# Comprehensive Annual Financial Report

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

## For the Year Ended June 30, 2005


**Bob Repine**
Director

**Rick Crager**
Chief Financial Officer

**Prepared by:**
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Equal Housing Opportunity

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# *Introductory Section*

Oregon
Theodore R. Kulongoski, Governor

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Setting the Standard...
Equal Housing Opportunity

October 21, 2005

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's (OHCSD) Enterprise Funds, for the fiscal year ended June 30, 2005. The financial statements, included on pages 16 – 35, do not present all activities and financial positions of OHCSD, but the enterprise activities only. These activities are reported as a separate fund of OHCSD and an annual financial report is issued for these activities in accordance with OHCSD's Indentures of Trust. OHCSD management is responsible for both the accuracy of data and the completeness and fairness of the presentation, including all disclosures.

The report consists of five sections: (1) an Introductory Section, composed of this letter of transmittal and an organization summary; (2) the Financial Section, which contains the audit opinion of the Secretary of State Audits Division as well as the financial statements for OHCSD's Enterprise Funds; (3) Supplementary Information, which includes additional information on the Enterprise Funds; (4) the Statistical Section, which includes statistical data related to the Enterprise Funds; and (5) Other Reports, which includes the Report on Internal Control and Compliance prepared by the Audits Division.

The Secretary of State, Audits Division, has audited the financial records, books of account, and transactions of OHCSD's Enterprise Funds for the year ended June 30, 2005. 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 to accompany the basic financial statements entitled Management's Discussion and Analysis (MD&A). The Oregon Housing and Community Services Department'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**

OHCSD is the state's housing finance agency and community services program administrator that provides financial and program support to create and preserve opportunities for quality, affordable housing for Oregonians of lower and moderate income. OHCSD helps finance single-family homes, and the new construction or rehabilitation of multifamily affordable housing developments, as well as administer grants and tax credits to promote affordable housing and many community service programs including federal and state antipoverty, homeless, and energy assistance programs.

State Community Services and the Oregon Housing Division were part of two separate state agencies during the 1970's and 80's. The merger of the two in 1991 acknowledged the important link between housing and services. The result today is a Department focused on refining that link to better meet the needs of Oregonians in communities around the state.

Working closely with its partners at the local level, OHCSD has streamlined the process to deliver resources more efficiently. OHCSD 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), the State's economy "grew slower than the U.S. economy in 1998 through 2003." This had not occurred since 1985; however, the OEA forecasts that for the period between 2005 and 2011, the Oregon economy is expected to be stronger than the U.S. economy. The OEA forecasts employment growth for Oregon to increase by 3.0 percent for 2005, the strongest yearly growth since 1997. The employment growth is expected to continue in 2006 and 2007 at 1.5 percent and 1.4 percent, respectively.

Personal income is predicted to increase by 5.9 percent in 2005, which is higher than the estimated 5.1 percent increase experienced in 2004. The State Economist predicts personal income to increase by 6.2 percent and wage and salary to increase by 6.0 percent in 2006. Continuing into 2007, personal income is projected to increase by 5.7 percent while wage and salary is forecasted to continue to grow at 6.0 percent. Both of these projections are expected to be higher than the national average in 2006 and 2007.

The housing market boom has continued to last longer than most analysts had predicted with interest rates continuing to remain low. In 2004, housing starts in Oregon rose by an estimated 9.8 percent compared to a national increase in housing starts of 9.0 percent. The increase in housing starts is forecasted to continue its growth in 2005 at 9.9 percent. While interest rates have not remained at record low levels, they still remain very low, which will continue to drive housing prices upward. Nationally, housing prices increased by an estimated 7.0 percent in 2003 compared to an estimated 5.2 percent in Oregon. While national housing prices outpaced prices in Oregon, the state continues to have some of the least affordable housing markets in the nation. Oregon housing prices are forecasted to increase by 9.9 percent in 2005, and 6.0 percent in 2006, while the national average is projected to increase by 7.5 percent and 2.7 percent for 2005 and 2006, respectively.

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" and business development. 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**

OHCSD manages funds available for its program and operational cost through comprehensive cash flows analyses that determine the prudent level of funding that can be distributed from the Housing Finance Fund as well as the Elderly and Disabled Housing Fund. Each year, OHCSD reanalyzes the cash flows to determine what is allowed for distribution. Based on how OHCSD has managed its programs, or if excess distributions have been taken out for such things as legislative transfers, the cash flows will either increase or decrease. Since 2001, annual distributions for program and operational cost have decreased by $1.7 million. This is primarily a result of $3.8 million transferred by the Legislature from the Housing Finance Fund during the last two biennia. In addition, economic and business factors have made it very difficult for housing finance agencies across the country to manage their programs.

Through these difficult times, OHCSD has been able to continue operating at a quality level through its prudent financial management. OHCSD has created and continues to create programmatic and operational efficiencies to generate administrative savings. In addition, through the use of a comprehensive costing model designed by OHCSD and approved by Housing and Urban Development, the Department has been able to increase the amount of operational cost funded through federal resources. These funds have historically been under utilized for program cost due to not having a comprehensive costing model. The Housing Finance Fund and Elderly and Disabled Housing Fund were historically used to pay for the majority of OHCSD's costs.

As OHCSD moves forward into the next fiscal year, strategies have already begun to increase its single-family loan production, which will have a direct impact on rebuilding future cash distributions. Due to record low interest rates, single-family loan prepayments have exceeded total loan originations for fiscal year 2003 and 2004. In response, OHCSD has created and implemented new innovative programs to rebuild its loan portfolio. For fiscal year 2005, the OHCSD loan originations exceeded its prepayments, and single-family loan purchases were the highest it had been in the last four years. With continued growth in its loan portfolio and prudent financial management, OHCSD is confident that its cash distributions will begin to rebound.

**Major Initiatives**

***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 inter-agency 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 OHCSD.

The ERT has regional coordinators deployed around the state to help Oregon communities and businesses become successful. They work with state agencies and local government 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. OHCSD 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.

### *Affordable Housing Preservation*

OHCSD continues to pursue opportunities in which affordable housing can be preserved, particularly housing that carries federal Section 8 project-based assistance and rural development assistance. These projects serve the lowest income population of 30 percent area median income. OHCSD currently has a portfolio of 122 Section 8 project based assistance loans that have loan maturities that are consistent with the housing assistance payment contracts through Housing and Urban Development (HUD). The loan maturities and housing assistance payment contracts begin expiring between 2006 and 2013. OHCSD has continued to partner with HUD to investigate strategies that would allow continuation of federal assistance, and where necessary, provide new state resources that would enable rehabilitation of the project.

Between Rural Development and Section 8 Rent Subsidy, there are over 450 projects, containing approximately 15,000 units of housing that include rent subsidy in Oregon. Many of these projects are at risk of converting to market rate housing. OHCSD is faced with developing funding solutions to assist in preserving these projects. This continues to be one of our top priorities moving into the next several years.

### *Fighting the Gap between Energy Costs and Energy Assistance*

Through Energy Assistance Program funds, OHCSD provides energy assistance payments to vendors (e.g. utilities and heating oil companies), to assure low-income households have the help they need to pay their heat bills and prevent utility shut offs. These funds also provide energy education and conservation activities, and enable OHCSD to conduct outreach activities designed to assure that eligible households are made aware of the assistance available.

OHCSD faces a difficult challenge in that utility costs have risen faster than paychecks. Between 2001 and 2005, natural gas bills have increased by 53 percent, and electrical bills have increased an estimated 39 percent. During this same period however, median income for a family of four has only increased by 8 percent. Unfortunately, OHCSD's limited state and federal resources are not able to keep pace. Last year, only a little more than 20 percent of individuals eligible for energy assistance received aid.

OHCSD recognizes the current strain on resources and will continue to seek new and increased resource opportunities wherever possible. In addition, OHCSD will continue to promote the use of its Weatherization Assistance Programs. As the services from this program create self-reliance and energy savings, the pressure on the Energy Assistance Program will begin to decrease. Through this program, a typical home could see savings of approximately $217 annually in energy costs.

### *Creating Governmental Efficiency and Improving Customer Service*

OHCSD is committed to making government more efficient and to provide a high quality of customer service to the people of Oregon. As a result, it has implemented a strategic plan that will focus primarily on re-engineering and improving business processes, maximizing efficiencies created through information technology, investing in staff training to ensure quality services are delivered, and evaluating and implementing strategies that improve and maintain excellent customer service.

OHCSD has already implemented a few efficiencies that have dramatically improved time management, customer service, and financial management. OHCSD's Asset and Property Management Division is using hand held digital modules to complete its inspections more efficiently and effectively. By using this tool, staff has saved 75 percent of the time it normally takes to generate the necessary paperwork. In addition, OHCSD's Housing Division, in conjunction with the Information Systems Division, has created a database for the processing of disbursements for housing projects. This database increases the speed of processing disbursements and eliminates the need to complete data entry into multiple systems. Lastly, as mentioned in Long Term Financial Planning, a new cost allocation methodology was developed by the OHCSD Financial Management Division and approved by

Housing and Urban Development. Through this cost allocation model, OHCSD can better track the cost of agency programs and ensure that sufficient revenues exist to meet program needs.

OHCSD will continue to seek opportunities in the next fiscal year to meet its goal of creating governmental efficiency and improving customer service. Work has already started within the OHCSD strategic plan in developing timeframes and benchmarks that will enable us to be successful.

**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 OHCSD for its annual financial report for the fiscal year ended June 30, 2004. 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. OHCSD has received a Certificate of Achievement for the last ten 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.

The preparation of this report reflects the combined efforts of OHCSD'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 OHCSD'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 OHCSD 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 OHCSD.

Respectfully submitted,

Bob Repine
Bob Repine
Director

Rick Crager
Rick Crager
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, 2004

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

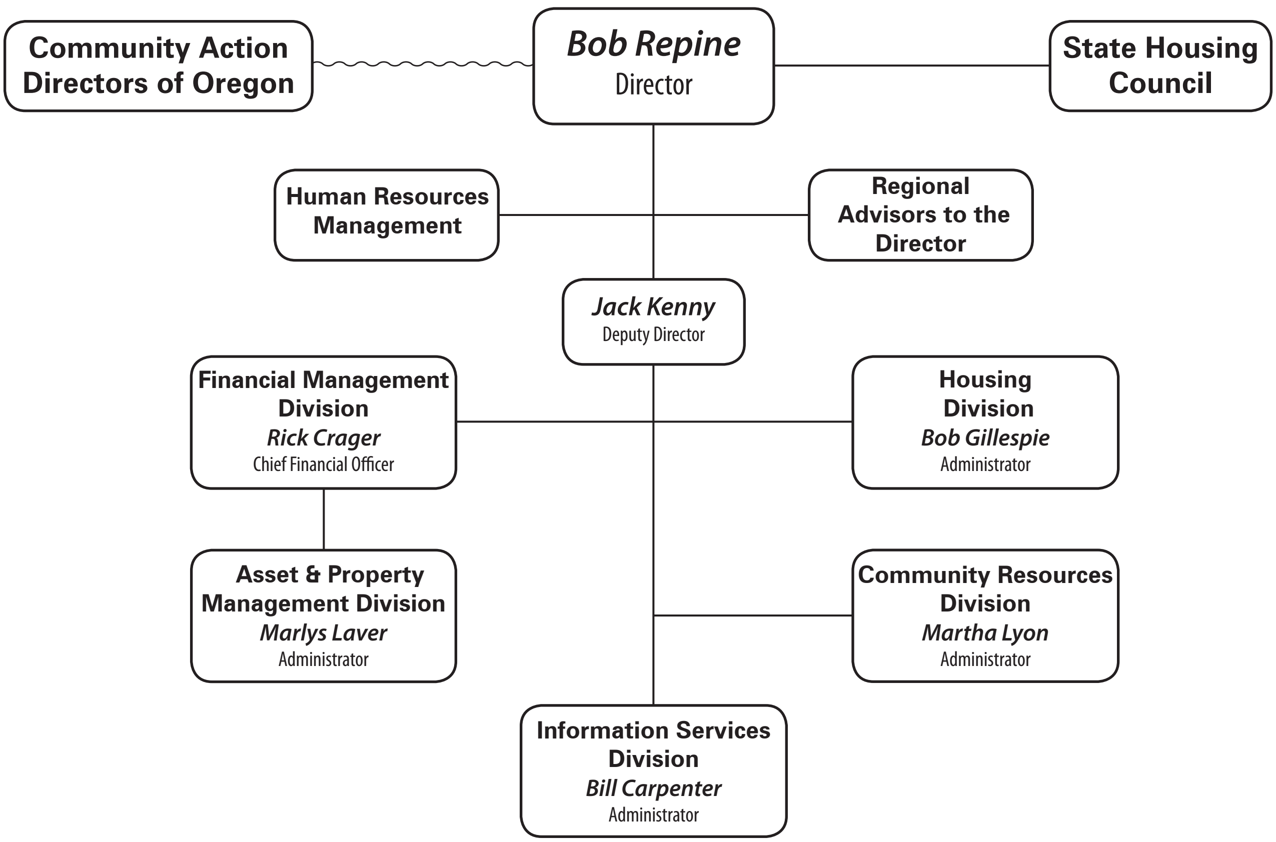
President

Executive Director

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
## Organization Structure

**CADO Executive Committee:**
Michael Fieldman, President
John Mullin, Vice President
Carmen Bojarski, Secretary
Jarralyn Ness, Treasurer
Doug Bartlett, Member-at-Large
Jim Slusher, Member-at-Large, Immediate Past President

**Housing Council Members:**
Baltizar "Buz" Ortiz, Chair
Scott R. Cooper
John Epstein
Maggie LaMont
Stuart E. Liebowitz
Larry E. Medinger
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 OHCSD's housing related statutes.

# *Financial Section*

OFFICE OF THE
SECRETARY OF STATE
Bill Bradbury
Secretary of State

AUDITS DIVISION
Cathy Pollino
State Auditor

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*Auditing for a Better Oregon*

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

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

## 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, 2005, 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 State of Oregon, as of June 30, 2005, and the changes in its 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, 2005, 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 October 21, 2005, 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, as listed in the table of contents, 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

Bill Bradbury
Secretary of State

October 21, 2005

This section of the Oregon Housing and Community Services Department's (OHCSD) Comprehensive Annual Financial Report presents our discussion and analysis of financial performance for the Proprietary Funds during the fiscal year ended June 30, 2005. The selected financial data presented was derived from the financial statements of OHCSD, which have been audited by the Oregon Secretary of State Audits Division.

## FINANCIAL HIGHLIGHTS

- Net assets increased $6.8 million, to $159.5 million as of June 30, 2005. This represents an increase of 4.48%.
- Revenues increased by $21.9 million from the previous year's results.
- Outstanding bond debt of $1.77 billion on June 30, 2005 increased $87.4 million from the amount outstanding on June 30, 2004. Debt issuance for the year totaled $768.8 (par value).
- Mortgage loan purchases and originations for the year totaled $197.2 million, up $53.1 million from 2004. The Single-Family Mortgage Program was up $61.5 million in purchases while multifamily housing development programs were down $8.4 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to OHCSD's basic financial statements. The basic financial statements include proprietary fund financial statements and notes to the financial statements. OHCSD'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. OHCSD 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 under 2005 CAFR.

- 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, 2005 were $1.98 billion, an increase of $71.0 million from June 30, 2004. The change in assets consists primarily of a $33.1 million increase in cash and investments and a $64.2 million increase in loans receivable. The asset growth was supported by the issuance of $768.8 million (par value) of mortgage revenue bonds.

Total liabilities increased by $64.1 million to $1.82 billion at June 30, 2005. The primary reasons for the $64.1 million increase in liabilities were: 1) an increase of $87.4 million bonds payable; 2) an increase in accrued interest payable of $2.6 million resulting from increased debt issuance; and 3) a decrease of $23.3 million in obligations under security lending provided by the Oregon State Treasury.

