

# Comprehensive Annual Financial Report

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

For the Year Ended June 30, 2010

**Victor Merced**

Director

**Nancy Cain**

Chief Financial Officer

**Prepared by:**

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Robert Larson, CPA

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What We Do  
Matters!



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# Introductory Section



# Oregon

Theodore R. Kulongoski, Governor

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November 19, 2010

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 (OHCS) Enterprise Funds, for the fiscal year ended June 30, 2010. The financial statements, included on pages 14 – 36, do not present all activities and financial positions of OHCS, but the enterprise activities only. These activities are reported as a separate fund of OHCS and an annual financial report is issued for these activities in accordance with OHCS's Indentures of Trust.

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

The Secretary of State, Audits Division, has audited the financial records, books of account, and transactions of OHCS's Enterprise Funds for the year ended June 30, 2010. 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

OHCS 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. OHCS 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.

Working closely with its partners at the local level, OHCSO has streamlined the process to deliver resources more efficiently. OHCSO 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**

Oregon's economic prospects follow the U.S. economy which had slowed growth during the second and third quarters of 2010. The Oregon unemployment rate, which is one of the last measures to improve during a recovery, was 10.5 percent in October 2010. The unemployment rate has remained essentially unchanged for the last twelve months.

OEA forecasts an increase of 0.8 percent in total employment in the fourth quarter of 2010 followed by an increase of 0.9 percent in the first quarter of 2011. The OEA forecasts a decline in employment for Oregon of 1.0 percent in 2010 but an increase of 0.9 percent in 2011. Employment in 2012 is expected to increase by 2.2 percent.

Personal income is predicted to increase by 3.1 percent in 2010. The State Economist predicts personal income to increase by 3.2 percent and wages and salaries to increase by 3.8 percent in 2011. Continuing into 2012, personal income is projected to increase by 4.3 percent while wages and salaries is forecasted to continue to grow at 4.8 percent. Personal income increases for Oregon are expected to be slightly higher than the national average in 2010 and 2012 but about the same as the national average in 2011.

Oregon housing starts appear to have reached the bottom but there is concern that housing prices may continue to decline. The population growth between 2009 and 2010 of 0.54 percent was the slowest since 1986.

### **Long Term Financial Planning**

OHCSO 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 and the Elderly and Disabled Housing Fund. OHCSO analyzes cash flows at least yearly to determine what is appropriate for distribution.

### **Major Initiatives**

#### ***Affordable Housing Preservation***

OHCSO continues to pursue opportunities in which affordable housing can be preserved; particularly housing that carries federal Section 8 project-based or Rural Development rental assistance. These projects serve the lowest income population of 30 percent area median income. 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. OHCSO is faced with developing funding solutions to assist in preserving these projects.

The Department's original portfolio consisted of 122 Section 8 project based assistance loans that have maturities that are consistent with the housing assistance payment contracts through Housing and Urban Development (HUD). The loan maturities and housing assistance payment contracts began expiring in late 2006 and will continue through 2013. OHCSO is partnering 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. As of June 30, 2010, 68 of these projects had renewed or have agreed to renew their Housing Assistance Payments contracts. The 75th Oregon Legislative Assembly authorized the issuance of \$16 million of Lottery Revenue Bonds for use by the Department in conjunction with existing bond and tax credit programs to finance projects that elect to renew their Housing Assistance Payment contracts with HUD and need additional resources. This continues to be one of our top priorities moving into the next several years.

### ***Federal Initiatives***

The Department benefited from several Federal initiatives. OHCSO received funding from seven federal programs authorized under the American Recovery and Reinvestment Act of 2009 ("ARRA"). In late October 2009 the New Issue Bond Program was announced. The Department was notified in March 2010 that Oregon would be the recipient of Hardest Hit Funds made available through the Emergency Economic Stabilization Act of 2008.

The Tax Credit Assistance Program and the Tax Credit Exchange Program both provided funding for stalled multifamily developments. Funding totaling \$47,886,489 has been awarded to 22 projects.

OHCSO issued \$120 million of escrow bonds under the New Issue Bond Program (Housing Revenue Bonds) in December 2009 to be used for single family loans. In conjunction with the roll out of these bonds, 40% of the total issuance must be publically offered.

In March 2010, the U.S. Treasury notified OHCSO that Oregon was the recipient of funding from the Housing Finance Agency (HFA) Hardest Hit Program (HHP). These resources derive from the Troubled Asset Relief Program (TARP). The goal of the HHP is to help families maintain homeownership and avoid foreclosure. The Department is not the direct recipient of the \$220 million award but will administer the program on behalf of the Oregon Affordable Housing Assistance Corporation.

### **Acknowledgements**

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

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

Respectfully submitted,



Victor Merced  
Director



Nancy Cain  
Chief Financial Officer

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Organization Structure

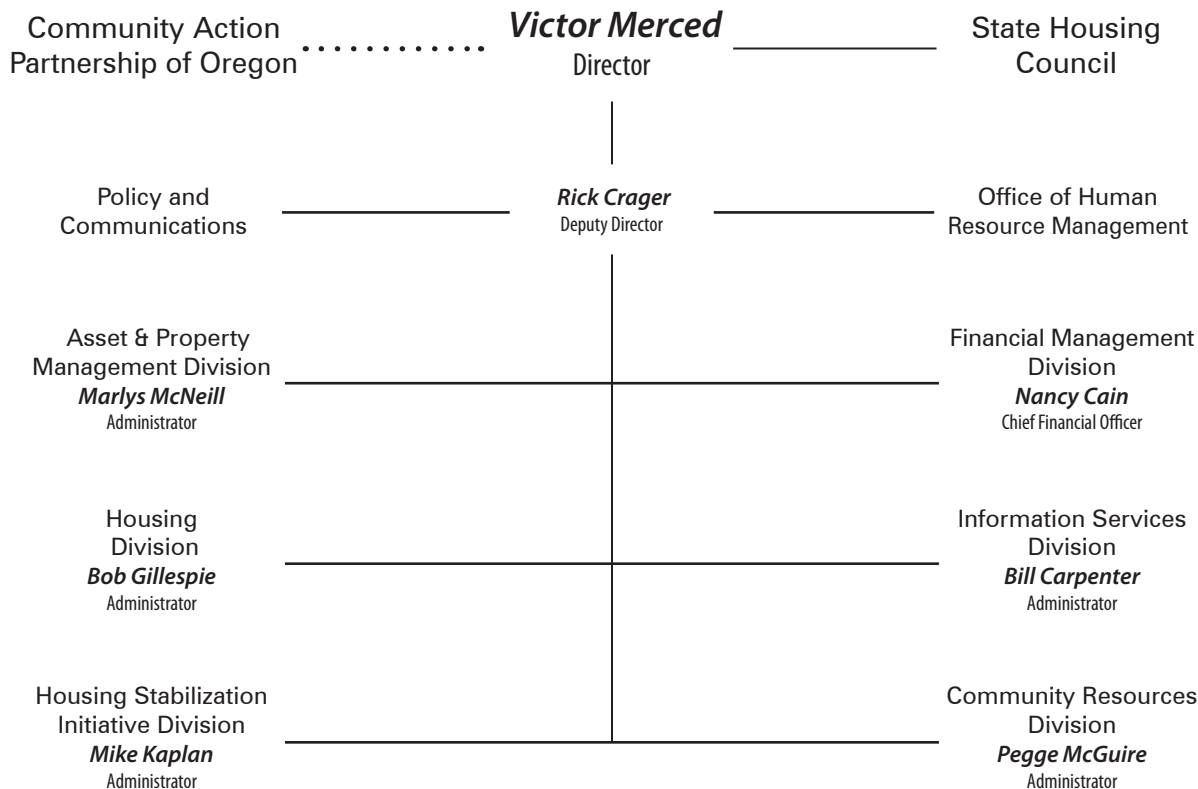
### CAPO Executive Committee:

Brenda Durbin, President  
Teresa Cox, Vice President  
Donna Kinnaman, Treasurer  
Ron Hauge, Secretary  
Sharon Miller, Past-President  
Jerralynn Ness, At Large



### Housing Council Members:

Maggie LaMont, Chair  
Tammy Baney  
John Epstein  
Michael Fieldman  
Francisco Lopez  
Nancy McLaughlin  
Jeana Woolley



### **Community Action Partnership of Oregon**

The Community Action Partnership of Oregon (CAPO) 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. CAPO 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. The mission of CAPO is to eradicate the causes and conditions of poverty that exist in Oregon.

<http://caporegon.org>

### **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 adopts rules necessary for the administration and enforcement of OHCS's housing related statutes.

[www.ohcs.oregon.gov/OHCS/OSHC/index.shtml](http://www.ohcs.oregon.gov/OHCS/OSHC/index.shtml)



# Financial Section

**Office of the Secretary of State**

Kate Brown  
Secretary of State

Barry Pack  
Deputy Secretary of State



**Audits Division**

Gary Blackmer  
Director

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The Honorable Theodore R. Kulongoski  
Governor of Oregon  
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Salem, Oregon 97301-4047

Victor Merced, Director  
Oregon Housing and Community Services  
725 Summer Street NE, Suite B  
Salem, Oregon 97301-1266

**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, 2010, 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 relating to the enterprise funds.

Accordingly, we express no such opinion. An audit 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 of the enterprise funds of the State of Oregon Housing and Community Services Department are intended to present the financial position, the changes in financial position and cash flows that are attributable to the transactions of the enterprise funds. They do not purport to, and do not, present fairly the financial position of the State of Oregon, as of June 30, 2010, the changes in its financial position, or its 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 department, as of June 30, 2010, 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 November 15, 2010, on our consideration of the department's internal control over financial reporting related to the enterprise funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is separately presented in the other reports section as listed in the table of contents.

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

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

OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read 'Kate Brown', with a long horizontal flourish extending to the right.

Kate Brown  
Secretary of State

November 15, 2010

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Management's Discussion and Analysis

This section of the Oregon Housing and Community Services Department's (OHCS D) Comprehensive Annual Financial Report presents our discussion and analysis of financial performance for the Proprietary Funds during the fiscal year ended June 30, 2010. The selected financial data presented was derived primarily from the financial statements of OHCS D, which have been audited by the Oregon Secretary of State Audits Division.

### FINANCIAL HIGHLIGHTS

- Net assets increased \$13.4 million, to \$206.7 million as of June 30, 2010. This represents an increase of 6.91%.
- Expenses decreased by \$8.9 million from the previous fiscal year's results.
- Outstanding bond debt of \$1.56 billion on June 30, 2010 decreased \$23.7 million from the amount outstanding on June 30, 2009. Debt issuance for the fiscal year totaled \$120.0 million (par value).
- Mortgage loan purchases and originations for the fiscal year totaled \$25.7 million, down \$112.6 million from fiscal year 2009.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The proprietary fund financial statements include major enterprise funds, which operate similarly to business activities and follow 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 and deferred outflows at June 30, 2010 were \$1.87 billion, an increase of \$8.5 million from June 30, 2009. The change in assets and deferred outflows consists primarily of a \$73.6 million increase in investments, a \$89.7 million decrease in net loans receivable, and a \$31.2 million increase in deferred outflows.

Total liabilities decreased by \$4.9 million to \$1.66 billion at June 30, 2010. This included a decrease of \$23.7 million in bonds payable, an increase of \$31.2 million in swap fair value liability, and a decrease of \$7.9 million in obligations under securities lending.

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

Proprietary Funds Statement of Net Assets				
	Business Type Activities		Change	% Change
	2010	2009		
<b>Assets and Deferred Outflows:</b>				
Current and Other Assets	\$ 1,840,125,813	\$ 1,862,881,911	\$ (22,756,098)	-1.22%
Capital Assets	2,604	3,538	(934)	-26.40%
Deferred Outflows	31,208,266	-	31,208,266	N/A
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,871,336,683</b>	<b>\$ 1,862,885,449</b>	<b>\$ 8,451,234</b>	<b>0.45%</b>
<b>Liabilities:</b>				
Long Term Liabilities	\$ 1,459,499,428	\$ 1,549,142,014	\$ (89,642,586)	-5.79%
Other Liabilities	205,113,306	120,377,172	84,736,134	70.39%
<b>Total Liabilities</b>	<b>\$ 1,664,612,734</b>	<b>\$ 1,669,519,186</b>	<b>\$ (4,906,452)</b>	<b>-0.29%</b>
<b>Net Assets:</b>				
Invested in Capital Assets	\$ 2,604	\$ 3,538	\$ (934)	-26.40%
Restricted for Residential Assistance	1,835,608	1,540,902	294,706	19.13%
Restricted by Trust Indentures	199,185,070	185,650,034	13,535,036	7.29%
Unrestricted	5,700,667	6,171,789	(471,122)	-7.63%
<b>Total Net Assets</b>	<b>\$ 206,723,949</b>	<b>\$ 193,366,263</b>	<b>\$ 13,357,686</b>	<b>6.91%</b>

- **Cash and Cash Equivalents**

Total cash and cash equivalents decreased by \$3.6 million, or -3.6%, from June 30, 2009 to June 30, 2010.

- **Loans Receivable**

Total mortgages and other loans receivable decreased by \$89.8 million in fiscal year 2010. This decrease included the following:

- New loans purchased or financed decreased by \$112.6 million in fiscal year 2010 compared to fiscal year 2009. Single-family mortgage loan purchases decreased by \$112.9 million and predevelopment loans financed increased by \$0.3 million. Loans purchased or financed in fiscal year 2010 totaled \$28.3 million.
- Predevelopment loans in the amount of \$2.7 million were financed in fiscal year 2010.
- Scheduled mortgage and other loan repayments totaled \$36.6 million for fiscal year 2010.
- Prepayments on mortgage loans decreased in fiscal year 2010 by \$1.1 million. Total prepayments for the fiscal year totaled \$62.5 million.
- Properties acquired during the fiscal year totaled \$19.0 million, an increase of \$13.4 million over the previous fiscal year. OHCSO has not financed any subprime mortgage loans. OHCSO's Residential Loan Program currently offers only fixed rate mortgage loans.

- **Capital Assets**

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

- **Bonds Payable**

Bonds Payable decreased by \$23.7 million from June 30, 2009 to June 30, 2010. As noted in the Debt Administration section of the Management's Discussion and Analysis OHCSO issued \$120.0 million (par value) in revenue bonds and bond redemptions totaled \$141.5 million. The remainder of the change is due to discount and premium transactions.

- **Net Assets**

Net assets increased during fiscal year 2010 by 6.91%. As in fiscal year 2009, OHCS D continued to experience growth within its net assets. Reductions in Bonds Payable resulted in significant reductions in interest expense. The interest rate on the \$120 million of escrow bonds issued under the Housing Revenue Bond indenture was based upon the 28 day U.S. Treasury rate which also contributed to reduced interest expense. OHCS D continues to maintain a positive spread of income from investments and mortgage loans to cover ongoing bond interest and operating costs.

Of OHCS D's \$206.7 million in net assets, 97.2% is restricted to bond indentures or other financial commitments. The remaining 2.8% is primarily unrestricted and available to pay for current agency operations. Each fiscal year, OHCS D 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 OHCS D's proprietary funds are presented below:

Proprietary Funds Statement of Operating Activity				
Business Type Activities				
	2010	2009	Change	% Change
<b>Operating Revenues:</b>				
Interest on Loans	\$ 79,035,078	\$ 82,876,589	\$ (3,841,511)	-4.64%
Investment Income	11,813,383	13,333,320	(1,519,937)	-11.40%
Administrative Charges and Fees	3,606,275	649,210	2,957,065	455.49%
Low Income Housing Tax Credit Fees	1,936,433	1,381,961	554,472	40.12%
Transfer/Commitment Fees	182,855	801,746	(618,891)	-77.19%
Gain on Sale of Foreclosed Property	66,272	51,044	15,228	29.83%
Miscellaneous Revenue	17,984	41,151	(23,167)	-56.30%
<b>Total Operating Revenues</b>	<b>96,658,280</b>	<b>99,135,021</b>	<b>(2,476,741)</b>	<b>-2.50%</b>
<b>Operating Expenses:</b>				
Personal Services	4,959,949	5,127,493	(167,544)	-3.27%
Services and Supplies	3,663,290	3,312,232	351,058	10.60%
Mortgage Service Fees	3,974,512	4,171,676	(197,164)	-4.73%
Foreclosure Costs	698,808	313,141	385,667	123.16%
Interest Expense - Bonds	68,618,190	75,927,690	(7,309,500)	-9.63%
Interest Expense - Loans	49,624	57,417	(7,793)	-13.57%
Interest Expense - Securities Lending	81,219	838,652	(757,433)	-90.32%
Other Program Related Expenses	209,575	1,150,806	(941,231)	-81.79%
Amortization of Deferred Bond Issuance Costs	937,454	905,772	31,682	3.50%
Depreciation/Amortization	934	1,284	(350)	-27.26%
Bad Debt Expense	(100,788)	193,911	(294,699)	-151.98%
<b>Total Operating Expenses</b>	<b>83,092,767</b>	<b>92,000,074</b>	<b>(8,907,307)</b>	<b>-9.68%</b>
<b>Operating Income</b>	<b>13,565,513</b>	<b>7,134,947</b>	<b>6,430,566</b>	<b>90.13%</b>
Transfers to Other State Agencies	(207,827)	(204,782)	(3,045)	1.49%
Transfers to State General Fund	-	(589,355)	589,355	-100.00%
<b>Change in Net Assets</b>	<b>13,357,686</b>	<b>6,340,810</b>	<b>7,016,876</b>	<b>110.66%</b>
<b>Net Assets – Beginning</b>	<b>193,366,263</b>	<b>187,025,453</b>	<b>6,340,810</b>	<b>3.39%</b>
<b>Net Assets – Ending</b>	<b>\$ 206,723,949</b>	<b>\$ 193,366,263</b>	<b>\$ 13,357,686</b>	<b>6.91%</b>

OHCS D's proprietary fund revenue is generated principally from interest earned on mortgages and investments. In fiscal year 2010, revenue generated through proprietary funds totaled \$96.7 million, of which \$90.8 million, or 94.0% is from income earned on loans and investments. Expenses of OHCS D's proprietary funds consist primarily of interest expense on debt incurred to fund various lending programs. The total expenses for proprietary fund activities totaled \$83.1 million, of which \$68.6 million, or 82.6% is bond interest expense.

