

Comprehensive Annual Financial Report

Enterprise Funds of the State of Oregon Housing and Community Services Department

For the Year Ended June 30, 2007

Victor Merced

Director

Nancy Cain

Chief Financial Officer

Prepared by:

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Introductory Section



Oregon

Theodore R. Kulongoski, Governor



Housing and Community Services

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December 3, 2007

The Honorable Theodore R. Kulongoski
Governor of the State of Oregon
State Capitol
Salem, Oregon 97310

We are pleased to submit the Comprehensive Annual Financial Report of the Oregon Housing and Community Services Department (OHCS) Enterprise Funds, for the fiscal year ended June 30, 2007. The financial statements, included on pages 16 – 35, do not present all activities and financial positions of OHCS, but the enterprise activities only. These activities are reported as a separate fund of OHCS and an annual financial report is issued for these activities in accordance with OHCS's Indentures of Trust.

OHCS management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Secretary of State, Audits Division, has audited the financial records, books of account, and transactions of OHCS's Enterprise Funds for the year ended June 30, 2007. The auditors used generally accepted auditing standards in conducting the engagement. Their unqualified opinion on the Enterprise Fund financial statements is included in the Financial Section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis entitled Management's Discussion and Analysis (MD&A) to accompany the basic financial statements. OHCS's MD&A can be found in the Financial Section immediately following the audit opinion. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of Oregon Housing and Community Services Department

OHCS is the state's housing finance agency and community services program administrator. The department provides financial and program support to create and preserve opportunities for quality, affordable housing for Oregonians of lower and moderate income. OHCS helps finance single-family homes and construction or rehabilitation of multifamily affordable housing developments. The department also administers grants and tax credits to promote affordable housing and many federal and state antipoverty, homeless, and energy assistance programs.

Working closely with its partners at the local level, OHCS has streamlined the process to deliver resources more efficiently. OHCS has chosen the model of healthy, viable communities as the way to facilitate a better quality of life for all Oregonians, while still supporting special needs populations.

Economic Condition and Outlook

According to the Oregon Office of Economic Analysis (OEA), Oregon's economy grew faster than the national economy in 2004 through 2006. This trend is expected to continue through 2013. Employment growth in Oregon is expected to be slower between 2007 and 2013 than it was in the mid-1990s. The OEA forecasts employment growth for Oregon to increase by 1.3 percent for both 2007 and 2008, down from the 2.9 percent increase in 2006. Job growth in 2009 is expected to increase to 1.9 percent.

Personal income is predicted to increase by 5.9 percent in 2007, down slightly from the estimated increase experienced in 2006. The State Economist predicts personal income to increase by 5.4 percent and wage and salary to increase by 4.7 percent in 2008. Continuing into 2009, personal income is projected to increase by 6.1 percent, while wage and salary is forecasted to grow at 5.8 percent. Both of these projections are expected to be equal to the national average in 2008 and slightly higher than the national average in 2009.

The increase in the cost of housing for Oregon exceeded the national average in 2004 and 2005. This trend continued in 2006 with an increase of 18.5 percent in Oregon compared to a national increase of 1.3 percent. As a result of the cooling of the housing market, the cost of housing nationwide is expected to decrease by 2.3 percent in 2007 and 3.6 percent in 2008. Meanwhile Oregon housing prices are forecasted to increase by 7.2 percent in 2007 and 3.8 percent in 2008.

According to the OEA, "If housing costs rise faster in Oregon than in the rest of the nation, companies will face increased difficulties recruiting workers". This is a growing problem in many parts of the state, particularly in Central and Southern Oregon. However, if Oregon can maintain a relative cost advantage in housing in comparison to other western states, this should work to the state's advantage in attracting business and employment growth.

Long Term Financial Planning

OHCS D manages the funds available for its program and operational costs through comprehensive annual cash flow analyses that determine the prudent level of funding to be distributed from the Housing Finance Fund and the Elderly and Disabled Housing Fund.

Since 2001, annual distributions for program and operational costs have decreased by \$1.2 million. This is primarily a result of two factors: 1) the legislature directed OHCS D to transfer \$3.8 million from the Housing Finance Fund to fund agency homeless programs; and 2) economic and business factors that had negative financial impacts on the department's resources.

Through these difficult times, OHCS D has continued to operate at a quality level through prudent financial management. OHCS D implemented programmatic and operational efficiencies to generate administrative savings. The department reduced its workforce by 11 positions for the 2007-09 biennium. OHCS D received \$2.0 million from the 74th Oregon Legislative Assembly which allowed the department to increase funds available for pre-development loans and to add back two positions.

OHCS D continues to implement strategies to increase single-family loan production and profitability in order to rebuild future cash distributions. With continued growth in its loan portfolio and prudent financial management, OHCS D is confident that its cash distributions will begin to rebound.

Major Initiatives

Affordable Housing Preservation

OHCSO continues to preserve housing that carries federal Section 8 project-based or Rural Development rental assistance. These projects serve the population whose incomes are below 30 percent of median income. Between Rural Development and Section 8 rent subsidy, there are over 450 projects in Oregon containing 15,000 units with rent subsidy. Many of these projects are at risk of converting to market rate housing. OHCSO is faced with developing funding solutions to preserve these projects as affordable.

The department's original portfolio consisted of 122 Section 8 project based assistance loans that have maturities consistent with the housing assistance payment contracts through Housing and Urban Development (HUD). These contracts began expiring in late 2006 and will continue through 2013. OHCSO is partnering with HUD to investigate strategies that will allow assistance to continue, and where necessary, provide new state resources to rehabilitate the project. As of June 30, 2007 nine of these projects renewed their housing assistance payments contracts. The 74th Oregon Legislative Assembly appropriated \$8.1 million to the department to use with existing bond and tax credit programs for projects that elect to renew their housing assistance payment contracts with HUD and need additional resources. This will continue to be one of our top priorities over the next several years.

Homeownership

OHCSO has implemented innovative programs to increase opportunities for Oregonians to achieve home ownership. Funds for down payment assistance have been generated through the issuance of tax-exempt bonds. First time homebuyers using the department's Residential Loan Program who need cash to close a loan can choose a Cash Advantage Home loan. This option provides cash assistance but has a slightly higher but still fixed interest rate. Others may choose a Rate Advantage loan with a lower interest rate and lower monthly payments.

The Residential Loan Program was suspended from August 15, 2006 to November 12, 2006 due to concerns about the potential impact of Measure 48 which would have limited the increase in state spending to the increase in population plus inflation. Early analysis of the measure indicated that the department's ability to issue bonds might be impacted because debt service payments would be subject to the spending limitation. The program was resumed on November 13, 2006 after the measure was defeated by Oregon voters. Despite operating for only nine months in fiscal year 2007, the number of loans originated increased by 4.9 percent and the original loan amounts increased 15.6 percent from fiscal year 2006.

Economic Revitalization Team

The Economic Revitalization Team (ERT) was established by the 72nd Oregon Legislature to focus state agencies on working together at the local level to increase economic opportunities and help local governments, businesses and property owners bring industrial sites to "shovel ready" status. The ERT evolved from what was formerly the Community Solutions Team (CST). The CST network, and now the ERT, promotes collaborative problem solving between state agencies and works with local partners to help resolve community development problems.

The ERT is an interagency team that includes the Departments of Transportation, Environmental Quality, Land Conservation and Development, Consumer and Business Services, State Lands, Agriculture, and Economic and Community Development, as well as OHCSO.

The ERT has regional coordinators deployed around the state to help Oregon communities and businesses become successful. They work with state agencies and local governments to streamline the permit processes for business and industry; increase opportunities to link and leverage public and private investments; and provide greater local access to state resources and assistance. OHCSO plans to continue providing strong leadership in each of these areas by focusing on developing affordable housing that meets special needs, continuing to develop regional housing centers for greater service access, and working with state partners to identify how housing development can play a role in areas such as corrections, human services, transportation and economic development.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OHCSO for its annual financial report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award, which recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized financial report, whose contents conform to program standards. The annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. OHCSO has received a Certificate of Achievement for the last twelve consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

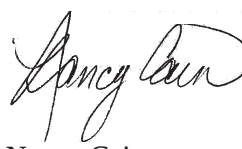
The preparation of this report reflects the combined efforts of OHCSO's Financial Management Division staff. It is intended to provide complete and reliable information as a basis for making management decisions and for presenting the financial condition of OHCSO's Enterprise Funds to the officials of the State of Oregon and to the finance community.

We would like to express our gratitude to all OHCSO staff, the State Housing Council, the Community Action Directors of Oregon, and our many partners and advisors who work so diligently to assure the successful operation of OHCSO.

Respectfully submitted,



Victor Merced
Director



Nancy Cain
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oregon Housing
and Community Services
Department

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Organization Structure

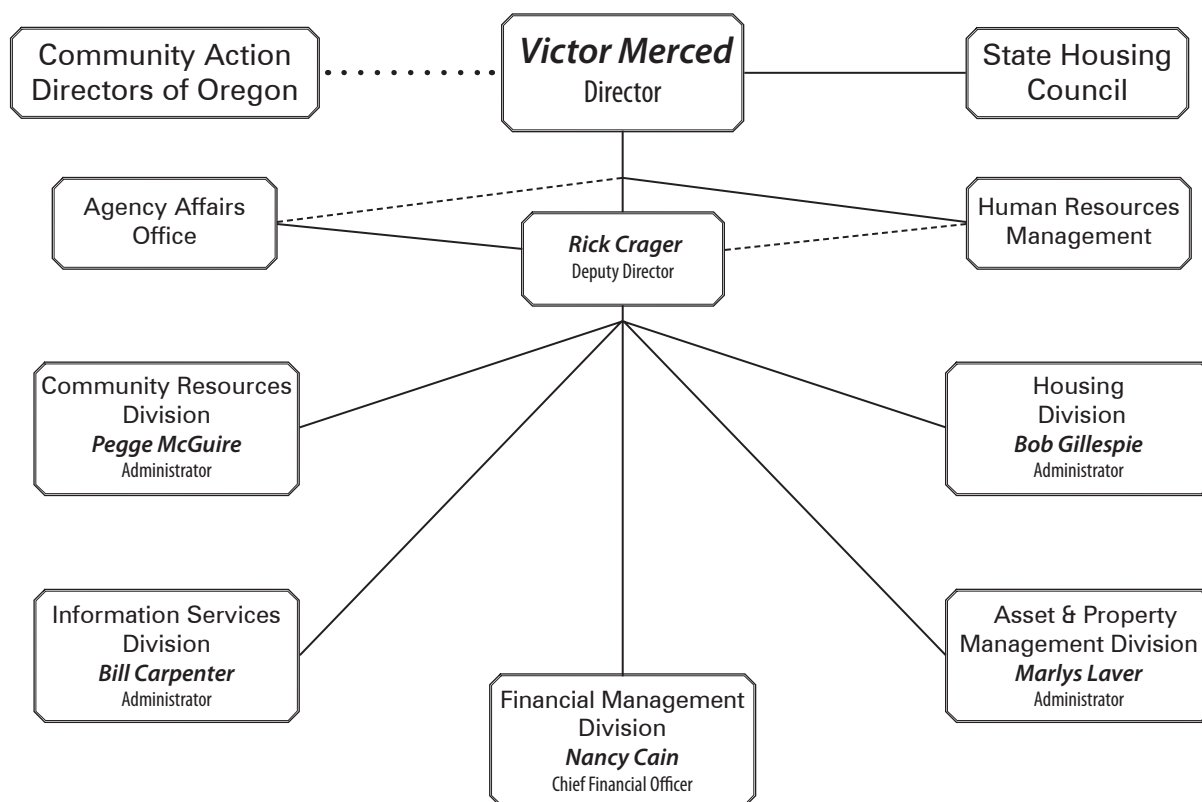
CADO Executive Committee:

Tom Clancey-Burns, President
Sharon Miller, Vice President
Jerralyn Ness, Treasurer
Ron Hauge, Secretary
Mike Fieldman, Past President
Jim Slusher, Energy



Housing Council Members:

Larry E. Medinger, Chair
Scott R. Cooper
John Epstein
Maggie LaMont
Stuart E. Liebowitz
Francisco Lopez
Jeana Woolley



Community Action Directors of Oregon

The Community Action Directors of Oregon (CADO) serves in an advisory capacity to the Department on programs which assist the homeless and other at-risk populations to obtain the services and skills necessary to move toward self-reliance. CADO is a private, non-profit association comprised of the Executive Directors of Oregon's Community Action Agencies, the Oregon Human Development Corporation and the associate member agencies which share an interest in promoting the self-sufficiency of lower income persons.

State Housing Council

The State Housing Council consists of seven members appointed to four year terms by the Governor. Members, who serve on a volunteer basis, come from a variety of occupations and geographical locations. The Council develops policies to stimulate and increase the supply of affordable housing for lower income individuals and families in Oregon. The Council advises the Governor, Legislature, state agencies, and local governments on actions that affect the cost or supply of housing, and adopt rules necessary for the administration and enforcement of OHCS's housing related statutes.



Financial Section

Office of the Secretary of State

Bill Bradbury
Secretary of State

Jean Straight
Deputy Secretary of State



Audits Division

Charles A. Hibner, CPA
Director

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The Honorable Theodore R. Kulongoski
Governor of Oregon
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Salem, Oregon 97310-4047

Victor Merced, Director
Oregon Housing and Community Services Department
P.O. Box 14508
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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the enterprise funds of the State of Oregon, Housing and Community Services Department (department), as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the basic financial statements present only the department's enterprise funds and do not purport to, and do not, present fairly the financial position of the department or State of Oregon, as of June 30, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

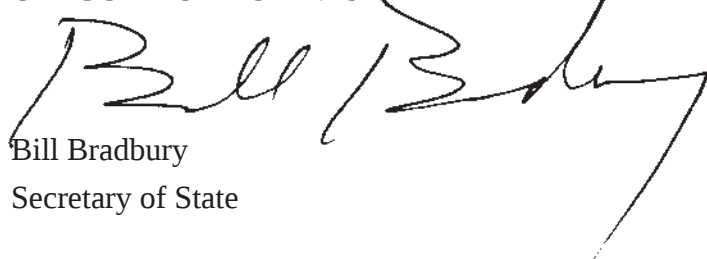
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the enterprise funds of the State of Oregon, Housing and Community Services Department, as of June 30, 2007, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007, on our consideration of the State of Oregon, Housing and Community Services Department enterprise funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is separately presented in the other reports section as listed in the table of contents.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the department's enterprise funds' basic financial statements. The introductory, supplementary information and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

OREGON AUDITS DIVISION



Bill Bradbury
Secretary of State

December 3, 2007

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Management's Discussion and Analysis

This section of the Oregon Housing and Community Services Department's (OHCS D) Comprehensive Annual Financial Report presents our discussion and analysis of financial performance for the Proprietary Funds during the fiscal year ended June 30, 2007. The selected financial data presented was derived primarily from the financial statements of OHCS D, which have been audited by the Oregon Secretary of State Audits Division.

FINANCIAL HIGHLIGHTS

- Net assets increased \$10.8 million, to \$172.3 million as of June 30, 2007. This represents an increase of 6.67%.
- Revenues increased by \$14.0 million from the previous year's results.
- Outstanding bond debt of \$1.63 billion on June 30, 2007 decreased \$60.4 million from the amount outstanding on June 30, 2006. Debt issuance for the year totaled \$286.0 million (par value).
- Mortgage loan purchases and originations for the year totaled \$193.8 million, up \$25.4 million from 2006. Single-Family Mortgage Program purchases were up \$24.5 million and multifamily housing development programs were up \$0.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to OHCS D's basic financial statements. The basic financial statements include proprietary fund financial statements and notes to the financial statements. OHCS D's basic financial statements do not include department-wide financial statements since only the proprietary funds are audited by the Secretary of State Audits Division. OHCS D does have a minimal portion of governmental funds that are included in the State of Oregon Comprehensive Annual Financial Report located at <http://www.oregon.gov/DAS/SCD/SARS/publications.shtml>.

- The proprietary fund financial statements include major enterprise funds, which operate similarly to business activities and follows an accrual basis of accounting.
- The notes to the financial statements provide additional information essential to a full understanding of the data provided in the proprietary fund financial statements.

OVERVIEW OF THE PROPRIETARY FUNDS FINANCIAL POSITION AND OPERATIONS

Total assets at June 30, 2007 were \$1.86 billion, a decrease of \$30.2 million from June 30, 2006. The change in assets consists primarily of a \$134.3 million decrease in investments, a \$82.8 million increase in net loans receivable, and a \$16.6 million increase in securities lending cash collateral.

Total liabilities decreased by \$41.0 million to \$1.69 billion at June 30, 2007. This included a decrease of \$60.4 million in bonds payable, an increase of \$16.6 million in obligations under securities lending, and an increase of \$1.9 million in arbitrage rebate liability.

OHCSO's proprietary fund financial position and operations for the past two years are summarized below based on the information included in the basic financial statements.

Proprietary Funds Statement of Net Assets				
	Business Type Activities		Change	% Change
	2007	2006		
Assets:				
Current and Other Assets	\$ 1,860,751,612	\$ 1,890,957,536	\$ (30,205,924)	-1.60%
Capital Assets	22,101	38,262	(16,161)	-42.24%
Total Assets	\$ 1,860,773,713	\$ 1,890,995,798	\$ (30,222,085)	-1.60%
Liabilities:				
Long Term Liabilities	\$ 1,600,112,008	\$ 1,656,921,906	\$ (56,809,898)	-3.43%
Other Liabilities	88,334,501	72,528,966	15,805,535	21.79%
Total Liabilities	\$ 1,688,446,509	\$ 1,729,450,872	\$ (41,004,363)	-2.37%
Net Assets:				
Invested in Capital Assets	\$ 22,101	\$ 38,262	\$ (16,161)	-42.24%
Restricted for Residential Assistance	1,741,444	1,546,849	194,595	12.58%
Restricted by Trust Indentures	161,115,591	154,284,714	6,830,877	4.43%
Unrestricted	9,448,068	5,675,101	3,772,967	66.48%
Total Net Assets	\$ 172,327,204	\$ 161,544,926	\$ 10,782,278	6.67%

- **Cash and Investments**

Total cash and cash equivalents increased by \$3.4 million, or 4.6%, from June 30, 2006 to June 30, 2007. The primary reason for the increase was the liquidation of investments in the Housing Finance Revenue Bond indenture during fiscal year 2007.