OHCSD'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 | | | |
|---|---|---|---|---|
| | 2005 | 2004 | Change | % Change |
| **Assets:** | | | | |
| Current and Other Assets | $ 1,979,714,888 | $ 1,908,661,254 | $ 71,053,634 | 3.72% |
| Capital Assets | 58,222 | 144,792 | (86,570) | -59.79% |
| **Total Assets** | $ 1,979,773,110 | $ 1,908,806,046 | $ 70,967,064 | 3.72% |
| **Liabilities:** | | | | |
| Long Term Liabilities | $ 1,262,265,451 | $ 1,232,722,459 | $ 29,542,992 | 2.40% |
| Other Liabilities | 558,031,122 | 523,448,023 | 34,583,099 | 6.61% |
| **Total Liabilities** | $ 1,820,296,573 | $ 1,756,170,482 | $ 64,126,091 | 3.65% |
| **Net Assets:** | | | | |
| Invested in Capital Assets | $ 58,222 | $ 144,792 | $ (86,570) | -59.79% |
| Restricted for Residential Assistance | 1,545,107 | 1,547,749 | (2,642) | -0.17% |
| Restricted by Trust Indentures | 152,183,757 | 147,604,729 | 4,579,028 | 3.10% |
| Unrestricted | 5,689,451 | 3,338,294 | 2,351,157 | 70.43% |
| **Total Net Assets** | $ 159,476,537 | $ 152,635,564 | $ 6,840,973 | 4.48% |

- **Cash and Investments**

  Total cash and investments increased by $33.1 million, or 3.8%, from June 30, 2004 to June 30, 2005. Unlike the previous two years, loan originations were higher than prepayments for the single-family program. Even though loan prepayments did not outpace loan originations in fiscal year 2005, the amount of prepayments was still high. As a result, OHCSD had more cash and investments on hand that were earmarked for calling outstanding bonds. In addition, OHCSD has been fortunate enough to receive additional tax-exempt bonding resources outside of its normal annual allocation from the State of Oregon. This is due to the fact that other state issuers have not been in need of these resources. OHCSD, as necessary, has escrowed this tax-exempt authority into short-term bonds and invested the proceeds in securities that match the maturity of the bonds. The investment portfolio is comprised of securities of the U.S. Government, certain federal agencies, and guaranteed investment contracts.

- **Loans Receivable**

  Total mortgages and other loans receivable increased by $64.1 million in fiscal year 2005. This increase is a result of a combination of loan purchases, scheduled repayments, loan prepayments, and foreclosures.

  - Purchases of mortgage loans increased by $53.1 million for fiscal year 2005, which was due to $61.5 million in higher single-family mortgage loan purchases, and an $8.4 million decrease in multifamily mortgage loan purchases. Total mortgage loan purchases for fiscal year 2005 was $197.2 million.
  - In fiscal year 2005, OHCSD purchased $7.8 million in multifamily construction loans.
  - Other loans in the amount of $2.2 million were purchased in fiscal year 2005. These loans are related to predevelopment, housing development start up, and other program activity.
  - Scheduled mortgage and other loan repayments totaled $32.5 million for fiscal year 2005.
  - Prepayments on mortgage loans decreased in fiscal year 2005 by $50.2 million. However, the total prepayments still remained high at $106.6 million.
  - Foreclosures decreased $1.9 million to a total of $3.9 million.

- **Bonds Payable**

  During fiscal year 2005, OHCSD issued $768.8 million of revenue bonds (par value). This increased dramatically compared to the combined issuance of $537.5 million in the previous fiscal year. This large increase in issuance was due primarily to increased tax-exempt authority allocated to OHCSD by the State of Oregon. OHCSD issues bonds as capital is needed for program purposes and as opportunities for economic refunding occur. For additional details, see the Debt Administration section of the Management's Discussion and Analysis.

- **Net Assets**

  Net assets increased during fiscal year 2005 by 4.48%. While OHCSD has continued to suffer from negative arbitrage within its Mortgage Revenue Bonds, the impact was greatly reduced through the issuance of Homeowner Revenue Bonds. With the large volume of prepayments over the last several years, OHCSD has had to hold cash and investments that are awaiting bond refunding opportunities while earning interest lower than the interest on the debt in which it supports. Through the use of the Homeowner Revenue Bonds, OHCSD can now more quickly and efficiently refund bonds into short-term notes, which reduces the amount of negative arbitrage significantly. This, along with increased loan originations, has had a positive impact on net assets. OHCSD continues to maintain a positive spread of income from investments and mortgage loans to cover ongoing bond interest and operating costs.

  Of OHCSD's $159.5 million in net assets, 96.4% is restricted to bond indentures or other financial commitments. The remaining 3.6% is primarily unrestricted and available to pay for current agency operations. Each fiscal year, OHCSD 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 OHCSD's proprietary funds are presented below:

## Proprietary Funds
### Statement of Operating Activity

| | Business Type Activities | | | |
|---|---|---|---|---|
| | **2005** | **2004** | **Change** | **% Change** |
| **Operating Revenues:** | | | | |
| Interest on Loans | $ 64,114,118 | $ 65,650,387 | $ (1,536,269) | -2.34% |
| Investment Income | 28,621,494 | 4,819,534 | 23,801,960 | 493.86% |
| Transfer/Commitment Fees | 1,517,595 | 1,006,822 | 510,773 | 50.73% |
| Administrative Charges and Fees | 1,584,686 | 2,346,977 | (762,291) | -32.48% |
| Low Income Housing Tax Credit Fees | 1,179,279 | 1,122,706 | 56,573 | 5.04% |
| Gain on Sale of Foreclose Property | 269,196 | 337,473 | (68,277) | -20.23% |
| Miscellaneous Revenue | 56,236 | 153,059 | (96,823) | -63.26% |
| **Total Operating Revenues** | 97,342,604 | 75,436,958 | 21,905,646 | 29.04% |
| **Operating Expenses:** | | | | |
| Personal Services | 5,102,049 | 5,360,496 | (258,447) | -4.82% |
| Services and Supplies | 2,849,854 | 3,688,026 | (838,172) | -22.73% |
| Mortgage Service Fees | 2,508,225 | 2,390,462 | 117,763 | 4.93% |
| Foreclosure Costs | 208,736 | 327,082 | (118,346) | -36.18% |
| Interest Expense - Bonds | 71,779,520 | 71,465,838 | 313,682 | 0.44% |
| Interest Expense - Loans | 226,258 | 174,574 | 51,684 | 29.61% |
| Interest Expense - Securities Lending | 454,241 | 421,428 | 32,813 | 7.79% |
| Other Program Related Expenses | 5,992,723 | 3,739,067 | 2,253,656 | 60.27% |
| Amortization of Deferred Bond Issuance Costs | 1,390,976 | 1,476,403 | (85,427) | -5.79% |
| Depreciation/Amortization | 86,570 | 122,702 | (36,132) | -29.45% |
| Bad Debt Expense | (97,521) | 137,582 | (235,103) | -170.88% |
| **Total Operating Expenses** | 90,501,631 | 89,303,660 | 1,197,971 | 1.34% |
| **Change in Net Assets** | 6,840,973 | (13,866,702) | 20,707,675 | 149.33% |
| **Net Assets – Beginning** | 152,635,564 | 166,502,266 | (13,866,702) | -8.33% |
| **Net Assets – Ending** | $ 159,476,537 | $ 152,635,564 | $ 6,840,973 | 4.48% |

OHCSD's proprietary fund revenue is generated principally from interest earned on mortgages and investments. In fiscal year 2005, revenue generated through proprietary funds totaled $97.3 million, of which $92.7 million, or 95.3% is from income earned on loans and investments. Expenses of OHCSD's proprietary funds consist primarily of interest expense on debt incurred to fund various lending programs. The total expenses for proprietary fund activities totaled $90.5 million, of which $71.8 million, or 79.3% is bond interest expense.

The change in net assets for the year ended June 30, 2005 resulted in an increase of $6.8 million versus a $13.9 million decrease for the year ending June 30, 2004. In total, this resulted in a $20.7 net increase from fiscal year 2004 to fiscal year 2005. Factors contributing to this change include:

- In fiscal year 2005, investment income was $23.8 million more than in fiscal year 2004. The primary reason for this increase was due to increased market values in the investment portfolio and increased interest earnings.

- Program related expenses increased by $2.3 in fiscal year 2005 mostly due to the downpayment assistance program. This program is funded by additional bond proceeds generated through premiums received upon issuance. The bond proceeds are expended as down payment assistance in conjunction with an OHCSD low-interest loan. The premium portion of the bonds is paid back over time through higher interest rates assigned to the borrower's loan. This increase was offset by $1.1 in reduced operational cost created through one-time costs paid in fiscal year 2004 as well as a variety of cost cutting measures that were implemented.

- Interest on loans for fiscal year 2005 was $1.5 million less than fiscal year 2004. This was due to the fact that OHCSD's total loan portfolio has been reduced significantly over the last several years with the prepayment of high interest rate loans. New loan originations have been made, but at much lower rates than those that were prepaid.

**Debt Administration**

Oregon statutory provisions authorized OHCSD to issue up to $2 billion in revenue bonds to finance the construction, purchase and rehabilitation of housing for lower-income persons and families. OHCSD also has constitutional authority to issue general obligation bonds to finance housing for elderly and disabled persons. As of June 30, 2005, OHCSD was authorized to issue up to $1,651,243,593 in general obligation bonds for this purpose.

As of June 30, 2005, OHCSD had a total of $1,763,479,226 (par value) in outstanding debt. During fiscal year 2005, $702,315,000 (par value) in revenue bonds were issued for the Single-Family Mortgage Program, $20,070,000 (par value) in revenue bonds were issued for the Multifamily Housing Revenue Bond Program, and $46,405,000 in Multiple Purpose Revenue Bond Program.

In addition, OHCSD issued $29,901,500 (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 2005, OHCSD entered into an interest rate swap in conjunction with the issuance of a series of Multifamily Housing Revenue Bonds to lower borrowing costs compared to fixed-rate bonds. The notional amount of the swap is $14,950,000 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 the general obligation 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. The general obligation 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, 2005

| | Business-Type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Elderly and Disabled Housing Fund | Housing Finance Fund | Total |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and Cash Equivalents | $ - | $ 5,386,744 | $ 5,386,744 |
| Cash and Cash Equivalents - Restricted | 14,174,760 | 158,693 | 14,333,453 |
| Investments - Restricted | - | 530,822,064 | 530,822,064 |
| Securities Lending Cash Collateral | 6,770,374 | 5,038,819 | 11,809,193 |
| Accounts Receivable | 2,563 | 89,277 | 91,840 |
| Accrued Interest Receivable | 1,331,928 | 6,331,886 | 7,663,814 |
| Interfund Receivable | - | 274 | 274 |
| Acquired Property | 117,319 | 1,157,433 | 1,274,752 |
| ***Total Current Assets*** | 22,396,944 | 548,985,190 | 571,382,134 |
| **Noncurrent Assets** | | | |
| Cash and Cash Equivalents - Restricted | 29,021,437 | 28,948,001 | 57,969,438 |
| Investments - Restricted | 28,944,366 | 269,980,453 | 298,924,819 |
| Deferred Charges | 2,179,439 | 10,326,754 | 12,506,193 |
| Loans Receivable (Net) | 198,807,397 | 840,124,907 | 1,038,932,304 |
| Capital Assets (Net) | 13,915 | 44,307 | 58,222 |
| ***Total Noncurrent Assets*** | 258,966,554 | 1,149,424,422 | 1,408,390,976 |
| **Total Assets** | $ 281,363,498 | $ 1,698,409,612 | $ 1,979,773,110 |
| **Liabilities and Net Assets** | | | |
| **Liabilities:** | | | |
| **Current Liabilities** | | | |
| Accounts Payable | $ 46,638 | $ 762,736 | $ 809,374 |
| Accrued Interest Payable | 4,683,126 | 30,080,125 | 34,763,251 |
| Obligations Under Securities Lending | 6,770,374 | 5,038,819 | 11,809,193 |
| Interfund Payable | 274 | - | 274 |
| Matured Bonds and Interest Payable | 56,634 | 59,429 | 116,063 |
| Bonds Payable | 9,435,000 | 500,876,117 | 510,311,117 |
| Deferred Income | 1,352 | 21,488 | 22,840 |
| Compensated Absences Payable | 17,209 | 181,801 | 199,010 |
| ***Total Current Liabilities*** | 21,010,607 | 537,020,515 | 558,031,122 |
| **Noncurrent Liabilities** | | | |
| Compensated Absences Payable | 7,375 | 77,915 | 85,290 |
| Bonds Payable | 210,586,403 | 1,046,953,374 | 1,257,539,777 |
| Arbitrage Rebate Liability | - | 219,184 | 219,184 |
| Loans Payable | - | 4,421,200 | 4,421,200 |
| ***Total Noncurrent Liabilities*** | 210,593,778 | 1,051,671,673 | 1,262,265,451 |
| **Total Liabilities** | 231,604,385 | 1,588,692,188 | 1,820,296,573 |
| **Net Assets:** | | | |
| Invested in Capital Assets | 13,915 | 44,307 | 58,222 |
| Restricted for Residential Assistance | - | 1,545,107 | 1,545,107 |
| Restricted by Trust Indentures | 49,745,198 | 102,438,559 | 152,183,757 |
| Unrestricted | - | 5,689,451 | 5,689,451 |
| **Total Net Assets** | 49,759,113 | 109,717,424 | 159,476,537 |
| **Total Liabilities and Net Assets** | $ 281,363,498 | $ 1,698,409,612 | $ 1,979,773,110 |

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, 2005

| | Business-Type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Elderly and Disabled Housing Fund | Housing Finance Fund | Total |
| **Operating Revenues:** | | | |
| Interest on Loans | $ 15,111,911 | $ 49,002,207 | $ 64,114,118 |
| Investment Income | 5,795,502 | 22,825,992 | 28,621,494 |
| Transfer/Commitment Fees | 12,286 | 1,505,309 | 1,517,595 |
| Administrative Charges and Fees | 289,972 | 1,294,714 | 1,584,686 |
| Low Income Housing Tax Credit Fees | - | 1,179,279 | 1,179,279 |
| Gain on Sale of Foreclosed Property | - | 269,196 | 269,196 |
| Miscellaneous Revenue | - | 56,236 | 56,236 |
| ***Total Operating Revenues*** | 21,209,671 | 76,132,933 | 97,342,604 |
| **Operating Expenses:** | | | |
| Personal Services | 441,200 | 4,660,849 | 5,102,049 |
| Services and Supplies | 187,070 | 2,662,784 | 2,849,854 |
| Mortgage Service Fees | 96,615 | 2,411,610 | 2,508,225 |
| Foreclosure Costs | - | 208,736 | 208,736 |
| Interest Expense - Bonds | 12,184,355 | 59,595,165 | 71,779,520 |
| Interest Expense - Loans | - | 226,258 | 226,258 |
| Interest Expense - Securities Lending | 214,217 | 240,024 | 454,241 |
| Other Related Program Expenses | 568,944 | 5,423,779 | 5,992,723 |
| Amortization of Deferred Bond Issuance Costs | 191,773 | 1,199,203 | 1,390,976 |
| Depreciation/Amortization | 17,826 | 68,744 | 86,570 |
| Bad Debt Expense | (66,618) | (30,903) | (97,521) |
| ***Total Operating Expenses*** | 13,835,382 | 76,666,249 | 90,501,631 |
| **Operating Income (Loss)** | 7,374,289 | (533,316) | 6,840,973 |
| Transfers from Other Funds | 5,065,000 | 5,343,430 | 10,408,430 |
| Transfers to Other Funds | (5,343,430) | (5,065,000) | (10,408,430) |
| **Change in Net Assets** | 7,095,859 | (254,886) | 6,840,973 |
| **Net Assets - Beginning** | 42,663,254 | 109,972,310 | 152,635,564 |
| **Net Assets - Ending** | $ 49,759,113 | $ 109,717,424 | $ 159,476,537 |

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, 2005

| | Business-Type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Elderly and Disabled Housing Fund | Housing Finance Fund | Total |
| **Cash Flows from Operating Activities:** | | | |
| Received from Customers | $ 307,025 | $ 3,852,131 | $ 4,159,156 |
| Program Loan Principal Repayments | 11,830,652 | 130,809,163 | 142,639,815 |
| Program Loan Interest Received | 15,202,285 | 48,905,599 | 64,107,884 |
| Program Loans Made | (670,695) | (206,493,786) | (207,164,481) |
| Payments to Employees for Services | (472,504) | (4,685,555) | (5,158,059) |
| Payments to Suppliers for Goods and Services | (352,650) | (5,368,050) | (5,720,700) |
| Other Receipts (Payments) | (175,610) | (3,076,206) | (3,251,816) |
| ***Net Cash Provided (Used) in Operating Activities*** | 25,668,503 | (36,056,704) | (10,388,201) |
| **Cash Flows from Noncapital Financing Activities:** | | | |
| Proceeds from Bond Sales | - | 771,394,772 | 771,394,772 |
| Principal Payments on Bonds | (28,180,000) | (654,930,601) | (683,110,601) |
| Interest Payments on Bonds | (12,431,658) | (57,383,045) | (69,814,703) |
| Bond Issue Costs | - | (2,987,772) | (2,987,772) |
| Bond Call Costs | (57,244) | (265,223) | (322,467) |
| Loan Proceeds | - | 3,173,430 | 3,173,430 |
| Principal Payments on Loans | - | (4,468,680) | (4,468,680) |
| Interest Payments on Loans | - | (240,074) | (240,074) |
| Transfers from Other Funds | 5,065,000 | 177,402 | 5,242,402 |
| Transfers to Other Funds | (177,402) | (5,065,000) | (5,242,402) |
| ***Net Cash Provided (Used) in Noncapital Financing Activities*** | (35,781,304) | 49,405,209 | 13,623,905 |
| **Cash Flows from Investing Activities:** | | | |
| Purchase of Investments | (6,138,266) | (1,284,308,636) | (1,290,446,902) |
| Proceeds from Sales and Maturities of Investments | 6,025,000 | 1,263,396,589 | 1,269,421,589 |
| Interest on Cash and Investments | 2,556,956 | 15,960,791 | 18,517,747 |
| Investment Income on Securities Lending | 214,217 | 240,024 | 454,241 |
| Interest Paid on Securities Lending | (214,217) | (240,024) | (454,241) |
| ***Net Cash Provided (Used) in Investing Activities*** | 2,443,690 | (4,951,256) | (2,507,566) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (7,669,111) | 8,397,249 | 728,138 |
| **Cash and Cash Equivalents Balance - Beginning** | 50,865,308 | 26,096,189 | 76,961,497 |
| **Cash and Cash Equivalents Balance - Ending** | $ 43,196,197 | $ 34,493,438 | $ 77,689,635 |
| Cash and Cash Equivalents | $ - | $ 5,386,744 | $ 5,386,744 |
| Cash and Cash Equivalents - Restricted (Current) | 14,174,760 | 158,693 | 14,333,453 |
| Cash and Cash Equivalents - Restricted (Noncurrent) | 29,021,437 | 28,948,001 | 57,969,438 |
| **Total Cash and Cash Equivalents** | $ 43,196,197 | $ 34,493,438 | $ 77,689,635 |