The change in net assets for the year ended June 30, 2010 resulted in an increase of \$13.3 million compared to a \$6.3 million increase for the year ended June 30, 2009, an increase of \$7.0 million. Factors contributing to this change include:

- In fiscal year 2010, investment income was \$1.5 million less than in fiscal year 2009. Low interest rates and smaller investment balances resulted in a decrease in investment income.
- Interest expense on bonds was \$7.3 million lower than fiscal year 2009. This decrease was primarily due to a smaller outstanding bonds payable balance. The low interest rates on escrow bonds issued under the Housing Revenue Bond indenture also resulted in lower interest expense.
- Interest on loans for fiscal year 2010 was \$3.8 million less than fiscal year 2009. Reduced outstanding mortgage loan balances resulted in a decrease in interest received.
- Administrative charges and fees increased by \$3.0 million in fiscal year 2010. This was primarily due to receipt of Asset Management Fees for projects funded with the Tax Credit Assistance Program and Tax Credit Exchange Program.

### **Debt Administration**

Oregon Revised Statutes authorize OHCS D to issue up to \$2.5 billion in revenue bonds to finance the construction, purchase and rehabilitation of housing for low and moderate income persons and families. OHCS D also has constitutional authority to issue general obligation bonds to finance housing for elderly and disabled persons. As of June 30, 2010, OHCS D was authorized to issue up to \$2,493,422,754 in State of Oregon General Obligation bonds for this purpose.

As of June 30, 2010, OHCS D had a total of \$1,552,520,000 (par value) in outstanding bond debt. During fiscal year 2010, \$120,000,000 (par value) in revenue bonds were issued for the Single-Family Mortgage Program compared to \$92,710,000 in fiscal year 2009.

In addition, OHCS D issued \$40,186,958 (par value) of Housing Development Revenue Bonds. These bonds were issued as conduit debt obligations as described in the Notes to the Financial Statements (Note 10) and are not included in the outstanding bonds payable balance on the Balance Sheet.

In fiscal year 2010, OHCS D entered into interest rate swaps for three series of variable rate Mortgage Revenue Bonds. The notional amount of the swaps totals \$40,500,000. For additional details about OHCS D's interest rate swaps, see the Notes to the Financial Statements (Note 8).

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

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

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Balance Sheet

### Proprietary Funds

June 30, 2010

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Assets and Deferred Outflows</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ -	\$ 4,367,875	\$ 4,367,875
Cash and Cash Equivalents - Restricted	10,245,147	13	10,245,160
Investments - Restricted	-	155,566,033	155,566,033
Securities Lending Cash Collateral	26,994,458	10,021,714	37,016,172
Accounts Receivable	-	165,054	165,054
Accrued Interest Receivable	1,008,699	7,271,482	8,280,181
Interfund Receivable	-	745	745
Acquired Property	-	8,049,817	8,049,817
<b>Total Current Assets</b>	<b>38,248,304</b>	<b>185,442,733</b>	<b>223,691,037</b>
<b>Noncurrent Assets</b>			
Cash and Cash Equivalents - Restricted	58,653,508	22,594,027	81,247,535
Investments - Restricted	25,420,261	171,366,258	196,786,519
Deferred Charges	1,420,165	9,708,592	11,128,757
Loans Receivable (Net)	143,234,781	1,184,037,184	1,327,271,965
Capital Assets (Net)	338	2,266	2,604
<b>Total Noncurrent Assets</b>	<b>228,729,053</b>	<b>1,387,708,327</b>	<b>1,616,437,380</b>
<b>Deferred Outflows</b>	<b>-</b>	<b>31,208,266</b>	<b>31,208,266</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 266,977,357</b>	<b>\$ 1,604,359,326</b>	<b>\$ 1,871,336,683</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 69,037	\$ 971,599	\$ 1,040,636
Accrued Interest Payable	3,815,147	28,576,575	32,391,722
Obligations Under Securities Lending	26,994,458	10,021,714	37,016,172
Interfund Payable	745	-	745
Deferred Income	14,738	899,616	914,354
Compensated Absences Payable	40,315	188,622	228,937
Bonds Payable	6,430,000	127,005,000	133,435,000
Arbitrage Rebate Liability	-	85,740	85,740
<b>Total Current Liabilities</b>	<b>37,364,440</b>	<b>167,748,866</b>	<b>205,113,306</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	20,768	97,169	117,937
Bonds Payable	165,595,992	1,261,017,704	1,426,613,696
Swap Fair Value Liability	-	31,208,266	31,208,266
Loans Payable	-	1,500,000	1,500,000
Net OPEB Obligation	12,210	47,319	59,529
<b>Total Noncurrent Liabilities</b>	<b>165,628,970</b>	<b>1,293,870,458</b>	<b>1,459,499,428</b>
<b>Total Liabilities</b>	<b>202,993,410</b>	<b>1,461,619,324</b>	<b>1,664,612,734</b>
<b>Net Assets</b>			
Invested in Capital Assets	338	2,266	2,604
Restricted for Residential Assistance	-	1,835,608	1,835,608
Restricted by Trust Indentures	63,983,609	135,201,461	199,185,070
Unrestricted	-	5,700,667	5,700,667
<b>Total Net Assets</b>	<b>63,983,947</b>	<b>142,740,002</b>	<b>206,723,949</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 266,977,357</b>	<b>\$ 1,604,359,326</b>	<b>\$ 1,871,336,683</b>

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, 2010

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Operating Revenues</b>			
Interest on Loans	\$ 10,442,639	\$ 68,592,439	\$ 79,035,078
Investment Income	3,521,048	8,292,335	11,813,383
Administrative Charges and Fees	10,000	3,596,275	3,606,275
Low Income Housing Tax Credit Fees	-	1,936,433	1,936,433
Transfer/Commitment Fees	33,750	149,105	182,855
Gain on Sale of Foreclosed Property	-	66,272	66,272
Miscellaneous Revenue	8,278	9,706	17,984
<b>Total Operating Revenues</b>	<b>14,015,715</b>	<b>82,642,565</b>	<b>96,658,280</b>
<b>Operating Expenses</b>			
Personal Services	963,281	3,996,668	4,959,949
Services and Supplies	306,565	3,356,725	3,663,290
Mortgage Service Fees	67,721	3,906,791	3,974,512
Foreclosure Costs	-	698,808	698,808
Interest Expense - Bonds	9,446,237	59,171,953	68,618,190
Interest Expense - Loans	-	49,624	49,624
Interest Expense - Securities Lending	46,023	35,196	81,219
Other Related Program Expenses	220,343	(10,768)	209,575
Amortization of Deferred Bond Issuance Costs	136,648	800,806	937,454
Depreciation/Amortization	121	813	934
Bad Debt Expense	(78,630)	(22,158)	(100,788)
<b>Total Operating Expenses</b>	<b>11,108,309</b>	<b>71,984,458</b>	<b>83,092,767</b>
<b>Operating Income (Loss)</b>	<b>2,907,406</b>	<b>10,658,107</b>	<b>13,565,513</b>
Transfers from Other Funds	-	117,816	117,816
Transfers to Other Funds	(117,816)	-	(117,816)
Transfers to Other State Agencies	(38,813)	(169,014)	(207,827)
<b>Change in Net Assets</b>	<b>2,750,777</b>	<b>10,606,909</b>	<b>13,357,686</b>
<b>Net Assets - Beginning</b>	<b>61,233,170</b>	<b>132,133,093</b>	<b>193,366,263</b>
<b>Net Assets - Ending</b>	<b>\$ 63,983,947</b>	<b>\$ 142,740,002</b>	<b>\$ 206,723,949</b>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2010

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Cash Flows from Operating Activities</b>			
Received from Customers	\$ 43,750	\$ 5,462,946	\$ 5,506,696
Program Loan Principal Repayments	8,063,999	98,906,692	106,970,691
Program Loan Interest Received	10,412,424	68,608,119	79,020,543
Program Loans Made	-	(28,336,930)	(28,336,930)
Payments to Employees for Services	(938,670)	(4,051,663)	(4,990,333)
Payments to Suppliers for Goods and Services	(359,632)	(7,033,031)	(7,392,663)
Other Receipts (Payments)	(111,051)	2,763,070	2,652,019
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>17,110,820</b>	<b>136,319,203</b>	<b>153,430,023</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Bond Sales	-	120,000,000	120,000,000
Principal Payments on Bonds	(9,765,000)	(131,700,000)	(141,465,000)
Interest Payments on Bonds	(9,475,828)	(62,741,134)	(72,216,962)
Bond Issue Costs	-	(251,803)	(251,803)
Interest Payments on Loans	-	(51,137)	(51,137)
Transfers from Other Funds	-	117,816	117,816
Transfers to Other Funds	(117,816)	-	(117,816)
Transfers to Other State Agencies	(38,813)	(169,014)	(207,827)
<b>Net Cash Provided (Used) in Noncapital Financing Activities</b>	<b>(19,397,457)</b>	<b>(74,795,272)</b>	<b>(94,192,729)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	-	(1,028,085,776)	(1,028,085,776)
Proceeds from Sales and Maturities of Investments	355,000	959,846,794	960,201,794
Interest on Cash and Investments	1,800,537	3,270,832	5,071,369
Investment Income on Securities Lending	46,023	35,196	81,219
Interest Paid on Securities Lending	(46,023)	(35,196)	(81,219)
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>2,155,537</b>	<b>(64,968,150)</b>	<b>(62,812,613)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(131,100)</b>	<b>(3,444,219)</b>	<b>(3,575,319)</b>
<b>Cash and Cash Equivalents Balance - Beginning</b>	<b>69,029,755</b>	<b>30,406,134</b>	<b>99,435,889</b>
<b>Cash and Cash Equivalents Balance - Ending</b>	<b>\$ 68,898,655</b>	<b>\$ 26,961,915</b>	<b>\$ 95,860,570</b>
Cash and Cash Equivalents	\$ -	\$ 4,367,875	\$ 4,367,875
Cash and Cash Equivalents - Restricted (Current)	10,245,147	13	10,245,160
Cash and Cash Equivalents - Restricted (Noncurrent)	58,653,508	22,594,027	81,247,535
<b>Total Cash and Cash Equivalents</b>	<b>\$ 68,898,655</b>	<b>\$ 26,961,915</b>	<b>\$ 95,860,570</b>

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 2,907,406	\$ 10,658,107	\$ 13,565,513
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>			
Depreciation/Amortization	121	813	934
Amortization of Deferred Bond Issuance Costs	136,648	800,806	937,454
Bad Debt Expense	(78,630)	(22,158)	(100,788)
Investment Income Reported as Operating Revenue	(3,521,048)	(8,292,335)	(11,813,383)
Interest Expense Reported as Operating Expense	9,492,260	59,256,773	68,749,033
Bond Call Expenses	102,527	(1,295,863)	(1,193,336)
<i>(Increase)/Decrease in Assets:</i>			
Loan Interest Receivable	(43,711)	147,019	103,308
Accounts Receivable	3	(143,883)	(143,880)
Interfund Receivable	-	234	234
Loans Receivable	8,063,999	81,706,938	89,770,937
Acquired Property	-	(6,389,209)	(6,389,209)
<i>Increase/(Decrease) in Liabilities:</i>			
Accounts Payable	24,585	81,015	105,600
Interfund Payable	(234)	-	(234)
Due to Other Governments	-	(75,000)	(75,000)
Deferred Income	13,497	(62,277)	(48,780)
Compensated Absences Payable	8,416	(56,216)	(47,800)
Net OPEB Obligation	4,981	4,439	9,420
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$ 17,110,820</b>	<b>\$ 136,319,203</b>	<b>\$ 153,430,023</b>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Net Change in Fair Value of Investments	\$ 1,686,356	\$ 4,254,061	\$ 5,940,417
Foreclosed Property	-	18,989,441	18,989,441
Loan Modifications	-	134,827	134,827
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b>\$ 1,686,356</b>	<b>\$ 23,378,329</b>	<b>\$ 25,064,685</b>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Notes to the Financial Statements  
Enterprise Funds  
June 30, 2010

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

The accompanying financial statements of the Oregon Housing and Community Services Department (OHCS D) 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. OHCS D does not apply private sector standards issued after November 30, 1989.

**A. Reporting Entity**

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

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

The financial statements and notes include only the bonded debt financial activity of OHCS D's housing bond programs. OHCS D operates governmental fund programs which are not included in this report.

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

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

**Proprietary Fund**

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

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

### **C. Measurement Focus and Basis of Accounting**

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

### **D. Budgets**

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

### **E. Cash Equivalents**

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

### **F. Investments**

OHCS D's investments are stated at fair value. Investment fair value is determined using quoted market prices. Since the principal activity of OHCS D is lending, investment income is reported as operating activity. Securities lending cash collateral reinvested by the Oregon State Treasury Oregon Short Term Fund in short-term debt investments with remaining maturities of up to ninety days on June 30, 2010 is reported at amortized cost.

### **G. Receivables**

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

### **H. Short-term Interfund Receivable/Payable**

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

### **I. Acquired Property**

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

**J. Deferred Charges**

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

**K. Capital Assets**

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

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

**L. Rebatable Arbitrage**

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

**M. Compensated Absences**

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

**N. Bond Discounts and Premiums**

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.

**O. Deferred Amount on Debt Refunding**

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

**P. Restricted Assets**

The use of all cash, cash equivalents, and investments of the Enterprise Fund are generally restricted as to purpose and use by the Bond Declarations and Indentures of Trust. The bond program funds are restricted for acquisition of loans, payment of debt service, and payment of operating costs. Individual reserve accounts have been established to meet certain requirements and the balances of these accounts as of June 30, 2010 were sufficient to meet all legal requirements. When both restricted and unrestricted resources are available to use, it is OHCS D's policy to use restricted resources before using unrestricted resources.

**Q. Operating Revenues and Expenses**

Operating revenues include interest and fees on program loans as well as earnings on cash and investments

related to OHCS D's loan programs. Administrative expenses, depreciation and amortization of capital assets, and bond program related expenses are considered operating expenses. Nonoperating revenues and expenses include any gain or loss on the disposition of capital assets.

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

### Deposits

On June 30, 2010, the book balance of cash and cash equivalents was \$95,860,570 and the bank balance was \$95,226,318. Monies held in demand accounts with the State Treasurer and amounts invested in the Oregon Short Term Fund totaled \$94,777,563. Additional information about the Oregon Short Term Fund can be found at [www.ost.state.or.us/about/ostf/](http://www.ost.state.or.us/about/ostf/).

The bank balance of money market accounts held by OHCS D's Bond Trustees as agents totaled \$448,755. OHCS D does not have a deposit policy.

### Investments

Oregon Revised Statute 293.726 (1), Bond Indentures of Trust, and OHCS D's investment policy allow OHCS D to invest in insured or registered securities explicitly or implicitly guaranteed by the U.S. Government, variable rate demand obligations of other state agencies and other Housing Finance Authorities outside of Oregon, and 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.

Investments with OHCS D's Trustees consisted of \$121,760,048 in U.S. Government securities, \$199,672,242 in U.S. Agency securities, and \$5,500,000 in municipal bonds. They are held by the Trust Department of OHCS D's Bond Trustee as agent in OHCS D's name. Included in the U.S. Agency securities total is \$1,967,561 invested in Student Loan Marketing Association (SLMA) investments issued before SLMA, a government-sponsored enterprise, was dissolved on December 29, 2004. SLMA's remaining debt as of that date was transferred to a trust and maintains the attributes accorded SLMA debt prior to its dissolution.

Investments with the State Treasurer consisted of \$12,291,011 in U.S. Government Securities and \$13,129,251 in U.S. Agency securities. OHCS D's investments with the State Treasurer are held with the State Treasurer's agent in the name of the State of Oregon and segregated in the Treasurer's records in OHCS D's name.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. OHCS D's investment policy specifies that, in order to mitigate interest rate risk, the investment portfolio shall be structured so that securities mature to meet cash requirements, limiting the need to sell securities on the open market before maturity. As of June 30, 2010, OHCS D had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Securities	\$ 134,051,059	\$ 120,035,346	\$ -	\$ 3,994,995	\$ 10,020,718
U.S. Agency Securities	212,801,493	140,018,212	9,974,017	5,035,828	57,773,436
Municipal Bonds	5,500,000	-	-	-	5,500,000
Total	\$ 352,352,552	\$ 260,053,558	\$ 9,974,017	\$ 9,030,823	\$ 73,294,154

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to OHCS D's investment policy, to mitigate credit risk, funds shall be invested in insured or registered securities explicitly or implicitly guaranteed by the U.S. Government or variable rate demand obligations of other state agencies and other Housing Finance Authorities outside of Oregon. As of June 30, 2010, \$100,271,047 of OHCS D's investments in U.S. Agency securities are rated Aaa by Moody's Investor Service and \$112,530,446 are U.S. Agency discount notes which have a Moody's Investor Service short term Issuer Level Rating of P-1. OHCS D's municipal bond investments are rated Aaa/VMIG 1 by Moody's Investor Service.

Notes to the Financial Statements (Continued)  
June 30, 2010

**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, 2010, 37.2% of OHCS D's total investments are in U.S. Treasury, 23.0% are in Federal Home Loan Mortgage Corporation, 20.1% are in Federal National Mortgage Association, and 13.7% are in Federal Home Loan Bank.

### Securities Lending

In accordance with State of Oregon investment policies, state agencies may participate in securities lending. OHCS D is involved in securities lending only with cash balances invested in the Oregon Short Term Fund (OSTF). As of June 30, 2010, the fair value of all securities on loan from OSTF was \$3,038,311,073. The total collateral received for the securities on loan from OSTF was \$3,101,449,925. The fair value of all investments made with the cash collateral received for those securities on loan was \$3,100,861,705. The portion of these balances allocated to OHCS D's Enterprise Funds are \$36,263,580, \$37,016,172, and \$37,010,149, respectively.

