



**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2018 and 2017

WITH

INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Housing Finance Agency (the Agency, or OHFA), a component unit of the State of Oklahoma, as of and for the years ended September 30, 2018 and 2017, and the related notes to the basic financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of September 30, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Notes 2 and 10 to the financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (GASB No. 75) in 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9, the schedule of OHFA's proportionate share of the net pension liability on page 36, the schedule of OHFA's pension contributions on page 37, the schedule of OHFA's proportionate share of the net OPEB liability on page 38, and the schedule of OHFA's OPEB contributions on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 40 through 48 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 audits 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of OHFA'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 OHFA's internal control over financial reporting and compliance.

Handwritten signature of Hogan Taylor in black ink, followed by the letters "UP".

Oklahoma City, Oklahoma
January 28, 2019

OKLAHOMA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

September 30, 2018 and 2017

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, 2018 and 2017. This information is presented to provide additional information regarding the activities of OHFA and to meet the disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This analysis should be read in conjunction with the basic financial statements, notes to financial statements, and supplemental information.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

Year ended September 30, 2018

- Total assets decreased by \$26.4 million.
- Total liabilities decreased by \$21.6 million.
- Net position decreased by \$5.6 million.
- Made 1,059 single family mortgage loans available to first-time homebuyers compared to 626 in 2017.
- Provided 120,946 unit months of Section 8 rental assistance compared to 130,872 in 2017.
- Paid \$54.9 million in rental assistance to benefit Section 8 voucher holders compared to \$54.5 million in 2017.
- Paid \$75.8 million in rental assistance to project based Section 8 properties compared to \$74.2 million in 2017.

FINANCIAL HIGHLIGHTS

Year ended September 30, 2017

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

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

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

The Single Family Loan Program provides affordable mortgages with down payment and closing cost assistance to homebuyers through proceeds from mortgage revenue bonds (first-time homebuyers) or selling mortgage-backed securities in the open market via the "To Be Announced" (TBA) Program (no first-time homebuyer requirement).

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

As Section 8 Contract Administrator for project-based Section 8 properties located throughout Oklahoma for the U.S. Department of Housing and Urban Development (HUD), OHFA's 2018 and 2017 duties consisted of 169 properties, totaling 12,764 assisted units. The Agency receives a fee to administer the program based on the number of units under contract.

CONDENSED FINANCIAL INFORMATION

Statement of Net Position

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

Condensed Statements of Net Position

	2018	2017	2016
Assets			
Current assets	\$ 23.5	\$ 14.8	\$ 19.7
Noncurrent assets:			
Restricted	226.1	266.0	333.2
Net capital assets	2.8	2.8	2.8
Unrestricted	62.6	57.8	45.4
Total assets	315.0	341.4	401.1
Deferred outflows	1.6	2.9	0.8
Liabilities			
Current liabilities	23.8	10.3	10.8
Noncurrent liabilities	140.9	176.0	231.7
Total liabilities	164.7	186.3	242.5
Deferred inflows	0.4	0.9	0.6
Net Position			
Invested in capital assets	2.8	2.8	2.8
Restricted for Single Family Bond Programs	76.6	84.0	91.5
Restricted for Section 8 Voucher Program	0.6	2.2	0.8
Unrestricted	71.5	68.1	63.7
Total net position	\$ 151.5	\$ 157.1	\$ 158.8

Explanations of significant variances between 2018 and 2017 on the condensed statements of net position follow:

The decrease in total assets of \$26.4 million is primarily due to the net effect of reductions in mortgage-backed securities (MBS) due to paying down \$20.3 million of bonds and notes payable from payments and prepayments of Agency MBS investments due to homeowners refinancing their mortgages due to low market interest rates, and a \$5.6 million net position decrease realized by the Agency.

The decrease in total liabilities of \$21.6 million is primarily due to payments and prepayments of \$20.3 million on bonds payable which decreased total liabilities as loans were paid down early by homeowners refinancing their mortgages to take advantage of low market mortgage rates. The OHFA portion of the Oklahoma Public Employees Retirement System (OPERS) defined benefit pension liability decreased by \$0.9 million.

The \$7.4 million decrease in net position restricted for Single Family Bond Programs is a result of \$7.4 million of net loss relating to the bond programs.

The Section 8 Voucher Program is included in the Agency General Fund and that program's net position, which is restricted, decreased by \$1.6 million due to receiving \$1.6 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 \$0.6 million and \$2.2 million, respectively, as of September 30, 2018 and 2017.

The increase in Agency General Fund unrestricted net position of \$3.4 million is primarily due to \$3.4 million in net operating income (excluding Single Family Bond Programs).

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

The decrease in total assets of \$59.7 million is primarily due to the net effect of reductions in MBS due to paying down \$58.5 million of bonds and notes payable from payments and prepayments of Agency MBS investments due to homeowners refinancing their mortgages due to low market interest rates, and a \$1.7 million net position decrease realized by the Agency.

The decrease in total liabilities of \$56.2 million is primarily due to payments and prepayments of \$58.5 million on bonds payable which decreased total liabilities as loans were paid down early by homeowners refinancing their mortgages to take advantage of historic low market mortgage rates. The OHFA portion of the OPERS defined benefit pension liability increased by \$1.6 million.

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

The Section 8 Voucher Program is included in the Agency General Fund and that program's net position, which is restricted, increased by \$1.4 million due to receiving \$1.4 million more in rental assistance payments than program expenditures in the current year. Since 2006, HUD has required agencies to report receipts from HUD in excess of program expenditures as income and to report assistance payments in excess of program receipts as an expense in the current year. These items are reported in net position instead of as a payable or receivable with HUD. These funds are only available to pay HAP under the Section 8 Voucher Program. The Agency had funds restricted for the Section 8 Voucher Program of \$2.2 million and \$0.8 million, respectively, as of September 30, 2017 and 2016.

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

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

	2018	2017	2016
Operating and Nonoperating Revenues			
Investments and program loans	\$ 12.5	\$ 13.5	\$ 16.8
Net decrease in fair value of investments	(12.3)	(10.5)	(0.5)
Fees and other income	12.4	12.5	13.6
Gain on sale of investments	1.2	0.6	1.9
Federal and state program income	136.2	138.8	134.5
Total revenues	150.0	154.9	166.3
Operating and Nonoperating Expenses			
Interest on bonds and notes	5.1	6.8	9.8
Other bond program expenses	1.2	1.3	1.7
Salaries, general and administrative	11.5	11.2	10.7
Federal and state program expenses	137.8	137.3	134.0
Total expenses	155.6	156.6	156.2
Increase (decrease) in net position	(5.6)	(1.7)	10.1
Net position at beginning of year	157.1	158.8	148.7
Net position at end of year	\$ 151.5	\$ 157.1	\$ 158.8

Explanations of significant fluctuations between 2018 and 2017 in revenues, expenses, and changes in net position follow:

The net decrease in interest income from investments and program loans of \$1.0 million is primarily due to older, higher interest bond program loan pools being paid down, as consumers refinance their mortgages at a faster rate, than new, lower interest rate bond program loans are added to the portfolio and MBS being sold into the market via the TBA Program due to market conditions instead of being placed into a bond issue.

The net decrease in the fair value of investments of \$12.3 million for 2018 was due to market interest rates being higher than in the previous year, causing a decrease in the value of older, relatively lower yielding interest rate securities. The market values of fixed interest rate investments typically have an inverse relationship to interest rates.

The gain on sale of investments of \$1.2 million in 2018 and \$0.6 million in 2017 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.

Federal program revenues decreased by \$2.6 million due primarily to the net effect of a \$1.7 million increase in the Section 8 Contract Administration Program revenues, a \$2.4 million decrease in the HOME Investment Partnership Program revenues, a \$1.2 million increase in National Housing Trust Fund revenues, and a \$2.7 million decrease in the Section 8 Voucher Program revenues due to varying availability of federal program funding.