- **Loans Receivable**

Total mortgages and other loans receivable increased by \$82.8 million in fiscal year 2007. This increase included the following:

- New mortgage loans purchased or financed increased by \$25.4 million in fiscal year 2007 compared to fiscal year 2006. Single-family mortgage loan purchases increased by \$24.5 million and multifamily mortgage loans financed increased by \$0.9 million. Mortgage loans purchased or financed in fiscal year 2007 totaled \$193.8 million.
- In fiscal year 2007, OHCSO financed \$5.0 million in multifamily construction loans.
- Other loans in the amount of \$2.0 million were financed in fiscal year 2007. These loans are related to predevelopment, housing development start up, and other program activity.
- Scheduled mortgage and other loan repayments totaled \$30.0 million for fiscal year 2007.
- Prepayments on mortgage loans decreased in fiscal year 2007 by \$21.2 million. Total prepayments for the fiscal year totaled \$87.3 million.
- Foreclosures decreased \$0.9 million to a total of \$0.7 million. OHCSO's foreclosures are not directly affected by recent developments in the nationwide housing market. OHCSO's Residential Loan Program currently offers only fixed rate, 30 year loans.

- **Capital Assets**

Capital asset activity during the year included the purchase of software and the disposal of old equipment and computer hardware. For additional details, see the Notes to the Financial Statements (Note 4).

- **Bonds Payable**

Bonds Payable decreased by \$60.4 million from June 30, 2006 to June 30, 2007. The majority of the decrease was a result of calls of \$19.0 million related to prepayments in the Elderly and Disabled Housing Fund and calls of \$39.6 million of Mortgage Revenue Bonds related to prepayments received 10 years after the date of issuance of the original bonds. For additional details, see the Debt Administration section of the Management's Discussion and Analysis.

- **Net Assets**

Net assets increased during fiscal year 2007 by 6.67%. As in 2006, OHCSO continued to experience growth within its net assets for fiscal year 2007. Through the use of the Homeowner Revenue Bonds as well as less frequent issuance of Mortgage Revenue Bonds, OHCSO has continued to reduce the impact of negative arbitrage and reduce its cost of issuing bonds. OHCSO increased administrative fees and implemented efficiencies in operations that reduced administrative costs. These steps, along with a continued net growth in the OHCSO's loan portfolio, has had a positive impact on net assets. OHCSO continues to maintain a positive spread of income from investments and mortgage loans to cover ongoing bond interest and operating costs.

Of OHCSO's \$172.3 million in net assets, 94.5% is restricted to bond indentures or other financial commitments. The remaining 5.5% is primarily unrestricted and available to pay for current agency operations. Each fiscal year, OHCSO applies the required bond indenture restrictions to assess the allowable amount that can be released for the purpose of paying for agency operations. Once these funds are officially transferred from the bond indentures, they are classified as unrestricted, but until that point in time, they are considered a pledge to the bondholders and are appropriately classified as restricted.

The results of operations for OHCSO's proprietary funds are presented below:

Proprietary Funds Statement of Operating Activity				
	Business Type Activities		Change	% Change
	2007	2006		
Operating Revenues:				
Interest on Loans	\$ 67,437,211	\$ 65,082,624	\$ 2,354,587	3.62%
Investment Income	37,368,458	25,652,212	11,716,246	45.67%
Administrative Charges and Fees	1,631,607	1,470,229	161,378	10.98%
Transfer/Commitment Fees	1,519,361	1,478,102	41,259	2.79%
Low Income Housing Tax Credit Fees	1,426,011	1,312,453	113,558	8.65%
Gain on Sale of Foreclosed Property	80,291	198,983	(118,692)	-59.65%
Miscellaneous Revenue	18,741	245,240	(226,499)	-92.36%
Total Operating Revenues	109,481,680	95,439,843	14,041,837	14.71%
Operating Expenses:				
Personal Services	4,950,826	4,845,797	105,029	2.17%
Services and Supplies	2,849,585	3,271,671	(422,086)	-12.90%
Mortgage Service Fees	2,988,871	2,664,045	324,826	12.19%
Foreclosure Costs	63,516	137,702	(74,186)	-53.87%
Interest Expense - Bonds	80,753,939	75,721,114	5,032,825	6.65%
Interest Expense - Loans	68,426	173,520	(105,094)	-60.57%
Interest Expense - Securities Lending	1,426,417	570,599	855,818	149.99%
Other Program Related Expenses	4,770,778	4,879,984	(109,206)	-2.24%
Amortization of Deferred Bond Issuance Costs	874,064	1,129,185	(255,121)	-22.59%
Depreciation/Amortization	25,497	62,460	(36,963)	-59.18%
Bad Debt Expense	(72,517)	(84,623)	12,106	14.31%
Total Operating Expenses	98,699,402	93,371,454	5,327,948	5.71%
Change in Net Assets	10,782,278	2,068,389	8,713,889	421.29%
Net Assets – Beginning	161,544,926	159,476,537	2,068,389	1.30%
Net Assets – Ending	\$ 172,327,204	\$ 161,544,926	\$ 10,782,278	6.67%

OHCSO's proprietary fund revenue is generated principally from interest earned on mortgages and investments. In fiscal year 2007, revenue generated through proprietary funds totaled \$109.5 million, of which \$104.8 million, or 95.7% is from income earned on loans and investments. Expenses of OHCSO's proprietary funds consist primarily of interest expense on debt incurred to fund various lending programs. The total expenses for proprietary fund activities totaled \$98.7 million, of which \$80.8 million, or 81.8% is bond interest expense.

The change in net assets for the year ended June 30, 2007 resulted in an increase of \$10.8 million compared to a \$2.1 million increase for the year ending June 30, 2006. In total, this resulted in an \$8.7 million increase from fiscal year 2006 to fiscal year 2007. Factors contributing to this change include:

- In fiscal year 2007, investment income was \$11.7 million more than in fiscal year 2006. Rising interest rates on investments and favorable market conditions during fiscal year 2007 accounted for this increase.
- Interest expense on bonds was \$5.0 million higher than fiscal year 2006. Interest rates on bonds issued during fiscal year 2007 were higher and interest rates on existing variable rate bonds also increased in 2007 compared to 2006. OHCSO has entered into interest rate exchange agreements (swaps) that mitigate the variable rate risk associated with these bonds.
- Interest on loans for fiscal year 2007 was \$2.3 million more than fiscal year 2006. This was due to the increase in OHCSO's loan portfolio along with the increased interest rates on loans over the last year.

Debt Administration

Oregon Revised Statutes authorize OHCSO to issue up to \$2.5 billion in revenue bonds to finance the construction, purchase and rehabilitation of housing for low- and moderate-income persons and families. OHCSO also has constitutional authority to issue general obligation bonds to finance housing for elderly and disabled persons. As of June 30, 2007, OHCSO was authorized to issue up to \$2,171,596,093 in State of Oregon General Obligation bonds for this purpose.

As of June 30, 2007, OHCSO had a total of \$1,618,048,301 (par value) in outstanding debt. During fiscal year 2007, \$253,980,000 (par value) in revenue bonds were issued for the Single-Family Mortgage Program, \$5,680,000 (par value) in revenue bonds were issued for the Multifamily Housing Revenue Bond Program, and \$26,300,000 (par value) in general obligation bonds were issued for the Elderly and Disabled Housing Program.

In addition, OHCSO issued \$32,382,896 (par value) within the Housing Development Revenue Bond Program. These bonds were issued as conduit debt obligations as described in the Notes to the Financial Statements (Note 9) and are not included in the outstanding bonds payable balance on the Balance Sheet.

In fiscal year 2007, OHCSO entered into interest rate swaps for two series of variable rate Mortgage Revenue Bonds. The notional amount of the two swaps totals \$36,105,000 as described in the Notes to the Financial Statements (Note 8).

The proceeds from revenue bonds issued for the Single-Family Mortgage Program are used to provide below-market interest loans made to low- and moderate-income households. The proceeds from the Multifamily Housing Revenue Bonds, Housing Development Revenue Bonds, and Elderly and Disabled Housing Bonds are used to provide low interest rate financing to developers for new construction, remodeling, and/or acquisition of rental housing. The proceeds for the Multifamily Housing Revenue Bond and Housing Development Revenue Bond programs are used to finance housing for persons or families with lower and moderate incomes. Elderly and Disabled Housing Bond proceeds are used for projects housing the elderly and persons with disabilities.

Additional information on the Oregon Housing & Community Services Department's long-term debt can be found in Note 7.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Balance Sheet

Proprietary Funds

June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ -	\$ 7,012,746	\$ 7,012,746
Cash and Cash Equivalents - Restricted	10,062,242	1,352,705	11,414,947
Investments - Restricted	-	49,769,264	49,769,264
Securities Lending Cash Collateral	17,402,923	8,433,218	25,836,141
Accounts Receivable	135	42,111	42,246
Accrued Interest Receivable	1,408,364	5,923,837	7,332,201
Interfund Receivable	65	160,339	160,404
Acquired Property	-	305,365	305,365
Total Current Assets	28,873,729	72,999,585	101,873,314
Noncurrent Assets			
Cash and Cash Equivalents - Restricted	36,862,424	22,152,842	59,015,266
Investments - Restricted	42,170,393	486,550,713	528,721,106
Deferred Charges	1,905,273	10,192,393	12,097,666
Loans Receivable (Net)	164,868,467	994,175,793	1,159,044,260
Capital Assets (Net)	4,613	17,488	22,101
Total Noncurrent Assets	245,811,170	1,513,089,229	1,758,900,399
Total Assets	\$ 274,684,899	\$ 1,586,088,814	\$ 1,860,773,713
Liabilities and Net Assets			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 35,821	\$ 675,526	\$ 711,347
Accrued Interest Payable	4,051,498	26,670,062	30,721,560
Obligations Under Securities Lending	17,402,923	8,433,218	25,836,141
Interfund Payable	160,339	65	160,404
Matured Bonds and Interest Payable	30,744	83,915	114,659
Deferred Income	205,421	31,822	237,243
Compensated Absences Payable	32,499	155,358	187,857
Bonds Payable	5,980,000	24,385,290	30,365,290
Total Current Liabilities	27,899,245	60,435,256	88,334,501
Noncurrent Liabilities			
Compensated Absences Payable	16,007	76,519	92,526
Bonds Payable	192,076,925	1,403,751,737	1,595,828,662
Arbitrage Rebate Liability	6,425	2,684,395	2,690,820
Loans Payable	-	1,500,000	1,500,000
Total Noncurrent Liabilities	192,099,357	1,408,012,651	1,600,112,008
Total Liabilities	219,998,602	1,468,447,907	1,688,446,509
Net Assets			
Invested in Capital Assets	4,613	17,488	22,101
Restricted for Residential Assistance	-	1,741,444	1,741,444
Restricted by Trust Indentures	54,681,684	106,433,907	161,115,591
Unrestricted	-	9,448,068	9,448,068
Total Net Assets	54,686,297	117,640,907	172,327,204
Total Liabilities and Net Assets	\$ 274,684,899	\$ 1,586,088,814	\$ 1,860,773,713

The accompanying notes are an integral part of the financial statements.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
Operating Revenues			
Interest on Loans	\$ 12,230,773	\$ 55,206,438	\$ 67,437,211
Investment Income	4,603,219	32,765,239	37,368,458
Administrative Charges and Fees	80,650	1,550,957	1,631,607
Transfer/Commitment Fees	498,816	1,020,545	1,519,361
Low Income Housing Tax Credit Fees	-	1,426,011	1,426,011
Gain (Loss) on Sale of Foreclosed Property	-	80,291	80,291
Miscellaneous Revenue	899	17,842	18,741
Total Operating Revenues	17,414,357	92,067,323	109,481,680
Operating Expenses			
Personal Services	1,119,221	3,831,605	4,950,826
Services and Supplies	394,310	2,455,275	2,849,585
Mortgage Service Fees	76,605	2,912,266	2,988,871
Foreclosure Costs	-	63,516	63,516
Interest Expense - Bonds	10,235,255	70,518,684	80,753,939
Interest Expense - Loans	-	68,426	68,426
Interest Expense - Securities Lending	697,971	728,446	1,426,417
Other Related Program Expenses	710,550	4,060,228	4,770,778
Amortization of Deferred Bond Issuance Costs	154,433	719,631	874,064
Depreciation/Amortization	6,163	19,334	25,497
Bad Debt Expense	(72,588)	71	(72,517)
Total Operating Expenses	13,321,920	85,377,482	98,699,402
Operating Income	4,092,437	6,689,841	10,782,278
Transfers from Other Funds	-	117,816	117,816
Transfers to Other Funds	(117,816)	-	(117,816)
Change in Net Assets	3,974,621	6,807,657	10,782,278
Net Assets - Beginning	50,711,676	110,833,250	161,544,926
Net Assets - Ending	\$ 54,686,297	\$ 117,640,907	\$ 172,327,204

The accompanying notes are an integral part of the financial statements.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
Cash Flows from Operating Activities			
Received from Customers	\$ 579,467	\$ 3,982,753	\$ 4,562,220
Program Loan Principal Repayments	18,550,577	99,236,311	117,786,888
Program Loan Interest Received	12,500,840	54,781,742	67,282,582
Program Loans Made	(3,498,526)	(197,327,933)	(200,826,459)
Payments to Employees for Services	(956,248)	(3,808,052)	(4,764,300)
Payments to Suppliers for Goods and Services	(489,644)	(5,558,343)	(6,047,987)
Other Receipts (Payments)	(116,917)	(3,764,321)	(3,881,238)
Net Cash Provided (Used) in Operating Activities	26,569,549	(52,457,843)	(25,888,294)
Cash Flows from Noncapital Financing Activities			
Proceeds from Bond Sales	26,300,000	263,550,564	289,850,564
Principal Payments on Bonds	(26,150,000)	(322,644,809)	(348,794,809)
Interest Payments on Bonds	(10,276,699)	(70,607,533)	(80,884,232)
Bond Issue Costs	(351,045)	(2,219,644)	(2,570,689)
Bond Call Costs	-	(78,800)	(78,800)
Interest Payments on Loans	-	(51,128)	(51,128)
Transfers from Other Funds	-	117,816	117,816
Transfers to Other Funds	(117,816)	-	(117,816)
Net Cash Provided (Used) in Noncapital Financing Activities	(10,595,560)	(131,933,534)	(142,529,094)
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(1,211)	(8,125)	(9,336)
Net Cash Provided (Used) in Capital and Related Financing Activities	(1,211)	(8,125)	(9,336)
Cash Flows from Investing Activities			
Purchase of Investments	(21,477,311)	(368,774,612)	(390,251,923)
Proceeds from Sales and Maturities of Investments	1,680,836	528,713,731	530,394,567
Interest on Cash and Investments	3,765,073	27,947,039	31,712,112
Investment Income on Securities Lending	697,971	728,446	1,426,417
Interest Paid on Securities Lending	(697,971)	(728,446)	(1,426,417)
Net Cash Provided (Used) in Investing Activities	(16,031,402)	187,886,158	171,854,756
Net Increase (Decrease) in Cash and Cash Equivalents	(58,624)	3,486,656	3,428,032
Cash and Cash Equivalents Balance - Beginning	46,983,290	27,031,637	74,014,927
Cash and Cash Equivalents Balance - Ending	\$ 46,924,666	\$ 30,518,293	\$ 77,442,959
Cash and Cash Equivalents	\$ -	\$ 7,012,746	\$ 7,012,746
Cash and Cash Equivalents - Restricted (Current)	10,062,242	1,352,705	11,414,947
Cash and Cash Equivalents - Restricted (Noncurrent)	36,862,424	22,152,842	59,015,266
Total Cash and Cash Equivalents	\$ 46,924,666	\$ 30,518,293	\$ 77,442,959

The accompanying notes are an integral part of the financial statements.

Continued on the next page

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 4,092,437	\$ 6,689,841	\$ 10,782,278
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation/Amortization	6,163	19,334	25,497
Amortization of Deferred Bond Issuance Costs	154,433	719,631	874,064
Bad Debt Expense	(72,588)	71	(72,517)
Investment Income Reported as Operating Revenue	(4,603,219)	(32,765,239)	(37,368,458)
Interest Expense Reported as Operating Expense	10,933,226	71,315,556	82,248,782
Bond Call Expenses	592,734	(17,853)	574,881
<i>(Increase)/Decrease in Assets:</i>			
Loan Interest Receivable	70,000	(429,637)	(359,637)
Accounts Receivable	234	22,680	22,914
Interfund Receivable	(65)	(159,549)	(159,614)
Loans Receivable	15,052,051	(97,817,612)	(82,765,561)
Acquired Property	-	64,823	64,823
<i>Increase/(Decrease) in Liabilities:</i>			
Accounts Payable	(19,802)	(146,923)	(166,725)
Interfund Payable	159,549	65	159,614
Deferred Income	200,067	4,941	205,008
Compensated Absences Payable	4,329	42,028	46,357
Net Cash Provided (Used) in Operating Activities	\$ 26,569,549	\$ (52,457,843)	\$ (25,888,294)
Noncash Investing, Capital, and Financing Activities			
Net Change in Fair Value of Investments	\$ (94,630)	\$ 6,235,518	\$ 6,140,888
Foreclosed Property	-	690,094	690,094
Total Noncash Investing, Capital, and Financing Activities	\$ (94,630)	\$ 6,925,612	\$ 6,830,982

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Notes to the Financial Statements
Enterprise Funds
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Oregon Housing and Community Services Department (OHCS) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed for the proprietary fund financial statements to the extent that those standards do not conflict with or contradict GASB pronouncements.

A. Reporting Entity

OHCS is a part of the State of Oregon reporting entity. OHCS currently operates under the provisions of Sections 456.515 to 456.725 of the Oregon Revised Statutes.

Through sales of bonds, OHCS finances home ownership and multi family units for elderly, disabled, and lower to moderate income persons. OHCS has issued revenue bonds for the Single-Family Mortgage Program (Housing Finance Revenue Bonds, Mortgage Revenue Bonds, and Homeowner Revenue Bonds), Multifamily Housing Revenue Bonds, and Multiple Purpose Bonds. OHCS has issued State of Oregon general obligation bonds for the Elderly and Disabled Housing Program. State of Oregon general obligation bonds are authorized by Oregon Constitution Article XI-I(2).

The financial statements and notes include only the bonded debt financial activity of OHCS. OHCS operates other programs which have no impact on the bond related activity of OHCS.