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

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

### NOTE 3. Loans Receivable

Loans receivable on June 30, 2010 consisted of:

	Loans Receivable	Less: Allowance for Uncollectible Accounts	Loans Receivable (Net)
Elderly and Disabled Housing Fund:	\$ 144,123,086	\$ (888,305)	\$ 143,234,781
Housing Finance Fund:			
Mortgage Revenue Bonds	1,017,560,683	-	1,017,560,683
Multifamily Housing Revenue Bonds	151,041,691	(377,604)	150,664,087
Multiple Purpose Bonds	11,290,530	(44,070)	11,246,460
Housing Finance Account	4,588,899	(22,945)	4,565,954
Total Housing Finance Fund	1,184,481,803	(444,619)	1,184,037,184
Total	\$ 1,328,604,889	\$ (1,332,924)	\$ 1,327,271,965

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

Mortgage Revenue Bonds provide financing for single family homes for at or below median income home buyers. These loans are collateralized by first lien mortgages on the applicable real estate. Of the total mortgage principal balance outstanding, 51 percent is federally insured or guaranteed, 24 percent is covered by pool insurance and/or private mortgage insurance and 25 percent is uninsured. Based on prior experience, OHCS D does not anticipate any material loss in the collection of mortgage loans receivable or in the disposition of acquired properties.

Multifamily Housing Revenue Bonds provide interim and permanent mortgage financing for the construction, acquisition, or rehabilitation of multi-family housing developments within the State that primarily contain housing units for persons or families of lower and moderate income.

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

Notes to the Financial Statements (Continued)  
June 30, 2010

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

**NOTE 4. Capital Assets**

A summary of OHCSO's capital assets at June 30, 2010 is presented in the table below. OHCSO has no outstanding debt related to capital assets.

	Elderly and Disabled Housing Fund				Housing Finance Fund			
	Beginning Balance	Increases	Decreases	Ending Balance	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:								
Equipment	\$ -	\$ -	\$ -	\$ -	\$ 30,446	\$ -	\$ 9,482	\$ 20,964
Data Processing Software	27,581	-	-	27,581	133,033	-	-	133,033
Total Capital Assets	27,581	-	-	27,581	163,479	-	9,482	153,997
Less Accumulated Depreciation/Amortization:								
Equipment	-	-	-	-	(30,446)	-	(9,482)	(20,964)
Data Processing Software	(27,122)	(121)	-	(27,243)	(129,954)	(813)	-	(130,767)
Total Accumulated Depreciation/Amortization	(27,122)	(121)	-	(27,243)	(160,400)	(813)	(9,482)	(151,731)
Capital Assets, Net	\$ 459	\$ (121)	\$ -	\$ 338	\$ 3,079	\$ (813)	\$ -	\$ 2,266

**NOTE 5. Interfund Balances and Transfers**

The following schedule summarizes interfund receivables and payables for the year ended June 30, 2010:

	Interfund Receivable	Interfund Payable
Elderly and Disabled Housing Fund	\$ -	\$ 745
Housing Finance Fund	745	-
Total	\$ 745	\$ 745

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, 2010:

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

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

Notes to the Financial Statements (Continued)  
June 30, 2010

**NOTE 6. Changes in Long Term Liabilities**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bond Principal	\$ 1,573,985,000	\$ 120,000,000	\$ 141,465,000	\$ 1,552,520,000	\$ 133,435,000
Bond Discount	(254,530)	-	(23,567)	(230,963)	-
Bond Premium	11,522,417	-	2,539,655	8,982,762	-
Deferred Amount on Refunding	(1,495,543)	-	(272,440)	(1,223,103)	-
Bonds Payable	1,583,757,344	120,000,000	143,708,648	1,560,048,696	
Compensated Absences Payable	394,674	-	47,800	346,874	228,937
Arbitrage Rebate Liability	1,202,460	-	1,116,720	85,740	85,740
Swap Fair Value Liability	-	31,208,266	-	31,208,266	-
Loans Payable	1,500,000	-	-	1,500,000	-
Net OPEB Obligation	50,109	9,420	-	59,529	-
Total Long Term Liabilities	\$ 1,586,904,587	\$ 151,217,686	\$ 144,873,168	\$ 1,593,249,105	\$ 133,749,677

**NOTE 7. Long Term Debt**

The following table summarizes outstanding bonds by program and series as of June 30, 2010:

**General Obligation Bonds**

**Elderly and Disabled Housing Program**

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1992 A	1993-2013	3.300 - 6.250%	\$ 11,985,000	\$ 2,345,000	\$ -	\$ 415,000	\$ 1,930,000	\$ 440,000
1992 C	1993-2022	3.300 - 6.500%	14,695,000	520,000	-	25,000	495,000	25,000
1993 B	1994-2026	2.700 - 5.500%	11,060,000	1,290,000	-	45,000	1,245,000	50,000
1993 C	1994-2026	2.850 - 5.650%	13,915,000	10,025,000	-	360,000	9,665,000	385,000
1994 A	1995-2025	3.500 - 6.150%	9,440,000	2,270,000	-	70,000	2,200,000	85,000
1994 B	1996-2026	4.200 - 6.300%	24,400,000	18,445,000	-	585,000	17,860,000	610,000
1995 A	1996-2026	4.000 - 6.000%	14,100,000	10,045,000	-	325,000	9,720,000	345,000
1995 B	1997-2027	4.000 - 5.700%	24,240,000	11,785,000	-	365,000	11,420,000	385,000
1996 A	1998-2027	4.050 - 5.600%	2,850,000	455,000	-	15,000	440,000	15,000
1996 B	1998-2027	4.200 - 5.800%	10,605,000	8,375,000	-	260,000	8,115,000	265,000
1997 A	1999-2028	4.050 - 5.375%	8,475,000	5,020,000	-	140,000	4,880,000	150,000
1998 A	2000-2029	3.400 - 4.500%	8,870,000	1,190,000	-	30,000	1,160,000	35,000
1998 B	2001-2030	3.550 - 4.875%	10,285,000	3,535,000	-	105,000	3,430,000	110,000
1998 C	2000-2029	4.900 - 6.000%	1,880,000	305,000	-	5,000	300,000	10,000
1999 A	2000-2030	3.250 - 5.150%	10,840,000	2,280,000	-	155,000	2,125,000	165,000
1999 B	2000-2031	3.350 - 5.250%	4,485,000	3,840,000	-	90,000	3,750,000	95,000
1999 D	2000-2030	3.950 - 6.000%	5,695,000	1,490,000	-	30,000	1,460,000	30,000
1999 E	2001-2031	5.000 - 6.250%	19,105,000	16,655,000	-	365,000	16,290,000	385,000
2001 A	2002-2032	2.550 - 5.100%	5,210,000	1,245,000	-	60,000	1,185,000	70,000
2001 B	2002-2020	2.550 - 4.950%	7,805,000	5,925,000	-	330,000	5,595,000	350,000
2001 C	2002-2032	2.700 - 5.300%	25,325,000	20,740,000	-	835,000	19,905,000	890,000
2002 A	2003-2022	1.400 - 4.650%	10,840,000	8,285,000	-	460,000	7,825,000	475,000
2002 B	2003-2024	1.400 - 4.700%	37,905,000	4,760,000	-	3,720,000	1,040,000	50,000
2002 C	2003-2043	1.600 - 5.050%	13,595,000	6,660,000	-	210,000	6,450,000	215,000
2003 B	2004-2024	1.300 - 4.800%	9,265,000	7,645,000	-	345,000	7,300,000	355,000
2003 C	2013-2034	4.350 - 5.100%	2,930,000	2,710,000	-	55,000	2,655,000	60,000
2007 A	2008-2048	3.650 - 4.750%	26,300,000	25,050,000	-	365,000	24,685,000	380,000
Total General Obligation Bonds				\$ 182,890,000	\$ -	\$ 9,765,000	\$ 173,125,000	\$ 6,430,000

## Revenue Bonds

### Mortgage Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1991 D	1993-2027	4.750 - 6.800%	\$21,250,000	\$ 2,730,000	\$ -	\$ 1,065,000	\$ 1,665,000	\$ -
1993 B	1995-2017	3.250 - 5.375%	18,795,000	1,390,000	-	525,000	865,000	-
1994 A	1995-2018	3.750 - 6.400%	18,150,000	1,585,000	-	285,000	1,300,000	-
1994 C	1996-2016	4.200 - 6.250%	12,440,000	835,000	-	195,000	640,000	-
1995 A	1996-2026	4.400 - 6.450%	25,000,000	2,955,000	-	455,000	2,500,000	-
1995 C	2015-2026	6.200 - 6.400%	20,200,000	3,440,000	-	90,000	3,350,000	-
1995 E	1997-2027	4.000 - 6.000%	25,000,000	3,660,000	-	740,000	2,920,000	-
1996 B	1998-2027	4.200 - 6.200%	18,535,000	2,605,000	-	290,000	2,315,000	-
1996 D	1998-2027	4.300 - 6.375%	27,300,000	2,515,000	-	275,000	2,240,000	-
1996 H	1998-2027	4.050 - 6.000%	27,300,000	2,425,000	-	530,000	1,895,000	-
1997 A	1999-2027	4.600 - 6.200%	25,000,000	2,055,000	-	500,000	1,555,000	-
1997 F	2017-2028	5.500 - 5.650%	14,025,000	4,885,000	-	590,000	4,295,000	-
1997 H	1999-2028	4.000 - 5.650%	33,570,000	5,520,000	-	735,000	4,785,000	-
1998 A	2000-2015	4.000 - 5.150%	10,655,000	1,560,000	-	695,000	865,000	-
1998 B	2018-2029	4.900 - 5.450%	19,345,000	2,875,000	-	215,000	2,660,000	-
1998 D	2000-2029	3.850 - 5.300%	35,000,000	7,245,000	-	1,060,000	6,185,000	-
1998 G	2000-2029	3.650 - 5.250%	35,000,000	7,455,000	-	1,020,000	6,435,000	-
1999 A	2001-2027	3.600 - 5.150%	25,480,000	4,925,000	-	1,055,000	3,870,000	-
1999 E	2019-2027	4.850 - 5.400%	20,350,000	5,415,000	-	910,000	4,505,000	-
1999 I	2001-2020	4.100 - 5.550%	25,555,000	1,145,000	-	105,000	1,040,000	-
1999 J	2023-2030	5.200 - 5.750%	29,320,000	6,735,000	-	1,050,000	5,685,000	-
1999 M	2002-2031	4.650 - 6.200%	32,260,000	4,470,000	-	705,000	3,765,000	-
2000 A	2001-2028	4.300 - 6.050%	18,265,000	3,220,000	-	600,000	2,620,000	-
2000 E	2002-2030	4.850 - 6.150%	29,160,000	5,360,000	-	1,285,000	4,075,000	-
2000 H	2009-2030	4.650 - 5.750%	30,070,000	6,855,000	-	1,060,000	5,795,000	-
2000 L	2031-2033	5.900 - 5.900%	20,175,000	8,795,000	-	1,145,000	7,650,000	-
2001 A	2003-2030	3.600 - 5.350%	23,465,000	7,620,000	-	2,090,000	5,530,000	-
2001 C	2032	***	7,500,000	2,170,000	-	455,000	1,715,000	30,000
2001 F	2003-2030	3.350 - 5.550%	24,025,000	6,900,000	-	1,170,000	5,730,000	-
2001 G	2026-2032	4.850 - 5.700%	10,975,000	690,000	-	690,000	-	-
2001 J	2003-2030	3.000 - 5.150%	26,435,000	7,555,000	-	1,575,000	5,980,000	-
2001 L	2032	***	9,100,000	2,610,000	-	400,000	2,210,000	-
2001 Q	2003-2024	2.350 - 5.125%	19,015,000	8,730,000	-	1,455,000	7,275,000	-
2001 R	2027-2033	4.200 - 5.375%	15,985,000	4,085,000	-	1,415,000	2,670,000	-
2002 A	2004-2024	2.350 - 5.200%	18,620,000	11,035,000	-	1,560,000	9,475,000	-
2002 B	2004-2033	2.700 - 5.450%	16,380,000	6,060,000	-	1,225,000	4,835,000	-
2002 F	2005-2022	3.150 - 5.250%	15,190,000	7,760,000	-	835,000	6,925,000	-
2002 G	2003-2033	2.400 - 5.600%	19,810,000	8,670,000	-	1,020,000	7,650,000	-
2002 H	2006-2023	2.450 - 5.000%	16,315,000	11,480,000	-	1,215,000	10,265,000	-
2002 I	2004-2033	2.000 - 5.250%	18,685,000	5,555,000	-	1,185,000	4,370,000	-
2002 M	2006-2023	2.400 - 5.050%	16,285,000	11,195,000	-	1,120,000	10,075,000	-
2002 N	2004-2033	2.200 - 5.250%	18,715,000	8,960,000	-	1,130,000	7,830,000	-
2003 A	2007-2030	2.150 - 4.900%	22,810,000	17,125,000	-	1,145,000	15,980,000	-
2003 B	2004-2034	1.400 - 5.000%	12,190,000	3,075,000	-	1,645,000	1,430,000	-
2003 E	2004-2030	1.100 - 4.600%	24,665,000	17,900,000	-	1,335,000	16,565,000	-
2003 F	2032-2034	3.200 - 4.750%	10,335,000	3,095,000	-	845,000	2,250,000	-
2003 J	2005-2023	1.300 - 4.700%	22,880,000	12,795,000	-	1,355,000	11,440,000	-
2003 K	2005-2029	1.700 - 5.625%	12,120,000	4,750,000	-	1,670,000	3,080,000	-
2003 L	2034	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 A	2005-2023	1.100 - 4.500%	23,720,000	11,650,000	-	1,525,000	10,125,000	-
2004 B	2029	5.625 - 5.625%	11,280,000	4,960,000	-	1,915,000	3,045,000	-
2004 C	2034	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 G	2005-2023	1.350 - 4.500%	23,410,000	12,555,000	-	2,085,000	10,470,000	-
2004 H	2029	5.125 - 5.125%	11,590,000	6,250,000	-	1,930,000	4,320,000	-
2004 I	2034	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 J	2006-2019	1.950 - 4.350%	15,560,000	8,910,000	-	1,775,000	7,135,000	-
2004 K	2020-2030	4.800 - 5.100%	19,440,000	13,155,000	-	2,925,000	10,230,000	-
2004 L	2035	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 M	2007-2025	2.250 - 4.600%	7,510,000	6,230,000	-	775,000	5,455,000	-
2004 N	2035	4.900 - 4.900%	8,390,000	6,980,000	-	725,000	6,255,000	-

Notes to the Financial Statements (Continued)  
June 30, 2010

Original Issue				Bonds Outstanding			Ending Balance	Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases		
2005 A	2006-2024	2.600 - 4.500%	16,055,000	11,770,000	-	1,480,000	10,290,000	-
2005 B	2034	5.375 - 5.375%	8,445,000	5,170,000	-	1,475,000	3,695,000	-
2005 C	2035	****	10,500,000	10,500,000	-	-	10,500,000	-
2005 D	2007-2025	3.000 - 4.650%	26,340,000	21,215,000	-	2,845,000	18,370,000	-
2005 E	2006-2031	3.150 - 5.750%	13,775,000	8,870,000	-	2,005,000	6,865,000	-
2005 F	2036	****	14,885,000	14,885,000	-	-	14,885,000	-
2006 A	2007-2021	3.125 - 4.350%	20,210,000	16,890,000	-	2,535,000	14,355,000	-
2006 B	2007-2030	3.350 - 5.625%	19,790,000	15,280,000	-	3,150,000	12,130,000	-
2006 C	2036	****	20,000,000	20,000,000	-	-	20,000,000	-
2006 D	2007-2021	3.500 - 4.500%	18,705,000	16,295,000	-	4,000,000	12,295,000	-
2006 E	2025-2031	5.000 - 6.250%	21,295,000	17,810,000	-	3,550,000	14,260,000	-
2006 F	2037	****	20,000,000	20,000,000	-	-	20,000,000	-
2006 G	2028	****	16,105,000	16,105,000	-	-	16,105,000	-
2006 H	2008-2021	3.300 - 4.100%	13,905,000	12,630,000	-	1,580,000	11,050,000	-
2006 I	2026-2036	4.600 - 6.250%	27,680,000	25,945,000	-	2,420,000	23,525,000	-
2006 J	2008-2021	3.350 - 4.050%	13,235,000	12,500,000	-	1,555,000	10,945,000	-
2006 K	2026-2036	4.450 - 5.375%	26,765,000	26,180,000	-	905,000	25,275,000	-
2007 A	2008-2022	3.400 - 4.250%	20,210,000	19,560,000	-	2,200,000	17,360,000	-
2007 B	2027-2037	4.750 - 5.500%	39,790,000	38,590,000	-	3,800,000	34,790,000	-
2007 C	2008-2022	3.550 - 4.700%	27,025,000	26,480,000	-	5,410,000	21,070,000	-
2007 D	2026-2038	5.000 - 5.875%	32,975,000	31,430,000	-	4,810,000	26,620,000	-
2007 E	2038	****	30,000,000	30,000,000	-	-	30,000,000	-
2007 F	2014-2022	3.700 - 4.450%	18,855,000	18,390,000	-	800,000	17,590,000	-
2007 G	2009-2038	3.650 - 5.500%	41,145,000	40,485,000	-	7,290,000	33,195,000	-
2007 H	2038	****	30,000,000	30,000,000	-	-	30,000,000	-
2008 A	2009-2022	1.650 - 4.125%	15,140,000	15,140,000	-	1,765,000	13,375,000	-
2008 B	2010-2038	2.625 - 6.000%	54,860,000	54,385,000	-	3,455,000	50,930,000	-
2008 C	2038	****	35,000,000	35,000,000	-	-	35,000,000	-
2008 D	2009-2023	2.500 - 4.800%	11,790,000	11,790,000	-	1,500,000	10,290,000	-
2008 E	2010-2039	3.900 - 6.500%	58,210,000	57,875,000	-	4,215,000	53,660,000	-
2008 F	2039	****	35,000,000	35,000,000	-	-	35,000,000	-
2008 G	2013-2030	3.500 - 5.350%	52,530,000	52,530,000	-	1,860,000	50,670,000	-
2008 H	2009-2012	3.000 - 4.150%	5,530,000	5,430,000	-	2,360,000	3,070,000	-
2008 I	2037	****	34,650,000	34,650,000	-	-	34,650,000	-
<b>Total Mortgage Revenue Bonds</b>				<b>\$1,211,940,000</b>	<b>\$</b>	<b>- \$ 124,335,000</b>	<b>\$1,087,605,000</b>	<b>\$ 30,000</b>

\*\*\* Interest rates are adjusted monthly based on the one month LIBOR rate plus 0.40%, not to exceed 11.00% for 2001 C and 11.50% for 2001 L. The interest rate at the end of the fiscal year was 0.76%.

