FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2017 and 2016

WITH

INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Housing Finance Agency (the Agency, or OHFA), a component unit of the State of Oklahoma, as of and for the years ended September 30, 2017 and 2016, and the related notes to the basic financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of September 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oklahoma Housing Finance Agency's internal control over financial reporting and compliance.

Hogan Taylor LLP

Tulsa, Oklahoma
January 11, 2018

OKLAHOMA HOUSING FINANCE AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

September 30, 2017 and 2016

Oklahoma Housing Finance Agency (the Agency, or 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 OHFA, we offer readers of OHFA's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2017 and 2016. This information is presented to provide additional information regarding the activities of OHFA and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This analysis should be read in conjunction with the basic financial statements, notes to financial statements, and supplemental information.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The Notes to the Basic 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 Statement of Net Position for the Single Family Mortgage Revenue Bond Funds as well as a Supplemental Combining Statement of Revenues, Expenses, and Changes in Net Position for the Single Family Mortgage Revenue Bond Programs. These supplemental schedules are presented to provide the reader with information regarding the financial condition of each Single Family Mortgage Revenue Bond Program of the Agency.

FINANCIAL HIGHLIGHTS

Year ended September 30, 2017

- Total assets decreased by $59.7 million.
- Total liabilities decreased by $56.2 million.
- Net position decreased by $1.7 million.
- Made 626 single family mortgage loans available to first-time homebuyers compared to 903 in 2016.
- Provided 130,872 unit months of Section 8 rental assistance compared to 128,895 in 2016.
- Paid $54.5 million in rental assistance to benefit Section 8 voucher holders compared to $54.9 million in 2016.
- Paid $74.2 million in rental assistance to project based Section 8 properties compared to $73.3 million in 2016.

FINANCIAL HIGHLIGHTS

Year ended September 30, 2016

- Total assets decreased by $61.8 million.
- Total liabilities decreased by $70.9 million.
- Net position increased by $10.1 million.
- Made 903 single family mortgage loans available to first-time homebuyers compared to 800 in 2015.
- Provided 128,895 unit months of Section 8 rental assistance compared to 121,218 in 2015.
- Paid $54.9 million in rental assistance to benefit Section 8 voucher holders compared to $49.6 million in 2015.
- Paid $73.3 million in rental assistance to project based Section 8 properties compared to $72.0 million in 2015.

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

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

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

As Section 8 Contract Administrator for project-based Section 8 properties located throughout Oklahoma for the U. S. Department of Housing and Urban Development (HUD), OHFA's 2017 and 2016 duties consisted of 169 contracts, totaling 12,764 assisted units. The Agency receives a fee to administer the program based on the number of units under contract.

CONDENSED FINANCIAL INFORMATION

Statement of Net Position

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

Condensed Statements of Net Position

	2017	2016	2015
Assets			
Current assets	$ 14.8	$ 19.7	$ 20.9
Noncurrent assets:			
Restricted	266.0	333.2	401.5
Net capital assets	2.8	2.8	3.1
Unrestricted	57.8	45.4	37.4
Total assets	341.4	401.1	462.9
Deferred Outflows	2.9	0.8	0.9
Liabilities			
Current liabilities	10.4	10.8	12.4
Noncurrent liabilities	176.0	231.7	301.0
Total liabilities	186.4	242.5	313.4
Deferred Inflows	0.9	0.6	1.7
Net Position			
Invested in capital assets	2.8	2.8	3.1
Restricted for Single Family Bond Programs	84.0	91.5	89.8
Restricted for Section 8 Voucher Program	2.2	0.8	0.3
Unrestricted	68.1	63.7	55.5
Total net position	$ 157.1	$ 158.8	$ 148.7

Explanations of significant variances between 2017 and 2016 on the condensed statements of net position follow:

> The decrease in total assets of $59.7 million is primarily due to the net effect of reductions in Mortgage Backed Securities (MBS) due to paying down $58.5 million of bonds and notes payable from payments and prepayments of Agency MBS investments due to homeowners refinancing their mortgages due to low market interest rates, and a $1.7 million net position decrease realized by the Agency.
>
> The decrease in total liabilities of $56.2 million is primarily due to payments and prepayments of $58.5 million on bonds payable which decreased total liabilities as loans were paid down early by homeowners refinancing their mortgages to take advantage of historic low market mortgage rates. The OHFA portion of the Oklahoma Public Employees Retirement System defined benefit pension liability increased by $1.6 million.

The $7.5 million decrease in net position restricted for Single Family Bond Programs is a result of $7.5 million of net loss relating to the bond programs.

The Section 8 Voucher Program is included in the Agency General Fund and that program's net position, which is restricted, increased by $1.4 million due to receiving $1.4 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 an expense in the current year. These items are reported in net position instead of as a payable or receivable with HUD. These funds are only available to pay Housing Assistance Payments (HAP) under the Section 8 Voucher Program. The Agency had funds restricted for the Section 8 Voucher Program of $2.2 million and $0.8 million, respectively, as of September 30, 2017 and 2016.

The increase in Agency General Fund unrestricted net position of $4.4 million is primarily due to $4.3 million in net operating income (excluding Single Family Bond Programs) and $0.1 million of nonoperating net income.

Explanations of significant variances between 2016 and 2015 on the condensed statements of net position follow:

The decrease in total assets of $61.8 million is primarily due to the net effect of reductions in MBS due to paying down $71.0 million of bonds and notes payable from refunding of $18.3 million of 2006D and 2007A bond issues and payments and prepayments of Agency MBS investments due to homeowners refinancing their mortgages due to low market interest rates, and a $10.1 million net position increase realized by the Agency.

The decrease in total liabilities of $70.9 million is primarily due to payments and prepayments of $71.0 million on bonds payable which decreased total liabilities as loans were paid down early by homeowners refinancing their mortgages to take advantage of historic low market mortgage rates and the Agency refunding of $18.3 million of 2006D and 2007A bond issues. There was no change in its line of credit with Federal Home Loan Bank of Topeka as there was a zero balance at the end of each year. The line of credit is used to warehouse MBS on a short-term basis until they can be transferred into a future Single Family Bond Program or sold on the open market.

The $1.7 million increase in net position restricted for Single Family Bond Programs is a result of $1.7 million of net operating income relating to the bond programs.

The Section 8 Voucher Program is included in the Agency General Fund and that program's net position, which is restricted, increased by $0.5 million due to receiving $0.5 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 an expense in the current year. These items are reported in net position instead of as a payable or receivable with HUD. These funds are only available to pay Housing Assistance Payments (HAP) under the Section 8 Voucher Program. The Agency had funds restricted for the Section 8 Voucher Program of $0.8 million and $0.3 million, respectively, as of September 30, 2016 and 2015.

The increase in Agency General Fund unrestricted net position of $8.2 million is primarily due to $7.9 million in net operating income (excluding Single Family Bond Programs) and $0.4 million of nonoperating net income.

Revenues, Expenses and Changes in Net position

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2017	2016	2015
Operating and Nonoperating Revenues			
Investments and program loans	$ 13.5	$ 16.8	$ 21.3
Net increase (decrease) in fair value of investments	(10.5)	(0.5)	-
Fees and other income	12.5	13.6	12.1
Gain on sale of investments	0.6	1.9	1.9
Federal and state program income	138.8	134.5	127.8
Total revenues	154.9	166.3	163.1
Operating and Nonoperating Expenses			
Interest on bonds and notes	6.8	9.8	13.9
Other bond program expenses	1.3	1.7	2.1
Salaries, general and administrative	11.2	10.7	10.7
Federal and state program expenses	137.3	134.0	128.3
Total expenses	156.6	156.2	155.0
Increase (decrease) in net position	(1.7)	10.1	8.1
Net position at beginning of year	158.8	148.7	140.6
Net position at end of year	$ 157.1	$ 158.8	$ 148.7

Explanations of significant fluctuations between 2017 and 2016 in revenues, expenses, and changes in net position follow:

The net decrease in interest income from investments and program loans of $3.3 million is primarily due to older, higher interest bond program loan pools being paid down, as consumers refinance their mortgages at a faster rate, than new, lower interest rate bond program loans are added to the portfolio and MBS being sold into the market via the TBA program due to market conditions instead of being placed into a bond issue.

The net decrease in the fair value of investments of $10.5 million for 2017 was due to market interest rates being higher than in the previous year, causing a decrease in the value of older, relatively lower yielding interest rate securities. Interest rates remained relatively stable in 2016, causing little change in the fair value of investments in 2016. The market values of fixed interest rate investments typically have an inverse relationship to interest rates.

