

Comprehensive Annual Financial Report

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

For the Year Ended June 30, 2002

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Introductory Section



Oregon

John A. Kitzhaber, M.D., Governor



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November 20, 2002

The Honorable John A. Kitzhaber
Governor of the State of Oregon
State Capitol
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We are pleased to submit the Comprehensive Annual Financial Report of the Oregon Housing and Community Services Department's (OHCSD) Enterprise Funds, for the fiscal year ended June 30, 2002. The financial statements, presented on pages 16 – 34, do not present all activities and financial positions of OHCSD, but the enterprise activities only. These activities are reported as a separate fund of OHCSD and an annual financial report is issued for these activities in accordance with OHCSD's Indentures of Trust. OHCSD's Governmental and Fiduciary Fund information, along with additional information on the Enterprise Funds, are presented as Supplementary Information for the purpose of additional analysis. OHCSD management is responsible for both the accuracy of data and the completeness and fairness of the presentation, including all disclosures.

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

The Secretary of State, Audits Division, has audited the financial records, books of account, and transactions of OHCSD's Enterprise Funds for the year ended June 30, 2002. The auditors used generally accepted auditing standards in conducting the engagement. Their unqualified opinion on the Enterprise Fund financial statements is included in the Financial Section of this report.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Oregon Housing and Community Services MD&A can be found in the Financial Section immediately following the audit opinion.

Overview of the Department

OHCSD is the State's housing finance agency and community services program administrator. The Department provides financial and program support to create and preserve opportunities for quality, affordable housing for Oregonians of lower and moderate income and administers federal and state antipoverty, homeless, energy assistance, and community services programs.

While both State Community Services and the Oregon Housing Division were established as separate state agencies by Oregon's 1971 Legislative Assembly, the merger of the two in 1991 acknowledged the important link between housing and services. The result today is a department focused on refining that link to better meet the needs of Oregonians in communities around the state.

Economic Condition and Outlook

According to the Oregon Office of Economic Analysis (OEA), the State's economy "grew slower than the U.S. economy in 1998 through 2001." The OEA is forecasting the Oregon economy to again be below U.S. economic growth in 2002. While

the forecast for the Oregon economy is to continue its slow growth between 2003 and 2009, the U.S. economy is expected to have even slower growth. The OEA forecasts employment growth to fall by 0.7 percent for 2002, however, projections indicate a 1.7 percent increase in growth for 2003. The employment growth in 2004 is projected to be 2.2 percent.

Personal income is predicted to increase 2.8 percent in 2002, which is slightly higher than the 2.2 percent increase experienced in 2001. The State Economist predicts both personal income and wage and salary to increase by 5.5 percent in 2003. In 2004, personal income is projected to increase by 6.5 percent and wage and salary is projected to increase by 6.7 percent. Both of these projections are expected to be equal or higher than the national average.

Oregon continues to have some of the least affordable housing markets in the nation. Housing prices increased by 6.5 percent in 2000, compared to the 4.7 percent increase in housing prices seen nationally. While the projected growth of 4.1 percent in Oregon housing prices for 2002 is less than the national projection of 5.9 percent, the trend of being above national growth is expected to continue for 2003-2009. Oregon housing prices are forecasted to increase by 4.9% in 2003, and 5.6% in 2004, while the national forecast is projected to only increase by 2.4% and 3.6% for 2003 and 2004, respectively.

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

Major Initiatives

Community Solutions Team

Over the past year, OHCS has continued to be involved with the Community Solutions Team (CST). The CST is an inter-agency team that includes the departments of Transportation, Environmental Quality, Land Conservation and Development, and Economic and Community Development, as well as OHCS. The CST network promotes collaborative problem solving between state agencies and works with local partners to help resolve community development problems.

The CST has continued over this past year to focus on implementing the Oregon Livability Initiative. The 1999 Legislature passed the main elements of the Initiative, which is designed to create jobs in distressed communities, increase the supply of affordable housing, reduce traffic congestion and sprawl, revitalize downtowns, and form community solutions teams throughout the state. Five full-time regional coordinators are now in place, strengthening Regional Community Solutions Teams in the field and working directly with the teams, as well as regional partnerships, local officials, and citizens to help solve community development problems at the local level.

The coordinators also help facilitate collaborative problem solving by providing an additional bridge between state and local agencies. One of the primary initiatives of the Community Solutions Team has been to outline the future of Community Solutions agency coordination and collaboration. The five CST agency directors have identified specific steps they will take to ensure their agency structures and cultures reflect a commitment to solving problems at the local level. OHCS is providing strong leadership in this area by focusing on developing additional farmworker housing, administering the Community Incentive Fund for community development projects, and developing a housing needs analysis model to help communities determine future housing needs.

Community Incentive Fund

The 2002 Legislature appropriated \$20 million of lottery-backed bond authority for the 2001-03 biennium to be utilized through the Community Incentive Fund. The Community Incentive Fund is administered by OHCS and is aimed at revitalizing downtowns and mainstreets, developing affordable housing near jobs and transportation, and helping to rebuild rural and distressed communities. The Department of Administrative Services issued \$10 million of lottery-backed bonds in support of the Community Incentive Fund in April of 2002. In May 2002, OHCS awarded \$8.5 million of this funding to 26 projects that are geographically dispersed throughout the state. The projects vary in size and scope and include historic renovations, mixed-use and mixed-income developments; public infrastructure and in-fill developments. Fifty percent of the financing was provided in the form of grants and fifty percent in the form of short and long term loans. An additional \$52 million in state, local and private investments was leveraged through the funding of these 26 projects. The remaining \$1.5 million of the \$10 million allocation is being offered at the regional level through each of the nine Regional Community Solutions Teams for what is called the Small Community Incentive Fund. The plan is to provide a total of \$2.0 million of funding in the 2001-03 biennium for the Small Community Incentive Fund. These funds are available for projects, which require \$50,000 or less in resources.

Farmworker Housing

OHCSO continues to work diligently in its designated role as the primary state agency for farmworker housing information and other specific duties. During the last year the Department has focused on policy analysis and development, rental assistance, development of affordable housing units, and homeownership education. OHCSO is supporting an enumeration study to obtain reliable demographic farmworker data and has contracted with the University of Oregon to identify farmworker service gaps in the state. With the collective knowledge gained from these studies, OHCSO will be better equipped to meet the needs of our agricultural community. OHCSO also realizes the importance of providing and maintaining affordable housing for populations that have been largely under served. By targeting a percentage of available grant and tax credit resources, OHCSO is working to fund the production of 200 units of farmworker housing around the state by June 2003. In terms of homeownership education, OHCSO co-sponsored the Latino Home Buying Fair, attended by over 600 adults. In partnership with Portland Housing Center and Open Door Counseling Center, OHCSO is sponsoring the *ABC's of Homebuying* in Spanish with the goal of 500 individuals completing the course by the end of the biennium. Lastly, OHCSO recognizes that farmworker housing needs far exceed our capacity for new construction. Through the HOME Tenant-Based Rental Assistance and Low-Income Rental Housing Fund programs, eligible farmworkers will now be able to access rent subsidies.

Preservation of Affordable Housing

As one of OHCSO strategic plan objectives, the Department has developed a strategy to preserve affordable housing units throughout the state. According to *The State of the Nation's Housing: 2001* study, between 1997 and 1999, over 300,000 units of affordable rental housing available to low-income households were lost nationally. In Oregon, 13,000 affordable housing units are potentially at risk of converting to market rate. The study also reports that many units with federal rental assistance are being converted to market-rate housing. The threat of further losses looms as the real estate market continues to rise and as contracts on more than one million units with project-based rental assistance are up for renewal by 2004. Once rental assisted units are converted to market rate rentals, the federal rental subsidy is lost forever. If this trend is allowed to continue, a large percentage of these Oregonian households could potentially become homeless, or, because an increased portion of income is needed for housing, an increased burden will be placed on state and local service providers.

In response to this potentially catastrophic trend, OHCSO has been working aggressively to retain federal resources within the state. The Department has taken the initiative to create a list of threatened projects and are contacting potential buyers who are willing to keep them affordable. As of May 1, 2002, the list consists of 25 threatened projects with an average of 2 to 3 projects being added each month. OHCSO has dedicated resources and in October 2001, began conducting technical assistance workshops around the state regarding potential projects, financing resources and processing procedures. By creating close partnerships with the Portland USDA Rural Development staff, OHCSO has developed a program for an efficient loan underwriting and assumption process. As a result of these efforts, we have successfully assisted potential buyers in acquiring these threatened properties.

Regional Housing Centers

OHCSO strives to identify the most efficient and effective use of taxpayer funds to address anti-poverty issues and community development efforts. We recognize, for example, that public resources are used inefficiently if senior citizens are institutionalized when home repairs or modifications would have allowed them to continue living independently. Similarly, a one-time cost for weatherization may be more efficient than ongoing energy bill payment subsidies. Resources already exist to address these issues, but for rural Oregonians, knowing where and how to access such information and funds can be a challenge.

OHCSO is working to create a "one stop shop" for Oregonians to access programs and products around issues of housing renovation / modification, weatherization, credit counseling and homebuyer education. To maintain programs in rural Oregon, a regional approach is an efficient and effective method for service delivery. In addition, by combining a number of related programs, OHCSO hopes to create a system where taxpayer funded program dollars can be recycled and used repeatedly within a community. As individuals achieve self-sufficiency, their repayments of low or no-interest loans can be used for others.

With funding resources secured, OHCSO has assisted in locating three pilot sites, identifying all existing housing resources within their respective regions, and developing work plans to deliver services. The initial three regional centers will serve as prototypes for the projected seven centers to follow. Not only will Oregonians directly benefit from the services of regional housing centers, but legislators, partners and community leaders will now be able to direct their constituents and consumers to these local centers to access vital resources.

Transitional Housing Assistance and Services for Ex-Offenders

Each year, nearly 8,000 individuals are released from state prisons and county facilities. Mandated prison sentences have increased the number of individuals incarcerated, and in turn, increased the number of ex-offenders being released. Incarceration comes at a price. It costs taxpayers \$62.24/day per person in jail versus \$7.60/day on probation and supervised within the community.

While 90 percent of the persons are incarcerated for less than one year, all ex-offenders, regardless of time served, confront substantial obstacles to a successful reentry into society. Obstacles include a lack of opportunity to access housing due to a criminal record, no recent rental and employment histories, current job skills, financial resources or personal support structures. Approximately 40 percent of ex-offenders leave prison without an address listed on their release plan. Without adequate housing and a sufficient support system, ex-offenders often return to criminal behavior, referred to as recidivism.

Partnering with state and county corrections, and other service providers, OHCS D has allocated funds to assist counties in building a minimum of 50 housing units dedicated to house ex-offenders by June 2003. Case management, substance abuse treatment, employment, and education programs as well as other support services will be available to residents. All Oregonians will benefit from these innovative efforts to provide opportunities for ex-offenders to create a new beginning for themselves.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OHCS D for its annual financial report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

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

Respectfully submitted,



Bob Repine
Director



Rick Crager
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oregon Housing and
Community Services
Department

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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



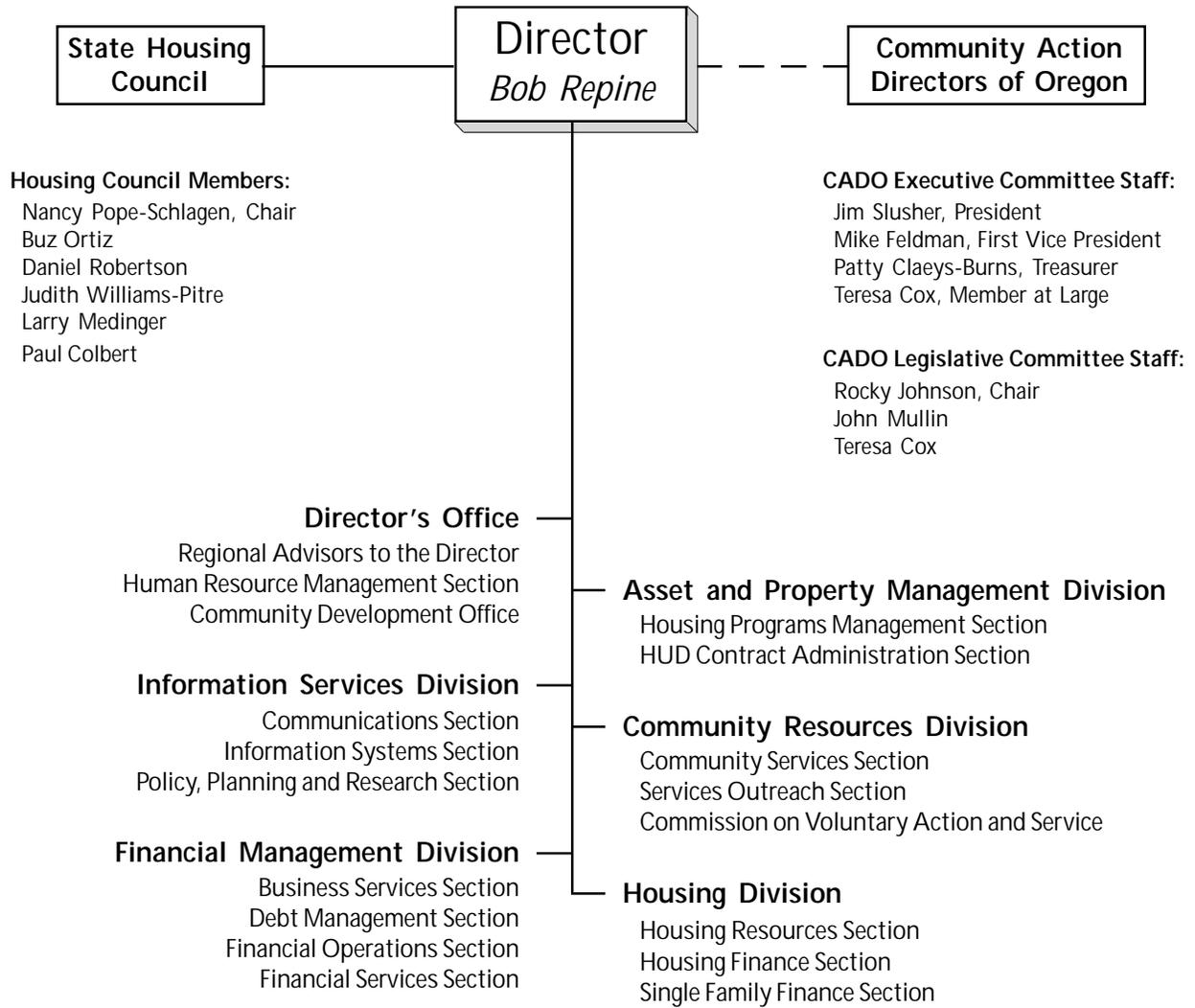
Imelda Aru
President

Jeffrey L. Essler
Executive Director

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Organization Structure

As of June 30, 2002



State Housing Council

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

Community Action Directors of Oregon

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

Oregon Housing and Community Services partners with local Community Action Agencies and other public, private, or non-governmental agencies to help lower income Oregonians realize their potential for self-reliance and to develop healthy, vital communities. The Department administers federal and state antipoverty programs including homeless assistance, food assistance, energy assistance, and community service programs. We are the State of Oregon's housing finance agency, providing financial and program support to create and preserve opportunities for quality, safe, affordable housing for Oregonians of lower and moderate income.

