OHFA

OKLAHOMA HOUSING FINANCE AGENCY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 and 2015

WITH

INDEPENDENT AUDITOR'S REPORTS

HoganTaylor LLP

CPAs + ADVISORS

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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, 2016 and 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016 and 2015, 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 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2017, 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 24, 2017

OKLAHOMA HOUSING FINANCE AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

September 30, 2016 and 2015

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, 2016 and 2015. 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 restricted and unrestricted. Assets are restricted when their use is subject to external limits such as bond resolutions, legal agreements or statutes. Assets not included in this category are characterized as unrestricted. Over time, changes in net position may serve as a useful indicator of whether the financial position of OHFA is improving or deteriorating.

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

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

The Notes to 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, 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 $54.7 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.

FINANCIAL HIGHLIGHTS

Year ended September 30, 2015

- Total assets decreased by $108.5 million.
- Total liabilities decreased by $115.3 million.
- Net position increased by $8.1 million (prior to $2.1 million prior period adjustment).
- Made 800 single family mortgage loans available to first time homebuyers compared to 669 in 2014.
- Provided 121,218 unit months of Section 8 rental assistance in 2015 compared to 121,841 in 2014.
- Paid $49.6 million in rental assistance to benefit Section 8 voucher holders compared to $49.0 million in 2014.
- Paid $72.0 million in rental assistance to project-based Section 8 properties compared to $70.8 million in 2014.

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

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

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

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

As Section 8 Contract Administrator for project-based Section 8 properties located throughout Oklahoma for the Department of Housing and Urban Development (HUD), OHFA's 2016 and 2015 duties consisted of 187 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

The Agency adopted Governmental Accounting Standards Board (GASB) No. 68 regarding pensions for the year ended September 30, 2015. The 2014 columns in the condensed Statement of Net Position and the Condensed Statements of Revenues, Expenses and Changes in Net Position have not been adjusted for this accounting change.

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

	2016	2015	2014
Assets			
Current assets	$ 19.7	$ 20.9	$ 35.8
Noncurrent assets:			
Restricted	333.2	401.5	513.8
Net capital assets	2.8	3.1	3.0
Unrestricted	45.4	37.4	18.8
Total assets	401.1	462.9	571.4
Deferred Outflows	0.8	0.9	-
Liabilities			
Current liabilities	10.8	12.4	15.1
Noncurrent liabilities	231.7	301.0	413.6
Total liabilities	242.5	313.4	428.7
Deferred Inflows	0.6	1.7	-
Net Position			
Invested in capital assets	2.8	3.1	3.0
Restricted for single family bond programs	91.5	89.8	87.0
Restricted for Section 8 Voucher Program	0.8	0.3	0.8
Unrestricted	63.7	55.5	51.9
Total net position	$ 158.8	$ 148.7	$ 142.7

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 Mortgage Backed Securities 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 Mortgage Backed Security 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 pre-payments 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 Mortgage Backed Securities (MBS) on a short term basis until they can be transferred into a future Single Family Bond Program or sold on the open market.

The $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 program.

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.

Explanations of significant variances between 2015 and 2014 on the condensed statements of net position follow:

The decrease in total assets of $108.5 million is primarily due to the net effect of reductions in Mortgage Backed Securities due to paying down $114.7 million of bonds and notes payable from refunding of 2006 bond issues and payments and prepayments of Agency Mortgage Backed Security investments due to homeowners refinancing their mortgages due to low market interest rates, and an $8.1 million net position increase realized by the Agency.

The decrease in total liabilities of $115.3 million is primarily due to payments and pre-payments of $114.7 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 2006 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 Mortgage Backed Securities (MBS) on a short-term basis until they can be transferred into a future Single Family Bond Program or sold on the open market.

The $2.7 million increase in net position restricted for Single Family Bond Programs is a result of $2.8 million of net operating income relating to the bond program.

The Section 8 Voucher Program is included in the Agency General Fund and that program's net position, which is restricted, decreased by $0.5 million due to receiving $0.5 million less in rental assistance payments than program expenditures in the current year. Since 2006, HUD has required agencies to report receipts from HUD in excess of program expenditures as income and to report assistance payments in excess of program receipts as an expense in the current year. These items are reported in net position instead of as a payable or receivable with HUD. These funds are only available to pay Housing Assistance Payments (HAP) under the Section 8 Voucher Program. The Agency had funds restricted for the Section 8 Voucher Program of $0.3 million and $0.8 million, respectively, as of September 30, 2015 and 2014.

The increase in Agency General Fund unrestricted net position of $3.6 million is primarily due to $5.9 million in net operating income (excluding Single Family Bond Programs), expenditures of $0.1 million of unrestricted net position for net position invested in capital assets less a $2.1 million reduction to beginning 2015 net position due to the effect of implementation of GASB 68 relating to pension liability.

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

	2016	2015	2014
Operating and Nonoperating Revenues			
Investments and program loans	$ 16.8	$ 21.3	$ 25.9
Net increase (decrease) in fair value of investments	(0.5)	-	0.9
Fees and other income	13.6	12.1	11.1
Gain on sale of investments	1.9	1.9	1.4
Federal and state program income	134.5	127.8	124.2
Total revenues	166.3	163.1	163.5
Operating and Nonoperating Expenses			
Interest on bonds and notes	9.8	13.9	18.5
Other bond program expenses	1.7	2.1	4.2
Salaries, general and administrative	10.7	10.7	11.6
Federal and state program expenses	134.0	128.3	126.3
Total expenses	156.2	155.0	160.6
Increase in net position	10.1	8.1	2.9
Net position at beginning of year	148.7	140.6	139.8
Net position at end of year	$ 158.8	$ 148.7	$ 142.7

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 at a faster rate, as consumers refinance their mortgages, than new, lower interest rate bond program loans are added to the portfolio and MBS being sold into the market via the TBA program instead of being placed into a bond issue due to market conditions. Also, due to the current low market interest rate environment, as Agency investments mature, the proceeds are invested at a lower interest rate than the maturing investment.

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 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 $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 $0.4 million increase in net position due to OHFA receiving $0.4 million more in nonoperating federal program revenues than federal program expenses.

Explanations of significant fluctuations between 2015 and 2014 in revenues, expenses, and changes in net position follow:

The net decrease in interest income from investments and program loans of $4.6 million is primarily due to older, higher interest bond program loan pools being paid down at a faster rate, as consumers refinance their mortgages, than new, lower interest rate bond program loans are added to the portfolio and MBS being sold into the market via the TBA program instead of being placed into a bond issue due to market conditions. Also, due to the current low market interest rate environment, as Agency investments mature, the proceeds are invested at a lower interest rate than the maturing investment.