The gain on sale of investments of $0.6 million in 2017 and $1.9 million in 2016 is due to the Agency capitalizing on market opportunities to sell newly pooled Single Family Loan Program MBS at a gain on the open market via the TBA program instead of placing these MBS into a bond issue. The current low interest rate environment makes bond issues economically unfeasible.

Federal program revenues increased by $4.3 million due primarily to the net effect of a $0.9 million increase in the Section 8 Contract Administration Program revenues, a $2.5 million increase in the HOME Investment Partnership program revenues, and a $1.0 million increase in the Section 8 Voucher program revenues due to varying availability of federal program funding.

Interest expense on bonds and notes payable decreased by $3.0 million in 2017 from 2016. Bonds and notes payable are $58.5 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 low market interest rates.

Federal program expenses increased by $3.3 million due primarily to the net effect of a $0.9 million increase in the Section 8 Contract Administration Program expenses, a $2.5 million increase in the HOME Investment Partnership program expenses, and a $0.2 million decrease in the Section 8 Voucher program expenses due to varying availability of federal program funding.

The decrease in net position of $1.7 million from $158.8 million in 2016 to $157.1 million in 2017 is primarily due to an operating loss of $3.2 million, supplemented by a $1.5 million increase in net position due to OHFA receiving $1.5 million more in nonoperating federal program revenues than federal program expenses.

Explanations of significant fluctuations between 2016 and 2015 in revenues, expenses, and changes in net position follow:

The net decrease in interest income from investments and program loans of $4.5 million is primarily due to older, higher interest bond program loan pools being paid down as consumers refinance their mortgages at a faster rate, than new, lower interest rate bond program loans are added to the portfolio and MBS being sold into the market via the TBA program instead of being placed into a bond issue due to market conditions. Also, due to the current low market interest rate environment, as Agency investments mature, the proceeds are invested at a lower interest rate than the maturing investment.

There was no net increase in the fair value of investments in 2015 and only a $0.5 million decrease in fair value of investments in 2016 as market interest rates were fairly stable throughout both years. The market values of fixed interest rate investments typically have an inverse relationship to interest rates.

The gain on sale of investments of $1.9 million in both 2016 and 2015 is due to the Agency capitalizing on market opportunities to sell newly pooled Single Family Loan Program MBS at a gain on the open market via the TBA program instead of placing these MBS into a bond issue. The current low interest rate environment makes bond issues economically unfeasible.

Federal program revenues increased by $6.7 million due primarily to the net effect of a $1.3 million increase in the Section 8 Contract Administration Program revenues, a $0.8 million decrease in the HOME Investment Partnership program revenues, and a $6.0 million increase in the Section 8 Voucher program revenues due to varying availability of federal program funding.

Interest expense on bonds and notes payable decreased by $4.1 million in 2016 from 2015. Bonds and notes payable are $71.0 million less than the prior year due to principal payments in excess of new borrowings for lending to homebuyers. Also, higher interest rate bonds were paying off faster because borrowers were refinancing their homes due to the low market interest rates.

Federal program expenses increased by $5.7 million due primarily to the net effect of a $1.3 million increase in the Section 8 Contract Administration Program expenses, a $0.8 million decrease in the HOME Investment Partnership program expenses, and a $5.1 million increase in the Section 8 Voucher program expenses due to varying availability of federal program funding.

The increase in net position of $10.1 million from $148.7 million in 2015 to $158.8 million in 2016 is primarily due to an operating income of $9.6 million, supplemented by a $0.4 million increase in net position due to OHFA receiving $0.4 million more in nonoperating federal program revenues than federal program expenses.

Capital Assets and Long-Term Debt Administration

Capital assets

As of September 30, 2017, the Agency had invested $2.8 million in a broad range of capital assets, including buildings and building improvements, land and furniture and equipment. This amount represents a net change of $0.05 million (including additions and disposals).

Long-term debt

As of September 30, 2017, the Agency had $179.8 million in bonds and notes payable outstanding, which is a decrease of 25% from last year's amount of $238.3 million. More detailed information about the bonds and notes payable is presented in Note 7 of the notes to the basic 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 have stabilized and are trending slightly upward after several years of decline. 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 Director, Eldon Overstreet, JD, CPA, at (405) 419-8209; Oklahoma Housing Finance Agency, P.O. Box 26720, Oklahoma City, Oklahoma 73126-0720; e-mail: eldon.overstreet@ohfa.org; or visit our website at www.ohfa.org.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF NET POSITION

September 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 9,067,821	$ 13,178,428
Investments	4,206,282	5,469,448
Accounts receivable (net of an allowance for doubtful accounts of $1,369,205 and $742,311 for 2017 and 2016, respectively)	114,130	24,706
Accounts receivable - U.S. Department of Housing and Urban Development	823,896	602,862
Prepaid expenses	368,866	289,199
Interest receivable	179,111	141,256
Total current assets	14,760,106	19,705,899
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	17,600,303	17,524,625
Investments	245,611,174	312,060,801
Interest receivable	836,278	1,048,683
Program loans receivable (net of allowance of $368,808 and $563,395 for 2017 and 2016, respectively)	1,920,601	2,585,425
Long-term investments	57,815,404	45,402,983
Nondepreciated capital assets	550,000	550,000
Capital assets, net	2,287,494	2,239,240
Total noncurrent assets	326,621,254	381,411,757
Total assets	341,381,360	401,117,656
Deferred outflows of resources:		
Pension	2,883,426	734,897
Accumulated decrease in fair value of hedging derivatives	29,191	41,921
Total deferred outflows	2,912,617	776,818
Liabilities		
Current liabilities:		
Salaries and related expenses	577,890	671,935
Accounts payable - vendors and contractors	43,758	81,246
Accounts payable - U.S. Department of Housing and Urban Development	801,994	21,637
Accounts payable - Family Self Sufficiency Program	439,387	410,413
Accounts payable - other	268,385	142,851
Hedging payable	29,191	41,921
Unearned revenue	550,325	529,475
Compensated absences	817,044	809,929
Interest payable	523,303	722,566
Current maturities of bonds and notes payable	6,320,963	7,414,522
Total current liabilities	10,372,240	10,846,495
Noncurrent liabilities:		
Pension liability	2,452,202	844,480
Bonds and notes payable, less current maturities	173,528,813	230,851,336
Total noncurrent liabilities	175,981,015	231,695,816
Total liabilities	186,353,255	242,542,311
Deferred inflows of resources:		
Pension	880,233	592,745
Net Position		
Invested in capital assets	2,837,494	2,789,240
Restricted for Single Family Bond Programs	83,981,256	91,526,262
Restricted for Section 8 Voucher Program	2,205,200	752,185
Unrestricted	68,036,539	63,691,731
Total net position	$ 157,060,489	$ 158,759,418

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended September 30, 2017 and 2016

	2017	2016
Operating Revenues		
Investment income	$ 13,481,858	$ 16,755,317
Program loan income	15,954	36,575
Net decrease in fair value of investments	(10,473,181)	(494,495)
Realized gain on sale of investments	562,120	1,857,613
Fees and other income	12,493,629	13,637,789
Total operating revenues	16,080,380	31,792,799
Operating Expenses		
Interest on bonds and notes payable	6,744,943	9,839,438
Mortgage servicing fees	1,282,044	1,605,556
Trustees, issuer and other fees	45,539	57,325
Salaries and related expenses	8,127,934	7,768,036
Other general and administrative	3,095,200	2,898,239
Total operating expenses	19,295,660	22,168,594
Operating income (loss)	(3,215,280)	9,624,205
Nonoperating revenue (expenses):		
Federal and state program income	138,795,157	134,470,886
Federal and state program expenses	(137,278,806)	(134,044,974)
Total nonoperating income	1,516,351	425,912
Increase (decrease) in net position	(1,698,929)	10,050,117
Total net position, beginning of year	158,759,418	148,709,301
Total net position, end of year	$ 157,060,489	$ 158,759,418