Under the leadership of Bob Repine, Oregon Housing and Community Services continues helping Oregonians improve their quality of life. The Department's mission is to "reach out for opportunities to create partnerships that improve Oregonians' lives and the quality of our communities." Our vision is "to be acknowledged as the agency that maximizes opportunities through the creative and efficient use of resources." The Department strives to uphold its values of public trust, fiduciary responsibility, customer service, leadership, diversity, innovation, and creativity.



Bob Repine



OHCS Staff

Financial Section

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Bill Bradbury
Secretary of State



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Auditing for a Better Oregon

The Honorable John Kitzhaber, M.D.
Governor of Oregon
254 State Capitol
Salem, Oregon 97310-4047

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the enterprise funds of the state of Oregon, Housing and Community Services Department, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund of the state of Oregon, Housing and Community Services Department, as of June 30, 2002, 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2002, on our consideration of the state of Oregon, Housing and Community Services Department enterprise funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and trust indentures. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report is separately presented in the other reports as listed in the table of contents.

OREGON AUDITS DIVISION


 Bill Bradbury
Secretary of State

November 20, 2002

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, 2002. The selected financial data presented was derived from the financial statements of the Department which were audited by the Oregon Secretary of State Audits Division.

FINANCIAL HIGHLIGHTS

- Net assets of the Department increased \$4.6 million, to \$158.3 million as of June 30, 2002. This represents a slight increase of 3.01%.
- Program Revenues decreased by \$6.3 million from the previous year's results.
- The Department's debt outstanding of \$1,531.8 million on June 30, 2002 increased \$98.5 million from the amount outstanding on June 30, 2001. Debt issuance for the year totaled \$356.8 million (par value).
- Mortgage loan purchases and originations for the year totaled \$145.1 million, down \$44.7 million from 2001. Single Family Programs were up \$7.4 million in purchases and Multifamily Programs were down \$52.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to OHCS D's basic financial statements. The basic financial statements include proprietary fund financial statements and notes to the financial statements. The Department'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. The Department does have a minimal portion of governmental funds that are included with its proprietary funds in the State of Oregon Comprehensive Annual Financial Report and within the supplementary information of this report. The State of Oregon Comprehensive Annual Report can be located at <http://scd.das.state.or.us/sars.htm> under 2002 Comprehensive Annual Financial Report.

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

OVERVIEW OF THE PROPRIETARY FUNDS FINANCIAL POSITION AND OPERATIONS

The Department's proprietary fund financial position and operations for the past two years are summarized in the following table based on the information included in the basic financial statements.

Proprietary Funds
Statement of Net Assets
(in millions of dollars)

	Business Type Activities			
	2002	2001	Change	% Change
Current and Other Assets	\$ 1,750,014,796	\$ 1,635,498,422	\$ 114,516,374	7.00%
Capital Assets	177,935	247,503	(69,568)	-28.11%
Total Assets	\$ 1,750,192,731	\$ 1,635,745,925	\$ 114,446,806	7.00%
Long Term Debt Outstanding	\$ 1,531,763,222	\$ 1,433,272,943	\$ 98,490,279	6.87%
Other Liabilities	60,109,468	48,783,122	11,326,346	23.22%
Total Liabilities	\$ 1,591,872,690	\$ 1,482,056,065	\$ 109,816,625	7.41%
Net Assets:				
Invested in Capital Assets	\$ 177,935	\$ 247,503	\$ (69,568)	-28.11%
Restricted	152,154,234	147,310,702	4,843,532	3.29%
Unrestricted	5,987,872	6,131,655	(143,783)	-2.34%
Total Net Assets	\$ 158,320,041	\$ 153,689,860	\$ 4,630,181	3.01%

The Department's total assets at June 30, 2002 were \$1,750.2 million, an increase of \$114.4 million from June 30, 2001. The change in assets consist primarily of a \$55.1 million increase in cash and investments and a \$57.1 million increase in loans receivable. The asset growth was supported by the issuance of \$356.8 million (par value) of mortgage revenue and general obligation bonds, which contributed to a \$98.5 million net increase in bonds payable.

Other liabilities increased by \$11.3 million. The primary reason for the \$11.3 million increase in other liabilities was: 1) a \$4.0 million increase in the Department's line of credit liability with Fannie Mae, which is utilized for affordable housing predevelopment loans; 2) increased accrued interest payable of \$1.6 million resulting from a larger balance of bonds payable; and 3) an increase of \$6.0 million in interfund payables that is related to transferring \$3.0 million of funds, per legislative request, from the Housing Finance Fund to the Department's homeless program.

- **Cash and Investments**

Total cash and investments increased by \$55.1 million, or 9.4% at June 30, 2002 compared to June 30, 2001. The primary source of the increase was from cash flow related to debt activity, which includes bond proceeds earmarked for mortgage loans, and additional loan repayments resulting from increased loans receivable and prepayments. The Department's investment portfolio is comprised of securities of the U.S. Government, certain federal agencies, and repurchase agreements secured by such securities.

- **Loans Receivable**

Total mortgages and other loans receivable increased \$57.1 million in Fiscal Year 2002. This increase is attributed to a combination loan purchases, scheduled repayments, loan prepayments, and foreclosures. Total mortgage loan purchases for Fiscal Year 2002 was \$145.1 million, which was \$44.7 million lower than Fiscal Year 2001. This decrease was due to \$52.1 million in lower multifamily mortgage loan purchases, and \$7.4 million in increased single family mortgage loan purchases. In addition to mortgage loans, the Department also purchased \$14.5 million in multifamily construction loans and \$5.0 million in loans related to predevelopment, housing development start up, and other program activity.

The receipt of scheduled mortgage and other loan repayments was \$26.4 million for Fiscal Year 2002. Mortgage loan prepayments increased substantially during Fiscal Year 2002 to a total of \$76.8 million, an increase of \$37.1 million, and foreclosures on single family loans increased by \$2.6 million to a total of \$4.3 million.

- **Bonds Payable**

During the year, the Department issued 24 series of bonds aggregating to \$356.8 million (par value), which included \$38.3 million of state general obligation bonds, and \$318.5 million of revenue bonds. This compared to the combined issuance of \$329.4 million in the previous fiscal year. In recent years, the Department has taken advantage of opportunities to retire high interest debt. The Department issues bonds as capital is needed for program purposes and as opportunities for economic refunding occur. For additional details, see the Debt Activity section of the Management's Discussion and Analysis.

- **Net Assets**

The Department's financial position improved as net assets increased 3.01% during Fiscal Year 2002. The Department continues to maintain a positive spread of income from investments and mortgage loans to cover bond interest and operating costs.

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

Proprietary Funds
Statement of Operating Activity
(in millions of dollars)

	Business Type Activities			
	2002	2001	Change	% Change
<u>Program Revenues:</u>				
Charges for Services	\$ 76,831,334	\$ 72,021,664	\$ 4,809,670	6.68%
Operating Grants & Contributions	25,999,709	37,090,750	(11,091,041)	-29.90%
Other	-	38,965	(38,965)	-100.00%
Total Revenues	102,831,043	109,151,379	(6,320,336)	-5.79%
<u>Program Expenses:</u>				
Elderly and Disabled Housing Fund	18,914,251	19,141,732	(227,481)	-1.19%
Housing Finance Revenue Bonds	576,185	758,522	(182,337)	-24.04%
Mortgage Revenue Bonds	57,256,422	54,572,698	2,683,724	4.92%
Assisted or Insured Multi-Unit Program	3,806,827	3,986,831	(180,004)	-4.51%
Multifamily Housing Revenue Bonds	6,873,044	5,413,317	1,459,727	26.97%
Combined Program Account	-	-	-	0.00%
Housing Finance Account	7,230,531	8,304,782	(1,074,251)	-12.94%
Total Expenses	94,657,260	92,177,882	2,479,378	2.69%
Change in Net Assets before Transfers	8,173,783	16,973,497	(8,799,714)	-51.84%
Transfers	(3,543,602)	1,013,257	(4,556,859)	-449.72%
Change in Net Assets	4,630,181	17,986,754	(13,356,573)	-74.26%
Net Assets – Beginning	153,689,860	135,703,106	17,986,754	13.25%
Net Assets – Ending	\$ 158,320,041	\$ 153,689,860	\$ 4,630,181	3.01%

Program revenues of the Department's proprietary funds are generated principally from interest earned on mortgages and investments. In Fiscal Year 2002, the Department's program revenues for the proprietary funds totaled \$102.8 million, of which \$98.9 million, or 96.2% is from income earned on mortgages and other loans and investments. Program expenses of the Department's proprietary funds consist primarily of interest expense on debt incurred to fund various lending programs. The total expenses for proprietary fund activities total \$94.6 million, of which \$79.7 million, or 84.2% is bond interest expense.

Change in net assets for the year ended June 30, 2002 was \$4.6 million compared to \$18.0 million for the year ending June 30, 2001. Factors contributing to these results include:

- The 2002 Oregon Legislature transferred \$3.0 million of funds from the Department's proprietary funds to its governmental funds to be used as grants for homeless assistance.
- The Department received a one-time \$1.0 million General Fund transfer to its proprietary funds for migrant farmworker housing development in Fiscal Year 2001, which was not approved for Fiscal Year 2002.
- Investment income decreased by \$11.1 million, or 30%, due mainly to lower short-term investment yields. The Department's investment portfolio yielded an average of 3.1% in Fiscal Year 2002 compared to 5.1% in Fiscal Year 2001.
- Interest earned on mortgages and notes increased by \$5.2 million, or 7.7% due to higher loans outstanding.
- Program expenses increased by \$2.5 million, which was attributed to a \$3.0 million increase in bond interest expense. This increase is due to a higher average debt balance outstanding during the year.

Debt Administration

Oregon statutory provisions authorized the issuance of up to \$2 billion in revenue bonds to finance the construction, purchase and rehabilitation of housing for lower-income persons and families. The Department has constitutional authority to issue general obligation bonds to finance housing for elderly and disabled persons. As of June 30, 2002, OHCS D was authorized to issue up to \$1,370,162,155 in general obligation bonds for this purpose.

As of June 30, 2002, OHCS D had a total of \$1,531,763,222 in outstanding debt. During fiscal year 2002, the Department issued a total of \$284,725,000 in revenue bonds for the Single-Family Mortgage Program, \$33,705,000 in revenue bonds for the Multifamily Housing Revenue Bond Program, and \$38,340,000 in general obligation bonds for the Elderly and Disabled Housing Program.

The proceeds from the Single-Family Mortgage Program revenue bonds are used to purchase below-market interest loans made to low- and moderate-income households. The proceeds from the Multifamily Housing revenue bonds and from the general obligation bonds are used to make below-market interest rate permanent mortgage loans to developers for new construction, remodeling, and/or acquisition of rental housing. The Multifamily Housing revenue bond proceeds supply housing for persons or families with lower and moderate incomes. The general obligation bond proceeds are for projects housing the elderly and for persons with disabilities.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Balance Sheet

Proprietary Funds

June 30, 2002

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 505,148	\$ 5,585,266	\$ 6,090,414
Cash and Cash Equivalents - Restricted	420,896	108,621	529,517
Securities Lending Cash Collateral	4,034,414	1,346,989	5,381,403
Accounts Receivable	877	112,526	113,403
Accrued Interest Receivable	1,414,470	10,038,867	11,453,337
Interfund Receivable	357	3,094,153	3,094,510
Prepaid Expenses	30	15,465	15,495
Acquired Property	-	1,858,656	1,858,656
<i>Total Current Assets</i>	6,376,192	22,160,543	28,536,735
<i>Noncurrent Assets</i>			
Cash and Cash Equivalents - Restricted	56,863,244	15,452,777	72,316,021
Investments - Restricted	27,241,868	529,919,287	557,161,155
Deferred Charges	2,785,047	11,391,475	14,176,522
Loans Receivable (Net)	226,503,618	851,320,745	1,077,824,363
Capital Assets (Net)	34,332	143,603	177,935
<i>Total Noncurrent Assets</i>	313,428,109	1,408,227,887	1,721,655,996
Total Assets	\$ 319,804,301	\$ 1,430,388,430	\$ 1,750,192,731
Liabilities and Net Assets			
Liabilities:			
<i>Current Liabilities</i>			
Accounts Payable	\$ 80,873	\$ 896,847	\$ 977,720
Accrued Interest Payable	6,420,088	31,718,360	38,138,448
Obligations Under Securities Lending	4,034,414	1,346,989	5,381,403
Interfund Payable	25,881	6,000,537	6,026,418
Matured Bonds and Interest Payable	420,896	108,621	529,517
Bonds Payable	8,790,000	157,775,000	166,565,000
Deferred Income	1,419	25,465	26,884
Vacation Payable	88,654	217,048	305,702
<i>Total Current Liabilities</i>	19,862,225	198,088,867	217,951,092
<i>Noncurrent Liabilities</i>			
Bonds Payable	264,502,570	1,100,695,652	1,365,198,222
Arbitrage Rebate Liability	390,399	4,332,977	4,723,376
Loans Payable	-	4,000,000	4,000,000
<i>Total Noncurrent Liabilities</i>	264,892,969	1,109,028,629	1,373,921,598
Total Liabilities	284,755,194	1,307,117,496	1,591,872,690
Net Assets:			
Invested in Capital Assets	34,332	143,603	177,935
Restricted	34,650,473	117,503,761	152,154,234
Unrestricted	364,302	5,623,570	5,987,872
Total Net Assets	35,049,107	123,270,934	158,320,041
Total Liabilities and Net Assets	\$ 319,804,301	\$ 1,430,388,430	\$ 1,750,192,731