B. Basis of Presentation - Fund Accounting

OHCS programs and accounts are organized by "funds," each of which is a separate accounting entity. Each major program utilizes a separate set of self balancing accounts to record the assets, liabilities, net assets, revenues, and expenses of their activities. OHCS's bond programs are classified in proprietary funds. Proprietary funds contain two types of funds: Enterprise Funds and Internal Service Funds. All bond programs of OHCS are accounted for in the Enterprise Funds.

Proprietary Fund

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. OHCS utilizes two enterprise funds which are differentiated primarily by the type of bond financing employed to support their respective programs:

- (1) The Elderly and Disabled Housing Program accounts for programs that are supported by State of Oregon General Obligation Bonds. Bond proceeds are used to finance elderly housing and residential facilities for elderly households, disabled persons, and their family members. OHCS is responsible for the administration of this program.
- (2) The Housing Finance Fund accounts for programs that are supported by revenue bond financing, including the Multifamily Housing, Multiple Purpose, and Single-Family Mortgage Programs. Revenue bond proceeds are used to finance home ownership and multi-family units for lower and moderate income persons. Also part of the Housing Finance Fund are the Combined Program Account and the Housing Finance Account. The Combined Program Account is maintained to act as a reserve against possible deficiencies that may arise in the payment of debt service or related expenses of the Single-Family Mortgage Program and the Multiple Purpose Bonds. General and administrative costs of these programs are accounted for in the Housing Finance Account. In addition, fees or other monies received by OHCS in carrying out the responsibilities outlined under Oregon Revised Statutes 456.550 to 456.725 are also included in the Housing Finance Account.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the flow of economic resources measurement focus and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time related liabilities are incurred. All assets and liabilities associated with the operations of these funds are included on the balance sheet. Assets and liabilities are segregated between current and non-current. Net total assets are segregated into capital assets, net of related debt; restricted assets; and unrestricted assets. Proprietary fund Statement of Revenues, Expenses and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. This statement segregates operating revenue, operating expenses, non-operating revenue and expense, and capital contributions and transfers.

D. Budgets

The Oregon Legislature approves budgets for a biennial period. Operating expenses are subject to limitation and bond related expenses are subject to administrative limitation. Both types of limitation lapse at the end of the biennium. Budgets are adopted on a basis which differs from generally accepted accounting principles and financial reporting standards in the treatment of bond proceeds and loan purchases. For budgetary purposes, these transactions are treated on a cash basis and other operating revenues and expenses are on an accrual basis.

E. Cash Equivalents

For purposes of the Statement of Cash Flows, all OHCS D moneys held in the State Treasury Oregon Short Term Fund and moneys held in money market funds are considered to be cash equivalents. All short term U.S. Treasury and U.S. Agency securities and guaranteed investment contracts are considered to be investments.

F. Investments

OHCS D's investments are stated at fair value. Investment fair value is determined using quoted market prices. Since the principal activity of OHCS D is lending, investment income is reported as operating activity. Securities lending cash collateral reinvested by the Oregon State Treasury Oregon Short Term Fund in short-term debt investments with remaining maturities of up to ninety days on June 30, 2007 is reported at amortized cost.

G. Receivables

Receivables are shown net of an allowance for uncollectible accounts. Receivables included are amounts due that represent revenues earned or accrued in the current period. Types included in this classification relate to interest, mortgage loans receivable, and other miscellaneous receivables.

H. Short-term Interfund Receivable/Payable

During the course of operations, transactions occur between individual funds for various reasons. These receivable and payable transactions are classified as "Interfund Receivable" and "Interfund Payable" on the balance sheet.

I. Acquired Property

Acquired properties resulting from mortgage foreclosures are stated at the lower of cost or fair market value. Cost is defined as the outstanding balance of the mortgage loan, plus major repairs, less any mortgage insurance payments received. Costs relating to the acquisition of such properties are charged to expense as they are incurred.

J. Deferred Charges

Bond issuance costs, including underwriters' discounts, are reflected as deferred charges and amortized over the term of the related bond issue. The bonds-outstanding method of amortization is used to amortize all deferred charges except for Homeowner Revenue Bonds deferred charges, which are amortized using the straight-line method of amortization.

K. Capital Assets

Capital assets are reported at historical cost or estimated historical cost if the original cost is not determinable. Donated capital assets are reported at their estimated fair market value at the time received. Capital assets costing less than \$5,000 or having a useful life of less than one year are not capitalized.

Depreciation or amortization of capital assets is charged as an expense against operations over the estimated useful life using the straight-line method of depreciation. The estimated useful life of all capital assets is three years.

L. Rebatable Arbitrage

Internal Revenue Code (IRC) Section 148(f) requires issuers of tax-exempt bonds to rebate investment income earned from bond proceeds that exceed limits established for each bond issue. These limits are based on the bond yield as calculated for federal tax purposes for each bond issue and are subject to certain exceptions. Arbitrage rebate payments are due not later than 60 days after the end of the fifth anniversary of each bond issue (or other date in compliance with IRC Section 148(f)) and every five years thereafter in an amount at least equal to 90 percent of the calculated arbitrage liability. Final arbitrage rebate payments are due not later than 60 days after the final retirement of all bonds in an issue in an amount equal to 100 percent of the calculated arbitrage liability. OHCS D records rebatable arbitrage as a reduction of investment revenue.

M. Compensated Absences

Employees accumulate earned but unused vacation and sick leave benefits. Accumulated vacation leave (compensated absences) is recorded as an expense and a liability as the benefits accrue to the employees. No liability is recorded for accumulated sick leave benefits since employees are not paid for unused sick leave benefits when leaving State service.

N. Bond Discounts, Premiums, and Interest Accretion

Bond discount or premium arising from the sale of serial or term bonds is charged or credited to interest expense over the life of the related bond issue using the bonds-outstanding method of amortization.

The capital appreciation bonds increase in value based on the initial yield to maturity as set forth in Accreted Value Tables in the bond issue's Official Statement. This increase in value is reflected as increased liability in bonds payable on the Balance Sheet and as interest expense on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

O. Deferred Amount on Debt Refunding

Deferred Amount on Debt Refunding is reflected as a reduction to Bonds Payable and is amortized over the shorter of the term of the refunding or refunded bonds using the bonds-outstanding method of amortization. The bonds-outstanding method of amortization most closely approximates the effective-interest method.

P. Restricted Assets

The use of all cash, cash equivalents, and investments of the Enterprise Fund are generally restricted as to purpose and use by the Bond Declarations and Indentures of Trust. The bond program funds are restricted for acquisition of loans, payment of debt service, and payment of operating costs. Individual reserve accounts have been established to meet certain requirements and the balances of these accounts as of June 30, 2007 were sufficient to meet all legal requirements. When both restricted and unrestricted resources are available to use, it is OHCS D's policy to use restricted resources before using unrestricted resources.

Q. Operating Revenues and Expenses

Operating revenues include interest and fees on program loans as well as earnings on cash and investments related to OHCS D's loan programs. Administrative expenses, depreciation and amortization of capital assets, and bond program related expenses are considered operating expenses. Nonoperating revenues and expenses include any gain or loss on the disposition of capital assets.

NOTE 2. Cash and Cash Equivalents, Investments, and Securities Lending

Deposits:

On June 30, 2007, the book balance of cash and cash equivalents was \$77,442,959 and the bank balance was \$77,605,844. Monies held in demand accounts with the State Treasurer and amounts invested in the Oregon Short Term Fund totaled \$69,966,421. State Treasurer demand deposit accounts and time certificates of deposit investments of the Short Term Fund held in state banks are insured or collateralized in excess of FDIC coverage for a minimum of 25 percent in accordance with State statute. Securities in the Short Term Fund are held by the Treasury's agent in the name of the State of Oregon. Earnings on the Short Term Fund are allocated based on daily account balances. The bank balance of money market accounts held by the Bond Trustees as agents totaled \$7,524,764. Total Cash with Fiscal Agents was \$114,659, of which \$83,915 was collateralized and held at the Fiscal Agent but not in OHCS D's name and is exposed to custodial credit risk. The remaining \$30,744 is insured up to \$100,000 per bond holder. OHCS D does not have a deposit policy.

Investments:

Oregon Revised Statute 293.726 (1), Bond Indentures of Trust, and OHCS D's investment policy allow OHCS D to invest in insured or registered securities explicitly or implicitly guaranteed by the U.S. Government and in investment agreements, collateralized or uncollateralized, with institutions that are rated by nationally recognized rating agencies and rated at least equal to the initial rating on the bonds. As of June 30, 2007, OHCS D had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Securities	\$ 17,081,799	\$ -	\$ 4,845,106	\$ 1,356,793	\$ 10,879,900
U.S. Agency Securities	254,144,071	178,669,524	18,122,887	8,294,833	49,056,827
Guaranteed Investment Contracts	307,264,500	-	307,264,500	-	-
Total	\$ 578,490,370	\$ 178,669,524	\$ 330,232,493	\$ 9,651,626	\$ 59,936,727

Investments with OHCS D's Trustees consisted of \$1,520,707 in U.S. Government securities, \$227,534,770 in U.S. Agency securities, and \$307,264,500 in guaranteed investment contracts. They are held by the Trust Departments of OHCS D's Bond Trustees as agents in OHCS D's name. Investments with the State Treasurer consisted of \$15,561,092 in U.S. Government Securities and \$26,609,301 in U.S. Agency securities. OHCS D's investments with the State Treasurer are held with the State Treasurer's agent in the name of the State of Oregon and segregated in the Treasurer's records in OHCS D's name.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. OHCS D's investment policy specifies that, in order to mitigate interest rate risk, the investment portfolio shall be structured so that securities mature to meet cash requirements, limiting the need to sell securities on the open market before maturity.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to OHCS D's investment policy, to mitigate credit risk, funds shall be invested in, or collateralized by, U.S. Treasury Bonds, Notes, and Bills and "highly liquid" U.S. Agency securities. As of June 30, 2007, all of OHCS D's investments in U.S. Agency securities are rated Aaa by Moody's Investor Service and AAA by Standard & Poors. OHCS D's guaranteed investment contracts are unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. OHCS D's investment policy does not address concentration of credit risk. On June 30, 2007, \$307,264,500 (53.1%) of OHCS D's total investments are in Trinity Funding Company, LLC and \$182,464,186 (31.5%) are in Federal National Mortgage Association.

Notes to the Financial Statements (Continued)
June 30, 2007

Securities Lending:

In accordance with State of Oregon investment policies, state agencies may participate in securities lending. OHCSO is involved in securities lending only with cash balances invested in the Oregon Short Term Fund (OSTF). As of June 30, 2007, the fair value of all securities on loan from OSTF was \$3,816,318,958. The total cash collateral received for the securities on loan from OSTF was \$3,890,835,603. The fair value of all investments made with the cash collateral received for those securities on loan was \$3,894,124,661. The portion of these balances allocated to OHCSO's Enterprise Funds are \$25,341,331, \$25,836,141, and \$25,857,981, respectively.

The Office of the State Treasurer has authorized its custodian to act as its agent in the lending of OSTF securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There have been no significant violations of the provisions of securities lending agreements during the period of these financial statements.

During the year, the State's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar-denominated cash. Borrowers were required to deliver cash collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State did not impose any restrictions during the fiscal year on the amount of loans the securities lending agent made on its behalf. The State is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The State and borrowers maintained the right to terminate all securities lending transactions on demand. As a consequence, the maturities of investments made with cash collateral do not match the maturities of the securities loans. On June 30, 2007, the State had no credit risk exposure to borrowers related to securities on loan.

NOTE 3. Loans Receivable

Loans receivable on June 30, 2007 consisted of:

	Loans Receivable	Less: Allowance for Uncollectible Accounts	Loans Receivable (Net)
Elderly and Disabled Housing Fund:	\$ 165,701,284	\$ (832,817)	\$ 164,868,467
Housing Finance Fund:			
Mortgage Revenue Bonds	800,783,030	-	800,783,030
Multifamily Housing Revenue Bonds	157,940,357	(394,852)	157,545,505
Multiple Purpose Bonds	31,310,901	(67,421)	31,243,480
Housing Finance Account	4,626,291	(22,513)	4,603,778
Total Housing Finance Fund	994,660,579	(484,786)	994,175,793
Total	\$ 1,160,361,863	\$ (1,317,603)	\$ 1,159,044,260

The Elderly and Disabled Housing Program provides construction and permanent mortgage financing for the acquisition or rehabilitation of structures or facilities which serve elderly or disabled persons and their families.

Mortgage Revenue Bonds provide financing for single family homes for at or below median income home buyers. These loans are collateralized by first lien mortgages on the applicable real estate. Of the total mortgage principal balance outstanding, 54 percent is federally insured or guaranteed, 22 percent is covered by pool insurance and/or private mortgage insurance and 24 percent is uninsured. Based on prior experience, OHCSO does not anticipate any material loss in the collection of mortgage loans receivable or in the disposition of acquired properties.

Multifamily Housing Revenue Bonds finance construction and mortgage loans for multi-family housing developments within the State that primarily contain housing units for persons or families of lower and moderate income.

Multiple Purpose Bonds provide funds to carry out its public purposes and programs, including, without limitation, the financing and refinancing of multi-family rental housing developments within the state.

Notes to the Financial Statements (Continued)
June 30, 2007

OHCSO uses the allowance method to estimate uncollectible mortgage loans receivable. The composition of the loan portfolio is evaluated considering past loss experience, current economic conditions, amount of mortgage insurance, and the likelihood of properties being foreclosed upon. This evaluation, in management's judgment, is adequate to provide for potential losses.

NOTE 4. Capital Assets

A summary of OHCSO's capital assets at June 30, 2007 is presented in the table below. OHCSO has no outstanding debt related to capital assets.

	Elderly and Disabled Housing Fund				Housing Finance Fund			
	Beginning Balance	Increases	Decreases	Ending Balance	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:								
Equipment/Furniture	\$ 1,474	\$ -	\$ -	\$ 1,474	\$ 67,441	\$ -	\$ 32,798	\$ 34,643
Data Processing Hardware	64,797	-	42,123	22,674	611,555	-	517,204	94,351
Data Processing Software	26,370	1,211	-	27,581	124,908	8,125	-	133,033
Leasehold Improvements	-	-	-	-	34,852	-	-	34,852
Total Capital Assets	92,641	1,211	42,123	51,729	838,756	8,125	550,002	296,879
Less Accumulated Depreciation/Amortization:								
Equipment/Furniture	(1,474)	-	-	(1,474)	(67,441)	-	(32,798)	(34,643)
Data Processing Hardware	(62,932)	(1,865)	(42,123)	(22,674)	(605,960)	(5,595)	(517,204)	(94,351)
Data Processing Software	(18,670)	(4,298)	-	(22,968)	(101,806)	(13,739)	-	(115,545)
Leasehold Improvements	-	-	-	-	(34,852)	-	-	(34,852)
Total Accumulated Depreciation/Amortization	(83,076)	(6,163)	(42,123)	(47,116)	(810,059)	(19,334)	(550,002)	(279,391)
Capital Assets, Net	\$ 9,565	\$ (4,952)	\$ -	\$ 4,613	\$ 28,697	\$ (11,209)	\$ -	\$ 17,488

NOTE 5. Interfund Balances and Transfers

The following schedule summarizes interfund receivables and payables for the year ended June 30, 2007:

	Interfund Receivable	Interfund Payable
Elderly and Disabled Housing Fund	\$ 65	\$ 160,339
Housing Finance Fund	160,339	65
Total	\$ 160,404	160,404

All balances between funds are the result of timing differences related to the reallocation of expenses.

The following schedule summarizes transfers for the year ended June 30, 2007:

	Transfer from Other Funds	Transfer to Other Funds
Elderly and Disabled Housing Fund	\$ -	\$ (117,816)
Housing Finance Fund	117,816	-
Total	\$ 117,816	(117,816)

The transfer from the Elderly and Disabled Housing Fund to the Housing Finance Fund helps to provide housing for very low income Oregonians.