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS

Years ended September 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Receipts from fees	$ 13,760,665	$ 12,386,235
Receipts from program loan payments	2,457,542	1,958,592
Receipts from other sources	350,317	475,689
Payments to employees	(8,214,864)	(7,650,420)
Payments to suppliers	(3,944,817)	(2,477,373)
Payments for purchases of program loans	(1,777,448)	(3,044,679)
Payments for bond fees	(1,306,524)	(1,629,018)
Payments for trustee and other fees	(111,901)	(83,706)
Net cash provided by (used in) operating activities	1,212,970	(64,680)
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds and notes payable	20,650,000	54,100,000
Principal paid on bonds and notes payable	(79,066,082)	(125,059,648)
Interest paid on bonds and notes payable	(6,944,206)	(10,083,544)
Receipt of federal and state program income	138,795,157	134,470,886
Payment of federal and state program expenses	(137,278,806)	(134,044,974)
Net cash used in noncapital financing activities	(63,843,937)	(80,617,280)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(450,364)	(153,198)
Cash Flows from Investing Activities		
Purchase of investments	(137,067,291)	(158,525,592)
Proceeds from sales and maturities of investments	182,456,602	219,090,298
Interest received on investments	13,657,091	16,998,526
Net cash provided by investing activities	59,046,402	77,563,232
Net decrease in cash and cash equivalents	(4,034,929)	(3,271,926)
Cash and cash equivalents, beginning of year	30,703,053	33,974,979
Cash and cash equivalents, end of year	$ 26,668,124	$ 30,703,053
Cash and Cash Equivalents as Reported in Statement of Net Position		
Unrestricted	$ 9,067,821	$ 13,178,428
Restricted	17,600,303	17,524,625
	$ 26,668,124	$ 30,703,053

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS (continued)

Years ended September 30, 2017 and 2016

	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	$ (3,215,280)	$ 9,624,205
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	402,110	416,038
Interest from investments	(13,482,541)	(16,759,237)
Net decrease in fair value of investments	10,473,181	494,495
Realized gain on sale of investments	(562,120)	(1,857,613)
Interest on bonds and notes payable	6,744,943	9,839,438
Change in operating assets, liabilities, deferred outflows and deferred inflows:		
Accounts receivable	(285,978)	(53,292)
Prepaid expenses	(79,667)	44,906
Program loans receivable	664,824	(1,118,742)
Accounts payable and accrued expenses	778,852	(66,333)
Unearned revenue	8,120	26,966
Pension payable	1,607,722	376,527
Deferred outflows	(2,135,799)	91,615
Deferred inflows	287,488	(1,126,063)
Compensated absences	7,115	2,410
Net cash provided by (used in) operating activities	$ 1,212,970	$ (64,680)

See notes to the basic financial statements.

Note 1 – Authorizing Legislation and Activities

Oklahoma Housing Finance Agency (the Agency or OHFA) 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 by the third amendment 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 bond programs.

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

In addition to its bond programs, OHFA administers Section 8 Housing Assistance Payments Programs for the U.S. Department of Housing and Urban Development (HUD). OHFA receives administrative fee based on the number of housing units administered under its contracts with HUD. OHFA also administers the Home Investment Partnerships Program (HOME) 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, homebuyer 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 determined by the number of units under contract. The Agency also administers the U.S. Department of Treasury's (Treasury) Low Income Housing Tax Credit (LIHTC) program for the State of Oklahoma. The Agency receives application and service fees from developers who participate in the LIHTC program.

OHFA also administers certain other federal and state programs.

Note 2 – Summary of Significant Accounting Policies

Financial statement presentation

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

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

Basis of accounting

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

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

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

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

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

Changes in accounting principle

For the year ended September 30, 2015, the Agency adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB No. 68). GASB No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and 27*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. GASB No. 68 also enhances accountability and transparency through revised and new note disclosures and required supplemental information.

The Agency adopted the provisions of GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (GASB No. 71). GASB No. 71 addresses an issue regarding application of the transition provisions of GASB No. 68. Contributions to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the reporting period are required to be recognized as deferred outflows of resources.

The Agency's adoption of GASB No. 68 and GASB No. 71 required restatement of beginning net position at October 1, 2015, the recognitions of deferred inflows, deferred outflows and pension liability, as well as additional disclosures in the notes to the basic financial statements.

For the year ended September 30, 2016, the Agency adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72). This statement addresses accounting and financial reporting issues related to fair value measurements. This statement requires the use of valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

For the year ended September 30, 2016, the Agency adopted the provisions of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB No. 76). This statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify in the context of the current governmental financial reporting environment the hierarchy of GAAP. The "GAAP Hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy into two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

The Agency's adoption of GASB Nos. 72 and 76 required additional disclosures in the notes to the basic financial statements.

<u>Cash and cash equivalents</u>

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

<u>Investments</u>

The Agency's investment policy for the general fund is governed by state statute and the Board of Trustees' "Statement of Investment Policy." Permissible investments include direct obligations of the

United States Government and Agencies, mortgage-backed securities guaranteed by federal agencies, certificates of deposit, repurchase agreements and savings accounts. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by Federal Deposit Insurance Corporation (FDIC) insurance. Investments are reported at fair value.

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

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

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

Without consideration of the respective net increase or decrease in the fair value of investments, OHFA's 2017 and 2016 net operating income would have been $7,257,901 and $10,118,700, respectively.

Fair value measurements

During the fiscal year ended September 30, 2016, the Agency adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. The Agency categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

> Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.
>
> Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the asset or liability.
>
> Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Agency's own assumptions as there is little, if any, related market activity.

Hierarchy – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs – If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Program loans receivable

Program loans receivable primarily consist of Housing Trust Fund loans secured by mortgages. These loans are reported at cost. Based on management's evaluation of program loans receivable, the Agency has recorded an allowance for uncollectible program loans of $368,808 and $563,395 as of September 30, 2017 and 2016, respectively.

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, 2017 and 2016, were $402,110 and $416,038, respectively, and is included with other general and administrative expense on the Statements of Revenues, Expenses and Changes in Net Position.

Unearned revenue

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

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

Bond issue costs

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

Pensions

The fiduciary net position of the Oklahoma Public Employees Retirement System (OPERS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from OPERS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Restrictions and designations of net position

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

Net Position restricted for the Section 8 Voucher Program represent funds received from HUD in excess of HAP expenditures. These funds can only be utilized to make HAP payments for the Section 8 Voucher Program.

Note 3 – Cash and Investments

Deposit custodial credit risk

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

Current Agency policy for deposits not held by the Single Family Bond Programs requires the lesser of the cost or fair value of the collateral pledged to be 110% of the deposit value. As of September 30, 2017 and 2016, the Agency was not exposed to custodial credit risk.

As of September 30, 2017 and 2016, $17,655,208 and $17,550,452, respectively, of the total cash consisted primarily of money market accounts held at trustee banks. These funds are classified as investments for the purposes of GASB Statement No. 40 *Deposit and Investment Risk Disclosures* requirements and therefore are not subject to custodial credit risk. For presentation on the face of the Statement of Net Position, these funds are classified as cash equivalents.

Investment interest rate risk

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

	September 30, 2017				
		Investment Maturity			
	Fair Value	Less than One Year	One to Three Years	Greater Than Three Years	Fair Value Investment
Agency General Fund:					
GNMA pooled loans	$ 26,847,643	$ 27,793	$ -	$ 26,819,850	Level 2
FNMA pooled loans	8,286,661	-	-	8,286,661	Level 2
Certificates of deposit	17,449,475	4,178,489	13,270,986	-	Level 2
Municipal bonds	9,437,907	-	9,437,907	-	Level 1
Total investments in securities	62,021,686	$ 4,206,282	$ 22,708,893	$ 35,106,511	
Single Family Bond Programs:					
GNMA pooled loans	239,243,184				Level 2
FNMA pooled loans	5,989,117				Level 2
Guaranteed investment contracts	378,873				Level 3
Total investments	$ 307,632,860				

	September 30, 2016				
		Investment Maturity			
	Fair Value	Less than One Year	One to Three Years	Greater Than Three Years	Fair Value Investment
Agency General Fund:					
GNMA pooled loans	$ 23,044,120	$ 38,000	$ 253,361	$ 22,752,759	Level 2
FNMA pooled loans	1,965,600	-	-	1,965,600	Level 2
Certificates of deposit	22,868,111	5,431,448	17,436,663	-	Level 2
Municipal bonds	2,994,600	-	2,994,600	-	Level 1
Total investments in securities	50,872,431	$ 5,469,448	$ 20,684,624	$ 24,718,359	
Single Family Bond Programs:					
GNMA pooled loans	297,809,812				Level 2
FNMA pooled loans	13,723,317				Level 2
Guaranteed investment contracts	527,672				Level 3
Total investments	$ 362,933,232				