\*\*\*\* Interest rates are adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%. The interest rate at the end of the fiscal year was 0.250% for 2003 L, 2004 C, 2004 I, 2004 L, 2005 C and 2005 F, 0.260% for 2006 G, 0.280% for 2006 C and 2007 H, 0.300% for 2006 F and 2008 F, 0.320% for 2007 E, and 0.350% for 2008 C and 2008 I.

### Housing Revenue Bonds

Original Issue				Bonds Outstanding			Ending Balance	Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases		
2009 A	2011	**	\$ 120,000,000	\$ -	\$ 120,000,000	\$ -	\$ 120,000,000	\$ 120,000,000
<b>Total Housing Revenue Bonds</b>				<b>\$ -</b>	<b>\$ 120,000,000</b>	<b>\$ -</b>	<b>\$ 120,000,000</b>	<b>\$ 120,000,000</b>

\*\* The interest rate is based on the 28 day U.S. Treasury Bill. The interest rate at the end of the fiscal year was 0.096%

### Multifamily Housing Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1997 A	1999-2029	4.100 - 5.700%	\$ 16,360,000	\$ 13,665,000	\$ -	\$ 360,000	\$ 13,305,000	\$ 380,000
1997 B	2000-2029	4.000 - 5.550%	10,100,000	8,455,000	-	230,000	8,225,000	240,000
1999 A	2001-2030	3.450 - 5.150%	12,440,000	10,585,000	-	275,000	10,310,000	290,000
1999 B	2002-2031	4.300 - 6.000%	34,920,000	31,050,000	-	670,000	30,380,000	705,000
2000 A	2003-2042	4.600 - 6.050%	18,325,000	17,450,000	-	170,000	17,280,000	180,000
2001 A	2024-2032	4.600 - 5.100%	1,770,000	1,575,000	-	40,000	1,535,000	40,000
2001 B	2004-2043	2.900 - 5.450%	31,935,000	30,475,000	-	325,000	30,150,000	340,000
2002 A	2004-2033	1.800 - 5.000%	7,875,000	7,120,000	-	160,000	6,960,000	165,000
2003 A	2013-2044	4.400 - 5.150%	5,675,000	5,460,000	-	60,000	5,400,000	60,000
2004 A	2014-2045	4.300 - 5.100%	5,120,000	4,955,000	-	55,000	4,900,000	50,000
2004 B	2046	****	14,950,000	14,635,000	-	165,000	14,470,000	175,000
2005 A	2007-2047	3.050 - 5.000%	9,855,000	9,050,000	-	90,000	8,960,000	95,000
2006 A	2036	4.620 - 4.620%	5,680,000	5,460,000	-	150,000	5,310,000	160,000
<b>Total Multifamily Housing Revenue Bonds</b>				<b>\$ 159,935,000</b>	<b>\$ -</b>	<b>\$ 2,750,000</b>	<b>\$ 157,185,000</b>	<b>\$ 2,880,000</b>

\*\*\*\* The interest rate is adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%. The interest rate at the end of the fiscal year was 0.30%.

### Multiple Purpose Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2005 A	2005-2024	1.900 - 4.300%	\$ 46,405,000	\$ 19,220,000	\$ -	\$ 4,615,000	\$ 14,605,000	\$ 4,095,000
<b>Total Multiple Purpose Bonds</b>				<b>\$ 19,220,000</b>	<b>\$ -</b>	<b>\$ 4,615,000</b>	<b>\$ 14,605,000</b>	<b>\$ 4,095,000</b>

**Total Revenue Bonds** \$1,391,095,000 \$ 120,000,000 \$ 131,700,000 \$1,379,395,000 \$ 127,005,000

**Total General Obligation and Revenue Bonds** \$1,573,985,000 \$ 120,000,000 \$ 141,465,000 \$1,552,520,000 \$ 133,435,000

### Bonds Payable Per Balance Sheet

Bonds payable are presented on the balance sheet at their carrying value. The carrying value is the outstanding bond principal plus unamortized bond premium less unamortized bond discount less the deferred amount on debt refunding. Bonds payable balances on June 30, 2010 are summarized below:

	Principal (per preceding Schedule)	Less: Discount	Plus: Premium	Less: Deferred Amount on Debt Refunding	Bonds Payable
General Obligation Bonds:					
Elderly and Disabled Housing Program	\$ 173,125,000	\$ (230,657)	\$ -	\$ (868,351)	\$ 172,025,992
Revenue Bonds (Housing Finance Fund):					
Mortgage Revenue Bonds	1,087,605,000	(306)	8,982,762	(89,496)	1,096,497,960
Housing Revenue Bonds	120,000,000	-	-	-	120,000,000
Multifamily Housing Revenue Bonds	157,185,000	-	-	(187,628)	156,997,372
Multiple Purpose Bonds	14,605,000	-	-	(77,628)	14,527,372
<b>Total Revenue Bonds</b>	<b>1,379,395,000</b>	<b>(306)</b>	<b>8,982,762</b>	<b>(354,752)</b>	<b>1,388,022,704</b>
<b>Total General Obligation and Revenue Bonds</b>	<b>\$1,552,520,000</b>	<b>\$ (230,963)</b>	<b>\$ 8,982,762</b>	<b>\$ (1,223,103)</b>	<b>\$1,560,048,696</b>

### 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, 2010 for each fiscal year during the next five year period ending June 30, 2015, and in five year increments thereafter.

Year Ending June 30	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 6,430,000	\$ 9,002,143	\$ 15,432,143	\$ 127,005,000	\$ 47,465,222	\$ 174,470,222
2012	6,810,000	8,680,569	15,490,569	30,150,000	46,697,535	76,847,535
2013	7,160,000	8,335,025	15,495,025	30,410,000	45,503,659	75,913,659
2014	7,550,000	7,964,621	15,514,621	31,765,000	44,245,023	76,010,023
2015	7,430,000	7,584,600	15,014,600	32,705,000	42,908,064	75,613,064
2016-2020	45,950,000	31,399,399	77,349,399	181,925,000	191,946,736	373,871,736
2021-2025	43,895,000	18,824,766	62,719,766	229,775,000	145,245,397	375,020,397
2026-2030	28,685,000	8,072,701	36,757,701	282,685,000	89,180,527	371,865,527
2031-2035	10,600,000	3,152,440	13,752,440	277,405,000	39,573,603	316,978,603
2036-2040	6,605,000	1,306,495	7,911,495	136,540,000	11,345,177	147,885,177
2041-2045	1,410,000	312,532	1,722,532	16,875,000	1,912,827	18,787,827
2046-2050	600,000	50,825	650,825	2,155,000	63,931	2,218,931
Total	\$ 173,125,000	\$ 104,686,116	\$ 277,811,116	\$ 1,379,395,000	\$ 706,087,701	\$ 2,085,482,701

The interest stated above includes coupon interest OHCS D 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. Coupon interest for general obligation bonds is paid February 1 and August 1.

As of June 30, 2010, various statutory or constitutional provisions limited the amount of bonds outstanding to \$2,500,000,000 in revenue bonds and \$2,493,422,754 in general obligation bonds.

### Loans Payable

The following table summarizes the amounts necessary to pay all future loan principal and interest requirements as of June 30, 2010.

Year Ending June 30	Loans Payable		
	Principal	Interest	Total
2011	\$ -	\$ 48,750	\$ 48,750
2012	-	48,750	48,750
2013	-	48,750	48,750
2014	1,500,000	24,375	1,524,375
Total	\$ 1,500,000	\$ 170,625	\$ 1,670,625

### NOTE 8. Interest Rate Swaps

OHCS D has entered into fourteen separate pay-fixed, receive-variable interest rate swaps to hedge against changes in variable rate interest and to lower borrowing costs compared to fixed-rate bonds. The notional amounts of the swaps match the principal amounts of the associated debt. The notional amounts totaled \$305,725,000 and the fair value of the swaps totaled \$(31,208,266) at the end of the fiscal year. During the fiscal year the swap fair value declined by \$10,807,189. The fair value balance, including any change during the fiscal year, is shown on the balance sheet as Deferred Outflows and Swap Fair Value Liability. The fair value amounts are derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions. This methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

The table at the top of the next page lists the terms, fair values, counterparty, and credit ratings of the outstanding swaps as of June 30, 2010.

Notes to the Financial Statements (Continued)  
June 30, 2010

Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty	Counterparty Rating**
MF® 2004 B	\$ 14,470,000	12/16/2004	3.894%	64% of 1-mo. LIBOR* +.27%	\$ (1,262,670)	07/01/2046	Merrill Lynch Capital Services	A2 A A+
MRB® 2003 L	15,000,000	04/21/2010	3.641%	64.7% of 3-mo. LIBOR +.23%	(718,361)	07/01/2034	Royal Bank of Canada	Aaa AA- AA
MRB 2004 C	15,000,000	01/24/2006	4.032%	64% of 1-mo. LIBOR +.29%	(1,290,327)	07/01/2034	Morgan Stanley Capital Services	A2 A A
MRB 2004 I	15,000,000	01/24/2006	4.012%	64% of 1-mo. LIBOR +.29%	(1,314,040)	07/01/2034	Morgan Stanley Capital Services	A2 A A
MRB 2004 L	15,000,000	05/27/2010	3.425%	64.8% of 3-mo. LIBOR +.22%	(561,367)	07/01/2035	Royal Bank of Canada	Aaa AA- AA
MRB 2005 C	10,500,000	05/27/2010	3.345%	64.8% of 3-mo. LIBOR +.22%	(376,617)	07/01/2035	Royal Bank of Canada	Aaa AA- AA
MRB 2006 C	20,000,000	02/28/2006	4.184%	64% of 1-mo. LIBOR +.29%	(2,324,619)	07/01/2036	Morgan Stanley Capital Services	A2 A A
MRB 2006 F	20,000,000	07/18/2006	4.430%	64% of 1-mo. LIBOR +.29%	(2,731,476)	07/01/2037	Bank of America, N.A.	Aa3 A+ A+
MRB 2006 G	16,105,000	07/18/2006	3.833%	64% of 1-mo. LIBOR +.19%	(2,292,027)	07/01/2016	Merrill Lynch Capital Services	A2 A A+
MRB 2007 E	30,000,000	07/31/2007	4.388%	64% of 1-mo. LIBOR +.29%	(4,464,122)	07/01/2038	JP Morgan Chase Bank, N.A.	Aa1 AA- AA-
MRB 2007 H	30,000,000	11/20/2007	4.060%	64% of 1-mo. LIBOR +.30%	(3,743,903)	07/01/2038	Merrill Lynch Capital Services	A2 A A+
MRB 2008 C	35,000,000	02/26/2008	3.747%	64% of 1-mo. LIBOR +.30%	(3,299,929)	07/01/2038	Bank of America, N.A.	Aa3 A+ A+
MRB 2008 F	35,000,000	05/13/2008	3.738%	64% of 1-mo. LIBOR +.31%	(3,098,295)	07/01/2039	Bank of America, N.A.	Aa3 A+ A+
MRB 2008 I	34,650,000	08/26/2008	3.723%	64% of 1-mo. LIBOR +.31%	(3,730,513)	07/01/2037	Bank of America, N.A.	Aa3 A+ A+
	<u>\$ 305,725,000</u>				<u>\$ (31,208,266)</u>			

® Multifamily Housing Revenue Bonds

® Mortgage Revenue Bonds

\* London Interbank Offered Rate

\*\* Moody's / S&P / Fitch

The MF 2004 B swap has a call option where OHCS D has the right to "call" (cancel) the swap in whole or in part semiannually beginning on July 1, 2015. The MRB swaps include options giving OHCS D the right to call the swaps in whole or in part, depending on the exercise date, semi-annually beginning on January 1, 2012 (2004 C), July 1, 2012 (2004 I), January 1, 2013 (2006 C), July 1, 2013 (2006 F & 2008 F), January 1, 2014 (2003 L), July 1, 2014 (2007 E), January 1, 2015 (2007 H & 2008 C), July 1, 2015 (2004 L & 2005 C), or January 1, 2016 (2008 I). These options provide flexibility to manage the prepayments of loans and the related bonds.

**Basis Risk** Basis risk is the risk that arises when variable interest rates on a derivative and the associated bond are based on different indexes. All variable interest rates on OHCS D's tax exempt bonds are determined weekly by a Remarketing Agent. OHCS D is exposed to basis risk when the variable rates received, which are based on the one or three month LIBOR rates, does not offset the variable rates paid on the bonds. As of June 30, 2010, the one month LIBOR rate was 0.34563% and the three month LIBOR rate was 0.53844%. OHCS D's variable interest rates as of June 30, 2010 can be found in Note 7.

**Termination Risk** Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. OHCS D or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the swap agreement. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates and OHCS D would then be exposed to interest rate risk. Also, if any of the swaps had a negative value at termination, OHCS D would be liable to the counterparty for a payment equal to the fair value of the swap.

**Rollover Risk** Rollover risk is the risk that occurs when the swap termination date does not extend to the maturity date of the associated debt. OHCS D is exposed to rollover risk for the MRB 2006 G swap, which has a swap termination date of July 1, 2016. The associated bonds do not mature until 2028.

Using rates as of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments are as follows:

Year Ending June 30	Variable-Rate Bonds		Net Swap Payments	Total
	Principal	Interest		
2011	\$ 175,000	\$ 856,723	\$ 9,996,806	\$ 11,028,529
2012	180,000	905,647	10,346,824	11,432,471
2013	190,000	905,100	10,336,217	11,431,317
2014	200,000	904,522	10,334,089	11,438,611
2015	205,000	903,922	10,327,297	11,436,219
2016-2020	1,170,000	4,509,731	49,594,990	55,274,721
2021-2025	11,485,000	4,434,907	48,041,752	63,961,659
2026-2030	72,695,000	3,949,734	43,931,762	120,576,496
2031-2035	141,230,000	2,344,388	27,117,802	170,692,190
2036-2040	73,835,000	545,683	6,114,150	80,494,833
2041-2045	3,245,000	44,330	501,959	3,791,289
2046-2050	1,115,000	3,358	38,135	1,156,493
Total	<u>\$ 305,725,000</u>	<u>\$ 20,308,045</u>	<u>\$ 226,681,783</u>	<u>\$ 552,714,828</u>

**Contingencies** OHCS D's swaps, except for the MF 2004 B and the MRB 2007 E swaps, include provisions that require collateral to be posted if the rating on the senior bonds issued under the 1988 indenture (Mortgage Revenue Bonds) are not above either Baa1 (Moody's) or BBB+ (Standard and Poor's). If the bonds are at or below these levels, collateral in the amount of the current swap fair value (rounded to the nearest \$10,000) is required to be posted. The minimum transfer amount is \$100,000 or \$0 if neither rating agency rates the bonds. The total fair value on June 30, 2010 of swaps that include these provisions is \$(25,481,474). At June 30, 2010 the bonds subject to these provisions are rated Aa2 by Moody's and are not rated by Standard & Poor's.

#### NOTE 9. Demand Bonds

Included in OHCS D's long-term debt is \$320,610,000 in variable rate demand bonds. OHCS D's variable rate demand bonds are remarketed weekly by a remarketing agent. Bondholders may elect to tender their bonds by providing written notice to the remarketing agent as specified in the Official Statement for the series. On the date that bonds are tendered, the remarketing agent will use its best effort to sell the bonds or may purchase the bonds for its own account.

OHCS D has entered into standby bond purchase agreements to provide liquidity in the event that the remarketing agent is unable to sell the tendered bonds and does not choose to buy the bonds for its own account. The standby bond purchase agreement requires the liquidity provider to provide funds for the purchase of the tendered bonds. On the purchase date the bonds become known as liquidity provider bonds or bank bonds and bear interest at the bank rate in accordance with the standby bond purchase agreement. The maximum rate is 12% (Bank of America, N. A. and State Street Bank and Trust Company) or 13% (KBC Bank N.V.). The bonds remain bank bonds until they are sold by the remarketing agent or the remarketing agent purchases them for its own account. If the bonds are not remarketed or purchased by the remarketing agent for its own account, mandatory redemption in ten equal installments are to be paid on the first business day of January and July, commencing on the first such date to occur after the bonds become liquidity provider bonds (State Street Bank and Trust Company) or at least ninety days after the related purchase date (Bank of America, N.A. and KBC Bank N.V.). There were no bank bonds on June 30, 2010.

Certain terms of the standby purchase agreements and remarketing agreements are listed below:

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
MF 2004 B	\$ 14,470,000	Bank of America, N.A.	08/27/2011	0.4750%	Banc of America Securities LLC	0.08%
MRB 2003 L	15,000,000	State Street Bank and Trust Company	12/16/2011	0.1300%	J.P. Morgan Securities, Inc.	0.07%
MRB 2004 C	15,000,000	State Street Bank and Trust Company	12/16/2011	0.1300%	CitiGroup Global Markets, Inc.	0.07%
MRB 2004 I	15,000,000	State Street Bank and Trust Company	12/16/2011	0.1300%	J.P. Morgan Securities, Inc.	0.07%
MRB 2004 L	15,000,000	State Street Bank and Trust Company	12/16/2011	0.1300%	CitiGroup Global Markets, Inc.	0.07%
MRB 2005 C	10,500,000	State Street Bank and Trust Company	12/16/2011	0.1300%	J.P. Morgan Securities, Inc.	0.07%
MRB 2005 F	14,885,000	State Street Bank and Trust Company	12/16/2011	0.1300%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 C	20,000,000	State Street Bank and Trust Company	12/16/2011	0.1300%	J.P. Morgan Securities, Inc.	0.07%
MRB 2006 F	20,000,000	State Street Bank and Trust Company	12/16/2011	0.1300%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 G	16,105,000	State Street Bank and Trust Company	12/16/2011	0.1300%	CitiGroup Global Markets, Inc.	0.07%
MRB 2007 E	30,000,000	KBC Bank N.V., New York Branch	07/30/2012	0.0775%	CitiGroup Global Markets, Inc.	0.07%
MRB 2007 H	30,000,000	KBC Bank N.V., New York Branch	07/30/2012	0.0775%	J.P. Morgan Securities, Inc.	0.07%
MRB 2008 C	35,000,000	KBC Bank N.V., New York Branch	07/30/2012	0.2300%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.07%
MRB 2008 F	35,000,000	Bank of America, N.A.	05/12/2011	0.4750%	Banc of America Securities LLC	0.07%
MRB 2008 I	34,650,000	Bank of America, N.A.	08/25/2011	0.4750%	Banc of America Securities LLC	0.07%

#### NOTE 10. Conduit Debt Obligations

Bonds issued under the Housing Development Revenue Bond program are limited obligations of OHCS D payable only out of trust estate specifically pledged to each bond issue. As of June 30, 2010, the total aggregate amount of Housing Development Revenue Bonds outstanding is \$189,106,070. No recourse may be taken against any properties, funds, or assets of OHCS D 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 OHCS D or the State of Oregon, other than the security pledged to each bond issue.

