

# Comprehensive Annual Financial Report

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

For the Year Ended June 30, 2012

**Margaret S. Van Vliet**

Director

**Diana Koppes**

Business Operations Division Administrator

**Prepared by:**

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Roger Schmidt



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# Introductory Section



# Oregon

John A. Kitzhaber, MD, Governor

## Housing and Community Services

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November 1, 2012

The Honorable John A. Kitzhaber, MD  
Governor of the State of Oregon  
State Capitol  
Salem, Oregon 97310

Dear Governor Kitzhaber:

We are pleased to submit the Comprehensive Annual Financial Report of the Oregon Housing and Community Services Department's Enterprise Funds, for the fiscal year ending June 30, 2012. The financial statements, included on pages 14 – 35, present only the enterprise activities of the agency. These activities are reported as a separate fund of the agency and an annual financial report is issued for these activities in accordance with the agency's Indentures of Trust.

The agency's 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 the agency's Enterprise Funds for the year ending June 30, 2012. The auditors used generally accepted government 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 Service'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.



## **Profile of Oregon Housing and Community Services**

Oregon Housing and Community Services is the State's housing finance agency and community services program administrator. Housing finance activities include the administration of bond-financed loans, grants and tax credits, for the development and preservation of affordable multi-family and single-family housing. These products are delivered through private entities, including private, for-profit and non-profit developers. Community service programs funded with federal and state resources provide safety net, energy assistance, and weatherization assistance through local community-based organizations in both rural and urban communities.

In January 2012 OHCS was reorganized under a new director and executive leadership team. This reorganization was designed to streamline operations and improve program outcomes in support of Governor Kitzhaber's Ten Year Plan for Oregon.

## **Economic Condition and Outlook**

Oregon's economy is affected by the regional housing market that is beginning to improve and to offset the weaker market conditions among many of Oregon's major manufacturers and exporters and the continued high rates of unemployment. Even so, the Oregon unemployment rate of 8.7 percent in September 2012 has seen a reduction of about 1 percent from the rate of 9.4 percent in September 2011. The Oregon Office of Economic Analysis (OEA) forecasts employment to continue to increase through 2013. The OEA forecasts increases in employment for Oregon in line with the U.S. level.

## **Long-Term Financial Planning**

The agency manages funds available for its program and operational activities through comprehensive cash flow analyses that determine the prudent level of funding that can be distributed from the Housing Finance Fund and the Elderly and Disabled Housing Fund. The agency also analyzes cash flows at least yearly to determine what is appropriate for distribution.

## **Major Initiatives**

### ***Single-Family Financing***

The agency issued \$120 million of variable rate bonds under the New Issue Bond Program (NIBP) in December 2009 to be used for single-family loans. The agency issued \$27.46 million of publically offered bonds during fiscal year 2012 concurrent with the conversion of \$47.54 million of NIBP bonds to fixed rate. As of June 30, 2012, the Department had \$18.46 million of NIBP bonds available for future conversion.

As with most other state HFA's, OHCS is in the process of examining the future of its single family programs, taking into consideration both short- and long-term prospects for the mortgage industry generally, and the unique circumstances within Oregon that drive public purpose and real estate market dynamics.

### ***Foreclosure Mitigation***

OHCS receives both federal and state appropriations for foreclosure prevention counseling, and it deploys these funds through grant agreements with local non-profit organizations.

### ***Multi-family Housing Development***

OHCS uses a complex combination of federal and state financing sources to support development of affordable and special needs rental housing. The agency is making substantial changes to the way it allocates competitive resources for these purposes, and plans to improve its focus on those developments which achieve the best public policy outcomes for low-income Oregonians. It has developed a robust community engagement process that utilizes the State Housing Council to guide priorities and policy choices going forward.

### **Acknowledgements**

The preparation of this report reflects the combined efforts of the agency's Business Operations 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 the agency's Enterprise Funds to the officials of the State of Oregon and to the finance community.

Respectfully submitted,



Margaret S. Van Vliet  
Director



Diana Koppes  
Business Operations Division Administrator

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

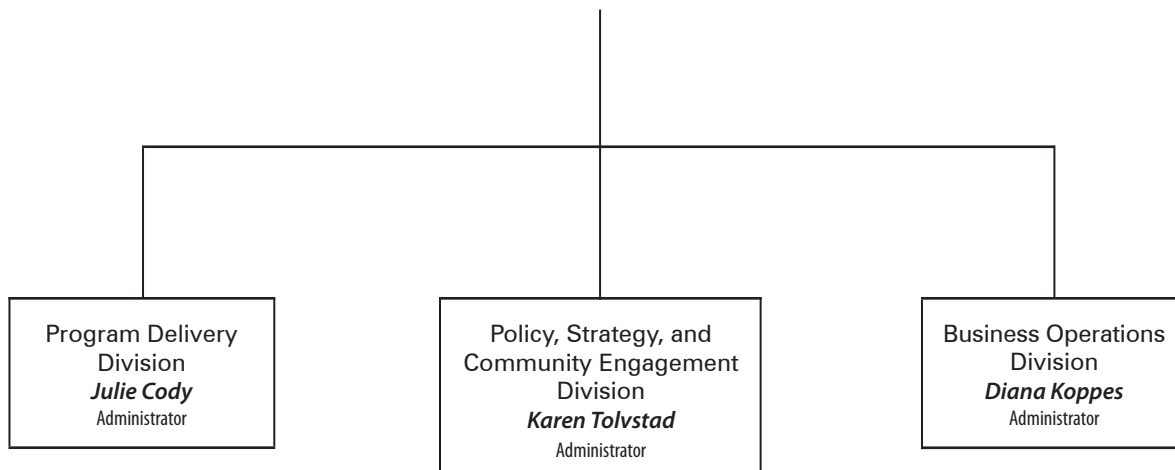
## Organization Structure

**CAPO Board Officers:**  
 Teresa Cox, *President*  
 Jim Tierney, *President-Elect*  
 Barb Higinbotham,  
*Secretary/Treasurer*  
 Brenda Durbin, *Past-President*  
 Margaret Davidson,  
*Member at Large*



**Housing Council Members:**  
 Mayra Arreola  
 Tammy Baney  
 Aubre Dickson  
 Michael C. Fieldman  
 Zee Koza  
 Adolph "Val" Valfre, Jr.  
 Jeana Woolley

Community Action Partnership of Oregon ..... **Margaret S. Van Vliet** \_\_\_\_\_ State Housing Council  
 Director



### ***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 comprises eighteen member organizations (seventeen Community Action Agencies and Oregon Human Development Corporation) and five affiliate organizations, serving Oregonians in every county in the state. Together, they provide services to eradicate poverty in the state of 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.

<http://www.oregon.gov/OHCS/OSHC/pages/index.aspx>





# 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 John Kitzhaber, Governor of Oregon  
Margaret S. Van Vliet, Director  
Oregon Housing and Community Services

**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, 2012, as listed in the table of contents. These financial statements are the responsibility of the department's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the basic financial statements of the enterprise funds of the 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, 2012, 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 previously present fairly, in all material respects, the financial position of the enterprise funds of the department, as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the basic financial statements of the department's enterprise funds. The combining statements, introductory section, and statistical section, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

OREGON AUDITS DIVISION

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

Kate Brown  
Secretary of State

October 31, 2012

# 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, 2012. The selected financial data presented was derived primarily from the financial statements of OHCS D, which have been audited by the Oregon Secretary of State Audits Division.

### FINANCIAL HIGHLIGHTS

- Net assets increased \$10.2 million, to \$220.1 million as of June 30, 2012. This represents an increase of 4.84%.
- Expenses decreased by \$1.9 million from the previous fiscal year's results.
- Outstanding bond debt of \$1.35 billion on June 30, 2012 decreased \$107.4 million from the amount outstanding on June 30, 2011. Debt issuance for the fiscal year totaled \$27.5 million (par value).
- Loans purchased or financed totaled \$80.5 million for the fiscal year, down \$10.2 million from fiscal year 2011.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- 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, 2012 were \$1.64 billion, a decrease of \$98.3 million from June 30, 2011. The change in assets and deferred outflows consists primarily of a \$65.3 million decrease in net loans receivable, a \$53.9 million decrease in investments, and a \$24.3 million increase in cash and cash equivalents.

Total liabilities decreased by \$108.5 million to \$1.42 billion at June 30, 2012. This included a decrease of \$107.4 million in bonds payable, a decrease of \$12.6 million in obligations under securities lending, and an increase of \$11.8 million in swap fair value liability.

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

Proprietary Funds Statement of Net Assets				
	Business-Type Activities		Change	% Change
	2012	2011		
<b>Assets and Deferred Outflows</b>				
Current and Other Assets	\$ 1,607,507,388	\$ 1,717,648,403	\$ (110,141,015)	-6.41%
Capital Assets	11,074	-	11,074	N/A
Deferred Outflows	37,196,930	25,409,179	11,787,751	46.39%
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,644,715,392</b>	<b>\$ 1,743,057,582</b>	<b>\$ (98,342,190)</b>	<b>-5.64%</b>
<b>Liabilities</b>				
Long-Term Liabilities	\$ 1,356,802,378	\$ 1,405,506,725	\$ (48,704,347)	-3.47%
Other Liabilities	67,784,920	127,589,988	(59,805,068)	-46.87%
<b>Total Liabilities</b>	<b>\$ 1,424,587,298</b>	<b>\$ 1,533,096,713</b>	<b>\$ (108,509,415)</b>	<b>-7.08%</b>
<b>Net Assets</b>				
Invested in Capital Assets	\$ 11,074	\$ -	\$ 11,074	N/A
Restricted for Residential Assistance	2,581,560	2,219,237	362,323	16.33%
Restricted by Trust Indentures	211,381,841	200,498,355	10,883,486	5.43%
Unrestricted	6,153,619	7,243,277	(1,089,658)	-15.04%
<b>Total Net Assets</b>	<b>\$ 220,128,094</b>	<b>\$ 209,960,869</b>	<b>\$ 10,167,225</b>	<b>4.84%</b>

- **Cash and Cash Equivalents**

Total cash and cash equivalents increased by \$24.3 million, or 40.5%, from June 30, 2011 to June 30, 2012.

- **Loans Receivable**

Total mortgages and other loans receivable decreased by \$64.1 million in fiscal year 2012. This decrease included the following:

- New loans purchased or financed decreased by \$10.2 million in fiscal year 2012 compared to fiscal year 2011. Single-family mortgage loan purchases increased by \$19.6 million, Elderly and Disabled Housing loans financed decreased by \$19.8 million, Multifamily Housing Revenue Bond construction loans financed decreased by \$9.4 million, and predevelopment loans financed decreased by \$0.6 million. Loans purchased or financed in fiscal year 2012 totaled \$80.5 million.
- A Multifamily Housing Revenue Bond construction loan totaling \$9.2 million was converted to a permanent mortgage loan in fiscal year 2012.
- Scheduled mortgage and other loan repayments totaled \$35.3 million for fiscal year 2012.
- Prepayments on mortgage loans increased in fiscal year 2012 by \$19.9 million. Total prepayments for the fiscal year totaled \$84.3 million.
- Properties acquired during the fiscal year totaled \$24.1 million, a decrease of \$4.8 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 purchase of software. For additional details, see the Notes to the Financial Statements (Note 4).

- **Bonds Payable**

Bonds Payable decreased by \$107.4 million from June 30, 2011 to June 30, 2012. As noted in the Debt Administration section of the Management's Discussion and Analysis OHCSO issued \$27.5 million (par value) in revenue bonds and bond redemptions totaled \$134.3 million. The remainder of the change is due to discount and premium transactions.

- **Net Assets**

Net assets increased during fiscal year 2012 by 4.84%. As in fiscal year 2011, OHCSO continued to experience growth within its net assets. OHCSO continues to maintain a positive spread of income from investments and mortgage loans to cover ongoing bond interest and operating costs.

Of OHCSO's \$220.1 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, OHCSO applies the required bond indenture restrictions to assess the allowable amount that can be released for the purpose of paying for agency operations. Once these funds are officially transferred from the bond indentures, they are classified as unrestricted, but until that point in time, they are considered a pledge to the bondholders and are appropriately classified as restricted.

The results of operations for OHCSO's proprietary funds are presented below and at the top of the next page:

**Proprietary Funds  
Statement of Operating Activity**

	<b>Business-Type Activities</b>			
	<b>2012</b>	<b>2011</b>	<b>Change</b>	<b>% Change</b>
<b>Operating Revenues</b>				
Interest on Loans	\$ 68,917,920	\$ 72,357,706	\$ (3,439,786)	-4.75%
Investment Income	13,938,305	3,319,834	10,618,471	319.85%
Administrative Charges and Fees	1,095,375	2,968,510	(1,873,135)	-63.10%
Low Income Housing Tax Credit Fees	1,968,720	2,149,904	(181,184)	-8.43%
Transfer/Commitment Fees	503,495	728,323	(224,828)	-30.87%
Miscellaneous Revenue	110,579	14,230	96,349	677.08%
<b>Total Operating Revenues</b>	<b>86,534,394</b>	<b>81,538,507</b>	<b>4,995,887</b>	<b>6.13%</b>
<b>Operating Expenses:</b>				
Personal Services	4,091,672	4,194,543	(102,871)	-2.45%
Services and Supplies	2,753,928	3,600,289	(846,361)	-23.51%
Mortgage Service Fees	3,534,690	3,665,713	(131,023)	-3.57%
Foreclosure Costs	1,427,384	1,902,931	(475,547)	-24.99%
Interest Expense - Bonds	58,695,970	62,458,803	(3,762,833)	-6.02%
Interest Expense - Loans	48,801	48,814	(13)	-0.03%
Interest Expense - Securities Lending	20,787	79,233	(58,446)	-73.76%
Other Program Related Expenses	2,385,223	1,085,204	1,300,019	119.79%
Loss on Sale of Foreclosed Property	276,931	259,296	17,635	6.80%
Amortization of Deferred Bond Issuance Costs	752,880	884,674	(131,794)	-14.90%
Depreciation/Amortization	934	233	701	300.86%
Bad Debt Expense	2,211,594	(54,028)	2,265,622	4193.42%
<b>Total Operating Expenses</b>	<b>76,200,794</b>	<b>78,125,705</b>	<b>(1,924,911)</b>	<b>-2.46%</b>
<b>Operating Income</b>	<b>10,333,600</b>	<b>3,412,802</b>	<b>6,920,798</b>	<b>202.79%</b>
<b>Nonoperating Revenue (Expenses)</b>				
Loss on Disposition of Capital Assets	-	(2,371)	2,371	-100.00%
<b>Total Nonoperating Revenue (Expenses)</b>	<b>-</b>	<b>(2,371)</b>	<b>2,371</b>	<b>-100.00%</b>

	2012	2011	Change	% Change
<b>Income (Loss) Before Transfers</b>	10,333,600	3,410,431	6,923,169	203.00%
Transfers to Other State Agencies	(166,375)	(173,511)	7,136	-4.11%
<b>Change in Net Assets</b>	10,167,225	3,236,920	6,930,305	214.10%
<b>Net Assets – Beginning</b>	209,960,869	206,723,949	3,236,920	1.57%
<b>Net Assets – Ending</b>	\$ 220,128,094	\$ 209,960,869	\$ 10,167,225	4.84%

OHCSO's proprietary fund revenue is generated principally from interest earned on mortgages and investments. In fiscal year 2012, revenue generated through proprietary funds totaled \$86.5 million, of which \$82.9 million, or 95.8%, is from income earned on loans and investments. Expenses of OHCSO's proprietary funds consist primarily of interest expense on debt incurred to fund various lending programs. The total expenses for proprietary fund activities totaled \$76.2 million, of which \$58.7 million, or 77.0% is bond interest expense.