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

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

	2017	2016
Current:		
Agency General Fund	$ 4,206,282	$ 5,469,448
Noncurrent:		
Restricted - Single Family Bond Programs	245,611,174	312,060,801
Agency General Fund	57,815,404	45,402,983
Total noncurrent	303,426,578	357,463,784
Total investments	$ 307,632,860	$ 362,933,232

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

Concentration of investment credit risk

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

	September 30, 2017			September 30, 2016		
	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	$ 26,847,643	*	8.7%	$ 23,044,120	*	6.3%
FNMA pooled loans	8,286,661		2.7%	1,965,600		0.6%
Certificates of deposit	17,449,475	*	5.7%	22,868,111	*	6.3%
Municipal bonds	9,437,907		3.1%	2,994,600		0.8%
	62,021,686		20.2%	50,872,431		14.0%
Single Family Bond Programs:						
GNMA pooled loans	239,243,184	*	77.8%	297,809,812	*	82.1%
FNMA pooled loans	5,989,117		1.9%	13,723,317		3.8%
Guaranteed investment contracts	378,873		0.1%	527,672		0.1%
	245,611,174		79.8%	312,060,801		86.0%
Total investments	$ 307,632,860		100.0%	$ 362,933,232		100.0%

Mortgage-backed security (MBS) forward contracts

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

Outstanding forward sales contracts as of September 30, 2017, are as follows:

Forward Contracts to Sell TBA MBS	Notional Amount September 30, 2017	Trade Date	Delivery Date	Coupon Rate	Net Fair Values as reported in the Statement of Net Position at September 30, 2017
Bank of America Merrill Lynch					
GNMA II	$ 1,000,000	7/20/2017	10/23/2017	4.00%	$ (3,125)
FNMA	1,000,000	7/27/2017	10/12/2017	4.50%	(3,281)
GNMA II	1,000,000	8/1/2017	10/23/2017	4.00%	(2,031)
GNMA II	(917,542)	8/15/2017	10/23/2017	4.00%	2,473
GNMA II	1,200,000	8/23/2017	11/20/2017	4.50%	(5,250)
GNMA II	1,000,000	8/25/2017	11/20/2017	4.00%	(2,188)
Bank of New York Mellon					
GNMA II	500,000	7/19/2017	10/23/2017	4.50%	(3,125)
GNMA II	1,000,000	8/7/2017	10/23/2017	4.00%	(2,656)
FNMA	1,000,000	8/10/2017	10/12/2017	4.50%	(625)
GNMA II	(500,000)	8/15/2017	10/23/2017	4.50%	3,281
GNMA II	1,000,000	9/5/2017	11/20/2017	4.00%	(313)
GNMA II	1,200,000	9/20/2017	12/20/2017	4.00%	750
EDF Man Capital Markets					
FNMA	500,000	7/17/2017	10/12/2017	4.50%	(1,875)
GNMA II	1,000,000	7/19/2017	10/23/2017	4.00%	(3,125)
FNMA	500,000	7/21/2017	10/12/2017	4.50%	(1,172)
GNMA II	1,000,000	7/25/2017	10/23/2017	4.00%	(3,906)
GNMA II	500,000	7/25/2017	10/23/2017	4.50%	(3,828)
GNMA II	1,000,000	8/15/2017	10/23/2017	4.00%	(2,813)
GNMA II	(500,000)	8/15/2017	10/23/2017	4.50%	3,438
GNMA II	1,500,000	9/8/2017	11/20/2017	4.00%	820
GNMA II	(2,400,000)	9/14/2017	10/23/2017	4.00%	(2,250)
GNMA II	1,500,000	9/29/2017	12/20/2017	4.00%	938
Jefferies					
GNMA II	1,200,000	8/17/2017	10/23/2017	4.00%	(2,250)
GNMA II	1,000,000	9/12/2017	11/20/2017	4.00%	(313)
GNMA II	1,400,000	9/15/2017	11/20/2017	4.00%	1,750
GNMA II	1,200,000	9/25/2017	12/20/2017	4.00%	375
Piper Jaffray & Co					
FNMA	600,000	8/28/2017	11/13/2017	4.50%	94
FNMA	500,000	9/5/2017	11/13/2017	4.50%	1,016
	$ 18,982,458				
Total deferred outflows of resources accumulated decrease in fair value of hedging derivatives					$ (29,191)

Outstanding forward sales contracts as of September 30, 2016, are as follows:

Forward Contracts to Sell TBA MBS	Notional Amount September 30, 2016	Trade Date	Delivery Date	Coupon Rate	Net Fair Values as reported in the Statement of Net Position at September 30, 2016
Bank of America Merrill Lynch					
GNMA II	$ 1,300,000	8/18/2016	11/21/2016	3.50%	$ (1,421)
GNMA II	1,200,000	8/23/2016	11/21/2016	3.50%	(2,438)
GNMA II	1,000,000	8/31/2016	11/21/2016	3.50%	(1,680)
GNMA II	1,000,000	9/7/2016	11/21/2016	3.50%	(977)
FNMA	968,600	9/9/2016	10/13/2016	4.50%	(2,422)
GNMA II	1,000,000	9/13/2016	11/21/2016	3.50%	(3,750)
GNMA II	764,496	9/16/2016	10/20/2016	4.00%	(956)
GNMA II	1,000,000	9/26/2016	12/21/2016	3.50%	625
Bank of New York Mellon					
FNMA	500,000	7/15/2016	10/13/2016	4.50%	(3,906)
GNMA II	500,000	7/25/2016	10/20/2016	3.50%	(2,656)
GNMA II	500,000	7/26/2016	10/20/2016	3.50%	(2,969)
GNMA II	500,000	7/29/2016	10/20/2016	3.50%	(1,016)
GNMA II	1,000,000	8/2/2016	10/20/2016	3.50%	(2,656)
GNMA II	1,000,000	8/9/2016	10/20/2016	3.50%	(1,719)
GNMA II	1,000,000	8/16/2016	10/20/2016	3.50%	(2,969)
GNMA II	500,000	8/16/2016	10/20/2016	4.50%	(2,578)
FNMA	500,000	8/22/2016	11/14/2016	4.50%	(2,031)
GNMA II	500,000	9/2/2016	11/21/2016	4.50%	(1,484)
GNMA II	728,749	9/16/2016	10/20/2016	4.00%	(1,025)
GNMA II	552,380	9/16/2016	10/20/2016	4.50%	(690)
GNMA II	500,000	9/20/2016	12/21/2016	3.50%	(1,484)
GNMA II	500,000	9/21/2016	12/21/2016	3.50%	(1,563)
GNMA II	1,000,000	9/21/2016	12/21/2016	3.50%	313
FNMA	500,000	9/22/2016	12/13/2016	4.50%	(469)
	$ 18,514,225				
Total deferred outflows of resources - accumulated decrease in fair value of hedging derivatives					$ (41,921)

Note 4 – Program Loans Receivable

Program loans receivable consists of the following at September 30:

	2017	2016
Single Family Program Funds, Special Securities (1993 A & B), bearing interest at 8.50% matured December 2014.	$ 8,363	$ 8,363
Housing Trust Fund, Chickasha Housing - Part 1, bearing interest at 5.00%, loan to be repaid out of 75.00% of cash flow from the property, collateralized by mortgages, maturing September 2023.	195,510	195,510
Housing Trust Fund, Chickasha Housing - Part 2, bearing interest at 3.90%, 219-month term, collateralized by mortgages, maturing September 2023.	217,969	226,294
Housing Trust Fund, Verde Investments, bearing interest at 1.00%, 18-month term, matured April 2017. In foreclosure proceedings.	220,000	220,000
Housing Trust Fund, RJCB & OSAF, bearing interest at 1.00%, 18-month term, matured January 2017.	-	300,000
Housing Trust Fund, Mu Min, bearing interest at 1.00%, 18-month term, matured June 2017. In foreclosure proceedings.	249,238	226,364
Housing Trust Fund, City Rescue Mission, bearing interest at 1.00%, 18-month term, matured March 2017.	-	500,000
Housing Trust Fund, Verde Outreach Inc., bearing interest at 1.00%, 18-month term, matured May 2017. In foreclosure proceedings.	200,000	200,000
Housing Trust Fund, Guymon Milestone Homes LLC, bearing interest at 1.00%, 18-month term, matured February 2017.	-	717,256
Housing Trust Fund, Milestone HTF, LLC, bearing interest at 1.00%, 18-month term, maturing December 2018.	773,329	-
Housing Trust Fund, Harbor House Foundation, bearing interest at 1.00%, 18-month term, maturing January 2019.	425,000	-
HOME Investment Partnerships Program, ORO Development Corporation, bearing interest at 0.00%, collateralized by a mortgage; no set term or maturity date.	-	300,000
HOME Investment Partnerships Program, Delta-Shellibrook Estates, bearing interest at 0.00%, no set term or maturity date.	-	255,033
Allowance for doubtful accounts	(368,808)	(563,395)
Total program loans receivable	$ 1,920,601	$ 2,585,425