**NOTE 11. Segment Information**

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

	Mortgage Revenue Bonds	Housing Revenue Bonds	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds
<b>Condensed Statement of Net Assets</b>				
<b>Assets and Deferred Outflows</b>				
Interfund Receivable	\$ -	\$ 527	\$ -	\$ -
Other Current Assets	45,402,154	120,043,531	8,575,061	4,790,149
Noncurrent Assets	1,170,713,091	139,814	173,690,167	22,493,090
Deferred Outflows	29,945,596	-	1,262,670	-
Total Assets and Deferred Outflows	1,246,060,841	120,183,872	183,527,898	27,283,239
<b>Liabilities</b>				
Interfund Payable	123	-	-	-
Other Current Liabilities	31,950,002	120,038,957	7,634,111	4,616,225
Noncurrent Liabilities	1,126,413,556	-	155,380,042	10,432,372
Total Liabilities	1,158,363,681	120,038,957	163,014,153	15,048,597
<b>Net Assets</b>				
Restricted by Trust Indentures	87,697,160	144,915	20,513,745	12,234,642
Total Net Assets	\$ 87,697,160	\$ 144,915	\$ 20,513,745	\$ 12,234,642

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

Operating Revenues	\$ 62,604,176	\$ 43,531	\$ 11,917,994	\$ 1,904,016
Operating Expenses	(54,239,398)	(156,618)	(8,819,464)	(916,626)
Operating Income (Loss)	8,364,778	(113,087)	3,098,530	987,390
Transfers In	300,000	258,002	365,000	-
Transfers Out	-	-	(1,000,000)	(1,869,055)
Change in Net Assets	8,664,778	144,915	2,463,530	(881,665)
Beginning Net Assets	79,032,382	-	18,050,215	13,116,307
Ending Net Assets	\$ 87,697,160	\$ 144,915	\$ 20,513,745	\$ 12,234,642

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by:				
Operating Activities	\$ 121,077,379	\$ (5,672)	\$ 12,134,431	\$ 6,336,851
Noncapital Financing Activities	(177,789,938)	120,005,672	(11,753,161)	(7,096,945)
Investing Activities	55,346,923	(119,999,987)	476,829	(714,905)
Net Increase (Decrease)	(1,365,636)	13	858,099	(1,474,999)
Beginning Cash and Cash Equivalents	20,869,826	-	753,073	2,190,552
Ending Cash and Cash Equivalents	\$ 19,504,190	\$ 13	\$ 1,611,172	\$ 715,553

**NOTE 12. Restricted Assets**

Restricted asset account balances are as follows:

Purpose:	Elderly and Disabled Housing Fund	Housing Finance Fund
Loan Acquisition	\$ 20,053,964	\$ 7,236,387
Current Debt Service	15,432,143	174,470,222
Future Debt Service	32,109,370	75,547,194
Debt Reserves	26,723,439	54,131,029
Insurance Reserves	-	22,037,554
Combined Program Account	-	14,550,309
Residential Assistance	-	1,553,636
Total	<u>\$ 94,318,916</u>	<u>\$ 349,526,331</u>
<u>Balance Sheet Amounts:</u>		
Restricted Cash and Cash Equivalents – Current	\$ 10,245,147	\$ 13
Restricted Cash and Cash Equivalents – Noncurrent	58,653,508	22,594,027
Restricted Investments – Current	-	155,566,033
Restricted Investments – Noncurrent	25,420,261	171,366,258
Total	<u>\$ 94,318,916</u>	<u>\$ 349,526,331</u>

**NOTE 13. Employee Retirement Plans**

The Oregon Public Employees Retirement System (PERS) provides retirement plans for OHCS D employees. PERS is administered by the Public Employees Retirement Board (Board), as required by Chapters 238 and 238A of the Oregon Revised Statutes (ORS). The Oregon Public Employees Retirement System annual financial report is located at [www.oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://www.oregon.gov/PERS/section/financial_reports/financials.shtml).

**Plan Descriptions and Funding Policies**

PERS Pension (Chapter 238)

OHCS D's employees who were plan members before August 29, 2003 participate in the PERS Pension, a cost-sharing multiple-employer defined benefit pension plan. The PERS retirement allowance is payable monthly for life and may be selected from several retirement benefit options as established by ORS Chapter 238. Options include survivorship benefits and lump sum refunds. PERS also provides death and disability benefits.

Oregon Public Service Retirement Plan (Chapter 238a)

The 2003 Oregon Legislature created the Oregon Public Service Retirement Plan (OPSRP), also a cost-sharing multiple-employer plan. OPSRP is a hybrid pension plan with two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). OHCS D employees hired after August 28, 2003, participate in OPSRP after completing six months of service. The OPSRP Pension Program provides a monthly pension payable for life as well as death and disability benefits as established by ORS Chapter 238A.

Beginning January 1, 2004, PERS members became members of the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but member contributions are now deposited in the IAP account rather than into the member's PERS account. All covered employees are required by state statute to contribute a percentage of their salary to the IAP. Current law permits employers to pay the employee contribution, which OHCS D does.

For the PERS Pension and the OPSRP Pension, OHCS D is required by ORS 238.225 and ORS 238A.220, respectively, to contribute actuarially computed amounts as determined by the Board. The funding policies provide for monthly employer contributions. Rates are subject to change as a result of subsequent actuarial valuations.

The required State employee contributions and the required State employer contributions, shown as a percentage of covered salary, for the PERS multiple-employer plans are as follows: the Employee Rate is 6.00%; the PERS Pension Employer Rate is 2.06%; and the OPSRP Pension Employer Rate is 2.84%.

Combined employer contributions for the years ended June 30, 2010, 2009, and 2008 were \$79,506, \$223,440, and \$261,419 respectively, equal to the required contributions each year.

Combined employee contributions for the years ended June 30, 2010, 2009, and 2008 were \$209,287, \$206,074, and \$241,498 respectively.

#### **NOTE 14. Other Postemployment Benefit Plans**

OHCS D's employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefits (OPEB). OPEB plans are offered through the Public Employees Retirement System (PERS) as established by Oregon Revised Statutes (ORS) 238.410 and the Public Employees Benefit Board (PEBB) as established by ORS 243.302. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained at [www.oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://www.oregon.gov/PERS/section/financial_reports/financials.shtml).

##### Retirement Health Insurance Account

The Retirement Health Insurance Account (RHIA) is a cost-sharing multiple-employer OPEB plan which provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To be eligible for the RHIA subsidy, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health insurance plan.

OHCS D is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary is 0.29% which is embedded within the total PERS contribution rate.

Combined employer contributions for the years ended June 30, 2010, 2009, and 2008 were \$10,116, \$12,474, and \$14,892 respectively, equal to the required contributions each year.

The Legislature has sole authority to amend the benefit provisions and funding policy for the RHIA plan.

##### Retiree Health Insurance Premium Account

The Retiree Health Insurance Premium Account (RHIPA) is a single-employer OPEB plan that provides for payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the PERS Board, and health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage.

OHCS D is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary is 0.08% which is embedded within the total PERS contribution rate. OHCS D's actual contribution for the year ended June 30, 2010 totaled \$2,791 which was equal to the actuarial required contribution.

The Legislature has sole authority to amend the benefit provisions and funding policy for the RHIPA plan.

##### Public Employees Benefit Board Plan

The Public Employees Benefit Board (PEBB) plan is an agent multiple-employer plan which offers medical, dental and vision benefits to eligible retired employees. Retired employees not eligible for Medicare are eligible for PEBB coverage if the retiree is receiving a service or disability benefit from PERS or another state system, is eligible to receive a retirement allowance from PERS and has reached the earliest retirement age under ORS Chapter 238, or is eligible to receive a service allowance or pension under any system offered by the state and has attained the earliest retirement

age under that system. The PEBB Plan funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. Active employees do not make contributions. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes.

Chapter 243 of the Oregon Revised Statutes assigns PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. As the administrator of the PEBB Plan, PEBB has the authority to determine postretirement benefit increases and decreases.

#### NOTE 15. Other Commitments

OHCSO has made commitments for an Elderly and Disabled Housing Fund loan totaling \$19,782,736, for loans totaling \$100,000 from the Housing Finance Account, and for grants totaling \$165,160 from the Housing Finance Account.

#### NOTE 16. Risk Financing

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

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

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

#### NOTE 17. Subsequent Events

On August 2, 2010, OHCSO called the following Mortgage Revenue Bonds prior to maturity:

Amount Called		Amount Called		Amount Called	
1991 Series D	\$ 125,000	2000 Series E	\$ 350,000	2004 Series B	\$ 780,000
1993 Series B	30,000	2000 Series H	315,000	2004 Series H	405,000
1994 Series A	10,000	2000 Series L	160,000	2004 Series J	265,000
1994 Series C	30,000	2001 Series A	475,000	2004 Series K	820,000
1995 Series A	70,000	2001 Series C	115,000	2004 Series N	480,000
1995 Series C	40,000	2001 Series F	425,000	2005 Series A	280,000
1995 Series E	160,000	2001 Series J	260,000	2005 Series B	595,000
1996 Series B	20,000	2001 Series L	75,000	2005 Series E	535,000
1996 Series D	20,000	2001 Series Q	470,000	2006 Series A	10,000
1996 Series H	110,000	2002 Series A	365,000	2006 Series B	1,060,000
1997 Series A	50,000	2002 Series F	615,000	2006 Series E	1,890,000
1997 Series F	135,000	2002 Series G	45,000	2006 Series I	740,000
1997 Series H	110,000	2002 Series I	505,000	2006 Series K	1,215,000
1998 Series A	270,000	2002 Series M	70,000	2007 Series A	60,000
1998 Series D	400,000	2002 Series N	510,000	2007 Series B	1,150,000
1998 Series G	440,000	2003 Series A	255,000	2007 Series D	2,270,000
1999 Series A	315,000	2003 Series B	225,000	2007 Series G	740,000
1999 Series E	135,000	2003 Series F	780,000	2008 Series B	1,785,000
1999 Series J	590,000	2003 Series J	190,000	2008 Series E	825,000
1999 Series M	110,000	2003 Series K	1,150,000	2008 Series G	1,130,000
2000 Series A	120,000				

Notes to the Financial Statements (Continued)  
June 30, 2010

On August 24, 2010, OHCSO issued the following Mortgage Revenue Bonds:

	<u>Amount Issued</u>
2010 Series A	\$ 35,900,000
2010 Series B	52,540,000
2010 Series C	8,000,000

On August 25, 2010, OHCSO issued the following Multifamily Housing Revenue Bonds:

	<u>Amount Issued</u>
2010 Series A	\$ 77,705,000

On September 23, 2010, OHCSO called the following Mortgage Revenue Bonds prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>		<u>Amount Called</u>
1991 Series D	\$ 1,540,000	1997 Series A	\$ 1,505,000	1999 Series I	\$ 1,040,000
1993 Series B	835,000	1997 Series F	4,160,000	1999 Series J	5,095,000
1994 Series A	1,290,000	1997 Series H	4,675,000	1999 Series M	3,655,000
1994 Series C	610,000	1998 Series A	595,000	2000 Series A	2,500,000
1995 Series A	2,430,000	1998 Series B	2,660,000	2000 Series E	3,725,000
1995 Series C	3,310,000	1998 Series D	5,785,000	2000 Series H	5,480,000
1995 Series E	2,760,000	1998 Series G	5,995,000	2000 Series L	7,490,000
1996 Series B	2,295,000	1999 Series A	3,555,000	2001 Series A	5,055,000
1996 Series D	2,220,000	1999 Series E	4,370,000	2001 Series F	5,305,000
1996 Series H	1,785,000				

On September 24, 2010, OHCSO called the following Multifamily Housing Revenue Bonds prior to maturity:

	<u>Amount Called</u>
1997 Series A	\$ 12,925,000
1997 Series B	7,985,000
1999 Series A	10,020,000
1999 Series B	29,675,000
2000 Series A	17,100,000

On November 1, 2010, OHCSO called the following Elderly and Disabled Housing Bonds prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>
1993 Series B	\$ 1,195,000	1997 Series A	\$ 550,000
1993 Series C	1,200,000	1998 Series B	550,000
1994 Series A	2,115,000	1998 Series C	290,000
1994 Series B	2,750,000	1999 Series B	1,650,000
1995 Series A	1,650,000	1999 Series D	1,430,000
1995 Series B	1,100,000	1999 Series E	1,320,000
1996 Series A	425,000	2007 Series A	300,000
1996 Series B	675,000		

Notes to the Financial Statements (Continued)  
June 30, 2010

On November 1, 2010, OHCS D called the following Mortgage Revenue Bonds prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>		<u>Amount Called</u>
2001 Series C	\$ 80,000	2004 Series A	\$ 230,000	2006 Series H	\$ 410,000
2001 Series J	220,000	2004 Series B	30,000	2006 Series I	630,000
2001 Series L	65,000	2004 Series G	230,000	2006 Series K	735,000
2001 Series Q	255,000	2004 Series H	745,000	2007 Series A	385,000
2001 Series R	110,000	2004 Series K	115,000	2007 Series B	510,000
2002 Series B	110,000	2004 Series N	30,000	2007 Series C	1,210,000
2002 Series G	215,000	2005 Series A	205,000	2007 Series D	490,000
2002 Series I	295,000	2005 Series E	240,000	2007 Series F	335,000
2002 Series N	190,000	2006 Series A	460,000	2007 Series G	1,305,000
2003 Series B	165,000	2006 Series B	130,000	2008 Series B	1,450,000
2003 Series F	385,000	2006 Series D	985,000	2008 Series E	1,810,000
2003 Series J	235,000	2006 Series E	355,000	2008 Series G	585,000

On November 1, 2010, OHCS D called the following Multiple Purpose Bonds prior to maturity:

	<u>Amount Called</u>
2005 Series A	\$ 2,815,000

On November 9, 2010, OHCS D issued the following Multifamily Housing Revenue Bonds:

	<u>Amount Issued</u>
2010 Series B	\$ 16,425,000

# Supplementary Information

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Schedule of Housing Finance Fund Balance Sheet Activities  
June 30, 2010

	<i>Single-Family Mortgage Program</i>		Multifamily	
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds	Multiple Purpose Bonds
<b>Assets and Deferred Outflows</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	-	13	-	-
Investments - Restricted	24,157,844	120,035,017	7,024,247	4,348,925
Securities Lending Cash Collateral	7,275,500	-	607,859	264,945
Accounts Receivable	-	-	-	-
Accrued Interest Receivable	5,918,993	8,501	942,955	176,279
Interfund Receivable	-	527	-	-
Acquired Property	8,049,817	-	-	-
<b>Total Current Assets</b>	<b>45,402,154</b>	<b>120,044,058</b>	<b>8,575,061</b>	<b>4,790,149</b>
<b>Noncurrent Assets</b>				
Cash & Cash Equivalents - Restricted	19,504,190	-	1,611,172	715,553
Investments - Restricted	125,853,882	-	19,722,259	10,449,284
Deferred Charges	7,794,336	139,814	1,692,649	81,793
Loans Receivable (Net)	1,017,560,683	-	150,664,087	11,246,460
Capital Assets (Net)	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>1,170,713,091</b>	<b>139,814</b>	<b>173,690,167</b>	<b>22,493,090</b>
<b>Deferred Outflows</b>	<b>29,945,596</b>	<b>-</b>	<b>1,262,670</b>	<b>-</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,246,060,841</b>	<b>\$ 120,183,872</b>	<b>\$ 183,527,898</b>	<b>\$ 27,283,239</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 397,613	\$ 527	\$ 2,005	\$ 508
Accrued Interest Payable	24,127,844	38,430	4,144,247	253,925
Obligations Under Securities Lending	7,275,500	-	607,859	264,945
Interfund Payable	123	-	-	-
Deferred Income	33,305	-	-	1,847
Compensated Absences Payable	-	-	-	-
Bonds Payable	30,000	120,000,000	2,880,000	4,095,000
Arbitrage Rebate Liability	85,740	-	-	-
<b>Total Current Liabilities</b>	<b>31,950,125</b>	<b>120,038,957</b>	<b>7,634,111</b>	<b>4,616,225</b>
<b>Noncurrent Liabilities</b>				
Compensated Absences Payable	-	-	-	-
Bonds Payable	1,096,467,960	-	154,117,372	10,432,372
Swap Fair Value Liability	29,945,596	-	1,262,670	-
Loans Payable	-	-	-	-
Net OPEB Obligation	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>1,126,413,556</b>	<b>-</b>	<b>155,380,042</b>	<b>10,432,372</b>
<b>Total Liabilities</b>	<b>1,158,363,681</b>	<b>120,038,957</b>	<b>163,014,153</b>	<b>15,048,597</b>
<b>Net Assets</b>				
Invested in Capital Assets	-	-	-	-
Restricted for Residential Assistance	-	-	-	-
Restricted by Trust Indentures	87,697,160	144,915	20,513,745	12,234,642
Unrestricted	-	-	-	-
<b>Total Net Assets</b>	<b>87,697,160</b>	<b>144,915</b>	<b>20,513,745</b>	<b>12,234,642</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,246,060,841</b>	<b>\$ 120,183,872</b>	<b>\$ 183,527,898</b>	<b>\$ 27,283,239</b>