Interest expense on bonds and notes payable decreased by \$1.7 million in 2018 from 2017. Bonds and notes payable are \$20.3 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 \$0.5 million due primarily to the net effect of a \$1.7 million increase in the Section 8 Contract Administration Program expenses, a \$2.4 million decrease in the HOME Investment Partnership Program expenses, a \$1.2 million increase in National Housing Trust Fund expenses, and a \$0.4 million increase in the Section 8 Voucher Program expenses due to varying availability of federal program funding.

The decrease in net position of \$5.6 million from \$157.1 million in 2017 to \$151.5 million in 2018 is primarily due to an operating loss of \$3.9 million and a \$1.6 million decrease in net position due to OHFA receiving \$1.6 million less in nonoperating federal program revenues than federal program expenses.

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

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

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

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

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

Interest expense on bonds and notes payable decreased by \$3.0 million in 2017 from 2016. Bonds and notes payable are \$58.5 million less than prior year due to principal payments in excess of new borrowings for lending to first-time homebuyers. Also, higher interest rate bonds were paying off faster because borrowers were refinancing their homes due to the low market interest rates.

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

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

Capital Assets and Long-Term Debt Administration

Capital assets

As of September 30, 2018 and 2017, the Agency had invested \$2.8 million in a broad range of capital assets, including a building and building improvements, land and furniture and equipment.

Long-term debt

As of September 30, 2018, the Agency had \$159.5 million in bonds and notes payable outstanding, which is a decrease of 11.3% from last year's amount of \$179.8 million. More detailed information about the bonds and notes payable is presented in Note 7 of the notes to the basic financial statements.

Economic Factors and Other Financial Information

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

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

Contacting OHFA's Financial Management

This discussion and analysis is to provide additional information to our stakeholders regarding the activities of the Agency. If you have questions about this report, or need additional financial information, contact the OHFA Deputy Executive Director and Chief Financial Officer, Kurt Fite, CPA, at (405) 419-8212; Oklahoma Housing Finance Agency, P.O. Box 26720, Oklahoma City, Oklahoma 73126-0720; e-mail: kurt.fite@ohfa.org; or visit our website at www.ohfa.org.

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF NET POSITION

September 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,309,990	\$ 9,067,821
Investments	14,969,789	4,206,282
Program loans (net of an allowance for doubtful accounts of \$8,363 for 2018)	1,550,794	-
Accounts receivable (net of an allowance for doubtful accounts of \$1,356,247 and \$1,369,205 for 2018 and 2017, respectively)	57,463	114,130
Accounts receivable - U.S. Department of Housing and Urban Development	876,052	823,896
Hedging receivable	33,204	-
Prepaid expenses	403,313	368,866
Interest receivable	275,429	179,111
Total current assets	23,476,034	14,760,106
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	12,236,742	17,600,303
Investments	213,083,624	245,611,174
Interest receivable	767,629	836,278
Program loans receivable (net of allowance for doubtful accounts of \$368,808 for 2017)	-	1,920,601
Long-term investments	62,649,549	57,815,404
Nondepreciated capital assets	550,000	550,000
Capital assets, net	2,209,056	2,287,494
Total noncurrent assets	291,496,600	326,621,254
Total assets	314,972,634	341,381,360
Deferred outflows of resources:		
Pension	1,527,072	2,833,917
OPEB	74,762	49,509
Accumulated decrease in fair value of hedging derivatives	-	29,191
Total deferred outflows of resources	1,601,834	2,912,617

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF NET POSITION (continued)

September 30, 2018 and 2017

	2018	2017
Liabilities		
Current liabilities:		
Salaries and related expenses	552,090	577,890
Accounts payable - vendors and contractors	264,046	43,758
Accounts payable - U.S. Department of Housing and Urban Development	319,395	801,994
Accounts payable - Family Self Sufficiency Program	274,567	439,387
Accounts payable - other	216,689	268,385
Hedging payable	-	29,191
Unearned revenue	659,468	550,325
Compensated absences	878,972	817,044
Interest payable	452,762	523,303
Current maturities of bonds and notes payable	20,123,811	6,320,963
Total current liabilities	23,741,800	10,372,240
Noncurrent liabilities:		
Pension liability	1,490,688	2,352,317
OPEB liability	31,580	99,885
Bonds and notes payable, less current maturities	139,380,273	173,528,813
Total noncurrent liabilities	140,902,541	175,981,015
Total liabilities	164,644,341	186,353,255
Deferred inflows of resources:		
Pension	289,395	880,233
OPEB	73,004	-
Accumulated increase in fair value of hedging derivatives	33,204	-
Total deferred inflows of resources	395,603	880,233
Net Position		
Invested in capital assets	2,759,056	2,837,494
Restricted for Single Family Bond Programs	76,573,406	83,981,256
Restricted for Section 8 Voucher Program	590,645	2,205,200
Unrestricted	71,611,417	68,036,539
Total net position	\$ 151,534,524	\$ 157,060,489

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended September 30, 2018 and 2017

	2018	2017
Operating Revenues		
Investment income	\$ 12,361,753	\$ 13,481,858
Program loan income	117,321	15,954
Net decrease in fair value of investments	(12,316,405)	(10,473,181)
Realized gain on sale of investments	1,217,835	562,120
Fees and other income	12,384,466	12,493,629
	<hr/>	<hr/>
Total operating revenues	13,764,970	16,080,380
Operating Expenses		
Interest on bonds and notes payable	5,102,337	6,744,943
Mortgage servicing fees	1,107,453	1,282,044
Trustees, issuer and other fees	32,485	45,539
Salaries and related expenses	8,411,372	8,127,934
Other general and administrative	3,019,733	3,095,200
	<hr/>	<hr/>
Total operating expenses	17,673,380	19,295,660
Operating loss	(3,908,410)	(3,215,280)
Nonoperating revenue (expenses):		
Federal and state program income	136,218,463	138,795,157
Federal and state program expenses	(137,836,018)	(137,278,806)
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Total nonoperating income (loss)	(1,617,555)	1,516,351
Decrease in net position	(5,525,965)	(1,698,929)
Total net position, beginning of year	157,060,489	158,759,418
	<hr/>	<hr/>
Total net position, end of year	\$ 151,534,524	\$ 157,060,489
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OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS

Years ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Receipts from fees	\$ 10,812,101	\$ 13,760,665
Receipts from program loan payments	1,674,245	2,457,542
Receipts from other sources	120,107	350,317
Payments to employees	(8,375,244)	(8,214,864)
Payments to suppliers	(1,705,503)	(3,944,817)
Payments for purchases of program loans	(1,187,117)	(1,777,448)
Payments for bond fees	(1,123,084)	(1,306,524)
Payments for trustee and other fees	(37,539)	(111,901)
Net cash provided by (used in) operating activities	177,966	1,212,970
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds and notes payable	124,600,000	20,650,000
Principal paid on bonds and notes payable	(144,945,692)	(79,066,082)
Interest paid on bonds and notes payable	(5,172,878)	(6,944,206)
Receipt of federal and state program income	136,218,463	138,795,157
Payment of federal and state program expenses	(137,836,018)	(137,278,806)
Net cash provided by (used in) noncapital financing activities	(27,136,125)	(63,843,937)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(555,390)	(450,364)
Proceeds from sale of capital assets	367,891	-
Net cash provided by (used in) capital and related financing activities	(187,499)	(450,364)
Cash Flows from Investing Activities		
Purchase of investments	(183,743,481)	(137,067,291)
Proceeds from sales and maturities of investments	189,433,663	182,456,602
Interest received on investments	12,334,084	13,657,091
Net cash provided by (used in) investing activities	18,024,266	59,046,402
Net decrease in cash and cash equivalents	(9,121,392)	(4,034,929)
Cash and cash equivalents, beginning of year	26,668,124	30,703,053
Cash and cash equivalents, end of year	\$ 17,546,732	\$ 26,668,124
Cash and Cash Equivalents as Reported in Statement of Net Position		
Unrestricted	\$ 5,309,990	\$ 9,067,821
Restricted	12,236,742	17,600,303
	\$ 17,546,732	\$ 26,668,124

OKLAHOMA HOUSING FINANCE AGENCY

STATEMENTS OF CASH FLOWS (continued)