The change in net assets for the year ended June 30, 2012 resulted in an increase of \$10.2 million compared to a \$3.2 million increase for the year ended June 30, 2011, an increase of \$7.0 million. Factors contributing to this change include:

- Interest on loans for fiscal year 2012 was \$3.4 million less than fiscal year 2011. Reduced outstanding mortgage loan balances resulted in a decrease in interest received.
- In fiscal year 2012, investment income was \$10.6 million more than in fiscal year 2011. Investment fair values went up in fiscal year 2012 after declining in fiscal year 2011.
- Interest expense on bonds was \$3.8 million lower than fiscal year 2011. This decrease was primarily due to a smaller outstanding bonds payable balance.
- Bad Debt expense increased by \$2.3 million in fiscal year 2012. This was primarily due to an increased number of short sales and the addition of an allowance for doubtful accounts in Mortgage Revenue Bonds due to the increased short sales.

### Debt Administration

Oregon Revised Statutes authorize OHCSO to issue up to \$2.5 billion in revenue bonds to finance the construction, purchase and rehabilitation of housing for low and moderate income persons and families. OHCSO also has constitutional authority to issue general obligation bonds to finance housing for elderly and disabled persons. As of June 30, 2012, OHCSO was authorized to issue up to \$2,172,146,238 in State of Oregon General Obligation bonds for this purpose.

As of June 30, 2012, OHCSO had a total of \$1,343,485,000 (par value) in outstanding bond debt. During fiscal year 2012, \$27,460,000 (par value) in revenue bonds were issued for the Single-Family Mortgage Program compared to \$132,440,000 in fiscal year 2011. No Multifamily Housing Revenue Bonds were issued during fiscal year 2012 compared to \$94,130,000 (par value) in fiscal year 2011.

In addition, OHCSO issued \$7,657,706 (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.

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 and Community Services Department's long-term debt can be found in Note 7.



# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Balance Sheet

### Proprietary Funds

June 30, 2012

	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	\$ -	\$ 5,746,697	\$ 5,746,697
Cash and Cash Equivalents - Restricted	7,748,086	-	7,748,086
Investments - Restricted	-	52,103,599	52,103,599
Securities Lending Cash Collateral	3,310,961	2,289,870	5,600,831
Accounts Receivable	-	183,337	183,337
Accrued Interest Receivable	980,863	6,355,444	7,336,307
Interfund Receivable	-	11,434	11,434
Prepaid Expenses	-	44,401	44,401
Acquired Property	-	10,640,035	10,640,035
<b>Total Current Assets</b>	<b>12,039,910</b>	<b>77,374,817</b>	<b>89,414,727</b>
<b>Noncurrent Assets</b>			
Cash and Cash Equivalents - Restricted	20,321,673	50,530,406	70,852,079
Investments - Restricted	16,587,841	197,535,685	214,123,526
Deferred Charges	933,980	8,588,544	9,522,524
Loans Receivable (Net)	150,277,902	1,073,316,630	1,223,594,532
Capital Assets (Net)	-	11,074	11,074
<b>Total Noncurrent Assets</b>	<b>188,121,396</b>	<b>1,329,982,339</b>	<b>1,518,103,735</b>
<b>Deferred Outflows</b>	<b>-</b>	<b>37,196,930</b>	<b>37,196,930</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 200,161,306</b>	<b>\$ 1,444,554,086</b>	<b>\$ 1,644,715,392</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 38,443	\$ 882,186	\$ 920,629
Accrued Interest Payable	2,748,087	25,095,713	27,843,800
Obligations Under Securities Lending	3,310,961	2,289,870	5,600,831
Interfund Payable	11,434	-	11,434
Deferred Income	13,364	1,237,375	1,250,739
Compensated Absences Payable	22,714	114,773	137,487
Bonds Payable	5,000,000	27,020,000	32,020,000
<b>Total Current Liabilities</b>	<b>11,145,003</b>	<b>56,639,917</b>	<b>67,784,920</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	11,701	59,125	70,826
Bonds Payable	119,376,690	1,198,100,490	1,317,477,180
Swap Fair Value Liability	-	37,196,930	37,196,930
Arbitrage Rebate Liability	403,963	78,113	482,076
Loans Payable	-	1,500,000	1,500,000
Net OPEB Obligation	17,264	58,102	75,366
<b>Total Noncurrent Liabilities</b>	<b>119,809,618</b>	<b>1,236,992,760</b>	<b>1,356,802,378</b>
<b>Total Liabilities</b>	<b>130,954,621</b>	<b>1,293,632,677</b>	<b>1,424,587,298</b>
<b>Net Assets</b>			
Invested in Capital Assets	-	11,074	11,074
Restricted for Residential Assistance	-	2,581,560	2,581,560
Restricted by Trust Indentures	69,206,685	142,175,156	211,381,841
Unrestricted	-	6,153,619	6,153,619
<b>Total Net Assets</b>	<b>69,206,685</b>	<b>150,921,409</b>	<b>220,128,094</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 200,161,306</b>	<b>\$ 1,444,554,086</b>	<b>\$ 1,644,715,392</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, 2012

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Operating Revenues</b>			
Interest on Loans	\$ 10,463,901	\$ 58,454,019	\$ 68,917,920
Investment Income	2,951,671	10,986,634	13,938,305
Administrative Charges and Fees	165,000	930,375	1,095,375
Low Income Housing Tax Credit Fees	-	1,968,720	1,968,720
Transfer/Commitment Fees	-	503,495	503,495
Miscellaneous Revenue	13,985	96,594	110,579
<b>Total Operating Revenues</b>	<b>13,594,557</b>	<b>72,939,837</b>	<b>86,534,394</b>
<b>Operating Expenses</b>			
Personal Services	983,865	3,107,807	4,091,672
Services and Supplies	362,025	2,391,903	2,753,928
Mortgage Service Fees	67,686	3,467,004	3,534,690
Foreclosure Costs	16,670	1,410,714	1,427,384
Interest Expense - Bonds	6,787,912	51,908,058	58,695,970
Interest Expense - Loans	-	48,801	48,801
Interest Expense - Securities Lending	6,487	14,300	20,787
Other Related Program Expenses	427,222	1,958,001	2,385,223
Loss on Sale of Foreclosed Property	30,553	246,378	276,931
Amortization of Deferred Bond Issuance Costs	95,389	657,491	752,880
Depreciation/Amortization	-	934	934
Bad Debt Expense	255,933	1,955,661	2,211,594
<b>Total Operating Expenses</b>	<b>9,033,742</b>	<b>67,167,052</b>	<b>76,200,794</b>
<b>Operating Income (Loss)</b>	<b>4,560,815</b>	<b>5,772,785</b>	<b>10,333,600</b>
Transfers from Other Funds	-	117,816	117,816
Transfers to Other Funds	(117,816)	-	(117,816)
Transfers to Other State Agencies	(39,900)	(126,475)	(166,375)
<b>Change in Net Assets</b>	<b>4,403,099</b>	<b>5,764,126</b>	<b>10,167,225</b>
<b>Net Assets - Beginning</b>	<b>64,803,586</b>	<b>145,157,283</b>	<b>209,960,869</b>
<b>Net Assets - Ending</b>	<b>\$ 69,206,685</b>	<b>\$ 150,921,409</b>	<b>\$ 220,128,094</b>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2012

	<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	\$ 165,000	\$ 3,652,788	\$ 3,817,788
Program Loan Principal Repayments	6,145,240	129,895,401	136,040,641
Program Loan Interest Received	10,156,448	58,772,334	68,928,782
Program Loans Made	-	(80,485,104)	(80,485,104)
Payments to Employees for Services	(989,377)	(3,138,344)	(4,127,721)
Payments to Suppliers for Goods and Services	(449,299)	(6,042,101)	(6,491,400)
Other Receipts (Payments)	39,499	3,296,625	3,336,124
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>15,067,511</b>	<b>105,951,599</b>	<b>121,019,110</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Bond Sales	-	28,790,153	28,790,153
Principal Payments on Bonds	(21,960,000)	(112,305,000)	(134,265,000)
Interest Payments on Bonds	(7,150,312)	(52,942,122)	(60,092,434)
Bond Issue Costs	-	(489,166)	(489,166)
Interest Payments on Loans	-	(48,946)	(48,946)
Transfers from Other Funds	-	117,816	117,816
Transfers to Other Funds	(117,816)	-	(117,816)
Transfers to Other State Agencies	(39,904)	(126,509)	(166,413)
<b>Net Cash Provided (Used) in Noncapital Financing Activities</b>	<b>(29,268,032)</b>	<b>(137,003,774)</b>	<b>(166,271,806)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	-	(12,008)	(12,008)
<b>Net Cash Provided (Used) in Capital and Related Financing Activities</b>	<b>-</b>	<b>(12,008)</b>	<b>(12,008)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	-	(725,126,170)	(725,126,170)
Proceeds from Sales and Maturities of Investments	6,109,139	782,419,895	788,529,034
Interest on Cash and Investments	978,501	5,211,987	6,190,488
Investment Income on Securities Lending	6,487	14,300	20,787
Interest Paid on Securities Lending	(6,487)	(14,300)	(20,787)
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>7,087,640</b>	<b>62,505,712</b>	<b>69,593,352</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(7,112,881)</b>	<b>31,441,529</b>	<b>24,328,648</b>
<b>Cash and Cash Equivalents Balance - Beginning</b>	<b>35,182,640</b>	<b>24,835,574</b>	<b>60,018,214</b>
<b>Cash and Cash Equivalents Balance - Ending</b>	<b>\$ 28,069,759</b>	<b>\$ 56,277,103</b>	<b>\$ 84,346,862</b>
Cash and Cash Equivalents	\$ -	\$ 5,746,697	\$ 5,746,697
Cash and Cash Equivalents - Restricted (Current)	7,748,086	-	7,748,086
Cash and Cash Equivalents - Restricted (Noncurrent)	20,321,673	50,530,406	70,852,079
<b>Total Cash and Cash Equivalents</b>	<b>\$ 28,069,759</b>	<b>\$ 56,277,103</b>	<b>\$ 84,346,862</b>

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

Continued on the next page

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 4,560,815	\$ 5,772,785	\$ 10,333,600
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>			
Depreciation/Amortization	-	934	934
Amortization of Deferred Bond Issuance Costs	95,389	657,491	752,880
Investment Income Reported as Operating Revenue	(2,951,671)	(10,986,634)	(13,938,305)
Interest Expense Reported as Operating Expense	6,794,399	51,971,159	58,765,558
Bond Call Expenses	309,406	(1,040,607)	(731,201)
<i>(Increase)/Decrease in Assets:</i>			
Loan Interest Receivable	(222,637)	435,627	212,990
Accounts Receivable	1,225	26,087	27,312
Interfund Receivable	-	(10,182)	(10,182)
Prepaid Expenses	-	(42,501)	(42,501)
Loans Receivable (Net)	6,316,712	58,968,657	65,285,369
Acquired Property	190,553	(46,665)	143,888
<i>Increase/(Decrease) in Liabilities:</i>			
Accounts Payable	(13,628)	46,133	32,505
Interfund Payable	10,182	-	10,182
Deferred Income	(354)	205,380	205,026
Compensated Absences Payable	(22,124)	(15,590)	(37,714)
Net OPEB Obligation	(756)	9,525	8,769
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$ 15,067,511</b>	<b>\$ 105,951,599</b>	<b>\$ 121,019,110</b>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Net Change in Fair Value of Investments	\$ 2,348,364	\$ 7,226,594	\$ 9,574,958
Foreclosed Property	-	24,098,518	24,098,518
Loan Modifications	84,461	120,381	204,842
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b>\$ 2,432,825</b>	<b>\$ 31,445,493</b>	<b>\$ 33,878,318</b>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Notes to the Financial Statements  
Enterprise Funds  
June 30, 2012

**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 Fund 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.

### **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 2009 Series A 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. OHCSO 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, 2012 were sufficient to meet all legal requirements. When both restricted and unrestricted resources are available to use, it is OHCSO'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, 2012, the book balance of cash and cash equivalents was \$84,346,862 and the bank balance was \$84,258,120. Monies held in demand accounts with the State Treasurer and amounts invested in the Oregon Short-Term Fund totaled \$47,482,905. Additional information about the Oregon Short-Term Fund can be found at [http://treasury.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://treasury.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx).

The bank balance of money market accounts held by OHCS D's Bond Trustees as agents totaled \$36,775,215. 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 \$20,328,760 in U.S. Government securities, \$192,265,524 in U.S. Agency securities, and \$37,045,000 in municipal bonds. They are held at the Federal Reserve under the name of OHCS D's Bond Trustee for the benefit of OHCS D.

Investments with the State Treasurer consisted of \$5,172,357 in U.S. Government Securities and \$11,415,484 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, 2012, 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	\$ 25,501,117	\$ 18,479,538	\$ -	\$ 2,184,739	\$ 4,836,840
U.S. Agency Securities	203,681,008	132,408,462	7,149,414	5,130,884	58,992,248
Municipal Bonds	37,045,000	-	-	-	37,045,000
Total	\$ 266,227,125	\$ 150,888,000	\$ 7,149,414	\$ 7,315,623	\$ 100,874,088

**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, 2012, of OHCS D's investments in U.S. Agency securities, \$107,120,563 are rated Aaa by Moody's Investor Service, \$65,762,278 are discount notes which have a Moody's Investor Service short-term Issuer Level Rating of P-1, and \$29,000,000 are discount notes which are unrated. Included in the U.S. Agency securities total is \$1,798,167 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. These securities are unrated. As of June 30, 2012, \$17,100,000 of OHCS D's municipal bond investments are rated



Notes to the Financial Statements (Continued)  
June 30, 2012

Aaa/VMIG 1, \$1,900,000 are rated Aa1/VMIG 1, \$2,500,000 are rated Aaa/VMIG 2, and \$15,545,000 are rated Aa2/VMIG2 by Moody's Investor Service.

**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, 2012, 33.2% of OHCS D's total investments are Federal National Mortgage Association securities, 19.4% are Federal Home Loan Bank securities, 10.9% are Federal Agriculture Mortgage Corporation securities, 9.6% are U.S. Treasury securities, 6.2% are Federal Farm Credit Bank securities, and 5.8% are Wyoming Community Development Authority municipal bonds.

### 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, 2012, the amount of the fair value of all securities on loan from OSTF allocated to OHCS D's Enterprise Funds was \$5,480,439. OSTF securities on loan in total included U.S. Agency securities (85.97%), and domestic fixed income securities (14.03%). The amount allocated to OHCS D's Enterprise Funds of the fair value of all investments made with the cash collateral received for those securities on loan was \$5,601,893. The amount of total collateral received for the securities on loan from OSTF allocated to OHCS D's Enterprise Funds was \$5,600,831. Additional information about the Oregon Short-Term Fund and securities lending can be found in the Oregon Short-Term Fund financial statements at [http://treasury.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx#OSTFFS](http://treasury.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx#OSTFFS).