Combined Program Account	Housing Finance Account	Total
\$ -	\$ 4,367,875	\$ 4,367,875
-	-	13
-	-	155,566,033
-	1,873,410	10,021,714
-	165,054	165,054
60,690	164,064	7,271,482
-	868	1,395 **
-	-	8,049,817
60,690	6,571,271	185,443,383
14,817	748,295	22,594,027
14,535,492	805,341	171,366,258
-	-	9,708,592
-	4,565,954	1,184,037,184
-	2,266	2,266
14,550,309	6,121,856	1,387,708,327
-	-	31,208,266
\$ 14,610,999	\$ 12,693,127	\$ 1,604,359,976
\$ -	\$ 570,946	\$ 971,599
-	12,129	28,576,575
-	1,873,410	10,021,714
-	527	650 **
-	864,464	899,616
-	188,622	188,622
-	-	127,005,000
-	-	85,740
-	3,510,098	167,749,516
-	97,169	97,169
-	-	1,261,017,704
-	-	31,208,266
-	1,500,000	1,500,000
-	47,319	47,319
-	1,644,488	1,293,870,458
-	5,154,586	1,461,619,974
-	2,266	2,266
-	1,835,608	1,835,608
14,610,999	-	135,201,461
-	5,700,667	5,700,667
14,610,999	7,538,541	142,740,002
\$ 14,610,999	\$ 12,693,127	\$ 1,604,359,976

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling \$650 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, 2010

	<u>Single-Family Mortgage Program</u>		Multifamily	Multiple
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds	Purpose Bonds
<b>Operating Revenues</b>				
Interest on Loans	\$ 56,636,034	\$ -	\$ 10,285,989	\$ 1,537,436
Investment Income	5,788,870	43,531	1,632,005	366,580
Administrative Charges and Fees	-	-	-	-
Low Income Housing Tax Credit Fees	-	-	-	-
Transfer/Commitment Fees	-	-	-	-
Gain on Sale of Foreclosed Property	179,272	-	-	-
Miscellaneous Revenue	-	-	-	-
<b>Total Operating Revenues</b>	<b>62,604,176</b>	<b>43,531</b>	<b>11,917,994</b>	<b>1,904,016</b>
<b>Operating Expenses</b>				
Personal Services	-	-	-	-
Services and Supplies	85,061	5,672	379,882	-
Mortgage Service Fees	3,873,841	-	25,341	7,609
Foreclosure Costs	681,673	-	-	-
Interest Expense - Bonds	50,239,509	38,430	8,313,878	580,136
Interest Expense - Loans	-	-	-	-
Interest Expense - Securities Lending	26,645	-	2,292	1,548
Other Related Program Expenses	(1,212,908)	-	-	309,055
Amortization of Deferred Bond Issuance Costs	545,577	112,516	103,703	39,010
Depreciation/Amortization	-	-	-	-
Bad Debt Expense	-	-	(5,632)	(20,732)
<b>Total Operating Expenses</b>	<b>54,239,398</b>	<b>156,618</b>	<b>8,819,464</b>	<b>916,626</b>
<b>Operating Income (Loss)</b>	<b>8,364,778</b>	<b>(113,087)</b>	<b>3,098,530</b>	<b>987,390</b>
Transfers from Other Funds	300,000	258,002	365,000	-
Transfers to Other Funds	-	-	(1,000,000)	(1,869,055)
Transfers to Other State Agencies	-	-	-	-
<b>Change in Net Assets</b>	<b>8,664,778</b>	<b>144,915</b>	<b>2,463,530</b>	<b>(881,665)</b>
<b>Net Assets - Beginning</b>	<b>79,032,382</b>	<b>-</b>	<b>18,050,215</b>	<b>13,116,307</b>
<b>Net Assets - Ending</b>	<b>\$ 87,697,160</b>	<b>\$ 144,915</b>	<b>\$ 20,513,745</b>	<b>\$ 12,234,642</b>

Combined Program Account	Housing Finance Account	Total
\$ -	\$ 132,980	\$ 68,592,439
392,580	68,769	8,292,335
-	3,596,275	3,596,275
-	1,936,433	1,936,433
-	149,105	149,105
-	(113,000)	66,272
-	9,706	9,706
392,580	5,780,268	82,642,565
-	3,996,668	3,996,668
-	2,886,110	3,356,725
-	-	3,906,791
-	17,135	698,808
-	-	59,171,953
-	49,624	49,624
-	4,711	35,196
-	893,085	(10,768)
-	-	800,806
-	813	813
-	4,206	(22,158)
-	7,852,352	71,984,458
392,580	(2,072,084)	10,658,107
-	2,986,871	3,909,873 **
-	(923,002)	(3,792,057) **
-	(169,014)	(169,014)
392,580	(177,229)	10,606,909
14,218,419	7,715,770	132,133,093
\$ 14,610,999	\$ 7,538,541	\$ 142,740,002

\*\* Transfers within the Housing Finance Fund totaling \$3,792,057 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, 2010

	<i>Single-Family Mortgage Program</i>		Multifamily
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds
<b>Cash Flows from Operating Activities</b>			
Received from Customers	\$ -	\$ -	\$ -
Program Loan Principal Repayments	90,020,902	-	2,252,504
Program Loan Interest Received	56,663,751	-	10,287,041
Program Loans Made	(25,660,493)	-	-
Payments to Employees for Services	-	-	-
Payments to Suppliers for Goods and Services	(3,940,006)	(5,672)	(405,114)
Other Receipts (Payments)	3,993,225	-	-
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>121,077,379</b>	<b>(5,672)</b>	<b>12,134,431</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Bond Sales	-	120,000,000	-
Principal Payments on Bonds	(124,335,000)	-	(2,750,000)
Interest Payments on Bonds	(53,754,938)	-	(8,368,161)
Bond Issue Costs	-	(251,803)	-
Interest Payments on Loans	-	-	-
Transfers from Other Funds	300,000	257,475	365,000
Transfers to Other Funds	-	-	(1,000,000)
Transfers to Other State Agencies	-	-	-
<b>Net Cash Provided (Used) in Noncapital Financing Activities</b>	<b>(177,789,938)</b>	<b>120,005,672</b>	<b>(11,753,161)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	(139,477,406)	(840,039,987)	(20,635,112)
Proceeds from Sales and Maturities of Investments	192,317,680	720,040,000	20,488,000
Interest on Cash and Investments	2,506,649	-	623,941
Investment Income on Securities Lending	26,645	-	2,292
Interest Paid on Securities Lending	(26,645)	-	(2,292)
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>55,346,923</b>	<b>(119,999,987)</b>	<b>476,829</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,365,636)</b>	<b>13</b>	<b>858,099</b>
<b>Cash and Cash Equivalents Balance - Beginning</b>	<b>20,869,826</b>	<b>-</b>	<b>753,073</b>
<b>Cash and Cash Equivalents Balance - Ending</b>	<b>\$ 19,504,190</b>	<b>\$ 13</b>	<b>\$ 1,611,172</b>
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted (Current)	-	13	-
Cash and Cash Equivalents - Restricted (Noncurrent)	19,504,190	-	1,611,172
<b>Total Cash and Cash Equivalents</b>	<b>\$ 19,504,190</b>	<b>\$ 13</b>	<b>\$ 1,611,172</b>

Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total	
\$ -	\$ -	\$ 5,462,946	\$ 5,462,946	
5,082,978	-	1,550,308	98,906,692	
1,570,713	-	86,614	68,608,119	
-	-	(2,676,437)	(28,336,930)	
-	-	(4,051,663)	(4,051,663)	
(7,785)	-	(2,674,454)	(7,033,031)	
(309,055)	-	(921,100)	2,763,070	
6,336,851	-	(3,223,786)	136,319,203	
-	-	-	120,000,000	
(4,615,000)	-	-	(131,700,000)	
(612,890)	-	(5,145)	(62,741,134)	
-	-	-	(251,803)	
-	-	(51,137)	(51,137)	
-	-	2,986,871	3,909,346	**
(1,869,055)	-	(922,475)	(3,791,530)	**
-	-	(169,014)	(169,014)	
(7,096,945)	-	1,839,100	(74,795,272)	
(11,378,660)	(15,072,070)	(1,482,541)	(1,028,085,776)	
10,775,000	14,857,114	1,369,000	959,846,794	
(111,245)	191,995	59,492	3,270,832	
1,548	-	4,711	35,196	
(1,548)	-	(4,711)	(35,196)	
(714,905)	(22,961)	(54,049)	(64,968,150)	
(1,474,999)	(22,961)	(1,438,735)	(3,444,219)	
2,190,552	37,778	6,554,905	30,406,134	
\$ 715,553	\$ 14,817	\$ 5,116,170	\$ 26,961,915	
\$ -	\$ -	\$ 4,367,875	\$ 4,367,875	
-	-	-	13	
715,553	14,817	748,295	22,594,027	
\$ 715,553	\$ 14,817	\$ 5,116,170	\$ 26,961,915	

\*\* Transfers within the Housing Finance Fund totaling \$3,791,530 are not included in the Statement of Cash Flows.

Continued on the next page

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Schedule of Housing Finance Fund Cash Flow Activities  
For the Year Ended June 30, 2010

Continued from the previous page

	<u>Single-Family Mortgage Program</u>		Multifamily
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 8,364,778	\$ (113,087)	\$ 3,098,530
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>			
Depreciation/Amortization	-	-	-
Amortization of Deferred Bond Issuance Costs	545,577	112,516	103,703
Bad Debt Expense	-	-	(5,632)
Investment Income Reported as Operating Revenue	(5,788,870)	(43,531)	(1,632,005)
Interest Expense Reported as Operating Expense	50,266,154	38,430	8,316,170
Bond Call Expenses	(1,295,863)	-	-
<i>(Increase)/Decrease in Assets:</i>			
Loan Interest Receivable	158,137	-	1,052
Accounts Receivable	8,605	-	-
Interfund Receivable	-	-	-
Loans Receivable	75,212,585	-	2,252,504
Acquired Property	(6,389,209)	-	-
<i>Increase/(Decrease) in Liabilities:</i>			
Accounts Payable	(9,010)	-	109
Interfund Payable	89	-	-
Due to Other Governments	-	-	-
Deferred Income	4,406	-	-
Compensated Absences Payable	-	-	-
Net OPEB Obligation	-	-	-
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$ 121,077,379</b>	<b>\$ (5,672)</b>	<b>\$ 12,134,431</b>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Net Change in Fair Value of Investments	\$ 2,933,725	\$ 35,030	\$ 1,013,440
Foreclosed Property	18,704,441	-	-
Loan Modifications	134,827	-	-
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b>\$ 21,772,993</b>	<b>\$ 35,030</b>	<b>\$ 1,013,440</b>

Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ 987,390	\$ 392,580	\$ (2,072,084)	\$ 10,658,107
-	-	813	813
39,010	-	-	800,806
(20,732)	-	4,206	(22,158)
(366,580)	(392,580)	(68,769)	(8,292,335)
581,684	-	54,335	59,256,773
-	-	-	(1,295,863)
34,137	-	(46,307)	147,019
-	-	(152,488)	(143,883)
-	-	145	145 **
5,082,978	-	(841,129)	81,706,938
-	-	-	(6,389,209)
(175)	-	90,091	81,015
-	-	-	89 **
-	-	(75,000)	(75,000)
(861)	-	(65,822)	(62,277)
-	-	(56,216)	(56,216)
-	-	4,439	4,439
\$ 6,336,851	\$ -	\$ (3,223,786)	\$ 136,319,203
\$ 58,406	\$ 208,307	\$ 5,153	\$ 4,254,061
-	-	285,000	18,989,441
-	-	-	134,827
\$ 58,406	\$ 208,307	\$ 290,153	\$ 23,378,329

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling an increase of \$89 are not included in the Statement of Cash Flows.



# Statistical Section

The Statistical Section presents information as a context for understanding what the information in the financial statements and note disclosures says about OHCS&D's overall financial health.

## Financial Trends

Pages 48-51 contain trend information to help the reader understand how OHCS&D's financial performance has changed over time.

## Revenue Capacity

Pages 52 and 53 contain information to help the reader assess OHCS&D's most significant revenue source, Interest on Loans.

## Debt Capacity

Pages 54 and 55 contain information to help the reader assess OHCS&D's current levels of outstanding debt and the capacity to issue outstanding debt in the future.

## Demographic and Economic Information

Pages 56 and 57 contain demographic, economic, and employment data to help the reader understand the environment OHCS&D operates in.

## Operating Information

Pages 58-66 contain information to help the reader understand how the information in the financial report relates to the activities of OHCS&D.

Unless otherwise noted, the source of information in these schedules is derived from the comprehensive financial reports for the relevant year or from other OHCS&D sources.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Assets and Deferred Outflows, Liabilities, and Net Assets  
Enterprise Funds  
Last Ten Fiscal Years

	2010	2009	2008	2007
<b>Assets and Deferred Outflows</b>				
Cash and Cash Equivalents	\$ 4,367,875	\$ 5,917,589	\$ 9,535,291	\$ 7,012,746
Cash and Cash Equivalents - Restricted	91,492,695	93,518,300	58,962,599	70,430,213
Investments - Restricted	352,352,552	278,734,777	444,075,698	578,490,370
Securities Lending Cash Collateral	37,016,172	44,918,260	27,937,118	25,836,141
Accounts Receivable	165,054	21,174	68,910	42,246
Accrued Interest Receivable	8,280,181	8,573,207	8,535,261	7,332,201
Prepaid Expenses	-	-	-	-
Acquired Property	8,049,817	1,660,608	650,178	305,365
Deferred Charges	11,128,757	12,594,903	13,407,623	12,097,666
Loans Receivable (Net)	1,327,271,965	1,416,942,114	1,381,957,882	1,159,044,260
Capital Assets (Net)	2,604	3,538	4,822	22,101
Deferred Outflows	31,208,266	-	-	-
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,871,335,938</b>	<b>\$ 1,862,884,470</b>	<b>\$ 1,945,135,382</b>	<b>\$ 1,860,613,309</b>
<b>Liabilities</b>				
Accounts Payable	\$ 1,040,636	\$ 934,509	\$ 1,250,330	\$ 711,347
Accrued Interest Payable	32,391,722	35,717,572	34,981,663	30,721,560
Obligations Under Securities Lending	37,016,172	44,918,260	27,937,118	25,836,141
Due to Other Governments	-	75,000	-	-
Matured Bonds and Interest Payable	-	5,145	25,580	114,659
Deferred Income	914,354	963,134	884,057	237,243
Compensated Absences Payable	346,874	394,674	271,419	280,383
Bonds Payable	1,560,048,696	1,583,757,344	1,687,835,004	1,626,193,952
Swap Fair Value Liability	31,208,266	-	-	-
Arbitrage Rebate Liability	85,740	1,202,460	3,397,237	2,690,820
Loans Payable	1,500,000	1,500,000	1,500,000	1,500,000
Net OPEB Obligation	59,529	50,109	27,521	-
<b>Total Liabilities</b>	<b>\$ 1,664,611,989</b>	<b>\$ 1,669,518,207</b>	<b>\$ 1,758,109,929</b>	<b>\$ 1,688,286,105</b>
<b>Net Assets</b>				
Invested in Capital Assets	\$ 2,604	\$ 3,538	\$ 4,822	\$ 22,101
Restricted for Residential Assistance	1,835,608	1,540,902	1,700,405	1,741,444
Restricted by Trust Indentures	199,185,070	185,650,034	176,322,945	161,115,591
Unrestricted	5,700,667	6,171,789	8,997,281	9,448,068
<b>Total Net Assets</b>	<b>\$ 206,723,949</b>	<b>\$ 193,366,263</b>	<b>\$ 187,025,453</b>	<b>\$ 172,327,204</b>

Unaudited

2006	2005	2004	2003	2002	2001
\$ 4,606,282	\$ 5,386,744	\$ 3,856,659	\$ 4,123,840	\$ 6,090,414	\$ 3,465,030
69,408,645	72,302,891	73,104,838	66,599,975	72,845,538	72,821,987
712,791,097	829,746,883	797,367,789	734,007,673	557,161,155	507,259,928
9,253,194	11,809,193	35,166,002	9,201,365	5,381,403	2,869,061
65,160	91,840	36,279	214,251	113,403	668,591
6,717,595	7,663,814	9,792,224	7,268,314	11,453,337	12,629,505
-	-	7,600	169	15,495	87,822
370,188	1,274,752	2,010,283	2,485,589	1,858,656	896,175
11,538,403	12,506,193	12,551,858	14,215,636	14,176,522	13,948,807
1,076,206,182	1,038,932,304	974,766,986	1,016,408,800	1,077,824,363	1,020,746,791
38,262	58,222	144,792	157,212	177,935	247,503
-	-	-	-	-	-
\$ 1,890,995,008	\$ 1,979,772,836	\$ 1,908,805,310	\$ 1,854,682,824	\$ 1,747,098,221	\$ 1,635,641,200
\$ 910,893	\$ 809,374	\$ 1,567,117	\$ 1,017,577	\$ 3,909,628	\$ 928,075
30,037,256	34,763,251	32,206,359	35,221,084	38,138,448	36,494,019
9,253,194	11,809,193	35,166,002	9,201,365	5,381,403	2,869,061
-	-	-	-	-	-
67,269	116,063	157,106	480,540	529,517	412,016
32,235	22,840	29,948	35,926	26,884	50,458
234,026	284,300	300,154	296,259	305,702	285,583
1,686,591,346	1,767,850,894	1,680,431,309	1,635,954,116	1,531,763,222	1,433,272,943
-	-	-	-	-	-
823,863	219,184	595,301	2,082,620	4,723,376	6,890,579
1,500,000	4,421,200	5,716,450	3,891,071	4,000,000	748,606
-	-	-	-	-	-
\$ 1,729,450,082	\$ 1,820,296,299	\$ 1,756,169,746	\$ 1,688,180,558	\$ 1,588,778,180	\$ 1,481,951,340
\$ 38,262	\$ 58,222	\$ 144,792	\$ 157,212	\$ 177,935	\$ 247,503
1,546,849	1,545,107	1,547,749	1,994,293	1,824,609	1,528,174
154,284,714	152,183,757	147,604,729	159,853,666	150,329,625	147,036,180
5,675,101	5,689,451	3,338,294	4,497,095	5,987,872	4,878,003
\$ 161,544,926	\$ 159,476,537	\$ 152,635,564	\$ 166,502,266	\$ 158,320,041	\$ 153,689,860