The net increase in the fair value of investments of $0.9 million for 2014 was due to market interest rates being lower than in the previous year, causing an increase in the value of older, higher yielding interest rate securities. Interest rates remained relatively stable in 2015, causing little change in the fair value of investments in 2015. The market values of fixed interest rate investments typically have an inverse relationship to interest rates.

The increase in the gain on sale of investments of $0.5 million is due to the Agency capitalizing on an opportunity 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.

Federal program income increased by $3.6 million due primarily to the net effect of a $1.2 million increase in the Section 8 Contract Administration Program revenue, a $0.4 million increase in the HOME Investment Partnership program revenue, and a $1.2 million increase in the Section 8 Voucher program revenue.

Interest expense on bonds and notes payable decreased by $4.6 million in 2015 from 2014. Bonds and notes payable are $115.5 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 $2.0 million due primarily to the net effect of a $1.2 million increase in the Section 8 Contract Administration Program expenses, a $0.5 million increase in the HOME Investment Partnership program expenses, and a $0.4 million increase in the Section 8 Voucher program expenses.

The increase in net position of $6.0 million from $142.7 million in 2014 to $148.7 million in 2015 is primarily due to an operating income of $8.7 million, offset by a $0.5 million decrease in net position due to OHFA receiving $0.5 million less in federal program revenues than nonoperating federal program expenses, plus a decrease of $2.1 million to beginning 2015 net position due to the implementation of GASB 68 regarding pensions.

Capital Assets and Long-Term Debt Administration

Capital Assets

As of September 30, 2016, 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 ($0.3) million (including additions and disposals).

Long-Term Debt

As of September 30, 2016, the Agency had $238.3 million in bonds and notes payable outstanding, which is a decrease of 22.9% from last year's amount of $309.2 million. (More detailed information about the bonds and notes payable is presented in Note 7 to the financial statements.)

ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION

OHFA's main sources of revenues include mortgage loan activity, investment interest income, and externally funded grants. Market interest rates have an effect on both the mortgage program and investment income revenues. If interest rates rise, mortgage and investment income should increase as new loans are originated and new investments are purchased at higher rates. If interest rates fall, mortgage and investment income will decrease as new loans are originated and new investments are purchased at the lower rates. Any decrease in interest rates could also cause an increase in prepayments on higher rate mortgages. Administrative fees for administering federal programs 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 Team Leader, Eldon Overstreet, JD, CPA, at (405) 419-8209; Oklahoma Housing Finance Agency, P.O. Box 26720, Oklahoma City, Oklahoma 73126-0720; e-mail: eldon.overstreet@ohfa.org; or visit our website at www.ohfa.org.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF NET POSITION

September 30, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 13,178,428	$ 11,877,708
Investments	5,469,448	8,041,673
Accounts receivable (net of an allowance for doubtful accounts of $742,311 and $644,346 for 2016 and 2015, respectively)	24,706	101,894
Accounts receivable - U.S. Department of Housing and Urban Development	602,862	448,920
Prepaid expenses	289,199	334,105
Interest receivable	141,256	122,100
Total current assets	19,705,899	20,926,400
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	17,524,625	22,097,271
Investments	312,060,801	376,711,689
Interest receivable	1,048,683	1,307,128
Program loans receivable (net of allowance of $563,395 for 2016 and 2015, respectively)	2,585,425	1,466,683
Long-term investments	45,402,983	37,381,455
Nondepreciated capital assets	550,000	550,000
Capital assets, net	2,239,240	2,502,080
Total noncurrent assets	381,411,757	442,016,306
Total assets	401,117,656	462,942,706
Deferred outflows of resources:		
Pension	734,897	717,333
Accumulated decrease in fair value of hedging derivatives	41,921	151,100
Total deferred outflows	776,818	868,433
Liabilities		
Current liabilities:		
Salaries and related expenses	671,935	556,729
Accounts payable - vendors and contractors	81,246	217,537
Accounts payable - U.S. Department of Housing and Urban Development	21,637	19,745
Accounts payable - Family Self Sufficiency Program	410,413	430,550
Accounts payable - other	142,851	146,389
Hedging payable	41,921	151,100
Unearned revenue	529,475	393,330
Compensated absences	809,929	807,519
Interest payable	722,566	966,672
Current maturities of bonds and notes payable	7,414,522	8,685,296
Total current liabilities	10,846,495	12,374,867
Noncurrent liabilities:		
Pension liability	844,480	467,953
Bonds and notes payable, less current maturities	230,851,336	300,540,210
Total noncurrent liabilities	231,695,816	301,008,163
Total liabilities	242,542,311	313,383,030
Deferred inflows of resources:		
Pension	592,745	1,718,808
Net Position		
Invested in capital assets	2,789,240	3,052,080
Restricted for single family bond programs	91,526,262	89,781,003
Restricted for Section 8 Voucher Program	752,185	326,277
Unrestricted	63,691,731	55,549,941
Total net position	$ 158,759,418	$ 148,709,301

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended September 30, 2016 and 2015

	2016	2015
Operating Revenues		
Investment income	$ 16,755,317	$ 21,265,946
Program loan income	36,575	30,896
Net increase (decrease) in fair value of investments	(494,495)	1,865
Realized gain on sale of investments	1,857,613	1,915,414
Fees and other income	13,637,789	12,132,475
Total operating revenues	31,792,799	35,346,596
Operating Expenses		
Interest on bonds and notes payable	9,839,438	13,898,367
Mortgage servicing fees	1,605,556	2,005,317
Trustees, issuer and other fees	57,325	71,881
Salaries and related expenses	7,768,036	7,879,095
Other general and administrative	2,898,239	2,817,287
Total operating expenses	22,168,594	26,671,947
Operating income	9,624,205	8,674,649
Nonoperating revenue (expenses):		
Federal and state program income	134,470,886	127,770,050
Federal and state program expenses	(134,044,974)	(128,291,952)
Total nonoperating income (loss)	425,912	(521,902)
Increase in net position	10,050,117	8,152,747
Total net position, beginning of year	148,709,301	140,556,554
Total net position, end of year	$ 158,759,418	$ 148,709,301

See notes to the basic financial statements.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS

Years ended September 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Receipts from fees	$ 12,386,235	$ 11,565,779
Receipts from program loan payments	1,958,592	23,070
Receipts from other sources	475,689	276,975
Payments to employees	(7,650,420)	(8,002,449)
Payments to suppliers	(2,477,373)	(2,440,585)
Payments for purchases of program loans	(3,044,679)	(974,492)
Payments for bond fees	(1,629,018)	(2,034,581)
Payments for trustee and other fees	(83,706)	(121,140)
Net cash used in operating activities	(64,680)	(1,707,423)
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds and notes payable	54,100,000	38,450,000
Principal paid on bonds and notes payable	(125,059,648)	(153,922,799)
Interest paid on bonds and notes payable	(10,083,544)	(14,330,371)
Receipt of federal and state program income	134,470,886	127,770,050
Payment of federal and state program expenses	(134,044,974)	(128,291,952)
Net cash used in noncapital financing activities	(80,617,280)	(130,325,072)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(153,198)	(458,474)
Net cash used in capital and related financing activities	(153,198)	(458,474)
Cash Flows from Investing Activities		
Purchase of investments	(158,525,592)	(136,990,999)
Proceeds from sales and maturities of investments	219,090,298	226,779,459
Interest received on investments	16,998,526	21,667,352
Net cash provided by investing activities	77,563,232	111,455,812
Net decrease in cash	(3,271,926)	(21,035,157)
Cash and cash equivalents, beginning of year	33,974,979	55,010,136
Cash and cash equivalents, end of year	$ 30,703,053	$ 33,974,979
Cash and Cash Equivalents as Reported in Statement of Net Position		
Unrestricted	$ 13,178,428	$ 11,877,708
Restricted	17,524,625	22,097,271
	$ 30,703,053	$ 33,974,979

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS (continued)

Years ended September 30, 2016 and 2015

	2016	2015
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities		
Operating income	$ 9,624,205	$ 8,674,649
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	416,038	378,527
Interest from investments	(16,759,237)	(21,273,772)
Net (increase) decrease in fair value of investments	494,495	(1,865)
Realized gain on sale of investments	(1,857,613)	(1,915,414)
Interest on bonds and notes payable	9,839,438	13,898,367
Change in operating assets, liabilities, deferred outflows, and deferred inflows:		
Accounts receivable	(53,292)	177,553
Prepaid expenses	44,906	21,176
Program loans receivable	(1,118,742)	(974,492)
Accounts payable and accrued expenses	(66,333)	229,400
Unearned revenue	26,966	186,710
Pension payable	376,527	(2,372,792)
Deferred outflows	91,615	(148,121)
Deferred inflows	(1,126,063)	1,718,808
Compensated absences	2,410	(306,157)
Net cash used in operating activities	$ (64,680)	$ (1,707,423)

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 as of August 19, 2002, with the approval of the Governor of the State of Oklahoma. The Governor has, pursuant to the Trust Indenture, approved the by-laws of OHFA. The Governor also appoints the five-member Board of Trustees and the resident board member representing the Section 8 program.

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

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

In addition to its revenue bond programs, OHFA administers Section 8 Housing Assistance Payments Programs for the U.S. Department of Housing and Urban Development (HUD). OHFA receives an administrative fee based on the number of housing units administered under its contracts with HUD. 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, home buyer activities, rental housing and tenant-based rental assistance. OHFA receives reimbursement of eligible costs associated with the administration of the program.

OHFA is the Section 8 Contract Administrator for federal HUD-financed Section 8 properties located throughout Oklahoma. The Agency receives a fee to administer the program and an incentive-based administrative fee determined by the number of units under contract and the Agency's performance level compared to HUD's acceptable quality levels of administration. The Agency also administers the U.S. Department of Treasury's (Treasury) Low Income Housing Tax Credit (LIHTC) program for the State of Oklahoma. The Agency receives application and service fees from developers who participate in the LIHTC program.

OHFA also administers certain other federal and state programs.

Note 2 – Summary of Significant Accounting Policies

Financial statement presentation

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

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported net position.

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 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 to 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 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 2016 and 2015 net operating income would have been $10,118,700 and $8,672,784, 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 $563,395 as of September 30, 2016 and 2015.

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, 2016 and 2015, were $416,038 and $378,527, 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 has designated $8,000,000 of unrestricted net position to provide funds and reserves to purchase single family loans to be acquired from future issuances under the Single Family Mortgage Revenue Bond Programs.

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

Note 3 – Cash and Investments

Deposit custodial credit risk

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

Current Agency policy for deposits not held by the Single Family Bond Programs requires the lesser of the cost or fair value of the collateral pledged to be 110% of the deposit value. As of September 30, 2016 and 2015, the Agency was not exposed to custodial credit risk.

As of September 30, 2016 and 2015, $17,550,452 and $22,158,857, 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, 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				

	September 30, 2015				
		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	$ 24,019,960	$ -	$ 684,889	$ 23,335,071	Level 2
FNMA pooled loans	338,859	-	-	338,859	Level 2
Certificates of deposit	20,177,356	8,041,673	12,135,683	-	Level 2
Municipal bonds	886,953	-	886,953	-	Level 1
Total investments in securities	45,423,128	$ 8,041,673	$ 13,707,525	$ 23,673,930	
Single Family Bond Programs:					
GNMA pooled loans	351,677,278				Level 2
FNMA pooled loans	24,227,684				Level 2
Guaranteed investment contracts	806,727				Level 3
Total investments	$ 422,134,817				

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:

	2016	2015
Current:		
Agency General Fund	$ 5,469,448	$ 8,041,673
Noncurrent:		
Restricted - Single Family Bond Programs	312,060,801	376,711,689
Agency General Fund	45,402,983	37,381,455
Total noncurrent	357,463,784	414,093,144
Total investments	$ 362,933,232	$ 422,134,817

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, 2016			September 30, 2015		
	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	$ 23,044,120	*	6.3%	$ 24,019,960	*	5.7%
FNMA pooled loans	1,965,600		0.6%	338,859		0.1%
Certificates of deposit	22,868,111	*	6.3%	20,177,356		4.8%
Municipal bonds	2,994,600		0.8%	886,953		0.2%
	50,872,431		14.0%	45,423,128		10.8%
Single Family Bond Programs:						
GNMA pooled loans	297,809,812	*	82.1%	351,677,278	*	83.3%
FNMA pooled loans	13,723,317		3.8%	24,227,684	*	5.7%
Guaranteed investment contracts	527,672		0.1%	806,727		0.2%
	312,060,801		86.0%	376,711,689		89.2%
Total investments	$ 362,933,232		100.0%	$ 422,134,817		100.0%

Mortgage-backed security (MBS) forward contracts

Beginning in 2013, the Agency entered into forward contracts to hedge the interest rate risk of delivering MBS securities guaranteed by GNMA in the future, before the securities are ready for delivery (referred to as "to-be-announced" or TBA Mortgage-Backed Securities). These securities represent pools of qualified mortgage loans originated by Agency approved lenders. The forward contracts offset the financial impact to the Agency of changes in interest rates between the time of loan reservations made to originating mortgage lenders and the securitization and sale of such loans as GNMA securities. The forward contracts are considered derivative instruments and the fair values were obtained from an external pricing specialist 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, 2016, are as follows:

Forward Contracts to Sell TBA Mortgage-Backed Securities	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)

Outstanding forward sales contracts as of September 30, 2015, are as follows:

Forward Contracts to Sell TBA Mortgage-Backed Securities	Notional Amount September 30, 2015	Trade Date	Delivery Date	Coupon Rate	Net Fair Values as reported in the Statement of Net Position at September 30, 2015
Bank of America Merrill Lynch					
GNMA II	$ 1,000,000	7/22/2015	10/21/2015	4.00%	$ (9,217)
GNMA II	1,000,000	7/24/2015	10/21/2015	4.00%	(9,375)
GNMA II	1,000,000	8/13/2015	10/21/2015	4.00%	(6,094)
GNMA II	1,500,000	9/3/2015	11/19/2015	4.00%	(6,094)
GNMA II	1,000,000	9/8/2015	11/19/2015	4.00%	(4,531)
FNMA	1,000,000	9/10/2015	10/14/2015	4.50%	(781)
GNMA II	1,087,174	9/17/2015	10/21/2015	4.00%	(6,625)
GNMA II	1,000,000	9/21/2015	12/17/2015	4.00%	(1,563)
Bank of New York Mellon					
GNMA II	1,000,000	7/28/2015	10/21/2015	4.00%	(8,828)
GNMA II	1,000,000	8/3/2015	10/21/2015	4.00%	(6,250)
FNMA	500,000	8/5/2015	10/14/2015	4.50%	(3,203)
GNMA II	1,000,000	8/6/2015	10/21/2015	4.00%	(8,438)
GNMA II	1,000,000	8/10/2015	10/21/2015	4.00%	(8,438)
GNMA II	1,000,000	8/18/2015	10/21/2015	4.00%	(8,125)
GNMA II	1,000,000	8/24/2015	11/19/2015	4.00%	(3,906)
GNMA II	1,000,000	8/25/2015	11/19/2015	4.00%	(5,000)
GNMA II	1,000,000	8/28/2015	11/19/2015	4.00%	(5,313)
FNMA	500,000	9/11/2015	11/12/2015	4.50%	(547)
GNMA II	1,000,000	9/15/2015	11/19/2015	4.00%	(5,625)
GNMA II	1,000,000	9/17/2015	10/21/2015	3.50%	(8,906)
GNMA II	2,500,000	9/17/2015	10/21/2015	4.00%	(14,844)
GNMA II	984,982	9/17/2015	10/21/2015	4.50%	(2,001)
FNMA	500,000	9/24/2015	12/10/2015	4.50%	156
GNMA II	500,000	9/24/2015	12/17/2015	4.50%	-
GNMA II	1,000,000	9/25/2015	12/17/2015	4.00%	(3,750)
FNMA	500,000	9/29/2015	12/10/2015	4.00%	(469)
Piper Jaffray					
GNMA II	500,000	7/24/2015	10/21/2015	4.50%	78
GNMA II	500,000	9/8/2015	11/19/2015	4.50%	(547)
FNMA	1,000,000	9/10/2015	10/14/2015	4.50%	(781)
GNMA II	1,906,049	9/17/2015	10/21/2015	4.00%	(11,317)
GNMA II	377,272	9/17/2015	10/21/2015	4.50%	(766)
	$ 29,855,477				
Total deferred outflows of resources - accumulated decrease in fair value of hedging derivatives					$ (151,100)

Note 4 – Program Loans Receivable

Program loans receivable consists of the following at September 30:

	2016	2015
Single Family Program Funds, Special Securities (1993 A & B), bearing interest at 8.50% maturing December 2014, AMBAC insured.	$ 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.	226,294	234,275
Housing Trust Fund, Verde Investments, bearing interest at 1.00%, 18-month term, maturing April 2017.	220,000	163,522
Housing Trust Fund, RJCB & OSAF, bearing interest at 1.00%, 18-month term, maturing January 2017.	300,000	262,950
Housing Trust Fund, Mu Min, bearing interest at 1.00%, 18-month term, maturing December 2016.	226,364	110,425
Housing Trust Fund, City Rescue Mission, bearing interest at 1.00%, 18-month term, maturing March 2017.	500,000	500,000
Housing Trust Fund, Verde Outreach Inc., bearing interest at 1.00%, 18-month term, maturing May 2017.	200,000	-
Housing Trust Fund, Guymon Milestone Homes LLC, bearing interest at 1.00%, 18-month term, maturing February 2017.	717,256	-
HOME Investment Partnerships Program, ORO Development Corporation, bearing interest at 0.00%, collateralized by a mortgage; no set term or maturity date.	300,000	300,000
HOME Investment Partnerships Program, Delta-Shellibrook Estates, bearing interest at 0.00%, no set term or maturity date.	255,033	255,033
Allowance for doubtful accounts	(563,395)	(563,395)
	$ 2,585,425	$ 1,466,683

Note 5 – Capital Assets

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

	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)
Buildings	(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

	2015			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 550,000	$ -	$ -	$ 550,000
Capital assets being depreciated:				
Furniture and equipment	3,116,560	356,118	(137,836)	3,334,842
Buildings	2,409,299	-	-	2,409,299
Improvements	1,461,411	102,356	-	1,563,767
Total capital assets being depreciated	6,987,270	458,474	(137,836)	7,307,908
Less accumulated depreciation:				
Furniture and equipment	(2,623,700)	(249,776)	137,836	(2,735,640)
Buildings	(757,103)	(60,233)	-	(817,336)
Improvements	(1,184,334)	(68,518)	-	(1,252,852)
Total accumulated depreciation	(4,565,137)	(378,527)	137,836	(4,805,828)
Total capital assets being depreciated	2,422,133	79,947	-	2,502,080
Capital assets, net	$ 2,972,133	$ 79,947	$ -	$ 3,052,080

Note 6 – Conduit Debt

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

As of September 30, 2016 and 2015, there were seven and five series of multi-family bonds outstanding with an aggregate principal amount payable of $62,197,858 and $20,242,097, 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 (0.53% and %0.29 at September 30, 2016 and 2015, respectively), matures April 21, 2017, and is collateralized by investment securities. There was no outstanding balance as of September 30, 2016 and 2015.