### NOTE 3. Loans Receivable

Loans receivable on June 30, 2012 consisted of:

	Loans Receivable	Less: Allowance for Uncollectible Accounts	Loans Receivable (Net)
Elderly and Disabled Housing Fund:	\$ 151,374,801	\$ (1,096,899)	\$ 150,277,902
Housing Finance Fund:			
Single-Family Mortgage Program:			
Mortgage Revenue Bonds	798,296,866	(940,800)	797,356,066
Housing Revenue Bonds	114,935,884	-	114,935,884
Multifamily Housing Revenue Bonds	155,066,072	(387,664)	154,678,408
Multiple Purpose Bonds	2,817,218	(8,691)	2,808,527
Housing Finance Account	3,555,522	(17,777)	3,537,745
Total Housing Finance Fund	1,074,671,562	(1,354,932)	1,073,316,630
Total	\$ 1,226,046,363	\$ (2,451,831)	\$ 1,223,594,532

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 and Housing Revenue Bonds provide financing for single-family homes for at or below median income home buyers. These loans are collateralized by first lien mortgages on the applicable real estate. Of the total mortgage principal balance outstanding, 54 percent is federally insured or guaranteed, 21 percent is covered by pool insurance and/or private mortgage insurance and 25 percent is uninsured. Except for short sales, 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, 2012

OHCSO uses the allowance method to estimate uncollectible 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, 2012 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	\$ -	\$ -	\$ -	\$ -	\$ 10,482	\$ -	\$ -	\$ 10,482
Data Processing Software	26,370	-	-	26,370	124,908	12,008	-	136,916
Total Capital Assets	26,370	-	-	26,370	135,390	12,008	-	147,398
Less Accumulated Depreciation/Amortization:								
Equipment	-	-	-	-	(10,482)	-	-	(10,482)
Data Processing Software	(26,370)	-	-	(26,370)	(124,908)	(934)	-	(125,842)
Total Accumulated Depreciation/Amortization	(26,370)	-	-	(26,370)	(135,390)	(934)	-	(136,324)
Capital Assets, Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,074	\$ -	\$ 11,074

**NOTE 5. Interfund Balances and Transfers**

The following schedule summarizes interfund receivables and payables for the year ended June 30, 2012:

	Interfund Receivable	Interfund Payable
Elderly and Disabled Housing Fund	\$ -	\$ 11,434
Housing Finance Fund	11,434	-
Total	\$ 11,434	\$ 11,434

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, 2012:

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

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

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

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bond Principal	\$ 1,450,290,000	\$ 27,460,000	\$ 134,265,000	\$ 1,343,485,000	\$ 32,020,000
Bond Discount	(189,183)	-	(34,864)	(154,319)	-
Bond Premium	8,948,531	1,330,153	2,372,970	7,905,714	-
Deferred Amount on Refunding	(2,179,242)	-	(440,027)	(1,739,215)	-
Bonds Payable	1,456,870,106	28,790,153	136,163,079	1,349,497,180	
Compensated Absences Payable	246,027	-	37,714	208,313	137,487
Swap Fair Value Liability	25,409,179	11,787,751	-	37,196,930	-
Arbitrage Rebate Liability	102,194	379,882	-	482,076	-
Loans Payable	1,500,000	-	-	1,500,000	-
Net OPEB Obligation	66,597	8,769	-	75,366	-
Total Long-Term Liabilities	\$ 1,484,194,103	\$ 40,966,555	\$ 136,200,793	\$ 1,388,959,865	\$ 32,157,487

**NOTE 7. Long-Term Debt**

The following table summarizes outstanding bonds by program and series as of June 30, 2012:

**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	
1993 C	1994-2026	2.850 - 5.650%	\$13,915,000	\$ 8,080,000	\$ -	\$ 955,000	\$ 7,125,000	\$ 340,000
1994 B	1996-2026	4.200 - 6.300%	24,400,000	14,500,000	-	3,360,000	11,140,000	465,000
1995 A	1996-2026	4.000 - 6.000%	14,100,000	7,725,000	-	300,000	7,425,000	315,000
1995 B	1997-2027	4.000 - 5.700%	24,240,000	9,935,000	-	365,000	9,570,000	385,000
1996 B	1998-2027	4.200 - 5.800%	10,605,000	7,175,000	-	260,000	6,915,000	280,000
1997 A	1999-2028	4.050 - 5.375%	8,475,000	4,180,000	-	645,000	3,535,000	130,000
1998 A	2000-2029	3.400 - 4.500%	8,870,000	1,125,000	-	1,125,000	-	-
1998 B	2001-2030	3.550 - 4.875%	10,285,000	2,770,000	-	90,000	2,680,000	100,000
1999 A	2000-2030	3.250 - 5.150%	10,840,000	1,960,000	-	175,000	1,785,000	180,000
1999 B	2000-2031	3.350 - 5.250%	4,485,000	2,005,000	-	1,360,000	645,000	20,000
1999 E	2001-2031	5.000 - 6.250%	19,105,000	14,585,000	-	370,000	14,215,000	390,000
2001 A	2002-2032	2.550 - 5.100%	5,210,000	1,115,000	-	1,115,000	-	-
2001 B	2002-2020	2.550 - 4.950%	7,805,000	5,245,000	-	5,245,000	-	-
2001 C	2002-2032	2.700 - 5.300%	25,325,000	19,015,000	-	5,040,000	13,975,000	785,000
2002 A	2003-2022	1.400 - 4.650%	10,840,000	7,350,000	-	490,000	6,860,000	505,000
2002 B	2003-2024	1.400 - 4.700%	37,905,000	400,000	-	20,000	380,000	20,000
2002 C	2003-2043	1.600 - 5.050%	13,595,000	6,235,000	-	230,000	6,005,000	235,000
2003 B	2004-2024	1.300 - 4.800%	9,265,000	6,945,000	-	370,000	6,575,000	385,000
2003 C	2013-2034	4.350 - 5.100%	2,930,000	2,595,000	-	60,000	2,535,000	60,000
2007 A	2008-2048	3.650 - 4.750%	26,300,000	24,005,000	-	385,000	23,620,000	405,000
Total General Obligation Bonds				\$ 146,945,000	\$ -	\$ 21,960,000	\$ 124,985,000	\$ 5,000,000

## 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	
2001 C	2032	***	\$ 7,500,000	\$ 1,400,000	\$ -	\$ 235,000	\$ 1,165,000	\$ 25,000
2001 J	2003-2030	3.000 - 5.150%	26,435,000	4,800,000	-	705,000	4,095,000	-
2001 L	2032	***	9,100,000	1,865,000	-	150,000	1,715,000	-
2001 Q	2003-2024	2.350 - 5.125%	19,015,000	5,805,000	-	760,000	5,045,000	-
2001 R	2027-2033	4.200 - 5.375%	15,985,000	2,370,000	-	250,000	2,120,000	-
2002 A	2004-2024	2.350 - 5.200%	18,620,000	8,325,000	-	1,770,000	6,555,000	-
2002 B	2004-2033	2.700 - 5.450%	16,380,000	4,560,000	-	745,000	3,815,000	-
2002 F	2005-2022	3.150 - 5.250%	15,190,000	5,520,000	-	1,000,000	4,520,000	-
2002 G	2003-2033	2.400 - 5.600%	19,810,000	6,895,000	-	810,000	6,085,000	-
2002 H	2006-2023	2.450 - 5.000%	16,315,000	9,400,000	-	1,325,000	8,075,000	-
2002 I	2004-2033	2.000 - 5.250%	18,685,000	3,165,000	-	260,000	2,905,000	-
2002 M	2006-2023	2.400 - 5.050%	16,285,000	9,315,000	-	1,455,000	7,860,000	-
2002 N	2004-2033	2.200 - 5.250%	18,715,000	6,300,000	-	635,000	5,665,000	-
2003 A	2007-2030	2.150 - 4.900%	22,810,000	15,200,000	-	1,210,000	13,990,000	-
2003 B	2004-2034	1.400 - 5.000%	12,190,000	790,000	-	790,000	-	-
2003 E	2004-2030	1.100 - 4.600%	24,665,000	15,935,000	-	995,000	14,940,000	-
2003 F	2032-2034	3.200 - 4.750%	10,335,000	750,000	-	750,000	-	-
2003 J	2005-2023	1.300 - 4.700%	22,880,000	9,925,000	-	880,000	9,045,000	-
2003 K	2005-2029	1.700 - 5.625%	12,120,000	1,185,000	-	1,180,000	5,000	-
2003 L	2034	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 A	2005-2023	1.100 - 4.500%	23,720,000	8,970,000	-	675,000	8,295,000	-
2004 B	2029	5.625 - 5.625%	11,280,000	1,455,000	-	1,090,000	365,000	-
2004 C	2034	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 G	2005-2023	1.350 - 4.500%	23,410,000	8,710,000	-	695,000	8,015,000	-
2004 H	2029	5.125 - 5.125%	11,590,000	2,375,000	-	1,120,000	1,255,000	-
2004 I	2034	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 J	2006-2019	1.950 - 4.350%	15,560,000	6,165,000	-	680,000	5,485,000	-
2004 K	2020-2030	4.800 - 5.100%	19,440,000	8,495,000	-	955,000	7,540,000	-
2004 L	2035	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 M	2007-2025	2.250 - 4.600%	7,510,000	5,135,000	-	470,000	4,665,000	-
2004 N	2035	4.900 - 4.900%	8,390,000	5,640,000	-	540,000	5,100,000	-
2005 A	2006-2024	2.600 - 4.500%	16,055,000	8,895,000	-	890,000	8,005,000	-
2005 B	2034	5.375 - 5.375%	8,445,000	2,525,000	-	1,095,000	1,430,000	-
2005 C	2035	****	10,500,000	10,500,000	-	-	10,500,000	-
2005 D	2007-2025	3.000 - 4.650%	26,340,000	15,765,000	-	1,410,000	14,355,000	-
2005 E	2006-2031	3.150 - 5.750%	13,775,000	4,985,000	-	1,760,000	3,225,000	-
2005 F	2036	****	14,885,000	14,885,000	-	-	14,885,000	-
2006 A	2007-2021	3.125 - 4.350%	20,210,000	12,000,000	-	1,930,000	10,070,000	-
2006 B	2007-2030	3.350 - 5.625%	19,790,000	9,660,000	-	2,250,000	7,410,000	-
2006 C	2036	****	20,000,000	20,000,000	-	-	20,000,000	-
2006 D	2007-2021	3.500 - 4.500%	18,705,000	8,990,000	-	1,840,000	7,150,000	-
2006 E	2025-2031	5.000 - 6.250%	21,295,000	10,385,000	-	2,405,000	7,980,000	-
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	9,230,000	-	1,360,000	7,870,000	-
2006 I	2026-2036	4.600 - 6.250%	27,680,000	20,415,000	-	2,505,000	17,910,000	-
2006 J	2008-2021	3.350 - 4.050%	13,235,000	10,100,000	-	1,035,000	9,065,000	-
2006 K	2026-2036	4.450 - 5.375%	26,765,000	21,980,000	-	1,780,000	20,200,000	-
2007 A	2008-2022	3.400 - 4.250%	20,210,000	15,150,000	-	2,300,000	12,850,000	-
2007 B	2027-2037	4.750 - 5.500%	39,790,000	31,000,000	-	4,005,000	26,995,000	-
2007 C	2008-2022	3.550 - 4.700%	27,025,000	17,575,000	-	2,730,000	14,845,000	-
2007 D	2026-2038	5.000 - 5.875%	32,975,000	21,295,000	-	3,905,000	17,390,000	-
2007 E	2038	****	30,000,000	30,000,000	-	-	30,000,000	-
2007 F	2014-2022	3.700 - 4.450%	18,855,000	15,755,000	-	2,455,000	13,300,000	-
2007 G	2009-2038	3.650 - 5.500%	41,145,000	26,795,000	-	6,385,000	20,410,000	-
2007 H	2038	****	30,000,000	30,000,000	-	-	30,000,000	-
2008 A	2009-2022	1.650 - 4.125%	15,140,000	13,275,000	-	890,000	12,385,000	-
2008 B	2010-2038	2.625 - 6.000%	54,860,000	42,815,000	-	9,270,000	33,545,000	-
2008 C	2038	****	35,000,000	35,000,000	-	-	35,000,000	-
2008 D	2009-2023	2.500 - 4.800%	11,790,000	9,610,000	-	950,000	8,660,000	-

Notes to the Financial Statements (Continued)  
June 30, 2012

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2008 E	2010-2039	3.900 - 6.500%	58,210,000	45,520,000	-	7,945,000	37,575,000	-
2008 F	2039	****	35,000,000	35,000,000	-	-	35,000,000	-
2008 G	2013-2030	3.500 - 5.350%	52,530,000	47,580,000	-	4,620,000	42,960,000	-
2008 H	2009-2012	3.000 - 4.150%	5,530,000	1,515,000	-	1,515,000	-	-
2008 I	2037	****	34,650,000	34,650,000	-	-	34,650,000	-
2010 A	2011-2030	0.350 - 4.375%	35,900,000	32,430,000	-	2,525,000	29,905,000	1,005,000
2010 B	2011-2030	1.000 - 5.000%	52,540,000	43,835,000	-	7,140,000	36,695,000	240,000
2010 C	2042	4.750 - 4.750%	8,000,000	7,375,000	-	690,000	6,685,000	-
<b>Total Mortgage Revenue Bonds</b>				<b>\$ 973,045,000</b>	<b>\$ -</b>	<b>\$ 99,715,000</b>	<b>\$ 873,330,000</b>	<b>\$ 1,270,000</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 0.64%.

\*\*\*\* 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 0.170% for 2006 G, 0.180% for 2004 C, 2004 L, 2005 F, and 2006 F, 0.200% for 2003 L, 2004 I, 2005 C, and 2006 C, 0.230% for 2007 E, 2007 H, and 2008 C, and 0.250% for 2008 F and 2008 I.

### Housing Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2009 A	2012	**	\$ 120,000,000	\$ 66,000,000	\$ (47,540,000)	\$ -	\$ 18,460,000	\$ 18,460,000
2009 A-1	2041	0.830 - 3.280%	18,000,000	18,000,000	-	20,000	17,980,000	-
2009 A-2	2041	0.770 - 3.700%	36,000,000	36,000,000	-	100,000	35,900,000	-
2009 A-3	2041	0.760 - 2.920%	27,000,000	-	27,000,000	-	27,000,000	-
2009 A-4	2041	0.800 - 3.090%	20,540,000	-	20,540,000	-	20,540,000	-
2010 A	2011-2027	0.400 - 5.250%	12,000,000	12,000,000	-	405,000	11,595,000	600,000
2011 A	2012-2028	0.500 - 5.250%	24,000,000	24,000,000	-	605,000	23,395,000	1,095,000
2011 B	2012-2028	0.500 - 5.250%	18,000,000	-	18,000,000	-	18,000,000	870,000
2012 A	2013-2042	0.350 - 5.000%	9,460,000	-	9,460,000	-	9,460,000	-
<b>Total Housing Revenue Bonds</b>				<b>\$ 156,000,000</b>	<b>\$ 27,460,000</b>	<b>\$ 1,130,000</b>	<b>\$ 182,330,000</b>	<b>\$ 21,025,000</b>

2009 A bonds totaling \$27,000,000 and \$20,540,000 were converted to long-term bonds and redesignated as 2009 A-3 and 2009 A-4, respectively.