*Continued on the next page*

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

*Continued from the previous 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 (Loss) | $ 7,374,289 | $ (533,316) | $ 6,840,973 |
| **Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:** | | | |
| Depreciation/Amortization | 17,826 | 68,744 | 86,570 |
| Amortization of Deferred Bond Issuance Costs | 191,773 | 1,199,203 | 1,390,976 |
| Bad Debt Expense | (66,618) | (30,903) | (97,521) |
| Investment Income Reported as Operating Revenue | (5,795,502) | (22,825,992) | (28,621,494) |
| Interest Expense Reported as Operating Expense | 12,398,572 | 60,061,447 | 72,460,019 |
| Bond Call Expenses | 391,542 | 1,292,344 | 1,683,886 |
| (Increase)/Decrease in Assets: | | | |
| Loan Interest Receivable | 90,399 | (43,053) | 47,346 |
| Accounts Receivable | 459 | (55,348) | (54,889) |
| Interfund Receivable | - | 462 | 462 |
| Prepaid Expenses | - | 7,600 | 7,600 |
| Loans Receivable | 11,159,957 | (75,227,754) | (64,067,797) |
| Acquired Property | - | 735,531 | 735,531 |
| Increase/(Decrease) in Liabilities: | | | |
| Accounts Payable | (96,986) | (679,453) | (776,439) |
| Interfund Payable | (462) | - | (462) |
| Deferred Income | (23) | (7,085) | (7,108) |
| Compensated Absences Payable | 3,277 | (19,131) | (15,854) |
| ***Net Cash Provided (Used) in Operating Activities*** | $ 25,668,503 | $ (36,056,704) | $ (10,388,201) |
| **Noncash Investing, Capital, and Financing Activities:** | | | |
| Net Change in Fair Value of Investments | $ 3,050,746 | $ 8,440,808 | $ 11,491,554 |
| Foreclosed Property | - | 3,941,459 | 3,941,459 |
| Loan Modification - Interest Capitalized | - | 2,471 | 2,471 |
| Loan Moved Between Funds | (5,103,657) | 5,103,657 | - |
| **Total Noncash Investing, Capital, and Financing Activities** | $ (2,052,911) | $ 17,488,395 | $ 15,435,484 |

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

**NOTE 1. Summary of Significant Accounting Policies**

The accompanying financial statements of the Oregon Housing and Community Services Department (OHCSD) 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**

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

Through sales of bonds, OHCSD finances home ownership and multi-family units for elderly, disabled, and lower to moderate-income persons. OHCSD has issued $185,135,000 in revenue bonds for the Assisted or Insured Multi-Unit Program, $163,975,000 in revenue bonds for Multifamily Housing Revenue Bonds, $46,405,000 in revenue bonds for Multiple Purpose Bonds, and $4,626,769,183 in revenue bonds for the Single-Family Mortgage Program ($511,644,681 in Housing Finance Revenue Bonds, $4,076,539,502 in Mortgage Revenue Bonds, and $38,585,000 in Homeowner Revenue Bonds). OHCSD has issued $562,705,000 in 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 OHCSD. OHCSD operates other programs which have no impact on the bond related activity of OHCSD.

**B. Basis of Presentation - Fund Accounting**

OHCSD 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. All bond programs are classified in proprietary funds. Proprietary funds contain two types of funds: Enterprise Funds and Internal Service Funds. All bond programs of OHCSD 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. OHCSD 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. OHCSD is responsible for the administration of this program.

(2) The Housing Finance Fund accounts for programs that are supported by revenue bond financing, including 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 OHCSD in carrying out the responsibilities outlined under Oregon Revised Statues 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 OHCSD 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**

OHCSD's investments are stated at fair value. Investment fair value is determined using quoted market prices. 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, 2005 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, many 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. 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.

**K. 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.

**L. 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, 2005 were sufficient to meet all legal requirements. When both restricted and unrestricted resources are available to use, it is OHCSD's policy to use restricted resources before using unrestricted resources.

**M. Compensated Absences**

Employees accrue vacation leave at various accrual rates and may generally be paid for up to a maximum of 250 hours of accrued vacation leave at termination. Accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to the employees. No liability is recorded for accumulated sick pay benefits.

**N. 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. OHCSD records rebatable arbitrage as a reduction of investment revenue.

**O. 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.

**P. Operating Revenues and Expenses**

Operating revenues include interest and fees on program loans as well as earnings on cash and investments related to OHCSD'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.

**Q. 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.

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

**Deposits:**

On June 30, 2005, the book balance of cash and cash equivalents was $77,689,635 and the bank balance was $77,792,252. Monies held in demand accounts with the State Treasurer and amounts invested in the Oregon Short Term Fund totaled $75,652,455. 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. They consist of 55 percent in U.S. Agency securities and 45 percent in time certificates of deposit, banker's acceptances, and other short-term commercial paper. 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 $2,023,734. Total Cash with Fiscal Agents was $116,063, of which $59,429 was collateralized and held at the Fiscal Agent but not in OHCSD's name and is exposed to custodial credit risk. The remaining $56,634 is insured up to $100,000 per bond holder. OHCSD does not have a deposit policy.

**Investments:**

Oregon Revised Statutes, Bond Indentures of Trust, and OHCSD's investment policy authorize OHCSD 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, 2005, OHCSD had the following investments and maturities:

| | | Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | 1-5 | 6-10 | More than 10 |
| U.S. Government Securities | $ 15,911,121 | $ - | $ - | $ 2,798,572 | $ 13,112,549 |
| U.S. Agency Securities | 731,661,901 | 661,051,395 | 5,236,877 | 6,450,865 | 58,922,764 |
| Guaranteed Investment Contracts | 82,173,861 | 43,588,861 | 38,585,000 | - | - |
| Total | $ 829,746,883 | $ 704,640,256 | $ 43,821,877 | $ 9,249,437 | $ 72,035,313 |

Investments with OHCSD's Trustees consisted of $4,657,404 in U.S. Government Securities, $713,971,252 in U.S. Agency securities, and $82,173,861 in guaranteed investment contracts. They are held by the Trust Departments of OHCSD's Bond Trustees as agents in OHCSD's name. Investments with the State Treasurer consisted of $11,253,717 in U.S. Government Securities and $17,690,649 in U.S. Agency securities. OHCSD'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 OHCSD'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. OHCSD's investment policy specifies that, in order to mitigate investment 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 OHCSD'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, 2005, all of OHCSD's investments in U.S. Agency securities are rated Aaa by Moody's Investor Service and AAA by Standard & Poors. OHCSD'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. On June 30, 2005, 71.9% of OHCSD's total investments are in Federal Home Loan Mortgage Corporation and 10.5% are in Federal National Mortgage Association.

**Securities Lending:**

In accordance with State of Oregon investment policies, state agencies may participate in securities lending. The State has authorized its custodian to lend the State's securities pursuant to a form of loan agreement. 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 custodian lent short-term and fixed income securities and received as collateral U.S. dollar cash. Borrowers were required to deliver 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 custodian made on its behalf. The State is fully indemnified against 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 during the year generally do not match the maturities of their securities loans. On June 30, 2005, the State had no credit risk exposure to borrowers. On June 30, 2005, OHCSD had no securities on loan.

OHCSD's cash balances are invested in the Oregon Short Term Fund (OSTF), as is the cash of other state agencies. As of June 30, 2005, the fair value of all securities on loan from OSTF was $1,452,573,416. The total cash collateral received for the securities on loan from OSTF was $1,482,782,589. The fair value of all investments made with the cash collateral received for those securities on loan was $1,478,666,455. The portion of these balances allocated to OHCSD's Enterprise Funds are $11,572,266, $11,809,193, and $11,776,785, respectively.

## NOTE 3. Loans Receivable

Loans receivable on June 30, 2005 consisted of:

| | Loans Receivable | Less: Allowance for Uncollectible Accounts | Loans Receivable (Net) |
|---|---|---|---|
| Elderly and Disabled Housing Fund: | $ 199,798,061 | $ (990,664) | $ 198,807,397 |
| Housing Finance Fund: | | | |
| Housing Finance Revenue Bonds | 6,199,165 | - | 6,199,165 |
| Mortgage Revenue Bonds | 643,027,184 | - | 643,027,184 |
| Multifamily Housing Revenue Bonds | 143,329,937 | (366,448) | 142,963,489 |
| Multiple Purpose Bonds | 42,516,991 | (89,953) | 42,427,038 |
| Housing Finance Account | 5,535,709 | (27,678) | 5,508,031 |
| Total Housing Finance Fund | 840,608,986 | (484,079) | 840,124,907 |
| Total | $ 1,040,407,047 | $ (1,474,743) | $ 1,038,932,304 |

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

The Single-Family Mortgage Program (Housing Finance Revenue Bonds and Mortgage Revenue Bonds) provides financing for single-family homes for 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, 67 percent is federally insured or guaranteed, 19 percent is covered by pool insurance and/or private mortgage insurance and 14 percent is uninsured. Based on prior experience, OHCSD 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 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 multifamily rental housing developments within the state.

OHCSD 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 OHCSD's capital assets at June 30, 2005 is presented in the table below. OHCSD has no outstanding debt related to capital assets.

| | Beginning Balance | Increases | Decreases | Ending Balance | Less: Accumulated Depreciation/ Amortization | Net Capital Assets |
|---|---|---|---|---|---|---|
| Elderly and Disabled Housing Fund: | | | | | | |
| Equipment/Furniture | $ 1,474 | $ - | $ - | $ 1,474 | $ (1,474) | $ - |
| Data Processing Hardware | 64,797 | - | - | 64,797 | (53,911) | 10,886 |
| Data Processing Software | 15,745 | - | - | 15,745 | (12,716) | 3,029 |
| Total | $ 82,016 | $ - | $ - | $ 82,016 | $ (68,101) | $ 13,915 |
| Housing Finance Fund: | | | | | | |
| Equipment/Furniture | $ 107,910 | $ - | $ (21,079) | $ 86,831 | $ (86,831) | $ - |
| Data Processing Hardware | 791,849 | - | - | 791,849 | (759,191) | 32,658 |
| Data Processing Software | 244,746 | - | (151,713) | 93,033 | (81,384) | 11,649 |
| Leasehold Improvements | 34,852 | - | - | 34,852 | (34,852) | - |
| Total | $ 1,179,357 | $ - | $ (172,792) | $ 1,006,565 | $ (962,258) | $ 44,307 |

## NOTE 5. Interfund Balances and Transfers

The following schedule summarizes interfund receivables and payables for the year ended June 30, 2005:

| | |
|---|---|
| Elderly and Disabled Housing Fund: | |
| Due to Housing Finance Fund | $ 274 |
| Total Interfund Payable | $ 274 |
| Housing Finance Fund: | |
| Due from Elderly and Disabled Housing Fund | $ 274 |
| Total Interfund Receivable | $ 274 |

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, 2005:

| | |
|---|---|
| Elderly and Disabled Housing Fund: | |
| Transfer from Housing Finance Fund | $ 5,065,000 |
| Transfer to Housing Finance Fund | (5,343,430) |
| Net Elderly and Disabled Housing Fund Transfers | $ (278,430) |
| Housing Finance Fund: | |
| Transfer from Elderly and Disabled Housing Fund | $ 5,343,430 |
| Transfer to Elderly and Disabled Housing Fund | (5,065,000) |
| Net Housing Finance Fund Transfers | $ 278,430 |

The transfers from the Elderly and Disabled Housing Fund to the Housing Finance Fund include $177,402 used to provide housing for very low income Oregonians and $5,166,028 in transferred loans and bond refunding costs. The $5,065,000 transferred from the Housing Finance Fund to the Elderly and Disabled Housing Fund was used to refund Elderly and Disabled Housing Fund bonds.

## 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 |
|---|---|---|---|---|---|
| Bonds Payable | $ 1,680,431,309 | $ 771,218,952 | $ 683,799,367 | $ 1,767,850,894 | $ 510,311,117 |
| Arbitrage Rebate Liability | 595,301 | 55,665 | 431,782 | 219,184 | 147,167 |
| Loans Payable | 5,716,450 | 3,173,430 | 4,468,680 | 4,421,200 | 1,340,000 |
| Compensated Absences Payable | 300,154 | - | 15,854 | 284,300 | 199,010 |
| Total Long Term Liabilities | $ 1,687,043,214 | $ 774,448,047 | $ 688,715,683 | $ 1,772,775,578 | $ 511,997,294 |

## NOTE 7. Long Term Debt

The following table summarizes outstanding bonds by program and series as of June 30, 2005:

### *General Obligation Bonds*

#### Elderly and Disabled Housing Program

| Original Issue | | | | Bonds Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|
| Series | Due Dates | Interest Range | Amount | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
| 1992 A | 1993-2013 | 3.300 - 6.250% | $11,985,000 | $ 7,415,000 | $ - | $ 3,640,000 | $ 3,775,000 | $ 325,000 |
| 1992 B | 1993-2024 | 3.300 - 6.375% | 56,505,000 | 2,500,000 | - | 2,500,000 | - | - |
| 1992 C | 1993-2022 | 3.300 - 6.500% | 14,695,000 | 625,000 | - | 20,000 | 605,000 | 20,000 |
| 1993 B | 1994-2026 | 2.700 - 5.500% | 11,060,000 | 9,375,000 | - | 215,000 | 9,160,000 | 230,000 |
| 1993 C | 1994-2026 | 2.850 - 5.650% | 13,915,000 | 11,590,000 | - | 285,000 | 11,305,000 | 295,000 |
| 1994 A | 1995-2025 | 3.500 - 6.150% | 9,440,000 | 2,600,000 | - | 60,000 | 2,540,000 | 60,000 |
| 1994 B | 1996-2026 | 4.200 - 6.300% | 24,400,000 | 20,880,000 | - | 435,000 | 20,445,000 | 455,000 |
| 1995 A | 1996-2026 | 4.000 - 6.000% | 14,100,000 | 11,425,000 | - | 245,000 | 11,180,000 | 260,000 |
| 1995 B | 1997-2027 | 4.000 - 5.700% | 24,240,000 | 13,350,000 | - | 285,000 | 13,065,000 | 300,000 |
| 1996 A | 1998-2027 | 4.050 - 5.600% | 2,850,000 | 515,000 | - | 10,000 | 505,000 | 10,000 |
| 1996 B | 1998-2027 | 4.200 - 5.800% | 10,605,000 | 9,465,000 | - | 195,000 | 9,270,000 | 210,000 |
| 1997 A | 1999-2028 | 4.050 - 5.375% | 8,475,000 | 6,590,000 | - | 1,055,000 | 5,535,000 | 115,000 |
| 1998 A | 2000-2029 | 3.400 - 4.500% | 8,870,000 | 3,665,000 | - | 1,175,000 | 2,490,000 | 1,215,000 |
| 1998 B | 2001-2030 | 3.550 - 4.875% | 10,285,000 | 4,020,000 | - | 90,000 | 3,930,000 | 95,000 |
| 1998 C | 2000-2029 | 4.900 - 6.000% | 1,880,000 | 895,000 | - | 280,000 | 615,000 | 295,000 |
| 1999 A | 2000-2030 | 3.250 - 5.150% | 10,840,000 | 6,520,000 | - | 925,000 | 5,595,000 | 965,000 |
| 1999 B | 2000-2031 | 3.350 - 5.250% | 4,485,000 | 4,255,000 | - | 75,000 | 4,180,000 | 80,000 |
| 1999 C | 2000-2005 | 5.400 - 6.160% | 1,335,000 | 180,000 | - | 85,000 | 95,000 | 95,000 |
| 1999 D | 2000-2030 | 3.950 - 6.000% | 5,695,000 | 3,015,000 | - | 570,000 | 2,445,000 | 620,000 |

| Original Issue | | | | Bonds Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|
| Series | Due Dates | Interest Range | Amount | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
| 1999 E | 2001-2031 | 5.000 - 6.250% | 19,105,000 | 18,235,000 | - | 290,000 | 17,945,000 | 300,000 |
| 1999 F | 2000-2006 | 6.250 - 7.000% | 1,375,000 | 590,000 | - | 225,000 | 365,000 | 240,000 |
| 2001 A | 2002-2032 | 2.550 - 5.100% | 5,210,000 | 1,510,000 | - | 45,000 | 1,465,000 | 50,000 |
| 2001 B | 2002-2020 | 2.550 - 4.950% | 7,805,000 | 7,260,000 | - | 230,000 | 7,030,000 | 250,000 |
| 2001 C | 2002-2032 | 2.700 - 5.300% | 25,325,000 | 24,210,000 | - | 605,000 | 23,605,000 | 655,000 |
| 2002 A | 2003-2022 | 1.400 - 4.650% | 10,840,000 | 10,430,000 | - | 410,000 | 10,020,000 | 420,000 |
| 2002 B | 2003-2024 | 1.400 - 4.700% | 37,905,000 | 36,665,000 | - | 7,675,000 | 28,990,000 | 1,050,000 |
| 2002 C | 2003-2043 | 1.600 - 5.050% | 13,595,000 | 13,395,000 | - | 5,945,000 | 7,450,000 | 190,000 |
| 2003 A | 2004-2024 | 1.150 - 4.650% | 7,800,000 | 7,800,000 | - | 270,000 | 7,530,000 | 275,000 |
| 2003 B | 2004-2024 | 1.300 - 4.800% | 9,265,000 | 9,265,000 | - | 315,000 | 8,950,000 | 315,000 |
| 2003 C | 2013-2034 | 4.350 - 5.100% | 2,930,000 | 2,930,000 | - | 25,000 | 2,905,000 | 45,000 |
| *Total General Obligation Bonds* | | | | $ 251,170,000 | $ - | $ 28,180,000 | $ 222,990,000 | $ 9,435,000 |