Bonds and notes payable and changes for the fiscal years ended 2016 and 2015 are as follows:

Single Family Bond Program	Issued	Interest Rate Range on Outstanding Amount		Maturity Through	Ending Balance 9/30/2014	Additions	Reductions	Ending Balance 9/30/2015	Additions	Reductions	Ending Balance 9/30/2016	Amount Due in One Year
1991 A&B	11/1/1991	7.35%	7.35%	11/1/2024	$ 408,796	$ -	$ 119,338	$ 289,458	$ -	$ 89,378	$ 200,080	$ 31,200
2005 A	1/21/2005	n/a	n/a	n/a	7,950,000	-	7,950,000	-	-	-	-	-
2005 B	6/15/2005	n/a	n/a	n/a	9,695,000	-	9,695,000	-	-	-	-	-
2005 C	7/7/2005	n/a	n/a	n/a	10,180,000	-	10,180,000	-	-	-	-	-
2005 D	10/7/2005	n/a	n/a	n/a	3,445,000	-	3,445,000	-	-	-	-	-
2006 A	1/12/2006	n/a	n/a	n/a	8,605,000	-	8,605,000	-	-	-	-	-
2006 B	3/22/2006	n/a	n/a	n/a	8,080,000	-	8,080,000	-	-	-	-	-
2006 C	5/18/2006	n/a	n/a	n/a	8,045,000	-	8,045,000	-	-	-	-	-
2006 D	10/1/2006	n/a	n/a	n/a	9,655,000	-	2,040,000	7,615,000	-	7,615,000	-	-
2007 A	2/1/2007	5.52%	5.52%	9/1/2017	13,190,000	-	2,340,000	10,850,000	-	10,700,000	150,000	150,000
2007 B	5/1/2007	4.35%	5.95%	9/1/2038	9,775,000	-	2,290,000	7,485,000	-	1,375,000	6,110,000	110,000
2007 C	7/1/2007	5.05%	6.30%	9/1/2038	7,370,000	-	1,720,000	5,650,000	-	1,425,000	4,225,000	10,000
2007 D	10/1/2007	5.05%	5.75%	3/1/2039	9,655,000	-	2,680,000	6,975,000	-	1,740,000	5,235,000	130,000
2008 A	7/9/2008	5.10%	6.80%	3/1/2039	4,830,000	-	2,040,000	2,790,000	-	1,475,000	1,315,000	60,000
2008 B	9/30/2008	4.05%	6.50%	3/1/2039	12,750,000	-	2,465,000	10,285,000	-	3,080,000	7,205,000	240,000
2009 A	5/2/2009	3.70%	5.25%	9/1/2029	9,845,000	-	3,060,000	6,785,000	-	3,655,000	3,130,000	300,000
2009 B	9/2/2009	3.75%	5.15%	9/1/2036	13,970,000	-	4,445,000	9,525,000	-	2,770,000	6,755,000	350,000
2010 A	10/1/2010	4.38%	4.50%	9/1/2027	10,490,000	-	2,405,000	8,085,000	-	2,465,000	5,620,000	445,000
2011 A	5/19/2011	2.80%	5.00%	3/1/2028	14,365,000	-	2,390,000	11,975,000	-	2,865,000	9,110,000	660,000
2011 B	11/4/2011	2.32%	4.75%	9/1/2041	52,825,000	-	8,355,000	44,470,000	-	7,170,000	37,300,000	1,045,000
2012 A	12/5/2012	1.20%	5.00%	9/1/2043	95,620,000	-	10,535,000	85,085,000	-	10,830,000	74,255,000	1,805,000
2013 A&B	4/30/2013	2.75%	3.00%	9/1/2041	46,400,000	-	5,730,000	40,670,000	-	6,725,000	33,945,000	940,138
2013 C&D	10/30/2013	3.35%	3.75%	3/1/2044	50,978,617	-	6,090,715	44,887,902	-	6,206,627	38,681,275	1,138,184
Total Single Family Bond Programs					418,127,413	-	114,705,053	303,422,360	-	70,186,005	233,236,355	7,414,522
Agency												
Line of Credit	4/22/2016	n/a	n/a	4/21/2017	-	38,450,000	38,450,000	-	54,100,000	54,100,000	-	-
Total bonds and notes payable					418,127,413	38,450,000	153,155,053	303,422,360	54,100,000	124,286,005	233,236,355	7,414,522
Unamortized premium					6,570,892	-	767,746	5,803,146	-	773,643	5,029,503	-
Total bonds and notes payable including unamortized premium					$ 424,698,305	$ 38,450,000	$ 153,922,799	$ 309,225,506	$ 54,100,000	$ 125,059,648	$ 238,265,858	$ 7,414,522

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

	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

	2016	2017	2018	2019	2020	2021-2025	2026-2030	2031-2035	2036-2040	2041+	Total
2015:											
Principal and interest	$ 20,224	$ 20,331	$ 20,314	$ 20,314	$ 20,212	$ 99,805	$ 91,698	$ 83,403	$ 65,583	$ 22,557	$ 464,441
Less interest	11,539	11,250	10,900	10,530	10,139	44,486	31,377	20,193	9,101	1,503	161,018
Total principal	$ 8,685	$ 9,081	$ 9,414	$ 9,784	$ 10,073	$ 55,319	$ 60,321	$ 63,210	$ 56,482	$ 21,054	303,423
Unamortized premium											5,803
											$ 309,226

Note 8 – Retirement Plans

Employees hired prior to July 1, 1997, who elect not to be covered by the Oklahoma Public Employees Retirement Plan (OPERS Plan), are covered by the Oklahoma Housing Finance Agency Retirement Plan (OHFA Plan). The OHFA Plan is a defined contribution plan. No new employees are allowed to join this plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The Board of Trustees approved a monthly contribution to the OHFA Plan equaling the required contribution for the OPERS plan. The contribution to the OHFA plan was 15.5% of allowable compensation beginning July 1, 2009, and increased to 16.5% of allowable compensation July 1, 2011. All 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-2015-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 2016 and 2015, state agency employers contributed 16.5% on all salary, and state employees contributed 3.5% on all salary.

	2016	2015
Contractually required contribution	$ 721,759	$ 690,554
Contributions in relation to the contractually required contribution	(721,759)	(690,554)
Contribution deficiency (excess)	$ -	$ -
Agency's covered-employee payroll	$ 4,374,297	$ 4,185,176
Contributions as a percentage of covered-employee payroll	16.5%	16.5%

Actuarial methods and assumptions

The total pension liability in the June 30, 2015 and 2014 (OPERS year-end) actuarial valuations prepared as of July 1, 2015 and 2014, respectively, using the following actuarial assumptions:

- Investment return – 7.5% compounded annually for a net investment expense and including inflation
- Salary increases – 4.5% to 7.4% for 2014 and 4.5% to 8.4% for 2015 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

The actuarial assumptions used in the July 1, 2015 and 2014, 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 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, 2015 and 2014, 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 7.5% for both 2015 and 2014. 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 2114 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 rate of 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 (7.5%) in measuring the Net Pension Liability as of June 30, 2015 and 2014.