NOTE 6. Changes in Long Term Liabilities

Long term liability activity for the fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond Principal	\$ 1,680,883,110	\$ 285,960,000	\$ 348,794,809	\$ 1,618,048,301	\$ 30,365,290
Bond Discount	(336,103)	-	(25,982)	(310,121)	-
Bond Premium	5,551,922	3,890,564	1,015,863	8,426,623	-
Accreted Interest	2,859,478	206,035	1,013,191	2,052,322	-
Deferred Amount on Refunding	(2,367,061)	(380,232)	(724,120)	(2,023,173)	-
Total Bonds Payable	1,686,591,346	289,676,367	350,073,761	1,626,193,952	
Arbitrage Rebate Liability	823,863	1,874,175	7,218	2,690,820	-
Loans Payable	1,500,000	-	-	1,500,000	-
Compensated Absences Payable	234,026	46,357	-	280,383	187,857
Total Long Term Liabilities	\$ 1,689,149,235	\$ 291,596,899	\$ 350,080,979	\$ 1,630,665,155	\$ 30,553,147

NOTE 7. Long Term Debt

The following table summarizes outstanding bonds by program and series as of June 30, 2007:

General Obligation Bonds

Elderly and Disabled Housing Program

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1992 A	1993-2013	3.300 - 6.250%	\$ 11,985,000	\$ 3,450,000	\$ -	\$ 350,000	\$ 3,100,000	\$ 365,000
1992 C	1993-2022	3.300 - 6.500%	14,695,000	585,000	-	20,000	565,000	20,000
1993 B	1994-2026	2.700 - 5.500%	11,060,000	8,930,000	-	4,020,000	4,910,000	145,000
1993 C	1994-2026	2.850 - 5.650%	13,915,000	11,010,000	-	310,000	10,700,000	330,000
1994 A	1995-2025	3.500 - 6.150%	9,440,000	2,480,000	-	65,000	2,415,000	70,000
1994 B	1996-2026	4.200 - 6.300%	24,400,000	19,990,000	-	485,000	19,505,000	515,000
1995 A	1996-2026	4.000 - 6.000%	14,100,000	10,920,000	-	275,000	10,645,000	295,000
1995 B	1997-2027	4.000 - 5.700%	24,240,000	12,765,000	-	310,000	12,455,000	325,000
1996 A	1998-2027	4.050 - 5.600%	2,850,000	495,000	-	10,000	485,000	15,000
1996 B	1998-2027	4.200 - 5.800%	10,605,000	9,060,000	-	220,000	8,840,000	225,000
1997 A	1999-2028	4.050 - 5.375%	8,475,000	5,420,000	-	125,000	5,295,000	135,000
1998 A	2000-2029	3.400 - 4.500%	8,870,000	1,275,000	-	25,000	1,250,000	30,000
1998 B	2001-2030	3.550 - 4.875%	10,285,000	3,835,000	-	95,000	3,740,000	100,000
1998 C	2000-2029	4.900 - 6.000%	1,880,000	320,000	-	5,000	315,000	5,000
1999 A	2000-2030	3.250 - 5.150%	10,840,000	4,630,000	-	990,000	3,640,000	665,000
1999 B	2000-2031	3.350 - 5.250%	4,485,000	4,100,000	-	80,000	4,020,000	90,000
1999 D	2000-2030	3.950 - 6.000%	5,695,000	1,825,000	-	280,000	1,545,000	25,000
1999 E	2001-2031	5.000 - 6.250%	19,105,000	17,645,000	-	315,000	17,330,000	330,000
1999 F	2000-2006	6.250 - 7.000%	1,375,000	125,000	-	125,000	-	-
2001 A	2002-2032	2.550 - 5.100%	5,210,000	1,415,000	-	55,000	1,360,000	55,000
2001 B	2002-2020	2.550 - 4.950%	7,805,000	6,780,000	-	265,000	6,515,000	285,000
2001 C	2002-2032	2.700 - 5.300%	25,325,000	22,950,000	-	690,000	22,260,000	730,000
2002 A	2003-2022	1.400 - 4.650%	10,840,000	9,600,000	-	430,000	9,170,000	435,000
2002 B	2003-2024	1.400 - 4.700%	37,905,000	18,095,000	-	12,910,000	5,185,000	210,000
2002 C	2003-2043	1.600 - 5.050%	13,595,000	7,260,000	-	195,000	7,065,000	200,000
2003 A	2004-2024	1.150 - 4.650%	7,800,000	3,125,000	-	3,125,000	-	-
2003 B	2004-2024	1.300 - 4.800%	9,265,000	8,635,000	-	325,000	8,310,000	330,000
2003 C	2013-2034	4.350 - 5.100%	2,930,000	2,860,000	-	50,000	2,810,000	50,000
2007 A	2008-2048	3.650 - 4.750%	26,300,000	-	26,300,000	-	26,300,000	-
Total General Obligation Bonds				\$ 199,580,000	\$ 26,300,000	\$ 26,150,000	\$ 199,730,000	\$ 5,980,000

Revenue Bonds

Housing Finance Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1977 A	1979-2009	4.550 - 8.000%	\$43,800,000	\$ 4,485,000	\$ -	\$ 4,485,000	\$ -	\$ -
<i>Total Housing Finance Revenue Bonds</i>				\$ 4,485,000	\$ -	\$ 4,485,000	\$ -	\$ -

Mortgage Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1991 D	1993-2027	4.750 - 6.800%	\$21,250,000	\$ 5,260,000	\$ -	\$ 960,000	\$ 4,300,000	\$ 115,000
1992 A	1994-2016	4.500 - 6.800%	32,874,827	1,868,110	-	666,809	1,201,301	620,290
1992 C	1994-2016	2.400 - 5.550%	20,585,000	1,980,000	-	515,000	1,465,000	125,000
1993 A	1994-2024	2.750 - 5.450%	36,720,000	18,180,000	-	18,180,000	-	-
1993 B	1995-2017	3.250 - 5.375%	18,795,000	2,945,000	-	490,000	2,455,000	205,000
1994 A	1995-2018	3.750 - 6.400%	18,150,000	2,355,000	-	275,000	2,080,000	100,000
1994 C	1996-2016	4.200 - 6.250%	12,440,000	2,380,000	-	410,000	1,970,000	180,000
1995 A	1996-2026	4.400 - 6.450%	25,000,000	5,235,000	-	765,000	4,470,000	125,000
1995 C	2015-2026	6.200 - 6.400%	20,200,000	5,605,000	-	925,000	4,680,000	-
1995 E	1997-2027	4.000 - 6.000%	25,000,000	5,885,000	-	795,000	5,090,000	150,000
1996 A	2008-2016	5.500 - 6.000%	6,465,000	60,000	-	-	60,000	-
1996 B	1998-2027	4.200 - 6.200%	18,535,000	4,775,000	-	765,000	4,010,000	250,000
1996 D	1998-2027	4.300 - 6.375%	27,300,000	4,795,000	-	815,000	3,980,000	65,000
1996 H	1998-2027	4.050 - 6.000%	27,300,000	5,540,000	-	1,365,000	4,175,000	90,000
1997 A	1999-2027	4.600 - 6.200%	25,000,000	4,500,000	-	720,000	3,780,000	110,000
1997 F	2017-2028	5.500 - 5.650%	14,025,000	8,320,000	-	1,020,000	7,300,000	-
1997 H	1999-2028	4.000 - 5.650%	33,570,000	10,765,000	-	1,800,000	8,965,000	215,000
1998 A	2000-2015	4.000 - 5.150%	10,655,000	2,685,000	-	250,000	2,435,000	230,000
1998 B	2018-2029	4.900 - 5.450%	19,345,000	6,990,000	-	1,475,000	5,515,000	-
1998 D	2000-2029	3.850 - 5.300%	35,000,000	12,415,000	-	1,610,000	10,805,000	45,000
1998 G	2000-2029	3.650 - 5.250%	35,000,000	12,660,000	-	1,640,000	11,020,000	65,000
1999 A	2001-2027	3.600 - 5.150%	25,480,000	11,500,000	-	2,015,000	9,485,000	315,000
1999 E	2019-2027	4.850 - 5.400%	20,350,000	9,980,000	-	760,000	9,220,000	-
1999 F	2001-2028	3.850 - 5.500%	14,650,000	1,430,000	-	1,405,000	25,000	25,000
1999 I	2001-2020	4.100 - 5.550%	25,555,000	3,455,000	-	1,180,000	2,275,000	100,000
1999 J	2023-2030	5.200 - 5.750%	29,320,000	10,975,000	-	1,370,000	9,605,000	-
1999 M	2002-2031	4.650 - 6.200%	32,260,000	9,075,000	-	1,430,000	7,645,000	135,000
2000 A	2001-2028	4.300 - 6.050%	18,265,000	5,385,000	-	225,000	5,160,000	225,000
2000 B	2025-2030	5.750 - 6.250%	16,735,000	1,940,000	-	970,000	970,000	-
2000 E	2002-2030	4.850 - 6.150%	29,160,000	10,965,000	-	2,495,000	8,470,000	340,000
2000 H	2009-2030	4.650 - 5.750%	30,070,000	11,285,000	-	1,655,000	9,630,000	-
2000 K	2003-2022	4.500 - 5.700%	14,825,000	2,385,000	-	780,000	1,605,000	90,000
2000 L	2031-2033	5.900 - 5.900%	20,175,000	11,735,000	-	1,075,000	10,660,000	-
2001 A	2003-2030	3.600 - 5.350%	23,465,000	13,520,000	-	2,640,000	10,880,000	365,000
2001 C	2032	**	7,500,000	3,460,000	-	635,000	2,825,000	55,000
2001 F	2003-2030	3.350 - 5.550%	24,025,000	12,005,000	-	1,690,000	10,315,000	340,000
2001 G	2026-2032	4.850 - 5.700%	10,975,000	2,890,000	-	930,000	1,960,000	-
2001 J	2003-2030	3.000 - 5.150%	26,435,000	13,865,000	-	1,990,000	11,875,000	330,000
2001 L	2032	**	9,100,000	4,245,000	-	555,000	3,690,000	50,000
2001 Q	2003-2024	2.350 - 5.125%	19,015,000	11,610,000	-	1,055,000	10,555,000	405,000
2001 R	2027-2033	4.200 - 5.375%	15,985,000	8,610,000	-	1,895,000	6,715,000	-
2002 A	2004-2024	2.350 - 5.200%	18,620,000	13,955,000	-	1,235,000	12,720,000	485,000
2002 B	2004-2033	2.700 - 5.450%	16,380,000	10,130,000	-	1,855,000	8,275,000	-
2002 F	2005-2022	3.150 - 5.250%	15,190,000	9,865,000	-	1,030,000	8,835,000	410,000
2002 G	2003-2033	2.400 - 5.600%	19,810,000	13,685,000	-	2,230,000	11,455,000	-
2002 H	2006-2023	2.450 - 5.000%	16,315,000	13,835,000	-	935,000	12,900,000	580,000
2002 I	2004-2033	2.000 - 5.250%	18,685,000	11,250,000	-	2,285,000	8,965,000	-
2002 M	2006-2023	2.400 - 5.050%	16,285,000	15,210,000	-	1,795,000	13,415,000	605,000
2002 N	2004-2033	2.200 - 5.250%	18,715,000	14,320,000	-	2,690,000	11,630,000	-
2003 A	2007-2030	2.150 - 4.900%	22,810,000	21,100,000	-	1,290,000	19,810,000	590,000

Notes to the Financial Statements (Continued)
June 30, 2007

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2003 B	2004-2034	1.400 - 5.000%	12,190,000	8,585,000	-	2,490,000	6,095,000	-
2003 E	2004-2030	1.100 - 4.600%	24,665,000	22,540,000	-	1,485,000	21,055,000	655,000
2003 F	2032-2034	3.200 - 4.750%	10,335,000	7,620,000	-	2,085,000	5,535,000	-
2003 J	2005-2023	1.300 - 4.700%	22,880,000	20,885,000	-	3,045,000	17,840,000	875,000
2003 K	2005-2029	1.700 - 5.625%	12,120,000	9,830,000	-	1,895,000	7,935,000	-
2003 L	2034	***	15,000,000	15,000,000	-	-	15,000,000	-
2004 A	2005-2023	1.100 - 4.500%	23,720,000	20,900,000	-	3,780,000	17,120,000	880,000
2004 B	2029	5.625 - 5.625%	11,280,000	10,140,000	-	1,685,000	8,455,000	-
2004 C	2034	***	15,000,000	15,000,000	-	-	15,000,000	-
2004 G	2005-2023	1.350 - 4.500%	23,410,000	21,950,000	-	3,490,000	18,460,000	935,000
2004 H	2029	5.125 - 5.125%	11,590,000	10,900,000	-	1,440,000	9,460,000	-
2004 I	2034	***	15,000,000	15,000,000	-	-	15,000,000	-
2004 J	2006-2019	1.950 - 4.350%	15,560,000	15,330,000	-	1,650,000	13,680,000	870,000
2004 K	2020-2030	4.800 - 5.100%	19,440,000	18,720,000	-	1,485,000	17,235,000	-
2004 L	2035	***	15,000,000	15,000,000	-	-	15,000,000	-
2004 M	2007-2025	2.250 - 4.600%	7,510,000	7,420,000	-	190,000	7,230,000	280,000
2004 N	2035	4.900 - 4.900%	8,390,000	8,130,000	-	330,000	7,800,000	-
2005 A	2006-2024	2.600 - 4.500%	16,055,000	16,035,000	-	1,955,000	14,080,000	625,000
2005 B	2034	5.375 - 5.375%	8,455,000	8,265,000	-	745,000	7,520,000	-
2005 C	2035	***	10,500,000	10,500,000	-	-	10,500,000	-
2005 D	2007-2025	3.000 - 4.650%	26,340,000	26,340,000	-	545,000	25,795,000	960,000
2005 E	2006-2031	3.150 - 5.750%	13,775,000	13,700,000	-	980,000	12,720,000	-
2005 F	2036	***	14,885,000	14,885,000	-	-	14,885,000	-
2006 A	2007-2021	3.125 - 4.350%	20,210,000	20,210,000	-	-	20,210,000	940,000
2006 B	2007-2030	3.350 - 5.625%	19,790,000	19,790,000	-	310,000	19,480,000	100,000
2006 C	2036	***	20,000,000	20,000,000	-	-	20,000,000	-
2006 D	2007-2021	3.500 - 4.500%	18,705,000	-	18,705,000	165,000	18,540,000	500,000
2006 E	2025-2031	5.000 - 6.250%	21,295,000	-	21,295,000	305,000	20,990,000	-
2006 F	2037	***	20,000,000	-	20,000,000	-	20,000,000	-
2006 G	2028	***	16,105,000	-	16,105,000	-	16,105,000	-
2006 H	2008-2021	3.300 - 4.100%	13,905,000	-	13,905,000	-	13,905,000	-
2006 I	2026-2036	4.600 - 6.250%	27,680,000	-	27,680,000	40,000	27,640,000	-
2006 J	2008-2021	3.350 - 4.050%	13,235,000	-	13,235,000	-	13,235,000	-
2006 K	2026-2036	4.450 - 5.375%	26,765,000	-	26,765,000	-	26,765,000	-
2007 A	2008-2022	3.400 - 4.250%	20,210,000	-	20,210,000	-	20,210,000	-
2007 B	2027-2037	4.750 - 4.850%	39,790,000	-	39,790,000	-	39,790,000	-
Total Mortgage Revenue Bonds				\$ 801,538,110	\$ 217,690,000	\$ 107,631,809	\$ 911,596,301	\$ 15,755,290

** Interest rates are adjusted monthly based on the one month LIBOR rate plus 0.40%, not to exceed 11.00% for 2001 C and 11.50% for 2001 L. The interest rate at the end of the fiscal year was 5.72%.

*** Interest rates are adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%. The interest rate at the end of the fiscal year was 3.80% for the 2003 L, 2004 I, 2005 C, and 2006 C Series, 3.79% for the 2004 C, 2004 L, 2005 F, and 2006 F Series, and 3.73% for the 2006 G Series.

Homeowner Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2005 A	2010	**	\$ 158,130,000	\$ 128,465,000	\$ 29,665,000	\$ 66,055,000	\$ 92,075,000	\$ -
2005 B	2010	**	345,785,000	339,160,000	6,625,000	132,178,000	213,607,000	-
Total Homeowner Revenue Bonds				\$ 467,625,000	\$ 36,290,000	\$ 198,233,000	\$ 305,682,000	\$ -

** The interest rate is adjusted monthly based on the SIFMA index rate plus 0.75% for the 2005 A Series and 0.80% for the 2005 B Series, not to exceed the one-month LIBOR rate plus 0.023% or fall below 95% of the one-month LIBOR rate. The interest rate at the end of the fiscal year was 5.05% for both Series.

Multifamily Housing Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1996 A	1999-2028	4.650 - 6.200%	\$ 4,505,000	\$ 4,025,000	\$ -	\$ 4,025,000	\$ -	\$ -
1997 A	1999-2029	4.100 - 5.700%	16,360,000	14,645,000	-	310,000	14,335,000	325,000
1997 B	2000-2029	4.000 - 5.550%	10,100,000	9,075,000	-	200,000	8,875,000	205,000
1999 A	2001-2030	3.450 - 5.150%	12,440,000	11,350,000	-	245,000	11,105,000	255,000
1999 B	2002-2031	4.300 - 6.000%	34,920,000	32,865,000	-	575,000	32,290,000	605,000
2000 A	2003-2042	4.600 - 6.050%	18,325,000	17,920,000	-	150,000	17,770,000	155,000
2001 A	2024-2032	4.600 - 5.100%	1,770,000	1,675,000	-	30,000	1,645,000	30,000
2001 B	2004-2043	2.900 - 5.450%	31,935,000	31,380,000	-	290,000	31,090,000	300,000
2002 A	2004-2033	1.800 - 5.000%	7,875,000	7,585,000	-	150,000	7,435,000	155,000
2003 A	2013-2044	4.400 - 5.150%	5,675,000	5,625,000	-	55,000	5,570,000	50,000
2004 A	2014-2045	4.300 - 5.100%	5,120,000	5,100,000	-	45,000	5,055,000	50,000
2004 B	2046	***	14,950,000	14,950,000	-	-	14,950,000	155,000
2005 A	2007-2047	3.050 - 5.000%	9,855,000	9,855,000	-	-	9,855,000	40,000
2006 A	2036	4.620 - 4.620%	5,680,000	-	5,680,000	-	5,680,000	70,000
Total Multifamily Housing Revenue Bonds				\$ 166,050,000	\$ 5,680,000	\$ 6,075,000	\$ 165,655,000	\$ 2,395,000

*** The interest rate is adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%. The interest rate at the end of the fiscal year was 3.85%.

Multiple Purpose Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2005 A	2005-2024	1.900 - 4.300%	\$46,405,000	\$ 41,605,000	\$ -	\$ 6,220,000	\$ 35,385,000	\$ 6,235,000
Total Multiple Purpose Bonds				\$ 41,605,000	\$ -	\$ 6,220,000	\$ 35,385,000	\$ 6,235,000

Total Revenue Bonds \$1,481,303,110 \$ 259,660,000 \$ 322,644,809 \$1,418,318,301 \$ 24,385,290

Total General Obligation and Revenue Bonds \$1,680,883,110 \$ 285,960,000 \$ 348,794,809 \$1,618,048,301 \$ 30,365,290

Bonds Payable Per Balance Sheet:

Bonds payable are presented on the balance sheet at their carrying value. The carrying value is the outstanding bond principal plus the accretion in principal for capital appreciation bonds plus unamortized bond premium less unamortized bond discount less the deferred amount on debt refunding. Bonds payable balances on June 30, 2007 are summarized below:

	Principal (per preceding Schedule)	Less: Discount	Plus: Premium	Plus: Accretion	Less: Deferred Amount on Debt Refunding	Bonds Payable
General Obligation Bonds:						
Elderly and Disabled Housing Program	\$ 199,730,000	\$ (309,211)	\$ -	\$ -	\$ (1,363,864)	\$ 198,056,925
Revenue Bonds (Housing Finance Fund):						
Single-Family Mortgage Program:						
Mortgage Revenue Bonds	911,596,301	(910)	8,426,623	2,052,322	(119,668)	921,954,668
Homeowner Revenue Bonds	305,682,000	-	-	-	-	305,682,000
Multifamily Housing Revenue Bonds	165,655,000	-	-	-	(241,100)	165,413,900
Multiple Purpose Bonds	35,385,000	-	-	-	(298,541)	35,086,459
Total Revenue Bonds	1,418,318,301	(910)	8,426,623	2,052,322	(659,309)	1,428,137,027
Total General Obligation and Revenue Bonds	\$ 1,618,048,301	\$ (310,121)	\$ 8,426,623	\$ 2,052,322	\$ (2,023,173)	\$ 1,626,193,952

Notes to the Financial Statements (Continued)
June 30, 2007

Debt Service Requirements to Maturity:

The following table summarizes the amounts necessary to pay all future bonded debt principal and interest requirements as of June 30, 2007 for each fiscal year during the next five year period ending June 30, 2012, and in five year increments thereafter.