Note 5 – Capital Assets

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

	2017			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 550,000	$ -	$ -	$ 550,000
Capital assets being depreciated:				
Furniture and equipment	3,251,297	325,489	(485,210)	3,091,576
Buildings	2,409,299	-	-	2,409,299
Improvements	1,604,964	124,888	-	1,729,852
Total capital assets being depreciated	7,265,560	450,377	(485,210)	7,230,727
Less accumulated depreciation:				
Furniture and equipment	(2,824,453)	(278,069)	485,197	(2,617,325)
Building	(877,568)	(60,233)	-	(937,801)
Improvements	(1,324,299)	(63,808)	-	(1,388,107)
Total accumulated depreciation	(5,026,320)	(402,110)	485,197	(4,943,233)
Total capital assets being depreciated	2,239,240	48,267	(13)	2,287,494
Capital assets, net	$ 2,789,240	$ 48,267	$ (13)	$ 2,837,494

	2016			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 550,000	$ -	$ -	$ 550,000
Capital assets being depreciated:				
Furniture and equipment	3,334,842	112,001	(195,546)	3,251,297
Buildings	2,409,299	-	-	2,409,299
Improvements	1,563,767	41,197	-	1,604,964
Total capital assets being depreciated	7,307,908	153,198	(195,546)	7,265,560
Less accumulated depreciation:				
Furniture and equipment	(2,735,640)	(284,359)	195,546	(2,824,453)
Building	(817,336)	(60,232)	-	(877,568)
Improvements	(1,252,852)	(71,447)	-	(1,324,299)
Total accumulated depreciation	(4,805,828)	(416,038)	195,546	(5,026,320)
Total capital assets being depreciated	2,502,080	(262,840)	-	2,239,240
Capital assets, net	$ 3,052,080	$ (262,840)	$ -	$ 2,789,240

Note 6 – Conduit Debt

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

As of September 30, 2017 and 2016, there were six and seven series of multi-family bonds outstanding with an aggregate principal amount payable of $69,130,186 and $62,197,858, respectively.

Note 7 – Bonds and Notes Payable

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

The Agency renews its line of credit agreement with the Federal Home Loan Bank each April. The agreement requires monthly interest payments at the three-month LIBOR rate (1.28% and 0.53% at September 30, 2017 and 2016, respectively), matures April 20, 2018, and is collateralized by investment securities. There was a $400,000 outstanding balance as of September 30, 2017. There was no outstanding balance as of September 30, 2016.

Bonds and notes payable and changes for the fiscal years ended 2017 and 2016 are as follows:

Single Family Bond Program	Issued	Interest Rate Range on Outstanding Amount		Maturity Through	Ending Balance 9/30/2015	Additions	Reductions	Ending Balance 9/30/2016	Additions	Reductions	Ending Balance 9/30/2017	Amount Due in One Year
1991 A&B	11/1/1991	7.35%	7.35%	11/1/2024	$ 289,458	$ -	$ 89,378	$ 200,080	$ -	$ 39,792	$ 160,288	$ 31,800
2006 D	10/1/2006	n/a	n/a	n/a	7,615,000	-	7,615,000	-	-	-	-	-
2007 A	2/1/2007	n/a	n/a	n/a	10,850,000	-	10,700,000	150,000	-	150,000	-	-
2007 B	5/1/2007	n/a	n/a	n/a	7,485,000	-	1,375,000	6,110,000	-	6,110,000	-	-
2007 C	7/1/2007	n/a	n/a	n/a	5,650,000	-	1,425,000	4,225,000	-	4,225,000	-	-
2007 D	10/1/2007	n/a	n/a	n/a	6,975,000	-	1,740,000	5,235,000	-	5,235,000	-	-
2008 A	7/9/2008	5.15%	6.80%	3/1/2039	2,790,000	-	1,475,000	1,315,000	-	945,000	370,000	10,000
2008 B	9/30/2008	4.125%	6.50%	3/1/2039	10,285,000	-	3,080,000	7,205,000	-	1,810,000	5,395,000	180,000
2009 A	5/2/2009	3.90%	5.25%	9/1/2029	6,785,000	-	3,655,000	3,130,000	-	2,960,000	170,000	20,000
2009 B	9/2/2009	3.90%	5.15%	9/1/2036	9,525,000	-	2,770,000	6,755,000	-	2,740,000	4,015,000	240,000
2010 A	10/1/2010	4.375%	4.50%	9/1/2027	8,085,000	-	2,465,000	5,620,000	-	2,060,000	3,560,000	325,000
2011 A	5/19/2011	4.75%	5.00%	3/1/2028	11,975,000	-	2,865,000	9,110,000	-	2,175,000	6,935,000	660,000
2011 B	11/4/2011	2.32%	4.75%	9/1/2041	44,470,000	-	7,170,000	37,300,000	-	7,865,000	29,435,000	895,000
2012 A	12/5/2012	1.45%	5.00%	9/1/2043	85,085,000	-	10,830,000	74,255,000	-	11,425,000	62,830,000	1,665,000
2013 A&B	4/30/2013	2.75%	3.00%	9/1/2041	40,670,000	-	6,725,000	33,945,000	-	5,050,000	28,895,000	847,562
2013 C&D	10/30/2013	3.35%	3.75%	3/1/2044	44,887,902	-	6,206,627	38,681,275	-	5,220,934	33,460,341	1,046,601
Total Single Family Bond Programs					303,422,360	-	70,186,005	233,236,355	-	58,010,726	175,225,629	5,920,963
Agency Line of Credit	4/21/2017	1.28%	1.28%	4/20/2018	-	54,100,000	54,100,000	-	20,650,000	20,250,000	400,000	400,000
Total bonds and notes payable					303,422,360	54,100,000	124,286,005	233,236,355	20,650,000	78,260,726	175,625,629	6,320,963
Unamortized premium					5,803,146	-	773,643	5,029,503	-	805,356	4,224,147	-
Total bonds and notes payable including unamortized premium					$ 309,225,506	$ 54,100,000	$ 125,059,648	$ 238,265,858	$ 20,650,000	$ 79,066,082	$ 179,849,776	$ 6,320,963

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

	2018	2019	2020	2021	2022	2023-2027	2028-2032	2033-2037	2038-2042	2043+	Total
2017:											
Principal and interest	$ 12,551	$ 12,136	$ 12,088	$ 10,373	$ 10,363	$ 62,378	$ 47,916	$ 46,051	$ 35,991	$ 4,372	$ 254,219
Less interest	6,230	5,998	5,756	5,510	5,321	21,870	14,760	9,224	3,765	159	78,593
Total principal	$ 6,321	$ 6,138	$ 6,332	$ 4,863	$ 5,042	$ 40,508	$ 33,156	$ 36,827	$ 32,226	$ 4,213	175,626
Unamortized premium											4,224
											$ 179,850

	2017	2018	2019	2020	2021	2022-2026	2027-2031	2032-2036	2037-2041	2042+	Total
2016:											
Principal and interest	$ 16,033	$ 15,806	$ 15,826	$ 15,764	$ 14,248	$ 78,934	$ 67,159	$ 62,826	$ 50,971	$ 10,110	$ 347,677
Less interest	8,618	8,339	8,048	7,739	7,423	31,801	21,896	13,929	6,063	585	114,441
Total principal	$ 7,415	$ 7,467	$ 7,778	$ 8,025	$ 6,825	$ 47,133	$ 45,263	$ 48,897	$ 44,908	$ 9,525	233,236
Unamortized premium											5,030
											$ 238,266

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 on July 1, 2011. All OHFA employees hired after June 30, 1997, and prior to November 1, 2015, are required to participate in the OPERS Plan. Employees hired on or after November 1, 2015, are required to participate in the State of Oklahoma's mandatory defined contribution plan administered by OPERS. Under this plan, members choose a contribution rate which will be matched by OHFA up to 7%.

Note 9 – Defined Benefit Pension Plans

Oklahoma Public Employees Retirement System Plan description

Oklahoma Housing Finance Agency participates in the Oklahoma Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension for many state employees in Oklahoma. It covers substantially all employees of the State of Oklahoma (the State) except those covered by six other plans sponsored by the State and also covers employees of participating counties and local agencies. The employee and employer contribution rates for each member category are established by the Oklahoma Legislature after recommendation by the OPERS Board of Trustees based on an actuarial calculation which is performed to determine the adequacy of such contribution rates.

