	2,657,334	-	(51,892,947)
Cash and cash equivalents, beginning of year	166,659,235	22,551,671	-	189,210,906
Cash and cash equivalents, end of year	$ 112,108,954	$ 25,209,005	$ -	$ 137,317,959
Cash and Cash Equivalents as Reported in Statement of Net Assets				
Unrestricted	$ -	$ 25,209,005	$ -	$ 25,209,005
Restricted	112,108,954	-	-	112,108,954
	$ 112,108,954	$ 25,209,005	$ -	$ 137,317,959

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS (continued)

Year ended September 30, 2011

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities				
Operating income	$ 15,924,906	$ 6,261,441	$ -	$ 22,186,347
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	-	473,258	-	473,258
Interest from investments	(33,610,526)	(1,025,368)	-	(34,635,894)
Amortization of fees and deferred finance costs	613,350	-	-	613,350
Net increase in fair value of investments	(13,756,208)	(2,034,913)	-	(15,791,121)
Realized gain on sale of investments	-	(985,208)	-	(985,208)
Loss on disposal of capital assets	-	267	-	267
Interest on bonds and notes payable	27,112,000	20,955	-	27,132,955
Change in operating assets and liabilities:				
Accounts receivable	-	(56,371)	-	(56,371)
Prepaid expenses	-	371	-	371
Program loans receivable	-	144,804	-	144,804
Accounts payable and accrued expenses	870,108	(159,038)	-	711,070
Deferred revenue	(414,416)	(390,553)	-	(804,969)
Compensated absences	-	35,148	-	35,148
Net cash provided by (used in) operating activities	$ (3,260,786)	$ 2,284,793	$ -	$ (975,993)

SINGLE AUDIT SUPPLEMENT

AND

INDEPENDENT AUDITORS' REPORTS

ON COMPLIANCE AND INTERNAL CONTROL

SEPTEMBER 30, 2011

CONTENTS

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Section 8 Contract Administration Program	14.195*	$ 68,955,387
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	143,258
Section 8 Project - Based Cluster		69,098,645
Section 8 Housing Choice Vouchers Program	14.871*	51,096,348
Total Section 8 Related		120,194,993
Housing Opportunities for Persons with AIDS	14.241	220,141
HOME Investment Partnerships Program	14.239*	12,028,044
Tax Credit Assistance Program (American Recovery and Reinvestment Act - ARRA)	14.258*	19,396,605
Disaster Housing Assistance Program - IKE	14.IKE	1,831
Total Federal Awards		$ 151,841,614

* Major programs

See notes to this schedule.

OKLAHOMA HOUSING FINANCE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2011

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes all federal grant activity of the Oklahoma Housing Finance Agency (the Agency) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations.* Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Agency.

Note 2 – Commitments and Contingencies

The Agency participates in various federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Agency has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2011, may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants.

Note 3 – Subrecipients

Of the federal expenditures presented in the Schedule, the Agency provided federal awards to subrecipients as follows:

Program Title Provided	Federal CFDA Number	Amount
HOME Investment Partnerships Program	14.239	$ 12,028,044
Housing Oportunities for Persons with AIDS	14.241	220,141

Note 4 – ARRA Funded Programs not Subject to A-133 Audit

The Agency administered the U.S. Department of Treasury Section 1602 program which is not covered by the single audit requirements and is not required to be included in the Schedule. The Agency incurred expenditures of $58,122,868 for this program during 2011.

Note 5 – State Grant Program

The Agency received an award from a state agency and incurred expenditures of $64,716 during 2011.

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

To the Board of Trustees
Oklahoma Housing Finance Agency

We have audited the financial statements of Oklahoma Housing Finance Agency (the Agency) as of and for the year ended September 30, 2011, and have issued our report thereon dated January 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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This report is intended solely for the information and use of management and the Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hogan Taylor LLP

January 26, 2012

HoganTaylor LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Oklahoma Housing Finance Agency

Compliance

We have audited the compliance of Oklahoma Housing Finance Agency (the Agency) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. The Agency's major federal programs are identified in the Summary of Independent Auditors' Results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Agency as of and for the year ended September 30, 2011, and have issued our report thereon dated January 26, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management and the Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hogan Taylor LLP

January 26, 2012

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

	Yes	No	None Reported
Internal control over financial reporting:			
Material weakness(es) identified?		X	
Significant deficiency(ies) identified?			X
Noncompliance material to financial statements noted?		X	

Federal Awards

	Yes	No	None Reported
Internal control over major programs:			
Material weakness(es) identified?		X	
Significant deficiency(ies) identified?			X

Type of auditors' report issued on compliance for major programs: Unqualified

	Yes	No	None Reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		X	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.195	Section 8 Contract Administration Program
14.871	Section 8 Housing Choice Vouchers Program
14.239	HOME Investment Partnerships Program
14.258	Tax Credit Assistance Program (ARRA)

Dollar threshold used to distinguish between type A and type B programs: $3,000,000

	Yes	No
Auditee qualified as low-risk auditee?	X	

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

None

OKLAHOMA HOUSING FINANCE AGENCY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2011

There were no prior year findings or questioned costs.