## *Revenue Bonds*

### Housing Finance Revenue Bonds

| Original Issue | | | | Bonds Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|
| Series | Due Dates | Interest Range | Amount | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
| 1977 A | 1979-2009 | 4.550 - 8.000% | $43,800,000 | $ 6,455,000 | $ - | $ 1,020,000 | $ 5,435,000 | $ 950,000 |
| *Total Housing Finance Revenue Bonds* | | | | $ 6,455,000 | $ - | $ 1,020,000 | $ 5,435,000 | $ 950,000 |

### Mortgage Revenue Bonds

| Original Issue | | | | Bonds Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|
| Series | Due Dates | Interest Range | Amount | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
| 1991 D | 1993-2027 | 4.750 - 6.800% | $21,250,000 | $ 11,555,000 | $ - | $ 4,080,000 | $ 7,475,000 | $ 150,000 |
| 1992 A | 1994-2016 | 4.500 - 6.800% | 32,874,827 | 3,354,827 | - | 770,601 | 2,584,226 | 716,117 |
| 1992 C | 1994-2016 | 2.400 - 5.550% | 20,585,000 | 5,900,000 | - | 2,465,000 | 3,435,000 | 200,000 |
| 1993 A | 1994-2024 | 2.750 - 5.450% | 36,720,000 | 22,030,000 | - | 1,875,000 | 20,155,000 | 1,975,000 |
| 1993 B | 1995-2017 | 3.250 - 5.375% | 18,795,000 | 6,015,000 | - | 1,865,000 | 4,150,000 | 265,000 |
| 1994 A | 1995-2018 | 3.750 - 6.400% | 18,150,000 | 4,395,000 | - | 1,215,000 | 3,180,000 | 20,000 |
| 1994 C | 1996-2016 | 4.200 - 6.250% | 12,440,000 | 4,325,000 | - | 1,305,000 | 3,020,000 | 135,000 |
| 1995 A | 1996-2026 | 4.400 - 6.450% | 25,000,000 | 7,865,000 | - | 1,520,000 | 6,345,000 | 150,000 |
| 1995 B | 1997-2012 | 3.900 - 6.000% | 9,800,000 | 80,000 | - | 80,000 | - | - |
| 1995 C | 2015-2026 | 6.200 - 6.400% | 20,200,000 | 8,425,000 | - | 1,830,000 | 6,595,000 | - |
| 1995 E | 1997-2027 | 4.000 - 6.000% | 25,000,000 | 9,225,000 | - | 2,270,000 | 6,955,000 | 190,000 |
| 1996 A | 2008-2016 | 5.500 - 6.000% | 6,465,000 | 940,000 | - | 780,000 | 160,000 | - |
| 1996 B | 1998-2027 | 4.200 - 6.200% | 18,535,000 | 7,280,000 | - | 1,480,000 | 5,800,000 | 245,000 |
| 1996 D | 1998-2027 | 4.300 - 6.375% | 27,300,000 | 7,465,000 | - | 1,810,000 | 5,655,000 | 75,000 |
| 1996 H | 1998-2027 | 4.050 - 6.000% | 27,300,000 | 11,035,000 | - | 3,440,000 | 7,595,000 | 130,000 |
| 1997 A | 1999-2027 | 4.600 - 6.200% | 25,000,000 | 9,940,000 | - | 3,415,000 | 6,525,000 | 145,000 |
| 1997 E | 1999-2015 | 3.900 - 5.250% | 8,475,000 | 3,480,000 | - | 3,480,000 | - | - |
| 1997 F | 2017-2028 | 5.500 - 5.650% | 14,025,000 | 12,280,000 | - | 1,540,000 | 10,740,000 | - |
| 1997 G | 2028 | 6.700 - 6.700% | 7,500,000 | 30,000 | - | 30,000 | - | - |
| 1997 H | 1999-2028 | 4.000 - 5.650% | 33,570,000 | 18,120,000 | - | 4,050,000 | 14,070,000 | 265,000 |
| 1997 I | 2028 | 6.640 - 6.640% | 7,500,000 | 1,815,000 | - | 1,005,000 | 810,000 | 20,000 |
| 1998 A | 2000-2015 | 4.000 - 5.150% | 10,655,000 | 4,850,000 | - | 1,345,000 | 3,505,000 | 260,000 |
| 1998 B | 2018-2029 | 4.900 - 5.450% | 19,345,000 | 11,795,000 | - | 2,390,000 | 9,405,000 | - |
| 1998 D | 2000-2029 | 3.850 - 5.300% | 35,000,000 | 21,330,000 | - | 4,855,000 | 16,475,000 | 130,000 |
| 1998 G | 2000-2029 | 3.650 - 5.250% | 35,000,000 | 22,265,000 | - | 5,245,000 | 17,020,000 | 225,000 |
| 1999 A | 2001-2027 | 3.600 - 5.150% | 25,480,000 | 21,560,000 | - | 5,475,000 | 16,085,000 | 410,000 |
| 1999 B | 2030 | 5.250 - 5.250% | 5,450,000 | 375,000 | - | 375,000 | - | - |
| 1999 E | 2019-2027 | 4.850 - 5.400% | 20,350,000 | 12,220,000 | - | 1,405,000 | 10,815,000 | - |
| 1999 F | 2001-2028 | 3.850 - 5.500% | 14,650,000 | 8,400,000 | - | 3,895,000 | 4,505,000 | 285,000 |
| 1999 I | 2001-2020 | 4.100 - 5.550% | 25,555,000 | 10,940,000 | - | 4,745,000 | 6,195,000 | 200,000 |
| 1999 J | 2023-2030 | 5.200 - 5.750% | 29,320,000 | 17,355,000 | - | 3,895,000 | 13,460,000 | - |
| 1999 M | 2002-2031 | 4.650 - 6.200% | 32,260,000 | 16,970,000 | - | 4,970,000 | 12,000,000 | 170,000 |

| Series | Due Dates | Interest Range | Amount | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|---|---|---|
| Original Issue | | | | Bonds Outstanding | | | | |
| 2000 A | 2001-2028 | 4.300 - 6.050% | 18,265,000 | 10,060,000 | - | 3,070,000 | 6,990,000 | 250,000 |
| 2000 B | 2025-2030 | 5.750 - 6.250% | 16,735,000 | 4,140,000 | - | 1,140,000 | 3,000,000 | - |
| 2000 E | 2002-2030 | 4.850 - 6.150% | 29,160,000 | 19,215,000 | - | 5,540,000 | 13,675,000 | 415,000 |
| 2000 F | 2028 | 6.250 - 6.250% | 20,840,000 | 880,000 | - | 880,000 | - | - |
| 2000 H | 2009-2030 | 4.650 - 5.750% | 30,070,000 | 19,870,000 | - | 5,300,000 | 14,570,000 | - |
| 2000 K | 2003-2022 | 4.500 - 5.700% | 14,825,000 | 8,685,000 | - | 3,560,000 | 5,125,000 | 190,000 |
| 2000 L | 2031-2033 | 5.900 - 5.900% | 20,175,000 | 16,035,000 | - | 2,165,000 | 13,870,000 | - |
| 2001 A | 2003-2030 | 3.600 - 5.350% | 23,465,000 | 19,890,000 | - | 2,825,000 | 17,065,000 | 435,000 |
| 2001 B | 2022-2032 | 5.350 - 5.450% | 6,535,000 | 3,610,000 | - | 2,600,000 | 1,010,000 | - |
| 2001 C | 2032 | *** | 7,500,000 | 5,875,000 | - | 1,295,000 | 4,580,000 | 60,000 |
| 2001 F | 2003-2030 | 3.350 - 5.550% | 24,025,000 | 21,515,000 | - | 4,060,000 | 17,455,000 | 460,000 |
| 2001 G | 2026-2032 | 4.850 - 5.700% | 10,975,000 | 6,600,000 | - | 2,700,000 | 3,900,000 | - |
| 2001 J | 2003-2030 | 3.000 - 5.150% | 26,435,000 | 23,905,000 | - | 6,050,000 | 17,855,000 | 390,000 |
| 2001 K | 2032 | 5.400 - 5.400% | 3,565,000 | 185,000 | - | 185,000 | - | - |
| 2001 L | 2032 | *** | 9,100,000 | 7,320,000 | - | 1,810,000 | 5,510,000 | 70,000 |
| 2001 Q | 2003-2024 | 2.350 - 5.125% | 19,015,000 | 17,290,000 | - | 3,005,000 | 14,285,000 | 465,000 |
| 2001 R | 2027-2033 | 4.200 - 5.375% | 15,985,000 | 14,265,000 | - | 2,825,000 | 11,440,000 | - |
| 2002 A | 2004-2024 | 2.350 - 5.200% | 18,620,000 | 18,235,000 | - | 1,950,000 | 16,285,000 | 530,000 |
| 2002 B | 2004-2033 | 2.700 - 5.450% | 16,380,000 | 15,510,000 | - | 2,575,000 | 12,935,000 | - |
| 2002 F | 2005-2022 | 3.150 - 5.250% | 15,190,000 | 14,600,000 | - | 2,370,000 | 12,230,000 | 470,000 |
| 2002 G | 2003-2033 | 2.400 - 5.600% | 19,810,000 | 19,360,000 | - | 2,930,000 | 16,430,000 | - |
| 2002 H | 2006-2023 | 2.450 - 5.000% | 16,315,000 | 16,315,000 | - | 925,000 | 15,390,000 | - |
| 2002 I | 2004-2033 | 2.000 - 5.250% | 18,685,000 | 18,145,000 | - | 2,615,000 | 15,530,000 | 605,000 |
| 2002 M | 2006-2023 | 2.400 - 5.050% | 16,285,000 | 16,285,000 | - | - | 16,285,000 | - |
| 2002 N | 2004-2033 | 2.200 - 5.250% | 18,715,000 | 18,585,000 | - | 1,730,000 | 16,855,000 | 650,000 |
| 2003 A | 2007-2030 | 2.150 - 4.900% | 22,810,000 | 22,810,000 | - | 20,000 | 22,790,000 | - |
| 2003 B | 2004-2034 | 1.400 - 5.000% | 12,190,000 | 12,190,000 | - | 1,600,000 | 10,590,000 | 625,000 |
| 2003 E | 2004-2030 | 1.100 - 4.600% | 24,665,000 | 24,665,000 | - | 790,000 | 23,875,000 | 660,000 |
| 2003 F | 2032-2034 | 3.200 - 4.750% | 10,335,000 | 10,335,000 | - | 1,130,000 | 9,205,000 | - |
| 2003 J | 2005-2023 | 1.300 - 4.700% | 22,880,000 | 22,880,000 | - | - | 22,880,000 | 465,000 |
| 2003 K | 2005-2029 | 1.700 - 5.625% | 12,120,000 | 12,120,000 | - | 200,000 | 11,920,000 | 470,000 |
| 2003 L | 2034 | **** | 15,000,000 | 15,000,000 | - | - | 15,000,000 | - |
| 2003 M | 2005 | 1.200 - 1.200% | 55,840,000 | 55,840,000 | - | 55,840,000 | - | - |
| 2003 N | 2005 | 1.250 - 1.250% | 24,625,000 | 24,625,000 | - | 24,625,000 | - | - |
| 2003 O | 2005 | 1.250 - 1.250% | 57,000,000 | 57,000,000 | - | 57,000,000 | - | - |
| 2003 P | 2005 | 1.250 - 1.250% | 151,945,000 | 144,345,000 | - | 144,345,000 | - | - |
| 2004 A | 2005-2023 | 1.100 - 4.500% | 23,720,000 | 23,720,000 | - | - | 23,720,000 | 1,005,000 |
| 2004 B | 2029 | 5.625 - 5.625% | 11,280,000 | 11,280,000 | - | 65,000 | 11,215,000 | - |
| 2004 C | 2034 | **** | 15,000,000 | 15,000,000 | - | - | 15,000,000 | - |
| 2004 D | 2005 | 1.160 - 1.160% | 82,150,000 | 82,150,000 | - | 82,150,000 | - | - |
| 2004 E | 2005 | 1.210 - 1.210% | 43,100,000 | 43,100,000 | - | 43,100,000 | - | - |
| 2004 F | 2005 | 1.210 - 1.210% | 14,200,000 | 14,200,000 | - | 14,200,000 | - | - |
| 2004 G | 2005-2023 | 1.350 - 4.500% | 23,410,000 | - | 23,410,000 | 10,000 | 23,400,000 | 700,000 |
| 2004 H | 2029 | 5.125 - 5.125% | 11,590,000 | - | 11,590,000 | 50,000 | 11,540,000 | - |
| 2004 I | 2034 | **** | 15,000,000 | - | 15,000,000 | - | 15,000,000 | - |
| 2004 J | 2006-2019 | 1.950 - 4.350% | 15,560,000 | - | 15,560,000 | - | 15,560,000 | - |
| 2004 K | 2020-2030 | 4.800 - 5.100% | 19,440,000 | - | 19,440,000 | - | 19,440,000 | - |
| 2004 L | 2030-2035 | **** | 15,000,000 | - | 15,000,000 | - | 15,000,000 | - |
| 2004 M | 2007-2025 | 2.250 - 4.600% | 7,510,000 | - | 7,510,000 | - | 7,510,000 | - |
| 2004 N | 2026-2035 | 4.900 - 4.900% | 8,390,000 | - | 8,390,000 | - | 8,390,000 | - |
| 2004 O | 2005-2006 | 2.000 - 2.450% | 125,055,000 | - | 125,055,000 | 15,500,000 | 109,555,000 | 109,555,000 |
| 2004 P | 2006 | 3.000 - 3.000% | 86,755,000 | - | 86,755,000 | - | 86,755,000 | 86,755,000 |
| 2004 Q | 2005 | 2.050 - 2.050% | 11,665,000 | - | 11,665,000 | 11,665,000 | - | - |
| 2004 R | 2005-2006 | 2.050 - 2.550% | 140,625,000 | - | 140,625,000 | 4,335,000 | 136,290,000 | 136,290,000 |
| 2004 S | 2005-2006 | 2.050 - 2.550% | 148,730,000 | - | 148,730,000 | 3,500,000 | 145,230,000 | 145,230,000 |
| 2005 A | 2006-2024 | 2.600 - 4.500% | 16,055,000 | - | 16,055,000 | - | 16,055,000 | - |
| 2005 B | 2034 | 5.375 - 5.375% | 8,455,000 | - | 8,455,000 | - | 8,455,000 | - |
| 2005 C | 2035 | **** | 10,500,000 | - | 10,500,000 | - | 10,500,000 | - |
| *Total Mortgage Revenue Bonds* | | | | $1,231,249,827 | $ 663,730,000 | $ 603,130,601 | $1,291,849,226 | $ 493,106,117 |

*** The interest rates for the 2001 C and 2001 L Series 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 3.52%.

**** The interest rates for the 2003 L, 2004 C, 2004 I, 2004 L, and 2005 C Series 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 2.47%.