\*\* The interest rate is based on the 28 day U.S. Treasury Bill. The interest rate at the end of the fiscal year was 0.041%

### Multifamily Housing Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2001 A	2024-2032	4.600 - 5.100%	\$ 1,770,000	\$ 1,495,000	\$ -	\$ 40,000	\$ 1,455,000	\$ 40,000
2001 B	2004-2043	2.900 - 5.450%	31,935,000	29,810,000	-	355,000	29,455,000	370,000
2002 A	2004-2033	1.800 - 5.000%	7,875,000	6,795,000	-	175,000	6,620,000	180,000
2003 A	2013-2044	4.400 - 5.150%	5,675,000	5,340,000	-	65,000	5,275,000	70,000
2004 A	2014-2045	4.300 - 5.100%	5,120,000	4,850,000	-	60,000	4,790,000	60,000
2004 B	2046	***	14,950,000	14,295,000	-	180,000	14,115,000	190,000
2005 A	2007-2047	3.050 - 5.000%	9,855,000	8,865,000	-	100,000	8,765,000	100,000
2006 A	2036	4.620 - 4.620%	5,680,000	5,150,000	-	165,000	4,985,000	175,000
2010 A	2011-2042	0.900 - 5.150%	77,705,000	76,470,000	-	2,490,000	73,980,000	2,515,000
2010 B	2013-2052	0.950 - 4.875%	16,425,000	16,425,000	-	6,630,000	9,795,000	-
<b>Total Multifamily Housing Revenue Bonds</b>				<b>\$ 169,495,000</b>	<b>\$ -</b>	<b>\$ 10,260,000</b>	<b>\$ 159,235,000</b>	<b>\$ 3,700,000</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 0.340%.

Notes to the Financial Statements (Continued)  
June 30, 2012

**Multiple Purpose Bonds**

Original Issue				Bonds Outstanding				
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2005 A	2005-2024	1.900 - 4.300%	\$46,405,000	\$ 4,805,000	\$ -	\$ 1,200,000	\$ 3,605,000	\$ 1,025,000
<i>Total Multiple Purpose Bonds</i>				\$ 4,805,000	\$ -	\$ 1,200,000	\$ 3,605,000	\$ 1,025,000
<b>Total Revenue Bonds</b>				\$1,303,345,000	\$ 27,460,000	\$ 112,305,000	\$1,218,500,000	\$ 27,020,000
<b>Total General Obligation and Revenue Bonds</b>				\$1,450,290,000	\$ 27,460,000	\$ 134,265,000	\$1,343,485,000	\$ 32,020,000

**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, 2012 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	\$ 124,985,000	\$ (132,373)	\$ -	\$ (475,937)	\$ 124,376,690
Revenue Bonds (Housing Finance Fund):					
Mortgage Revenue Bonds	873,330,000	-	5,575,105	(449,918)	878,455,187
Housing Revenue Bonds	182,330,000	-	2,330,609	-	184,660,609
Multifamily Housing Revenue Bonds	159,235,000	(21,946)	-	(798,111)	158,414,943
Multiple Purpose Bonds	3,605,000	-	-	(15,249)	3,589,751
Total Revenue Bonds	1,218,500,000	(21,946)	7,905,714	(1,263,278)	1,225,120,490
Total General Obligation and Revenue Bonds	\$1,343,485,000	\$ (154,319)	\$ 7,905,714	\$ (1,739,215)	\$1,349,497,180

**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, 2012 for each fiscal year during the next five year period ending June 30, 2017, and in five year increments thereafter.

Year Ending June 30	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 5,000,000	\$ 6,474,830	\$ 11,474,830	\$ 27,020,000	\$ 39,628,058	\$ 66,648,058
2014	5,270,000	6,223,544	11,493,544	30,685,000	39,213,706	69,898,706
2015	5,560,000	5,953,734	11,513,734	31,845,000	38,200,214	70,045,214
2016	6,360,000	5,664,915	12,024,915	31,835,000	37,098,830	68,933,830
2017	6,225,000	5,343,210	11,568,210	32,970,000	35,898,192	68,868,192
2018-2022	36,000,000	21,299,920	57,299,920	195,305,000	157,515,575	352,820,575
2023-2027	32,150,000	11,820,493	43,970,493	225,075,000	111,655,040	336,730,040
2028-2032	15,780,000	5,023,676	20,803,676	267,555,000	66,228,810	333,783,810
2033-2037	6,790,000	2,264,252	9,054,252	257,965,000	33,123,361	291,088,361
2038-2042	4,480,000	748,218	5,228,218	102,310,000	10,315,607	112,625,607
2043-2047	1,160,000	184,815	1,344,815	13,245,000	1,564,996	14,809,996
2048-2052	210,000	7,481	217,481	2,425,000	389,578	2,814,578
2053-2057	-	-	-	265,000	6,460	271,460
Total	\$ 124,985,000	\$ 71,009,088	\$ 195,994,088	\$ 1,218,500,000	\$ 570,838,427	\$ 1,789,338,427

The interest stated above includes coupon interest OHCSO expects to pay over the life of the bonds outstanding.

Notes to the Financial Statements (Continued)  
June 30, 2012

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, 2012, various statutory or constitutional provisions limited the amount of bonds outstanding to \$2,500,000,000 in revenue bonds and \$2,172,146,238 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, 2012.

Year Ending June 30	Loans Payable		
	Principal	Interest	Total
2013	\$ -	\$ 48,750	\$ 48,750
2014	1,500,000	24,375	1,524,375
Total	\$ 1,500,000	\$ 73,125	\$ 1,573,125

## 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 \$305,370,000 and the fair value of the swaps totaled \$(37,196,930) at the end of the fiscal year. During the fiscal year the swap fair value declined by \$11,787,751. 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 values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. This methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

The following table lists the terms, fair values, counterparty, and credit ratings of the outstanding swaps as of June 30, 2012.

Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty	Counterparty Rating**
MF® 2004 B	\$ 14,115,000	12/16/2004	3.894%	64% of 1-mo. LIBOR* +.27%	\$ (1,374,410)	07/01/2046	Merrill Lynch Capital Services	Baa2 A- A
MRB® 2003 L	15,000,000	04/21/2010	3.641%	64.7% of 3-mo. LIBOR +.23%	(758,862)	07/01/2034	Royal Bank of Canada	Aa3 AA- AA
MRB 2004 C	15,000,000	01/24/2006	4.032%	64% of 1-mo. LIBOR +.29%	(847,061)	07/01/2034	Morgan Stanley Capital Services	Baa1 A- A
MRB 2004 I	15,000,000	01/24/2006	4.012%	64% of 1-mo. LIBOR +.29%	(1,084,659)	07/01/2034	Morgan Stanley Capital Services	Baa1 A- A
MRB 2004 L	15,000,000	05/27/2010	3.425%	64.8% of 3-mo. LIBOR +.22%	(1,095,434)	07/01/2035	Royal Bank of Canada	Aa3 AA- AA
MRB 2005 C	10,500,000	05/27/2010	3.345%	64.8% of 3-mo. LIBOR +.22%	(760,229)	07/01/2035	Royal Bank of Canada	Aa3 AA- AA
MRB 2006 C	20,000,000	02/28/2006	4.184%	64% of 1-mo. LIBOR +.29%	(2,462,255)	07/01/2036	Morgan Stanley Capital Services	Baa1 A- A
MRB 2006 F	20,000,000	07/18/2006	4.430%	64% of 1-mo. LIBOR +.29%	(2,763,237)	07/01/2037	Bank of America, N.A.	A3 A A
MRB 2006 G	16,105,000	07/18/2006	3.833%	64% of 1-mo. LIBOR +.19%	(2,328,966)	07/01/2016	Merrill Lynch Capital Services	Baa2 A- A
MRB 2007 E	30,000,000	07/31/2007	4.388%	64% of 1-mo. LIBOR +.29%	(4,945,727)	07/01/2038	JP Morgan Chase Bank, N.A.	Aa3 A+ A+
MRB 2007 H	30,000,000	11/20/2007	4.060%	64% of 1-mo. LIBOR +.30%	(4,643,513)	07/01/2038	Merrill Lynch Capital Services	Baa2 A- A
MRB 2008 C	35,000,000	02/26/2008	3.747%	64% of 1-mo. LIBOR +.30%	(4,701,026)	07/01/2038	Bank of America, N.A.	A3 A A
MRB 2008 F	35,000,000	05/13/2008	3.738%	64% of 1-mo. LIBOR +.31%	(4,178,332)	07/01/2039	Bank of America, N.A.	A3 A A
MRB 2008 I	34,650,000	08/26/2008	3.723%	64% of 1-mo. LIBOR +.31%	(5,253,219)	07/01/2037	Bank of America, N.A.	A3 A A
	<u>\$ 305,370,000</u>				<u>\$(37,196,930)</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 January 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

Notes to the Financial Statements (Continued)  
June 30, 2012

(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, do not offset the variable rates paid on the bonds. As of June 30, 2012, the one month LIBOR rate was 0.24525% and the three month LIBOR rate was 0.46060%. OHCS D's variable interest rates as of June 30, 2012 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, 2012, 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		
2013	\$ 190,000	\$ 1,027,266	\$ 10,513,691	\$ 11,730,957
2014	200,000	678,177	10,527,157	11,405,334
2015	205,000	677,497	10,520,235	11,402,732
2016	215,000	676,792	10,513,053	11,404,845
2017	220,000	676,053	10,221,562	11,117,615
2018-2022	3,415,000	3,366,758	49,579,576	56,361,334
2023-2027	20,620,000	3,242,446	48,021,918	71,884,364
2028-2032	112,885,000	2,573,757	39,848,696	155,307,453
2033-2037	130,435,000	1,174,332	17,956,617	149,565,949
2038-2042	33,840,000	174,533	2,185,106	36,199,639
2043-2047	3,145,000	27,449	279,667	3,452,116
Total	\$ 305,370,000	\$ 14,295,060	\$ 210,167,278	\$ 529,832,338

**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) is 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, 2012 of swaps that include these provisions is \$(30,876,793). At June 30, 2012 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 \$320,255,000 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



Notes to the Financial Statements (Continued)  
June 30, 2012

rate in accordance with the standby bond purchase agreement. The maximum rate is 12% (Bank of America, N. A., State Street Bank and Trust Company, and JPMorgan Chase Bank, National Association). 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 is 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 JPMorgan Chase Bank, National Association). There were no bank bonds on June 30, 2012.

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	\$ 14,115,000	Bank of America, N.A.	08/27/2014	0.8000%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.08%
MRB 2003 L	15,000,000	State Street Bank and Trust Company	11/01/2014	0.8000%	J.P. Morgan Securities, LLC	0.07%
MRB 2004 C	15,000,000	State Street Bank and Trust Company	11/01/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2004 I	15,000,000	State Street Bank and Trust Company	11/01/2014	0.8000%	J.P. Morgan Securities, LLC	0.07%
MRB 2004 L	15,000,000	State Street Bank and Trust Company	11/01/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2005 C	10,500,000	State Street Bank and Trust Company	11/01/2014	0.8000%	J.P. Morgan Securities, LLC	0.07%
MRB 2005 F	14,885,000	State Street Bank and Trust Company	11/01/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 C	20,000,000	State Street Bank and Trust Company	11/01/2014	0.8000%	J.P. Morgan Securities, LLC	0.07%
MRB 2006 F	20,000,000	State Street Bank and Trust Company	11/01/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 G	16,105,000	State Street Bank and Trust Company	11/01/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2007 E	30,000,000	JPMorgan Chase, National Association	12/31/2014	0.8500%	J.P. Morgan Securities, LLC	0.07%
MRB 2007 H	30,000,000	JPMorgan Chase, National Association	12/31/2014	0.8500%	J.P. Morgan Securities, LLC	0.07%
MRB 2008 C	35,000,000	JPMorgan Chase, National Association	12/31/2014	0.8500%	J.P. Morgan Securities, LLC	0.07%
MRB 2008 F	35,000,000	JPMorgan Chase, National Association	12/31/2014	0.8500%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.07%
MRB 2008 I	34,650,000	JPMorgan Chase, National Association	12/31/2014	0.8500%	Merrill Lynch, Pierce, Fenner & Smith Inc.	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 the trust estate specifically pledged to each bond issue. As of June 30, 2012, the total aggregate amount of Housing Development Revenue Bonds outstanding is \$203,214,606. 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

OHCS D issues revenue bonds to finance mortgage loans. Summary financial information for OHCS D's revenue bonds is presented below and on the next page:

	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	\$ -	\$ 5,425	\$ -	\$ -
Other Current Assets	36,759,806	24,008,211	8,317,656	1,243,674
Noncurrent Assets	952,929,511	166,298,764	178,437,044	10,304,543
Deferred Outflows	35,822,520	-	1,374,410	-
Total Assets and Deferred Outflows	1,025,511,837	190,312,400	188,129,110	11,548,217



Notes to the Financial Statements (Continued)  
June 30, 2012

	Mortgage Revenue Bonds	Housing Revenue Bonds	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds
<b>Liabilities</b>				
Other Current Liabilities	21,764,906	23,699,229	7,490,242	1,158,169
Noncurrent Liabilities	913,007,707	163,635,609	156,089,353	2,642,864
Total Liabilities	934,772,613	187,334,838	163,579,595	3,801,033
<b>Net Assets</b>				
Restricted by Trust Indentures	90,739,224	2,977,562	24,549,515	7,747,184
Total Net Assets	\$ 90,739,224	\$ 2,977,562	\$ 24,549,515	\$ 7,747,184

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

Operating Revenues	\$ 50,555,092	\$ 4,847,154	\$ 12,215,918	\$ 419,681
Operating Expenses	(46,374,978)	(5,688,936)	(7,945,327)	(369,225)
Operating Income (Loss)	4,180,114	(841,782)	4,270,591	50,456
Transfers In	900,000	1,629,777	390,000	-
Transfers Out	(2,694,140)	-	(1,000,000)	(1,769,898)
Change in Net Assets	2,385,974	787,995	3,660,591	(1,719,442)
Beginning Net Assets	88,353,250	2,189,567	20,888,924	9,466,626
Ending Net Assets	\$ 90,739,224	\$ 2,977,562	\$ 24,549,515	\$ 7,747,184

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by:				
Operating Activities	\$ 150,900,034	\$ (60,762,168)	\$ 15,527,610	\$ 2,510,706
Noncapital Financing Activities	(143,996,416)	25,918,763	(18,276,789)	(3,135,954)
Investing Activities	9,599,124	47,514,089	4,519,680	957,079
Net Increase (Decrease)	16,502,742	12,670,684	1,770,501	331,831
Beginning Cash and Cash Equivalents	16,006,128	491,848	1,332,952	276,841
Ending Cash and Cash Equivalents	\$ 32,508,870	\$ 13,162,532	\$ 3,103,453	\$ 608,672

**NOTE 12. Restricted Assets**

Restricted asset account balances are as follows:

Purpose:	Elderly and Disabled Housing Fund	Housing Finance Fund
Loan Acquisition	\$ -	\$ 49,299,538
Current Debt Service	11,474,830	66,648,058
Future Debt Service	15,128,365	92,780,551
Debt Reserves	18,054,405	50,820,035
Insurance Reserves	-	22,157,850
Combined Program Account	-	16,042,289
Residential Assistance	-	2,421,369
Total	\$ 44,657,600	\$ 300,169,690
<b>Balance Sheet Amounts:</b>		
Restricted Cash and Cash Equivalents – Current	\$ 7,748,086	\$ -
Restricted Cash and Cash Equivalents – Noncurrent	20,321,673	50,530,406
Restricted Investments – Current	-	52,103,599
Restricted Investments – Noncurrent	16,587,841	197,535,685
Total	\$ 44,657,600	\$ 300,169,690

### **NOTE 13. Employee Retirement Plans**

The Oregon Public Employees Retirement System (PERS) provides retirement plans for OHCSO 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)

OHCSO'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 Pension has two tiers of benefits. Employees hired before January 1, 1996 are in Tier One. Tier One employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. Tier Two does not have the Tier One assumed earnings rate guarantee. 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). OHCSO 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 OHCSO does.