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

	2010	2009	2008	2007
<b>Operating Revenues</b>				
Interest on Loans	\$ 79,035,078	\$ 82,876,589	\$ 74,586,167	\$ 67,437,211
Investment Income	11,813,383	13,333,320	30,603,348	37,368,458
Administrative Charges and Fees	3,606,275	649,210	1,973,996	1,631,607
Low Income Housing Tax Credit Fees	1,936,433	1,381,961	1,807,144	1,426,011
Transfer/Commitment Fees	182,855	801,746	1,655,620	1,519,361
Mortgage Credit Certificate Fees	-	-	-	-
Gain on Sale of Foreclosed Property	66,272	51,044	105,897	80,291
Miscellaneous Revenue	17,984	41,151	6,885	18,741
<b>Total Operating Revenues</b>	<b>96,658,280</b>	<b>99,135,021</b>	<b>110,739,057</b>	<b>109,481,680</b>
<b>Operating Expenses</b>				
Personal Services	4,959,949	5,127,493	6,056,329	4,950,826
Services and Supplies	3,663,290	3,312,232	3,399,918	2,849,585
Mortgage Service Fees	3,974,512	4,171,676	3,523,632	2,988,871
Foreclosure Costs	698,808	313,141	101,769	63,516
Interest Expense - Bonds	68,618,190	75,927,690	77,550,847	80,753,939
Interest Expense - Loans	49,624	57,417	70,431	68,426
Interest Expense - Securities Lending	81,219	838,652	1,424,138	1,426,417
Other Related Program Expenses	209,575	1,150,806	7,726,515	4,770,778
Amortization of Deferred Bond Issuance Costs	937,454	905,772	894,984	874,064
Depreciation/Amortization	934	1,284	17,279	25,497
Bad Debt Expense	(100,788)	193,911	(77,802)	(72,517)
<b>Total Operating Expenses</b>	<b>83,092,767</b>	<b>92,000,074</b>	<b>100,688,040</b>	<b>98,699,402</b>
<b>Operating Income (Loss)</b>	<b>13,565,513</b>	<b>7,134,947</b>	<b>10,051,017</b>	<b>10,782,278</b>
<b>Nonoperating Revenue/(Expenses)</b>				
Gain/(Loss) on Disposition of Capital Assets	-	-	-	-
<b>Total Nonoperating Revenue/(Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>				
Transfers from Other Funds	117,816	117,816	117,816	117,816
Transfers to Other Funds	(117,816)	(117,816)	(117,816)	(117,816)
Transfers to Other State Agencies	(207,827)	(204,782)	-	-
Transfers from State General Fund	-	-	4,647,232	-
Transfers to State General Fund	-	(589,355)	-	-
<b>Total Transfers</b>	<b>(207,827)</b>	<b>(794,137)</b>	<b>4,647,232</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>\$ 13,357,686</b>	<b>\$ 6,340,810</b>	<b>\$ 14,698,249</b>	<b>\$ 10,782,278</b>

					Unaudited
2006	2005	2004	2003	2002	2001
\$ 65,082,624	\$ 64,114,118	\$ 65,650,387	\$ 71,465,435	\$ 72,928,497	\$ 67,714,244
25,652,212	28,621,494	4,819,534	26,337,964	25,999,709	37,090,750
1,470,229	1,584,686	2,346,977	1,287,564	866,827	892,201
1,312,453	1,179,279	1,122,706	1,117,418	884,634	791,355
1,478,102	1,517,595	1,006,822	1,051,794	1,924,442	2,158,957
-	-	-	-	75	125
198,983	269,196	337,473	118,817	45,516	29,757
245,240	56,236	153,059	42,221	181,343	1,448,282
95,439,843	97,342,604	75,436,958	101,421,213	102,831,043	110,125,671
4,845,797	5,102,049	5,360,496	5,798,187	5,488,760	5,089,114
3,271,671	2,849,854	3,688,026	2,852,514	2,842,198	2,921,737
2,664,045	2,508,225	2,390,462	2,684,267	2,699,626	2,517,471
137,702	208,736	327,082	214,978	99,046	39,964
75,721,114	71,779,520	71,465,838	77,158,001	79,687,587	76,622,684
173,520	226,258	174,574	129,231	65,467	36,213
570,599	454,241	421,428	159,076	112,001	278,322
4,879,984	5,992,723	3,739,067	2,748,849	5,527,426	2,522,261
1,129,185	1,390,976	1,476,403	1,375,300	1,523,776	1,615,378
62,460	86,570	122,702	104,076	147,903	348,529
(84,623)	(97,521)	137,582	14,509	7,072	186,208
93,371,454	90,501,631	89,303,660	93,238,988	98,200,862	92,177,881
2,068,389	6,840,973	(13,866,702)	8,182,225	4,630,181	17,947,790
-	-	-	-	-	38,965
-	-	-	-	-	38,965
117,816	10,408,430	207,194	207,194	207,194	207,194
(117,816)	(10,408,430)	(207,194)	(207,194)	(207,194)	(207,194)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 2,068,389	\$ 6,840,973	\$ (13,866,702)	\$ 8,182,225	\$ 4,630,181	\$ 17,986,755

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

Unaudited

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Overall Weighted Average Interest Rate	4.50%	5.49%	5.65%	5.70%	5.26%	5.15%	5.22%	5.64%	6.08%	6.96%
Elderly and Disabled Housing Program	-	5.97%	5.97%	-	6.53%	6.00%	6.70%	6.12%	5.64%	7.26%
Housing Finance Revenue Bonds *	-	-	-	-	4.80%	-	-	-	-	7.40%
Mortgage Revenue Bonds	4.50%	5.44%	5.65%	5.70%	5.24%	5.09%	4.85%	5.46%	6.09%	6.93%
Multifamily Housing Revenue Bonds	-	5.90%	5.90%	5.90%	5.90%	6.22%	6.31%	7.05%	6.51%	6.87%
Combined Program Account	-	-	-	-	6.40%	-	-	-	-	-
Housing Finance Account	-	-	-	-	1.00%	-	-	2.44%	-	1.00%

\* All remaining Housing Finance Revenue Bonds were called in Fiscal Year 2007. All loans were moved to Mortgage Revenue Bonds.

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

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Principal Program Loan Interest Payers

### Enterprise Funds

### Current Year and Nine Years Ago

Unaudited

Project	Fiscal Year 2010			Fiscal Year 2001		
	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received
Woodridge Apartments	1	\$ 991,225	0.93%			
Westridge Meadows Apartments	2	967,101	0.90%			
Troutdale Terrace	3	884,621	0.83%			
Willamette Gardens Apartments	4	847,577	0.79%			
Lake Crest Apartments	5	607,067	0.57%			
The Hazelwood Apartments	6	430,807	0.40%	2	\$ 500,905	0.76%
Gateway Park Apartments	7	422,175	0.39%			
Buckman Heights Apartments	8	419,609	0.39%	5	449,981	0.68%
Cascadia Village Retirement Center	9	408,869	0.38%			
Fifth Avenue Court Apartments	10	401,132	0.37%	6	433,855	0.66%
Park Tower Apartments				1	664,912	1.01%
Fountain Plaza				3	481,751	0.73%
1200 Building Apartments				4	462,408	0.70%
Cascade Park Retirement Center				7	432,020	0.66%
Carmen Oaks Manor				8	412,077	0.63%
Lancaster Village				9	364,361	0.55%
Pacific Pointe				10	339,799	0.52%
Total		\$ 6,380,183	5.95%		\$ 4,542,069	6.90%

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

Unaudited

Fiscal Year	Business-Type Activities - Enterprise Funds				Percentage of Personal Income <sup>(3)</sup>	Per Capita <sup>(3)</sup>
	General Obligation Bonds <sup>(1)</sup>	Revenue Bonds <sup>(2)</sup>	Loans Payable	Total		
2010	\$ 173,125,000	\$ 1,379,395,000	\$ 1,500,000	\$ 1,554,020,000	1.12%	\$ 406
2009	182,890,000	1,391,095,000	1,500,000	1,575,485,000	1.13%	416
2008	190,315,000	1,485,191,011	1,500,000	1,677,006,011	1.25%	449
2007	199,730,000	1,418,318,301	1,500,000	1,619,548,301	1.27%	440
2006	199,580,000	1,481,303,110	1,500,000	1,682,383,110	1.43%	465
2005	222,990,000	1,540,489,226	4,421,200	1,767,900,426	1.56%	495
2004	251,170,000	1,426,629,827	5,716,450	1,683,516,277	1.55%	474
2003	288,115,000	1,347,784,827	3,891,071	1,639,790,898	1.57%	466
2002	275,495,000	1,255,374,827	4,000,000	1,534,869,827	1.51%	442
2001	282,200,000	1,149,674,827	748,606	1,432,623,433	1.45%	418

<sup>(1)</sup> Elderly and Disabled Housing Bonds

<sup>(2)</sup> Mortgage Revenue Bonds, Housing Revenue Bonds (beginning in FY 2010), Homeowner Revenue Bonds, (FY 2005 - FY 2008),  
Housing Finance Revenue Bonds (through FY 2006), Multifamily Housing Revenue Bonds,  
Multiple Purpose Bonds (beginning in FY 2005), and Assisted or Insured Multi-Unit Bonds (through FY 2004)

<sup>(3)</sup> Population and Personal Income information can be found on page 56.

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

Unaudited

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Percentage of Debt Limit
General Obligation Bonds				
2010	\$ 2,493,422,754	\$ 173,125,000	\$ 2,320,297,754	6.94%
2009	2,626,781,365	182,890,000	2,443,891,365	6.96%
2008	2,505,763,251	190,315,000	2,315,448,251	7.60%
2007	2,171,596,093	199,730,000	1,971,866,093	9.20%
2006	1,814,184,612	199,580,000	1,614,604,612	11.00%
2005	1,651,243,593	222,990,000	1,428,253,593	13.50%
2004	1,526,855,488	251,170,000	1,275,685,488	16.45%
2003	1,436,406,940	288,115,000	1,148,291,940	20.06%
2002	1,370,162,155	275,495,000	1,094,667,155	20.11%
2001	1,291,069,462	282,200,000	1,008,869,462	21.86%
Revenue Bonds				
2010	\$ 2,500,000,000	\$ 1,379,395,000	\$ 1,120,605,000	55.18%
2009	2,500,000,000	1,391,095,000	1,108,905,000	55.64%
2008	2,500,000,000	1,485,191,011	1,014,808,989	59.41%
2007	2,500,000,000	1,418,318,301	1,081,681,699	56.73%
2006	2,500,000,000	1,481,303,110	1,018,696,890	59.25%
2005	2,000,000,000	1,540,489,226	459,510,774	77.02%
2004	2,000,000,000	1,426,629,827	573,370,173	71.33%
2003	2,000,000,000	1,347,784,827	652,215,173	67.39%
2002	2,000,000,000	1,255,374,827	744,625,173	62.77%
2001	2,000,000,000	1,149,674,827	850,325,173	57.48%

Legal Debt Margin for Fiscal Year 2010

General Obligation Bonds

True cash value of all taxable property in the state	\$ 498,684,550,831
Debt Limit (0.5% of true cash value)	2,493,422,754
Less: Debt applicable to the limit (Elderly and Disabled Housing Bonds)	(173,125,000)
Legal Debt Margin	<u>\$ 2,320,297,754</u>

Revenue Bonds

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

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

Unaudited

Calendar Year	Population <sup>(1)</sup>	Personal Income <sup>(1)</sup> (in thousands)	Per Capita Personal Income	Annual Unemployment Rate <sup>(2)</sup>
2009	3,825,657	\$ 138,203,200	\$ 36,125	11.1%
2008	3,782,991	139,205,223	36,798	6.5%
2007	3,732,957	133,662,892	35,806	5.1%
2006	3,677,545	127,403,090	34,644	5.3%
2005	3,617,869	117,634,076	32,515	6.2%
2004	3,573,505	112,973,834	31,614	7.3%
2003	3,550,180	108,486,910	30,558	8.1%
2002	3,517,111	104,689,803	29,766	7.6%
2001	3,470,382	101,437,829	29,230	6.4%
2000	3,430,891	98,529,806	28,718	5.1%

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

<sup>(2)</sup> Source: Oregon Employment Department - [www.qualityinfo.org/olmisj/labforce](http://www.qualityinfo.org/olmisj/labforce)

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Employment Data - State of Oregon  
Current Year and Nine Years Ago

Unaudited

	Calendar Year 2009		Calendar Year 2000		Change
	Number of Employees	Percent of Total	Number of Employees	Percent of Total	
Health Care and Social Assistance	249,158	11.27%	188,948	9.02%	31.87%
Retail Trade	228,772	10.34%	242,170	11.56%	-5.53%
Manufacturing	178,692	8.08%	233,175	11.13%	-23.37%
Accommodation and Food Services	154,030	6.96%	139,124	6.64%	10.71%
Professional, Scientific, and Technical Services	132,222	5.98%	112,880	5.39%	17.14%
Construction	114,798	5.19%	123,381	5.89%	-6.96%
Administrative and Support Services	104,223	4.71%	104,919	5.01%	-0.66%
Real Estate, Rental, and Leasing	103,197	4.67%	78,405	3.74%	31.62%
Finance and Insurance	95,578	4.32%	82,443	3.94%	15.93%
Wholesale Trade	83,288	3.77%	83,518	3.99%	-0.28%
Farm Employment	70,124	3.17%	65,674	3.13%	6.78%
Transportation and Warehousing	62,658	2.83%	64,107	3.06%	-2.26%
Arts, Entertainment, and Recreation	52,961	2.39%	42,364	2.02%	25.01%
Educational Services	49,942	2.26%	32,769	1.56%	52.41%
Information	40,554	1.83%	45,365	2.17%	-10.61%
Management of Companies and Enterprises	31,560	1.43%	26,863	1.28%	17.49%
Forestry, Fishing, and Related Activities	28,641	1.30%	29,421	1.40%	-2.65%
Waste Management and Remediation Services	5,579	0.25%	4,747	0.23%	17.53%
Utilities	5,117	0.23%	5,385	0.26%	-4.98%
Mining	5,055	0.23%	3,392	0.16%	49.03%
Other Services	118,269	5.35%	107,931	5.15%	9.58%
Federal Government (Civilian)	29,974	1.36%	31,172	1.49%	-3.84%
Military	12,465	0.56%	12,907	0.62%	-3.42%
State Government	69,335	3.14%	61,181	2.92%	13.33%
Local Government	185,348	8.38%	172,584	8.24%	7.40%
Total Employment	2,211,540	100.00%	2,094,825	100.00%	5.57%

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

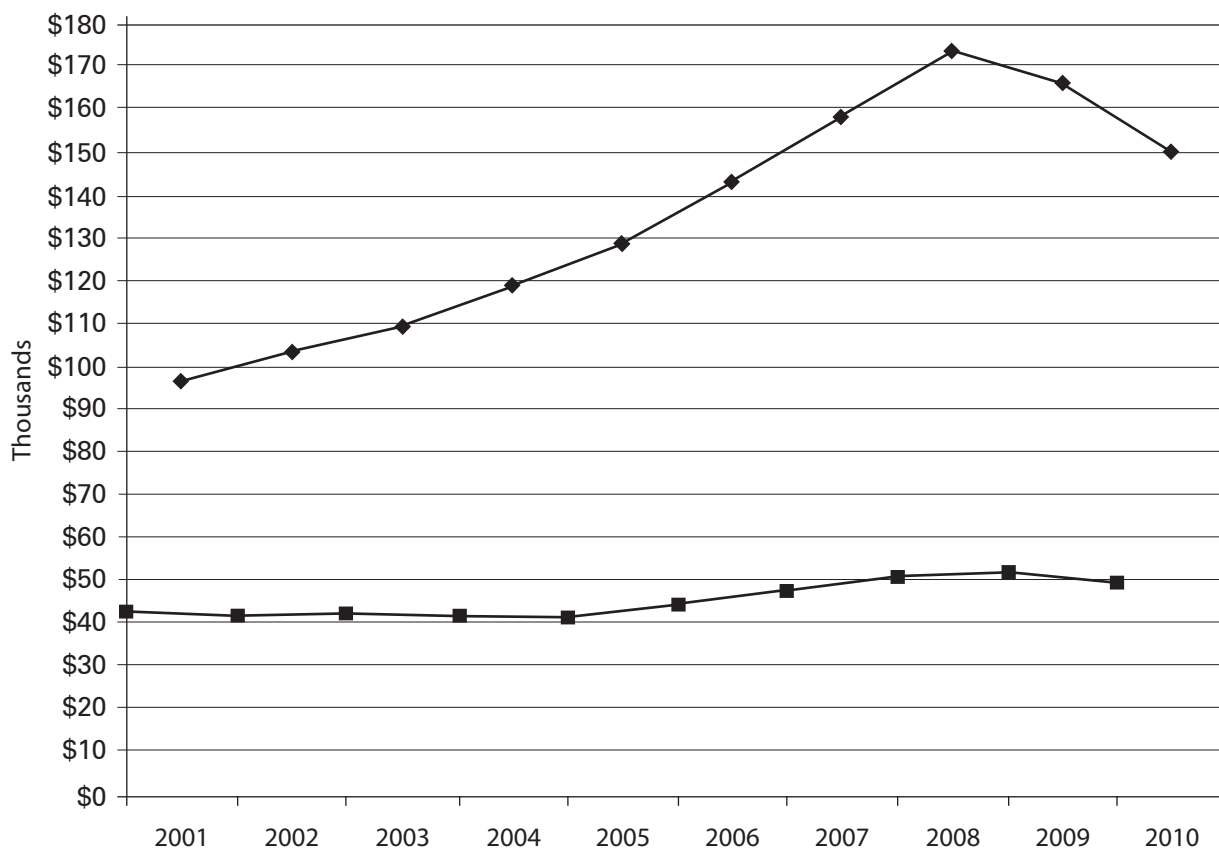
## Number of Employees

Last Ten Fiscal Years

Unaudited

	Full-Time-Equivalent Employees as of June 30									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Asset & Property Management Division	32.0	31.0	31.0	28.0	29.5	29.5	29.5	30.0	28.0	24.0
Housing Division	31.5	26.7	28.7	28.9	23.9	24.1	24.5	26.0	23.0	22.0
Community Resources Division	29.0	23.0	20.2	21.5	24.0	28.0	29.1	33.1	32.0	26.5
Financial Management Division	24.0	21.5	18.0	18.5	23.8	22.8	22.0	29.0	27.0	28.0
Information Services Division	11.9	12.8	13.3	18.0	17.9	19.6	18.5	20.0	21.5	16.5
Director's Office	9.0	9.0	10.0	9.0	9.0	15.6	14.0	13.0	15.5	13.5
Human Resources	3.0	2.0	4.0	2.0	4.0	3.5	3.5	3.0	3.5	3.5
Total	140.4	126.0	125.2	125.9	132.1	143.1	141.1	154.1	150.5	134.0