## Homeowner Revenue Bonds

| Original Issue | | | | Bonds Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|
| Series | Due Dates | Interest Range | Amount | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
| 2005 A | 2010 | *** | $22,500,000 | $ - | $ 22,500,000 | $ - | $ 22,500,000 | $ - |
| 2005 B | 2010 | **** | 16,085,000 | - | 16,085,000 | - | 16,085,000 | - |
| *Total Homeowner Revenue Bonds* | | | | $ - | $ 38,585,000 | $ - | $ 38,585,000 | $ - |

*** The interest rate for the 2005 A Series is adjusted monthly based on the BMA index rate plus 0.75%, not to exceed the one-month LIBOR rate plus 0.23% or fall below 95% of the one-month LIBOR rate. The interest rate at the end of the fiscal year was 3.13%.

**** The interest rate for the 2005 B Series is adjusted monthly based on the BMA index rate plus 0.80%, not to exceed the one-month LIBOR rate plus 0.23% or fall below 95% of the one-month LIBOR rate. The interest rate at the end of the fiscal year was 3.13%.

## Assisted or Insured Multi-Unit Program

| Original Issue | | | | Bonds Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|
| Series | Due Dates | Interest Range | Amount | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
| 1991 A | 1992-2013 | 4.700 - 6.800% | $15,665,000 | $ 9,760,000 | $ - | $ 9,760,000 | $ - | $ - |
| 1991 B | 1992-2013 | 4.700 - 6.800% | 18,270,000 | 11,380,000 | - | 11,380,000 | - | - |
| 1991 C | 1993-2022 | 5.000 - 6.850% | 5,985,000 | 555,000 | - | 555,000 | - | - |
| 1993 A | 1994-2012 | 2.800 - 5.750% | 48,455,000 | 27,205,000 | - | 27,205,000 | - | - |
| *Total Assisted or Insured Multi-Unit Program* | | | | $ 48,900,000 | $ - | $ 48,900,000 | $ - | $ - |

## Multifamily Housing Revenue Bonds

| Original Issue | | | | Bonds Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|
| Series | Due Dates | Interest Range | Amount | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
| 1996 A | 1999-2028 | 4.650 - 6.200% | $ 4,505,000 | $ 4,185,000 | $ - | $ 80,000 | $ 4,105,000 | $ 80,000 |
| 1997 A | 1999-2029 | 4.100 - 5.700% | 16,360,000 | 15,225,000 | - | 285,000 | 14,940,000 | 295,000 |
| 1997 B | 2000-2029 | 4.000 - 5.550% | 10,100,000 | 9,445,000 | - | 180,000 | 9,265,000 | 190,000 |
| 1999 A | 2001-2030 | 3.450 - 5.150% | 12,440,000 | 11,810,000 | - | 225,000 | 11,585,000 | 235,000 |
| 1999 B | 2002-2031 | 4.300 - 6.000% | 34,920,000 | 33,940,000 | - | 525,000 | 33,415,000 | 550,000 |
| 2000 A | 2003-2042 | 4.600 - 6.050% | 18,325,000 | 18,195,000 | - | 135,000 | 18,060,000 | 140,000 |
| 2001 A | 2024-2032 | 4.600 - 5.100% | 1,770,000 | 1,740,000 | - | 30,000 | 1,710,000 | 35,000 |
| 2001 B | 2004-2043 | 2.900 - 5.450% | 31,935,000 | 31,935,000 | - | 275,000 | 31,660,000 | 280,000 |
| 2002 A | 2004-2033 | 1.800 - 5.000% | 7,875,000 | 7,875,000 | - | 145,000 | 7,730,000 | 145,000 |
| 2003 A | 2013-2044 | 4.400 - 5.150% | 5,675,000 | 5,675,000 | - | - | 5,675,000 | 50,000 |
| 2004 A | 2014-2045 | 4.300 - 5.100% | 5,120,000 | - | 5,120,000 | - | 5,120,000 | 20,000 |
| 2004 B | 2046 | **** | 14,950,000 | - | 14,950,000 | - | 14,950,000 | - |
| *Total Multifamily Housing Revenue Bonds* | | | | $ 140,025,000 | $ 20,070,000 | $ 1,880,000 | $ 158,215,000 | $ 2,020,000 |

**** The interest rate for the 2004 B Series 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 2.43%.

## Multiple Purpose Bonds

| Original Issue | | | | Bonds Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|
| Series | Due Dates | Interest Range | Amount | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
| 2005 A | 2005-2024 | 1.900 - 4.300% | $46,405,000 | $ - | $ 46,405,000 | $ - | $ 46,405,000 | $ 4,800,000 |
| *Total Multiple Purpose Bonds* | | | | $ - | $ 46,405,000 | $ - | $ 46,405,000 | $ 4,800,000 |

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Total Revenue Bonds** | $1,426,629,827 | $768,790,000 | $ 654,930,601 | $1,540,489,226 | $ 500,876,117 |
| **Total General Obligation and Revenue Bonds** | $1,677,799,827 | $ 768,790,000 | $ 683,110,601 | $1,763,479,226 | $ 510,311,117 |

**Bonds Payable Per Balance Sheet:**

Bonds payable are presented on the balance sheet at their carrying value which is defined as initial bond principal plus the semiannual accretion in principal for capital appreciation bonds plus unamortized bond premium less unamortized bond discount less the deferred amount on debt refunding as summarized below:

| | Principal (per preceding Schedule) | Plus: Accretion | Plus: Premium | Less: Discount | Less: Deferred Amount on Debt Refunding | Bonds Payable |
|---|---|---|---|---|---|---|
| General Obligation Bonds: | | | | | | |
| Elderly and Disabled Housing Program | $ 222,990,000 | $ - | $ - | $ (361,254) | $ (2,607,343) | $ 220,021,403 |
| Revenue Bonds (Housing Finance Fund): | | | | | | |
| Single Family Mortgage Program: | | | | | | |
| Housing Finance Revenue Bonds | 5,435,000 | - | - | - | - | 5,435,000 |
| Mortgage Revenue Bonds | 1,291,849,226 | 3,524,741 | 4,332,855 | (1,633) | - | 1,299,705,189 |
| Homeowner Revenue Bonds | 38,585,000 | - | - | - | - | 38,585,000 |
| Multifamily Housing Revenue Bonds | 158,215,000 | - | - | - | - | 158,215,000 |
| Multiple Purpose Bonds | 46,405,000 | - | - | - | (515,698) | 45,889,302 |
| Total Revenue Bonds | 1,540,489,226 | 3,524,741 | 4,332,855 | (1,633) | (515,698) | 1,547,829,491 |
| Total General Obligation and Revenue Bonds | $ 1,763,479,226 | $ 3,524,741 | $ 4,332,855 | $ (362,887) | $ (3,123,041) | $ 1,767,850,894 |

**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, 2006 for each fiscal year during the next five year period ending June 30, 2010, and in five year increments thereafter.

| Year Ending | General Obligation Bonds | | | Revenue Bonds | | |
|---|---|---|---|---|---|---|
| June 30 | Principal | Interest | Total | Principal | Interest | Total |
| 2006 | $ 9,435,000 | $ 11,055,584 | $ 20,490,584 | $ 500,876,117 | $ 63,760,158 | $ 564,636,275 |
| 2007 | 7,680,000 | 10,718,734 | 18,398,734 | 26,546,809 | 48,955,701 | 75,502,510 |
| 2008 | 7,250,000 | 10,418,386 | 17,668,386 | 27,900,289 | 48,088,431 | 75,988,720 |
| 2009 | 7,590,000 | 10,108,601 | 17,698,601 | 28,131,011 | 47,131,377 | 75,262,388 |
| 2010 | 7,350,000 | 9,783,350 | 17,133,350 | 68,375,000 | 44,896,654 | 113,271,654 |
| 2011-2015 | 42,365,000 | 43,252,212 | 85,617,212 | 128,880,000 | 202,120,376 | 331,000,376 |
| 2016-2020 | 55,540,000 | 31,456,213 | 86,996,213 | 152,325,000 | 169,817,073 | 322,142,073 |
| 2021-2025 | 53,350,000 | 16,467,259 | 69,817,259 | 189,670,000 | 126,118,647 | 315,788,647 |
| 2026-2030 | 25,725,000 | 4,685,011 | 30,410,011 | 231,565,000 | 70,844,698 | 302,409,698 |
| 2031-2035 | 5,415,000 | 751,385 | 6,166,385 | 150,880,000 | 22,261,145 | 173,141,145 |
| 2036-2040 | 695,000 | 249,596 | 944,596 | 19,320,000 | 6,325,681 | 25,645,681 |
| 2041-2045 | 595,000 | 60,600 | 655,600 | 14,760,000 | 1,792,949 | 16,552,949 |
| 2046-2047 | - | - | - | 1,260,000 | 37,698 | 1,297,698 |
| Total | $ 222,990,000 | $ 149,006,931 | $ 371,996,931 | $ 1,540,489,226 | $ 852,150,588 | $ 2,392,639,814 |

The interest stated above includes coupon interest and accreted interest OHCSD expects to pay over the life of the bonds outstanding. Coupon interest is paid semiannually on January 1 and July 1 for revenue bond programs, and February 1 and August 1 for general obligation bonds. 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, 2005, various statutory or constitutional provisions limited the amount of bonds outstanding to $2,000,000,000 in revenue bonds and approximately $1,651,243,593 in general obligation bonds.

**Debt Refunding:**

On February 23, 2005, OHCSD issued $46,405,000 of Multiple Purpose Bonds that refunded previously issued Assisted or Insured Multi-Unit Program Bonds from various series totaling $41,340,000 and Elderly and Disabled Housing Bonds from various series totaling $5,065,000. The current refunding of these bonds decreases the total debt service over the next 19 years by approximately $6,736,540 and results in an economic gain of approximately $4,158,214.

**NOTE 8. Interest Rate Swap**

OHCSD entered into an interest rate swap in conjunction with the issuance of Multifamily Housing Revenue Bonds Series 2004 B variable rate debt to lower borrowing costs compared to fixed-rate bonds. The bonds and the related swap agreement mature on July 1, 2046. The notional amount of the swap is $14,950,000. Under the swap, OHCSD pays the counterparty, Merrill Lynch Capital Services, a fixed payment of 3.894% and receives a variable payment computed as 64% of the London Interbank Offered Rate (LIBOR), plus 27 basis points.

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, the swap contains an embedded one-time ("European") call option in 2007 on up to 10% of the notional amount. To manage credit (default) risk, the swap has a ("Bermudan") call option where the Department has the right to "call" (cancel) the swap, in whole or in part semiannually beginning in 2015.

Because of interest rate declines after the swap was executed in December 2004, the fair value of the swap as of June 30, 2005 is negative $516,644. The valuation provided is derived from proprietary models based upon well recognized financial principals 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.

The swap exposes OHCSD to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.894%) and the synthetic rate as of June 30, 2005 (2.408%). The swap may be terminated if the counterparty's credit rating falls below "A3" as issued by Moody's Investors Service. The counterparty's credit rating as of June 30, 2005 is Aa3. As of June 30, 2005, OHCSD was not exposed to credit risk because the swap had a negative fair value. However, should the interest rates change and the fair value become positive, OHCSD would be exposed to credit risk in the amount of the derivative's fair value.

As rates vary, 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 OHCSD. Using rates as of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments are as follows:

| Year Ending | Variable-Rate Bonds | | Interest Rate | |
|---|---|---|---|---|
| June 30 | Principal | Interest | Swaps (Net) | Total |
| 2006 | $ - | $ 368,028 | $ 119,539 | $ 487,567 |
| 2007 | - | 363,285 | 222,217 | 585,502 |
| 2008 | 155,000 | 362,366 | 221,660 | 739,026 |
| 2009 | 160,000 | 359,524 | 219,318 | 738,842 |
| 2010 | 165,000 | 354,651 | 216,940 | 736,591 |
| 2011-2015 | 950,000 | 1,709,061 | 1,044,865 | 3,703,926 |
| 2016-2020 | 1,165,000 | 1,582,333 | 967,386 | 3,714,719 |
| 2021-2025 | 1,435,000 | 1,426,937 | 871,922 | 3,733,859 |
| 2026-2030 | 1,755,000 | 1,234,892 | 755,017 | 3,744,909 |
| 2031-2035 | 2,160,000 | 1,000,516 | 611,728 | 3,772,244 |
| 2036-2040 | 2,645,000 | 712,536 | 435,664 | 3,793,200 |
| 2041-2045 | 3,245,000 | 359,466 | 219,727 | 3,824,193 |
| 2046-2047 | 1,115,000 | 27,178 | 16,685 | 1,158,863 |
| Total | $ 14,950,000 | $ 9,860,773 | $ 5,922,668 | $ 30,733,441 |

**NOTE 9. Conduit Debt Obligations**

Bonds issued under the Housing Development Revenue Bond program are limited obligations of OHCSD payable only out of security specifically pledged to each bond issue. As of June 30, 2005, the total aggregate amount of Housing Development Revenue Bonds outstanding is $98,115,900. No recourse may be taken against any properties, funds, or assets of OHCSD 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 OHCSD or the State of Oregon, other than the security pledged to each bond issue.

## NOTE 10. Lease Obligations

OHCSD leases office space under operating leases. Total cost for the leases for the fiscal year ended June 30, 2005 was $58,286. The future minimum lease payments for the next five years are:

| Fiscal Year Ending: | |
|---|---|
| June 30, 2006 | $ 41,262 |
| June 30, 2007 | 30,431 |
| June 30, 2008 | 4,455 |
| June 30, 2009 | 2,184 |
| June 30, 2010 | 2,184 |
| Total | $ 80,516 |

## NOTE 11. Segment Information

OHCSD issues revenue bonds to finance mortgage loans. Summary financial information for OHCSD'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** | | | | | |
| Current Assets | 1,359,511 | 527,778,192 | 99,264 | 7,303,683 | 5,753,275 |
| Noncurrent Assets | 23,029,628 | 849,785,115 | 38,703,097 | 166,469,356 | 52,895,794 |
| Total Assets | 24,389,139 | 1,377,563,307 | 38,802,361 | 173,773,039 | 58,649,069 |
| **Liabilities** | | | | | |
| Interfund Payables | - | 178,640 | - | - | - |
| Other Current Liabilities | 1,192,426 | 522,457,959 | 108,444 | 6,239,719 | 5,507,315 |
| Noncurrent Liabilities | 4,485,000 | 806,809,359 | 38,585,000 | 156,195,000 | 41,098,199 |
| Total Liabilities | 5,677,426 | 1,329,445,958 | 38,693,444 | 162,434,719 | 46,605,514 |
| **Net Assets** | | | | | |
| Restricted Net Assets | 18,711,713 | 48,117,349 | 108,917 | 11,338,320 | 12,043,555 |
| Total Net Assets | $ 18,711,713 | $ 48,117,349 | $ 108,917 | $ 11,338,320 | $ 12,043,555 |
| **Condensed Statement of Revenues, Expenses, and Changes in Net Assets** | | | | | |
| Operating Revenues | $ 1,229,870 | $ 55,626,626 | $ 188,031 | $ 10,977,288 | $ 2,320,135 |
| Operating Expenses | (386,486) | (55,795,548) | (201,196) | (8,469,702) | (789,906) |
| Operating Income (Loss) | 843,384 | (168,922) | (13,165) | 2,507,586 | 1,530,229 |
| Transfers In | 28,000 | 2,135,509 | 122,082 | 765,000 | 57,025,416 |
| Transfers Out | (3,320,000) | (2,500,000) | - | - | (46,512,090) |
| Change in Net Assets | (2,448,616) | (533,413) | 108,917 | 3,272,586 | 12,043,555 |
| Beginning Net Assets | 21,160,329 | 48,650,762 | - | 8,065,734 | - |
| Ending Net Assets | $ 18,711,713 | $ 48,117,349 | $ 108,917 | $ 11,338,320 | $ 12,043,555 |
| **Condensed Statement of Cash Flows** | | | | | |
| Net Cash Provided (Used) by: | | | | | |
| Operating Activities | $ 3,536,261 | $ (35,803,808) | $ (9,364) | $ (8,428,093) | $ 3,480,263 |
| Noncapital Financing Activities | (4,680,904) | 15,260,683 | 38,505,597 | 10,849,082 | 11,593,173 |
| Investing Activities | 960,553 | 28,800,131 | (38,396,969) | (3,412,685) | (14,186,180) |
| Net Increase (Decrease) | (184,090) | 8,257,006 | 99,264 | (991,696) | 887,256 |
| Beginning Cash and Cash Equivalents | 392,026 | 18,799,907 | - | 1,539,351 | - |
| Ending Cash and Cash Equivalents | $ 207,936 | $ 27,056,913 | $ 99,264 | $ 547,655 | $ 887,256 |

**NOTE 12. Restricted Assets**

Restricted asset account balances are as follows:

| Purpose: | Elderly and Disabled Housing Fund | Housing Finance Fund |
|---|---|---|
| Loan Acquisition | $ 532,305 | $ 65,618,780 |
| Current Debt Service | 14,118,126 | 530,822,063 |
| Future Debt Service | 27,560,772 | 131,440,705 |
| Debt Reserves | 29,872,726 | 74,131,356 |
| Insurance Reserves | - | 15,788,069 |
| Combined Program Account | - | 12,048,809 |
| Matured Bonds and Coupons | 56,634 | 59,429 |
| Total | $ 72,140,563 | $ 829,909,211 |
| Balance Sheet Amounts: | | |
| Restricted Cash and Cash Equivalents – Current | $ 14,174,760 | $ 158,693 |
| Restricted Cash and Cash Equivalents – Noncurrent | 29,021,437 | 28,948,001 |
| Restricted Investments – Current | - | 530,822,064 |
| Restricted Investments – Noncurrent | 28,944,366 | 269,980,453 |
| Total | $ 72,140,563 | $ 829,909,211 |

**NOTE 13. 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). Beginning January 1, 2004, PERS member contributions will go into the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions will be 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 Fiscal Services Division, PERS, P.O. Box 23700, Tigard, Oregon 97281-3700.