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, 2002

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<u>Operating Revenues:</u>			
Interest on Loans	\$ 17,021,377	\$ 55,907,120	\$ 72,928,497
Investment Income	4,493,293	21,439,993	25,933,286
Transfer/Commitment Fees	44,393	1,880,049	1,924,442
Administrative Fees	157,800	709,027	866,827
Low Income Housing Tax Credit Fees	-	884,634	884,634
Mortgage Credit Certificate Fees	-	75	75
Gain on Sale of Foreclosed Property	-	45,516	45,516
Miscellaneous Revenue	6,000	175,343	181,343
Total Operating Revenues	21,722,863	81,041,757	102,764,620
<u>Operating Expenses:</u>			
Personal Services	1,405,905	4,082,855	5,488,760
Services and Supplies	556,311	2,285,887	2,842,198
Mortgage Service Fees	91,285	2,608,341	2,699,626
Foreclosure Costs	-	99,046	99,046
Interest Expense - Bonds	16,202,432	63,485,155	79,687,587
Interest Expense - Securities Lending	72,338	39,663	112,001
Interest Expense - Loans	-	65,467	65,467
Other Related Program Expenses	356,521	1,627,303	1,983,824
Amortization of Deferred Bond Issuance Costs	223,353	1,300,423	1,523,776
Depreciation/Amortization	10,024	137,879	147,903
Bad Debt Expense	(3,918)	10,990	7,072
Total Operating Expenses	18,914,251	75,743,009	94,657,260
Operating Income (Loss)	2,808,612	5,298,748	8,107,360
<u>Nonoperating Revenues (Expenses):</u>			
Investment Income	40,590	25,833	66,423
Total Nonoperating Revenues (Expenses)	40,590	25,833	66,423
Income (Loss) Before Transfers	2,849,202	5,324,581	8,173,783
Operating Transfers-In	-	19,214,587	19,214,587
Operating Transfers-Out	(207,194)	(22,550,995)	(22,758,189)
Change in Net Assets	2,642,008	1,988,173	4,630,181
Net Assets - Beginning	32,407,099	121,282,761	153,689,860
Net Assets - Ending	\$ 35,049,107	\$ 123,270,934	\$ 158,320,041

The accompanying notes are an integral part of the financial statements

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2002

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<u>Cash Flows from Operating Activities:</u>			
Received from Customers	\$ 202,193	\$ 3,884,596	\$ 4,086,789
Program Loan Principal Repayments	6,757,225	99,632,868	106,390,093
Program Loan Interest Received	17,472,494	56,375,680	73,848,174
Program Loans Made	(5,378,782)	(159,225,648)	(164,604,430)
Payments to Employees for Services	(1,405,946)	(4,076,676)	(5,482,622)
Payments to Suppliers for Goods and Services	(587,145)	(4,858,181)	(5,445,326)
Other Receipts (Payments)	(203,411)	(774,929)	(978,340)
Net Cash Provided (Used) in Operating Activities	16,856,628	(9,042,290)	7,814,338
<u>Cash Flows from Noncapital Financing Activities:</u>			
Proceeds from Bond Sales	38,340,000	318,544,965	356,884,965
Principal Payments on Bonds	(45,045,000)	(212,899,780)	(257,944,780)
Interest Payments on Bonds	(16,158,598)	(61,128,052)	(77,286,650)
Bond Issue Costs	(395,028)	(2,433,436)	(2,828,464)
Bond Call Costs	(644,302)	(2,970)	(647,272)
Loan Proceeds	-	3,635,394	3,635,394
Principal Payments on Loans	-	(384,000)	(384,000)
Interest Payments on Loans	-	(79,837)	(79,837)
Collections on Advances Made	-	50,000	50,000
Operating Transfers-In	-	16,214,587	16,214,587
Operating Transfers-Out	(207,194)	(16,550,995)	(16,758,189)
Net Cash Provided (Used) in Noncapital Financing Activities	(24,110,122)	44,965,876	20,855,754
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(29,621)	(88,862)	(118,483)
Net Cash Provided (Used) in Capital and Related Financing Activities	(29,621)	(88,862)	(118,483)
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(3,826,717)	(1,055,843,661)	(1,059,670,378)
Proceeds from Sales and Maturities of Investments	4,543,433	1,007,546,219	1,012,089,652
Interest on Cash and Investments	3,225,014	18,453,038	21,678,052
Investment Income on Securities Lending	72,338	39,663	112,001
Interest Paid on Securities Lending	(72,338)	(39,663)	(112,001)
Net Cash Provided (Used) in Investing Activities	3,941,730	(29,844,404)	(25,902,674)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,341,385)	5,990,320	2,648,935
Cash and Cash Equivalents Balance - Beginning	61,130,673	15,156,344	76,287,017
Cash and Cash Equivalents Balance - Ending	\$ 57,789,288	\$ 21,146,664	\$ 78,935,952
Cash and Cash Equivalents	\$ 505,148	\$ 5,585,266	\$ 6,090,414
Cash and Cash Equivalents - Restricted (Current)	420,896	108,621	529,517
Cash and Cash Equivalents - Restricted (Noncurrent)	56,863,244	15,452,777	72,316,021
Total Cash and Cash Equivalents	\$ 57,789,288	\$ 21,146,664	\$ 78,935,952

Continued

Continued from previous page

	Business-Type Activities - Enterprise Funds		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ 2,808,612	\$ 5,298,748	\$ 8,107,360
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities:			
Depreciation and Amortization	10,024	137,879	147,903
Amortization of Deferred Bond Issue Costs	223,353	1,300,421	1,523,774
Bad Debt Expense	(3,918)	10,990	7,072
Interest Income reported as Operating Revenue	(4,493,293)	(21,439,993)	(25,933,286)
Interest Expense reported as Operating Expense	16,274,770	63,590,285	79,865,055
Bond Call Expenses	147,652	488,592	636,244
(Increase)/Decrease in Assets:			
Loan Interest Receivable	466,415	476,836	943,251
Accounts Receivable	(856)	426,438	425,582
Interfund Receivable	15,381	71,763	87,144
Prepaid Expenses	12,167	60,160	72,327
Loans Receivable	1,378,444	(58,463,089)	(57,084,645)
Acquired Property	-	(962,481)	(962,481)
Increase/(Decrease) in Liabilities:			
Accounts Payable	29,232	99,474	128,706
Interfund Payable	(12,714)	(133,499)	(146,213)
Deferred Income	(15,299)	(8,275)	(23,574)
Vacation Payable	16,658	3,461	20,119
Net Cash Provided (Used) in Operating Activities	\$ 16,856,628	\$ (9,042,290)	\$ 7,814,338
Noncash Investing, Capital, and Financing Activities:			
Net Change in Fair Value of Investments	\$ 945,763	\$ 2,637,507	\$ 3,583,270
Foreclosed Property	-	4,330,569	4,330,569
Total Noncash Investing, Capital, and Financing Activities	\$ 945,763	\$ 6,968,076	\$ 7,913,839

The accompanying notes are an integral part of the financial statements

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Notes to the Financial Statements

Enterprise Funds

June 30, 2002

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.

NOTE 1. Summary of Significant Accounting Policies

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 \$2,936,649,183 in revenue bonds for the Single-Family Mortgage Program, \$19,065,000 in revenue bonds for the Loans to Lenders Program, \$185,135,000 in revenue bonds for the Assisted or Insured Multi-Unit Program, and \$130,355,000 in revenue bonds for Multifamily Housing Revenue Bonds. OHCS D has issued \$480,370,000 in State of Oregon general obligation bonds for the Elderly and Disabled Housing Program. State of Oregon general obligation bonds are authorized by Oregon Constitution Article XI-I(2).

The financial statements and notes include only the bonded debt financial activity of OHCS D. OHCS D operates other programs which have no impact on the bond related activity of OHCS D. The financial activity for these non-bond related programs is presented as supplementary information following the statistical section.

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. All bond programs are classified in proprietary funds. Proprietary funds contain two types of funds: Enterprise Funds and Internal Service Funds. All bond programs of 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 activities, including applicable administrative costs, that are primarily financed by general obligation bonds of the State of Oregon.
- (2) The Housing Finance Fund accounts for programs that are supported by revenue bond financing, including the Assisted or Insured Multi-Unit, Multifamily Housing, and Single-Family Mortgage Programs. 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 Assisted or Insured Multi-Unit and Single-Family Mortgage Programs.

General and administrative costs of these programs are accounted for in the Housing Finance Account. In addition, fees or other monies received by OHCS D in carrying out the responsibilities outlined under Oregon Revised Statutes 456.550 to 456.725 are also included in the Housing Finance Account.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

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

D. Budgets

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

E. Cash Equivalents

For purposes of the Statement of Cash Flows, all OHCS D moneys held in the State Treasury Oregon Short Term Fund and moneys held in money market funds are considered to be cash equivalents. All short term U.S. Treasury and U.S. Agency securities and repurchase agreements 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. Securities lending cash collateral reinvested by the State Treasury Oregon Short Term Fund in short-term debt investments with remaining maturities of up to ninety days on June 30, 2002 is reported at amortized cost.

G. Receivables

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

H. Short-term Interfund Receivable/Payable

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

I. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items.

J. 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.

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 two years are not capitalized.

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

L. Deferred Charges

Bond issuance costs, including underwriters' discounts, are reflected as deferred charges and amortized over the term of the related bond issue using the bonds-outstanding method of amortization.

M. 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, 2002 were sufficient to meet all legal requirements. When both restricted and unrestricted resources are available to use, it is OHCS D's policy to use restricted resources before using unrestricted resources.

N. Compensated Absences

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

O. Rebatable Arbitrage

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

P. Bond Discounts, Premiums, and Interest Accretion

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

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

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 earnings on cash balances held to pay administrative costs and any gain or loss on the disposition of capital assets.

R. Deferred Amount on Debt Refunding

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

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

Deposits: At June 30, 2002, the book balance of cash and cash equivalents was \$78,935,952. The bank balance was \$76,702,537. Monies held in demand accounts with the State Treasurer and amounts invested in the Oregon Short Term Fund totalled \$76,828,623. State Treasurer demand deposit accounts and time certificates of deposit investments of the Short Term Fund held in state banks are insured or collateralized in excess of FDIC coverage for a minimum of 25 percent in accordance with State statute. Money market accounts held by the Bond Trustees as agents totalled \$(654,919). Cash with Fiscal Agent was \$528,833, of which \$107,937 was held by the bond trustees and \$420,896 held by Bank of New York. The funds held by the trustees are collateralized with securities held by their Trust Departments, but not in the State's name. The funds held by Bank of New York are backed by the faith and credit of Bank of New York, and are neither insured nor collateralized.

Securities in the Short Term Fund are held by the Treasury's agent in the name of the State of Oregon. They consist of 56 percent in government securities and 44 percent in time certificates of deposit, bankers acceptances, and other short-term commercial paper. Earnings on the Short Term Fund are allocated based on daily account balances.

Cash	\$ 76,512,760
Cash with Fiscal Agent	528,833
Money Market Accounts held by Bond Trustees	1,894,359
Total Cash and Cash Equivalents	<u>\$ 78,935,952</u>
<u>Balance Sheet Amounts:</u>	
Cash and Cash Equivalents – Current	\$ 6,090,414
Restricted Cash and Cash Equivalents – Current	529,517
Restricted Cash and Cash Equivalents – Noncurrent	72,316,021
Total Cash and Cash Equivalents	<u>\$ 78,935,952</u>

Investments: The Bond Indentures authorize OHCS D to invest in direct obligations of, or obligations guaranteed by, the United States of America; bonds, debentures, notes, participation certifications, or other similar obligations issued by specified Federal Agencies; specified Public Housing Bonds; direct and general obligations of or obligations guaranteed

Notes to the Financial Statements (Continued)
June 30, 2002

by the State; investment agreements, secured or unsecured, with any institution whose debt securities are rated at least equal to the then existing rating on the bonds by the rating agencies; and deposits in interest-bearing time or demand deposits, or certificates of deposit secured by obligations described above. These are permissible investments under State statute. The Elderly and Disabled Housing Program Indenture also permits other investments for the State of Oregon under this statute.

Investments at year-end included \$27,241,868 held by the State Treasurer in U.S. Treasury securities. 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.

Additional investments were held by the Trust Departments of the Bond Trustees as agents in OHCS D's name. Total Trust Departments' investments consisted of \$426,233,287 in U.S. government securities and \$103,686,000 in repurchase agreements.

OHCS D's investments are categorized below to give an indication of the level of risk assumed by OHCS D at year-end. Category 1 includes investments that are insured or registered, with securities held by OHCS D or its agent in OHCS D's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in OHCS D's name. Category 3 includes uninsured and unregistered investments, with the securities held by the counterparty or by its trust department or agent but not in OHCS D's name.

	Risk Category			Reported Amount	Fair Value
	- 1 -	- 2 -	- 3 -		
U.S. Government and Agency Securities	\$ 453,475,155	\$ -	\$ -	\$ 453,475,155	\$ 453,475,155
Repurchase Agreements	103,686,000	-	-	103,686,000	103,686,000
Subtotal	\$ 557,161,155	\$ -	\$ -	\$ 557,161,155	\$ 557,161,155
Not Categorized:					
Securities Lending short-term collateral Investment Pool				5,384,187	5,384,187
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government and Agency Securities				5,234,808	5,234,808
Subtotal				\$ 567,780,150	\$ 567,780,150
Less: Balances treated as Cash and Cash Equivalents on the Balance Sheet				(5,384,187)	(5,384,187)
Less: Balances treated as Securities Lending Cash Collateral on the Balance Sheet				(5,234,808)	(5,234,808)
Total Investments				\$ 557,161,155	\$ 557,161,155

Securities Lending: In accordance with State of Oregon investment policies, state agencies may participate in securities lending. The State has, through Securities Lending Authorization Agreements, authorized its custodians to lend the State's securities pursuant to a form of loan agreement. There have been no significant violations of the provisions of securities lending agreements during the period of these financial statements.