All OHFA employees hired on or after July 1, 1997, and prior to November 1, 2015, are covered by OPERS.

Pension plan fiduciary net position

Detailed information about OPERS fiduciary net position is available in separately issued Comprehensive Annual Financial Reports that include financial statements and required supplemental information. These reports may be obtained on the Internet at http://www.opers.ok.gov/Websites/opers/images/pdfs/CAFR-2016-OPERS.pdf; P.O. Box 53007, Oklahoma City, OK 73152-3007; and telephone (800) 733-9008.

Benefits provided

OPERS provides retirement benefits, to eligible employees (and their beneficiaries) of many state employees in Oklahoma. Members qualify for full retirement benefits at their specified normal retirement age or, depending upon when they became members, when the sum of the member's age and years of credited service equals 80 or 90. Generally, benefits for state, county, and local agency employees are determined at 2% of the average salary, as defined, multiplied by the number of years of credited service. Members may elect to pay an additional contribution rate to receive benefits using a 2.5% factor for each full year the additional contributions are made.

Contributions

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the OPERS Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service limitations on compensation. The following contribution rates were in effect for State, County, and Local Agency Employees: For 2017 and 2016, state agency employers contributed 16.5% on all salary, and state employees contributed 3.5% on all salary.

	2017	2016
Contractually required contribution	$ 709,245	$ 721,759
Contributions in relation to the contractually required contribution	(709,245)	(721,759)
Contribution deficiency (excess)	$ -	$ -
Agency's covered-employee payroll	$ 4,298,455	$ 4,374,297
Contributions as a percentage of covered-employee payroll	16.5%	16.5%

Actuarial methods and assumptions

The total pension liability in the June 30, 2016 and 2015 (OPERS year-end) actuarial valuations prepared as of July 1, 2016 and 2015, respectively, using the following actuarial assumptions:

- Investment return – 7.25% for 2016, and 7.5% for 2015, compounded annually for a net investment expense and including inflation
- Salary increases – 4.5% to 8.4% per year including inflation
- Mortality rates – active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disable pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 3%
- Payroll Growth – 4% per year
- Actuarial cost method – entry age

With the exception of the long-term rate of return used in the July 1, 2016, valuation, the actuarial assumptions used in the July 1, 2016 and 2015, valuations are based on the results of the most recent actuarial expense study, which cover the three-year period ended June 30, 2013. The experience study report is dated May 9, 2014. The long-term rate of return was modified by the OPERS board during 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2016 and 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 7.25% for 2016 and 7.5% for 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2025 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the net pension liability to changes in the discount rate

The following schedule presents the OHFA portion of the OPERS pension liability calculated using the discount rates of 7.25% and 7.5%, as well as what OHFA's pension liability would be if it were calculated using a discount rate that is 1% lower than and 1% greater than the discount rate that was used in measuring the Net Pension Liability as of June 30, 2017 and 2016.

	2017		
	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
OHFA's proportionate share of the net pension liability (asset)	$ 5,019,771	$ 2,452,202	$ 272,553

	2016		
	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
OHFA's proportionate share of the net pension liability (asset)	$ 3,146,749	$ 844,480	$(1,112,813)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At September 30, 2017 and 2016, respectively, OHFA reported a liability of $2,452,202 and $844,480 for its proportionate share of the OPERS net pension liability.

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period July 1, 2015 through June 30, 2016 and the period July 1, 2014 through June 30, 2015.

The amount recognized by the Agency as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the Agency were as follows:

	2017	2016
Agency's proportion of the net pension liability (asset)	0.25%	0.23%
Agency's proportionate share of the net pension liability (asset)	$ 2,452,202	$ 844,480
Agency's covered-employee payroll	$ 4,298,455	$ 4,374,297
as a percentage of its covered-employee payroll	57.05%	19.30%
Plan fiduciary net position as a percentage of		
the total pension liability	89.5%	96.0%

At September 30, 2017 and 2016, OHFA reported its proportionate share of the OPERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2017:		
Change in proportionate share	$ -	$ (14,414)
Differences between expected and actual economic experience	-	(107,760)
Changes in actuarial assumptions	392,035	-
Difference between projected and actual investment earnings	1,784,126	(758,059)
Contributions paid to OPERS subsequent to the measurement date	707,265	-
	$ 2,883,426	$ (880,233)

	Deferred Outflows of Resources	Deferred Inflows of Resources
2016:		
Change in proportionate share	$ -	$ (115,789)
Differences between expected and actual economic experience	-	(383,061)
Changes in actuarial assumptions	13,138	-
Difference between projected and actual investment earnings	-	(93,895)
Contributions paid to OPERS subsequent to the measurement date	721,759	-
	$ 734,897	$ (592,745)

Deferred outflows of resources of $707,265 and $721,759 related to pensions as of September 30, 2017 and 2016, respectively, resulting from OHFA contributions subsequent to the measurement dates of June 30, 2016 and June 30, 2015, were recognized as a reduction of the net pension liability in the years ended September 30, 2017 and 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Pension Expense
2018	$ 208,637
2019	273,546
2020	505,314
2021	308,431

Note 10 – 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, workers' compensation, and general liability insurance coverage. OHFA purchases commercial employee life insurance and pays an annual premium for its employee health insurance coverage. 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 11 – Contingencies

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

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

SUPPLEMENTAL INFORMATION

HoganTaylor LLP
CPAs + ADVISORS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Trustees
Oklahoma Housing Finance Agency

We have audited the financial statements of Oklahoma Housing Finance Agency (the Agency, or OHFA) as of and for the year ended September 30, 2017, and have issued our report thereon, dated January 11, 2018, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to January 11, 2018.

The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hogan Taylor LLP

Tulsa, Oklahoma
January 11, 2018

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2017

	1991 Series A & B	1994 Master Indenture Accumulation Fund	2006 Series D	2007 Series A	2007 Series B	2007 Series C	2007 Series D
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 3,784	$ 10,149,772	$ -	$ -	$ -	$ -	$ -
Investments	159,630	41,056,591	-	-	-	-	-
Interest receivable	985	161,311	-	-	-	-	-
Total assets	164,399	51,367,674	-	-	-	-	-
Liabilities							
Current liabilities:							
Accounts payable	-	-	-	-	-	-	-
Interest payable	982	-	-	-	-	-	-
Current maturities of bonds payable	31,800	-	-	-	-	-	-
Total current liabilities	32,782	-	-	-	-	-	-
Noncurrent liabilities:							
Bonds payable, less current maturities	128,488	-	-	-	-	-	-
Total liabilities	161,270	-	-	-	-	-	-
Net Position							
Restricted for Single Family Bond Programs	$ 3,129	$ 51,367,674	$ -	$ -	$ -	$ -	$ -

See independent auditor's report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2017

	2008 Series A	2008 Series B	2009 Series A	2009 Series B	2009 Series C NIBP Master Indenture	2010 Series A 2009 C-1	2011 Series A 2009 C-2
Assets							
Noncurrent assets:							
Cash and cash equivalents	$ 34,381	$ 182,810	$ 320,464	$ 108,110	$ 2,917,895	$ 117,040	$ 187,666
Investments	4,104,934	6,818,018	8,649,640	9,056,247	-	17,585,093	25,661,614
Interest receivable	19,083	31,032	33,804	37,142	1,799	64,685	87,968
Total assets	4,158,398	7,031,860	9,003,908	9,201,499	2,919,694	17,766,818	25,937,248
Liabilities							
Current liabilities:							
Accounts payable	-	914	-	1,194	-	8,413	12,815
Interest payable	1,693	24,079	678	15,962	-	13,242	28,532
Current maturities of bonds payable	10,000	180,000	20,000	240,000	-	325,000	660,000
Total current liabilities	11,693	204,993	20,678	257,156	-	346,655	701,347
Noncurrent liabilities:							
Bonds payable, less current maturities	360,000	5,215,000	150,000	3,775,000	-	3,235,000	6,275,000
Total liabilities	371,693	5,419,993	170,678	4,032,156	-	3,581,655	6,976,347
Net Position							
Restricted for Single Family Bond Programs	$ 3,786,705	$ 1,611,867	$ 8,833,230	$ 5,169,343	$ 2,919,694	$ 14,185,163	$ 18,960,901