For the PERS Pension and the OPSRP Pension, OHCSO 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 was 9.55%; and the OPSRP Pension Employer Rate was 8.05%.

Combined employer contributions for the years ended June 30, 2012, 2011, and 2010 were \$243,034, \$83,655, and \$79,506 respectively, equal to the required contributions each year.

Combined employee contributions for the years ended June 30, 2012, 2011, and 2010 were \$161,279, \$173,380, and \$209,287 respectively.

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

OHCSO'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.

OHCSO is required by statute to contribute actuarially computed amounts as determined by PERS. For Tier One and Tier Two members, OHCSO contributed 0.09% of PERS-covered salary to fund the normal cost portion of RHIA benefits. In addition, OHCSO contributed an additional 0.50% of all PERS-covered salary to amortize the unfunded actuarial accrued liability. These rates are embedded within the total PERS and OPSRP Pension Employer Rates.

OHCSO's contributions for the years ended June 30, 2012, 2011, and 2010, were approximately \$15,039, \$8,214, and \$9,135, respectively. The actual contribution equaled the annual required contribution in each fiscal 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.

OHCSO is required by statute to contribute actuarially computed amounts as determined by PERS. For Tier One and Tier Two members, OHCSO contributed 0.05% of PERS-covered salary to fund the normal cost portion of RHIPA benefits. In addition, OHCSO contributed an additional 0.11% of all PERS-covered salary to amortize the unfunded actuarial accrued liability. These rates are embedded within the total PERS and OPSRP Pension Employer Rates.

OHCSO's contributions for the years ended June 30, 2012, 2011, and 2010, were approximately \$3,845, \$1,965, and \$2,202, respectively. The actual contribution equaled the annual required contribution in each fiscal year.

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. PEBB does not issue a separate, publicly available financial report.

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 loans in the Single-Family Mortgage Program totaling \$19,430,725.

**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 July 1, 2012, OHCSO terminated notional amounts of swaps related to Mortgage Revenue Bonds 2004 Series C and Mortgage Revenue Bonds 2004 Series I by \$690,000 and \$160,000, respectively. These terminations were made pursuant to optional par termination provisions included in each of these swap agreements.

On July 1, 2012, OHCSO called the following Mortgage Revenue Bonds prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>		<u>Amount Called</u>
2001 Series C	\$ 55,000	2003 Series K	\$ 5,000	2006 Series J	\$ 775,000
2001 Series J	175,000	2004 Series A	455,000	2006 Series K	440,000
2001 Series L	40,000	2004 Series B	365,000	2007 Series A	955,000
2001 Series Q	225,000	2004 Series H	395,000	2007 Series B	555,000
2001 Series R	90,000	2004 Series J	35,000	2007 Series C	1,515,000
2002 Series A	265,000	2004 Series K	585,000	2007 Series D	745,000
2002 Series B	145,000	2004 Series M	85,000	2007 Series F	1,750,000
2002 Series F	220,000	2004 Series N	115,000	2007 Series G	465,000
2002 Series G	300,000	2005 Series A	315,000	2008 Series A	725,000
2002 Series H	330,000	2005 Series D	725,000	2008 Series B	1,115,000
2002 Series I	120,000	2006 Series A	1,200,000	2008 Series D	870,000
2002 Series M	190,000	2006 Series B	385,000	2008 Series E	2,230,000
2002 Series N	130,000	2006 Series D	900,000	2008 Series G	1,090,000
2003 Series A	325,000	2006 Series E	430,000	2010 Series A	690,000
2003 Series E	515,000	2006 Series H	470,000	2010 Series B	1,890,000
2003 Series J	625,000	2006 Series I	285,000	2010 Series C	355,000

On July 1, 2012, OHCSO called the following Housing Revenue Bonds prior to maturity:

	<u>Amount Called</u>
2009 Series A-2	\$ 10,000
2011 Series A	5,000

Notes to the Financial Statements (Continued)  
June 30, 2012

On October 1, 2012, OHCSD called the following Mortgage Revenue Bonds prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>		<u>Amount Called</u>
2001 Series C	\$ 55,000	2004 Series G	\$ 440,000	2006 Series J	\$ 190,000
2001 Series J	40,000	2004 Series H	720,000	2006 Series K	1,015,000
2001 Series Q	180,000	2004 Series J	60,000	2007 Series A	135,000
2001 Series R	65,000	2004 Series K	760,000	2007 Series B	1,240,000
2002 Series A	315,000	2004 Series M	280,000	2007 Series C	695,000
2002 Series B	195,000	2004 Series N	270,000	2007 Series D	1,865,000
2002 Series F	195,000	2005 Series A	40,000	2007 Series F	45,000
2002 Series G	260,000	2005 Series B	520,000	2007 Series G	1,600,000
2002 Series H	675,000	2005 Series D	145,000	2008 Series A	25,000
2002 Series I	245,000	2005 Series E	835,000	2008 Series B	1,860,000
2002 Series M	390,000	2006 Series B	525,000	2008 Series D	325,000
2002 Series N	280,000	2006 Series D	285,000	2008 Series E	2,720,000
2003 Series A	465,000	2006 Series E	1,075,000	2008 Series G	770,000
2003 Series E	415,000	2006 Series H	155,000	2010 Series B	2,645,000
2003 Series J	700,000	2006 Series I	945,000	2010 Series C	370,000
2004 Series A	750,000				

On October 1, 2012, OHCSD called the following Housing Revenue Bonds prior to maturity:

	<u>Amount Called</u>
2009 Series A-1	\$ 120,000
2009 Series A-2	290,000
2009 Series A-3	120,000
2010 Series A	60,000
2011 Series A	175,000
2011 Series B	75,000

On October 1, 2012, OHCSD called the following Multiple Purpose Bonds prior to maturity:

	<u>Amount Called</u>
2005 Series A	\$ 910,000

On October 31, 2012, OHCSD issued the following Multifamily Housing Revenue Bonds:

	<u>Amount Issued</u>
2012 Series A	\$ 1,425,000
2012 Series B	35,335,000

On October 31, 2012, OHCSD distributed notices to call, on November 30, 2012, the following Multifamily Housing Revenue Bonds prior to maturity:

	<u>Amount Called</u>
2001 Series A	\$ 1,435,000
2001 Series B	29,085,000
2002 Series A	6,440,000



# Supplementary Information

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Balance Sheet - Housing Finance Fund  
June 30, 2012

	<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	\$ -	\$ -	\$ -	\$ -
Investments - Restricted	20,249,801	23,454,554	7,307,805	1,091,439
Securities Lending Cash Collateral	1,187,791	61,164	180,676	66,624
Accounts Receivable	-	-	-	-
Accrued Interest Receivable	4,682,179	492,493	829,175	85,611
Interfund Receivable	-	5,425	-	-
Prepaid Expenses	-	-	-	-
Acquired Property	10,640,035	-	-	-
<b>Total Current Assets</b>	<b>36,759,806</b>	<b>24,013,636</b>	<b>8,317,656</b>	<b>1,243,674</b>
<b>Noncurrent Assets</b>				
Cash & Cash Equivalents - Restricted	32,508,870	13,162,532	3,103,453	608,672
Investments - Restricted	117,403,371	37,016,388	18,927,870	6,871,277
Deferred Charges	5,661,204	1,183,960	1,727,313	16,067
Loans Receivable (Net)	797,356,066	114,935,884	154,678,408	2,808,527
Capital Assets (Net)	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>952,929,511</b>	<b>166,298,764</b>	<b>178,437,044</b>	<b>10,304,543</b>
<b>Deferred Outflows</b>	<b>35,822,520</b>	<b>-</b>	<b>1,374,410</b>	<b>-</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,025,511,837</b>	<b>\$ 190,312,400</b>	<b>\$ 188,129,110</b>	<b>\$ 11,548,217</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 299,074	\$ 181,755	\$ 1,760	\$ 106
Accrued Interest Payable	18,979,801	2,429,554	3,607,806	66,439
Obligations Under Securities Lending	1,187,791	61,164	180,676	66,624
Interfund Payable	-	-	-	-
Deferred Income	28,240	1,756	-	-
Compensated Absences Payable	-	-	-	-
Bonds Payable	1,270,000	21,025,000	3,700,000	1,025,000
<b>Total Current Liabilities</b>	<b>21,764,906</b>	<b>23,699,229</b>	<b>7,490,242</b>	<b>1,158,169</b>
<b>Noncurrent Liabilities</b>				
Compensated Absences Payable	-	-	-	-
Bonds Payable	877,185,187	163,635,609	154,714,943	2,564,751
Swap Fair Value Liability	35,822,520	-	1,374,410	-
Arbitrage Rebate Liability	-	-	-	78,113
Loans Payable	-	-	-	-
Net OPEB Obligation	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>913,007,707</b>	<b>163,635,609</b>	<b>156,089,353</b>	<b>2,642,864</b>
<b>Total Liabilities</b>	<b>934,772,613</b>	<b>187,334,838</b>	<b>163,579,595</b>	<b>3,801,033</b>
<b>Net Assets</b>				
Invested in Capital Assets	-	-	-	-
Restricted by Residential Assistance	-	-	-	-
Restricted by Trust Indentures	90,739,224	2,977,562	24,549,515	7,747,184
Unrestricted	-	-	-	-
<b>Total Net Assets</b>	<b>90,739,224</b>	<b>2,977,562</b>	<b>24,549,515</b>	<b>7,747,184</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,025,511,837</b>	<b>\$ 190,312,400</b>	<b>\$ 188,129,110</b>	<b>\$ 11,548,217</b>



Combined Program Account	Housing Finance Account	Total
\$ -	\$ 5,746,697	\$ 5,746,697
-	-	52,103,599
-	793,615	2,289,870
-	183,337	183,337
119,382	146,604	6,355,444
-	11,434	16,859 **
-	44,401	44,401
-	-	10,640,035
119,382	6,926,088	77,380,242
84,418	1,062,461	50,530,406
15,957,871	1,358,908	197,535,685
-	-	8,588,544
-	3,537,745	1,073,316,630
-	11,074	11,074
16,042,289	5,970,188	1,329,982,339
-	-	37,196,930
\$ 16,161,671	\$ 12,896,276	\$ 1,444,559,511
\$ -	\$ 399,491	\$ 882,186
-	12,113	25,095,713
-	793,615	2,289,870
-	5,425	5,425 **
-	1,207,379	1,237,375
-	114,773	114,773
-	-	27,020,000
-	2,532,796	56,645,342
-	59,125	59,125
-	-	1,198,100,490
-	-	37,196,930
-	-	78,113
-	1,500,000	1,500,000
-	58,102	58,102
-	1,617,227	1,236,992,760
-	4,150,023	1,293,638,102
-	11,074	11,074
-	2,581,560	2,581,560
16,161,671	-	142,175,156
-	6,153,619	6,153,619
16,161,671	8,746,253	150,921,409
\$ 16,161,671	\$ 12,896,276	\$ 1,444,559,511

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling \$5,425 are not included in the Balance Sheet.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets -  
Housing Finance Fund  
For the Year Ended June 30, 2012

	<u>Single-Family Mortgage Program</u>		Multifamily	
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds	Multiple Purpose Bonds
<b>Operating Revenues</b>				
Interest on Loans	\$ 44,406,133	\$ 3,917,246	\$ 9,670,776	\$ 300,562
Investment Income	6,132,036	929,908	2,376,981	119,119
Administrative Charges and Fees	-	-	168,161	-
Low Income Housing Tax Credit Fees	-	-	-	-
Transfer/Commitment Fees	-	-	-	-
Miscellaneous Revenue	16,923	-	-	-
<b>Total Operating Revenues</b>	<b>50,555,092</b>	<b>4,847,154</b>	<b>12,215,918</b>	<b>419,681</b>
<b>Operating Expenses</b>				
Personal Services	-	-	-	-
Services and Supplies	174,031	(7,003)	387,783	(1,000)
Mortgage Service Fees	3,096,823	342,806	24,973	2,402
Foreclosure Costs	1,410,714	-	-	-
Interest Expense - Bonds	40,076,949	4,345,442	7,332,831	152,836
Interest Expense - Loans	-	-	-	-
Interest Expense - Securities Lending	10,658	396	1,282	234
Other Related Program Expenses	(1,059,523)	916,137	95,019	211,533
Loss on Sale of Foreclosed Property	246,378	-	-	-
Amortization of Deferred Bond Issuance Costs	439,489	91,158	118,573	8,271
Depreciation/Amortization	-	-	-	-
Bad Debt Expense	1,979,459	-	(15,134)	(5,051)
<b>Total Operating Expenses</b>	<b>46,374,978</b>	<b>5,688,936</b>	<b>7,945,327</b>	<b>369,225</b>
<b>Operating Income (Loss)</b>	<b>4,180,114</b>	<b>(841,782)</b>	<b>4,270,591</b>	<b>50,456</b>
Transfers from Other Funds	900,000	1,629,777	390,000	-
Transfers to Other Funds	(2,694,140)	-	(1,000,000)	(1,769,898)
Transfers to Other State Agencies	-	-	-	-
<b>Change in Net Assets</b>	<b>2,385,974</b>	<b>787,995</b>	<b>3,660,591</b>	<b>(1,719,442)</b>
<b>Net Assets - Beginning</b>	<b>88,353,250</b>	<b>2,189,567</b>	<b>20,888,924</b>	<b>9,466,626</b>
<b>Net Assets - Ending</b>	<b>\$ 90,739,224</b>	<b>\$ 2,977,562</b>	<b>\$ 24,549,515</b>	<b>\$ 7,747,184</b>

Combined Program Account	Housing Finance Account	Total
\$ -	\$ 159,302	\$ 58,454,019
1,365,269	63,321	10,986,634
-	762,214	930,375
-	1,968,720	1,968,720
-	503,495	503,495
-	79,671	96,594
1,365,269	3,536,723	72,939,837
-	3,107,807	3,107,807
-	1,838,092	2,391,903
-	-	3,467,004
-	-	1,410,714
-	-	51,908,058
-	48,801	48,801
-	1,730	14,300
-	1,794,835	1,958,001
-	-	246,378
-	-	657,491
-	934	934
-	(3,613)	1,955,661
-	6,788,586	67,167,052
1,365,269	(3,251,863)	5,772,785
-	5,581,854	8,501,631 **
-	(2,919,777)	(8,383,815) **
-	(126,475)	(126,475)
1,365,269	(716,261)	5,764,126
14,796,402	9,462,514	145,157,283
\$ 16,161,671	\$ 8,746,253	\$ 150,921,409