	2015		
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
OHFA's proportionate share of the net pension liability (asset)	$ 3,146,749	$ 844,480	$ (1,112,813)

	2014		
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
OHFA's proportionate share of the net pension liability (asset)	$ 2,913,364	$ 467,953	$ (1,610,997)

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

At September 30, 2016 and 2015, respectively, OHFA reported a liability of $844,480 and $467,953 for its proportionate share of the OPERS net pension liability.

The net pension liability was measured as of June 30, 2015 and 2014, 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, 2014 through June 30, 2015 and the period July 1, 2013 through June 30, 2014.

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:

	2016	2015
Agency's proportion of the net pension liability (asset)	0.23%	0.25%
Agency's proportionate share of the net pension liability (asset)	$ 844,480	$ 467,953
Agency's covered-employee payroll	$ 4,374,297	$ 4,185,176
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.30%	11.18%
Plan fiduciary net position as a percentage of the total pension liability	96.0%	97.9%

At September 30, 2016 and 2015, OHFA reported its proportionate share of the OPERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
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	-
Total	$ 734,897	$ (592,745)

2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ (154,927)
Changes in actuarial assumptions	26,779	-
Difference between projected and actual investment earnings	-	(1,563,881)
Contributions paid to OPERS subsequent to the measurement date	690,554	-
Total	$ 717,333	$ (1,718,808)

Deferred outflows of resources of $721,759 and $690,554 related to pensions as of September 30, 2016 and 2015, respectively, resulting from OHFA contributions subsequent to the measurement dates of June 30, 2015 and June 30, 2014, were recognized as a reduction of the net pension liability in the years ended September 30, 2016 and 2015.

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
2017	$ (173,362)
2018	(150,053)
2019	(143,425)
2020	(3,224)

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, in the opinion of management. 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

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, 2016, and have issued our report thereon, dated January 24, 2017, 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 24, 2017.

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.

HoganTaylor LLP

Tulsa, Oklahoma
January 24, 2017

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2016

	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	$ 3,901	$ 6,750,933	$ 1,695,905	$ 48,071	$ 329,397	$ 169,865	$ 171,760
Investments	201,910	36,723,510	175,277	2,763,578	7,077,938	4,854,591	6,425,408
Interest receivable	1,233	137,680	988	12,626	30,185	21,968	27,687
Total assets	207,044	43,612,123	1,872,170	2,824,275	7,437,520	5,046,424	6,624,855
Liabilities							
Current liabilities:							
Accounts payable	-	-	-	-	913	623	800
Interest payable	1,225	-	-	690	25,680	19,628	23,347
Current maturities of bonds payable	31,200	-	-	150,000	110,000	10,000	130,000
Total current liabilities	32,425	-	-	150,690	136,593	30,251	154,147
Noncurrent liabilities:							
Bonds payable, less current maturities	168,880	-	-	-	6,000,000	4,215,000	5,105,000
Total liabilities	201,305	-	-	150,690	6,136,593	4,245,251	5,259,147
Net Position							
Restricted for single family bond programs	$ 5,739	$ 43,612,123	$ 1,872,170	$ 2,673,585	$ 1,300,927	$ 801,173	$ 1,365,708

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2016

	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	$ 362,509	$ 399,809	$ 271,161	$ 284,774	$ 2,842,891	$ 155,995	$ 344,902
Investments	4,726,511	8,777,347	11,662,509	11,738,847	-	21,522,009	32,165,021
Interest receivable	21,436	38,972	45,270	46,731	568	77,489	107,199
Total assets	5,110,456	9,216,128	11,978,940	12,070,352	2,843,459	21,755,493	32,617,122
Liabilities							
Current liabilities:							
Accounts payable	655	1,197	1,566	1,569	-	10,120	16,212
Interest payable	6,450	33,323	12,241	26,628	-	20,910	37,214
Current maturities of bonds payable	60,000	240,000	300,000	350,000	-	445,000	660,000
Total current liabilities	67,105	274,520	313,807	378,197	-	476,030	713,426
Noncurrent liabilities:							
Bonds payable, less current maturities	1,255,000	6,965,000	2,830,000	6,405,000	-	5,175,000	8,450,000
Total liabilities	1,322,105	7,239,520	3,143,807	6,783,197	-	5,651,030	9,163,426
Net Position							
Restricted for single family bond programs	$ 3,788,351	$ 1,976,608	$ 8,835,133	$ 5,287,155	$ 2,843,459	$ 16,104,463	$ 23,453,696

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2016

	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:					
Cash and cash equivalents	$ 849,116	$ 1,168,805	$ 823,780	$ 851,051	$ 17,524,625
Investments	32,314,336	83,865,181	-	47,066,828	312,060,801
Interest receivable	106,966	226,004	165	145,516	1,048,683
Total assets	33,270,418	85,259,990	823,945	48,063,395	330,634,109
Liabilities					
Current liabilities:					
Accounts payable	16,113	41,861	11,886	16,102	119,617
Interest payable	91,439	227,224	81,697	114,676	722,372
Current maturities of bonds payable	1,045,000	1,805,000	940,138	1,138,184	7,414,522
Total current liabilities	1,152,552	2,074,085	1,033,721	1,268,962	8,256,511
Noncurrent liabilities:					
Bonds payable, less current maturities	36,830,714	76,647,459	33,261,192	37,543,091	230,851,336
Total liabilities	37,983,266	78,721,544	34,294,913	38,812,053	239,107,847
Net Position					
Restricted for single family bond programs	$ (4,712,848)	$ 6,538,446	$ (33,470,968)	$ 9,251,342	$ 91,526,262

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, 2016

	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	$ 17,833	$ 1,612,485	$ 403,724	$ 537,515	$ 435,085	$ 328,399	$ 396,951
Program loan income	-	3,920	-	-	-	-	-
Net increase (decrease) in fair value of investments	(8,000)	(250,882)	(17,957)	(24,409)	(126,832)	(227,734)	(140,262)
Gain (loss) on sale of investments	-	-	(73,560)	(112,320)	-	-	-
Other income	-	12,352	-	-	-	-	-
Total operating revenues	9,833	1,377,875	312,207	400,786	308,253	100,665	256,689
Operating Expenses							
Interest on bonds payable	16,910	28,482	336,251	473,807	367,761	301,257	343,191
Mortgage servicing fees	1,151	153,711	31,079	43,967	35,258	25,107	31,483
Trustees, issuer and other fees	334	12,881	14,034	49,557	16,598	12,736	14,975
Other general and administrative	-	-	3,350	16,300	-	-	-
Total operating expenses	18,395	195,074	384,714	583,631	419,617	339,100	389,649
Operating income (loss) before transfers	(8,562)	1,182,801	(72,507)	(182,845)	(111,364)	(238,435)	(132,960)
Equity transfers in (out)	-	(3,399,548)	-	950,000	-	-	-
Operating transfers in (out)	-	28,482	-	-	-	-	-
Changes in net position	(8,562)	(2,188,265)	(72,507)	767,155	(111,364)	(238,435)	(132,960)
Total net position, beginning of year	14,301	45,800,388	1,944,677	1,906,430	1,412,291	1,039,608	1,498,668
Total net position, end of year	$ 5,739	$ 43,612,123	$ 1,872,170	$ 2,673,585	$ 1,300,927	$ 801,173	$ 1,365,708