Years ended September 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash		
 Provided by Operating Activities		
Operating loss	\$ (3,908,410)	\$ (3,215,280)
Adjustments to reconcile operating loss to net cash		
provided by operating activities:		
Depreciation	407,083	402,110
Interest from investments	(12,361,753)	(13,482,541)
Net decrease in fair value of investments	12,316,405	10,473,181
Realized gain on sale of investments	(1,076,689)	(562,120)
Gain on disposal of capital assets	(141,146)	-
Interest on bonds and notes payable	5,102,337	6,744,943
Change in operating assets, liabilities, deferred outflows,		
and deferred inflows:		
Program loans receivable	369,807	664,824
Accounts receivable	(13,062)	(285,978)
Prepaid expenses	(34,447)	(79,667)
Deferred outflows - pension	1,306,845	(2,086,290)
Deferred outflows - OPEB	(25,253)	(49,509)
Deferred outflows - change in fair value of hedging derivative	29,191	-
Accounts payable and accrued expenses	(520,258)	778,852
Hedging payable	(29,191)	-
Unearned revenue	109,143	8,120
Compensated absences	61,928	7,115
Pension liability	(961,514)	1,507,837
OPEB liability	31,580	99,885
Deferred inflows - pension	(590,838)	287,488
Deferred inflows - OPEB	73,004	-
Deferred inflows - change in fair value of hedging derivative	33,204	-
Net cash provided by (used in) operating activities	<u>\$ 177,966</u>	<u>\$ 1,212,970</u>

OKLAHOMA HOUSING FINANCE AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2018 and 2017

Note 1 – Authorizing Legislation and Activities

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

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

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

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

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

OHFA also administers certain other federal and state programs.

Note 2 – Summary of Significant Accounting Policies

Financial statement presentation

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

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

Basis of accounting

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

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

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

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

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

Changes in accounting principle

For the year ended September 30, 2018, the Agency adopted the provisions of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. GASB No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* establishes new accounting and financial reporting requirements for OPEB plans. The scope of GASB No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

GASB No. 75 establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures. The Agency's adoption of GASB No. 75 required presentation of OPEB liability and related deferred outflows of resources, as well as additional disclosures in the notes to the financial statements (see Note 10).

Cash and cash equivalents

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

Investments

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

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

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

Mortgage-backed securities (MBS) 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. MBS 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 2018 and 2017 net operating income would have been \$8,407,995 and \$7,257,901, 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 \$8,363 and \$368,808 as of September 30, 2018 and 2017, respectively.

Capital assets

Capital assets are carried at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from 1 to 40 years. Maintenance and repairs are expensed as incurred. Total depreciation expense for the years ended September 30, 2018 and 2017, were \$407,086 and \$402,110, 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 and other postemployment employee benefits

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 and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension and OPEB expense, and information about assets, liabilities and additions to/deductions from OPERS fiduciary net position. Benefit payments (including refunds of employee contributions related to pensions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Restrictions and designations of net position

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

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

Reclassifications

Certain reclassifications have been made in the September 30, 2017, financial statements to conform to the classifications used at September 30, 2018. These reclassifications had no impact on the previously reported net position or change in net position.

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, 2018 and 2017, the Agency was not exposed to custodial credit risk.

As of September 30, 2018 and 2017, \$12,607,379 and \$17,655,208, 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, 2018					
	Fair Value	Investment Maturity			Fair Value Investment
		Less than One Year	One to Three Years	Greater Than Three Years	
Agency General Fund:					
GNMA pooled loans	\$ 39,644,214	\$ -	\$ -	\$ 39,644,214	Level 2
FNMA pooled loans	10,756,308	-	-	10,756,308	Level 2
Certificates of deposit	17,834,237	10,020,194	7,814,043	-	Level 2
Municipal Bonds	9,384,579	4,949,595	4,434,984	-	Level 1
Total investments in securities	77,619,338	\$ 14,969,789	\$ 12,249,027	\$ 50,400,522	
Single Family Bond Programs:					
GNMA pooled loans	207,693,962				Level 2
FNMA pooled loans	5,389,662				Level 2
Total investments	\$ 290,702,962				
September 30, 2017					
	Fair Value	Investment Maturity			Fair Value Investment
		Less than One Year	One to Three Years	Greater Than Three Years	
Agency General Fund:					
GNMA pooled loans	\$ 26,847,643	\$ 27,793	\$ -	\$ 26,819,850	Level 2
FNMA pooled loans	8,286,661	-	-	8,286,661	Level 2
Certificates of deposit	17,449,475	4,178,489	13,270,986	-	Level 2
Municipal Bonds	9,437,907	-	9,437,907	-	Level 1
Total investments in securities	62,021,686	\$ 4,206,282	\$ 22,708,893	\$ 35,106,511	
Single Family Bond Programs:					
GNMA pooled loans	239,243,184				Level 2
FNMA pooled loans	5,989,117				Level 2
Guaranteed investment contracts	378,873				Level 3
Total investments	\$ 307,632,860				

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 and GNMA are rated AA+ by Standard & Poor's and AAA by 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:

	2018	2017
Current:		
Agency General Fund	\$ 14,969,789	\$ 4,206,282
Noncurrent:		
Restricted - Single Family Bond Programs	213,083,624	245,611,174
Agency General Fund	62,649,549	57,815,404
Total noncurrent	275,733,173	303,426,578
Total investments	\$ 290,702,962	\$ 307,632,860

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, 2018		September 30, 2017	
	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	\$ 39,644,214 *	13.7%	\$ 26,847,643 *	8.7%
FNMA pooled loans	10,756,308	3.7%	8,286,661	2.7%
Certificates of deposit	17,834,237 *	6.1%	17,449,475 *	5.7%
Municipal bonds	9,384,579	3.2%	9,437,907	3.1%
	77,619,338	26.7%	62,021,686	20.2%
Single Family Bond Programs:				
GNMA pooled loans	207,693,962 *	71.4%	239,243,184 *	77.8%
FNMA pooled loans	5,389,662	1.9%	5,989,117	1.9%
Guaranteed investment contracts	-	0.0%	378,873	0.1%
	213,083,624	73.3%	245,611,174	79.8%
Total investments	\$ 290,702,962	100.0%	\$ 307,632,860	100.0%

MBS forward contracts

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

instruments and the fair values were obtained from an external pricing specialist who used acceptable methods and assumptions in accordance with GASB requirements, subject to review and approval by the Agency. A positive fair value represents money due the Agency by the counterparty, while a negative fair value represents money payable by the Agency.

Outstanding forward sales contracts as of September 30, 2018, are as follows:

Forward Contracts to Sell TBA MBS	Notional Amount September 30, 2018	Trade Date	Delivery Date	Coupon Rate	Net Fair Values as reported in the Statement of Net Position at September 30, 2018
Bank of Montreal					
FHLMC	\$ 500,000	8/27/2018	11/13/2018	5.00%	\$ 2,344
FNMA	500,000	9/10/2018	11/13/2018	5.00%	1,641
FNMA	600,000	9/17/2018	12/13/2018	5.00%	844
FNMA	600,000	9/28/2018	12/13/2018	4.50%	-
Bank of New York Mellon					
FNMA	800,000	7/19/2018	10/11/2018	5.00%	3,313
GNMA II	1,000,000	8/2/2018	10/18/2018	5.00%	1,172
FNMA	600,000	9/6/2018	11/13/2018	5.50%	1,875
FNMA	600,000	9/12/2018	12/13/2018	5.50%	469
Bank of Oklahoma					
FNMA	500,000	7/19/2018	10/11/2018	5.50%	1,152
GNMA II	1,000,000	7/25/2018	10/18/2018	5.00%	1,602
GNMA II	1,000,000	7/30/2018	10/18/2018	5.00%	273
FNMA	500,000	8/2/2018	10/11/2018	5.50%	(78)
GNMA II	1,000,000	8/8/2018	10/18/2018	5.00%	2,500
GNMA II	1,200,000	8/21/2018	11/19/2018	5.00%	3,094
FNMA	513,150	9/10/2018	10/11/2018	5.50%	3,608
GNMA II	1,000,000	9/10/2018	11/19/2018	5.00%	2,070
GNMA II	1,000,000	9/12/2018	11/19/2018	5.00%	2,109
GNMA II	(1,300,000)	9/13/2018	10/18/2018	5.00%	(2,844)
ED&F Man Capital Markets					
FNMA	500,000	8/21/2018	11/13/2018	5.50%	1,250
FNMA	581,303	9/10/2018	10/11/2018	5.00%	1,907
FHLMC	51,510	9/10/2018	10/11/2018	5.00%	153
GNMA II	1,200,000	9/26/2018	12/19/2018	5.00%	(1,031)
Jefferies					
GNMA II	800,000	8/27/2018	11/19/2018	5.00%	2,250
FNMA	800,000	9/10/2018	10/11/2018	5.00%	2,500
Piper Jaffray & Co					
GNMA II	800,000	9/4/2018	11/19/2018	5.00%	2,125
GNMA II	1,400,000	9/21/2018	12/19/2018	5.00%	(1,094)
	<u>\$ 17,745,963</u>				
Total deferred inflows of resources accumulated increase in fair value of hedging derivatives					<u>\$ 33,204</u>