\*\* Transfers within the Housing Finance Fund totaling \$8,383,815 are not included in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Statement of Cash Flows - Housing Finance Fund  
For the Year Ended June 30, 2012

	<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	\$ -	\$ (5,425)	168,161
Program Loan Principal Repayments	113,730,456	2,361,487	9,161,550
Program Loan Interest Received	44,894,647	3,675,518	9,719,555
Program Loans Made	(10,346,117)	(65,515,399)	(3,107,838)
Payments to Employees for Services	-	-	-
Payments to Suppliers for Goods and Services	(3,319,998)	(322,636)	(413,818)
Other Receipts (Payments)	5,941,046	(955,713)	-
<b>Net Cash Provided (Used) in Operating Activities</b>	150,900,034	(60,762,168)	15,527,610
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Bond Sales	-	28,790,153	-
Principal Payments on Bonds	(99,715,000)	(1,130,000)	(10,260,000)
Interest Payments on Bonds	(42,479,111)	(2,892,449)	(7,404,506)
Bond Issue Costs	-	(486,883)	(2,283)
Interest Payments on Loans	-	-	-
Transfers from Other Funds	900,000	1,637,942	390,000
Transfers to Other Funds	(2,702,305)	-	(1,000,000)
Transfers to Other State Agencies	-	-	-
<b>Net Cash Provided (Used) in Noncapital Financing Activities</b>	(143,996,416)	25,918,763	(18,276,789)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	-	-	-
<b>Net Cash Provided (Used) in Capital and Related Financing Activities</b>	-	-	-
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	(92,451,463)	(604,642,377)	(15,631,952)
Proceeds from Sales and Maturities of Investments	98,616,812	651,757,236	19,608,954
Interest on Cash and Investments	3,433,775	399,230	542,678
Investment Income on Securities Lending	10,658	396	1,282
Interest Paid on Securities Lending	(10,658)	(396)	(1,282)
<b>Net Cash Provided (Used) in Investing Activities</b>	9,599,124	47,514,089	4,519,680
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	16,502,742	12,670,684	1,770,501
<b>Cash and Cash Equivalents Balance - Beginning</b>	16,006,128	491,848	1,332,952
<b>Cash and Cash Equivalents Balance - Ending</b>	\$ 32,508,870	\$ 13,162,532	\$ 3,103,453
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted (Noncurrent)	32,508,870	13,162,532	3,103,453
<b>Total Cash and Cash Equivalents</b>	\$ 32,508,870	\$ 13,162,532	\$ 3,103,453

Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total	
\$ -	\$ -	\$ 3,490,052	\$ 3,652,788	
2,403,601	-	2,238,307	129,895,401	
319,475	-	163,139	58,772,334	
-	-	(1,515,750)	(80,485,104)	
-	-	(3,138,344)	(3,138,344)	
(2,472)	-	(1,983,177)	(6,042,101)	
(209,898)	-	(1,478,810)	3,296,625	
2,510,706	-	(2,224,583)	105,951,599	
-	-	-	28,790,153	
(1,200,000)	-	-	(112,305,000)	
(166,056)	-	-	(52,942,122)	
-	-	-	(489,166)	
-	-	(48,946)	(48,946)	
-	-	5,581,854	8,509,796	**
(1,769,898)	-	(2,919,777)	(8,391,980)	**
-	-	(126,509)	(126,509)	
(3,135,954)	-	2,486,622	(137,003,774)	
-	-	(12,008)	(12,008)	
-	-	(12,008)	(12,008)	
(2,731,740)	(8,410,285)	(1,258,353)	(725,126,170)	
3,388,601	7,976,292	1,072,000	782,419,895	
300,218	479,701	56,385	5,211,987	
234	-	1,730	14,300	
(234)	-	(1,730)	(14,300)	
957,079	45,708	(129,968)	62,505,712	
331,831	45,708	120,063	31,441,529	
276,841	38,710	6,689,095	24,835,574	
\$ 608,672	\$ 84,418	\$ 6,809,158	\$ 56,277,103	
\$ -	\$ -	\$ 5,746,697	\$ 5,746,697	
608,672	84,418	1,062,461	50,530,406	
\$ 608,672	\$ 84,418	\$ 6,809,158	\$ 56,277,103	

\*\* Transfers within the Housing Finance Fund totaling \$8,391,980 are not included in the Statement of Cash Flows.

Continued on the next page

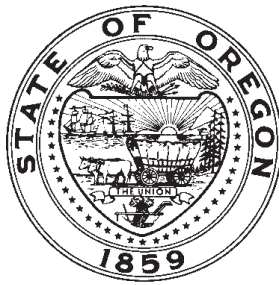
OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Statement of Cash Flows - Housing Finance Fund  
For the Year Ended June 30, 2012

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)	\$ 4,180,114	\$ (841,782)	\$ 4,270,591
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>			
Depreciation/Amortization	-	-	-
Amortization of Deferred Bond Issuance Costs	439,489	91,158	118,573
Investment Income Reported as Operating Revenue	(6,132,036)	(929,908)	(2,376,981)
Interest Expense Reported as Operating Expense	40,087,607	4,345,838	7,334,113
Bond Call Expenses	(1,134,218)	(3,043)	95,019
<i>(Increase)/Decrease in Assets:</i>			
Loan Interest Receivable	605,326	(242,113)	48,779
Accounts Receivable	2,408	-	-
Interfund Receivable	4,832	(5,384)	-
Prepaid Expenses	-	-	-
Loans Receivable (Net)	112,967,868	(63,155,283)	6,038,578
Acquired Property	(46,665)	-	-
<i>Increase/(Decrease) in Liabilities:</i>			
Accounts Payable	(76,848)	13,168	(1,062)
Interfund Payable	(41)	(36,575)	-
Deferred Income	2,198	1,756	-
Compensated Absences Payable	-	-	-
Net OPEB Obligation	-	-	-
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$ 150,900,034</b>	<b>\$ (60,762,168)</b>	<b>\$ 15,527,610</b>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Net Change in Fair Value of Investments	\$ 3,944,266	\$ 597,259	\$ 1,837,223
Foreclosed Property	24,098,518	-	-
Loan Modifications	119,010	1,371	-
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b>\$ 28,161,794</b>	<b>\$ 598,630</b>	<b>\$ 1,837,223</b>

Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ 50,456	\$ 1,365,269	\$ (3,251,863)	\$ 5,772,785
-	-	934	934
8,271	-	-	657,491
(119,119)	(1,365,269)	(63,321)	(10,986,634)
153,070	-	50,531	51,971,159
1,635	-	-	(1,040,607)
19,799	-	3,836	435,627
-	-	23,679	26,087
-	-	21,561	21,009 **
-	-	(42,501)	(42,501)
2,398,550	-	718,944	58,968,657
-	-	-	(46,665)
(1,070)	-	111,945	46,133
-	-	5,425	(31,191) **
(886)	-	202,312	205,380
-	-	(15,590)	(15,590)
-	-	9,525	9,525
\$ 2,510,706	\$ -	\$ (2,224,583)	\$ 105,951,599
\$ (101,787)	\$ 944,212	\$ 5,421	\$ 7,226,594
-	-	-	24,098,518
-	-	-	120,381
\$ (101,787)	\$ 944,212	\$ 5,421	\$ 31,445,493

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling an increase of \$31,191 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

	2012	2011	2010	2009
<b>Assets and Deferred Outflows</b>				
Cash and Cash Equivalents	\$ 5,746,697	\$ 5,873,763	\$ 4,367,875	\$ 5,917,589
Cash and Cash Equivalents - Restricted	78,600,165	54,144,451	91,492,695	93,518,300
Investments - Restricted	266,227,125	320,169,513	352,352,552	278,734,777
Securities Lending Cash Collateral	5,600,831	18,153,910	37,016,172	44,918,260
Accounts Receivable	183,337	1,404,790	165,054	21,174
Accrued Interest Receivable	7,336,307	7,708,720	8,280,181	8,573,207
Prepaid Expenses	44,401	1,900	-	-
Acquired Property	10,640,035	10,783,923	8,049,817	1,660,608
Deferred Charges	9,522,524	10,526,280	11,128,757	12,594,903
Loans Receivable (Net)	1,223,594,532	1,288,879,901	1,327,271,965	1,416,942,114
Capital Assets (Net)	11,074	-	2,604	3,538
Deferred Outflows	37,196,930	25,409,179	31,208,266	-
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,644,703,958</b>	<b>\$ 1,743,056,330</b>	<b>\$ 1,871,335,938</b>	<b>\$ 1,862,884,470</b>
<b>Liabilities</b>				
Accounts Payable	\$ 920,629	\$ 757,774	\$ 1,040,636	\$ 934,509
Accrued Interest Payable	27,843,800	28,943,961	32,391,722	35,717,572
Obligations Under Securities Lending	5,600,831	18,153,910	37,016,172	44,918,260
Due to Other Governments	-	-	-	75,000
Matured Bonds and Interest Payable	-	-	-	5,145
Deferred Income	1,250,739	1,045,713	914,354	963,134
Compensated Absences Payable	208,313	246,027	346,874	394,674
Bonds Payable	1,349,497,180	1,456,870,106	1,560,048,696	1,583,757,344
Swap Fair Value Liability	37,196,930	25,409,179	31,208,266	-
Arbitrage Rebate Liability	482,076	102,194	85,740	1,202,460
Loans Payable	1,500,000	1,500,000	1,500,000	1,500,000
Net OPEB Obligation	75,366	66,597	59,529	50,109
<b>Total Liabilities</b>	<b>\$ 1,424,575,864</b>	<b>\$ 1,533,095,461</b>	<b>\$ 1,664,611,989</b>	<b>\$ 1,669,518,207</b>
<b>Net Assets</b>				
Invested in Capital Assets	\$ 11,074	\$ -	\$ 2,604	\$ 3,538
Restricted for Residential Assistance	2,581,560	2,219,237	1,835,608	1,540,902
Restricted by Trust Indentures	211,381,841	200,498,355	199,185,070	185,650,034
Unrestricted	6,153,619	7,243,277	5,700,667	6,171,789
<b>Total Net Assets</b>	<b>\$ 220,128,094</b>	<b>\$ 209,960,869</b>	<b>\$ 206,723,949</b>	<b>\$ 193,366,263</b>

Unaudited

2008	2007	2006	2005	2004	2003
\$ 9,535,291	\$ 7,012,746	\$ 4,606,282	\$ 5,386,744	\$ 3,856,659	\$ 4,123,840
58,962,599	70,430,213	69,408,645	72,302,891	73,104,838	66,599,975
444,075,698	578,490,370	712,791,097	829,746,883	797,367,789	734,007,673
27,937,118	25,836,141	9,253,194	11,809,193	35,166,002	9,201,365
68,910	42,246	65,160	91,840	36,279	214,251
8,535,261	7,332,201	6,717,595	7,663,814	9,792,224	7,268,314
-	-	-	-	7,600	169
650,178	305,365	370,188	1,274,752	2,010,283	2,485,589
13,407,623	12,097,666	11,538,403	12,506,193	12,551,858	14,215,636
1,381,957,882	1,159,044,260	1,076,206,182	1,038,932,304	974,766,986	1,016,408,800
4,822	22,101	38,262	58,222	144,792	157,212
-	-	-	-	-	-
\$ 1,945,135,382	\$ 1,860,613,309	\$ 1,890,995,008	\$ 1,979,772,836	\$ 1,908,805,310	\$ 1,854,682,824
\$ 1,250,330	\$ 711,347	\$ 910,893	\$ 809,374	\$ 1,567,117	\$ 1,017,577
34,981,663	30,721,560	30,037,256	34,763,251	32,206,359	35,221,084
27,937,118	25,836,141	9,253,194	11,809,193	35,166,002	9,201,365
-	-	-	-	-	-
25,580	114,659	67,269	116,063	157,106	480,540
884,057	237,243	32,235	22,840	29,948	35,926
271,419	280,383	234,026	284,300	300,154	296,259
1,687,835,004	1,626,193,952	1,686,591,346	1,767,850,894	1,680,431,309	1,635,954,116
-	-	-	-	-	-
3,397,237	2,690,820	823,863	219,184	595,301	2,082,620
1,500,000	1,500,000	1,500,000	4,421,200	5,716,450	3,891,071
27,521	-	-	-	-	-
\$ 1,758,109,929	\$ 1,688,286,105	\$ 1,729,450,082	\$ 1,820,296,299	\$ 1,756,169,746	\$ 1,688,180,558
\$ 4,822	\$ 22,101	\$ 38,262	\$ 58,222	\$ 144,792	\$ 157,212
1,700,405	1,741,444	1,546,849	1,545,107	1,547,749	1,994,293
176,322,945	161,115,591	154,284,714	152,183,757	147,604,729	159,853,666
8,997,281	9,448,068	5,675,101	5,689,451	3,338,294	4,497,095
\$ 187,025,453	\$ 172,327,204	\$ 161,544,926	\$ 159,476,537	\$ 152,635,564	\$ 166,502,266

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

	2012	2011	2010	2009
<b>Operating Revenues</b>				
Interest on Loans	\$ 68,917,920	\$ 72,357,706	\$ 79,035,078	\$ 82,876,589
Investment Income	13,938,305	3,319,834	11,813,383	13,333,320
Administrative Charges and Fees	1,095,375	2,968,510	3,606,275	649,210
Low Income Housing Tax Credit Fees	1,968,720	2,149,904	1,936,433	1,381,961
Transfer/Commitment Fees	503,495	728,323	182,855	801,746
Gain on Sale of Foreclosed Property	-	-	66,272	51,044
Miscellaneous Revenue	110,579	14,230	17,984	41,151
<b>Total Operating Revenues</b>	<b>86,534,394</b>	<b>81,538,507</b>	<b>96,658,280</b>	<b>99,135,021</b>
<b>Operating Expenses</b>				
Personal Services	4,091,672	4,194,543	4,959,949	5,127,493
Services and Supplies	2,753,928	3,600,289	3,663,290	3,312,232
Mortgage Service Fees	3,534,690	3,665,713	3,974,512	4,171,676
Foreclosure Costs	1,427,384	1,902,931	698,808	313,141
Interest Expense - Bonds	58,695,970	62,458,803	68,618,190	75,927,690
Interest Expense - Loans	48,801	48,814	49,624	57,417
Interest Expense - Securities Lending	20,787	79,233	81,219	838,652
Other Related Program Expenses	2,385,223	1,085,204	209,575	1,150,806
Loss on Sale of Foreclosed Property	276,931	259,296	-	-
Amortization of Deferred Bond Issuance Costs	752,880	884,674	937,454	905,772
Depreciation/Amortization	934	233	934	1,284
Bad Debt Expense	2,211,594	(54,028)	(100,788)	193,911
<b>Total Operating Expenses</b>	<b>76,200,794</b>	<b>78,125,705</b>	<b>83,092,767</b>	<b>92,000,074</b>
<b>Operating Income (Loss)</b>	<b>10,333,600</b>	<b>3,412,802</b>	<b>13,565,513</b>	<b>7,134,947</b>
<b>Nonoperating Revenue/(Expenses)</b>				
Gain/(Loss) on Disposition of Capital Assets	-	(2,371)	-	-
<b>Total Nonoperating Revenue/(Expenses)</b>	<b>-</b>	<b>(2,371)</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	(166,375)	(173,511)	(207,827)	(204,782)
Transfers from State General Fund	-	-	-	-
Transfers to State General Fund	-	-	-	(589,355)
<b>Total Transfers</b>	<b>(166,375)</b>	<b>(173,511)</b>	<b>(207,827)</b>	<b>(794,137)</b>
<b>Change in Net Assets</b>	<b>\$ 10,167,225</b>	<b>\$ 3,236,920</b>	<b>\$ 13,357,686</b>	<b>\$ 6,340,810</b>