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2017

	2011 Series B 2009 C-3	2012 Series A 2009 C-4	2013 Series A & B	2013 Series C & D	Total Single Family Bond Programs
Assets					
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	$ 451,707	$ 1,472,649	$ 512,087	$ 1,141,938	$ 17,600,303
Investments	25,279,487	67,652,165	-	39,587,755	245,611,174
Interest receivable	85,611	187,293	90	125,475	836,278
Total assets	25,816,805	69,312,107	512,177	40,855,168	264,047,755
Liabilities					
Current liabilities:					
Accounts payable	12,567	35,200	10,011	14,023	95,137
Interest payable	72,530	195,120	69,451	99,317	521,586
Current maturities of bonds payable	895,000	1,665,000	847,562	1,046,601	5,920,963
Total current liabilities	980,097	1,895,320	927,024	1,159,941	6,537,686
Noncurrent liabilities:					
Bonds payable, less current maturities	28,994,320	64,716,631	28,265,634	32,413,740	173,528,813
Total liabilities	29,974,417	66,611,951	29,192,658	33,573,681	180,066,499
Net Position					
Restricted for Single Family Bond Programs	$ (4,157,612)	$ 2,700,156	$ (28,680,481)	$ 7,281,487	$ 83,981,256

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2017

	1991 Series A & B	1994 Master Indenture Accumulation Fund	2006 Series D	2007 Series A	2007 Series B	2007 Series C	2007 Series D
Operating Revenues							
Investment income	$ 14,018	$ 1,771,145	$ 1,567	$ 14,601	$ 193,557	$ 136,964	$ 186,084
Program loan income	-	683	-	-	-	-	-
Net decrease in fair value of investments	(2,348)	(1,176,351)	-	-	-	-	-
Loss on sale of investment	-	-	-	-	(172,853)	(86,795)	(141,062)
Other income	-	13,429	-	-	-	-	-
Total operating revenues	11,670	608,906	1,567	14,601	20,704	50,169	45,022
Operating Expenses							
Interest on bonds payable	13,129	-	-	690	171,263	133,172	160,293
Mortgage servicing fees	892	175,014	162	2,054	16,145	10,283	15,045
Trustees, issuer and other fees	259	10,499	-	-	6,420	5,067	6,159
Other general and administrative	-	40,021	-	-	300	4,775	15,350
Total operating expenses	14,280	225,534	162	2,744	194,128	153,297	196,847
Operating income (loss) before transfers	(2,610)	383,372	1,405	11,857	(173,424)	(103,128)	(151,825)
Equity transfers in (out)	-	7,372,179	(1,873,575)	(2,685,442)	(1,127,503)	(698,045)	(1,213,883)
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(2,610)	7,755,551	(1,872,170)	(2,673,585)	(1,300,927)	(801,173)	(1,365,708)
Total net position, beginning of year	5,739	43,612,123	1,872,170	2,673,585	1,300,927	801,173	1,365,708
Total net position, end of year	$ 3,129	$ 51,367,674	$ -	$ -	$ -	$ -	$ -

See independent auditor's report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2017

	2008 Series A	2008 Series B	2009 Series A	2009 Series B	2009 Series C NIBP Master Indenture	2010 Series A 2009 C-1	2011 Series A 2009 C-2
Operating Revenues							
Investment income	$ 258,578	$ 450,855	$ 523,492	$ 555,852	$ 13,834	$ 924,946	$ 1,300,456
Program loan income	-	-	-	-	-	-	-
Net decrease in fair value of investments	(178,977)	(398,563)	(537,733)	(396,305)	-	(745,428)	(1,218,967)
Gain (loss) on sale of investment	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	2,071
Total operating revenues	79,601	52,292	(14,241)	159,547	13,834	179,518	83,560
Operating Expenses							
Interest on bonds payable	51,629	366,024	87,117	274,252	-	201,307	399,932
Mortgage servicing fees	19,129	34,198	44,681	44,865	-	87,651	134,300
Trustees, issuer and other fees	10,489	16,811	19,819	20,556	-	121,876	183,828
Other general and administrative	-	-	-	-	5,916	-	-
Total operating expenses	81,247	417,033	151,617	339,673	5,916	410,834	718,060
Operating income (loss) before transfers	(1,646)	(364,741)	(165,858)	(180,126)	7,918	(231,316)	(634,500)
Equity transfers in (out)	-	-	163,955	62,314	68,317	(1,687,984)	(3,858,295)
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(1,646)	(364,741)	(1,903)	(117,812)	76,235	(1,919,300)	(4,492,795)
Total net position, beginning of year	3,788,351	1,976,608	8,835,133	5,287,155	2,843,459	16,104,463	23,453,696
Total net position, end of year	$ 3,786,705	$ 1,611,867	$ 8,833,230	$ 5,169,343	$ 2,919,694	$ 14,185,163	$ 18,960,901

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

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

Year ended September 30, 2017

	2011 Series B 2009 C-3	2012 Series A 2009 C-4	2013 Series A & B	2013 Series C & D	Total Single Family Bond Programs
Operating Revenues					
Investment income	$ 1,261,187	$ 2,831,132	$ 177	$ 1,816,372	$ 12,254,817
Program loan income	-	-	-	-	683
Net decrease in fair value of investments	(1,139,979)	(2,641,840)	-	(1,523,989)	(9,960,480)
Loss on sale of investment	-	-	-	-	(400,710)
Other income	-	66,245	-	-	81,745
Total operating revenues	121,208	255,537	177	292,383	1,976,055
Operating Expenses					
Interest on bonds payable	858,499	1,893,877	852,845	1,278,146	6,742,175
Mortgage servicing fees	131,564	363,088	-	202,973	1,282,044
Trustees, issuer and other fees	182,472	504,943	133,837	198,799	1,421,834
Other general and administrative	-	-	-	-	66,362
Total operating expenses	1,172,535	2,761,908	986,682	1,679,918	9,512,415
Operating loss before transfers	(1,051,327)	(2,506,371)	(986,505)	(1,387,535)	(7,536,360)
Equity transfers in (out)	1,606,563	(1,323,273)	5,776,992	(582,320)	-
Operating transfers out	-	(8,646)	-	-	(8,646)
Net income (loss)	555,236	(3,838,290)	4,790,487	(1,969,855)	(7,545,006)
Total net position, beginning of year	(4,712,848)	6,538,446	(33,470,968)	9,251,342	91,526,262
Total net position, end of year	$ (4,157,612)	$ 2,700,156	$ (28,680,481)	$ 7,281,487	$ 83,981,256

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2017

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Assets				
Current assets:				
Cash and cash equivalents	$ -	$ 9,067,821	$ -	$ 9,067,821
Investments	-	4,206,282	-	4,206,282
Accounts receivable (net of an allowance for doubtful accounts of $1,369,205)	-	209,267	(95,137)	114,130
Accounts receivable - U.S. Department of Housing and Urban Development	-	823,896	-	823,896
Prepaid expenses	-	368,866	-	368,866
Interest receivable	-	179,111	-	179,111
Total current assets	-	14,855,243	(95,137)	14,760,106
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	17,600,303	-	-	17,600,303
Investments	245,611,174	-	-	245,611,174
Interest receivable	836,278	-	-	836,278
Program loans receivable (net of an allowance of $368,808)	-	1,920,601	-	1,920,601
Long-term investments	-	57,815,404	-	57,815,404
Nondepreciated capital assets	-	550,000	-	550,000
Capital assets, net	-	2,287,494	-	2,287,494
Total noncurrent assets	264,047,755	62,573,499	-	326,621,254
Total assets	264,047,755	77,428,742	(95,137)	341,381,360
Deferred outflows of resources:				
Pension	-	2,883,426	-	2,883,426
Accumulated decrease in fair value of hedging derivatives	-	29,191	-	29,191
Total deferred outflows of resources	-	2,912,617	-	2,912,617
Liabilities				
Current liabilities:				
Salaries and related expenses	-	577,890	-	577,890
Accounts payable - vendors and contractors	-	43,758	-	43,758
Accounts Payable - U.S. Department of Housing and Urban Development	-	801,994	-	801,994
Accounts payable - Family Self Sufficiency Program	-	439,387	-	439,387
Accounts payable - other	95,137	268,385	(95,137)	268,385
Hedging payable	-	29,191	-	29,191
Unearned revenue	-	550,325	-	550,325
Compensated absences	-	817,044	-	817,044
Interest payable	521,586	1,717	-	523,303
Current maturities of bonds and notes payable	5,920,963	400,000	-	6,320,963
Total current liabilities	6,537,686	3,929,691	(95,137)	10,372,240
Noncurrent liabilities:				
Pension liability	-	2,452,202	-	2,452,202
Bonds and notes payable, less current maturities	173,528,813	-	-	173,528,813
Total noncurrent liabilities	173,528,813	2,452,202	-	175,981,015
Total liabilities	180,066,499	6,381,893	(95,137)	186,353,255
Deferred inflows of resources:				
Pension	-	880,233	-	880,233
Net Position				
Invested in capital assets	-	2,837,494	-	2,837,494
Restricted for Single Family Bond Programs	83,981,256	-	-	83,981,256
Restricted for Section 8 Voucher Program	-	2,205,200	-	2,205,200
Unrestricted	-	68,036,539	-	68,036,539
Total net position	$ 83,981,256	$ 73,079,233	$ -	$ 157,060,489

See independent auditor's report on supplemental information.