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

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

Note 4 – Program Loans Receivable

Program loans receivable consists of the following at September 30:

	2018	2017
Single Family Program Funds, Special Securities (1993 A & B), bearing interest at 8.50% matured December 2014.	\$ 8,363	\$ 8,363
Housing Trust Fund, Chickasha Housing - Part 1, bearing interest at 5.00%, loan to be repaid out of 75.00% of cash flow from the property, collateralized by mortgages, maturing September 2023.	-	195,510
Housing Trust Fund, Chickasha Housing - Part 2, bearing interest at 3.90%, 219-month term, collateralized by mortgages, maturing September 2023.	-	217,969
Housing Trust Fund, Verde Investments, bearing interest at 1.00%, 18-month term, matured April 2017.	-	220,000
Housing Trust Fund, Mu Min, bearing interest at 1.00%, 18-month term, matured June 2017.	-	249,238
Housing Trust Fund, Verde Outreach Inc., bearing interest at 1.00%, 18-month term, matured May 2017.	-	200,000
Housing Trust Fund, Milestone HTF, LLC, bearing interest at 1.00%, 24-month term, maturing June 2019. (2% interest beginning in 2019)	1,125,794	773,329
Housing Trust Fund, Harbor House Foundation, bearing interest at 1.00%, 18-month term, maturing January 2019.	425,000	425,000
Allowance for doubtful accounts	(8,363)	(368,808)
Total program loans receivable	<u>\$ 1,550,794</u>	<u>\$ 1,920,601</u>

In addition to the loans in the table above, certain loans from the federally appropriated HOME Investment Partnership Program and National Housing Trust Fund Program are carried at below-market interest rates, and repayment is deferred for up to 40 years. These loans are generally in either a second or more subordinate position. Given the nature of these loans and the risk associated with them, at the time of origination, they are fully expensed as part of federal and state program expenses, resulting in a net carrying value of zero. Loans with net carrying values of zero are excluded from the table above, and loans are tracked for affordability by OHFA staff. The balances of these loans for the years ended September 30, 2018 and 2017, were \$7,347,990 and \$6,254,328, respectively.

Note 5 – Capital Assets

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

	2018			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Capital assets being depreciated:				
Furniture and equipment	3,091,576	350,180	(69,348)	3,372,408
Buildings	2,409,299	-	(336,243)	2,073,056
Improvements	1,729,852	205,210	(79,452)	1,855,610
Total capital assets being depreciated	7,230,727	555,390	(485,043)	7,301,074
Less accumulated depreciation:				
Furniture and equipment	(2,617,325)	(281,293)	68,933	(2,829,685)
Building	(937,801)	(54,629)	111,381	(881,049)
Improvements	(1,388,107)	(71,164)	77,987	(1,381,284)
Total accumulated depreciation	(4,943,233)	(407,086)	258,301	(5,092,018)
Total capital assets being depreciated	2,287,494	148,304	(226,742)	2,209,056
Capital assets, net	\$ 2,837,494	\$ 148,304	\$ (226,742)	\$ 2,759,056
	2017			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Capital assets being depreciated:				
Furniture and equipment	3,251,297	325,489	(485,210)	3,091,576
Buildings	2,409,299	-	-	2,409,299
Improvements	1,604,964	124,888	-	1,729,852
Total capital assets being depreciated	7,265,560	450,377	(485,210)	7,230,727
Less accumulated depreciation:				
Furniture and equipment	(2,824,453)	(278,069)	485,197	(2,617,325)
Building	(877,568)	(60,233)	-	(937,801)
Improvements	(1,324,299)	(63,808)	-	(1,388,107)
Total accumulated depreciation	(5,026,320)	(402,110)	485,197	(4,943,233)
Total capital assets being depreciated	2,239,240	48,267	(13)	2,287,494
Capital assets, net	\$ 2,789,240	\$ 48,267	\$ (13)	\$ 2,837,494

Note 6 – Conduit Debt

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

As of September 30, 2018 and 2017, there were six series of multi-family bonds outstanding with an aggregate principal amount payable of \$71,345,000 and \$69,130,186, 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 (2.35% and 1.28% at September 30, 2018 and 2017, respectively), matures April 19, 2019, and is collateralized by investment securities. As of September 30, 2018 and 2017, there was an outstanding balance of \$10,500,000 and \$400,000, respectively.

Bonds and notes payable and changes for the fiscal years ended 2018 and 2017, are as follows:

Single Family Bond Program	Issued	Interest Rate Range on Outstanding Amount		Maturity Through	Ending Balance 9/30/2016	Additions	Reductions	Ending Balance 9/30/2017	Additions	Reductions	Ending Balance 9/30/2018	Amount Due in One Year
1991 A&B	11/1/1991	7.35%	7.35%	11/1/2024	\$ 200,080	\$ -	\$ 39,792	\$ 160,288	\$ -	\$ 37,714	\$ 122,574	\$ 30,600
2007 A	2/1/2007	n/a	n/a	n/a	150,000	-	150,000	-	-	-	-	-
2007 B	5/1/2007	n/a	n/a	n/a	6,110,000	-	6,110,000	-	-	-	-	-
2007 C	7/1/2007	n/a	n/a	n/a	4,225,000	-	4,225,000	-	-	-	-	-
2007 D	10/1/2007	n/a	n/a	n/a	5,235,000	-	5,235,000	-	-	-	-	-
2008 A	7/9/2008	n/a	n/a	n/a	1,315,000	-	945,000	370,000	-	370,000	-	-
2008 B	9/30/2008	4.875%	5.45%	3/1/2039	7,205,000	-	1,810,000	5,395,000	-	1,085,000	4,310,000	4,310,000
2009 A	5/2/2009	n/a	n/a	n/a	3,130,000	-	2,960,000	170,000	-	170,000	-	-
2009 B	9/2/2009	4.00%	5.15%	3/1/2032	6,755,000	-	2,740,000	4,015,000	-	1,480,000	2,535,000	165,000
2010 A	10/1/2010	4.375%	4.50%	9/1/2027	5,620,000	-	2,060,000	3,560,000	-	1,365,000	2,195,000	260,000
2011 A	5/19/2011	4.75%	5.00%	3/1/2028	9,110,000	-	2,175,000	6,935,000	-	1,425,000	5,510,000	690,000
2011 B	11/4/2011	2.32%	4.75%	9/1/2041	37,300,000	-	7,865,000	29,435,000	-	4,290,000	25,145,000	885,000
2012 A	12/5/2012	1.75%	5.00%	9/1/2043	74,255,000	-	11,425,000	62,830,000	-	11,070,000	51,760,000	1,540,000
2013 A&B	4/30/2013	2.75%	3.00%	9/1/2041	33,945,000	-	5,050,000	28,895,000	-	3,075,000	25,820,000	803,140
2013 C&D	10/30/2013	3.35%	3.75%	3/1/2044	38,681,275	-	5,220,934	33,460,341	-	5,362,781	28,097,560	940,071
Total Single Family Bond Programs					233,236,355	-	58,010,726	175,225,629	-	29,730,495	145,495,134	9,623,811
Agency												
Line of Credit	4/20/2018	2.35%	2.35%	4/19/2019	-	20,650,000	20,250,000	400,000	124,600,000	114,500,000	10,500,000	10,500,000
Total bonds and notes payable					233,236,355	20,650,000	78,260,726	175,625,629	124,600,000	144,230,495	155,995,134	20,123,811
Unamortized premium					5,029,503	-	805,356	4,224,147	-	715,197	3,508,950	-
Total bonds and notes payable including unamortized premium					\$ 238,265,858	\$ 20,650,000	\$ 79,066,082	\$ 179,849,776	\$ 124,600,000	\$ 144,945,692	\$ 159,504,084	\$ 20,123,811