During the year, the State's custodian lent short-term and fixed income securities and received as collateral U.S. dollar cash. Borrowers were required to deliver collateral for each loan equal to 102 percent of the market value of the loaned security. Cash collateral is invested in a short-term investment fund maintained by the custodian. Securities lent at year-end for cash collateral and cash collateral invested in a short-term investment fund maintained by the custodial agent are both presented as "Not Categorized" in the preceding schedule of investments. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default and the State did not impose any restrictions during the fiscal year on the amount of loans the custodian made on its behalf. The State, through its Securities Lending Agreements, is fully indemnified against borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The State and borrowers maintained the right to terminate all securities lending transactions on demand. As a consequence, the maturities of investments made with cash collateral during the year generally do not match the maturities of their securities loans. On June 30, 2002, the State had no credit risk exposure to borrowers. On June 30, 2002, OHCS D had no securities on loan.

OHCS D's cash balances are invested in the Oregon Short Term Fund (OSTF), as is the cash of other state agencies. As of

Notes to the Financial Statements (Continued)
June 30, 2002

June 30, 2002, the fair value of all securities on loan from OSTF was \$525,113,868. The cash collateral received for the securities on loan from OSTF on June 30, 2002 was \$539,819,050. The fair value of all investments made with the cash collateral received for those securities on loan was \$540,098,364. OHCS D's allocated portion of the securities on loan and the related collateral is presented in the preceding schedule of investments.

NOTE 3. Loans Receivable

Loans receivable on June 30, 2002, consisted of:

	Loans Receivable	Less: Allowance for Uncollectible Accounts	Loans Receivable (Net)
Elderly and Disabled Housing Fund:	\$ 227,603,264	\$ (1,099,646)	\$ 226,503,618
Housing Finance Fund:			
Housing Finance Account	4,904,435	(23,923)	4,880,512
Housing Finance Revenue Bonds	14,806,972	-	14,806,972
Mortgage Revenue Bonds	691,403,820	-	691,403,820
Assisted or Insured Multi-Unit Program	49,864,932	(106,264)	49,758,668
Multifamily Housing Revenue Bonds	90,661,113	(190,340)	90,470,773
Total Housing Finance Fund	851,641,272	(320,527)	851,320,745
Total	\$ 1,079,244,536	\$ (1,420,173)	\$ 1,077,824,363

The Single-Family Mortgage Program (Housing Finance Revenue Bonds and Mortgage Revenue Bonds) provides financing for single-family homes for below median income home buyers. These loans are collateralized by first lien mortgages on the applicable real estate. Of the total mortgage principal balance outstanding, 76 percent is federally insured or guaranteed, 16 percent is covered by pool insurance and/or private mortgage insurance and 8 percent is uninsured. Based on prior experience, OHCS D does not anticipate any material loss in the collection of mortgage loans receivable or in the disposition of acquired properties.

The Assisted or Insured Multi-Unit Program provides permanent mortgage financing to qualified sponsors of multi-unit housing developments for persons of lower income within the State of Oregon. The mortgage loans made under this program must either be federally insured or made to finance housing for persons eligible for federal or state housing assistance.

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

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

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

NOTE 4. Capital Assets

A summary of OHCS D's capital assets at June 30, 2002 is presented in the tables below. OHCS D has no outstanding debt related to capital assets.

	Beginning Balance	Increases	Decreases	Ending Balance
Elderly and Disabled Housing Fund:				
Equipment/Furniture	\$ 1,474	\$ -	\$ -	\$ 1,474
Data Processing Hardware	23,999	19,583	-	43,582
Leasehold Improvements	7,219	-	-	7,219
Less Depreciation/Amortization	(7,920)	(10,023)	-	(17,943)
Total	\$ 24,772	\$ 9,560	\$ -	\$ 34,332

Notes to the Financial Statements (Continued)
June 30, 2002

	Beginning Balance	Increases	Decreases	Ending Balance
Housing Finance Fund:				
Equipment/Furniture	\$ 242,060	\$ -	\$ -	\$ 242,060
Data Processing Hardware	1,083,945	58,750	(256,699)	885,996
Data Processing Software	215,866	-	(12,793)	203,073
Leasehold Improvements	61,759	-	-	61,759
Less Depreciation/Amortization	(1,380,899)	(137,878)	269,492	(1,249,285)
Total	\$ 222,731	\$ (79,128)	\$ -	\$ 143,603

NOTE 5. Interfund Balances and Transfers

The following schedule summarizes interfund receivables and payables for the year ended June 30, 2002:

Elderly and Disabled Housing Fund:	
Due from Housing Finance Fund	\$ 357
Total Due from Other Funds	\$ 357
Due to Housing Finance Fund	\$ 25,841
Due to Governmental Funds	40
Total Due to Other Funds	\$ 25,881
Housing Finance Fund:	
Due from Elderly and Disabled Housing Fund	\$ 25,841
Due from Governmental Funds	68,312
Due from Housing Finance Fund (Intrafund)	3,000,000
Total Due from Other Funds	\$ 3,094,153
Due to Elderly and Disabled Housing Fund	\$ 357
Due to Governmental Funds	3,000,180
Due to Housing Finance Fund (Intrafund)	3,000,000
Total Due to Other Funds	\$ 6,000,537

Of the amount due to governmental funds from the Housing Finance Funds, \$3,000,000 is due to the Emergency Housing Account to replace a funding decrease. All other balances between funds are the result of timing differences related to the reallocation of expense.

The following schedule summarizes operating transfers for the year ended June 30, 2002:

Elderly and Disabled Housing Fund:	
Transfer to Housing Finance Fund	\$ (207,194)
Total Operating Transfers Out	\$ (207,194)
Housing Finance Fund:	
Transfer from Elderly and Disabled Housing Fund	\$ 207,194
Transfer from Housing Finance Fund (Intrafund)	19,007,393
Total Operating Transfers In	\$ 19,214,587
Transfer to Governmental Funds	\$ (3,543,602)
Transfer to Housing Finance Fund (Intrafund)	(19,007,393)
Total Operating Transfers Out	\$ (22,550,995)

The transfer from the Elderly and Disabled Housing Fund to the Housing Finance Fund helps to provide housing for very low income Oregonians. The transfers to governmental funds are nonroutine transfers mandated by legislation passed by the Oregon Legislature. \$543,602 was transferred out of the Housing Finance Fund to establish the Farmworker Housing Development Account. Intrafund transfers within the Housing Finance Fund are for administrative expenses and bond issuance costs.

NOTE 6. Changes in Long Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 1,433,272,943	\$ 356,083,028	\$ 257,730,858	\$ 1,531,625,113	\$ 166,565,000
Arbitrage Rebate Liability	6,890,579	-	2,167,203	4,723,376	967,496
Loans Payable	748,606	3,635,394	384,000	4,000,000	786,606
Total Long Term Liabilities	\$ 1,440,912,128	\$ 359,718,422	\$ 260,282,061	\$ 1,540,348,489	\$ 168,319,102

NOTE 7. Long Term Debt

Since OHCS D's inception in 1977, general obligation bonds, revenue bonds (excluding conduit debt obligations), and notes totaling \$3,776,459,183 have been issued, of which \$1,530,869,827 were outstanding at June 30, 2002. The following table summarizes outstanding bonds by program and series as of June 30, 2002:

General Obligation Bonds

Elderly and Disabled Housing Program

Series	Due Dates	Original Issue		Amount	Bonds Outstanding			Ending Balance	Due Within One Year
		Interest From	Range To		Beginning Balance	Increases	Decreases		
1989 A	1991-2030	6.300	7.125%	\$ 7,000,000	\$ 4,505,000	\$ -	\$ 4,505,000	\$ -	\$ -
1990 A	1991-2020	5.800	7.100%	5,305,000	4,535,000	-	4,535,000	-	-
1990 B	1991-2020	5.600	7.000%	9,395,000	8,005,000	-	8,005,000	-	-
1990 C	1992-2021	6.100	7.200%	4,190,000	1,735,000	-	1,735,000	-	-
1990 D	1992-2021	6.200	7.500%	15,810,000	13,285,000	-	13,285,000	-	-
1992 A	1993-2013	3.300	6.250%	11,985,000	8,910,000	-	470,000	8,440,000	500,000
1992 B	1993-2024	3.300	6.375%	56,505,000	50,240,000	-	960,000	49,280,000	1,015,000
1992 C	1993-2022	3.300	6.500%	14,695,000	12,135,000	-	365,000	11,770,000	290,000
1992 D	1993-2022	3.400	6.600%	9,020,000	7,885,000	-	175,000	7,710,000	185,000
1993 A	1995-2024	3.400	5.700%	11,140,000	9,700,000	-	210,000	9,490,000	225,000
1993 B	1994-2026	2.700	5.500%	11,060,000	9,975,000	-	190,000	9,785,000	200,000
1993 C	1994-2026	2.850	5.650%	13,915,000	12,880,000	-	260,000	12,620,000	265,000
1994 A	1995-2025	3.500	6.150%	9,440,000	5,050,000	-	2,345,000	2,705,000	50,000
1994 B	1996-2026	4.200	6.300%	24,400,000	22,055,000	-	370,000	21,685,000	390,000
1995 A	1996-2026	4.000	6.000%	14,100,000	12,105,000	-	215,000	11,890,000	225,000
1995 B	1997-2027	4.000	5.700%	24,240,000	17,535,000	-	300,000	17,235,000	310,000
1996 A	1998-2027	4.050	5.600%	2,850,000	1,930,000	-	335,000	1,595,000	345,000
1996 B	1998-2027	4.200	5.800%	10,605,000	10,125,000	-	175,000	9,950,000	185,000
1997 A	1999-2028	4.050	5.375%	8,475,000	8,180,000	-	160,000	8,020,000	165,000
1998 A	2000-2029	3.400	4.500%	8,870,000	7,750,000	-	1,860,000	5,890,000	1,095,000
1998 B	2001-2030	3.550	4.875%	10,285,000	10,285,000	-	160,000	10,125,000	165,000
1998 C	2000-2029	4.900	6.000%	1,880,000	1,650,000	-	240,000	1,410,000	250,000
1999 A	2000-2030	3.250	5.150%	10,840,000	10,335,000	-	2,060,000	8,275,000	860,000
1999 B	2000-2031	3.350	5.250%	4,485,000	4,465,000	-	65,000	4,400,000	70,000
1999 C	2000-2005	5.400	6.160%	1,335,000	1,140,000	-	205,000	935,000	215,000
1999 D	2000-2030	3.950	6.000%	5,695,000	5,435,000	-	1,415,000	4,020,000	480,000
1999 E	2001-2031	5.000	6.250%	19,105,000	19,105,000	-	255,000	18,850,000	265,000
1999 F	2000-2006	6.250	7.000%	1,375,000	1,265,000	-	190,000	1,075,000	205,000
2001 A	2002-2032	2.550	5.100%	5,210,000	-	5,210,000	-	5,210,000	85,000
2001 B	2002-2020	2.550	4.950%	7,805,000	-	7,805,000	-	7,805,000	205,000
2001 C	2002-2032	2.700	5.300%	25,325,000	-	25,325,000	-	25,325,000	545,000
<i>Total General Obligation Bonds</i>					\$ 282,200,000	\$ 38,340,000	\$ 45,045,000	\$ 275,495,000	\$ 8,790,000