Year Ending June 30	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 5,980,000	\$ 9,971,085	\$ 15,951,085	\$ 24,385,290	\$ 67,585,581	\$ 91,970,871
2009	7,535,000	9,944,372	17,479,372	27,296,011	67,727,563	95,023,574
2010	6,375,000	9,630,170	16,005,170	332,657,000	64,395,377	397,052,377
2011	6,720,000	9,320,621	16,040,621	27,255,000	49,258,010	76,513,010
2012	7,115,000	8,986,664	16,101,664	26,745,000	48,198,523	74,943,523
2013-2017	40,735,000	39,149,796	79,884,796	141,320,000	223,316,943	364,636,943
2018-2022	50,280,000	27,271,246	77,551,246	175,585,000	187,371,378	362,956,378
2023-2027	43,125,000	14,281,782	57,406,782	210,545,000	140,160,560	350,705,560
2028-2032	19,070,000	5,447,662	24,517,662	261,045,000	76,221,256	337,266,256
2033-2037	6,880,000	2,288,899	9,168,899	157,520,000	24,087,637	181,607,637
2038-2042	4,545,000	754,207	5,299,207	23,510,000	5,618,344	29,128,344
2043-2047	1,160,000	184,815	1,344,815	10,350,000	948,485	11,298,485
2048-2052	210,000	7,481	217,481	105,000	2,625	107,625
Total	\$ 199,730,000	\$ 137,238,800	\$ 336,968,800	\$ 1,418,318,301	\$ 954,892,282	\$ 2,373,210,583

The interest stated above includes coupon interest and accreted interest OHCSO expects to pay over the life of the bonds outstanding. Coupon interest is paid monthly for Homeowner Revenue Bonds and semiannually on January 1 and July 1 for remaining revenue bond programs. Coupon interest for general obligation bonds is paid February 1 and August 1. Accreted interest on capital appreciation bonds accrues as shown in the respective Official Statements and is paid when the bonds mature or are redeemed.

As of June 30, 2007, various statutory or constitutional provisions limited the amount of bonds outstanding to \$2,500,000,000 in revenue bonds and \$2,171,596,093 in general obligation bonds.

Debt Refunding:

On July 18, 2006, OHCSO issued \$16,105,000 of Mortgage Revenue Bonds that refunded previously issued Mortgage Revenue Bonds from Series 1993 A totaling \$16,105,000. The current refunding of these bonds increases the total debt service over the next 22 years by approximately \$4,484,037 and results in an economic gain of approximately \$2,075,462.

On December 19, 2006, OHCSO issued \$3,940,000 of Multifamily Housing Revenue Bonds that refunded previously issued Multifamily Housing Revenue Bonds from Series 1996 A totaling \$3,940,000. The current refunding of these bonds decreases the total debt service over the next 22 years by approximately \$908,206 and results in an economic gain of approximately \$367,969.

Loans Payable:

The following table summarizes the amounts necessary to pay all future loan principal and interest requirements as of June 30, 2007 for each fiscal year until the loan is due on July 7, 2009.

Year Ending June 30	Loans Payable		
	Principal	Interest	Total
2008	\$ -	\$ 69,735	\$ 69,735
2009	-	69,735	69,735
2010	1,500,000	1,337	1,501,337
Total	\$ 1,500,000	\$ 140,807	\$ 1,640,807

NOTE 8. Interest Rate Swaps

OHCS D has entered into six separate pay-fixed, receive-variable interest rate swaps to lower borrowing costs compared to fixed-rate bonds. The notional amounts of the swaps match the principal amounts of the associated debt. The following table lists the terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2007.

Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty	Counterparty Rating ^{@@}
MF [@] 2004 B	\$ 14,950,000	12/16/2004	3.894%	64% of LIBOR** + .27%	\$ 533,989	07/01/2046	Merrill Lynch Capital Services	Aa3/AA-/AA-
MRB* 2004 C	15,000,000	01/24/2006	4.032%	64% of LIBOR + .29%	534,626	07/01/2034	Morgan Stanley Capital Services	Aa3/A+/AA-
MRB 2004 I	15,000,000	01/24/2006	4.012%	64% of LIBOR + .29%	468,264	07/01/2034	Morgan Stanley Capital Services	Aa3/A+/AA-
MRB 2006 C	20,000,000	02/28/2006	4.184%	64% of LIBOR + .29%	363,668	07/01/2036	Morgan Stanley Capital Services	Aa3/A+/AA-
MRB 2006 F	20,000,000	07/18/2006	4.430%	64% of LIBOR + .29%	(124,167)	07/01/2037	Bank of America NA	Aaa/AA+/AA
MRB 2006 G	16,105,000	07/18/2006	3.833%	64% of LIBOR + .19%	(97,457)	07/01/2016	Morgan Stanley Capital Services	Aa3/AA-/AA-
	<u>\$ 101,055,000</u>				<u>\$ 1,678,923</u>			

[@] Multifamily Housing Revenue Bonds

* Mortgage Revenue Bonds

** London Interbank Offered Rate

^{@@} Moody's / S&P/ Fitch

The MF 2004 B swap contains an embedded one-time call option in 2007 on up to 10% of the notional amount to provide flexibility to reduce the swap notional amount if the project were to come in under budget and a portion of the bonds were retired. To manage credit (default) risk, the MF 2004 B swap has a call option where OHCS D has the right to "call" (cancel) the swap in whole or in part semiannually beginning in 2015. The MRB swaps include options giving OHCS D the right to call the swaps in whole or in part, depending on the exercise date, semi-annually beginning in 2012 (MRB 2004 C & I swaps) or 2013 (MRB 2006 C, & F swaps). These options provide flexibility to manage the pre-payments of loans and the related bonds.

Because of interest rate decreases after the swaps were executed, the fair value as of June 30, 2007 are negative for two of the swaps (MRB 2006 F & G). The other swaps have positive fair values as of June 30, 2007. OHCS D is exposed to credit risk in the amount of the derivative's fair value for each swap with a positive fair value. The valuations provided are derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions. This valuation methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

As interest rates fluctuate, variable-rate bond interest payments and net swap payments will differ between the fixed payments paid to the counterparty and the variable rate paid to OHCS D. Using rates as of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments are as follows:

Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps (Net)	Total
	Principal	Interest		
2008	\$ 155,000	\$ 3,802,595	\$ 362,215	\$ 4,319,810
2009	160,000	3,825,276	351,961	4,337,237
2010	165,000	3,819,111	361,995	4,346,106
2011	175,000	3,812,662	361,714	4,349,376
2012	180,000	3,805,827	361,416	4,347,243
2013-2017	1,030,000	18,916,910	1,781,805	21,728,715
2018-2022	1,270,000	18,699,074	1,782,639	21,751,713
2023-2027	1,555,000	18,430,419	1,771,043	21,756,462
2028-2032	40,880,000	14,888,653	1,571,062	57,339,715
2033-2037	47,620,000	5,799,148	665,482	54,084,630
2038-2042	4,720,000	952,978	45,928	5,718,906
2043-2047	3,145,000	310,822	13,670	3,469,492
Total	<u>\$ 101,055,000</u>	<u>\$ 97,063,475</u>	<u>\$ 9,430,930</u>	<u>\$ 207,549,405</u>

NOTE 9. Conduit Debt Obligations

Bonds issued under the Housing Development Revenue Bond program are limited obligations of OHCSO payable only out of trust estate specifically pledged to each bond issue. As of June 30, 2007, the total aggregate amount of Housing Development Revenue Bonds outstanding is \$132,836,235. No recourse may be taken against any properties, funds, or assets of OHCSO for the payment of any amounts owing with respect to these bonds. Bond owners will have no right to compel the payment of any amount owing with respect to these bonds out of any tax revenues, funds, or other assets of OHCSO or the State of Oregon, other than the security pledged to each bond issue.

NOTE 10. Segment Information

OHCSO issues revenue bonds to finance mortgage loans. Summary financial information for OHCSO's revenue bonds is presented below:

	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds
Condensed Statement of Net Assets:					
Assets					
Other Current Assets	\$ -	\$ 46,196,795	\$ 1,268,790	\$ 7,963,583	\$ 7,314,617
Noncurrent Assets	-	967,306,809	307,419,312	177,125,807	42,082,358
Total Assets	-	1,013,503,604	308,688,102	185,089,390	49,396,975
Liabilities					
Interfund Payables	-	88,753	-	-	-
Other Current Liabilities	-	41,808,660	1,268,790	6,958,234	7,011,933
Noncurrent Liabilities	-	906,819,323	307,344,295	163,018,900	29,253,614
Total Liabilities	-	948,716,736	308,613,085	169,977,134	36,265,547
Net Assets					
Restricted Net Assets	-	64,786,868	75,017	15,112,256	13,131,428
Total Net Assets	\$ -	\$ 64,786,868	\$ 75,017	\$ 15,112,256	\$ 13,131,428

Condensed Statement of Revenues, Expenses, and Changes in Net Assets:

Operating Revenues	\$ 930,439	\$ 51,671,655	\$ 19,137,546	\$ 11,175,274	\$ 4,688,655
Operating Expenses	(90,106)	(48,536,758)	(19,170,386)	(9,249,681)	(1,710,930)
Operating Income (Loss)	840,333	3,134,897	(32,840)	1,925,593	2,977,725
Transfers In	-	12,182,235	5,000	2,120,692	-
Transfers Out	(17,512,235)	-	-	(1,675,693)	(1,821,271)
Change in Net Assets	(16,671,902)	15,317,132	(27,840)	2,370,592	1,156,454
Beginning Net Assets	16,671,902	49,469,736	102,857	12,741,664	11,974,974
Ending Net Assets	\$ -	\$ 64,786,868	\$ 75,017	\$ 15,112,256	\$ 13,131,428

Condensed Statement of Cash Flows:

Net Cash Provided (Used) by:					
Operating Activities	\$ 859,426	\$ (63,909,470)	\$ (5,000)	\$ 5,290,494	\$ 9,681,151
Noncapital Financing Activities	(17,839,541)	78,805,166	(181,672,192)	(10,504,260)	(9,250,274)
Investing Activities	16,141,386	(12,525,818)	181,052,356	4,974,579	(409,986)
Net Increase (Decrease)	(838,729)	2,369,878	(624,836)	(239,187)	20,891
Beginning Cash and Cash Equivalents	838,729	17,556,156	1,973,362	962,826	652,602
Ending Cash and Cash Equivalents	\$ -	\$ 19,926,034	\$ 1,348,526	\$ 723,639	\$ 673,493

NOTE 11. Restricted Assets

Restricted asset account balances are as follows:

Purpose:	Elderly and Disabled Housing Fund	Housing Finance Fund
Loan Acquisition	\$ 21,056,640	\$ 24,340,200
Current Debt Service	15,951,085	91,970,871
Future Debt Service	28,699,652	363,627,648
Debt Reserves	23,356,938	49,124,349
Insurance Reserves	-	17,355,028
Combined Program Account	-	13,323,513
Matured Bonds and Coupons	30,744	83,915
Total	<u>\$ 89,095,059</u>	<u>\$ 559,825,524</u>
Balance Sheet Amounts:	Elderly and Disabled Housing Fund	Housing Finance Fund
Restricted Cash and Cash Equivalents – Current	\$ 10,062,242	\$ 1,352,705
Restricted Cash and Cash Equivalents – Noncurrent	36,862,424	22,152,842
Restricted Investments – Current	-	49,769,264
Restricted Investments – Noncurrent	42,170,393	486,550,713
Total	<u>\$ 89,095,059</u>	<u>\$ 559,825,524</u>

NOTE 12. Employee Retirement Plan

The 2003 Oregon Legislature created the Oregon Public Service Retirement Plan (OPSRP). Public employees hired on or after August 29, 2003 become part of OPSRP, unless membership was previously established in the Oregon Public Employee's Retirement System (PERS). OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). PERS member contributions go into the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but member contributions are deposited in the member's IAP account, not into the member's PERS account. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from PERS, P.O. Box 23700, Tigard, Oregon 97281-3700.

Oregon Public Employee's Retirement System (PERS)

OHCS D's employees who were plan members before August 29, 2003 participate in the Oregon Public Employee's Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS is administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, chapter 238. The PERS retirement allowance, payable monthly for life, may be selected from several retirement benefit options. Options include survivorship benefits and lump sum payments. PERS also provides death and disability benefits.

OHCS D is required by statute to contribute actuarially computed amounts as determined by PERS (the agency). Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for fiscal year 2007 was 8.69 percent. The amounts contributed by OHCS D for the years ending June 30, 2007, 2006, and 2005 were \$221,268, \$230,062, and \$157,302, respectively, equal to the required contributions for each year.

Oregon Public Service Retirement Plan (OPSRP)

The Pension Program, a cost-sharing multiple-employer defined benefit pension plan, is the defined benefit portion of Oregon Public Service Retirement Plan (OPSRP). The Pension Program is administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, chapter 238A. The Pension Program monthly pension benefit is payable for life and, after the death of the member, payable to the designated beneficiary at either the same amount or one-half of the amount, depending on the option the member chose at retirement. If the monthly pension benefit is less than \$200, or the monthly death benefit payable to the beneficiary of a deceased member is less than \$200, a lump sum payment that represents the actuarial equivalent of the present value of the pension or death benefit will be paid to the member or the deceased member's beneficiary.

OHCSO is required by statute to contribute actuarially computed amounts as determined by PERS (the agency). Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for fiscal year 2007 was 4.43 percent. The amount contributed by OHCSO for the years ending June 30, 2007, 2006, and 2005 were \$28,233, \$31,698, and \$15,569, respectively, equal to the required contribution for each year.

The Individual Account Program (IAP) is the defined contribution portion of OPSRP. The IAP is administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, chapter 238A. Covered employees are required by State statute to contribute 6.0 percent of their salary to the plan. State agencies currently pay the 6.0 percent member contribution for their employees. The amount contributed by OHCSO for the years ending June 30, 2007, 2006, and 2005 were \$190,520, \$189,717, and \$200,123, respectively, equal to the required contributions for each year.

NOTE 13. Risk Financing

The State of Oregon administers property and casualty insurance programs covering State government through its Insurance Fund. The Insurance Fund services claims for: direct physical loss or damage to state property; tort liability claims brought against the State, its officers, employees, or agents; workers' compensation; employee dishonesty; and faithful performance coverage for certain positions required by law to be covered, and other key positions.

As a state agency, OHCSO participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each State entity based on its share of services provided in a prior period. The total statewide assessment of each coverage is based on independent biennial actuarial forecasts and administrative expenses, less carry-forward or equity in the Insurance Fund.

For OHCSO, the amount of claim settlements did not exceed insurance coverage for each of the past three fiscal years.

NOTE 14. Subsequent Events

On July 31, 2007, OHCSO issued the following Mortgage Revenue Bonds:

	<u>Issue Amount</u>
2007 Series C	\$ 27,025,000
2007 Series D	32,975,000
2007 Series E	30,000,000

On July 31, 2007, OHCSO entered into a swap transaction for MRB 2007 E. The notional amount of the swap is \$30,000,000 and the termination date is July 1, 2038. OHCSO will pay the counterparty (Bear Stearns Financial Products) a fixed rate of 4.388% and receive a variable payment of 64% of LIBOR plus 29 basis points.

On August 1, 2007, OHCSO issued the following Homeowner Revenue Bonds:

	<u>Issue Amount</u>
2005 Series A	\$ 6,985,000
2005 Series B	2,315,000

On September 4, 2007, OHCSO called the following Homeowner Revenue Bonds prior to maturity:

	<u>Amount Called</u>
2005 Series A	\$ 27,025,000
2005 Series B	53,292,000

Notes to the Financial Statements (Continued)
June 30, 2007

On September 4, 2007, OHCS D called the following Mortgage Revenue Bonds prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>
1991 Series D	\$ 235,000	2001 Series R	\$ 580,000
1992 Series C	215,000	2002 Series A	80,000
1993 Series B	215,000	2002 Series B	355,000
1994 Series A	45,000	2002 Series F	140,000
1995 Series A	130,000	2002 Series G	900,000
1995 Series C	170,000	2002 Series H	110,000
1995 Series E	75,000	2002 Series I	735,000
1996 Series B	210,000	2002 Series M	230,000
1996 Series D	25,000	2002 Series N	910,000
1996 Series H	250,000	2003 Series A	440,000
1997 Series A	35,000	2003 Series B	985,000
1997 Series F	695,000	2003 Series E	375,000
1997 Series H	1,065,000	2003 Series F	1,130,000
1998 Series A	10,000	2003 Series J	415,000
1998 Series B	555,000	2003 Series K	790,000
1998 Series D	730,000	2004 Series A	900,000
1998 Series G	1,025,000	2004 Series B	965,000
1999 Series A	415,000	2004 Series G	655,000
1999 Series E	420,000	2004 Series H	770,000
1999 Series I	160,000	2004 Series J	1,195,000
1999 Series J	250,000	2004 Series K	635,000
1999 Series M	160,000	2004 Series M	25,000
2000 Series B	425,000	2004 Series N	75,000
2000 Series E	200,000	2005 Series A	550,000
2000 Series H	675,000	2005 Series B	545,000
2000 Series K	370,000	2005 Series D	395,000
2000 Series L	455,000	2005 Series E	560,000
2001 Series A	640,000	2006 Series A	295,000
2001 Series C	100,000	2006 Series B	300,000
2001 Series F	115,000	2006 Series D	380,000
2001 Series G	440,000	2006 Series E	210,000
2001 Series J	700,000	2006 Series H	130,000
2001 Series L	120,000	2006 Series I	135,000
2001 Series Q	180,000		

On November 20, 2007, OHCS D issued the following Mortgage Revenue Bonds:

	<u>Issue Amount</u>
2007 Series F	\$ 18,855,000
2007 Series G	41,145,000
2007 Series H	30,000,000

On November 20, 2007, OHCS D entered into a swap transaction for MRB 2007 H. The notional amount of the swap is \$30,000,000 and the termination date is July 1, 2038. OHCS D will pay the counterparty (Merrill Lynch Capital Services) a fixed rate of 4.06% and receive a variable payment of 64% of LIBOR plus 30 basis points.