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

	2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2038	2039-2043	2044+	Total
2018:											
Principal and interest	\$ 25,160	\$ 10,197	\$ 8,465	\$ 8,447	\$ 10,551	\$ 49,404	\$ 38,727	\$ 37,155	\$ 26,081	\$ 460	\$ 214,647
Less interest	5,036	4,711	4,496	4,342	4,144	16,176	10,997	6,561	2,181	8	58,652
Total principal	\$ 20,124	\$ 5,486	\$ 3,969	\$ 4,105	\$ 6,407	\$ 33,228	\$ 27,730	\$ 30,594	\$ 23,900	\$ 452	155,995
Unamortized premium											3,509
											\$ 159,504
2017:											
Principal and interest	\$ 12,551	\$ 12,136	\$ 12,088	\$ 10,373	\$ 10,363	\$ 62,378	\$ 47,916	\$ 46,051	\$ 35,991	\$ 4,372	\$ 254,219
Less interest	6,230	5,998	5,756	5,510	5,321	21,870	14,760	9,224	3,765	159	78,593
Total principal	\$ 6,321	\$ 6,138	\$ 6,332	\$ 4,863	\$ 5,042	\$ 40,508	\$ 33,156	\$ 36,827	\$ 32,226	\$ 4,213	175,626
Unamortized premium											4,224
											\$ 179,850

Note 8 – Retirement Plans

Employees hired prior to July 1, 1997, who elect not to be covered by the Oklahoma Public Employees Retirement Plan (OPERS Plan), are covered by the Oklahoma Housing Finance Agency Retirement Plan (OHFA Plan). The OHFA Plan is a defined contribution plan. No new employees are allowed to join this plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The Board of Trustees approved a monthly contribution to the OHFA Plan equaling the required contribution for the OPERS plan. The contribution to the OHFA plan was 15.5% of allowable compensation beginning July 1, 2009, and increased to 16.5% of allowable compensation on July 1, 2011. All OHFA employees hired after June 30, 1997, and prior to November 1, 2015, are required to participate in the OPERS Plan. Employees hired on or after November 1, 2015, are required to participate in the State of Oklahoma's mandatory defined contribution plan administered by OPERS. Under this plan, members choose a contribution rate which will be matched by OHFA up to 7%.

Note 9 – Defined Benefit Pension Plans

OPERS Plan description

OHFA participates in the OPERS, a cost-sharing multiple-employer defined benefit pension for many state employees in Oklahoma. It covers substantially all employees of 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-2017-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 (IRS) limitations on compensation. The following contribution rates were in effect for State, County, and Local Agency Employees: For 2018 and 2017, state agency employers contributed 16.5% on all salary, and state employees contributed 3.5% on all salary.

	2018	2017
Contractually required contribution	\$ 741,664	\$ 709,245
Contributions in relation to the contractually required contribution	(741,664)	(709,245)
Contribution deficiency (excess)	\$ -	\$ -
Agency's covered-employee payroll	\$ 4,494,933	\$ 4,298,455
Contributions as a percentage of covered-employee payroll	16.5%	16.5%

Actuarial methods and assumptions

The total pension liability in the June 30, 2017 and 2016 (OPERS year-end) actuarial valuations prepared as of July 1, 2017 and 2016, respectively, using the following actuarial assumptions:

- Investment return – 7% for 2017, and 7.25% for 2016, compounded annually for a net investment expense and including inflation
- Salary increases – 3.5% to 9.5% for per year for 2017, and 4.5% to 8.4% per year for 2016 including inflation
- Mortality rates – For 2017, active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disable pensioners set forward 12 years); For 2016, 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 – 2.75% for 2017 and 3% for 2016
- Payroll Growth – 3.5% per year for 2017 and 4% per year for 2016
- Actuarial cost method – entry age

The actuarial assumptions used in the July 1, 2017 valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The expense study report is dated April 13, 2017. The actuarial assumptions used in the July 1, 2016 valuation are based on the results of the actuarial expense study, which covers 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, 2017 and 2016 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% for 2017 and 7.25% for 2016. 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 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

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

The following schedule presents the OHFA portion of the OPERS pension liability calculated using the discount rates of 7% and 7.25%, as well as what OHFA's pension liability would be if it were calculated using a discount rate that is 1% lower than and 1% greater than the discount rate that was used in measuring the net pension liability as of June 30, 2018 and 2017.

	2018		
	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
OHFA's proportionate share of the net pension liability	\$ 4,405,791	\$ 1,490,688	\$ (977,720)

	2017		
	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
OHFA's proportionate share of the net pension liability	\$ 5,019,771	\$ 2,352,317	\$ 272,553

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

At September 30, 2018 and 2017, respectively, OHFA reported a liability of \$1,490,688 and \$2,352,317 for its proportionate share of the OPERS net pension liability.

The net pension liability was measured as of June 30, 2017 and 2016, 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, 2016 through June 30, 2017, and the period July 1, 2015 through June 30, 2016.

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:

	2018	2017
Agency's proportion of the net pension liability	0.28%	0.25%
Agency's proportionate share of the net pension liability	\$ 1,490,688	\$ 2,352,317
Agency's covered-employee payroll	\$ 4,494,933	\$ 4,298,455
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.16%	54.72%
Plan fiduciary net position as a percentage of the total pension liability	94.28%	89.50%

At September 30, 2018 and 2017, OHFA reported its proportionate share of the OPERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2018:		
Change in proportionate share	\$ 98,017	\$ -
Differences between expected and actual economic experience	-	(266,577)
Changes in actuarial assumptions	661,778	-
Difference between projected and actual investment earnings	66,592	-
Agency contributions during measurement date	-	(22,818)
Contributions paid to OPERS subsequent to the measurement date	700,685	-
	<u>\$ 1,527,072</u>	<u>\$ (289,395)</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
2017:		
Change in proportionate share	\$ -	\$ (14,414)
Differences between expected and actual economic experience	-	(107,760)
Changes in actuarial assumptions	392,035	-
Difference between projected and actual investment earnings	1,784,126	(758,059)
Contributions paid to OPERS subsequent to the measurement date	657,756	-
	<u>\$ 2,833,917</u>	<u>\$ (880,233)</u>

Deferred outflows of resources of \$700,685 and \$657,756 related to pensions as of September 30, 2018 and 2017, respectively, resulting from OHFA contributions subsequent to the measurement dates of June 30, 2017 and June 30, 2016, were recognized as a reduction of the net pension liability in the years ended September 30, 2018 and 2017.

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
2019	\$ 206,494
2020	462,502
2021	106,045
2022	(238,049)

Note 10 – Other Postemployment Employee Benefits (OPEB)

OPERS OPEB plan description

OHFA participates in the OPERS Health Insurance Subsidy Plan (HISP), a cost-sharing multiple-employer defined benefit public employee health insurance subsidy retirement plan which is administered by OPERS. The HISP is classified as an "other postemployment employee benefit."

OPEB plan fiduciary net position

Detailed information about OPERS OPEB 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-2017-OPERS.pdf>; P.O. Box 53007, Oklahoma City, OK 73152-3007; and telephone (800) 733-9008.