Revenue Bonds

Mortgage Revenue Bonds

Series	Due Dates	Original Issue			Bonds Outstanding			Ending Balance	Due Within One Year
		Interest From	Range To	Amount	Beginning Balance	Increases	Decreases		
1991 D	1993-2027	4.750	6.800%	\$ 21,250,000	\$ 19,495,000	\$ -	\$ 280,000	\$ 19,215,000	\$ 295,000
1992 A	1994-2016	4.500	6.800%	32,874,827	3,354,827	-	-	3,354,827	-
1992 B	2028	6.875	6.875%	47,670,000	38,465,000	-	9,140,000	29,325,000	-
1992 C	1994-2016	2.400	5.550%	20,585,000	12,005,000	-	2,025,000	9,980,000	425,000
1992 D	2019	5.650	5.650%	4,415,000	2,540,000	-	340,000	2,200,000	-
1993 A	1994-2024	2.750	5.450%	36,720,000	27,150,000	-	1,625,000	25,525,000	1,705,000
1993 B	1995-2017	3.250	5.375%	18,795,000	11,885,000	-	1,275,000	10,610,000	510,000
1994 A	1995-2018	3.750	6.400%	18,150,000	11,425,000	-	1,815,000	9,610,000	335,000
1994 B	2024	5.850	5.850%	6,850,000	1,430,000	-	925,000	505,000	-
1994 C	1996-2016	4.200	6.250%	12,440,000	8,950,000	-	1,140,000	7,810,000	355,000
1994 D	2020-2024	6.125	6.500%	10,610,000	3,645,000	-	915,000	2,730,000	-
1995 A	1996-2026	4.400	6.450%	25,000,000	18,275,000	-	1,670,000	16,605,000	335,000
1995 B	1997-2012	3.900	6.000%	9,800,000	7,500,000	-	1,335,000	6,165,000	450,000
1995 C	2015-2026	6.200	6.400%	20,200,000	14,170,000	-	2,205,000	11,965,000	-
1995 E	1997-2027	4.000	6.000%	25,000,000	19,725,000	-	2,205,000	17,520,000	365,000
1996 A	2008-2016	5.500	6.000%	6,465,000	6,300,000	-	535,000	5,765,000	-
1996 B	1998-2027	4.200	6.200%	18,535,000	13,695,000	-	1,995,000	11,700,000	380,000
1996 D	1998-2027	4.300	6.375%	27,300,000	22,665,000	-	3,205,000	19,460,000	360,000
1996 H	1998-2027	4.050	6.000%	27,300,000	24,990,000	-	3,215,000	21,775,000	415,000
1997 A	1999-2027	4.600	6.200%	25,000,000	24,255,000	-	3,175,000	21,080,000	370,000
1997 B	2028	7.500	7.500%	4,750,000	685,000	-	685,000	-	-
1997 E	1999-2015	3.900	5.250%	8,475,000	7,735,000	-	540,000	7,195,000	390,000
1997 F	2017-2028	5.500	5.650%	14,025,000	13,810,000	-	190,000	13,620,000	-
1997 G	2028	6.700	6.700%	7,500,000	5,675,000	-	1,865,000	3,810,000	65,000
1997 H	1999-2028	4.000	5.650%	33,570,000	32,540,000	-	1,660,000	30,880,000	555,000
1997 I	2028	6.640	6.640%	7,500,000	4,970,000	-	900,000	4,070,000	70,000
1998 A	2000-2015	4.000	5.150%	10,655,000	9,905,000	-	630,000	9,275,000	500,000
1998 B	2018-2029	4.900	5.450%	19,345,000	17,795,000	-	1,055,000	16,740,000	-
1998 D	2000-2029	3.850	5.300%	35,000,000	34,000,000	-	1,580,000	32,420,000	575,000
1998 G	2000-2029	3.650	5.250%	35,000,000	32,830,000	-	1,990,000	30,840,000	565,000
1999 A	2001-2027	3.600	5.150%	25,480,000	25,220,000	-	1,325,000	23,895,000	510,000
1999 B	2030	5.250	5.250%	5,450,000	4,885,000	-	185,000	4,700,000	-
1999 E	2019-2027	4.850	5.400%	20,350,000	20,000,000	-	830,000	19,170,000	-
1999 F	2001-2028	3.850	5.500%	14,650,000	14,490,000	-	910,000	13,580,000	660,000
1999 I	2001-2020	4.100	5.550%	25,555,000	25,555,000	-	1,140,000	24,415,000	850,000
1999 J	2023-2030	5.200	5.750%	29,320,000	29,195,000	-	1,165,000	28,030,000	-
1999 L	2013-2020	5.750	6.050%	10,000,000	9,910,000	-	255,000	9,655,000	-
1999 M	2002-2031	4.650	6.200%	32,260,000	31,850,000	-	1,440,000	30,410,000	565,000
2000 A	2001-2028	4.300	6.050%	18,265,000	18,245,000	-	535,000	17,710,000	510,000
2000 B	2025-2030	5.750	6.250%	16,735,000	16,660,000	-	1,495,000	15,165,000	-
2000 E	2002-2030	4.850	6.150%	29,160,000	29,160,000	-	705,000	28,455,000	705,000
2000 F	2028	6.250	6.250%	20,840,000	20,840,000	-	640,000	20,200,000	-
2000 H	2009-2030	4.650	5.750%	30,070,000	30,070,000	-	580,000	29,490,000	-
2000 I	2002-2009	4.400	4.900%	4,930,000	4,930,000	-	80,000	4,850,000	545,000
2000 J	2001	4.350	4.350%	9,435,000	9,435,000	-	9,435,000	-	-
2000 K	2003-2022	4.500	5.700%	14,825,000	14,825,000	-	35,000	14,790,000	-
2000 L	2031-2033	5.900	5.900%	20,175,000	20,175,000	-	70,000	20,105,000	-
2000 M	2001	4.400	4.400%	36,790,000	36,790,000	-	36,790,000	-	-
2000 N	2001	4.450	4.450%	15,000,000	10,000,000	-	10,000,000	-	-
2001 A	2003-2030	3.600	5.350%	23,465,000	23,465,000	-	255,000	23,210,000	-
2001 B	2022-2032	5.350	5.450%	6,535,000	6,535,000	-	20,000	6,515,000	-
2001 C	2032	***	***	7,500,000	7,500,000	-	70,000	7,430,000	-
2001 D	2001-2002	3.200	3.250%	24,990,000	24,990,000	-	24,990,000	-	-
2001 E	2002	3.200	3.200%	30,000,000	30,000,000	-	30,000,000	-	-
2001 F	2003-2030	3.350	5.550%	24,025,000	24,025,000	-	-	24,025,000	-
2001 G	2026-2032	4.850	5.700%	10,975,000	10,975,000	-	-	10,975,000	-
2001 H	2002	2.750	2.750%	29,335,000	29,335,000	-	29,335,000	-	-
2001 I	2002	2.850	2.850%	2,510,000	2,510,000	-	2,510,000	-	-
2001 J	2003-2030	3.000	5.150%	26,435,000	-	26,435,000	-	26,435,000	-
2001 K	2032	5.400	5.400%	3,565,000	-	3,565,000	-	3,565,000	-

Notes to the Financial Statements (Continued)
June 30, 2002

Original Issue					Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range		Amount	Beginning Balance	Increases	Decreases	Ending Balance	
		From	To						
2001 L	2032	***	***	\$ 9,100,000	\$ -	\$ 9,100,000	\$ -	\$ 9,100,000	\$ -
2001 M	2002	2.550	2.550%	10,355,000	-	10,355,000	-	10,355,000	10,355,000
2001 N	2002	2.600	2.600%	9,435,000	-	9,435,000	-	9,435,000	9,435,000
2001 O	2002	2.600	2.600%	1,435,000	-	1,435,000	-	1,435,000	1,435,000
2001 P	2002	2.200	2.200%	9,435,000	-	9,435,000	-	9,435,000	9,435,000
2001 Q	2003-2024	2.350	5.125%	19,015,000	-	19,015,000	-	19,015,000	-
2001 R	2027-2033	4.200	5.375%	15,985,000	-	15,985,000	-	15,985,000	-
2001 S	2002	2.030	2.030%	15,315,000	-	15,315,000	-	15,315,000	15,315,000
2001 T	2002	2.120	2.120%	6,505,000	-	6,505,000	-	6,505,000	6,505,000
2001 U	2002	2.120	2.120%	47,000,000	-	47,000,000	2,350,000	44,650,000	44,650,000
2002 A	2004-2024	2.350	5.200%	18,620,000	-	18,620,000	-	18,620,000	-
2002 B	2004-2033	2.700	5.450%	16,380,000	-	16,380,000	-	16,380,000	-
2002 C	2003	1.670	1.670%	29,525,000	-	29,525,000	-	29,525,000	29,525,000
2002 D	2003	1.720	1.720%	2,740,000	-	2,740,000	-	2,740,000	2,740,000
2002 E	2003	1.720	1.720%	8,880,000	-	8,880,000	-	8,880,000	8,880,000
2002 F	2005-2022	3.150	5.250%	15,190,000	-	15,190,000	-	15,190,000	-
2002 G	2003-2033	2.400	5.600%	19,810,000	-	19,810,000	-	19,810,000	-
<i>Total Mortgage Revenue Bonds</i>					\$ 983,434,827	\$ 284,725,000	\$ 207,260,000	\$ 1,060,899,827	\$ 151,640,000

*** Interest on the 2001 C and 2001 L series adjusts 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 2.24%.

Housing Finance Revenue Bonds

Original Issue					Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range		Amount	Beginning Balance	Increases	Decreases	Ending Balance	
		From	To						
1977 A	1979-2009	4.550	8.000%	\$ 43,800,000	\$ 9,775,000	\$ -	\$ 1,145,000	\$ 8,630,000	\$ 1,110,000
<i>Total Housing Finance Revenue Bonds</i>					\$ 9,775,000	\$ -	\$ 1,145,000	\$ 8,630,000	\$ 1,110,000

Assisted or Insured Multi-Unit Program

Original Issue					Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range		Amount	Beginning Balance	Increases	Decreases	Ending Balance	
		From	To						
1991 A	1992-2013	4.700	6.800%	\$ 15,665,000	\$ 11,650,000	\$ -	\$ 595,000	\$ 11,055,000	\$ 630,000
1991 B	1992-2013	4.700	6.800%	18,270,000	13,585,000	-	690,000	12,895,000	735,000
1991 C	1993-2022	5.000	6.850%	5,985,000	600,000	-	15,000	585,000	15,000
1993 A	1994-2012	2.800	5.750%	48,455,000	34,605,000	-	2,345,000	32,260,000	2,465,000
<i>Total Assisted or Insured Multi-Unit Program</i>					\$ 60,440,000	\$ -	\$ 3,645,000	\$ 56,795,000	\$ 3,845,000

Multifamily Housing Revenue Bonds

Original Issue					Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range		Amount	Beginning Balance	Increases	Decreases	Ending Balance	
		From	To						
1996 A	1999-2028	4.650	6.200%	\$ 4,505,000	\$ 4,390,000	\$ -	\$ 65,000	\$ 4,325,000	\$ 65,000
1997 A	1999-2029	4.100	5.700%	16,360,000	16,005,000	-	250,000	15,755,000	260,000
1997 B	2000-2029	4.000	5.550%	10,100,000	9,945,000	-	160,000	9,785,000	165,000
1999 A	2001-2030	3.450	5.150%	12,440,000	12,440,000	-	205,000	12,235,000	210,000
1999 B	2002-2031	4.300	6.000%	34,920,000	34,920,000	-	-	34,920,000	480,000
2000 A	2003-2042	4.600	6.050%	18,325,000	18,325,000	-	-	18,325,000	-
2001 A	2024-2032	4.600	5.100%	1,770,000	-	1,770,000	-	1,770,000	-
2001 B	2004-2043	2.900	5.450%	31,935,000	-	31,935,000	-	31,935,000	-
<i>Total Multifamily Housing Revenue Bonds</i>					\$ 96,025,000	\$ 33,705,000	\$ 680,000	\$ 129,050,000	\$ 1,180,000
Total Revenue Bonds					\$ 1,149,674,827	\$ 318,430,000	\$ 212,730,000	\$ 1,255,374,827	\$ 157,775,000
Total General Obligation and Revenue Bonds					\$ 1,431,874,827	\$ 356,770,000	\$ 257,775,000	\$ 1,530,869,827	\$ 166,565,000

Bonds Payable Per Balance Sheet:

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

	Principal (per preceding Schedule)	Less: Discount (Net)	Plus: Accretion	Less: Deferred Amount on Debt Refunding	Bonds Payable
General Obligation Bonds:					
Elderly and Disabled Housing Program	\$ 275,495,000	\$ (1,176,201)	\$ -	\$ (1,026,229)	\$ 273,292,570
Revenue Bonds (Housing Finance Fund):					
Single Family Mortgage Program:					
Mortgage Revenue Bonds	1,060,899,827	(6,677)	3,154,095	-	1,064,047,245
Housing Finance Revenue Bonds	8,630,000	-	-	-	8,630,000
Assisted or Insured Multi-Unit Program	56,795,000	(51,593)	-	-	56,743,407
Multifamily Housing Revenue Bonds	129,050,000	-	-	-	129,050,000
Total Revenue Bonds	1,255,374,827	(58,270)	3,154,095	-	1,258,470,652
Total General Obligation and Revenue Bonds	\$ 1,530,869,827	\$ (1,234,471)	\$ 3,154,095	\$ (1,026,229)	\$ 1,531,763,222

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, 2002, for each fiscal year during the next five year period ending June 30, 2007, and in five year increments thereafter.

Year Ending June 30	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 8,790,000	\$ 15,206,753	\$ 23,996,753	\$ 157,775,000	\$ 62,886,583	\$ 220,661,583
2004	9,640,000	14,778,644	24,418,644	23,330,000	59,624,244	82,954,244
2005	9,405,000	14,324,995	23,729,995	26,065,601	59,383,252	85,448,853
2006	9,870,000	13,854,250	23,724,250	27,126,117	58,185,222	85,311,339
2007	8,025,000	13,403,963	21,428,963	28,311,808	56,898,448	85,210,256
2008-2012	41,635,000	60,537,730	102,172,730	154,161,301	258,290,267	412,451,568
2013-2017	51,995,000	47,484,331	99,479,331	156,900,000	214,300,734	371,200,734
2018-2022	64,625,000	30,647,841	95,272,841	192,895,000	166,176,397	359,071,397
2023-2027	54,925,000	11,953,810	66,878,810	243,115,000	104,936,183	348,051,183
2028-2032	16,365,000	2,025,204	18,390,204	195,940,000	36,932,120	232,872,120
2033-2037	220,000	5,725	225,725	33,605,000	7,278,521	40,883,521
2038-2042	-	-	-	12,785,000	3,017,701	15,802,701
2043-2047	-	-	-	3,365,000	170,448	3,535,448
Total	\$ 275,495,000	\$ 224,223,246	\$ 499,718,246	\$ 1,255,374,827	\$ 1,088,080,120	\$ 2,343,454,947

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

As of June 30, 2002, various statutory or constitutional provisions limited the amount of bonds outstanding to \$2,000,000,000 in revenue bonds and approximately \$1,370,162,155 in general obligation bonds.

Debt Refunding:

On August 29, 2001, OHCS D issued \$31,340,000 of Elderly and Disabled Housing Bonds that refunded previously issued Elderly and Disabled Housing Bonds from various series. The current refunding of these bonds decreases the total debt service over the next 29 years by approximately \$9,892,262 and results in an economic gain of approximately \$5,748,173.