On December 3, 2007, OHCS D issued the following Homeowner Revenue Bonds:

	<u>Issue Amount</u>
2005 Series A	\$ 6,330,000
2005 Series B	11,570,000



Supplementary Information

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Combining Schedule of Housing Finance Fund Balance Sheet Activities
June 30, 2007

	Single-Family Mortgage Program			Multifamily
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds	Housing Revenue Bonds
Assets				
Current Assets				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	-	-	1,268,790	-
Investments - Restricted	-	36,229,495	-	6,754,823
Securities Lending Cash Collateral	-	5,259,873	-	176,287
Accounts Receivable	-	-	-	-
Accrued Interest Receivable	-	4,402,062	-	1,032,473
Interfund Receivable	-	-	-	-
Acquired Property	-	305,365	-	-
Total Current Assets	-	46,196,795	1,268,790	7,963,583
Noncurrent Assets				
Cash & Cash Equivalents - Restricted	-	19,926,034	79,736	723,639
Investments - Restricted	-	138,805,049	307,264,500	16,846,602
Deferred Charges	-	7,792,696	75,076	2,010,061
Loans Receivable (Net)	-	800,783,030	-	157,545,505
Capital Assets (Net)	-	-	-	-
Total Noncurrent Assets	-	967,306,809	307,419,312	177,125,807
Total Assets	\$ -	\$ 1,013,503,604	\$ 308,688,102	\$ 185,089,390
Liabilities and Net Assets				
Liabilities				
Current Liabilities				
Accounts Payable	\$ -	\$ 291,701	\$ -	\$ 27,124
Accrued Interest Payable	-	20,474,205	1,268,790	4,359,823
Obligations Under Securities Lending	-	5,259,873	-	176,287
Interfund Payable	-	88,753	-	-
Matured Bonds and Interest Payable	-	-	-	-
Deferred Income	-	27,591	-	-
Compensated Absences Payable	-	-	-	-
Bonds Payable	-	15,755,290	-	2,395,000
Total Current Liabilities	-	41,897,413	1,268,790	6,958,234
Noncurrent Liabilities				
Compensated Absences Payable	-	-	-	-
Bonds Payable	-	906,199,378	305,682,000	163,018,900
Arbitrage Rebate Liability	-	619,945	1,662,295	-
Loans Payable	-	-	-	-
Total Noncurrent Liabilities	-	906,819,323	307,344,295	163,018,900
Total Liabilities	-	948,716,736	308,613,085	169,977,134
Net Assets				
Invested in Capital Assets	-	-	-	-
Restricted for Residential Assistance	-	-	-	-
Restricted by Trust Indentures	-	64,786,868	75,017	15,112,256
Unrestricted	-	-	-	-
Total Net Assets	-	64,786,868	75,017	15,112,256
Total Liabilities and Net Assets	\$ -	\$ 1,013,503,604	\$ 308,688,102	\$ 185,089,390

Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ -	\$ -	\$ 7,012,746	\$ 7,012,746
-	-	83,915	1,352,705
6,784,946	-	-	49,769,264
221,226	-	2,775,832	8,433,218
2	-	42,109	42,111
308,443	4,825	176,034	5,923,837
-	-	249,092	249,092 **
-	-	-	305,365
7,314,617	4,825	10,339,728	73,088,338
673,493	20,273	729,667	22,152,842
9,850,825	13,303,240	480,497	486,550,713
314,560	-	-	10,192,393
31,243,480	-	4,603,778	994,175,793
-	-	17,488	17,488
42,082,358	13,323,513	5,831,430	1,513,089,229
\$ 49,396,975	\$ 13,328,338	\$ 16,171,158	\$ 1,586,177,567
\$ 1,594	\$ -	\$ 355,107	\$ 675,526
549,946	-	17,298	26,670,062
221,226	-	2,775,832	8,433,218
-	-	65	88,818 **
-	-	83,915	83,915
4,167	-	64	31,822
-	-	155,358	155,358
6,235,000	-	-	24,385,290
7,011,933	-	3,387,639	60,524,009
-	-	76,519	76,519
28,851,459	-	-	1,403,751,737
402,155	-	-	2,684,395
-	-	1,500,000	1,500,000
29,253,614	-	1,576,519	1,408,012,651
36,265,547	-	4,964,158	1,468,536,660
-	-	17,488	17,488
-	-	1,741,444	1,741,444
13,131,428	13,328,338	-	106,433,907
-	-	9,448,068	9,448,068
13,131,428	13,328,338	11,207,000	117,640,907
\$ 49,396,975	\$ 13,328,338	\$ 16,171,158	\$ 1,586,177,567

** Interfund Receivables and Payables within the Housing Finance Fund totaling \$88,753 are not included in the Balance Sheet.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Combining Schedule of Housing Finance Fund Revenues, Expenses,
and Changes in Fund Net Asset Activities
For the Year Ended June 30, 2007

	Single-Family Mortgage Program			
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds	Multifamily Housing Revenue Bonds
Operating Revenues				
Interest on Loans	\$ 262,145	\$ 41,427,706	\$ -	\$ 9,878,631
Investment Income	657,550	10,174,402	19,137,546	1,272,628
Administrative Charges and Fees	-	-	-	24,015
Transfer/Commitment Fees	-	-	-	-
Low Income Housing Tax Credit Fees	-	-	-	-
Gain (Loss) on Sale of Foreclosed Property	10,744	69,547	-	-
Miscellaneous Revenue	-	-	-	-
Total Operating Revenues	930,439	51,671,655	19,137,546	11,175,274
Operating Expenses				
Personal Services	-	-	-	-
Services and Supplies	-	12,312	5,000	337,319
Mortgage Service Fees	15,462	2,837,735	-	23,524
Foreclosure Costs	(4,312)	67,828	-	-
Interest Expense - Bonds	-	41,424,103	19,138,888	8,718,044
Interest Expense - Loans	-	-	-	-
Interest Expense - Securities Lending	77,573	512,708	-	41,723
Other Related Program Expenses	1,383	3,208,722	-	-
Amortization of Deferred Bond Issuance Costs	-	473,350	26,498	114,211
Depreciation/Amortization	-	-	-	-
Bad Debt Expense	-	-	-	14,860
Total Operating Expenses	90,106	48,536,758	19,170,386	9,249,681
Operating Income (Loss)	840,333	3,134,897	(32,840)	1,925,593
Transfers from Other Funds	-	12,182,235	5,000	2,120,692
Transfers to Other Funds	(17,512,235)	-	-	(1,675,693)
Change in Net Assets	(16,671,902)	15,317,132	(27,840)	2,370,592
Net Assets - Beginning	16,671,902	49,469,736	102,857	12,741,664
Net Assets - Ending	\$ -	\$ 64,786,868	\$ 75,017	\$ 15,112,256

Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ 3,395,438	\$ 49,311	\$ 193,207	\$ 55,206,438
560,499	649,402	313,212	32,765,239
732,718	-	794,224	1,550,957
-	-	1,020,545	1,020,545
-	-	1,426,011	1,426,011
-	-	-	80,291
-	-	17,842	17,842
4,688,655	698,713	3,765,041	92,067,323
-	-	3,831,605	3,831,605
-	-	2,100,644	2,455,275
25,413	274	9,858	2,912,266
-	-	-	63,516
1,237,649	-	-	70,518,684
-	-	68,426	68,426
32,608	-	63,834	728,446
321,271	-	528,852	4,060,228
105,572	-	-	719,631
-	-	19,334	19,334
(11,583)	(8,428)	5,222	71
1,710,930	(8,154)	6,627,775	85,377,482
2,977,725	706,867	(2,862,734)	6,689,841
-	5,675,693	9,439,087	29,422,707 **
(1,821,271)	(5,675,692)	(2,620,000)	(29,304,891) **
1,156,454	706,868	3,956,353	6,807,657
11,974,974	12,621,470	7,250,647	110,833,250
\$ 13,131,428	\$ 13,328,338	\$ 11,207,000	\$ 117,640,907

** Transfers within the Housing Finance Fund totaling \$29,304,891 are not included in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Combining Schedule of Housing Finance Fund Cash Flow Activities
For the Year Ended June 30, 2007

	Single-Family Mortgage Program		
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds
Cash Flows from Operating Activities			
Received from Customers	\$ -	\$ -	\$ -
Program Loan Principal Repayments	604,048	90,165,774	-
Program Loan Interest Received	268,305	40,983,086	-
Program Loans Made	-	(189,306,233)	-
Payments to Employees for Services	-	-	-
Payments to Suppliers for Goods and Services	(17,239)	(2,848,332)	(5,000)
Other Receipts (Payments)	4,312	(2,903,765)	-
Net Cash Provided (Used) in Operating Activities	859,426	(63,909,470)	(5,000)
Cash Flows from Noncapital Financing Activities			
Proceeds from Bond Sales	-	221,580,564	36,290,000
Principal Payments on Bonds	(4,485,000)	(107,631,809)	(198,233,000)
Interest Payments on Bonds	(166,590)	(40,844,227)	(19,734,192)
Bond Issue Costs	-	(2,157,313)	-
Bond Call Costs	-	-	-
Interest Payments on Loans	-	-	-
Transfers from Other Funds	-	7,857,951	5,000
Transfers to Other Funds	(13,187,951)	-	-
Net Cash Provided (Used) in Noncapital Financing Activities	(17,839,541)	78,805,166	(181,672,192)
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities			
Purchase of Investments	-	(273,027,525)	(37,477,472)
Proceeds from Sales and Maturities of Investments	15,644,621	255,185,406	198,233,000
Interest on Cash and Investments	496,765	5,316,301	20,296,828
Investment Income on Securities Lending	77,573	512,708	-
Interest Paid on Securities Lending	(77,573)	(512,708)	-
Net Cash Provided (Used) in Investing Activities	16,141,386	(12,525,818)	181,052,356
Net Increase (Decrease) in Cash and Cash Equivalents	(838,729)	2,369,878	(624,836)
Cash and Cash Equivalents Balance - Beginning	838,729	17,556,156	1,973,362
Cash and Cash Equivalents Balance - Ending	\$ -	\$ 19,926,034	\$ 1,348,526
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted (Current)	-	-	1,268,790
Cash and Cash Equivalents - Restricted (Noncurrent)	-	19,926,034	79,736
Total Cash and Cash Equivalents	\$ -	\$ 19,926,034	\$ 1,348,526

Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ 24,015	\$ 734,564	\$ -	\$ 3,224,174	\$ 3,982,753
1,732,126	5,871,038	9,808	853,517	99,236,311
9,895,255	3,422,769	53,806	158,521	54,781,742
(6,000,000)	-	-	(2,021,700)	(197,327,933)
-	-	-	(3,808,052)	(3,808,052)
(360,902)	(25,949)	(299)	(2,300,622)	(5,558,343)
-	(321,271)	-	(543,597)	(3,764,321)
5,290,494	9,681,151	63,315	(4,437,759)	(52,457,843)
5,680,000	-	-	-	263,550,564
(6,075,000)	(6,220,000)	-	-	(322,644,809)
(8,737,436)	(1,209,003)	-	83,915	(70,607,533)
(62,331)	-	-	-	(2,219,644)
(78,800)	-	-	-	(78,800)
-	-	-	(51,128)	(51,128)
445,000	-	5,675,693	9,439,087	23,422,731 **
(1,675,693)	(1,821,271)	(4,000,000)	(2,620,000)	(23,304,915) **
(10,504,260)	(9,250,274)	1,675,693	6,851,874	(131,933,534)
-	-	-	(8,125)	(8,125)
-	-	-	(8,125)	(8,125)
(17,735,082)	(12,267,327)	(27,801,250)	(465,956)	(368,774,612)
21,942,175	11,333,844	25,742,685	632,000	528,713,731
767,486	523,497	310,699	235,463	27,947,039
41,723	32,608	-	63,834	728,446
(41,723)	(32,608)	-	(63,834)	(728,446)
4,974,579	(409,986)	(1,747,866)	401,507	187,886,158
(239,187)	20,891	(8,858)	2,807,497	3,486,656
962,826	652,602	29,131	5,018,831	27,031,637
\$ 723,639	\$ 673,493	\$ 20,273	\$ 7,826,328	\$ 30,518,293
\$ -	\$ -	\$ -	\$ 7,012,746	\$ 7,012,746
-	-	-	83,915	1,352,705
723,639	673,493	20,273	729,667	22,152,842
\$ 723,639	\$ 673,493	\$ 20,273	\$ 7,826,328	\$ 30,518,293

** Transfers within the Housing Finance Fund totaling \$23,304,915 are not included in the Statement of Cash Flows.

Continued on the next page

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Combining Schedule of Housing Finance Fund Cash Flow Activities
For the Year Ended June 30, 2007

Continued from the previous page

	Single-Family Mortgage Program		
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 840,333	\$ 3,134,897	\$ (32,840)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation/Amortization	-	-	-
Amortization of Deferred Bond Issuance Costs	-	473,350	26,498
Bad Debt Expense	-	-	-
Investment Income Reported as Operating Revenue	(657,550)	(10,174,402)	(19,137,546)
Interest Expense Reported as Operating Expense	77,573	41,936,811	19,138,888
Bond Call Expenses	1,383	(19,236)	-
<i>(Increase)/Decrease in Assets:</i>			
Loan Interest Receivable	30,181	(477,134)	-
Accounts Receivable	-	-	-
Interfund Receivable	-	23,988	-
Loans Receivable	593,303	(98,855,704)	-
Acquired Property	-	64,823	-
<i>Increase/(Decrease) in Liabilities:</i>			
Accounts Payable	(1,776)	(16,882)	-
Interfund Payable	(23,988)	(8,507)	-
Deferred Income	(33)	8,526	-
Compensated Absences Payable	-	-	-
Net Cash Provided (Used) in Operating Activities	\$ 859,426	\$ (63,909,470)	\$ (5,000)
Noncash Investing, Capital, and Financing Activities			
Net Change in Fair Value of Investments	\$ 135,094	\$ 4,937,971	\$ -
Foreclosed Property	-	690,094	-
Loans Transferred Between Programs	(4,324,284)	4,324,284	-
Total Noncash Investing, Capital, and Financing Activities	\$ (4,189,190)	\$ 9,952,349	\$ -

Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ 1,925,593	\$ 2,977,725	\$ 706,867	\$ (2,862,734)	\$ 6,689,841
-	-	-	19,334	19,334
114,211	105,572	-	-	719,631
14,860	(11,583)	(8,428)	5,222	71
(1,272,628)	(560,499)	(649,402)	(313,212)	(32,765,239)
8,759,767	1,270,257	-	132,260	71,315,556
-	-	-	-	(17,853)
16,624	27,948	4,495	(31,751)	(429,637)
-	1,846	-	20,834	22,680
-	-	-	(151,042)	(127,054) **
(4,267,874)	5,871,038	9,808	(1,168,183)	(97,817,612)
-	-	-	-	64,823
(59)	(536)	(25)	(127,645)	(146,923)
-	-	-	65	(32,430) **
-	(617)	-	(2,935)	4,941
-	-	-	42,028	42,028
\$ 5,290,494	\$ 9,681,151	\$ 63,315	\$ (4,437,759)	\$ (52,457,843)
\$ 494,177	\$ 285,937	\$ 369,146	\$ 13,193	\$ 6,235,518
-	-	-	-	690,094
1,675,692	-	(1,675,692)	-	-
\$ 2,169,869	\$ 285,937	\$ (1,306,546)	\$ 13,193	\$ 6,925,612

** Interfund Receivables and Payables within the Housing Finance Fund totaling a decrease of \$32,495 are not included in the Statement of Cash Flows.



Statistical Section

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Assets, Liabilities, and Net Assets

Enterprise Funds

Last Six Fiscal Years

	2007	2006	2005	2004
Assets				
Cash and Cash Equivalents	\$ 7,012,746	\$ 4,606,282	\$ 5,386,744	\$ 3,856,659
Cash and Cash Equivalents - Restricted	70,430,213	69,408,645	72,302,891	73,104,838
Investments - Restricted	578,490,370	712,791,097	829,746,883	797,367,789
Securities Lending Cash Collateral	25,836,141	9,253,194	11,809,193	35,166,002
Accounts Receivable	42,246	65,160	91,840	36,279
Accrued Interest Receivable	7,332,201	6,717,595	7,663,814	9,792,224
Prepaid Expenses	-	-	-	7,600
Acquired Property	305,365	370,188	1,274,752	2,010,283
Deferred Charges	12,097,666	11,538,403	12,506,193	12,551,858
Loans Receivable (Net)	1,159,044,260	1,076,206,182	1,038,932,304	974,766,986
Capital Assets (Net)	22,101	38,262	58,222	144,792
Total Assets	\$ 1,860,613,309	\$ 1,890,995,008	\$ 1,979,772,836	\$ 1,908,805,310
Liabilities				
Accounts Payable	\$ 711,347	\$ 910,893	\$ 809,374	\$ 1,567,117
Accrued Interest Payable	30,721,560	30,037,256	34,763,251	32,206,359
Obligations Under Securities Lending	25,836,141	9,253,194	11,809,193	35,166,002
Matured Bonds and Interest Payable	114,659	67,269	116,063	157,106
Deferred Income	237,243	32,235	22,840	29,948
Compensated Absences Payable	280,383	234,026	284,300	300,154
Bonds Payable	1,626,193,952	1,686,591,346	1,767,850,894	1,680,431,309
Arbitrage Rebate Liability	2,690,820	823,863	219,184	595,301
Loans Payable	1,500,000	1,500,000	4,421,200	5,716,450
Total Liabilities	\$ 1,688,286,105	\$ 1,729,450,082	\$ 1,820,296,299	\$ 1,756,169,746
Net Assets				
Invested in Capital Assets	\$ 22,101	\$ 38,262	\$ 58,222	\$ 144,792
Restricted for Residential Assistance	1,741,444	1,546,849	1,545,107	1,547,749
Restricted by Trust Indentures	161,115,591	154,284,714	152,183,757	147,604,729
Unrestricted	9,448,068	5,675,101	5,689,451	3,338,294
Total Net Assets	\$ 172,327,204	\$ 161,544,926	\$ 159,476,537	\$ 152,635,564

2003	2002
\$ 4,123,840	\$ 6,090,414
66,599,975	72,845,538
734,007,673	557,161,155
9,201,365	5,381,403
214,251	113,403
7,268,314	11,453,337
169	15,495
2,485,589	1,858,656
14,215,636	14,176,522
1,016,408,800	1,077,824,363
157,212	177,935
<u>\$ 1,854,682,824</u>	<u>\$ 1,747,098,221</u>