Oregon Public Employee's Retirement System (PERS)

OHCSD'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.

OHCSD 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 2005 was 4.71 percent. The amounts contributed by OHCSD for the years ending June 30, 2005, 2004, and 2003 were $157,302, $376,751 and $653,609, 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.

OHCSD 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 2005 was 8.04 percent. The amount contributed by OHCSD for the years ending June 30, 2005 and 2004 were $15,569 and $623, 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. It is applicable to all new hires on or after August 29, 2003 and for active PERS members as of January 1, 2004. Covered employees are required by State statute to contribute 6.0 percent of their salary to the plan. Current law requires employers that had been paying the member contributions into PERS to pay employee contributions to the IAP until at least December 31, 2005. The amount contributed by OHCSD for the years ending June 30, 2005 and 2004 were $200,123 and $108,977, respectively, equal to the required contributions for each year.

**NOTE 14. 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, OHCSD 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 OHCSD, the amount of claim settlements did not exceed insurance coverage for each of the past three fiscal years.

**NOTE 15. Contingent Liabilities**

On February 9, 2005, the Office of Inspector General (OIG) issued a final audit report to the U.S. Housing and Urban Development Department (HUD) related to contracted services provided by OHCSD in inspecting and monitoring housing projects that receive federal rent subsidy assistance from HUD. OHCSD is responsible for ensuring that these projects comply with all applicable OHCSD and HUD rules and regulations. The OIG's final audit report includes twelve audit recommendations of which five include recovering $1,392,995 in non-federal funds for expenses incurred by several projects that were deemed to either be ineligible or unreasonable. In addition, the OIG recommends that if OHCSD does not take corrective action on each of the findings, that HUD take action in collecting the appropriate portion of contract administrative fees OHCSD received for performing this service. The total amount of contract fees paid during the audit period is $1,982,052. As of September 8, 2005, HUD has begun discussions with OHCSD on the resolution of this audit. OHCSD, as indicated in the final audit report, continues to disagree with these audit findings and is committed to seeking a resolution that removes all monetary findings. OHCSD will take legal action if necessary to contest the findings, in which case it would be represented by the Attorney General of the State of Oregon. If OHCSD is held liable for these findings, this could result in the recognition of a liability in the enterprise fund.

**NOTE 16. Subsequent Events**

On August 1, 2005, OHCSD issued the following Homeowner Revenue Bonds:

| | Issue Amount |
|---|---|
| 2005 Series A | $ 14,820,000 |
| 2005 Series B | 24,360,000 |

On August 30, 2005, OHCSD issued the following Multifamily Housing Revenue Bonds:

| | Issue Amount |
|---|---|
| 2005 Series A | $ 9,855,000 |

On August 16, 2005, OHCSD called the following Mortgage Revenue Bonds prior to maturity:

| | Amount Called | | Amount Called |
|---|---|---|---|
| 1991 Series D | $ 760,000 | 2000 Series E | $ 790,000 |
| 1992 Series C | 500,000 | 2000 Series H | 850,000 |
| 1993 Series B | 450,000 | 2000 Series K | 970,000 |
| 1994 Series A | 350,000 | 2000 Series L | 740,000 |
| 1994 Series C | 360,000 | 2001 Series A | 140,000 |
| 1995 Series A | 340,000 | 2001 Series B | 665,000 |
| 1995 Series C | 290,000 | 2001 Series C | 205,000 |
| 1995 Series E | 155,000 | 2001 Series F | 1,265,000 |
| 1996 Series A | 50,000 | 2001 Series G | 515,000 |
| 1996 Series B | 310,000 | 2001 Series J | 1,190,000 |
| 1996 Series D | 180,000 | 2001 Series L | 370,000 |
| 1996 Series H | 715,000 | 2001 Series Q | 995,000 |
| 1997 Series A | 400,000 | 2001 Series R | 935,000 |
| 1997 Series F | 190,000 | 2002 Series A | 480,000 |
| 1997 Series H | 565,000 | 2002 Series B | 730,000 |
| 1997 Series I | 430,000 | 2002 Series F | 215,000 |
| 1998 Series A | 55,000 | 2002 Series G | 325,000 |
| 1998 Series B | 425,000 | 2002 Series H | 375,000 |
| 1998 Series D | 1,035,000 | 2002 Series I | 750,000 |
| 1998 Series G | 1,170,000 | 2002 Series M | 630,000 |
| 1999 Series A | 1,000,000 | 2002 Series N | 595,000 |
| 1999 Series E | 280,000 | 2003 Series A | 330,000 |
| 1999 Series F | 905,000 | 2003 Series B | 345,000 |
| 1999 Series I | 605,000 | 2003 Series E | 95,000 |
| 1999 Series J | 675,000 | 2003 Series F | 340,000 |
| 1999 Series M | 455,000 | 2003 Series K | 535,000 |
| 2000 Series A | 130,000 | 2004 Series B | 155,000 |
| 2000 Series B | 540,000 | | |

# Supplementary Information

# Oregon Housing & Community Services Department

## Combining Schedule of Housing Finance Fund Balance Sheet Activities

June 30, 2005

| | Single-Family Mortgage Program: Housing Finance Revenue Bonds | Single-Family Mortgage Program: Mortgage Revenue Bonds | Single-Family Mortgage Program: Homeowner Revenue Bonds | Assisted or Insured Multi-Unit Program |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and Cash Equivalents | $ - | $ - | $ - | $ - |
| Cash and Cash Equivalents - Restricted | 58,855 | 574 | 99,264 | - |
| Investments - Restricted | 1,107,615 | 518,297,885 | - | - |
| Securities Lending Cash Collateral | 23,787 | 3,918,455 | - | - |
| Accounts Receivable | - | 3,960 | - | - |
| Accrued Interest Receivable | 169,254 | 4,399,885 | - | - |
| Interfund Receivable | - | - | - | - |
| Acquired Property | - | 1,157,433 | - | - |
| ***Total Current Assets*** | 1,359,511 | 527,778,192 | 99,264 | - |
| **Noncurrent Assets** | | | | |
| Cash & Cash Equivalents - Restricted | 149,081 | 27,056,339 | - | - |
| Investments - Restricted | 16,679,283 | 172,161,678 | 38,585,000 | - |
| Deferred Charges | 2,099 | 7,539,914 | 118,097 | - |
| Loans Receivable (Net) | 6,199,165 | 643,027,184 | - | - |
| Capital Assets (Net) | - | - | - | - |
| ***Total Noncurrent Assets*** | 23,029,628 | 849,785,115 | 38,703,097 | - |
| **Total Assets** | $ 24,389,139 | $ 1,377,563,307 | $ 38,802,361 | $ - |
| **Liabilities and Net Assets** | | | | |
| **Liabilities:** | | | | |
| **Current Liabilities** | | | | |
| Accounts Payable | $ 2,150 | $ 224,982 | $ 9,180 | $ - |
| Accrued Interest Payable | 157,615 | 25,191,768 | 99,264 | - |
| Obligations Under Securities Lending | 23,787 | 3,918,455 | - | - |
| Interfund Payable | - | 178,640 | - | - |
| Matured Bonds and Interest Payable | 58,855 | 574 | - | - |
| Bonds Payable | 950,000 | 493,106,117 | - | - |
| Deferred Income | 19 | 16,063 | - | - |
| Compensated Absences Payable | - | - | - | - |
| ***Total Current Liabilities*** | 1,192,426 | 522,636,599 | 108,444 | - |
| **Noncurrent Liabilities** | | | | |
| Compensated Absences Payable | - | - | - | - |
| Bonds Payable | 4,485,000 | 806,599,072 | 38,585,000 | - |
| Arbitrage Rebate Liability | - | 210,287 | - | - |
| Loans Payable | - | - | - | - |
| ***Total Noncurrent Liabilities*** | 4,485,000 | 806,809,359 | 38,585,000 | - |
| **Total Liabilities** | 5,677,426 | 1,329,445,958 | 38,693,444 | - |
| **Net Assets:** | | | | |
| Invested in Capital Assets | - | - | - | - |
| Restricted for Residential Assistance | - | - | - | - |
| Restricted by Trust Indentures | 18,711,713 | 48,117,349 | 108,917 | - |
| Unrestricted | - | - | - | - |
| **Total Net Assets** | 18,711,713 | 48,117,349 | 108,917 | - |
| **Total Liabilities and Net Assets** | $ 24,389,139 | $ 1,377,563,307 | $ 38,802,361 | $ - |

| Multifamily Housing Revenue Bonds | Multiple Purpose Bonds | Combined Program Account | Housing Finance Account | Total | |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ 5,386,744 | $ 5,386,744 | |
| - | - | - | - | 158,693 | |
| 6,139,469 | 5,277,095 | - | - | 530,822,064 | |
| 73,531 | 125,958 | - | 897,088 | 5,038,819 | |
| - | - | - | 85,317 | 89,277 | |
| 1,090,683 | 350,222 | 69,897 | 251,945 | 6,331,886 | |
| - | - | - | 178,914 | 178,914 | ** |
| - | - | - | - | 1,157,433 | |
| 7,303,683 | 5,753,275 | 69,897 | 6,800,008 | 549,163,830 | |
| 547,655 | 887,256 | 1,267 | 306,403 | 28,948,001 | |
| 20,827,029 | 9,046,039 | 12,047,541 | 633,883 | 269,980,453 | |
| 2,131,183 | 535,461 | - | - | 10,326,754 | |
| 142,963,489 | 42,427,038 | - | 5,508,031 | 840,124,907 | |
| - | - | - | 44,307 | 44,307 | |
| 166,469,356 | 52,895,794 | 12,048,808 | 6,492,624 | 1,149,424,422 | |
| $ 173,773,039 | $ 58,649,069 | $ 12,118,705 | $ 13,292,632 | $ 1,698,588,252 | |

| | | | | | |
|---|---|---|---|---|---|
| $ 26,719 | $ 98,925 | $ - | $ 400,780 | $ 762,736 | |
| 4,119,469 | 477,095 | - | 34,914 | 30,080,125 | |
| 73,531 | 125,958 | - | 897,088 | 5,038,819 | |
| - | - | - | - | 178,640 | ** |
| - | - | - | - | 59,429 | |
| 2,020,000 | 4,800,000 | - | - | 500,876,117 | |
| - | 5,337 | - | 69 | 21,488 | |
| - | - | - | 181,801 | 181,801 | |
| 6,239,719 | 5,507,315 | - | 1,514,652 | 537,199,155 | |
| - | - | - | 77,915 | 77,915 | |
| 156,195,000 | 41,089,302 | - | - | 1,046,953,374 | |
| - | 8,897 | - | - | 219,184 | |
| - | - | - | 4,421,200 | 4,421,200 | |
| 156,195,000 | 41,098,199 | - | 4,499,115 | 1,051,671,673 | |
| 162,434,719 | 46,605,514 | - | 6,013,767 | 1,588,870,828 | |
| - | - | - | 44,307 | 44,307 | |
| - | - | - | 1,545,107 | 1,545,107 | |
| 11,338,320 | 12,043,555 | 12,118,705 | - | 102,438,559 | |
| - | - | - | 5,689,451 | 5,689,451 | |
| 11,338,320 | 12,043,555 | 12,118,705 | 7,278,865 | 109,717,424 | |
| $ 173,773,039 | $ 58,649,069 | $ 12,118,705 | $ 13,292,632 | $ 1,698,588,252 | |

** Interfund Receivables and Payables within the Housing Finance Fund totaling $178,640 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, 2005

| | Single-Family Mortgage Program | | | |
|---|---|---|---|---|
| | Housing Finance Revenue Bonds | Mortgage Revenue Bonds | Homeowner Revenue Bonds | Assisted or Insured Multi-Unit Program |
| **Operating Revenues:** | | | | |
| Interest on Loans | $ 495,299 | $ 35,554,744 | $ - | $ 2,119,346 |
| Investment Income | 679,222 | 19,858,035 | 188,031 | (654,541) |
| Transfer/Commitment Fees | - | - | - | - |
| Administrative Charges and Fees | - | - | - | 387,853 |
| Low Income Housing Tax Credit Fees | - | - | - | - |
| Gain on Sale of Foreclosed Property | 55,349 | 213,847 | - | - |
| Miscellaneous Revenue | - | - | - | - |
| ***Total Operating Revenues*** | 1,229,870 | 55,626,626 | 188,031 | 1,852,658 |
| **Operating Expenses:** | | | | |
| Personal Services | - | - | - | - |
| Services and Supplies | - | 30,535 | 9,364 | - |
| Mortgage Service Fees | 27,996 | 2,324,025 | - | 22,361 |
| Foreclosure Costs | 37,168 | 171,568 | - | - |
| Interest Expense - Bonds | 315,230 | 48,520,686 | 188,031 | 2,074,715 |
| Interest Expense - Loans | - | - | - | - |
| Interest Expense - Securities Lending | 5,224 | 184,984 | - | 4,232 |
| Other Related Program Expenses | - | 3,569,628 | - | 215,907 |
| Amortization of Deferred Bond Issuance Costs | 868 | 994,122 | 3,801 | 47,330 |
| Depreciation/Amortization | - | - | - | - |
| Bad Debt Expense | - | - | - | (89,237) |
| ***Total Operating Expenses*** | 386,486 | 55,795,548 | 201,196 | 2,275,308 |
| **Operating Income (Loss)** | 843,384 | (168,922) | (13,165) | (422,650) |
| Transfers from Other Funds | 28,000 | 2,135,509 | 122,082 | 41,357,373 |
| Transfers to Other Funds | (3,320,000) | (2,500,000) | - | (56,173,602) |
| **Change in Net Assets** | (2,448,616) | (533,413) | 108,917 | (15,238,879) |
| **Net Assets - Beginning** | 21,160,329 | 48,650,762 | - | 15,238,879 |
| **Net Assets - Ending** | $ 18,711,713 | $ 48,117,349 | $ 108,917 | $ - |

| Multifamily Housing Revenue Bonds | Multiple Purpose Bonds | Combined Program Account | Housing Finance Account | Total | |
|---|---|---|---|---|---|
| $ 8,651,497 | $ 1,892,843 | $ - | $ 288,478 | $ 49,002,207 | |
| 2,144,495 | 193,937 | 261,193 | 155,620 | 22,825,992 | |
| - | - | - | 1,505,309 | 1,505,309 | |
| 181,296 | 233,355 | - | 492,210 | 1,294,714 | |
| - | - | - | 1,179,279 | 1,179,279 | |
| - | - | - | - | 296,196 | |
| - | - | - | 56,236 | 56,236 | |
| 10,977,288 | 2,320,135 | 261,193 | 3,677,132 | 76,132,933 | |
| - | - | - | 4,660,849 | 4,660,849 | |
| 374,108 | 6,836 | - | 2,241,941 | 2,662,784 | |
| 22,127 | 14,441 | - | 660 | 2,411,610 | |
| - | - | - | - | 208,736 | |
| 7,974,667 | 521,836 | - | - | 59,595,165 | |
| - | - | - | 226,258 | 226,258 | |
| 16,783 | 3,294 | - | 25,507 | 240,024 | |
| - | 107,090 | - | 1,531,154 | 5,423,779 | |
| 106,626 | 46,456 | - | - | 1,199,203 | |
| - | - | - | 68,744 | 68,744 | |
| (24,609) | 89,953 | - | (7,010) | (30,903) | |
| 8,469,702 | 789,906 | - | 8,748,103 | 76,666,249 | |
| 2,507,586 | 1,530,229 | 261,193 | (5,070,971) | (533,316) | |
| 765,000 | 57,025,416 | 2,500,000 | 10,418,197 | 114,351,577 | ** |
| - | (46,512,090) | (2,500,000) | (3,067,455) | (114,073,147) | ** |
| 3,272,586 | 12,043,555 | 261,193 | 2,279,771 | (254,886) | |
| 8,065,734 | - | 11,857,512 | 4,999,094 | 109,972,310 | |
| $ 11,338,320 | $ 12,043,555 | $ 12,118,705 | $ 7,278,865 | $ 109,717,424 | |