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, 2016

	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	$ 325,197	$ 586,646	$ 677,270	$ 686,322	$ 3,324	$ 1,111,308	$ 1,633,578
Program loan income	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	(183,618)	(296,507)	(227,465)	(182,600)	-	(59,481)	(255,731)
Gain (loss) on sale of investments	-	-	-	-	-	-	-
Other income	-	-	2,112	-	7,525	620	650
Total operating revenues	141,579	290,139	451,917	503,722	10,849	1,052,447	1,378,497
Operating Expenses							
Interest on bonds payable	139,436	515,901	234,942	391,801	-	304,657	519,915
Mortgage servicing fees	24,443	44,945	57,970	56,013	-	105,461	169,053
Trustees, issuer and other fees	12,822	20,916	25,778	24,974	-	147,515	233,750
Other general and administrative	-	-	-	-	6,731	-	-
Total operating expenses	176,701	581,762	318,690	472,788	6,731	557,633	922,718
Operating income (loss) before transfers	(35,122)	(291,623)	133,227	30,934	4,118	494,814	455,779
Equity transfers in (out)	5,920	-	254,983	93,745	2,270,371	(2,123,883)	(5,345,725)
Operating transfers in (out)	-	-	-	-	-	-	-
Changes in net position	(29,202)	(291,623)	388,210	124,679	2,274,489	(1,629,069)	(4,889,946)
Total net position, beginning of year	3,817,553	2,268,231	8,446,923	5,162,476	568,970	17,733,532	28,343,642
Total net position, end of year	$ 3,788,351	$ 1,976,608	$ 8,835,133	$ 5,287,155	$ 2,843,459	$ 16,104,463	$ 23,453,696

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, 2016

	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	$ 1,591,356	$ 3,327,097	$ 229	$ 2,108,369	$ 15,782,688
Program loan income	-	-	-	-	3,920
Net increase (decrease) in fair value of investments	(120,731)	960,203	-	362,850	(799,156)
Gain (loss) on sale of investments	-	-	-	-	(185,880)
Other income	6,980	162,122	-	5,099	197,460
Total operating revenues	1,477,605	4,449,422	229	2,476,318	14,999,032
Operating Expenses					
Interest on bonds payable	1,096,401	2,260,857	1,022,675	1,482,530	9,836,774
Mortgage servicing fees	165,064	425,796	-	235,055	1,605,556
Trustees, issuer and other fees	231,136	595,740	161,996	227,740	1,803,482
Other general and administrative	-	-	-	-	26,381
Total operating expenses	1,492,601	3,282,393	1,184,671	1,945,325	13,272,193
Operating income (loss) before transfers	(14,996)	1,167,029	(1,184,442)	530,993	1,726,839
Equity transfers in (out)	1,003,183	(1,156,491)	8,030,657	(583,212)	-
Operating transfers in (out)	-	(10,062)	-	-	18,420
Changes in net position	988,187	476	6,846,215	(52,219)	1,745,259
Total net position, beginning of year	(5,701,035)	6,537,970	(40,317,183)	9,303,561	89,781,003
Total net position, end of year	$ (4,712,848)	$ 6,538,446	$ (33,470,968)	$ 9,251,342	$ 91,526,262

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2016

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Assets				
Current assets:				
Cash and cash equivalents	$ -	$ 13,178,428	$ -	$ 13,178,428
Investments	-	5,469,448	-	5,469,448
Accounts receivable (net of an allowance for doubtful accounts of $742,311)	-	144,323	(119,617)	24,706
Accounts receivable - U.S. Department of Housing and Urban Development	-	602,862	-	602,862
Prepaid expenses	-	289,199	-	289,199
Interest receivable	-	141,256	-	141,256
Total current assets	-	19,825,516	(119,617)	19,705,899
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	17,524,625	-	-	17,524,625
Investments	312,060,801	-	-	312,060,801
Interest receivable	1,048,683	-	-	1,048,683
Program loans receivable (net of an allowance of $563,395)	-	2,585,425	-	2,585,425
Long-term investments	-	45,402,983	-	45,402,983
Nondepreciated capital assets	-	550,000	-	550,000
Capital assets, net	-	2,239,240	-	2,239,240
Total noncurrent assets	330,634,109	50,777,648	-	381,411,757
Total assets	330,634,109	70,603,164	(119,617)	401,117,656
Deferred outflows of resources:				
Pension	-	734,897	-	734,897
Accumulated decrease in fair value of hedging derivatives	-	41,921	-	41,921
Total deferred outflows of resources	-	776,818	-	776,818
Liabilities				
Current liabilities:				
Salaries and related expenses	-	671,935	-	671,935
Accounts payable - vendors and contractors	-	81,246	-	81,246
Accounts Payable - U.S. Department of Housing and Urban Development	-	21,637	-	21,637
Accounts payable - Family Self Sufficiency Program	-	410,413	-	410,413
Accounts payable - other	119,617	142,851	(119,617)	142,851
Hedging payable	-	41,921	-	41,921
Unearned revenue	-	529,475	-	529,475
Compensated absences	-	809,929	-	809,929
Interest payable	722,372	194	-	722,566
Current maturities of bonds and notes payable	7,414,522	-	-	7,414,522
Total current liabilities	8,256,511	2,709,601	(119,617)	10,846,495
Noncurrent liabilities:				
Pension liability	-	844,480	-	844,480
Bonds and notes payable, less current maturities	230,851,336	-	-	230,851,336
Total noncurrent liabilities	230,851,336	844,480	-	231,695,816
Total liabilities	239,107,847	3,554,081	(119,617)	242,542,311
Deferred inflows of resources:				
Pension	-	592,745	-	592,745
Net Position				
Invested in capital assets	-	2,789,240	-	2,789,240
Restricted for single family bond programs	91,526,262	-	-	91,526,262
Restricted for Section 8 Voucher Program	-	752,185	-	752,185
Unrestricted	-	63,691,731	-	63,691,731
Total net position	$ 91,526,262	$ 67,233,156	$ -	$ 158,759,418