Benefits provided

HISP provides a health insurance premium subsidy for retirees of OPERS who elect to maintain health insurance with the Office of Management Enterprise Services (OMES) Employees Group Insurance

Division (EGID) or other qualified insurance plan provided by the employers. The HISP subsidy is capped at \$105 per month per retiree. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not the joint annuitants or beneficiaries.

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 actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contribution to OPERS is set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to IRS limitations on compensation. Only employers contribute to the HISP. The following contribution rates were in effect for State, County, and Local Agency Employees: For 2018, state agency employers contributed 16.5% on all salary toward OPERS and HISP.

For the year ended September 30, 2018, OHFA contributed approximately \$52,000 to OPERS for the HISP.

Actuarial methods and assumptions

The total OPEB liability in the June 30, 2017 actuarial valuations prepared as of July 1, 2017, using the following actuarial assumptions:

- Investment return – 7% for 2017, compounded annually for a net investment expense and including inflation
- Salary increases – 3.5% to 9.5% for per year for 2017, including inflation
- Mortality rates – For 2017, active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disable pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75% for 2017
- Payroll Growth – 3.5% per year for 2017
- Actuarial cost method – entry age

The actuarial assumptions used in the July 1, 2017 valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The expense study report is dated April 13, 2017.

The long-term expected rate of return on OPEB 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 OPEB 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, 2017, 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 OPEB liability was 7% for 2017. The projection of cash flows used to determine the discount rate assumed that contributions from employers are made at the current contribution rate as set out in state statute. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determined does not use a municipal bond rate.

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

The following schedule presents the OHFA portion of the OPERS OPEB liability calculated using the discount rates of 7%, as well as what OHFA's OPEB liability would be if it were calculated using a discount rate that is 1% lower than and 1% greater than the discount rate that was used in measuring the net OPEB liability as of June 30, 2018.

	2018		
	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
OHFA's proportionate share of the net OPEB liability	\$ 124,740	\$ 31,580	\$ (48,511)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At September 30, 2018, OHFA reported a liability of \$31,580 and for its proportionate share of the OPERS net OPEB liability.

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of those dates. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period July 1, 2016 through June 30, 2017.

The amount recognized by the Agency as its proportionate share of the net OPEB liability and the total portion of the net OPEB liability that was associated with the Agency were as follows at September 30, 2018:

Agency's proportion of the net OPEB liability	0.28%
Agency's proportionate share of the net OPEB liability	\$ 31,580
Plan fiduciary net position as a percentage of the total OPEB liability	96.50%

At September 30, 2018, OHFA reported its proportionate share of the OPERS deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2018:		
Change in proportionate share	\$ -	\$ -
Differences between expected and actual economic experience	-	(38,926)
Changes in actuarial assumptions	25,722	-
Difference between projected and actual investment earnings	-	(34,078)
Agency contributions during measurement date	-	-
Contributions paid to OPERS subsequent to the measurement date	49,040	-
	<u>\$ 74,762</u>	<u>\$ (73,004)</u>

Deferred outflows of resources of \$49,040 related to OPEB as of September 30, 2018 resulting from OHFA contributions subsequent to the measurement dates of June 30, 2017, were recognized as a reduction of the net OPEB liability in the year ended September 30, 2018.

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

<u>Year ended September 30,</u>	<u>OPEB Expense</u>
2019	\$ (10,987)
2020	(10,987)
2021	(10,987)
2022	(10,987)
2023	(2,468)
Thereafter	(866)

Note 11 – Risk Management

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

Note 12 – 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.

Note 13 – Subsequent Event

In October 2018, OHFA issued \$44,310,000 of bonds (Series 2018A) to purchase mortgage-backed securities originated under the Agency's Single Family Mortgage Revenue Bond Program.

REQUIRED SUPPLEMENTAL INFORMATION

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF OHFA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Four Fiscal Years⁽¹⁾

	2018	2017	2016	2015
OHFA's proportion of the net pension liability	0.27571479%	0.24714034%	0.23478392%	0.25492617%
OHFA's proportionate share of the net pension liability	\$ 1,490,688	\$ 2,352,317	\$ 844,480	\$ 467,953
OHFA's covered payroll	\$ 4,494,933	\$ 4,298,455	\$ 4,374,297	\$ 4,185,176
OHFA's proportionate share of the net pension liability as a percentage of its covered payroll	33.16%	54.72%	19.30%	11.18%
OPERS' fiduciary net position as a percentage of the total pension liability	94.28%	89.50%	96.00%	97.90%

⁽¹⁾ The amounts presented for each fiscal year were determined as of June 30 of the prior year.

Only the last four fiscal years are presented because ten-year data is not readily available.

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF OHFA'S PENSION CONTRIBUTIONS

Last Four Fiscal Years

	2018	2017	2016	2015
Contractually required contribution	\$ 741,664	\$ 709,245	\$ 721,759	\$ 690,554
Contributions in relation to the contractually required contributions	741,664	709,245	721,759	690,554
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
OHFA's covered payroll	\$ 4,494,933	\$ 4,298,455	\$ 4,374,297	\$ 4,185,176
Contributions as a percentage of covered payroll	16.5%	16.5%	16.5%	16.5%

Only the last four fiscal years are presented because ten-year data is not readily available.

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF OHFA'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Current Year: 2018⁽¹⁾

OHFA's proportion of the net OPEB liability	0.27571479%
OHFA's proportionate share of the net OPEB liability	\$ 31,580
OHFA's covered payroll	\$ 4,494,933
OHFA's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.70%
OPERS' fiduciary net position as a percentage of the total pension liability	96.50%

⁽¹⁾ The amounts presented for the fiscal year were determined as of June 30 of the prior year.

Only the current fiscal year is presented because ten-year data is not readily available.

OKLAHOMA HOUSING FINANCE AGENCY
SCHEDULE OF OHFA'S OPEB CONTRIBUTIONS

Current Year: 2018

Contractually required contribution	\$ 51,912
Contributions in relation to the contractually required required contributions	<u>51,912</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
OHFA's covered payroll	\$ 4,494,933
Contributions as a percentage of covered payroll	1.15%

Only the current fiscal year is presented because ten-year data is not readily available.

OTHER SUPPLEMENTAL INFORMATION

OKLAHOMA HOUSING FINANCE AGENCY
SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS
SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2018

	1991 Series A & B	1994 Master Indenture Accumulation Fund	2008 Series A	2008 Series B	2009 Series A	2009 Series B	2009 Series C NIBP Master Indenture
Assets							
Noncurrent assets:							
Cash and cash equivalents	\$ 3,204	\$ 5,397,080	\$ -	\$ 46,075	\$ -	\$ 574,031	\$ 2,960,247
Investments	120,962	58,608,815	-	5,629,858	-	6,872,352	-
Interest receivable	753	239,430	-	26,441	-	30,062	4,150
Total assets	124,919	64,245,325	-	5,702,374	-	7,476,445	2,964,397
Liabilities							
Current liabilities:							
Accounts payable	-	-	-	-	-	1,007	-
Interest payable	751	-	-	18,788	-	10,192	-
Current maturities of bonds payable	30,600	-	-	4,310,000	-	165,000	-
Total current liabilities	31,351	-	-	4,328,788	-	176,199	-
Noncurrent liabilities:							
Bonds payable, less current maturities	91,974	-	-	-	-	2,370,000	-
Total liabilities	123,325	-	-	4,328,788	-	2,546,199	-
Net Position							
Restricted for Single Family Bond Programs	\$ 1,594	\$ 64,245,325	\$ -	\$ 1,373,586	\$ -	\$ 4,930,246	\$ 2,964,397

OKLAHOMA HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION (continued)