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



—◆— Average Mortgage Loan Amount    —■— Median Household Income

<u>Fiscal Year</u>	<u>Average Loan Amount</u>	<u>Calendar Year</u>	<u>Median Household Income in the State of Oregon</u> <sup>(1)</sup>
2010	\$ 150,061	2009	\$ 49,098
2009	165,754	2008	51,727
2008	173,684	2007	50,236
2007	158,415	2006	47,091
2006	143,390	2005	44,159
2005	128,606	2004	40,994
2004	118,569	2003	41,638
2003	109,208	2002	41,802
2002	103,278	2001	41,273
2001	96,591	2000	42,499

<sup>(1)</sup> Source: US Census Bureau - [www.census.gov/hhes/www/income/data/historical/household/index.html](http://www.census.gov/hhes/www/income/data/historical/household/index.html)

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

	2010	2009	2008	2007	2006
<b>Elderly and Disabled Housing Program:</b>					
Original Loan Amount	\$ -	\$ 2,898,340	\$ 651,100	\$ -	\$ 974,300
Average Loan Amount	-	579,668	651,100	-	324,767
Number of New Loans	-	5	1	-	3
Number of Units	-	83	15	-	28
<b>Mortgage Revenue Bonds:</b>					
Original Loan Amount	\$ 25,660,493	\$ 138,570,444	\$ 321,315,907	\$ 189,306,233	\$ 163,786,944
Average Loan Amount	150,061	165,754	173,684	158,415	143,799
Number of New Loans	171	836	1,850	1,195	1,139
<b>Housing Finance Revenue Bonds: *</b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ 968,533
Average Loan Amount	-	-	-	-	96,853
Number of New Loans	-	-	-	-	10
<b>Multifamily Housing Revenue Bonds:</b>					
Original Loan Amount	\$ -	\$ 14,500,000	\$ 3,425,000	4,525,000	\$ 900,000
Average Loan Amount	-	14,500,000	3,425,000	4,525,000	900,000
Number of New Loans	-	1	1	1	1
Number of Units	-	240	64	97	24
<b>Multiple Purpose Bonds:</b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ -
Average Loan Amount	-	-	-	-	-
Number of New Loans	-	-	-	-	-
<b>Combined Program Account: **</b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ 1,695,000
Average Loan Amount	-	-	-	-	847,500
Number of New Loans	-	-	-	-	2
Number of Units	-	-	-	-	60
<b>Housing Finance Account:</b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ 101,382
Average Loan Amount	-	-	-	-	101,382
Number of New Loans	-	-	-	-	1

\* All remaining Housing Finance Revenue Bonds were called in Fiscal Year 2007. All loans were moved to Mortgage Revenue Bonds.

\*\* The loans made in fiscal year 2006 have been moved to Multifamily Housing Revenue Bonds.

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

Unaudited

2005	2004	2003	2002	2001
\$ 670,695	\$ 3,305,750	\$ 2,619,450	\$ 5,378,782	\$ 23,316,965
670,695	826,438	436,575	1,792,927	777,232
1	4	6	3	30
15	130	110	109	322
\$ 186,092,283	\$ 124,615,859	\$ 110,737,283	\$ 136,533,418	\$ 128,935,731
128,606	118,569	109,208	103,278	96,581
1,447	1,051	1,014	1,322	1,335
\$ -	\$ -	\$ -	\$ -	206,596
-	-	-	-	103,298
-	-	-	-	2
\$ 10,460,000	\$ 38,225,000	\$ 14,250,000	\$ 3,205,668	\$ 37,328,926
5,230,000	12,741,667	14,250,000	1,068,556	3,732,893
2	3	1	3	10
241	636	276	97	1,005
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ 491,000	\$ -	\$ 100,000
-	-	122,750	-	100,000
-	-	4	-	1

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Loans Outstanding - By Interest Rate

### Enterprise Funds

### Current Year and Nine Years Ago

Unaudited

Interest Rate	Fiscal Year 2010				Fiscal Year 2001			
	Number of Loans	Percent	Principal Amount	Percent	Number of Loans	Percent	Principal Amount	Percent
0.00 - 4.99%	2,319	26.92%	\$ 291,010,396	21.90%	110	1.15%	\$ 26,940,455	2.64%
5.00 - 5.99%	4,266	49.54%	601,801,391	45.29%	2,112	22.09%	187,787,345	18.37%
6.00 - 6.99%	1,407	16.33%	300,803,635	22.64%	2,476	25.90%	278,775,212	27.27%
7.00 - 7.99%	425	4.93%	96,836,144	7.29%	4,078	42.66%	397,625,251	38.90%
8.00 - 8.99%	146	1.69%	18,340,796	1.38%	524	5.48%	82,790,440	8.10%
9.00 - 9.99%	19	0.22%	9,909,276	0.75%	185	1.94%	16,600,612	1.62%
10.00% or More	32	0.37%	9,903,251	0.75%	75	0.78%	31,640,577	3.10%
Total	8,614	100.00%	\$ 1,328,604,889	100.00%	9,560	100.00%	\$ 1,022,159,892	100.00%

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

Unaudited

Monthly Payment <sup>(1)</sup>	Fiscal Year 2010				Fiscal Year 2001			
	Number of Loans	Percent	Principal Amount	Percent	Number of Loans	Percent	Principal Amount	Percent
Single Family Loans <sup>(2)</sup>								
\$ 0 - \$ 200	52	0.64%	\$ 1,458,197	0.14%	304	3.39%	\$ 4,471,346	0.67%
\$ 201 - \$ 400	611	7.48%	25,972,910	2.55%	2,131	23.79%	81,139,458	12.23%
\$ 401 - \$ 600	1,873	22.94%	141,896,704	13.95%	3,766	42.04%	276,755,412	41.73%
\$ 601 - \$ 800	2,188	26.79%	246,731,767	24.25%	2,176	24.29%	224,773,129	33.89%
\$ 801 - \$ 1,000	1,696	20.76%	250,972,678	24.66%	546	6.10%	70,802,602	10.67%
\$ 1,001 - \$ 1,200	1,026	12.56%	188,275,321	18.50%	35	0.39%	5,339,983	0.81%
\$ 1,201 - \$ 1,400	537	6.57%	115,493,633	11.35%	-	-	-	-
\$ 1,401 - \$ 1,600	139	1.70%	33,872,367	3.33%	-	-	-	-
\$ 1,601 - \$ 1,800	40	0.49%	11,054,005	1.09%	-	-	-	-
\$ 1,801 - \$ 2,000	6	0.07%	1,833,101	0.18%	-	-	-	-
Total	8,168	100.00%	1,017,560,683	100.00%	8,958	100.00%	663,281,930	100.00%
Multi-Family Loans <sup>(3)</sup>								
\$ 0 - \$ 1,000	233	52.24%	10,002,722	3.22%	260	43.19%	15,417,758	4.30%
\$ 1,001 - \$ 5,000	68	15.25%	20,796,019	6.69%	157	26.08%	35,342,577	9.85%
\$ 5,001 - \$10,000	39	8.74%	24,855,020	7.97%	59	9.79%	40,511,030	11.29%
\$10,001 - \$15,000	34	7.62%	38,912,030	12.51%	37	6.15%	55,339,924	15.42%
\$15,001 - \$20,000	21	4.71%	39,270,222	12.63%	23	3.82%	50,690,533	14.12%
\$20,001 - \$25,000	17	3.81%	39,364,915	12.66%	21	3.49%	58,499,798	16.30%
\$25,001 - \$30,000	6	1.35%	22,380,306	7.20%	9	1.50%	33,959,178	9.46%
\$30,001 or more	16	3.59%	111,673,595	35.90%	13	2.16%	67,245,821	18.74%
Due at Maturity	12	2.69%	3,789,377	1.22%	23	3.82%	1,871,343	0.52%
Total	446	100.00%	311,044,206	100.00%	602	100.00%	358,877,962	100.00%
Grand Total	8,614		\$1,328,604,889		9,560		\$1,022,159,892	

<sup>(1)</sup> Principal and Interest only. Does not include taxes or insurance.

<sup>(2)</sup> Housing Finance Revenue Bond (FY 2001) and Mortgage Revenue Bond Loans

<sup>(3)</sup> Elderly and Disabled Housing Fund, Multifamily Housing Revenue Bond, Multiple Purpose Bond (FY 2010), Assisted or Insured Multi-Unit Program (FY 2001), and Housing Finance Account Loans

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Loans Outstanding - By County

### Enterprise Funds

June 30, 2010

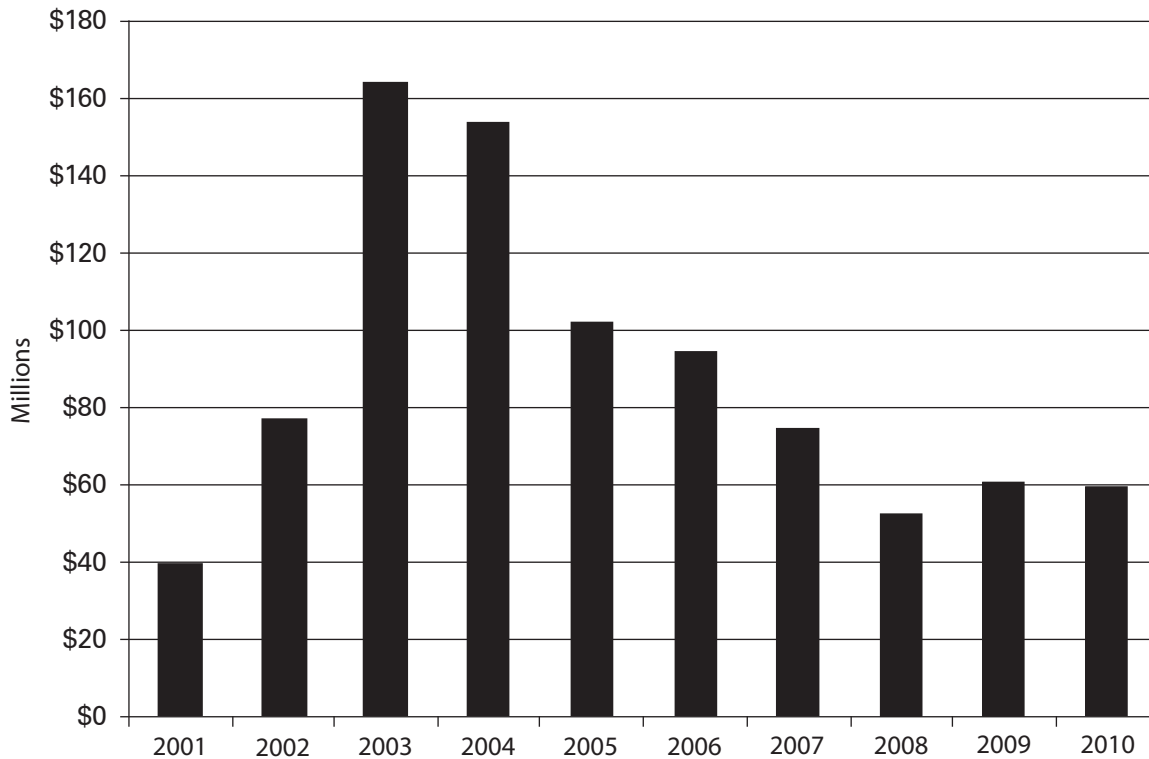
County	Elderly and Disabled Housing Program		Mortgage Revenue Bonds		Multifamily Housing Revenue Bonds	
	Number of Loans	Principal Amount	Number of Loans	Principal Amount	Number of Loans	Principal Amount
Baker	1	\$ 202,226	47	\$ 3,385,839	-	\$ -
Benton	8	2,458,504	123	15,327,602	1	1,142,083
Clackamas	27	15,291,904	347	53,339,430	5	23,918,746
Clatsop	5	1,178,882	24	2,679,370	-	-
Columbia	7	1,142,251	80	11,123,758	1	1,999,327
Coos	6	2,777,999	185	20,009,324	-	-
Crook	1	1,276,899	48	6,105,415	-	-
Curry	2	76,789	13	1,967,680	-	-
Deschutes	5	3,628,663	355	51,527,111	2	6,697,971
Douglas	9	8,089,546	125	13,758,277	2	3,676,617
Gilliam	2	763,784	2	95,967	-	-
Grant	2	78,275	7	475,407	-	-
Harney	2	1,960,747	28	2,018,729	-	-
Hood River	2	1,416,354	13	1,890,620	-	-
Jackson	11	7,080,123	362	50,591,533	2	4,058,445
Jefferson	3	788,983	55	5,935,040	-	-
Josephine	5	2,689,836	178	24,416,742	-	-
Klamath	2	72,198	407	41,874,959	-	-
Lake	1	89,639	37	4,001,222	-	-
Lane	24	11,069,177	611	66,376,420	2	16,344,881
Lincoln	9	7,955,432	65	6,137,096	-	-
Linn	12	4,887,363	172	18,466,947	-	-
Malheur	2	42,244	80	6,000,175	-	-
Marion	58	15,287,780	907	101,574,896	2	1,506,553
Morrow	-	-	51	3,246,832	-	-
Multnomah	61	23,974,715	2,388	327,871,304	13	54,706,422
Polk	14	6,120,290	110	12,315,919	-	-
Sherman	1	196,803	-	-	-	-
Tillamook	3	2,951,294	16	1,715,260	-	-
Umatilla	9	3,397,139	343	25,619,634	-	-
Union	3	811,329	113	9,251,746	3	2,885,724
Wallowa	1	1,232,261	13	1,028,825	-	-
Wasco	1	39,620	15	2,014,614	-	-
Washington	23	5,813,422	647	97,523,015	4	34,104,922
Wheeler	2	353,954	-	-	-	-
Yamhill	12	8,926,661	201	27,893,975	-	-
Total	336	\$ 144,123,086	8,168	\$1,017,560,683	37	\$ 151,041,691

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

Multiple Purpose Bonds		Housing Finance Account		Total	
Number of Loans	Principal Amount	Number of Loans	Principal Amount	Number of Loans	Principal Amount
-	\$ -	-	\$ -	48	\$ 3,588,065
1	264,735	-	-	133	19,192,924
4	361,287	1	47,342	384	92,958,709
1	224,519	-	-	30	4,082,771
1	622,779	1	300,000	90	15,188,115
-	-	-	-	191	22,787,323
1	15,904	-	-	50	7,398,218
-	-	-	-	15	2,044,469
1	26,662	1	375,000	364	62,255,407
1	374,195	1	220,000	138	26,118,635
-	-	-	-	4	859,751
4	504,542	-	-	13	1,058,224
-	-	-	-	30	3,979,476
1	237,389	1	350,000	17	3,894,363
2	163,210	1	495,000	378	62,388,311
2	142,694	-	-	60	6,866,717
-	-	-	-	183	27,106,578
2	22,371	1	57,428	412	42,026,956
-	-	-	-	38	4,090,861
11	1,558,050	-	-	648	95,348,528
-	-	-	-	74	14,092,528
1	40,173	-	-	185	23,394,483
2	45,675	1	31,056	85	6,119,150
3	386,411	2	355,000	972	119,110,640
-	-	-	-	51	3,246,832
7	4,415,951	2	523,000	2,471	411,491,392
2	446,675	1	69,856	127	18,952,740
-	-	-	-	1	196,803
-	-	-	-	19	4,666,554
-	-	-	-	352	29,016,773
2	188,821	-	-	121	13,137,620
1	21,777	-	-	15	2,282,863
-	-	2	333,695	18	2,387,929
4	959,854	3	1,431,522	681	139,832,735
-	-	-	-	2	353,954
1	266,856	-	-	214	37,087,492
55	\$ 11,290,530	18	\$ 4,588,899	8,614	\$ 1,328,604,889

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

Unaudited



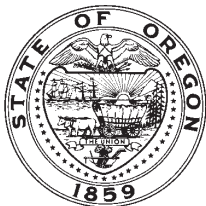
<u>Fiscal Year</u>	<u>Prepaid Principal</u>
2010	\$ 59,574,865
2009	60,988,051
2008	52,554,327
2007	73,983,041
2006	94,717,727
2005	102,327,105
2004	153,778,052
2003	164,283,221
2002	76,838,383
2001	39,766,779

# Other Reports

**Office of the Secretary of State**

Kate Brown  
Secretary of State

Barry Pack  
Deputy Secretary of State



**Audits Division**

Gary Blackmer  
Director

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The Honorable Theodore R. Kulongoski  
Governor of Oregon  
900 Court Street NE  
Salem, Oregon 97301-4047

Victor Merced, Director  
Oregon Housing and Community Services  
725 Summer Street NE, Suite B  
Salem, Oregon 97301-1266

**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, 2010, and have issued our report thereon dated November 15, 2010. 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 related to the enterprise funds as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the department's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

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

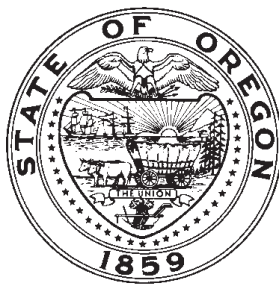
This report is intended solely for the information and use of the department's management, the Oregon State Housing Council, the Governor of the State of Oregon, and the Oregon Legislative Assembly and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read 'Kate Brown', with a long horizontal flourish extending to the right.

Kate Brown  
Secretary of State

November 15, 2010



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