NOTE 8. Conduit Debt Obligations

As of June 30, 2002, OHCS D has issued three series of Housing Development Revenue Bonds in the aggregate amount of \$18,625,000, all of which were outstanding at June 30, 2002. All bonds issued under the Housing Development Revenue Bond program are limited obligations of OHCS D payable only out of security specifically pledged to each bond issue. 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 9. Lease Obligations

OHCS D leases office space under operating leases. Total cost for the leases for the fiscal year ended June 30, 2002, was \$470,115. The future minimum lease payments for the next five years are:

Fiscal Year Ending:	
June 30, 2003	\$ 455,708
June 30, 2004	209,640
June 30, 2005	428
June 30, 2006	-
June 30, 2007	-
Total	<u>\$ 665,776</u>

NOTE 10. Segment Information

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

	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Assisted or Insured Mult-Unit Program	Multifamily Housing Revenue Bonds
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 575,913	\$ 11,065,088	\$ 515,279	\$ 482,339
Other Noncurrent Assets	36,160,191	1,143,536,932	72,974,107	137,858,627
Total Assets	<u>36,736,104</u>	<u>1,154,602,020</u>	<u>73,489,386</u>	<u>138,340,966</u>
Liabilities:				
Due to Other Funds	3,000,000	-	-	-
Other Current Liabilities	1,482,143	178,671,032	5,635,419	5,231,841
Noncurrent Liabilities	7,520,000	916,462,537	53,136,008	127,910,084
Total Liabilities	<u>12,002,143</u>	<u>1,095,133,569</u>	<u>58,771,427</u>	<u>133,141,925</u>
Net Assets				
Restricted Net Assets	24,733,961	59,468,451	14,717,959	5,199,041
Total Net Assets	<u>\$ 24,733,961</u>	<u>\$ 59,468,451</u>	<u>\$ 14,717,959</u>	<u>\$ 5,199,041</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 2,051,043	\$ 60,862,422	\$ 6,888,277	\$ 7,507,197
Operating Expenses	(576,185)	(57,256,422)	(3,806,827)	(6,873,044)
Operating Income	1,474,858	3,606,000	3,081,450	634,153
Transfers In	15,500	4,250,000	-	515,000
Transfers Out	(5,600,000)	(5,000,000)	(2,301,893)	-
Change in Net Assets	(4,109,642)	2,856,000	779,557	1,149,153
Beginning Net Assets	28,843,603	56,612,451	13,938,402	4,049,888
Ending Net Assets	<u>\$ 24,733,961</u>	<u>\$ 59,468,451</u>	<u>\$ 14,717,959</u>	<u>\$ 5,199,041</u>

Notes to the Financial Statements (Continued)
June 30, 2002

	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Assisted or Insured Mult-Unit Program	Multifamily Housing Revenue Bonds
Condensed Statement of Cash Flows				
Net Cash Provided (Used) by:				
Operating Activities	\$ 4,050,011	\$ (5,443,074)	\$ 8,735,640	\$ (10,848,113)
Noncapital Financing Activities	(4,433,025)	23,184,300	(9,530,798)	27,738,857
Investing Activities	244,152	(12,217,173)	1,046,417	(19,003,331)
Net Increase (Decrease)	(138,862)	5,524,053	251,259	(2,112,587)
Beginning Cash and Cash Equivalents	469,036	6,192,390	585,015	4,261,773
Ending Cash and Cash Equivalents	\$ 330,174	\$ 11,716,443	\$ 836,274	\$ 2,149,186

NOTE 11. Restricted Assets

Restricted asset account balances are as follows:

<u>Purpose:</u>	Elderly and Disabled Housing Fund	Housing Finance Fund
Loan Acquisition	\$ 17,557,259	\$ 127,367,352
Current Debt Service	23,996,753	220,661,583
Future Debt Service	13,802,156	110,007,168
Debt Reserves	28,748,944	59,258,830
Insurance Reserves	-	16,654,235
Combined Program Account	-	11,422,896
Matured Bonds and Coupons	420,896	108,621
Total	\$ 84,526,008	\$ 545,480,685
<u>Balance Sheet Amounts:</u>		
Restricted Cash and Cash Equivalents – Current	\$ 420,896	\$ 108,621
Restricted Cash and Cash Equivalents – Noncurrent	56,863,244	15,452,777
Restricted Investments	27,241,868	529,919,287
Total	\$ 84,526,008	\$ 545,480,685

NOTE 12. Defined Benefit Retirement Plan

OHCS D’s employees participate in the Oregon Public Employee’s Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. All OHCS D employees are eligible to participate in the system after completing six months of service. PERS is administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, chapter 238. The PERS retirement allowance, payable monthly for life, may be selected from twelve retirement benefit options. Options include survivorship benefits and lump sum refunds. The basic benefit formula is 1.67 percent of a member’s final average salary multiplied by the member’s number of years of service. Benefits may also be calculated under either a money match or an annuity-plus-pension computation. PERS also provides death and disability benefits. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from Fiscal Services Division, PERS, P.O. Box 23700, Tigard, Oregon 97281-3700.

Covered employees are required by State statute to contribute 6.0 percent of their salary to the plan. Current law permits employers to pay employee contributions to the Retirement Fund. OHCS D is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. Currently the rate is 9.49 percent of each covered employee’s salary. The amounts contributed by OHCS D for the years ending June 30, 2002, 2001, and 2000 were \$609,298, \$584,870 and \$544,565, respectively, equal to the required contributions for each year. No pension liability existed at June 30, 2002, determined in accordance with Statement No. 27 of the Governmental Accounting Standards Board.

NOTE 13. Risk Financing

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

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

NOTE 14. Contingent Liabilities

During the ordinary course of business, OHCSO occasionally becomes involved in litigation. OHCSO is represented in these actions by the Attorney General of the State of Oregon. Based upon information furnished by legal counsel, there are no issues that need to be disclosed.

NOTE 15. Subsequent Events

On September 10, 2002, OHCSO issued the following Mortgage Revenue Bonds (Single-Family Mortgage Program):

	<u>Issue Amount</u>
2002 Series H	\$ 16,315,000
2002 Series I	18,685,000
2002 Series J	36,580,000
2002 Series K	9,515,000
2002 Series L	37,530,000

On October 29, 2002, OHCSO issued the following Elderly and Disabled Housing Bonds:

	<u>Issue Amount</u>
2002 Series A	\$ 10,840,000
2002 Series B	37,905,000
2002 Series C	13,595,000

On October 30, 2002, OHCSO issued the following Multifamily Housing Revenue Bonds:

	<u>Issue Amount</u>
2002 Series A	\$ 7,875,000

Notes to the Financial Statements (Continued)
 June 30, 2002

On July 1, 2002, OHCS D called the following Mortgage Revenue Bonds (Single-Family Mortgage Program) prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>
1992 Series B	\$ 3,750,000	1998 Series G	\$ 245,000
1992 Series D	560,000	1999 Series A	245,000
1993 Series B	555,000	1999 Series B	50,000
1994 Series A	815,000	1999 Series E	305,000
1994 Series B	20,000	1999 Series F	295,000
1994 Series C	630,000	1999 Series I	670,000
1994 Series D	220,000	1999 Series J	765,000
1995 Series A	740,000	1999 Series L	230,000
1995 Series B	350,000	1999 Series M	725,000
1995 Series C	690,000	2000 Series A	595,000
1995 Series E	650,000	2000 Series B	505,000
1996 Series A	280,000	2000 Series E	1,095,000
1996 Series B	570,000	2000 Series F	780,000
1996 Series D	1,510,000	2000 Series H	475,000
1996 Series H	535,000	2000 Series I	80,000
1997 Series A	1,335,000	2000 Series K	140,000
1997 Series G	535,000	2000 Series L	190,000
1997 Series H	535,000	2001 Series M	2,285,000
1997 Series I	355,000	2001 Series N	475,000
1998 Series A	310,000	2001 Series O	1,435,000
1998 Series B	565,000	2001 Series U	3,900,000
1998 Series D	570,000		

On October 1, 2002, OHCS D called the following Mortgage Revenue Bonds (Single-Family Mortgage Program) prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>
1992 Series B	\$ 2,785,000	1998 Series B	\$ 455,000
1992 Series C	740,000	1998 Series D	610,000
1992 Series D	130,000	1998 Series G	550,000
1993 Series B	465,000	1999 Series A	415,000
1994 Series A	280,000	1999 Series B	100,000
1994 Series B	230,000	1999 Series E	415,000
1994 Series C	525,000	1999 Series F	265,000
1994 Series D	325,000	1999 Series I	610,000
1995 Series A	815,000	1999 Series J	1,340,000
1995 Series B	200,000	1999 Series L	435,000
1995 Series C	560,000	1999 Series M	1,345,000
1995 Series E	785,000	2000 Series A	435,000
1996 Series A	450,000	2000 Series B	630,000
1996 Series B	895,000	2000 Series E	1,300,000
1996 Series D	1,340,000	2000 Series F	950,000
1996 Series H	610,000	2000 Series H	785,000
1997 Series A	900,000	2000 Series I	180,000
1997 Series F	170,000	2000 Series K	265,000
1997 Series G	705,000	2000 Series L	370,000
1997 Series H	675,000	2001 Series A	150,000
1997 Series I	565,000	2001 Series C	40,000
1998 Series A	235,000	2001 Series J	40,000

On October 31, 2002, OHCS D published notices to call, on December 1, 2002, the following Elderly and Disabled Housing Bonds prior to maturity:

	<u>Amount to be Called</u>
1992 Series B	\$ 37,905,000
1992 Series C	10,840,000
1992 Series D	7,525,000
1993 Series C	490,000
1995 Series B	1,050,000
1996 Series B	110,000
1999 Series E	75,000

*Supplementary
Information*

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Combining Schedule of Housing Finance Fund Balance Sheet Activities
June 30, 2002

	Housing Finance Account	Combined Program Account	Housing Finance Revenue Bonds	Mortgage Revenue Bonds
Assets				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 5,585,266	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	-	-	99,310	8,627
Securities Lending Cash Collateral	442,454	-	15,986	794,789
Accounts Receivable	112,526	-	-	-
Accrued Interest Receivable	135,216	136,844	360,238	8,503,395
Interfund Receivable	3,094,153	-	-	-
Prepaid Expenses	15,465	-	-	-
Acquired Property	-	-	100,379	1,758,277
<i>Total Current Assets</i>	9,385,080	136,844	575,913	11,065,088
<i>Noncurrent Assets</i>				
Cash & Cash Equivalents - Restricted	528,850	471	230,864	11,707,816
Investments - Restricted	722,169	11,422,425	21,117,155	431,296,345
Deferred Charges	-	-	5,200	9,128,951
Loans Receivable (Net)	4,880,512	-	14,806,972	691,403,820
Capital Assets (Net)	143,603	-	-	-
<i>Total Noncurrent Assets</i>	6,275,134	11,422,896	36,160,191	1,143,536,932
Total Assets	\$ 15,660,214	\$ 11,559,740	\$ 36,736,104	\$ 1,154,602,020
Liabilities and Net Assets				
Liabilities:				
<i>Current Liabilities</i>				
Accounts Payable	\$ 408,039	\$ -	\$ 6,071	\$ 352,024
Accrued Interest Payable	32	-	250,270	25,857,625
Obligations Under Securities Lending	442,454	-	15,986	794,789
Interfund Payable	3,000,537	-	3,000,000	-
Matured Bonds and Interest Payable	-	-	99,310	8,627
Bonds Payable	-	-	1,110,000	151,640,000
Deferred Income	322	-	506	17,967
Vacation Payable	217,048	-	-	-
<i>Total Current Liabilities</i>	4,068,432	-	4,482,143	178,671,032
<i>Noncurrent Liabilities</i>				
Bonds Payable	-	-	7,520,000	912,407,245
Arbitrage Rebate Liability	-	-	-	4,055,292
Loans Payable	4,000,000	-	-	-
<i>Total Noncurrent Liabilities</i>	4,000,000	-	7,520,000	916,462,537
Total Liabilities	8,068,432	-	12,002,143	1,095,133,569
Net Assets:				
Invested in Capital Assets	143,603	-	-	-
Restricted	1,824,609	11,559,740	24,733,961	59,468,451
Unrestricted	5,623,570	-	-	-
Total Net Assets	7,591,782	11,559,740	24,733,961	59,468,451
Total Liabilities and Net Assets	\$ 15,660,214	\$ 11,559,740	\$ 36,736,104	\$ 1,154,602,020

Assisted or Insured Multi-Unit Program	Multifamily Housing Revenue Bonds	Total
\$ -	\$ -	\$ 5,585,266
684	-	108,621
53,832	39,928	1,346,989
-	-	112,526
460,763	442,411	10,038,867
-	-	3,094,153
-	-	15,465
-	-	1,858,656
515,279	482,339	22,160,543
835,590	2,149,186	15,452,777
21,923,264	43,437,929	529,919,287
456,585	1,800,739	11,391,475
49,758,668	90,470,773	851,320,745
-	-	143,603
72,974,107	137,858,627	1,408,227,887
\$ 73,489,386	\$ 138,340,966	\$ 1,430,388,430
\$ 1,663	\$ 129,050	\$ 896,847
1,727,570	3,882,863	31,718,360
53,832	39,928	1,346,989
-	-	6,000,537
684	-	108,621
3,845,000	1,180,000	157,775,000
6,670	-	25,465
-	-	217,048
5,635,419	5,231,841	198,088,867
52,898,407	127,870,000	1,100,695,652
237,601	40,084	4,332,977
-	-	4,000,000
53,136,008	127,910,084	1,109,028,629
58,771,427	133,141,925	1,307,117,496
-	-	143,603
14,717,959	5,199,041	117,503,761
-	-	5,623,570
14,717,959	5,199,041	123,270,934
\$ 73,489,386	\$ 138,340,966	\$ 1,430,388,430

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Combining Schedule of Housing Finance Fund Revenues, Expenses,
and Changes in Fund Net Asset Activities
For the Year Ended June 30, 2002

	Housing Finance Account	Combined Program Account	Housing Finance Revenue Bonds	Mortgage Revenue Bonds
<u>Operating Revenues:</u>				
Interest on Loans	\$ 135,108	\$ 15,438	\$ 1,117,688	\$ 44,311,263
Investment Income	110,223	334,793	930,728	16,508,270
Transfer/Commitment Fees	1,880,049	-	-	-
Administrative Fees	197,155	-	-	-
Low Income Housing Tax Credit Fees	884,634	-	-	-
Mortgage Credit Certificate Fees	75	-	-	-
Gain on Sale of Foreclosed Property	-	-	2,627	42,889
Miscellaneous Revenue	175,343	-	-	-
Total Operating Revenues	3,382,587	350,231	2,051,043	60,862,422
<u>Operating Expenses:</u>				
Personal Services	4,082,855	-	-	-
Services and Supplies	2,285,887	-	-	-
Mortgage Service Fees	242	-	59,596	2,499,479
Foreclosure Costs	-	-	4,321	94,725
Interest Expense - Bonds	-	-	500,540	52,963,030
Interest Expense - Securities Lending	4,633	-	716	29,949
Interest Expense - Loans	65,467	-	-	-
Other Related Program Expenses	641,615	-	9,634	535,746
Amortization of Deferred Bond Issuance Costs	-	-	1,378	1,133,493
Depreciation/Amortization	137,879	-	-	-
Bad Debt Expense	11,953	-	-	-
Total Operating Expenses	7,230,531	-	576,185	57,256,422
Operating Income (Loss)	(3,847,944)	350,231	1,474,858	3,606,000
<u>Nonoperating Revenues (Expenses):</u>				
Investment Income	25,833	-	-	-
Total Nonoperating Revenues (Expenses)	25,833	-	-	-
Income (Loss) Before Transfers	(3,822,111)	350,231	1,474,858	3,606,000
Operating Transfers-In	13,109,087	1,325,000	15,500	4,250,000
Operating Transfers-Out	(8,324,102)	(1,325,000)	(5,600,000)	(5,000,000)
Change in Net Assets	962,874	350,231	(4,109,642)	2,856,000
Net Assets - Beginning	6,628,908	11,209,509	28,843,603	56,612,451
Net Assets - Ending	\$ 7,591,782	\$ 11,559,740	\$ 24,733,961	\$ 59,468,451