** Transfers within the Housing Finance Fund totaling $109,008,147 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, 2005

| | 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 | 2,760,370 | 118,379,138 | - |
| Program Loan Interest Received | 520,830 | 35,483,159 | - |
| Program Loans Made | - | (186,092,283) | - |
| Payments to Employees for Services | - | - | - |
| Payments to Suppliers for Goods and Services | (37,817) | (2,355,434) | (9,364) |
| Other Receipts (Payments) | 292,878 | (1,218,388) | - |
| ***Net Cash Provided (Used) in Operating Activities*** | 3,536,261 | (35,803,808) | (9,364) |
| **Cash Flows from Noncapital Financing Activities:** | | | |
| Proceeds from Bond Sales | - | 666,334,772 | 38,585,000 |
| Principal Payments on Bonds | (1,020,000) | (603,130,601) | - |
| Interest Payments on Bonds | (368,904) | (45,647,920) | (88,767) |
| Bond Issue Costs | - | (1,928,077) | (112,718) |
| Bond Call Costs | - | (3,000) | - |
| Loan Proceeds | - | - | - |
| Principal Payments on Loans | - | - | - |
| Interest Payments on Loans | - | - | - |
| Transfers from Other Funds | 28,000 | 2,135,509 | 122,082 |
| Transfers to Other Funds | (3,320,000) | (2,500,000) | - |
| ***Net Cash Provided (Used) in Noncapital Financing Activities*** | (4,680,904) | 15,260,683 | 38,505,597 |
| **Cash Flows from Investing Activities:** | | | |
| Purchase of Investments | (19,701,895) | (1,098,998,890) | (38,585,000) |
| Proceeds from Sales and Maturities of Investments | 19,998,613 | 1,112,631,251 | - |
| Interest on Cash and Investments | 663,835 | 15,167,770 | 188,031 |
| Investment Income on Securities Lending | 5,224 | 184,984 | - |
| Interest Paid on Securities Lending | (5,224) | (184,984) | - |
| ***Net Cash Provided (Used) in Investing Activities*** | 960,553 | 28,800,131 | (38,396,969) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (184,090) | 8,257,006 | 99,264 |
| **Cash and Cash Equivalents Balance - Beginning** | 392,026 | 18,799,907 | - |
| **Cash and Cash Equivalents Balance - Ending** | $ 207,936 | $ 27,056,913 | $ 99,264 |
| Cash and Cash Equivalents | $ - | $ - | $ - |
| Cash and Cash Equivalents - Restricted (Current) | 58,855 | 574 | 99,264 |
| Cash and Cash Equivalents - Restricted (Noncurrent) | 149,081 | 27,056,339 | - |
| **Total Cash and Cash Equivalents** | $ 207,936 | $ 27,056,913 | $ 99,264 |

| Assisted or Insured Multi-Unit Program | Multifamily Housing Revenue Bonds | Multiple Purpose Bonds | Combined Program Account | Housing Finance Account | Total | |
|---|---|---|---|---|---|---|
| $ 373,752 | $ 181,296 | $ 291,515 | $ - | $ 3,005,568 | $ 3,852,131 | |
| 2,942,721 | 1,446,812 | 1,704,596 | - | 3,575,526 | 130,809,163 | |
| 2,413,991 | 8,558,177 | 1,610,544 | - | 318,898 | 48,905,599 | |
| - | (18,228,073) | - | - | (2,173,430) | (206,493,786) | |
| - | - | - | - | (4,685,555) | (4,685,555) | |
| (32,675) | (386,305) | (19,301) | - | (2,527,154) | (5,368,050) | |
| (154,595) | - | (107,091) | - | (1,889,010) | (3,076,206) | |
| 5,543,194 | (8,428,093) | 3,480,263 | - | (4,375,157) | (36,056,704) | |
| - | 20,070,000 | 46,405,000 | - | - | 771,394,772 | |
| (48,900,000) | (1,880,000) | - | - | - | (654,930,601) | |
| (3,575,386) | (7,702,068) | - | - | - | (57,383,045) | |
| - | (403,850) | (543,127) | - | - | (2,987,772) | |
| (262,223) | - | - | - | - | (265,223) | |
| - | - | - | - | 3,173,430 | 3,173,430 | |
| - | - | - | - | (4,468,680) | (4,468,680) | |
| - | - | - | - | (240,074) | (240,074) | |
| 41,357,373 | 765,000 | 12,243,390 | 2,500,000 | 10,418,197 | 69,569,551 | ** |
| (16,557,604) | - | (46,512,090) | (2,500,000) | (3,067,455) | (74,457,149) | ** |
| (27,937,840) | 10,849,082 | 11,593,173 | - | 5,815,418 | 49,405,209 | |
| (57,559,511) | (35,701,297) | (14,318,504) | (17,981,212) | (1,462,327) | (1,284,308,636) | |
| 80,351,721 | 31,658,073 | - | 17,910,399 | 846,532 | 1,263,396,589 | |
| (1,010,160) | 630,539 | 132,324 | 70,568 | 117,884 | 15,960,791 | |
| 4,232 | 16,783 | 3,294 | - | 25,507 | 240,024 | |
| (4,232) | (16,783) | (3,294) | - | (25,507) | (240,024) | |
| 21,782,050 | (3,412,685) | (14,186,180) | (245) | (497,911) | (4,951,256) | |
| (612,596) | (991,696) | 887,256 | (245) | 942,350 | 8,397,249 | |
| 612,596 | 1,539,351 | - | 1,512 | 4,750,797 | 26,096,189 | |
| $ - | $ 547,655 | $ 887,256 | $ 1,267 | $ 5,693,147 | $ 34,493,438 | |
| $ - | $ - | $ - | $ - | $ 5,386,744 | $ 5,386,744 | |
| - | - | - | - | - | 158,693 | |
| - | 547,655 | 887,256 | 1,267 | 306,403 | 28,948,001 | |
| $ - | $ 547,655 | $ 887,256 | $ 1,267 | $ 5,693,147 | $ 34,493,438 | |

Continued on the next page

** Transfers within the Housing Finance Fund totaling $69,392,149 are not included in the Statement of Cash Flows.

Combining Schedule of Housing Finance Fund Cash Flow Activities

Continued from the previous page

For the Year Ended June 30, 2005

| | 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) | $ 843,384 | $ (168,922) | $ (13,165) |
| **Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:** | | | |
| Depreciation/Amortization | - | - | - |
| Amortization of Deferred Bond Issuance Costs | 868 | 994,122 | 3,801 |
| Bad Debt Expense | - | - | - |
| Investment Income Reported as Operating Revenue | (679,222) | (19,858,035) | (188,031) |
| Interest Expense Reported as Operating Expense | 320,454 | 48,705,670 | 188,031 |
| Bond Call Expenses | - | 1,231,032 | - |
| (Increase)/Decrease in Assets: | | | |
| Loan Interest Receivable | 25,541 | (62,786) | - |
| Accounts Receivable | - | (3,960) | - |
| Interfund Receivable | 13,946 | - | - |
| Prepaid Expenses | - | - | - |
| Loans Receivable | 2,924,646 | (67,420,552) | - |
| Acquired Property | 96,474 | 639,057 | - |
| Increase/(Decrease) in Liabilities: | | | |
| Accounts Payable | (9,821) | (7,117) | - |
| Interfund Payable | - | 154,011 | - |
| Deferred Income | (9) | (6,328) | - |
| Compensated Absences Payable | - | - | - |
| ***Net Cash Provided (Used) in Operating Activities*** | $ 3,536,261 | $ (35,803,808) | $ (9,364) |
| | | | |
| **Noncash Investing, Capital, and Financing Activities:** | | | |
| Net Change in Fair Value of Investments | $ (48,694) | $ 6,196,935 | $ - |
| Foreclosed Property | 184,624 | 3,756,835 | - |
| Loan Modification - Interest Capitalized | - | 2,471 | - |
| Loans Transferred Between Programs | - | - | - |
| **Total Noncash Investing, Capital, and Financing Activities** | $ 135,930 | $ 9,956,241 | $ - |

| Assisted or Insured Multi-Unit Program | Multifamily Housing Revenue Bonds | Multiple Purpose Bonds | Combined Program Account | Housing Finance Account | Total |
|---|---|---|---|---|---|
| $ (422,650) | $ 2,507,586 | $ 1,530,229 | $ 261,193 | $ (5,070,971) | $ (533,316) |
| - | - | - | - | 68,744 | 68,744 |
| 47,330 | 106,626 | 46,456 | - | - | 1,199,203 |
| (89,237) | (24,609) | 89,953 | - | (7,010) | (30,903) |
| 654,541 | (2,144,495) | (193,937) | (261,193) | (155,620) | (22,825,992) |
| 2,078,947 | 7,991,450 | 525,130 | - | 251,765 | 60,061,447 |
| 61,312 | - | - | - | - | 1,292,344 |
| 300,476 | (93,320) | (287,636) | - | 74,672 | (43,053) |
| - | - | - | - | (51,388) | (55,348) |
| - | - | - | - | (167,495) | (153,549) ** |
| - | - | - | - | 7,600 | 7,600 |
| 2,942,721 | (16,781,261) | 1,704,596 | - | 1,402,096 | (75,227,754) |
| - | - | - | - | - | 735,531 |
| (24,414) | 9,930 | 60,135 | - | (708,166) | (679,453) |
| - | - | - | - | - | 154,011 ** |
| (5,832) | - | 5,337 | - | (253) | (7,085) |
| - | - | - | - | (19,131) | (19,131) |
| $ 5,543,194 | $ (8,428,093) | $ 3,480,263 | $ - | $ (4,375,157) | $ (36,056,704) |
| $ 525,312 | $ 1,538,700 | $ 95,628 | $ 120,728 | $ 12,199 | $ 8,440,808 |
| - | - | - | - | - | 3,941,459 |
| - | - | - | - | - | 2,471 |
| (39,117,930) | - | 44,221,587 | - | - | 5,103,657 |
| $ (38,592,618) | $ 1,538,700 | $ 44,317,215 | $ 120,728 | $ 12,199 | $ 17,488,395 |

** Interfund Receivables and Payables within the Housing Finance Fund totaling an increase of $154,011 are not included in the Statement of Cash Flows.

# Statistical Section

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
## Revenues, Expenses, and Transfers
## Enterprise Funds
## Last Ten Fiscal Years

| | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Interest on Loans | $ 64,114,118 | $ 65,650,387 | $ 71,465,435 | $ 72,928,497 |
| Investment Income | 28,621,494 | 4,819,534 | 26,337,964 | 25,999,709 |
| Transfer/Commitment Fees | 1,517,595 | 1,006,822 | 1,051,794 | 1,924,442 |
| Administrative Charges and Fees | 1,584,686 | 2,346,977 | 1,287,564 | 866,827 |
| Low Income Housing Tax Credit Fees | 1,179,279 | 1,122,706 | 1,117,418 | 884,634 |
| Mortgage Credit Certificate Fees | - | - | - | 75 |
| Gain on Sale of Foreclosed Property | 269,196 | 337,473 | 118,817 | 45,516 |
| Miscellaneous Revenue | 56,236 | 153,059 | 42,221 | 181,343 |
| ***Total Operating Revenues*** | $ 97,342,604 | $ 75,436,958 | $ 101,421,213 | $ 102,831,043 |
| **Operating Expenses:** | | | | |
| Personal Services | $ 5,102,049 | $ 5,360,496 | $ 5,798,187 | $ 5,488,760 |
| Services and Supplies | 2,849,854 | 3,688,026 | 2,852,514 | 2,842,198 |
| Mortgage Service Fees | 2,508,225 | 2,390,462 | 2,684,267 | 2,699,626 |
| Foreclosure Costs | 208,736 | 327,082 | 214,978 | 99,046 |
| Interest Expense - Bonds | 71,779,520 | 71,465,838 | 77,158,001 | 79,687,587 |
| Interest Expense - Loans | 226,258 | 174,574 | 129,231 | 65,467 |
| Interest Expense - Securities Lending | 454,241 | 421,428 | 159,076 | 112,001 |
| Other Related Program Expenses | 5,992,723 | 3,739,067 | 2,748,849 | 5,527,426 |
| Amortization of Deferred Bond Issuance Costs | 1,390,976 | 1,476,403 | 1,375,300 | 1,523,776 |
| Depreciation/Amortization | 86,570 | 122,702 | 104,076 | 147,903 |
| Bad Debt Expense | (97,521) | 137,582 | 14,509 | 7,072 |
| ***Total Operating Expenses*** | $ 90,501,631 | $ 89,303,660 | $ 93,238,988 | $ 98,200,862 |
| **Nonoperating Revenue/(Expense):** | | | | |
| Gain/(Loss) on Disposition of Capital Assets | $ - | $ - | $ - | $ - |
| ***Total Nonoperating Revenue/(Expense)*** | $ - | $ - | $ - | $ - |
| **Transfers:** | | | | |
| Transfers from Other Funds | $ 10,408,430 | $ 207,194 | $ 207,194 | $ 207,194 |
| Transfers to Other Funds | (10,408,430) | (207,194) | (207,194) | (207,194) |
| ***Total Transfers*** | $ - | $ - | $ - | $ - |

Unaudited

| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|---|
| | $ 67,714,244 | $ 59,712,811 | $ 51,599,437 | $ 49,470,569 | $ 45,586,467 | $ 42,217,704 |
| | 37,090,750 | 29,165,409 | 21,504,499 | 29,290,017 | 25,353,617 | 20,865,667 |
| | 2,158,957 | 3,137,948 | 1,526,166 | 1,222,215 | 1,096,097 | 678,957 |
| | 892,201 | 839,522 | 587,101 | 875,389 | 722,154 | 677,743 |
| | 791,355 | 582,379 | 510,704 | 466,363 | 435,412 | 376,154 |
| | 125 | 150 | 570 | 6,569 | 14,406 | 73,316 |
| | 29,757 | 61,394 | 24,315 | - | 22,894 | 49,115 |
| | 1,448,282 | 213,110 | 196,237 | 288,188 | 156,331 | 158,744 |
| | $ 110,125,671 | $ 93,712,723 | $ 75,949,029 | $ 81,619,310 | $ 73,387,378 | $ 65,097,400 |
| | | | | | | |
| | $ 5,089,114 | $ 4,764,953 | $ 4,370,317 | $ 3,340,984 | $ 3,114,905 | $ 3,016,443 |
| | 2,921,737 | 2,688,021 | 2,579,604 | 1,850,048 | 1,655,554 | 1,725,836 |
| | 2,517,471 | 2,132,604 | 1,693,703 | 1,560,202 | 1,434,703 | 1,541,821 |
| | 39,964 | 44,019 | 41,877 | 8,099 | 28,218 | 10,123 |
| | 76,622,684 | 68,769,372 | 60,580,845 | 55,619,972 | 52,221,672 | 47,278,234 |
| | 36,213 | 29,377 | 3,968 | - | - | - |
| | 278,322 | 389,209 | 331,776 | 359,799 | 936,902 | - |
| | 2,522,261 | 1,991,381 | 1,761,623 | 1,541,757 | 1,831,920 | 639,153 |
| | 1,615,378 | 1,575,026 | 1,251,314 | 904,281 | 822,151 | 651,782 |
| | 348,529 | 515,674 | 460,439 | 256,705 | 95,349 | 80,743 |
| | 186,208 | 53,208 | 132,070 | 255,006 | 126,822 | 99,748 |
| | $ 92,177,881 | $ 82,952,844 | $ 73,207,536 | $ 65,696,853 | $ 62,268,196 | $ 55,043,883 |
| | | | | | | |
| | $ 38,965 | $ (6,507) | $ (3,377) | $ - | $ - | $ (10,959) |
| | $ 38,965 | $ (6,507) | $ (3,377) | $ - | $ - | $ (10,959) |
| | | | | | | |
| | $ 207,194 | $ 207,194 | $ 207,194 | $ 196,690 | $ 144,170 | $ 144,170 |
| | (207,194) | (207,194) | (207,194) | (196,690) | (144,170) | (144,170) |
| | $ - | $ - | $ - | $ - | $ - | $ - |