OKLAHOMA HOUSING FINANCE AGENCY

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

Year ended September 30, 2016

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Operating Revenues				
Investment income	$ 15,782,688	$ 972,629	$ -	$ 16,755,317
Program loan income	3,920	32,655	-	36,575
Net increase (decrease) in fair value of investments	(799,156)	304,661	-	(494,495)
Realized gain (loss) on sale of investments	(185,880)	2,043,493	-	1,857,613
Fees and other income	197,460	15,186,486	(1,746,157)	13,637,789
Total operating revenues	14,999,032	18,539,924	(1,746,157)	31,792,799
Operating Expenses				
Interest on bonds and notes payable	9,836,774	2,664	-	9,839,438
Mortgage servicing fees	1,605,556	-	-	1,605,556
Trustees, issuer and other fees	1,803,482	-	(1,746,157)	57,325
Salaries and related expenses	-	7,768,036	-	7,768,036
Other general and administrative	26,381	2,871,858	-	2,898,239
Total operating expenses	13,272,193	10,642,558	(1,746,157)	22,168,594
Operating income (loss)	1,726,839	7,897,366	-	9,624,205
Nonoperating revenues (expenses):				
Federal and state program income	-	134,470,886	-	134,470,886
Federal and state program expenses	-	(134,044,974)	-	(134,044,974)
Total nonoperating income (loss)	-	425,912	-	425,912
Income (loss) before transfers	1,726,839	8,323,278	-	10,050,117
Transfers	18,420	(18,420)	-	-
Increase (decrease) in net position	1,745,259	8,304,858	-	10,050,117
Total net position, beginning of year	89,781,003	58,928,298	-	148,709,301
Total net position, end of year	$ 91,526,262	$ 67,233,156	$ -	$ 158,759,418

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS

Year ended September 30, 2016

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Cash Flows from Operating Activities				
Receipts (payments) from (of) fees	$ 197,460	$ 13,934,932	$ (1,746,157)	$ 12,386,235
Receipts from program loan payments	-	1,958,592	-	1,958,592
Receipts from other sources	-	475,689	-	475,689
Payments to employees	-	(7,650,420)	-	(7,650,420)
Payments to suppliers	-	(2,477,373)	-	(2,477,373)
Payment for purchases of program loans	-	(3,044,679)	-	(3,044,679)
Payments for bond fees	(1,629,018)	-	-	(1,629,018)
Payments for trustee and other fees	(1,829,863)	-	1,746,157	(83,706)
Payments for homebuyer assistance	-	-	-	-
Net cash provided by (used in) operating activities	(3,261,421)	3,196,741	-	(64,680)
Cash Flows from Noncapital Financing Activities				
Proceeds from issuance of bonds and notes payable	-	54,100,000	-	54,100,000
Principal paid on bonds and notes payable	(70,959,648)	(54,100,000)	-	(125,059,648)
Interest paid on bonds and notes payable	(10,080,902)	(2,642)	-	(10,083,544)
Receipt of federal and state program income	-	134,470,886	-	134,470,886
Payment of federal and state program expenses	-	(134,044,974)	-	(134,044,974)
Transfers	18,420	(18,420)	-	-
Net cash used in noncapital financing activities	(81,022,130)	404,850	-	(80,617,280)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(153,198)	-	(153,198)
Net cash used in capital and related financing activities	-	(153,198)	-	(153,198)
Cash Flows from Investing Activities				
Purchase of investments	(21,037,455)	(137,488,137)	-	(158,525,592)
Proceeds from sales and maturities of investments	84,703,307	134,386,991	-	219,090,298
Interest received on investments	16,045,053	953,473	-	16,998,526
Net cash provided by investing activities	79,710,905	(2,147,673)	-	77,563,232
Net decrease in cash	(4,572,646)	1,300,720	-	(3,271,926)
Cash and cash equivalents, beginning of year	22,097,271	11,877,708	-	33,974,979
Cash and cash equivalents, end of year	$ 17,524,625	$ 13,178,428	$ -	$ 30,703,053
Cash and Cash Equivalents as Reported in Statement of Net Position				
Unrestricted	$ -	$ 13,178,428	$ -	$ 13,178,428
Restricted	17,524,625	-	-	17,524,625
	$ 17,524,625	$ 13,178,428	$ -	$ 30,703,053

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS (continued)

Year ended September 30, 2016

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	$ 1,726,839	$ 7,897,366	$ -	$ 9,624,205
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	416,038	-	416,038
Interest from investments	(15,786,608)	(972,629)	-	(16,759,237)
Net (increase) decrease in fair value of investments	799,156	(304,661)	-	494,495
Realized (gain) loss on sale of investments	185,880	(2,043,493)	-	(1,857,613)
Interest on bonds and notes payable	9,836,774	2,664	-	9,839,438
Change in operating assets, liabilities, deferred outflows, and deferred inflows:				
Accounts receivable	-	(53,292)	-	(53,292)
Prepaid expenses	-	44,906	-	44,906
Program loans receivable	-	(1,118,742)	-	(1,118,742)
Accounts payable and accrued expenses	(23,462)	(42,871)	-	(66,333)
Unearned revenue	-	26,966	-	26,966
Pension payable	-	376,527	-	376,527
Deferred outflows	-	91,615	-	91,615
Deferred inflows	-	(1,126,063)	-	(1,126,063)
Compensated absences	-	2,410	-	2,410
Net cash provided by (used in) operating activities	$ (3,261,421)	$ 3,196,741	$ -	$ (64,680)

OTHER REPORT

HoganTaylor LLP
CPAs + ADVISORS

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, 2016, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2017.

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 24, 2017

SINGLE AUDIT SUPPLEMENT

AND

INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE AND INTERNAL CONTROL

SEPTEMBER 30, 2016

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OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2016

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	$ 74,275,216
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	177,036
Section 8 Project - Based Cluster		74,452,252
Section 8 Housing Choice Vouchers Program	14.871	60,624,098
PIH Family Self-Sufficiency Program	14.896	48,360
Total Section 8 Related		135,124,710
Housing Opportunities for Persons with AIDS	14.241	283,061
HOME Investment Partnerships Program	14.239	6,316,938
Total Expenditures of Federal Awards		$ 141,724,709

See notes to Schedule of Expenditures of Federal Awards.

OKLAHOMA HOUSING FINANCE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2016

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, 2016. 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 assets, 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.

HoganTaylor LLP
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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, 2016, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2017.

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 opinions 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 24, 2017

HoganTaylor LLP
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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, 2016. 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, 2016.

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, 2016, and issued our report thereon dated January 24, 2017, 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 24, 2017

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2016

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, 2016

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers Program

Dollar threshold used to distinguish between type A and type B programs: $4,251,867

	Yes	No
Auditee qualified as low-risk auditee?	X	

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

None

OKLAHOMA HOUSING FINANCE AGENCY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2016

There were no prior year findings or questioned costs.