Assisted or Insured Multi-Unit Program	Multifamily Housing Revenue Bonds	Total
\$ 4,808,458	\$ 5,519,165	\$ 55,907,120
1,567,947	1,988,032	21,439,993
-	-	1,880,049
511,872	-	709,027
-	-	884,634
-	-	75
-	-	45,516
-	-	175,343
6,888,277	7,507,197	81,041,757
-	-	4,082,855
-	-	2,285,887
36,511	12,513	2,608,341
-	-	99,046
3,462,758	6,558,827	63,485,155
2,343	2,022	39,663
-	-	65,467
231,630	208,678	1,627,303
80,251	85,301	1,300,423
-	-	137,879
(6,666)	5,703	10,990
3,806,827	6,873,044	75,743,009
3,081,450	634,153	5,298,748
-	-	25,833
-	-	25,833
3,081,450	634,153	5,324,581
-	515,000	19,214,587
(2,301,893)	-	(22,550,995)
779,557	1,149,153	1,988,173
13,938,402	4,049,888	121,282,761
\$ 14,717,959	\$ 5,199,041	\$ 123,270,934

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Combining Schedule of Housing Finance Fund Cash Flow Activities

For the Year Ended June 30, 2002

	Housing Finance Account	Combined Program Account	Housing Finance Revenue Bonds
<u>Cash Flows from Operating Activities:</u>			
Received from Customers	\$ 3,372,724	\$ -	\$ -
Program Loan Principal Repayments	1,094,040	1,707,000	2,951,367
Program Loan Interest Received	95,697	15,438	1,128,081
Program Loans Made	(3,254,562)	(1,707,000)	-
Payments to Employees for Services	(4,076,676)	-	-
Payments to Suppliers for Goods and Services	(2,113,390)	-	(79,116)
Other Receipts (Payments)	(670,025)	-	49,679
Net Cash Provided (Used) in Operating Activities	(5,552,192)	15,438	4,050,011
<u>Cash Flows from Noncapital Financing Activities:</u>			
Proceeds from Bond Sales	-	-	-
Principal Payments on Bonds	-	-	(1,314,780)
Interest Payments on Bonds	-	-	(533,745)
Bond Issue Costs	-	-	-
Bond Call Costs	-	-	-
Loan Proceeds	3,635,394	-	-
Principal Payments on Loans	(384,000)	-	-
Interest Payments on Loans	(79,837)	-	-
Collections on Advances Made	50,000	-	-
Operating Transfers-In	10,109,087	1,325,000	15,500
Operating Transfers-Out	(5,324,102)	(1,325,000)	(2,600,000)
Net Cash Provided (Used) in Noncapital Financing Activities	8,006,542	-	(4,433,025)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(88,862)	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(88,862)	-	-
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(903,419)	(21,104,716)	(26,391,765)
Proceeds from Sales and Maturities of Investments	889,394	20,862,021	25,921,112
Interest on Cash and Investments	114,530	227,721	714,805
Investment Income on Securities Lending	4,633	-	716
Interest Paid on Securities Lending	(4,633)	-	(716)
Net Cash Provided (Used) in Investing Activities	100,505	(14,974)	244,152
Net Increase (Decrease) in Cash and Cash Equivalents	2,465,993	464	(138,862)
Cash and Cash Equivalents Balance - Beginning	3,648,123	7	469,036
Cash and Cash Equivalents Balance - Ending	\$ 6,114,116	\$ 471	\$ 330,174
Cash and Cash Equivalents	\$ 5,585,266	\$ -	\$ -
Cash and Cash Equivalents - Restricted (Current)	-	-	99,310
Cash and Cash Equivalents - Restricted (Noncurrent)	528,850	471	230,864
Total Cash and Cash Equivalents	\$ 6,114,116	\$ 471	\$ 330,174

Mortgage Revenue Bonds	Assisted or Insured Multi-Unit Program	Multifamily Housing Revenue Bonds	Total
\$ -	\$ 511,872	\$ -	\$ 3,884,596
89,423,497	3,532,414	924,550	99,632,868
44,122,528	4,961,158	6,052,778	56,375,680
(136,533,418)	-	(17,730,668)	(159,225,648)
-	-	-	(4,076,676)
(2,532,991)	(37,911)	(94,773)	(4,858,181)
77,310	(231,893)	-	(774,929)
(5,443,074)	8,735,640	(10,848,113)	(9,042,290)
284,839,965	-	33,705,000	318,544,965
(207,260,000)	(3,645,000)	(680,000)	(212,899,780)
(51,644,582)	(3,583,905)	(5,365,820)	(61,128,052)
(1,998,113)	-	(435,323)	(2,433,436)
(2,970)	-	-	(2,970)
-	-	-	3,635,394
-	-	-	(384,000)
-	-	-	(79,837)
-	-	-	50,000
4,250,000	-	515,000	16,214,587
(5,000,000)	(2,301,893)	-	(16,550,995)
23,184,300	(9,530,798)	27,738,857	44,965,876
-	-	-	(88,862)
-	-	-	(88,862)
(960,594,087)	(18,696,173)	(28,153,501)	(1,055,843,661)
933,277,513	19,099,200	7,496,979	1,007,546,219
15,099,401	643,390	1,653,191	18,453,038
29,949	2,343	2,022	39,663
(29,949)	(2,343)	(2,022)	(39,663)
(12,217,173)	1,046,417	(19,003,331)	(29,844,404)
5,524,053	251,259	(2,112,587)	5,990,320
6,192,390	585,015	4,261,773	15,156,344
\$ 11,716,443	\$ 836,274	\$ 2,149,186	\$ 21,146,664
\$ -	\$ -	\$ -	\$ 5,585,266
8,627	684	-	108,621
11,707,816	835,590	2,149,186	15,452,777
\$ 11,716,443	\$ 836,274	\$ 2,149,186	\$ 21,146,664

(continued on next page)

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Combining Schedule of Housing Finance Fund Cash Flow Activities *(continued from previous page)*

For the Year Ended June 30, 2002

	Housing Finance Account	Combined Program Account	Housing Finance Revenue Bonds
Reconciliation of Operating Income to Net Cash			
Provided by operating activities:			
Operating Income (Loss)	\$ (3,847,944)	\$ 350,231	\$ 1,474,858
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	137,879	-	-
Amortization of Deferred Bond Issue Costs	-	-	1,378
Bad Debt Expense	11,953	-	-
Interest Income reported as Operating Revenue	(110,223)	(334,793)	(930,728)
Interest Expense reported as Operating Expense	70,100	-	501,256
Bond Call Expenses	-	-	-
(Increase)/Decrease in Assets:			
Loan Interest Receivable	(39,411)	-	11,516
Accounts Receivable	426,422	-	-
Interfund Receivable	71,763	-	-
Prepaid Expenses	60,160	-	-
Loans Receivable	(2,260,523)	-	3,102,720
Acquired Property	-	-	(100,379)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(31,029)	-	(9,487)
Interfund Payable	(44,800)	-	-
Deferred Income	-	-	(1,123)
Vacation Payable	3,461	-	-
Net Cash Provided (Used) in Operating Activities	\$ (5,552,192)	\$ 15,438	\$ 4,050,011
Noncash Investing, Capital, and Financing Activities:			
Net Change in Fair Value of Investments	\$ 21,027	\$ 120,591	\$ 118,010
Foreclosed Property	-	-	183,791
Total Noncash Investing, Capital, and Financing Activities	\$ 21,027	\$ 120,591	\$ 301,801

Mortgage Revenue Bonds	Assisted or Insured Multi-Unit Program	Multifamily Housing Revenue Bonds	Total
\$ 3,606,000	\$ 3,081,450	\$ 634,153	\$ 5,298,748
-	-	-	137,879
1,133,492	80,251	85,300	1,300,421
-	(6,666)	5,703	10,990
(16,508,270)	(1,567,947)	(1,988,032)	(21,439,993)
52,992,979	3,465,101	6,560,849	63,590,285
488,592	-	-	488,592
(190,596)	161,714	533,613	476,836
16	-	-	426,438
-	-	-	71,763
-	-	-	60,160
(46,031,582)	3,532,414	(16,806,118)	(58,463,089)
(862,102)	-	-	(962,481)
15,234	(1,663)	126,419	99,474
(88,699)	-	-	(133,499)
1,862	(9,014)	-	(8,275)
-	-	-	3,461
<u>\$ (5,443,074)</u>	<u>\$ 8,735,640</u>	<u>\$ (10,848,113)</u>	<u>\$ (9,042,290)</u>
\$ 1,526,287	\$ 608,591	\$ 243,001	\$ 2,637,507
4,146,778	-	-	4,330,569
<u>\$ 5,673,065</u>	<u>\$ 608,591</u>	<u>\$ 243,001</u>	<u>\$ 6,968,076</u>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Statement of Net Assets

June 30, 2002

Unaudited

	Governmental Activities	Business Type Activities	Total
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 8,470,849	\$ 6,090,414	\$ 14,561,263
Cash and Cash Equivalents - Restricted	-	529,517	529,517
Securities Lending Cash Collateral	2,006,820	5,381,403	7,388,223
Accounts Receivable	3,300,236	113,403	3,413,639
Accrued Interest Receivable	293,508	11,453,337	11,746,845
Federal Receivable	3,731,170	-	3,731,170
Internal Balances	2,931,908	(2,931,908)	-
Prepaid Expenses	118	15,495	15,613
Acquired Property	-	1,858,656	1,858,656
<i>Total Current Assets</i>	<i>20,734,609</i>	<i>22,510,317</i>	<i>43,244,926</i>
<i>Noncurrent Assets</i>			
Cash & Cash Equivalents - Restricted	22,315,753	72,316,021	94,631,774
Investments - Restricted	14,505,501	557,161,155	571,666,656
Deferred Charges	100,126	14,176,522	14,276,648
Loans Receivable (Net)	2,710,635	1,077,824,363	1,080,534,998
Interest Receivable	46,787	-	46,787
Capital Assets (Net)	6,357	177,935	184,292
<i>Total Noncurrent Assets</i>	<i>39,685,159</i>	<i>1,721,655,996</i>	<i>1,761,341,155</i>
Total Assets	\$ 60,419,768	\$ 1,744,166,313	\$ 1,804,586,081
Liabilities and Net Assets			
Liabilities:			
<i>Current Liabilities</i>			
Accounts Payable	\$ 6,048,676	\$ 977,720	\$ 7,026,396
Accrued Interest Payable	251,407	38,138,448	38,389,855
Obligations Under Securities Lending	2,006,820	5,381,403	7,388,223
Due to Other Governments	499,464	-	499,464
Matured Bonds and Interest Payable	-	529,517	529,517
Bonds Payable	260,000	166,565,000	166,825,000
Deferred Income	221,567	26,884	248,451
Vacation Payable	210,384	305,702	516,086
<i>Total Current Liabilities</i>	<i>9,498,318</i>	<i>211,924,674</i>	<i>221,422,992</i>
<i>Noncurrent Liabilities</i>			
Bonds Payable	16,117,121	1,365,198,222	1,381,315,343
Arbitrage Rebate Liability	-	4,723,376	4,723,376
Loans Payable	-	4,000,000	4,000,000
<i>Total Noncurrent Liabilities</i>	<i>16,117,121</i>	<i>1,373,921,598</i>	<i>1,390,038,719</i>
Total Liabilities	25,615,439	1,585,846,272	1,611,461,711
Net Assets:			
Invested in Capital Assets	6,357	177,935	184,292
Restricted - Expendable	6,231,755	152,154,234	158,385,989
Restricted - NonExpendable	15,500,000	-	15,500,000
Unrestricted	13,066,217	5,987,872	19,054,089
Total Net Assets	34,804,329	158,320,041	193,124,370
Total Liabilities and Net Assets	\$ 60,419,768	\$ 1,744,166,313	\$ 1,804,586,081

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Statement of Activities

For the Year Ended June 30, 2002

Unaudited

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Housing Programs	\$ 66,967,708	\$ 1,383,160	\$ 63,922,689	\$ (1,661,859)	\$ -	\$ (1,661,859)
Food Programs	1,300,155	-	1,278,905	(21,250)	-	(21,250)
Energy Programs	35,106,919	450	26,890,874	(8,215,595)	-	(8,215,595)
Other Community Service Programs	8,154,431	-	7,780,940	(373,491)	-	(373,491)
Community Development Incentive Program	1,538,142	7,785	1,378,952	(151,405)	-	(151,405)
Total Governmental Activities	113,067,355	1,391,395	101,252,360	(10,423,600)	-	(10,423,600)
Business-Type Activities:						
Elderly and Disabled Housing Fund	18,914,251	17,229,570	4,533,883	-	2,849,202	2,849,202
Housing Finance Revenue Bonds	576,185	1,120,315	930,728	-	1,474,858	1,474,858
Mortgage Revenue Bonds	57,256,422	44,354,152	16,508,270	-	3,606,000	3,606,000
Assisted or Insured Multi-Unit Program	3,806,827	5,320,330	1,567,947	-	3,081,450	3,081,450
Multifamily Housing Revenue Bonds	6,873,044	5,519,165	1,988,032	-	634,153	634,153
Combined Program Account	-	15,438	334,793	-	350,231	350,231
Housing Finance Account	7,230,531	3,272,364	136,056	-	(3,822,111)	(3,822,111)
Total Business Type Activities	94,657,260	76,831,334	25,999,709	-	8,173,783	8,173,783
Total Government	\$ 207,724,615	\$ 78,222,729	\$ 127,252,069	(10,423,600)	8,173,783	(2,249,817)
General Revenues:						
Assessments				11,416,309	-	11,416,309
Transfers				3,543,602	(3,543,602)	-
Total General Revenues and Transfers				14,959,911	(3,543,602)	11,416,309
Change in Net Assets				4,536,311	4,630,181	9,166,492
Net Assets - Beginning				30,274,791	153,689,860	183,964,651
Prior Period Adjustment				60	-	60
Change in Accounting Principle				(6,833)	-	(6,833)
Net Assets - Beginning - Restated				30,268,018	153,689,860	183,957,878
Net Assets - Ending				\$ 34,804,329	\$ 158,320,041	\$ 193,124,370