\$ 1,017,577	\$ 3,909,628
35,221,084	38,138,448
9,201,365	5,381,403
480,540	529,517
35,926	26,884
296,259	305,702
1,635,954,116	1,531,763,222
2,082,620	4,723,376
3,891,071	4,000,000
<u>\$ 1,688,180,558</u>	<u>\$ 1,588,778,180</u>

\$ 157,212	\$ 177,935
1,994,293	1,824,609
159,853,666	150,329,625
4,497,095	5,987,872
<u>\$ 166,502,266</u>	<u>\$ 158,320,041</u>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Revenues, Expenses, and Change in Net Assets
Enterprise Funds
Last Ten Fiscal Years

	2007	2006	2005	2004
Operating Revenues				
Interest on Loans	\$ 67,437,211	\$ 65,082,624	\$ 64,114,118	\$ 65,650,387
Investment Income	37,368,458	25,652,212	28,621,494	4,819,534
Administrative Charges and Fees	1,631,607	1,470,229	1,584,686	2,346,977
Transfer/Commitment Fees	1,519,361	1,478,102	1,517,595	1,006,822
Low Income Housing Tax Credit Fees	1,426,011	1,312,453	1,179,279	1,122,706
Mortgage Credit Certificate Fees	-	-	-	-
Gain on Sale of Foreclosed Property	80,291	198,983	269,196	337,473
Miscellaneous Revenue	18,741	245,240	56,236	153,059
Total Operating Revenues	109,481,680	95,439,843	97,342,604	75,436,958
Operating Expenses				
Personal Services	4,950,826	4,845,797	5,102,049	5,360,496
Services and Supplies	2,849,585	3,271,671	2,849,854	3,688,026
Mortgage Service Fees	2,988,871	2,664,045	2,508,225	2,390,462
Foreclosure Costs	63,516	137,702	208,736	327,082
Interest Expense - Bonds	80,753,939	75,721,114	71,779,520	71,465,838
Interest Expense - Loans	68,426	173,520	226,258	174,574
Interest Expense - Securities Lending	1,426,417	570,599	454,241	421,428
Other Related Program Expenses	4,770,778	4,879,984	5,992,723	3,739,067
Amortization of Deferred Bond Issuance Costs	874,064	1,129,185	1,390,976	1,476,403
Depreciation/Amortization	25,497	62,460	86,570	122,702
Bad Debt Expense	(72,517)	(84,623)	(97,521)	137,582
Total Operating Expenses	98,699,402	93,371,454	90,501,631	89,303,660
Operating Income (Loss)	10,782,278	2,068,389	6,840,973	(13,866,702)
Nonoperating Revenue/(Expenses)				
Gain/(Loss) on Disposition of Capital Assets	-	-	-	-
Total Nonoperating Revenue/(Expenses)	-	-	-	-
Change in Net Assets	\$ 10,782,278	\$ 2,068,389	\$ 6,840,973	\$ (13,866,702)

					Unaudited
2003	2002	2001	2000	1999	1998
\$ 71,465,435	\$ 72,928,497	\$ 67,714,244	\$ 59,712,811	\$ 51,599,437	\$ 49,470,569
26,337,964	25,999,709	37,090,750	29,165,409	21,504,499	29,290,017
1,287,564	866,827	892,201	839,522	587,101	875,389
1,051,794	1,924,442	2,158,957	3,137,948	1,526,166	1,222,215
1,117,418	884,634	791,355	582,379	510,704	466,363
-	75	125	150	570	6,569
118,817	45,516	29,757	61,394	24,315	-
42,221	181,343	1,448,282	213,110	196,237	288,188
101,421,213	102,831,043	110,125,671	93,712,723	75,949,029	81,619,310
5,798,187	5,488,760	5,089,114	4,764,953	4,370,317	3,340,984
2,852,514	2,842,198	2,921,737	2,688,021	2,579,604	1,850,048
2,684,267	2,699,626	2,517,471	2,132,604	1,693,703	1,560,202
214,978	99,046	39,964	44,019	41,877	8,099
77,158,001	79,687,587	76,622,684	68,769,372	60,580,845	55,619,972
129,231	65,467	36,213	29,377	3,968	-
159,076	112,001	278,322	389,209	331,776	359,799
2,748,849	5,527,426	2,522,261	1,991,381	1,761,623	1,541,757
1,375,300	1,523,776	1,615,378	1,575,026	1,251,314	904,281
104,076	147,903	348,529	515,674	460,439	256,705
14,509	7,072	186,208	53,208	132,070	255,006
93,238,988	98,200,862	92,177,881	82,952,844	73,207,536	65,696,853
8,182,225	4,630,181	17,947,790	10,759,879	2,741,493	15,922,457
-	-	38,965	(6,507)	(3,377)	-
-	-	38,965	(6,507)	(3,377)	-
\$ 8,182,225	\$ 4,630,181	\$ 17,986,755	\$ 10,753,372	\$ 2,738,116	\$ 15,922,457

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
 Weighted Average Interest Rate - New Mortgage Loans
 Enterprise Funds
 Last Six Fiscal Years

Unaudited

	2007	2006	2005	2004	2003	2002
Overall Weighted Average Interest Rate	5.700%	5.255%	5.151%	5.223%	5.637%	6.078%
Elderly and Disabled Housing Program	-	6.531%	6.000%	6.702%	6.123%	5.637%
Housing Finance Revenue Bonds	-	4.801%	-	-	-	-
Mortgage Revenue Bonds	5.696%	5.237%	5.088%	4.850%	5.456%	6.086%
Multifamily Housing Revenue Bonds	5.900%	5.900%	6.221%	6.311%	7.050%	6.507%
Combined Program Account	-	6.400%	-	-	-	-
Housing Finance Account	-	1.000%	-	-	2.441%	-

Weighted average interest rate is calculated by multiplying each loan amount by the interest rate on the loan, adding all results together, then dividing by the total amount of new loans.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Principal Program Loan Interest Payers
Enterprise Funds
Current Year and Five Years Ago

Unaudited

Project	Fiscal Year 2007			Fiscal Year 2002		
	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received
Woodridge Apartments	1	\$ 1,013,691	1.51%			
Westridge Meadows Apartments	2	986,449	1.47%			
Troutdale Terrace	3	904,912	1.34%	7	482,958	0.65%
Willamette Gardens Apartments	4	855,500	1.27%			
Lake Crest Apartments	5	640,356	0.95%	1	828,697	1.12%
The Hazelwood Apartments	6	501,420	0.75%	3	585,431	0.79%
Park Tower Apartments	7	462,747	0.69%	2	640,939	0.87%
Fifth Avenue Court Apartments	8	461,888	0.69%	6	496,403	0.67%
Buckman Heights Apartments	9	448,197	0.67%	5	525,373	0.71%
Gateway Park Apartments	10	443,376	0.66%			
Cascadia Village Retirement Center				4	540,665	0.73%
Fountain Plaza				8	473,531	0.64%
1200 Building Apartments				9	448,322	0.61%
Cascade Park Retirement Center				10	410,938	0.56%
Total		\$ 6,718,536	10.00%		\$ 5,433,257	7.35%

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Ratio of Outstanding Debt
Enterprise Fund
Last Ten Fiscal Years

Unaudited

Fiscal Year	Business-Type Activities - Enterprise Funds				Percentage of Personal Income ⁽³⁾	Per Capita ⁽³⁾
	General Obligation Bonds ⁽¹⁾	Revenue Bonds ⁽²⁾	Loans Payable	Total		
2007	\$ 199,730,000	\$ 1,418,318,301	\$ 1,500,000	\$ 1,619,548,301	1.32%	\$ 438
2006	199,580,000	1,481,303,110	1,500,000	1,682,383,110	1.44%	462
2005	222,990,000	1,540,489,226	4,421,200	1,767,900,426	1.60%	492
2004	251,170,000	1,426,629,827	5,716,450	1,683,516,277	1.61%	473
2003	288,115,000	1,347,784,827	3,891,071	1,639,790,898	1.61%	466
2002	275,495,000	1,255,374,827	4,000,000	1,534,869,827	1.55%	442
2001	282,200,000	1,149,674,827	748,606	1,432,623,433	1.49%	418
2000	289,720,000	1,059,249,827	75,000	1,349,044,827	1.50%	397
1999	277,065,000	960,449,827	268,500	1,237,783,327	1.45%	369
1998	244,320,000	770,804,827	-	1,015,124,827	1.26%	307

⁽¹⁾ Elderly and Disabled Housing Bonds

⁽²⁾ Mortgage Revenue Bonds, Homeowner Revenue Bonds, Multifamily Housing Revenue Bonds, Multiple Purpose Bonds (beginning in FY 2005), Housing Finance Revenue Bonds (through FY 2006), and Assisted or Insured Multi-Unit Bonds (through FY 2004)

⁽³⁾ Population and Personal Income information can be found on page 56.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Legal Debt Margin Information
Enterprise Fund
Last Ten Fiscal Years

Unaudited

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Percentage of Debt Limit
General Obligation Bonds				
2007	\$ 2,171,596,093	\$ 199,730,000	\$ 1,971,866,093	9.20%
2006	1,814,184,612	199,580,000	1,614,604,612	11.00%
2005	1,651,243,593	222,990,000	1,428,253,593	13.50%
2004	1,526,855,488	251,170,000	1,275,685,488	16.45%
2003	1,436,406,940	288,115,000	1,148,291,940	20.06%
2002	1,370,162,155	275,495,000	1,094,667,155	20.11%
2001	1,291,069,462	282,200,000	1,008,869,462	21.86%
2000	1,201,599,761	289,720,000	911,879,761	24.11%
1999	1,111,054,649	277,065,000	833,989,649	24.94%
1998	1,046,171,744	244,320,000	801,851,744	23.35%
Revenue Bonds				
2007	\$ 2,500,000,000	\$ 1,418,318,301	\$ 1,081,681,699	56.73%
2006	2,500,000,000	1,481,303,110	1,018,696,890	59.25%
2005	2,000,000,000	1,540,489,226	459,510,774	77.02%
2004	2,000,000,000	1,426,629,827	573,370,173	71.33%
2003	2,000,000,000	1,347,784,827	652,215,173	67.39%
2002	2,000,000,000	1,255,374,827	744,625,173	62.77%
2001	2,000,000,000	1,149,674,827	850,325,173	57.48%
2000	2,000,000,000	1,059,249,827	940,750,173	52.96%
1999	1,030,000,000	960,449,827	69,550,173	93.25%
1998	1,030,000,000	770,804,827	259,195,173	74.84%

Legal Debt Margin for Fiscal Year 2007

General Obligation Bonds

True cash value of all taxable property in the state	\$ 434,319,218,596
Debt Limit (0.5% of true cash value)	2,171,596,093
Less: Debt applicable to the limit (Elderly and Disabled Housing Bonds)	(199,730,000)
Legal Debt Margin	<u>\$ 1,971,866,093</u>

Revenue Bonds

The legal debt margin for OHCS's revenue bonds is set by statute (Oregon Revised Statute 456.661).

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Demographic and Economic Data - State of Oregon
Last Ten Years

Unaudited

Calendar Year	Population ⁽¹⁾	Personal Income ⁽¹⁾ (in thousands)	Per Capita Personal Income	Annual Unemployment Rate ⁽²⁾
2006	3,700,758	\$ 123,059,010	\$ 33,252	5.4%
2005	3,641,056	117,148,817	32,174	6.2%
2004	3,591,363	110,694,823	30,823	7.3%
2003	3,562,681	104,660,326	29,377	8.1%
2002	3,522,342	101,881,884	28,924	7.6%
2001	3,473,484	99,020,013	28,507	6.4%
2000	3,431,070	96,401,727	28,097	5.1%
1999	3,393,941	89,873,232	26,480	5.5%
1998	3,352,449	85,628,707	25,542	5.7%
1997	3,304,310	80,854,187	24,469	5.6%

⁽¹⁾ Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce - www.bea.gov/bea/regional/spi/

⁽²⁾ Source: Oregon Employment Department - www.qualityinfo.org/olmisj/labforce

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Employment Data - State of Oregon
2006 and 2001

Unaudited

	2006		2001		Change
	Number of Employees	Percent of Total	Number of Employees	Percent of Total	
Retail Trade	252,971	10.98%	238,102	11.32%	6.24%
Health Care and Social Assistance	235,979	10.24%	197,938	9.41%	19.22%
Manufacturing	220,322	9.56%	227,751	10.83%	-3.26%
Accommodation and Food Services	155,627	6.75%	140,640	6.69%	10.66%
Construction	147,735	6.41%	120,021	5.70%	23.09%
Professional and Technical Services	128,167	5.56%	116,567	5.54%	9.95%
Administrative Services	120,188	5.22%	102,354	4.87%	17.42%
Real Estate, Rental, and Leasing	97,385	4.23%	79,614	3.78%	22.32%
Wholesale Trade	89,235	3.87%	81,667	3.88%	9.27%
Finance and Insurance	86,697	3.76%	80,932	3.85%	7.12%
Transportation and Warehousing	68,224	2.96%	63,040	3.00%	8.22%
Farm Employment	68,201	2.96%	66,948	3.18%	1.87%
Educational Services	50,782	2.20%	35,094	1.67%	44.70%
Arts, Entertainment, and Recreation	49,431	2.15%	42,080	2.00%	17.47%
Information	42,535	1.85%	45,714	2.17%	-6.95%
Forestry, Fishing, and Related Activities	35,949	1.56%	36,095	1.72%	-0.40%
Management of Companies	30,238	1.31%	27,600	1.31%	9.56%
Waste Management and Remediation	5,710	0.25%	5,069	0.24%	12.65%
Utilities	5,036	0.22%	5,587	0.27%	-9.86%
Mining	3,482	0.15%	3,484	0.17%	-0.06%
Other Services	123,335	5.35%	109,189	5.19%	12.96%
Federal Government (Civilian)	29,040	1.26%	29,095	1.38%	-0.19%
Military	12,591	0.55%	12,698	0.60%	-0.84%
State Government	68,534	2.97%	60,892	2.89%	12.55%
Local Government	176,918	7.68%	175,497	8.34%	0.81%
Total Employment	2,304,312	100.00%	2,103,668	100.00%	9.54%

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

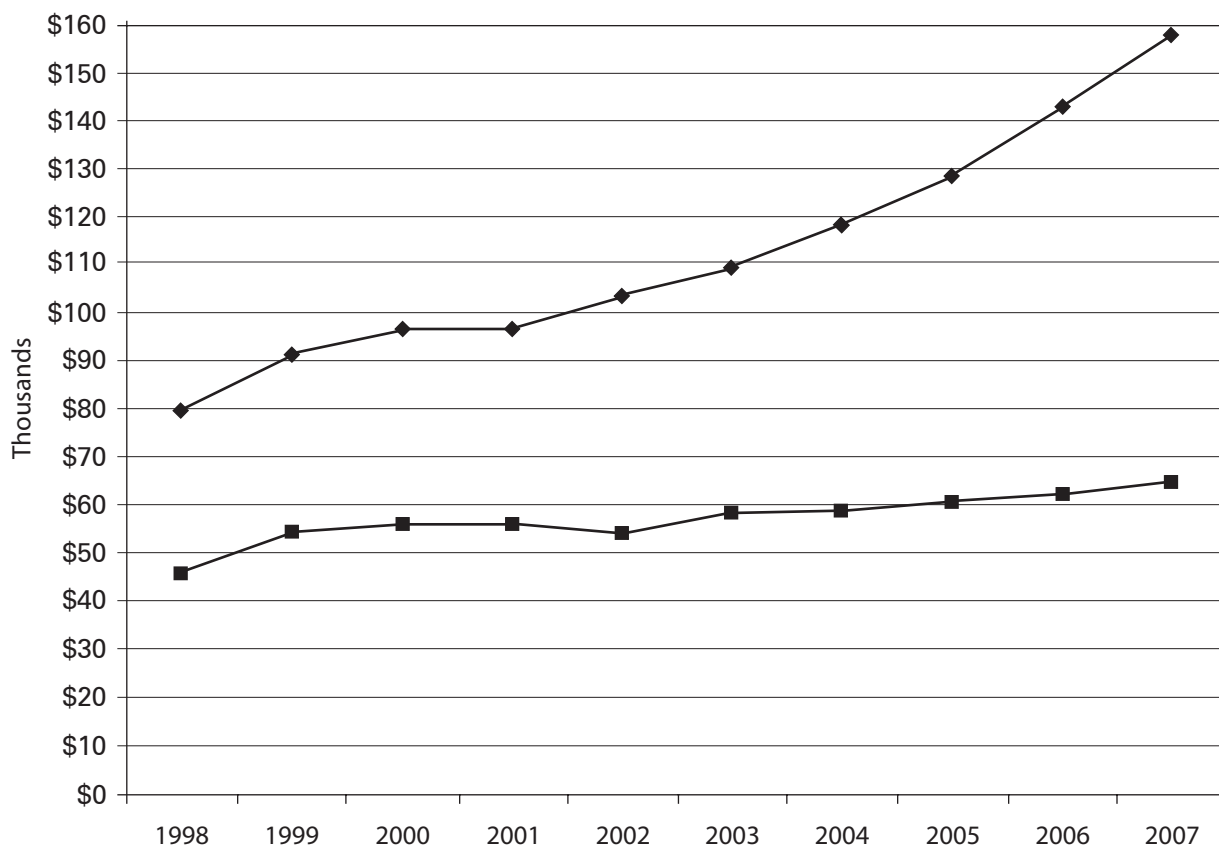
Number of Employees

Last Ten Fiscal Years

Unaudited

	Full-Time-Equivalent Employees as of June 30									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Housing Division	28.9	23.9	24.1	24.5	26.0	23.0	22.0	22.0	22.0	18.0
Asset & Property Management Division	28.0	29.5	29.5	29.5	30.0	28.0	24.0	17.0	11.5	12.5
Community Resources Division	21.5	24.0	28.0	29.1	33.1	32.0	26.5	25.0	14.0	15.0
Financial Management Division	18.5	23.8	22.8	22.0	29.0	27.0	28.0	27.0	25.5	25.0
Information Services Division	18.0	17.9	19.6	18.5	20.0	21.5	16.5	14.5	11.0	15.0
Director's Office	9.0	9.0	15.6	14.0	13.0	15.5	13.5	13.0	11.0	9.0
Human Resources	2.0	4.0	3.5	3.5	3.0	3.5	3.5	3.0	2.0	2.0
Total	125.9	132.1	143.1	141.1	154.1	150.5	134.0	121.5	97.0	96.5