September 30, 2018

	2010 Series A 2009 C-1	2011 Series A 2009 C-2	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	\$ 112,030	\$ 158,796	\$ 565,769	\$ 852,056	\$ 493,874	\$ 1,073,580	\$ 12,236,742
Investments	14,456,180	21,403,876	21,015,858	52,955,788	-	32,019,935	213,083,624
Interest receivable	55,619	76,290	74,521	153,576	283	106,504	767,629
Total assets	14,623,829	21,638,962	21,656,148	53,961,420	494,157	33,200,019	226,087,995
Liabilities							
Current liabilities:							
Accounts payable	7,258	11,070	10,823	28,609	8,922	11,817	79,506
Interest payable	8,179	22,686	61,374	163,554	62,040	83,435	430,999
Current maturities of bonds payable	260,000	690,000	885,000	1,540,000	803,140	940,071	9,623,811
Total current liabilities	275,437	723,756	957,197	1,732,163	874,102	1,035,323	10,134,316
Noncurrent liabilities:							
Bonds payable, less current maturities	1,935,000	4,820,000	24,648,105	53,145,870	25,211,835	27,157,489	139,380,273
Total liabilities	2,210,437	5,543,756	25,605,302	54,878,033	26,085,937	28,192,812	149,514,589
Net Position							
Restricted for Single Family Bond Programs	\$ 12,413,392	\$ 16,095,206	\$ (3,949,154)	\$ (916,613)	\$ (25,591,780)	\$ 5,007,207	\$ 76,573,406

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, 2018

	1991 Series A & B	1994 Master Accumulation Fund	2008 Series A	2008 Series B	2009 Series A	2009 Series B	2009 Series C NIBP Master Indenture
Operating Revenues							
Investment income	\$ 10,906	\$ 2,484,219	\$ 214,650	\$ 370,399	\$ 153,196	\$ 444,870	\$ 37,278
Net decrease in fair value of investments	(1,314)	(2,275,750)	-	(301,882)	-	(505,254)	-
Other income	-	25,794	-	-	-	-	-
Total operating revenues	9,592	234,263	214,650	68,517	153,196	(60,384)	37,278
Operating Expenses							
Interest on bonds payable	10,229	-	12,181	265,425	1,351	166,599	-
Mortgage servicing fees	696	236,374	17,007	27,834	18,337	36,520	-
Trustees, issuer and other fees	202	8,902	8,496	13,539	-	17,338	-
Other general and administrative	-	-	-	-	-	-	5,054
Total operating expenses	11,127	245,276	37,684	306,798	19,688	220,457	5,054
Operating income (loss) before transfers	(1,535)	(11,013)	176,966	(238,281)	133,508	(280,841)	32,224
Equity transfers in (out)	-	12,888,664	(3,963,671)	-	(8,966,738)	41,744	12,479
Operating transfers in (out)	-	-	-	-	-	-	-
Net income (loss)	(1,535)	12,877,651	(3,786,705)	(238,281)	(8,833,230)	(239,097)	44,703
Total net position, beginning of year	3,129	51,367,674	3,786,705	1,611,867	8,833,230	5,169,343	2,919,694
Total net position, end of year	\$ 1,594	\$ 64,245,325	\$ -	\$ 1,373,586	\$ -	\$ 4,930,246	\$ 2,964,397

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, 2018

	2010 Series A 2009 C-1	2011 Series A 2009 C-2	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	\$ 801,965	\$ 1,088,897	\$ 1,075,409	\$ 2,336,553	\$ 897	\$ 1,558,084	\$ 10,577,323
Net decrease in fair value of investments	(878,595)	(1,039,977)	(1,116,231)	(2,826,355)	-	(1,767,690)	(10,713,048)
Other income	-	-	-	12,477	-	-	38,271
Total operating revenues	(76,630)	48,920	(40,822)	(477,325)	897	(209,606)	(97,454)
Operating Expenses							
Interest on bonds payable	132,320	313,510	742,262	1,532,179	755,808	1,090,179	5,022,043
Mortgage servicing fees	75,649	111,647	110,724	298,542	-	174,123	1,107,453
Trustees, issuer and other fees	106,459	155,722	155,253	413,790	116,732	170,997	1,167,430
Other general and administrative	-	-	-	-	-	-	5,054
Total operating expenses	314,428	580,879	1,008,239	2,244,511	872,540	1,435,299	7,301,980
Operating income (loss) before transfers	(391,058)	(531,959)	(1,049,061)	(2,721,836)	(871,643)	(1,644,905)	(7,399,434)
Equity transfers in (out)	(1,380,713)	(2,333,736)	1,257,519	(886,517)	3,960,344	(629,375)	-
Operating transfers in (out)	-	-	-	(8,416)	-	-	(8,416)
Net income (loss)	(1,771,771)	(2,865,695)	208,458	(3,616,769)	3,088,701	(2,274,280)	(7,407,850)
Total net position, beginning of year	14,185,163	18,960,901	(4,157,612)	2,700,156	(28,680,481)	7,281,487	83,981,256
Total net position, end of year	\$ 12,413,392	\$ 16,095,206	\$ (3,949,154)	\$ (916,613)	\$ (25,591,780)	\$ 5,007,207	\$ 76,573,406

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2018

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
<hr/>				
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 5,309,990	\$ -	\$ 5,309,990
Investments	-	14,969,789	-	14,969,789
Program loans (net of an allowance for doubtful accounts of \$8,363)	-	1,550,794	-	1,550,794
Accounts receivable (net of an allowance for doubtful accounts of \$1,356,247)	-	136,969	(79,506)	57,463
Accounts receivable - U.S. Department of Housing and Urban Development	-	876,052	-	876,052
Hedging receivable	-	33,204	-	33,204
Prepaid expenses	-	403,313	-	403,313
Interest receivable	-	275,429	-	275,429
	<hr/>			
Total current assets	-	23,555,540	(79,506)	23,476,034
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	12,236,742	-	-	12,236,742
Investments	213,083,624	-	-	213,083,624
Interest receivable	767,629	-	-	767,629
Long-term investments	-	62,649,549	-	62,649,549
Nondepreciated capital assets	-	550,000	-	550,000
Capital assets, net	-	2,209,056	-	2,209,056
	<hr/>			
Total noncurrent assets	226,087,995	65,408,605	-	291,496,600
	<hr/>			
Total assets	226,087,995	88,964,145	(79,506)	314,972,634
Deferred outflows of resources:				
Pension	-	1,527,072	-	1,527,072
OPEB	-	74,762	-	74,762
Accumulated decrease in fair value of hedging derivatives	-	-	-	-
	<hr/>			
Total deferred outflows of resources	-	1,601,834	-	1,601,834

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION

September 30, 2018 (continued)

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Liabilities				
Current liabilities:				
Salaries and related expenses	-	552,090	-	552,090
Accounts payable - vendors and contractors	-	264,046	-	264,046
Accounts Payable - U.S. Department of Housing and Urban Development	-	319,395	-	319,395
Accounts payable - Family Self Sufficiency Program	-	274,567	-	274,567
Accounts payable - other	79,506	216,689	(79,506)	216,689
Hedging payable	-	-	-	-
Unearned revenue	-	659,468	-	659,468
Compensated absences	-	878,972	-	878,972
Interest payable	430,999	21,763	-	452,762
Current maturities of bonds and notes payable	9,623,811	10,500,000	-	20,123,811
Total current liabilities	10,134,316	13,686,990	(79,506)	23,741,800
Noncurrent liabilities:				
Pension liability	-	1,490,688	-	1,490,688
OPEB liability	-	31,580	-	31,580
Bonds and notes payable, less current maturities	139,380,273	-	-	139,380,273
Total noncurrent liabilities	139,380,273	1,522,268	-	140,902,541
Total liabilities	149,514,589	15,209,258	(79,506)	164,644,341
Deferred inflows of resources:				
Pension	-	289,395	-	289,395
OPEB	-	73,004	-	73,004
Accumulated increase in fair value of hedging derivatives	-	33,204	-	33,204
Total deferred inflows of resources	-	395,603	-	395,603
Net Position				
Invested in capital assets	-	2,759,056	-	2,759,056
Restricted for Single Family Bond Programs	76,573,406	-	-	76,573,406
Restricted for Section 8 Voucher Program	-	590,645	-	590,645
Unrestricted	-	71,611,417	-	71,611,417
Total net position	\$ 76,573,406	\$ 74,961,118	\$ -	\$ 151,534,524