					Unaudited
2008	2007	2006	2005	2004	2003
\$ 74,586,167	\$ 67,437,211	\$ 65,082,624	\$ 64,114,118	\$ 65,650,387	\$ 71,465,435
30,603,348	37,368,458	25,652,212	28,621,494	4,819,534	26,337,964
1,973,996	1,631,607	1,470,229	1,584,686	2,346,977	1,287,564
1,807,144	1,426,011	1,312,453	1,179,279	1,122,706	1,117,418
1,655,620	1,519,361	1,478,102	1,517,595	1,006,822	1,051,794
105,897	80,291	198,983	269,196	337,473	118,817
6,885	18,741	245,240	56,236	153,059	42,221
110,739,057	109,481,680	95,439,843	97,342,604	75,436,958	101,421,213
6,056,329	4,950,826	4,845,797	5,102,049	5,360,496	5,798,187
3,399,918	2,849,585	3,271,671	2,849,854	3,688,026	2,852,514
3,523,632	2,988,871	2,664,045	2,508,225	2,390,462	2,684,267
101,769	63,516	137,702	208,736	327,082	214,978
77,550,847	80,753,939	75,721,114	71,779,520	71,465,838	77,158,001
70,431	68,426	173,520	226,258	174,574	129,231
1,424,138	1,426,417	570,599	454,241	421,428	159,076
7,726,515	4,770,778	4,879,984	5,992,723	3,739,067	2,748,849
-	-	-	-	-	-
894,984	874,064	1,129,185	1,390,976	1,476,403	1,375,300
17,279	25,497	62,460	86,570	122,702	104,076
(77,802)	(72,517)	(84,623)	(97,521)	137,582	14,509
100,688,040	98,699,402	93,371,454	90,501,631	89,303,660	93,238,988
10,051,017	10,782,278	2,068,389	6,840,973	(13,866,702)	8,182,225
-	-	-	-	-	-
-	-	-	-	-	-
117,816	117,816	117,816	10,408,430	207,194	207,194
(117,816)	(117,816)	(117,816)	(10,408,430)	(207,194)	(207,194)
-	-	-	-	-	-
4,647,232	-	-	-	-	-
-	-	-	-	-	-
4,647,232	-	-	-	-	-
\$ 14,698,249	\$ 10,782,278	\$ 2,068,389	\$ 6,840,973	\$ (13,866,702)	\$ 8,182,225

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

Unaudited

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Overall Weighted Average Interest Rate	3.97%	4.65%	4.50%	5.49%	5.65%	5.70%	5.26%	5.15%	5.22%	5.64%
Elderly and Disabled Housing Program	-	5.97%	-	5.97%	5.97%	-	6.53%	6.00%	6.70%	6.12%
Mortgage Revenue Bonds	0.60%	0.91%	4.50%	5.44%	5.65%	5.70%	5.24%	5.09%	4.85%	5.46%
Housing Revenue Bonds	3.95%	4.46%	-	-	-	-	-	-	-	-
Multifamily Housing Revenue Bonds	6.25%	-	-	5.90%	5.90%	5.90%	5.90%	6.22%	6.31%	7.05%
Combined Program Account	-	-	-	-	-	-	6.40%	-	-	-
Housing Finance Account	-	-	-	-	-	-	1.00%	-	-	2.44%
Housing Finance Revenue Bonds *	-	-	-	-	-	-	4.80%	-	-	-

\* 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 2012			Fiscal Year 2003		
	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received
Emerald Pointe	1	\$ 1,072,128	1.56%			
Woodridge Apartments	2	973,693	1.41%			
Troutdale Terrace	3	868,787	1.26%	1	827,928	1.15%
Westridge Meadows Apartments	4	849,725	1.23%			
Willamette Gardens Apartments	5	834,082	1.21%			
Lake Crest Apartments	6	517,325	0.75%	2	674,598	0.94%
Gateway Park Apartments	7	405,712	0.59%			
Cascadia Village Retirement Center	8	391,894	0.57%	7	451,970	0.63%
Buckman Heights Apartments	9	352,365	0.51%	5	478,354	0.67%
Fifth Avenue Court Apartments	10	337,955	0.49%	8	414,945	0.58%
Park Tower Apartments				3	613,725	0.86%
The Hazelwood Apartments				4	533,285	0.74%
Fountain Plaza				6	464,266	0.65%
1200 Building Apartments				9	396,830	0.55%
Carmen Oaks Manor				10	378,410	0.53%
Total		\$ 6,603,666	9.58%		\$ 5,234,311	7.30%

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		
2012	\$ 124,985,000	\$ 1,218,500,000	\$ 1,500,000	\$ 1,344,985,000	0.92%	\$ 347
2011	146,945,000	1,303,345,000	1,500,000	1,451,790,000	1.04%	378
2010	173,125,000	1,379,395,000	1,500,000	1,554,020,000	1.15%	408
2009	182,890,000	1,391,095,000	1,500,000	1,575,485,000	1.12%	418
2008	190,315,000	1,485,191,011	1,500,000	1,677,006,011	1.25%	451
2007	199,730,000	1,418,318,301	1,500,000	1,619,548,301	1.27%	441
2006	199,580,000	1,481,303,110	1,500,000	1,682,383,110	1.43%	466
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%	475
2003	288,115,000	1,347,784,827	3,891,071	1,639,790,898	1.57%	467

<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				
2012	\$ 2,172,146,238	\$ 124,985,000	\$ 2,047,161,238	5.75%
2011	2,292,594,338	146,945,000	2,145,649,338	6.41%
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%
Revenue Bonds				
2012	\$ 2,500,000,000	\$ 1,218,500,000	\$ 1,281,500,000	48.74%
2011	2,500,000,000	1,303,345,000	1,196,655,000	52.13%
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%

Legal Debt Margin for Fiscal Year 2012

General Obligation Bonds

True cash value of all taxable property in the state	\$ 434,429,247,553
Debt Limit (0.5% of true cash value)	2,172,146,238
Less: Debt applicable to the limit (Elderly and Disabled Housing Bonds)	(124,985,000)
Legal Debt Margin	<u>\$ 2,047,161,238</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>
2011	3,871,859	\$ 145,299,628	\$ 37,527	9.5%
2010	3,838,332	137,820,653	35,906	10.7%
2009	3,808,600	133,907,191	35,159	11.1%
2008	3,768,748	140,975,982	37,407	6.5%
2007	3,722,417	133,821,268	35,950	5.2%
2006	3,670,883	127,403,090	34,706	5.3%
2005	3,613,202	117,634,076	32,557	6.2%
2004	3,569,463	112,973,834	31,650	7.3%
2003	3,547,376	108,486,910	30,582	8.1%
2002	3,513,424	104,689,803	29,797	7.6%

<sup>(1)</sup> Source: U.S. Department of Commerce Bureau of Economic Analysis (SA1 - 3) - <http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1&isuri=1&acrdn=4>

<sup>(2)</sup> Source: Oregon Employment Department - <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 2011		Calendar Year 2002		Change
	Number of Employees	Percent of Total	Number of Employees	Percent of Total	
Health Care and Social Assistance	256,708	11.55%	199,018	9.64%	28.99%
Retail Trade	230,165	10.36%	231,534	11.21%	-0.59%
Manufacturing	181,874	8.19%	212,297	10.28%	-14.33%
Accommodation and Food Services	157,452	7.09%	140,902	6.82%	11.75%
Professional, Scientific, and Technical Services	135,856	6.12%	111,219	5.39%	22.15%
Administrative and Support Services	109,807	4.94%	104,751	5.07%	4.83%
Real Estate and Rental and Leasing	104,442	4.70%	76,481	3.70%	36.56%
Construction	103,577	4.66%	115,273	5.58%	-10.15%
Finance and Insurance	93,747	4.22%	80,782	3.91%	16.05%
Wholesale Trade	81,906	3.69%	80,422	3.90%	1.85%
Farm Employment	69,012	3.11%	69,440	3.36%	-0.62%
Transportation and Warehousing	62,956	2.83%	63,036	3.05%	-0.13%
Educational Services	55,534	2.50%	36,835	1.78%	50.76%
Arts, Entertainment, and Recreation	53,558	2.41%	42,868	2.08%	24.94%
Information	39,548	1.78%	41,203	2.00%	-4.02%
Management of Companies and Enterprises	31,520	1.42%	26,761	1.30%	17.78%
Forestry, Fishing, and Related Activities	28,731	1.29%	30,433	1.47%	-5.59%
Waste Management and Remediation Services	5,411	0.24%	5,094	0.25%	6.22%
Mining	5,371	0.24%	3,074	0.15%	74.72%
Utilities	4,753	0.21%	5,336	0.26%	-10.93%
Other Services	115,152	5.18%	108,739	5.27%	5.90%
Federal Government (Civilian)	28,837	1.30%	29,009	1.41%	-0.59%
Military	12,391	0.56%	13,151	0.64%	-5.78%
State Government	73,219	3.30%	62,022	3.00%	18.05%
Local Government	180,275	8.11%	175,100	8.48%	2.96%
Total Employment	2,221,802	100.00%	2,064,780	100.00%	7.60%

Note: Due to confidentiality issues, the names of the ten principal employers are not available. The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

Source: U.S. Department of Commerce Bureau of Economic Analysis (SA25N) - <http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1&isuri=1&acrdn=4>

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Number of Employees

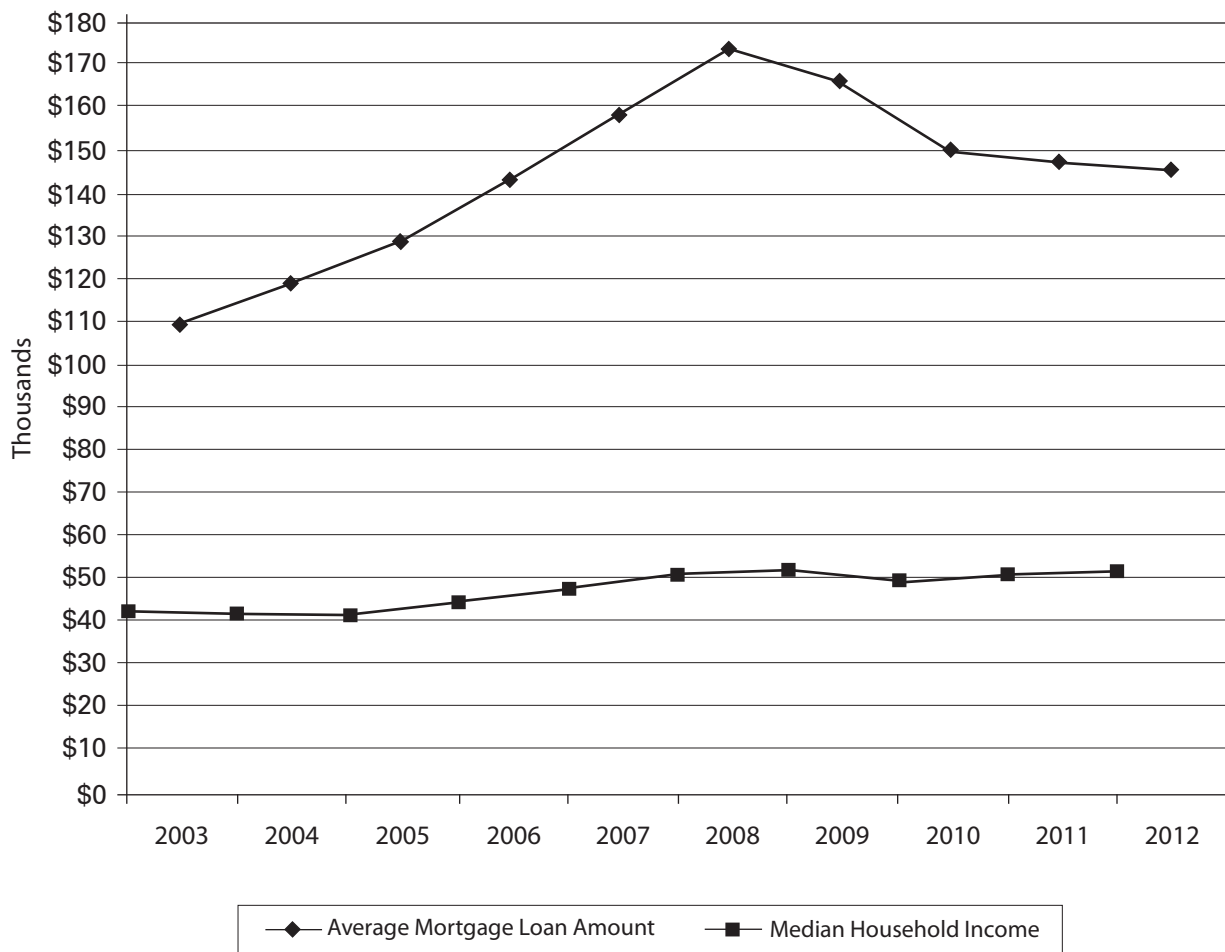
### Last Ten Fiscal Years

Unaudited

	Full-Time-Equivalent Employees as of June 30									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Director's Office	6.0	8.0	9.0	9.0	10.0	9.0	9.0	15.6	14.0	13.0
Policy, Strategy, & Community Engagement Division	15.0	-	-	-	-	-	-	-	-	-
Business Operations Division	46.8	-	-	-	-	-	-	-	-	-
Program Delivery Division	84.5	-	-	-	-	-	-	-	-	-
Community Resources Division	-	33.0	29.0	23.0	20.2	21.5	24.0	28.0	29.1	33.1
Housing Division	-	31.0	31.5	26.7	28.7	28.9	23.9	24.1	24.5	26.0
Asset & Property Management Division	-	30.0	32.0	31.0	31.0	28.0	29.5	29.5	29.5	30.0
Housing Stabilization Initiative Division	-	22.0	-	-	-	-	-	-	-	-
Financial Management Division	-	21.8	24.0	21.5	18.0	18.5	23.8	22.8	22.0	29.0
Information Services Division	-	15.0	11.9	12.8	13.3	18.0	17.9	19.6	18.5	20.0
Human Resources	-	3.0	3.0	2.0	4.0	2.0	4.0	3.5	3.5	3.0
Total	152.3	163.8	140.4	126.0	125.2	125.9	132.1	143.1	141.1	154.1