Single-Family Mortgage Program
Average New Mortgage Loan Amount
Versus Median Income



◆ Average Mortgage Loan Amount ■ Median Income

Fiscal Year	Average Loan Amount	Median Income for a 4-Person Family in the State of Oregon ⁽¹⁾
2007	\$ 158,415	\$ 64,832
2006	143,390	61,945
2005	128,606	60,262
2004	118,569	58,737
2003	109,208	58,315
2002	103,278	53,909
2001	96,591	55,947
2000	96,648	55,892
1999	91,173	54,226
1998	79,415	46,245

⁽¹⁾ Source: US Census Bureau - www.census.gov/hhes/www/income/medincsizeandstate.html

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
New Mortgage Loans
Enterprise Funds
Last Ten Fiscal Years

	2007	2006	2005	2004	2003
Elderly and Disabled Housing Program:					
Original Loan Amount	\$ -	\$ 974,300	\$ 670,695	\$ 3,305,750	\$ 2,619,450
Average Loan Amount	-	324,767	670,695	826,438	436,575
Number of New Loans	-	3	1	4	6
Number of Units	-	28	15	130	110
Housing Finance Revenue Bonds:					
Original Loan Amount	\$ -	\$ 968,533	\$ -	\$ -	\$ -
Average Loan Amount	-	96,853	-	-	-
Number of New Loans	-	10	-	-	-
Mortgage Revenue Bonds:					
Original Loan Amount	\$ 189,306,233	\$ 163,786,944	\$ 186,092,283	\$ 124,615,859	\$ 110,737,283
Average Loan Amount	158,415	143,799	128,606	118,569	109,208
Number of New Loans	1,195	1,139	1,447	1,051	1,014
Multifamily Housing Revenue Bonds:					
Original Loan Amount	\$ 4,525,000	\$ 900,000	\$ 10,460,000	\$ 38,225,000	\$ 14,250,000
Average Loan Amount	4,525,000	900,000	5,230,000	12,741,667	14,250,000
Number of New Loans	1	1	2	3	1
Number of Units	97	24	241	636	276
Multiple Purpose Bonds:					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ -
Average Loan Amount	-	-	-	-	-
Number of New Loans	-	-	-	-	-
Combined Program Account:					
Original Loan Amount	\$ -	\$ 1,695,000	\$ -	\$ -	\$ -
Average Loan Amount	-	847,500	-	-	-
Number of New Loans	-	2	-	-	-
Number of Units	-	60	-	-	-
Housing Finance Account:					
Original Loan Amount	\$ -	\$ 101,382	\$ -	\$ -	\$ 491,000
Average Loan Amount	-	101,382	-	-	122,750
Number of New Loans	-	1	-	-	4

Construction, Seed Money, and Pre-development loans are not included.

Unaudited

	2002	2001	2000	1999	1998
\$	5,378,782	\$ 23,316,965	\$ 13,979,021	\$ 24,318,182	\$ 10,249,689
	1,792,927	777,232	199,700	579,004	788,438
	3	30	70	42	13
	109	322	264	439	212
\$	-	206,596	\$ -	\$ 5,303,636	\$ 5,152,647
	-	103,298	-	85,543	79,271
	-	2	-	62	65
\$	136,533,418	\$ 128,935,731	\$ 179,765,331	\$ 129,085,698	\$ 70,370,617
	103,278	96,581	96,648	91,420	79,425
	1,322	1,335	1,860	1,412	886
\$	3,205,668	\$ 37,328,926	\$ 19,935,507	\$ 11,130,000	\$ 6,277,240
	1,068,556	3,732,893	3,322,585	3,710,000	3,138,620
	3	10	6	3	2
	97	1,005	444	241	197
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	-	-	-	-	-
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
\$	-	\$ 100,000	\$ 100,000	\$ 333,013	\$ 99,950
	-	100,000	100,000	166,506	99,950
	-	1	1	2	1

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Loans Outstanding - By Interest Rate

Enterprise Funds

Current Year and Four Years Ago

Unaudited

Interest Rate	Fiscal Year 2007				Fiscal Year 2003			
	Number of Loans	Percent	Principal Amount	Percent	Number of Loans	Percent	Principal Amount	Percent
0.00 - 4.99%	2,151	27.31%	\$ 265,632,511	22.89%	422	4.99%	\$ 62,091,152	6.10%
5.00 - 5.99%	3,459	43.92%	445,579,422	38.40%	2,934	34.69%	301,460,307	29.62%
6.00 - 6.99%	1,275	16.19%	261,220,357	22.51%	2,406	28.45%	287,250,330	28.22%
7.00 - 7.99%	685	8.70%	128,500,599	11.07%	2,180	25.77%	253,174,953	24.87%
8.00 - 8.99%	220	2.79%	27,696,893	2.39%	346	4.09%	71,130,246	6.99%
9.00 - 9.99%	48	0.61%	11,590,096	1.00%	119	1.41%	14,452,442	1.42%
10.00% or More	38	0.48%	20,141,985	1.74%	51	0.60%	28,284,052	2.78%
Total	7,876	100.00%	\$ 1,160,361,863	100.00%	8,458	100.00%	\$ 1,017,843,482	100.00%

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Loans Outstanding - By Monthly Payment Amount
Enterprise Funds
Current Year and Four Years Ago

Unaudited

Monthly Payment ⁽¹⁾	Fiscal Year 2007				Fiscal Year 2003			
	Number of Loans	Percent	Principal Amount	Percent	Number of Loans	Percent	Principal Amount	Percent
Single Family Loans ⁽²⁾								
\$ 0 - \$ 200	112	1.52%	\$ 1,886,571	0.24%	220	2.80%	\$ 3,207,674	0.51%
\$ 201 - \$ 400	842	11.46%	34,187,657	4.27%	1,544	19.66%	59,854,970	9.47%
\$ 401 - \$ 600	2,215	30.15%	174,531,065	21.79%	3,249	41.35%	244,719,478	38.73%
\$ 601 - \$ 800	2,205	30.02%	255,447,640	31.90%	2,232	28.42%	239,661,856	37.94%
\$ 801 - \$ 1,000	1,250	17.02%	189,376,271	23.65%	585	7.45%	80,276,890	12.71%
\$ 1,001 - \$ 1,200	486	6.62%	91,172,534	11.39%	25	0.32%	4,012,645	0.64%
\$ 1,201 - \$ 1,400	174	2.37%	38,365,177	4.79%	-	-	-	-
\$ 1,401 - \$ 1,600	50	0.68%	12,437,591	1.55%	-	-	-	-
\$ 1,601 - \$ 1,800	9	0.12%	2,468,333	0.31%	-	-	-	-
\$ 1,801 - \$ 2,000	3	0.04%	910,191	0.11%	-	-	-	-
Total	7,346	100.00%	800,783,030	100.00%	7,855	100.00%	631,733,513	100.00%
Multi-Family Loans ⁽³⁾								
\$ 0 - \$ 1,000	254	47.92%	12,178,415	3.39%	261	43.28%	14,597,059	3.78%
\$ 1,001 - \$ 5,000	107	20.19%	26,543,257	7.38%	157	26.04%	32,418,303	8.40%
\$ 5,001 - \$10,000	51	9.62%	32,231,500	8.95%	60	9.96%	38,884,048	10.08%
\$10,001 - \$15,000	38	7.17%	50,388,241	14.01%	38	6.30%	54,446,777	14.10%
\$15,001 - \$20,000	21	3.96%	40,371,570	11.23%	23	3.81%	48,817,986	12.64%
\$20,001 - \$25,000	18	3.40%	44,869,976	12.48%	22	3.65%	59,194,696	15.33%
\$25,001 - \$30,000	8	1.51%	29,647,430	8.25%	9	1.49%	33,086,445	8.57%
\$30,001 or more	17	3.21%	119,545,244	33.25%	16	2.65%	100,404,584	26.00%
Due at Maturity	16	3.02%	3,803,200	1.06%	17	2.82%	4,260,071	1.10%
Total	530	100.00%	359,578,833	100.00%	603	100.00%	386,109,969	100.00%
Grand Total	7,876		\$ 1,160,361,863		8,458		\$1,017,843,482	

⁽¹⁾ Principal and Interest only. Does not include taxes or insurance.

⁽²⁾ Housing Finance Revenue Bond (FY 2003) and Mortgage Revenue Bond Loans

⁽³⁾ Elderly and Disabled Housing Fund, Multifamily Housing Revenue Bond, Multiple Purpose Bond (FY 2007), Assisted or Insured Multi-Unit Program (FY 2003), Combined Program Account, and Housing Finance Account Loans

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Loans Outstanding - By County

Enterprise Funds

June 30, 2007

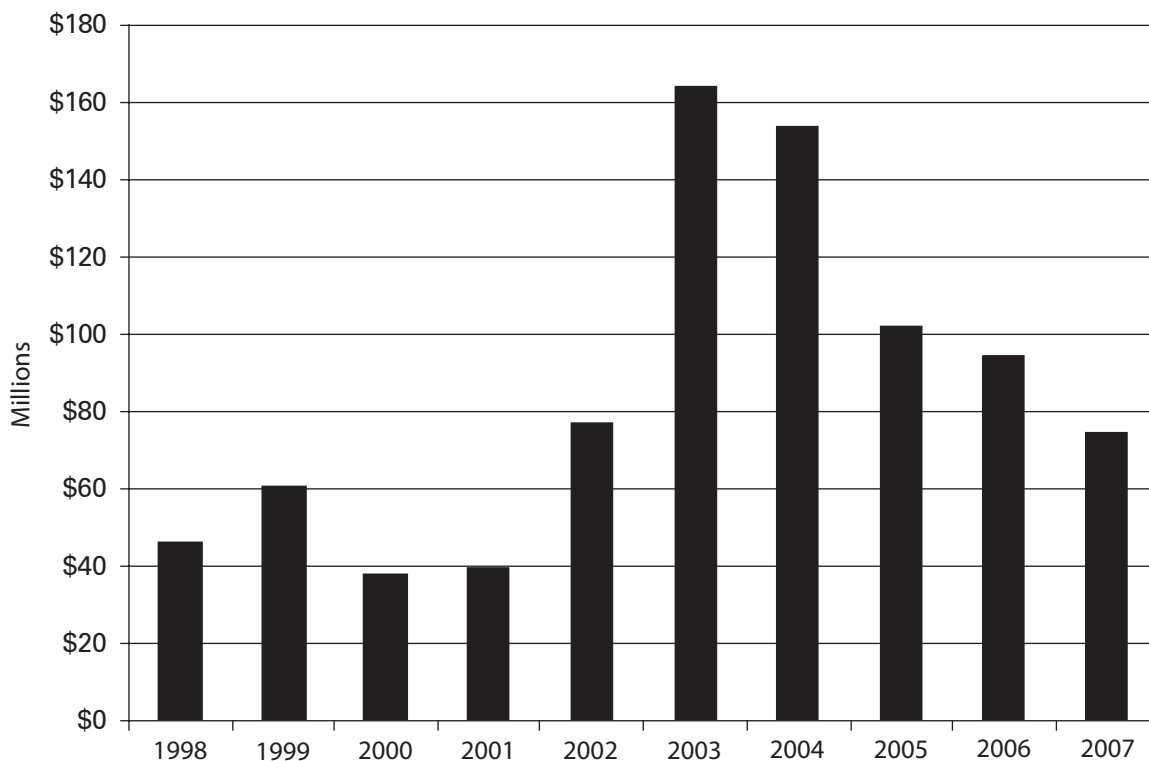
County	Elderly and Disabled Housing Program		Mortgage Revenue Bonds		Multifamily Housing Revenue Bonds	
	Number of Loans	Principal Amount	Number of Loans	Principal Amount	Number of Loans	Principal Amount
Baker	1	\$ 230,165	41	\$ 2,542,402	-	\$ -
Benton	8	2,610,706	114	13,616,371	1	1,167,684
Clackamas	30	16,608,242	296	39,561,087	5	25,721,165
Clatsop	5	1,278,837	32	3,293,014	-	-
Columbia	7	1,268,794	59	7,168,889	1	2,136,775
Coos	6	3,007,360	155	13,145,940	-	-
Crook	1	1,388,764	38	3,890,559	-	-
Curry	2	87,414	10	1,260,754	-	-
Deschutes	5	3,951,076	269	35,201,540	2	6,929,390
Douglas	9	8,740,794	99	8,718,717	2	3,896,448
Gilliam	2	892,532	4	204,480	-	-
Grant	2	88,557	6	416,798	-	-
Harney	2	2,163,248	28	1,786,719	-	-
Hood River	2	1,542,305	11	1,440,358	-	-
Jackson	11	7,849,852	248	29,325,496	2	4,262,085
Jefferson	3	879,416	56	5,879,961	-	-
Josephine	5	2,931,526	142	16,015,794	-	-
Klamath	2	89,826	351	31,510,537	-	-
Lake	1	94,615	33	3,035,788	-	-
Lane	25	12,323,654	631	60,590,511	2	16,689,605
Lincoln	9	8,699,893	67	5,974,141	-	-
Linn	12	5,320,138	150	14,030,990	-	-
Malheur	2	51,799	93	6,414,656	-	-
Marion	59	16,873,036	883	89,337,852	2	1,610,488
Morrow	-	-	56	3,550,668	-	-
Multnomah	63	30,928,519	2,172	262,367,652	13	57,469,600
Polk	14	6,738,424	119	11,560,273	-	-
Sherman	1	205,614	-	-	-	-
Tillamook	3	3,273,690	15	1,511,029	-	-
Umatilla	9	3,710,421	339	23,433,071	-	-
Union	3	944,022	101	7,009,180	3	3,029,737
Wallowa	1	1,344,351	12	892,199	-	-
Wasco	1	44,649	6	542,330	-	-
Washington	24	9,298,385	547	75,177,838	4	35,027,380
Wheeler	2	424,382	-	-	-	-
Yamhill	12	9,816,278	163	20,375,436	-	-
Total	344	\$ 165,701,284	7,346	\$ 800,783,030	37	\$ 157,940,357

Allowance for Uncollectible Accounts is not included. See Note 3.

Multiple Purpose Bonds		Housing Finance Account		Total	
Number of Loans	Principal Amount	Number of Loans	Principal Amount	Number of Loans	Principal Amount
1	\$ 79,456	-	\$ -	43	\$ 2,852,023
2	742,193	1	500,000	126	18,636,954
8	1,757,833	2	159,337	341	83,807,664
1	566,395	-	-	38	5,138,246
1	738,649	-	-	68	11,313,107
2	354,980	-	-	163	16,508,280
2	153,747	-	-	41	5,433,070
-	-	-	-	12	1,348,168
6	483,293	5	1,210,000	287	47,775,299
7	876,453	-	-	117	22,232,412
-	-	-	-	6	1,097,012
6	683,517	-	-	14	1,188,872
1	31,719	-	-	31	3,981,686
2	626,568	-	-	15	3,609,231
11	1,390,907	-	-	272	42,828,340
4	384,237	-	-	63	7,143,614
1	4,750	-	-	148	18,952,070
2	500,870	1	72,037	356	32,173,270
-	-	-	-	34	3,130,403
13	3,805,597	-	-	671	93,409,367
2	757,508	1	480,000	79	15,911,542
4	149,635	-	-	166	19,500,763
5	104,691	1	61,195	101	6,632,341
10	1,527,748	3	146,754	957	109,495,878
-	-	-	-	56	3,550,668
11	8,705,852	3	1,326,700	2,262	360,798,323
2	599,062	1	100,000	136	18,997,759
-	-	-	-	1	205,614
-	-	-	-	18	4,784,719
6	449,877	-	-	354	27,593,369
5	1,109,984	-	-	112	12,092,923
1	57,655	-	-	14	2,294,205
1	245,342	2	373,052	10	1,205,373
7	3,820,416	1	26,000	583	123,350,019
-	-	-	-	2	424,382
1	601,967	3	171,216	179	30,964,897
125	\$ 31,310,901	24	\$ 4,626,291	7,876	\$ 1,160,361,863

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Mortgage Loan Payoffs - Single-Family Mortgage Program
Enterprise Funds
Last Ten Fiscal Years

Unaudited



<u>Fiscal Year</u>	<u>Prepaid Principal</u>
2007	\$ 73,983,041
2006	94,717,727
2005	102,327,105
2004	153,778,052
2003	164,283,221
2002	76,838,383
2001	39,766,779
2000	37,743,579
1999	60,786,689
1998	46,365,256

Other Reports

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The Honorable Theodore R. Kulongoski
Governor of Oregon
254 State Capitol
Salem, Oregon 97310-4047

Victor Merced, Director
Oregon Housing and Community Services Department
P.O. Box 14508
Salem, Oregon 97309-0409

**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**

We have audited the basic financial statements of the enterprise funds of the State of Oregon, Housing and Community Services Department (department), as of and for the year ended June 30, 2007, and have issued our report thereon dated December 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the department's financial statements that is more than inconsequential will not be prevented or detected by the department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the department's internal control.

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

Compliance and Other Matters

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

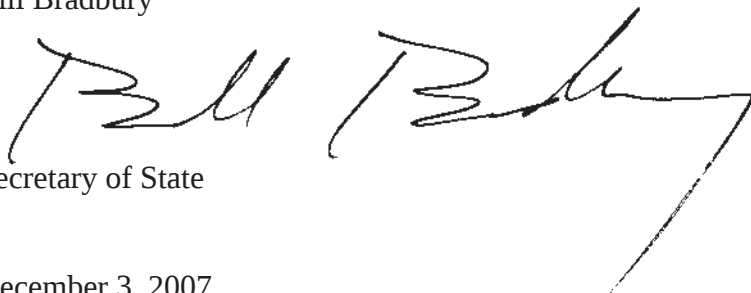
This report is intended solely for the information and use of the Oregon Housing and Community Services Department's management, others within the department, the Oregon State Housing Council, the governor of the State of Oregon, and the Oregon Legislative Assembly and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION

Bill Bradbury

Secretary of State

December 3, 2007

A handwritten signature in black ink, appearing to read 'Bill Bradbury', is written over the printed name and title. The signature is stylized with a large 'B' and a long, sweeping line extending from the end.



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