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
## Loans Outstanding - By County
## Enterprise Funds
## June 30, 2005

| County | Elderly and Disabled Housing Program |  | Housing Finance Revenue Bonds |  | Mortgage Revenue Bonds |  |
|---|---|---|---|---|---|---|
|  | Number of Projects | Principal Amount | Number of Projects | Principal Amount | Number of Projects | Principal Amount |
| Baker | 1 | $ 247,992 | - | $ - | 49 | $ 2,956,211 |
| Benton | 6 | 2,707,189 | - | - | 89 | 9,361,688 |
| Clackamas | 31 | 21,605,304 | 3 | 85,566 | 262 | 29,843,280 |
| Clatsop | 5 | 1,356,745 | - | - | 44 | 4,525,048 |
| Columbia | 7 | 1,374,895 | 1 | 64,897 | 55 | 5,786,541 |
| Coos | 6 | 3,133,605 | 8 | 305,622 | 164 | 11,615,865 |
| Crook | 1 | 1,452,723 | 4 | 247,679 | 42 | 3,518,359 |
| Curry | 2 | 93,094 | 1 | 112,112 | 5 | 476,126 |
| Deschutes | 7 | 4,232,361 | 3 | 136,667 | 220 | 24,039,496 |
| Douglas | 10 | 11,741,630 | 4 | 174,914 | 110 | 9,039,521 |
| Gilliam | 1 | 973,726 | 1 | 51,864 | 2 | 95,506 |
| Grant | 2 | 94,053 | - | - | 4 | 292,141 |
| Harney | 1 | 2,283,338 | 1 | 65,797 | 21 | 1,242,393 |
| Hood River | 2 | 1,614,123 | - | - | 5 | 489,918 |
| Jackson | 11 | 11,501,133 | 3 | 22,826 | 249 | 24,094,182 |
| Jefferson | 1 | 932,232 | 4 | 104,686 | 37 | 3,205,735 |
| Josephine | 6 | 5,926,010 | - | - | 166 | 16,314,096 |
| Klamath | 2 | 99,209 | 2 | 11,426 | 291 | 20,130,805 |
| Lake | 1 | 97,468 | 1 | 40,502 | 34 | 2,438,240 |
| Lane | 24 | 13,084,654 | 5 | 119,300 | 668 | 57,890,276 |
| Lincoln | 8 | 9,119,325 | - | - | 73 | 6,368,855 |
| Linn | 10 | 5,684,851 | 4 | 83,103 | 121 | 9,422,171 |
| Malheur | 2 | 58,129 | 2 | 108,474 | 84 | 5,276,638 |
| Marion | 60 | 25,528,290 | 18 | 418,686 | 805 | 72,749,307 |
| Morrow | - | - | 1 | 62,476 | 55 | 3,523,915 |
| Multnomah | 57 | 34,347,927 | 52 | 701,704 | 1,965 | 206,841,042 |
| Polk | 14 | 7,121,124 | 13 | 855,392 | 110 | 9,730,505 |
| Sherman | - | - | - | - | 1 | 64,053 |
| Tillamook | 3 | 3,458,501 | - | - | 11 | 960,387 |
| Umatilla | 8 | 3,875,468 | 12 | 652,435 | 340 | 21,820,389 |
| Union | 3 | 1,027,962 | 7 | 416,668 | 102 | 6,656,372 |
| Wallowa | 1 | 1,406,188 | 2 | 137,721 | 16 | 1,072,750 |
| Wasco | 1 | 47,337 | - | - | 6 | 410,264 |
| Washington | 22 | 13,091,680 | 4 | 233,096 | 457 | 55,708,416 |
| Wheeler | 1 | 464,026 | - | - | - | - |
| Yamhill | 11 | 10,015,769 | 10 | 985,552 | 142 | 15,066,693 |
| Total | 328 | $ 199,798,061 | 166 | $ 6,199,165 | 6,805 | $ 643,027,184 |

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

Unaudited

| Multifamily Housing Revenue Bonds | | Multiple Purpose Bonds | | Housing Finance Account | | Total | |
|---|---|---|---|---|---|---|---|
| Number of Projects | Principal Amount | Number of Projects | Principal Amount | Number of Projects | Principal Amount | Number of Projects | Principal Amount |
| - | $ - | 1 | $ 123,367 | - | $ - | 51 | $ 3,327,570 |
| 1 | 1,181,986 | 2 | 1,031,846 | - | - | 98 | 14,282,709 |
| 4 | 22,224,221 | 7 | 2,240,438 | 4 | 1,183,082 | 311 | 77,181,891 |
| - | - | 1 | 756,426 | - | - | 50 | 6,638,219 |
| 1 | 2,217,350 | 1 | 815,414 | - | - | 65 | 10,259,097 |
| - | - | 2 | 529,911 | - | - | 180 | 15,585,003 |
| - | - | 3 | 303,001 | - | - | 50 | 5,521,762 |
| - | - | - | - | - | - | 8 | 681,332 |
| 1 | 2,502,285 | 7 | 861,476 | 1 | 29,426 | 239 | 31,801,711 |
| 2 | 4,020,693 | 6 | 1,244,346 | - | - | 132 | 26,221,104 |
| - | - | - | - | - | - | 4 | 1,121,096 |
| - | - | 4 | 800,954 | - | - | 10 | 1,187,148 |
| - | - | 1 | 65,768 | - | - | 24 | 3,657,296 |
| - | - | 2 | 854,419 | - | - | 9 | 2,958,460 |
| 1 | 3,474,601 | 15 | 2,458,872 | 2 | 736,400 | 281 | 42,288,014 |
| - | - | 3 | 522,779 | - | - | 45 | 4,765,432 |
| - | - | 3 | 143,012 | - | - | 175 | 22,383,118 |
| - | - | 2 | 766,015 | 1 | 81,559 | 298 | 21,089,014 |
| - | - | - | - | - | - | 36 | 2,576,210 |
| 2 | 10,044,520 | 12 | 4,989,417 | - | - | 711 | 86,128,167 |
| - | - | 2 | 979,103 | 1 | 480,000 | 84 | 16,947,283 |
| - | - | 3 | 256,327 | - | - | 138 | 15,446,452 |
| - | - | 4 | 251,615 | 2 | 154,083 | 94 | 5,848,939 |
| 2 | 1,669,961 | 10 | 2,061,724 | 4 | 877,494 | 899 | 103,305,462 |
| - | - | - | - | - | - | 56 | 3,586,391 |
| 12 | 59,025,228 | 11 | 10,826,014 | 4 | 1,437,030 | 2,101 | 313,178,945 |
| - | - | 2 | 688,152 | 1 | 55,000 | 140 | 18,450,173 |
| - | - | - | - | - | - | 1 | 64,053 |
| - | - | 1 | 25,557 | - | - | 15 | 4,444,445 |
| - | - | 5 | 866,720 | - | - | 365 | 27,215,012 |
| 1 | 1,406,046 | 4 | 1,463,395 | - | - | 117 | 10,970,443 |
| - | - | 1 | 76,859 | - | - | 20 | 2,693,518 |
| - | - | 1 | 394,618 | 2 | 398,193 | 10 | 1,250,412 |
| 4 | 35,563,046 | 7 | 5,348,529 | 1 | 26,000 | 495 | 109,970,767 |
| - | - | - | - | - | - | 1 | 464,026 |
| - | - | 1 | 770,917 | 1 | 77,442 | 165 | 26,916,373 |
| 31 | $ 143,329,937 | 124 | $ 42,516,991 | 24 | $ 5,535,709 | 7,478 | $ 1,040,407,047 |

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

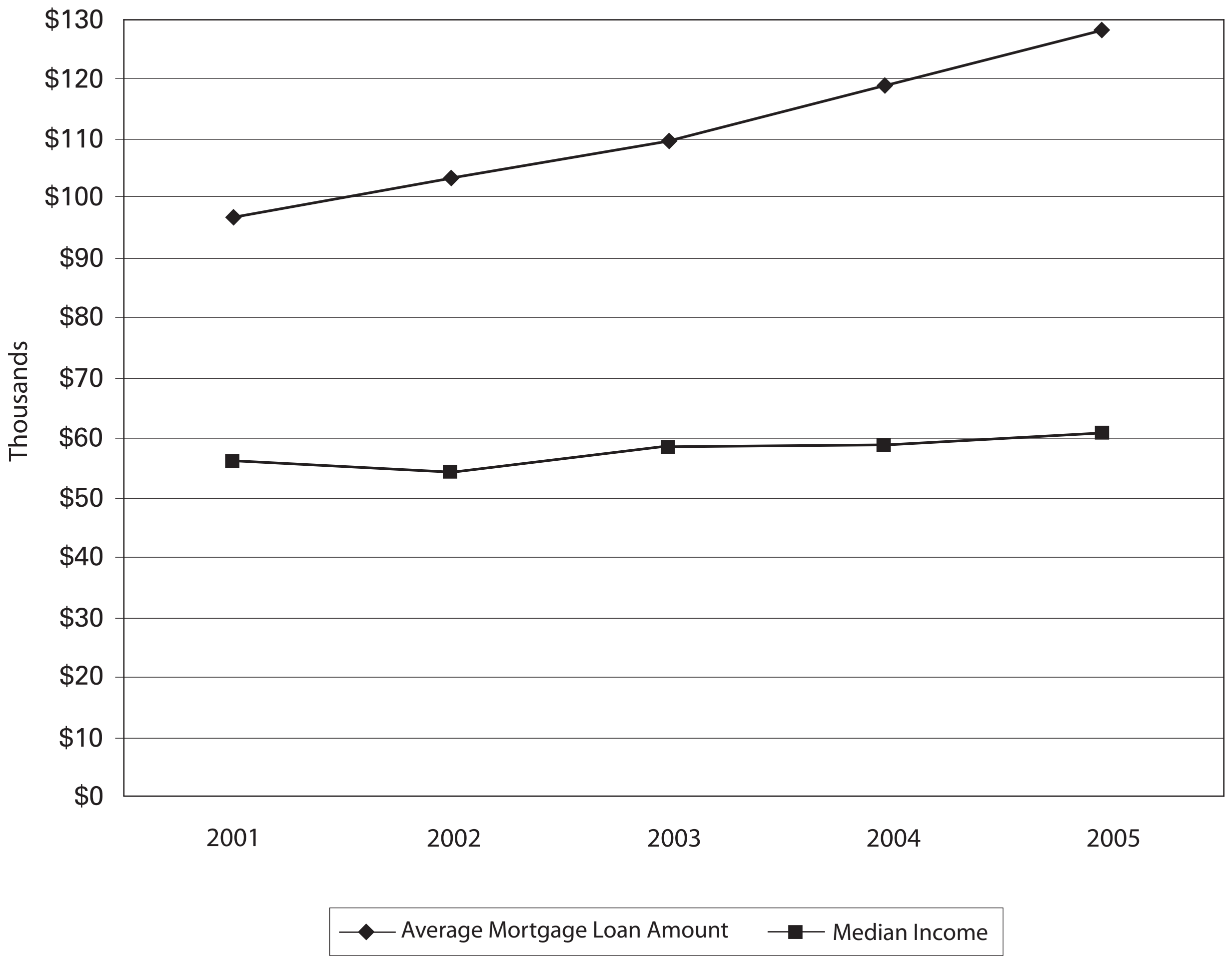
Unaudited

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| **Elderly and Disabled Housing Program** | | | | | |
| Original Loan Amount | $ 670,695 | $ 3,305,750 | $ 2,619,450 | $ 5,378,782 | $ 23,316,965 |
| Average Loan Amount | 670,695 | 826,438 | 436,575 | 1,792,927 | 777,232 |
| Number of New Loans | 1 | 4 | 6 | 3 | 30 |
| Number of Units | 15 | 130 | 110 | 109 | 322 |
| **Housing Finance Revenue Bonds** | | | | | |
| Original Loan Amount | $ - | $ - | $ - | $ - | $ 206,596 |
| Average Loan Amount | - | - | - | - | 103,298 |
| Number of New Loans | - | - | - | - | 2 |
| **Mortgage Revenue Bonds** | | | | | |
| Original Loan Amount | $ 186,092,283 | $ 124,615,859 | $ 110,737,283 | $ 136,533,418 | $ 128,935,731 |
| Average Loan Amount | 128,606 | 118,569 | 109,208 | 103,278 | 96,581 |
| Number of New Loans | 1,447 | 1,051 | 1,014 | 1,322 | 1,335 |
| **Multifamily Housing Revenue Bonds** | | | | | |
| Original Loan Amount | $ 10,460,000 | $ 38,225,000 | $ 14,250,000 | $ 3,205,668 | $ 37,328,926 |
| Average Loan Amount | 5,230,000 | 12,741,667 | 14,250,000 | 1,068,556 | 3,732,893 |
| Number of New Loans | 2 | 3 | 1 | 3 | 10 |
| Number of Units | 241 | 636 | 276 | 97 | 1,005 |
| **Multiple Purpose Bonds** | | | | | |
| Original Loan Amount | $ - | $ - | $ - | $ - | $ - |
| Average Loan Amount | - | - | - | - | - |
| Number of New Loans | - | - | - | - | - |
| **Housing Finance Account** | | | | | |
| Original Loan Amount | $ - | $ - | $ 491,000 | $ - | $ 100,000 |
| Average Loan Amount | - | - | 122,750 | - | 100,000 |
| Number of New Loans | - | - | 4 | - | 1 |

Construction, Seed Money, and Pre-development Loans are not Included.

Unaudited

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

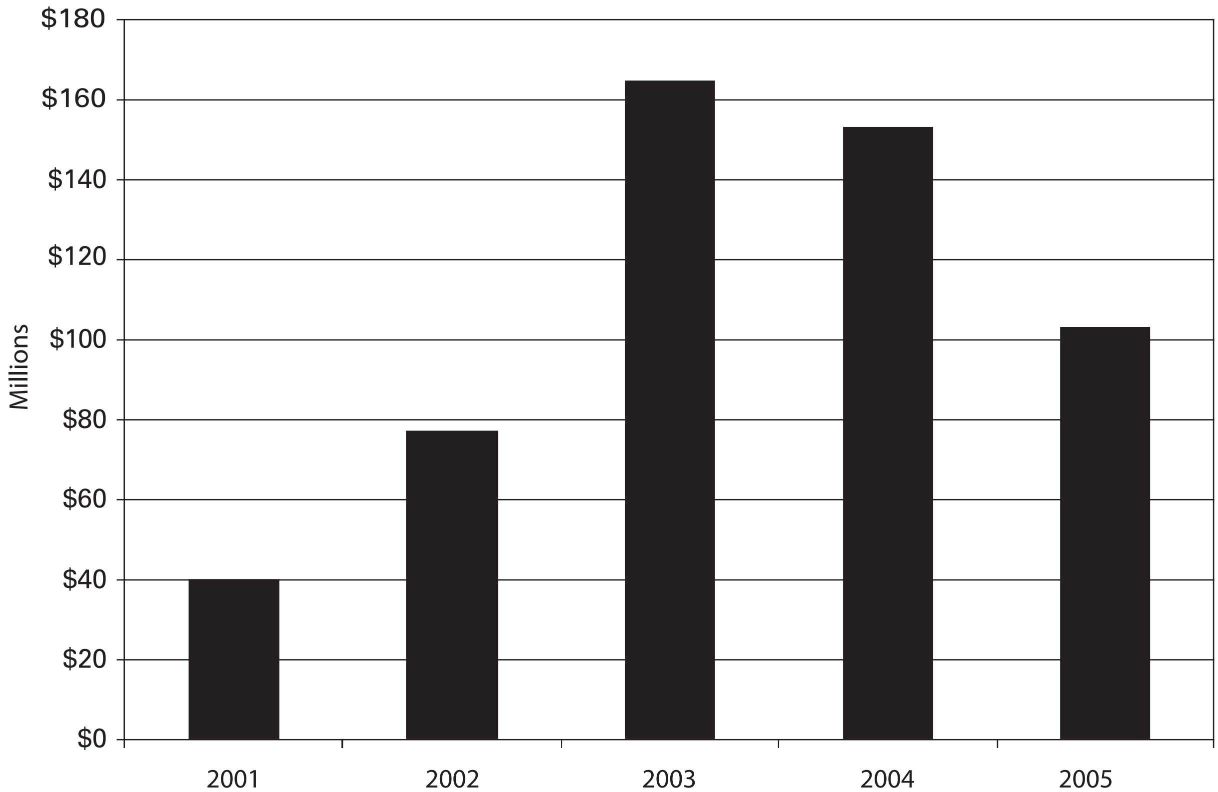



| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Average Loan Amount | $ 96,591 | $ 103,278 | $ 109,208 | $ 118,569 | $ 128,606 |
| Median Income for a 4-Person Family in the State of Oregon ** | $ 55,947 | $ 53,909 | $ 58,315 | $ 58,737 | $ 60,262 |

** Source: US Census Bureau

Unaudited

Single-Family Mortgage Program
Mortgage Loan Payoffs




| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Prepaid Principal | $ 39,766,779 | $ 76,838,383 | $ 164,283,221 | $ 153,778,052 | $ 102,327,105 |

# Other Reports

OFFICE OF THE
SECRETARY OF STATE
Bill Bradbury
Secretary of State

AUDITS DIVISION
Cathy Pollino
State Auditor

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*Auditing for a Better Oregon*

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

Bob Repine, 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, 2005, and have issued our report thereon dated October 21, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**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, 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

October 21, 2005