OKLAHOMA HOUSING FINANCE AGENCY

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

Year ended September 30, 2017

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Operating Revenues				
Investment income	$ 12,254,817	$ 1,227,041	$ -	$ 13,481,858
Program loan income	683	15,271	-	15,954
Net decrease in fair value of investments	(9,960,480)	(512,701)	-	(10,473,181)
Realized gain (loss) on sale of investments	(400,710)	962,830	-	562,120
Fees and other income	81,745	13,788,179	(1,376,295)	12,493,629
Total operating revenues	1,976,055	15,480,620	(1,376,295)	16,080,380
Operating Expenses				
Interest on bonds and notes payable	6,742,175	2,768	-	6,744,943
Mortgage servicing fees	1,282,044	-	-	1,282,044
Trustees, issuer and other fees	1,421,834	-	(1,376,295)	45,539
Salaries and related expenses	-	8,127,934	-	8,127,934
Other general and administrative	66,362	3,028,838	-	3,095,200
Total operating expenses	9,512,415	11,159,540	(1,376,295)	19,295,660
Operating income (loss)	(7,536,360)	4,321,080	-	(3,215,280)
Nonoperating revenues (expenses):				
Federal and state program income	-	138,795,157	-	138,795,157
Federal and state program expenses	-	(137,278,806)	-	(137,278,806)
Total nonoperating income	-	1,516,351	-	1,516,351
Income (loss) before transfers	(7,536,360)	5,837,431	-	(1,698,929)
Transfers	(8,646)	8,646	-	-
Increase (decrease) in net position	(7,545,006)	5,846,077	-	(1,698,929)
Total net position, beginning of year	91,526,262	67,233,156	-	158,759,418
Total net position, end of year	$ 83,981,256	$ 73,079,233	$ -	$ 157,060,489

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS

Year ended September 30, 2017

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Cash Flows from Operating Activities				
Receipts (payments) from (of) fees	$ 81,745	$ 15,055,215	$ (1,376,295)	$ 13,760,665
Receipts from program loan payments	-	2,457,542	-	2,457,542
Receipts from other sources	-	350,317	-	350,317
Payments to employees	-	(8,214,864)	-	(8,214,864)
Payments to suppliers	-	(3,944,817)	-	(3,944,817)
Payment for purchases of program loans	-	(1,777,448)	-	(1,777,448)
Payments for bond fees	(1,306,524)	-	-	(1,306,524)
Payments for trustee and other fees	(1,488,196)	-	1,376,295	(111,901)
Net cash provided by (used in) operating activities	(2,712,975)	3,925,945	-	1,212,970
Cash Flows from Noncapital Financing Activities				
Proceeds from issuance of bonds and notes payable	-	20,650,000	-	20,650,000
Principal paid on bonds and notes payable	(58,816,082)	(20,250,000)	-	(79,066,082)
Interest paid on bonds and notes payable	(6,942,961)	(1,245)	-	(6,944,206)
Receipt of federal and state program income	-	138,795,157	-	138,795,157
Payment of federal and state program expenses	-	(137,278,806)	-	(137,278,806)
Transfers	(8,646)	8,646	-	-
Net cash provided by (used in) noncapital financing activities	(65,767,689)	1,923,752	-	(63,843,937)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(450,364)	-	(450,364)
Cash Flows from Investing Activities				
Purchase of investments	(16,067,103)	(121,000,188)	-	(137,067,291)
Proceeds from sales and maturities of investments	72,155,540	110,301,062	-	182,456,602
Interest received on investments	12,467,905	1,189,186	-	13,657,091
Net cash provided by (used in) investing activities	68,556,342	(9,509,940)	-	59,046,402
Net increase (decrease) in cash and cash equivalents	75,678	(4,110,607)	-	(4,034,929)
Cash and cash equivalents, beginning of year	17,524,625	13,178,428	-	30,703,053
Cash and cash equivalents, end of year	$ 17,600,303	$ 9,067,821	$ -	$ 26,668,124
Cash and Cash Equivalents as Reported in Statement of Net Position				
Unrestricted	$ -	$ 9,067,821	$ -	$ 9,067,821
Restricted	17,600,303	-	-	17,600,303
	$ 17,600,303	$ 9,067,821	$ -	$ 26,668,124

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS (continued)

Year ended September 30, 2017

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	$ (7,536,360)	$ 4,321,080	$ -	$ (3,215,280)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	402,110	-	402,110
Interest from investments	(12,255,500)	(1,227,041)	-	(13,482,541)
Net decrease in fair value of investments	9,960,480	512,701	-	10,473,181
Realized gain (loss) on sale of investments	400,710	(962,830)	-	(562,120)
Interest on bonds and notes payable	6,742,175	2,768	-	6,744,943
Change in operating assets, liabilities, deferred outflows, and deferred inflows:				
Accounts receivable	-	(285,978)	-	(285,978)
Prepaid expenses	-	(79,667)	-	(79,667)
Program loans receivable	-	664,824	-	664,824
Accounts payable and accrued expenses	(24,480)	803,332	-	778,852
Unearned revenue	-	8,120	-	8,120
Pension payable	-	1,607,722	-	1,607,722
Deferred outflows	-	(2,135,799)	-	(2,135,799)
Deferred inflows	-	287,488	-	287,488
Compensated absences	-	7,115	-	7,115
Net cash provided by (used in) operating activities	$ (2,712,975)	$ 3,925,945	$ -	$ 1,212,970

OTHER REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oklahoma Housing Finance Agency (the Agency), as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hogan Taylor LLP

Tulsa, Oklahoma
January 11, 2018

SINGLE AUDIT SUPPLEMENT

AND

INDEPENDENT AUDITOR'S REPORTS
ON COMPLIANCE AND INTERNAL CONTROL

SEPTEMBER 30, 2017

CONTENTS

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development:		
Section 8 Housing Assistance Payments Program	14.195	$ 75,150,913
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	181,465
Section 8 Project - Based Cluster		75,332,378
Section 8 Housing Choice Vouchers Program	14.871	60,905,260
PIH Family Self-Sufficiency Program	14.896	185,711
Total Section 8 Related		136,423,349
Housing Opportunities for Persons with AIDS	14.241	293,848
Housing Trust Fund	14.275	73,043
HOME Investment Partnerships Program	14.239	8,548,581
Total Expenditures of Federal Awards		$ 145,338,821

See accompanying notes to schedule of expenditures of federal awards.

OKLAHOMA HOUSING FINANCE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Oklahoma Housing Finance Agency (the Agency) under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 position, or cash flows of the Agency.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Oklahoma Housing Finance Agency (the Agency), as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Hogan Taylor LLP

Tulsa, Oklahoma
January 11, 2018

HoganTaylor LLP
CPAs + ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

Report on Compliance for Each Major Federal Program

We have audited Oklahoma Housing Finance Agency's (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended September 30, 2017. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of 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, 2017.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Agency as of and for the year ended September 30, 2017, and the related notes to the financial statements and issued our report thereon dated January 11, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hogan Taylor LLP

Tulsa, Oklahoma
January 11, 2018

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued: Unmodified

	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 Auditor's report issued on compliance for major federal programs: Unmodified

	Yes	No	None Reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?		X	

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended September 30, 2017

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program
	Section 8 Project – Based Cluster:
14.195	Section 8 Housing Assistance Payments Program
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation

Dollar threshold used to distinguish between type A and type B programs: $4,360,165

	Yes	No
Auditee qualified as low-risk auditee?	X	

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

OKLAHOMA HOUSING FINANCE AGENCY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2017

There were no prior year findings or questioned costs.