OHCS's divisions were reorganized in 2012

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



Fiscal Year	Average Loan Amount	Calendar Year	Median Household Income in the State of Oregon <sup>(1)</sup>
2012	\$ 145,888	2011	\$ 51,526
2011	146,924	2010	50,602
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

<sup>(1)</sup> Source: US Census Bureau (Table H-8) - <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

	2012	2011	2010	2009	2008
<b>Elderly and Disabled Housing Program:</b>					
Original Loan Amount	\$ -	\$ 19,782,736	\$ -	\$ 2,898,340	\$ 651,100
Average Loan Amount	-	19,782,736	-	579,668	651,100
Number of New Loans	-	1	-	5	1
Number of Units	-	144	-	83	15
<b>Single-Family Mortgage Program:</b>					
Original Loan Amount	\$ 75,861,516	\$ 56,271,932	\$ 25,660,493	\$ 138,570,444	\$ 321,315,907
Average Loan Amount	145,888	146,924	150,061	165,754	173,684
Number of New Loans	520	383	171	836	1,850
<b>Multifamily Housing Revenue Bonds:</b>					
Original Loan Amount	\$ 9,224,000	\$ -	\$ -	\$ 14,500,000	\$ 3,425,000
Average Loan Amount	9,224,000	-	-	14,500,000	3,425,000
Number of New Loans	1	-	-	1	1
Number of Units	239	-	-	240	64
<b>Multiple Purpose Bonds:</b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ -
Average Loan Amount	-	-	-	-	-
Number of New Loans	-	-	-	-	-
<b>Combined Program Account: *</b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ -
Average Loan Amount	-	-	-	-	-
Number of New Loans	-	-	-	-	-
Number of Units	-	-	-	-	-
<b>Housing Finance Account:</b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ -
Average Loan Amount	-	-	-	-	-
Number of New Loans	-	-	-	-	-

\* 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

2007	2006	2005	2004	2003
\$ -	\$ 974,300	\$ 670,695	\$ 3,305,750	\$ 2,619,450
-	324,767	670,695	826,438	436,575
-	3	1	4	6
-	28	15	130	110
\$ 189,306,233	\$ 164,755,476	\$ 186,092,283	\$ 124,615,859	\$ 110,737,283
158,415	143,390	128,606	118,569	109,208
1,195	1,149	1,447	1,051	1,014
\$ 4,525,000	\$ 900,000	\$ 10,460,000	\$ 38,225,000	\$ 14,250,000
4,525,000	900,000	5,230,000	12,741,667	14,250,000
1	1	2	3	1
97	24	241	636	276
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
\$ -	\$ 1,695,000	\$ -	\$ -	\$ -
-	847,500	-	-	-
-	2	-	-	-
-	60	-	-	-
\$ -	\$ 101,382	\$ -	\$ -	\$ 491,000
-	101,382	-	-	122,750
-	1	-	-	4

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Loans Outstanding - By Interest Rate

### Enterprise Funds

#### Current Year and Nine Years Ago

Unaudited

Interest Rate	Fiscal Year 2012				Fiscal Year 2003			
	Number of Loans	Percent	Principal Amount	Percent	Number of Loans	Percent	Principal Amount	Percent
0.00 - 4.99%	2,856	35.86%	\$ 359,242,026	29.30%	422	4.99%	\$ 62,091,152	6.10%
5.00 - 5.99%	3,553	44.61%	521,421,612	42.53%	2,934	34.69%	301,460,307	29.62%
6.00 - 6.99%	1,050	13.18%	255,113,457	20.81%	2,406	28.45%	287,250,330	28.22%
7.00 - 7.99%	352	4.42%	65,748,688	5.36%	2,180	25.77%	253,174,953	24.87%
8.00 - 8.99%	129	1.62%	13,799,996	1.13%	346	4.09%	71,130,246	6.99%
9.00 - 9.99%	13	0.16%	8,750,418	0.71%	119	1.41%	14,452,442	1.42%
10.00% or More	12	0.15%	1,970,166	0.16%	51	0.60%	28,284,052	2.78%
Total	7,965	100.00%	\$ 1,226,046,363	100.00%	8,458	100.00%	\$ 1,017,843,482	100.00%



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

Unaudited

Monthly Payment <sup>(1)</sup>	Fiscal Year 2012				Fiscal Year 2003			
	Number of Loans	Percent	Principal Amount	Percent	Number of Loans	Percent	Principal Amount	Percent
Single-Family Loans <sup>(2)</sup>								
\$ 0 - \$ 200	49	0.65%	\$ 1,295,791	0.14%	220	2.80%	\$ 3,207,673	0.51%
\$ 201 - \$ 400	574	7.59%	24,308,388	2.66%	1,544	19.66%	59,854,970	9.47%
\$ 401 - \$ 600	1,812	23.98%	138,449,415	15.17%	3,249	41.35%	244,719,478	38.73%
\$ 601 - \$ 800	2,126	28.13%	240,452,382	26.33%	2,232	28.42%	239,661,856	37.94%
\$ 801 - \$ 1,000	1,573	20.81%	230,632,135	25.25%	585	7.45%	80,276,890	12.71%
\$ 1,001 - \$ 1,200	882	11.67%	159,343,110	17.45%	25	0.32%	4,012,645	0.64%
\$ 1,201 - \$ 1,400	413	5.46%	86,846,134	9.51%	-	-	-	-
\$ 1,401 - \$ 1,600	98	1.30%	23,377,820	2.56%	-	-	-	-
\$ 1,601 - \$ 1,800	27	0.36%	7,320,901	0.80%	-	-	-	-
\$ 1,801 - \$ 2,000	4	0.05%	1,206,674	0.13%	-	-	-	-
Total	7,558	100.00%	913,232,750	100.00%	7,855	100.00%	631,733,512	100.00%
Multi-Family Loans <sup>(3)</sup>								
\$ 0 - \$ 1,000	229	56.27%	8,691,061	2.78%	261	43.28%	14,597,060	3.78%
\$ 1,001 - \$ 5,000	57	14.00%	17,860,154	5.71%	157	26.04%	32,418,303	8.40%
\$ 5,001 - \$10,000	26	6.40%	22,051,918	7.04%	60	9.96%	38,884,048	10.08%
\$10,001 - \$15,000	27	6.63%	36,022,018	11.52%	38	6.30%	54,446,777	14.10%
\$15,001 - \$20,000	20	4.91%	36,910,857	11.80%	23	3.81%	48,817,986	12.64%
\$20,001 - \$25,000	15	3.69%	36,475,555	11.66%	22	3.65%	59,194,696	15.33%
\$25,001 - \$30,000	6	1.47%	22,165,940	7.09%	9	1.49%	33,086,445	8.57%
\$30,001 or more	16	3.93%	129,511,360	41.40%	16	2.65%	100,404,584	26.00%
Due at Maturity	11	2.70%	3,124,750	1.00%	17	2.82%	4,260,071	1.10%
Total	407	100.00%	312,813,613	100.00%	603	100.00%	386,109,970	100.00%
Grand Total	7,965		\$1,226,046,363		8,458		\$1,017,843,482	

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

<sup>(2)</sup> Housing Finance Revenue Bonds (FY 2003), Mortgage Revenue Bond Loans, and Housing Revenue Bonds (FY 2012)

<sup>(3)</sup> Elderly and Disabled Housing Fund, Multifamily Housing Revenue Bond, Multiple Purpose Bond (FY 2012), Assisted or Insured Multi-Unit Program (FY 2003), and Housing Finance Account Loans

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Loans Outstanding - By County

### Enterprise Funds

June 30, 2012

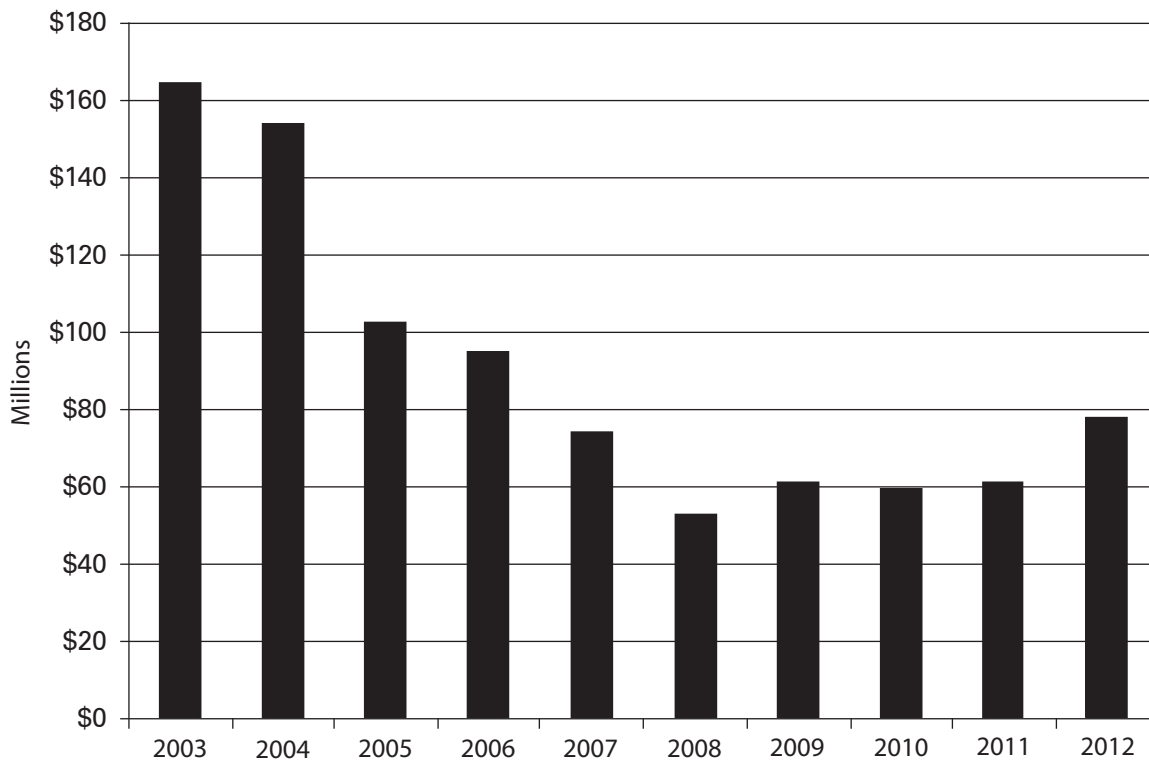
County	Elderly and Disabled Housing Program		Single-Family Mortgage Program		Multifamily Housing Revenue Bonds	
	Number of Loans	Principal Amount	Number of Loans	Principal Amount	Number of Loans	Principal Amount
Baker	1	\$ 182,770	36	\$ 2,456,317	-	\$ -
Benton	8	2,337,405	119	14,519,804	1	1,119,655
Clackamas	25	14,322,179	373	55,919,060	5	22,971,887
Clatsop	5	1,100,706	18	1,833,424	-	-
Columbia	7	1,044,239	64	8,188,067	1	1,885,644
Coos	6	2,593,234	154	16,333,569	-	-
Crook	1	1,185,088	40	4,536,162	-	-
Curry	2	67,984	9	1,291,515	-	-
Deschutes	4	3,187,132	324	42,609,587	2	6,512,915
Douglas	9	7,575,358	119	12,732,526	2	3,498,606
Gilliam	2	673,068	2	91,142	-	-
Grant	2	70,141	5	327,150	-	-
Harney	2	1,808,984	25	1,666,341	-	-
Hood River	2	1,312,940	11	1,534,918	-	-
Jackson	11	6,443,156	355	46,795,598	2	3,889,693
Jefferson	2	253,085	46	4,792,169	-	-
Josephine	5	2,500,511	192	26,238,704	-	-
Klamath	2	57,528	355	34,596,674	-	-
Lake	1	85,790	33	3,347,431	-	-
Lane	24	10,097,226	548	58,035,414	2	15,986,445
Lincoln	9	7,524,238	62	6,099,782	-	-
Linn	12	4,567,254	174	18,323,183	-	-
Malheur	2	35,834	70	5,006,293	-	-
Marion	60	33,655,649	851	91,518,636	2	1,422,102
Morrow	-	-	47	2,771,410	-	-
Multnomah	60	21,222,876	2,177	288,850,148	13	52,462,130
Polk	13	5,618,615	106	11,798,592	-	-
Sherman	1	189,808	-	-	-	-
Tillamook	3	2,712,817	14	1,389,276	-	-
Umatilla	9	3,172,641	289	20,862,558	-	-
Union	3	717,980	94	7,357,596	3	2,769,423
Wallowa	1	1,143,264	9	623,869	1	9,206,558
Wasco	1	35,452	12	1,516,310	-	-
Washington	23	5,363,660	646	96,183,124	4	33,341,014
Wheeler	2	302,822	-	-	-	-
Yamhill	12	8,213,367	179	23,086,401	-	-
Total	332	\$ 151,374,801	7,558	\$ 913,232,750	38	\$ 155,066,072

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
-	\$ -	-	\$ -	37	\$ 2,639,087
-	-	-	-	128	17,976,864
2	97,236	1	23,399	406	93,333,761
-	-	1	289,750	24	3,223,880
1	545,048	-	-	73	11,662,998
-	-	-	-	160	18,926,803
-	-	-	-	41	5,721,250
-	-	-	-	11	1,359,499
-	-	1	100,000	331	52,409,634
-	-	2	242,000	132	24,048,490
-	-	-	-	4	764,210
2	401,601	-	-	9	798,892
-	-	-	-	27	3,475,325
-	-	-	-	13	2,847,858
2	41,625	-	-	370	57,170,072
1	39,040	-	-	49	5,084,294
-	-	-	-	197	28,739,215
-	-	1	57,428	358	34,711,630
-	-	-	-	34	3,433,221
2	131,917	2	1,484,000	578	85,735,002
-	-	-	-	71	13,624,020
1	34,991	-	-	187	22,925,428
2	38,400	1	10,456	75	5,090,983
-	-	1	40,000	914	126,636,387
-	-	-	-	47	2,771,410
4	1,039,495	1	195,000	2,255	363,769,649
1	258,832	2	332,518	122	18,008,557
-	-	-	-	1	189,808
-	-	-	-	17	4,102,093
-	-	-	-	298	24,035,199
1	4,463	-	-	101	10,849,462
-	-	-	-	11	10,973,691
-	-	2	254,971	15	1,806,733
1	184,570	2	526,000	676	135,598,368
-	-	-	-	2	302,822
-	-	-	-	191	31,299,768
20	\$ 2,817,218	17	\$ 3,555,522	7,965	\$ 1,226,046,363

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

Unaudited



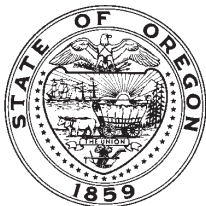
<u>Fiscal Year</u>	<u>Prepaid Principal</u>
2012	\$ 77,679,998
2011	60,939,133
2010	59,574,865
2009	60,988,051
2008	52,554,327
2007	73,983,041
2006	94,717,727
2005	102,327,105
2004	153,778,052
2003	164,283,221

# 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 John Kitzhaber, Governor of Oregon  
Margaret S. Van Vliet, Director  
Oregon Housing and Community Services

**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, 2012, and have issued our report thereon dated October 31, 2012. 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**

Management of the department is responsible for establishing and maintaining effective 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 previously.

## 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

October 31, 2012