OKLAHOMA HOUSING FINANCE AGENCY

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

Year ended September 30, 2018

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Operating Revenues				
Investment income	\$ 10,577,323	\$ 1,784,430	\$ -	\$ 12,361,753
Program loan income	-	117,321	-	117,321
Net decrease in fair value of investments	(10,713,048)	(1,603,357)	-	(12,316,405)
Realized gain on sale of investments	-	1,217,835	-	1,217,835
Fees and other income	38,271	13,481,140	(1,134,945)	12,384,466
Total operating revenues	(97,454)	14,997,369	(1,134,945)	13,764,970
Operating Expenses				
Interest on bonds and notes payable	5,022,043	80,294	-	5,102,337
Mortgage servicing fees	1,107,453	-	-	1,107,453
Trustees, issuer and other fees	1,167,430	-	(1,134,945)	32,485
Salaries and related expenses	-	8,411,372	-	8,411,372
Other general and administrative	5,054	3,014,679	-	3,019,733
Total operating expenses	7,301,980	11,506,345	(1,134,945)	17,673,380
Operating income (loss)	(7,399,434)	3,491,024	-	(3,908,410)
Nonoperating revenues (expenses):				
Federal and state program income	-	136,218,463	-	136,218,463
Federal and state program expenses	-	(137,836,018)	-	(137,836,018)
Total nonoperating income (loss)	-	(1,617,555)	-	(1,617,555)
Income (loss) before transfers	(7,399,434)	1,873,469	-	(5,525,965)
Transfers	(8,416)	8,416	-	-
Increase (decrease) in net position	(7,407,850)	1,881,885	-	(5,525,965)
Total net position, beginning of year	83,981,256	73,079,233	-	157,060,489
Total net position, end of year	\$ 76,573,406	\$ 74,961,118	\$ -	\$ 151,534,524

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS

Year ended September 30, 2018

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Cash Flows from Operating Activities				
Receipts from fees	\$ 38,271	\$ 11,908,775	\$ (1,134,945)	\$ 10,812,101
Receipts from program loan payments	-	1,674,245	-	1,674,245
Receipts from other sources	-	120,107	-	120,107
Payments to employees	-	(8,375,244)	-	(8,375,244)
Payments to suppliers	-	(1,705,503)	-	(1,705,503)
Payment for purchases of program loans	-	(1,187,117)	-	(1,187,117)
Payments for bond fees	(1,123,084)	-	-	(1,123,084)
Payments for trustee and other fees	(1,172,484)	-	1,134,945	(37,539)
Net cash provided by (used in) operating activities	(2,257,297)	2,435,263	-	177,966
Cash Flows from Noncapital Financing Activities				
Proceeds from issuance of bonds and notes payable	-	124,600,000	-	124,600,000
Principal paid on bonds and notes payable	(30,445,692)	(114,500,000)	-	(144,945,692)
Interest paid on bonds and notes payable	(5,112,630)	(60,248)	-	(5,172,878)
Receipt of federal and state program income	-	136,218,463	-	136,218,463
Payment of federal and state program expenses	-	(137,836,018)	-	(137,836,018)
Transfers	(8,416)	8,416	-	-
Net cash provided by (used in) noncapital financing activities	(35,566,738)	8,430,613	-	(27,136,125)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(555,390)	-	(555,390)
Proceeds from sale of capital assets	-	367,891	-	367,891
Net cash provided by (used in) capital and related financing activities	-	(187,499)	-	(187,499)
Cash Flows from Investing Activities				
Purchase of investments	(28,982,826)	(154,760,655)	-	(183,743,481)
Proceeds from sales and maturities of investments	50,797,328	138,636,335	-	189,433,663
Interest received on investments	10,645,972	1,688,112	-	12,334,084
Net cash provided by (used in) investing activities	32,460,474	(14,436,208)	-	18,024,266
Net decrease in cash	(5,363,561)	(3,757,831)	-	(9,121,392)
Cash and cash equivalents, beginning of year	17,600,303	9,067,821	-	26,668,124
Cash and cash equivalents, end of year	\$ 12,236,742	\$ 5,309,990	\$ -	\$ 17,546,732
Cash and Cash Equivalents as Reported in Statement of Net Position				
Unrestricted	\$ -	\$ 5,309,990	\$ -	\$ 5,309,990
Restricted	12,236,742	-	-	12,236,742
	\$ 12,236,742	\$ 5,309,990	\$ -	\$ 17,546,732

OKLAHOMA HOUSING FINANCE AGENCY

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS (continued)

Year ended September 30, 2018

	Single Family Bond Programs	Agency General Fund	Eliminations	Combined Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ (7,399,434)	\$ 3,491,024	\$ -	\$ (3,908,410)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	407,083	-	407,083
Interest from investments	(10,577,323)	(1,784,430)	-	(12,361,753)
Net decrease in fair value of investments	10,713,048	1,603,357	-	12,316,405
Realized gain on sale of investments	-	(1,076,689)	-	(1,076,689)
Gain on disposal of capital assets	-	(141,146)	-	(141,146)
Interest on bonds and notes payable	5,022,043	80,294	-	5,102,337
Change in operating assets, liabilities, deferred outflows, and deferred inflows:				
Accounts receivable and hedging receivable	-	(13,062)	-	(13,062)
Prepaid expenses	-	(34,447)	-	(34,447)
Program loans receivable	-	369,807	-	369,807
Accounts payable and accrued expenses	(15,631)	(504,627)	-	(520,258)
Hedging payable	-	(29,191)	-	(29,191)
Unearned revenue	-	109,143	-	109,143
Pension payable	-	(961,514)	-	(961,514)
OPEB payable	-	31,580	-	31,580
Deferred outflows pension	-	1,306,845	-	1,306,845
Deferred outflows OPEB	-	(25,253)	-	(25,253)
Deferred outflows change in value of hedging derivatives	-	29,191	-	29,191
Deferred inflows pension	-	(590,838)	-	(590,838)
Deferred inflows OPEB	-	73,004	-	73,004
Deferred inflows change in value of hedging derivatives	-	33,204	-	33,204
Compensated absences	-	61,928	-	61,928
Net cash provided by (used in) operating activities	\$ (2,257,297)	\$ 2,435,263	\$ -	\$ 177,966

OTHER REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oklahoma Housing Finance Agency (the Agency), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2019.

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.

A handwritten signature in black ink that reads "Hogan Taylor LP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
January 28, 2019



SINGLE AUDIT SUPPLEMENT
AND
INDEPENDENT AUDITOR'S REPORTS
ON COMPLIANCE AND INTERNAL CONTROL
SEPTEMBER 30, 2018

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OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development:			
Section 8 Housing Assistance Payments Program	14.195	\$ -	\$ 76,970,519
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	-	<u>173,085</u>
Section 8 Project - Based Cluster		-	77,143,604
Section 8 Housing Choice Vouchers Program	14.871	-	60,739,357
PIH Family Self-Sufficiency Program	14.896	-	<u>207,079</u>
Total Section 8 Related		-	138,090,040
Housing Opportunities for Persons with AIDS	14.241	293,036	322,643
Housing Trust Fund	14.275	1,158,797	1,293,726
HOME Investment Partnerships Program	14.239	<u>5,452,450</u>	<u>6,106,788</u>
Total U.S. Department of Housing and Urban Development		6,904,283	145,813,197
Department of Homeland Security - Federal Emergency Management Agency Disaster Housing Assistance Grant	97.109	-	<u>3,000</u>
Total Expenditures of Federal Awards		<u>\$ 6,904,283</u>	<u>\$ 145,816,197</u>

OKLAHOMA HOUSING FINANCE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2018

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Agency.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The Agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Oklahoma Housing Finance Agency (the Agency), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2019.

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.

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
January 28, 2019

**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, 2018. 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, 2018.

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, 2018, and the related notes to the financial statements and issued our report thereon dated January 28, 2019, 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.



Oklahoma City, Oklahoma
January 28, 2019

OKLAHOMA HOUSING FINANCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2018

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, 2018

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:

\$4,374,486

	Yes	No
Auditee qualified as low-risk auditee?		X

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

OKLAHOMA HOUSING FINANCE AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended September 30, 2018

There were no prior year findings or questioned costs.