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Balance Sheet

Governmental Funds

June 30, 2002

Unaudited

	Special Revenue	Permanent	Debt Service	Total
Assets				
Cash and Cash Equivalents	\$ 28,043,628	\$ 2,652,344	\$ 90,630	\$ 30,786,602
Investments	-	12,842,501	1,663,000	14,505,501
Securities Lending Cash Collateral	1,821,356	185,464	-	2,006,820
Accounts Receivable	2,121,170	-	1,179,066	3,300,236
Federal Receivable	3,731,170	-	-	3,731,170
Accrued Interest Receivable	-	293,508	-	293,508
Interfund Receivable	3,338,623	-	-	3,338,623
Prepaid Expenditures	118	-	-	118
Loans Receivable	2,710,635	-	-	2,710,635
Noncurrent Interest Receivable	46,787	-	-	46,787
Total Assets	\$ 41,813,487	\$ 15,973,817	\$ 2,932,696	\$ 60,720,000
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 6,048,676	\$ -	\$ -	\$ 6,048,676
Accrued Interest Payable	-	-	30,591	30,591
Obligations Under Securities Lending	1,821,356	185,464	-	2,006,820
Interfund Payable	118,362	288,353	-	406,715
Due to Federal Government	499,464	-	-	499,464
Deferred Income	221,567	-	-	221,567
Total Liabilities	8,709,425	473,817	30,591	9,213,833
Fund Balances:				
Reserved for Permanent Fund Principal	-	15,500,000	-	15,500,000
Reserved for Debt Service	-	-	2,902,105	2,902,105
Reserved for Prepaid Expenditures	118	-	-	118
Reserved for Loans Receivable	2,710,635	-	-	2,710,635
Reserved for Noncurrent Receivables	46,787	-	-	46,787
Unreserved, Undesignated	30,346,522	-	-	30,346,522
Total Fund Balances	33,104,062	15,500,000	2,902,105	51,506,167
Total Liabilities and Fund Balances	\$ 41,813,487	\$ 15,973,817	\$ 2,932,696	

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital Assets used in governmental activities are not financial resources and therefore not reported in governmental funds.	6,357
Deferred Charges are not financial resources and therefore not reported in governmental funds.	100,126
Vacation Payable is not payable in the current period and therefore not reported in governmental funds.	(210,384)
Accrued Interest Payable on bonds is not due and payable in the current period and therefore not reported in governmental funds.	(220,816)
Bonds Payable are not due and payable in the current period and therefore not reported in governmental funds.	(16,377,121)
Net Assets - Governmental Activities	\$ 34,804,329

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2002

Unaudited

	Special Revenue	Permanent	Debt Service	Total
<u>Revenues</u>				
Federal Revenue	\$ 91,966,941	\$ -	\$ -	\$ 91,966,941
State Revenue	5,319,239	-	1,179,066	6,498,305
Assessment Fees	11,416,308	-	-	11,416,308
Administrative Fees	1,301,649	-	-	1,301,649
Charges for Services	450	-	-	450
Income from Others	1,473,930	-	-	1,473,930
Interest on Cash and Investments	466,614	795,577	50,994	1,313,185
Interest on Loans	11,414	-	-	11,414
Miscellaneous Revenue	31,095	-	-	31,095
Total Revenues	111,987,640	795,577	1,230,060	114,013,277
<u>Expenditures</u>				
Personal Services	3,315,232	-	-	3,315,232
Services and Supplies	1,182,743	-	-	1,182,743
Securities Lending	22,740	-	-	22,740
Special Payments	108,067,888	-	-	108,067,888
Bad Debt Expense	13,621	-	-	13,621
Bond Principal	-	-	245,000	245,000
Bond Interest	-	-	247,370	247,370
Total Expenditures	112,602,224	-	492,370	113,094,594
Excess (Deficiency) of Revenues Over (Under) Expenditures	(614,584)	795,577	737,690	918,683
<u>Other Financing Sources (Uses)</u>				
Operating Transfers-In	7,849,564	-	1,107,000	8,956,564
Operating Transfers-Out	(4,617,385)	(795,577)	-	(5,412,962)
Bond Sale Proceeds	11,070,000	-	-	11,070,000
Debt Issuance Discount	(8,043)	-	-	(8,043)
Total Other Financing Sources (Uses)	14,294,136	(795,577)	1,107,000	14,605,559
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	13,679,552	-	1,844,690	15,524,242
Fund Balances: Beginning	19,377,663	15,500,000	1,057,415	35,935,078
Prior Period Adjustment	60	-	-	60
Fund Balances: Beginning - Restated	19,377,723	15,500,000	1,057,415	35,935,138
Change in Reserve for Noncurrent Receivables	46,787	-	-	46,787
Fund Balances: Ending	\$ 33,104,062	\$ 15,500,000	\$ 2,902,105	\$ 51,506,167

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 June 30, 2002

Unaudited

Net Change in Fund Balances - total Governmental Funds	\$ 15,524,242
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Revenues not providing current resources are not recorded in governmental funds, but are recognized as revenue in the Statement of Activities.	46,787
Governmental funds do not report depreciation or amortization on capital assets.	(3,494)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities for Governmental Activities.	(11,061,957)
Repayment of bond principal is a use of current financial resources in governmental funds, but also reduces long-term liabilities.	245,000
Bond issuance costs are a use of current financial resources in governmental funds, but are deferred in governmental activities.	102,214
Expenses not requiring current financial resources are not reported as expenditures in governmental funds, but are recognized as expenses in the Statement of Activities.	(316,481)
Change in Net Assets - Governmental Activities	<u>\$ 4,536,311</u>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

Unaudited

	<u>Agency Fund</u>
<u>Assets</u>	
Cash	\$ 421,625
Total Assets	<u>\$ 421,625</u>
<u>Liabilities</u>	
Trust Funds Payable	\$ 421,625
Total Liabilities	<u>\$ 421,625</u>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT
 Schedule of Legislative Authorizations (Non-GAAP Budgetary Basis)
 Compared to Actual Expenditures Subject to Budget
 Governmental Funds
 For the Biennium Ending June 30, 2003

Unaudited

	2001-2003 Budget		First Year Actuals	Second Year Balance
	Original	Revised		
Governmental Funds:				
Special Revenue	\$ 152,512,463	\$ 146,654,475	\$ 61,988,964	\$ 90,523,499
Budgetary Outflows (First Year Actuals)				\$ 61,988,964
Expenditures not subject to budgetary limitation				49,126,639
Expenditures charged to the prior biennium recorded in the current fiscal year				5,081,337
Items recorded as expenditures for financial reporting purposes but not for budgetary purposes				1,246,305
Items recorded as outflows for budgetary purposes but not for financial reporting purposes				(4,841,021)
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds				\$ 112,602,224

Statistical Section

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Revenues, Expenses, and Transfers

Enterprise Funds

Last Ten Fiscal Years

	2002	2001	2000	1999
Revenues:				
Interest on Loans	\$ 72,928,497	\$ 67,714,244	\$ 59,712,811	\$ 51,599,437
Investment Income	25,999,709	37,090,750	29,165,409	21,504,499
Transfer/Commitment Fees	1,924,442	2,158,956	3,137,948	1,526,166
Administrative Fees	866,827	892,201	839,522	587,101
Low Income Housing Tax Credit Fees	884,634	791,355	582,379	510,704
Mortgage Credit Certificate Fees	75	125	150	570
Rental Income	-	-	-	-
Gain on Sale of Foreclosed Property	45,516	29,757	61,394	24,315
Gain on Sale of Investments	-	-	-	-
Gain on Disposition of Capital Assets	-	38,965	-	-
Miscellaneous Revenue	181,343	435,025	213,103	196,198
Total Revenues	\$ 102,831,043	\$ 109,151,378	\$ 93,712,716	\$ 75,948,990
Expenses:				
Personal Services	\$ 5,488,760	\$ 5,089,114	\$ 4,764,953	\$ 4,370,317
Services and Supplies	2,842,198	2,987,918	3,466,439	3,243,156
Mortgage Service Fees	2,699,626	2,517,471	2,132,604	1,693,703
Foreclosure Costs	99,046	38,904	43,269	40,161
Real Estate Owned Expenses	-	1,060	750	1,716
Interest Expense - Bonds	79,687,587	76,622,684	68,769,372	60,580,845
Interest Expense - Securities Lending	112,001	278,322	389,209	331,776
Interest Expense - Loans	65,467	36,213	(29,377)	(3,968)
Other Related Program Expenses	1,983,824	2,456,080	1,991,381	1,761,623
Amortization of Deferred Bond Issuance Costs	1,523,776	1,615,378	1,575,026	1,251,314
Depreciation/Amortization	147,903	348,529	515,674	460,439
Bad Debt Expense	7,072	186,208	53,208	132,070
Loss on Disposition of Capital Assets	-	-	6,507	3,377
Total Expenses	\$ 94,657,260	\$ 92,177,881	\$ 83,679,015	\$ 73,866,529
Transfers:				
Operating Transfers-In	\$ 19,214,587	\$ 14,797,344	\$ 18,228,794	\$ 12,449,422
Operating Transfers-Out	(22,758,189)	(13,784,087)	(18,228,787)	(12,449,383)
Total Transfers	\$ (3,543,602)	\$ 1,013,257	\$ 7	\$ 39

Unaudited

	1998	1997	1996	1995	1994	1993
\$	49,470,569	\$ 45,586,467	\$ 42,217,704	\$ 39,849,335	\$ 39,508,204	\$ 41,742,248
	29,290,017	25,172,612	20,716,644	14,450,783	10,209,311	12,644,391
	1,222,215	1,096,097	678,957	1,271,136	448,466	375,700
	875,389	722,154	677,743	656,698	545,663	498,436
	466,363	435,412	376,154	316,791	467,651	84,196
	6,569	14,406	73,316	257,897	153,657	63,005
	-	-	-	-	43,000	6,909
	-	22,894	49,115	35,651	89,245	95,893
	-	181,005	149,023	146,304	4,376,995	790,146
	-	-	-	-	-	-
	288,188	148,457	150,327	147,833	101,164	217,607
\$	81,619,310	\$ 73,379,504	\$ 65,088,983	\$ 57,132,428	\$ 55,943,356	\$ 56,518,531
\$	3,340,984	\$ 3,114,905	\$ 3,016,443	\$ 2,736,183	\$ 2,398,642	\$ 2,388,498
	2,569,646	3,529,358	1,725,836	1,434,329	1,448,007	1,100,175
	1,560,202	1,434,703	1,541,821	1,414,408	1,352,979	1,399,008
	8,099	28,218	10,123	56,286	71,273	82,630
	-	-	-	-	-	11,433
	55,619,972	52,221,672	47,278,234	40,263,376	39,663,119	45,311,622
	359,799	936,902	-	-	-	-
	-	-	-	-	-	-
	1,541,757	1,831,920	639,153	2,181,735	4,201,096	6,119,494
	904,281	822,151	651,782	565,316	621,290	981,868
	256,705	95,349	80,743	39,874	278,342	137,324
	255,006	126,822	99,748	187,591	132,673	340,812
	-	-	10,959	-	-	891
\$	66,416,451	\$ 64,142,000	\$ 55,054,842	\$ 48,879,098	\$ 50,167,421	\$ 57,873,755
\$	9,519,135	\$ 11,673,721	\$ 7,484,622	\$ 1,823,859	\$ 47,191,263	\$ 14,894,106
	(9,519,135)	(11,665,847)	(7,476,205)	(1,728,203)	(47,202,486)	(14,888,925)
\$	-	\$ 7,874	\$ 8,417	\$ 95,656	\$ (11,223)	\$ 5,181

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Mortgage Loans Outstanding - By County

Enterprise Funds

June 30, 2002

County	Elderly and Disabled Housing Program		Housing Finance Account		Housing Finance Revenue Bonds	
	Number of Projects	Principal Amount	Number of Projects	Principal Amount	Number of Projects	Principal Amount
Baker	1	\$ 273,591	-	\$ -	1	\$ 54,082
Benton	6	2,049,394	-	-	2	39,991
Clackamas	31	23,342,164	1	92,030	7	236,777
Clatsop	5	1,514,283	-	-	1	99,272
Columbia	7	1,604,000	-	-	5	404,488
Coos	7	3,309,664	-	-	8	341,021
Crook	1	1,532,642	-	-	8	476,783
Curry	2	99,948	-	-	2	177,647
Deschutes	7	4,719,325	1	31,308	11	650,673
Douglas	10	12,445,570	-	-	12	600,285
Gilliam	1	1,088,959	-	-	1	54,685
Grant	2	100,845	-	-	2	146,141
Harney	2	2,443,879	-	-	2	113,680
Hood River	2	1,703,741	-	-	-	-
Jackson	11	10,658,427	-	-	7	190,355
Jefferson	2	1,000,339	-	-	4	121,572
Josephine	6	6,417,882	-	-	9	673,826
Klamath	2	110,485	1	95,459	6	70,310
Lake	-	-	-	-	1	42,727
Lane	28	19,549,301	-	-	18	504,157
Lincoln	8	9,287,799	1	6,059	-	-
Linn	11	8,430,486	-	-	10	274,290
Malheur	2	67,566	1	83,357	5	193,642
Marion	58	27,196,453	3	327,329	31	917,927
Morrow	-	-	-	-	3	121,965
Multnomah	57	44,044,468	-	-	113	1,799,865
Polk	14	7,773,232	1	55,000	20	1,413,517
Sherman	-	-	-	-	-	-
Tillamook	3	3,712,681	-	-	-	-
Umatilla	9	4,078,639	-	-	26	1,259,118
Union	4	1,894,954	-	-	10	614,401
Wallowa	2	1,585,085	-	-	2	146,376
Wasco	1	50,581	-	-	-	-
Washington	22	14,405,598	-	-	9	466,704
Wheeler	1	490,389	-	-	-	-
Yamhill	11	10,575,894	1	86,551	27	2,600,695
Total	336	\$ 227,558,264	10	\$ 777,093	363	\$ 14,806,972

Non-Mortgage Loans totaling \$45,000 for Elderly and Disabled Housing Program, \$4,127,342 for Housing Finance Account, and \$14,525,000 for Multifamily Housing Revenue Bonds are not included.

Unaudited

Mortgage Revenue Bonds		Assisted or Insured Multi-Unit Program		Multifamily Housing Revenue Bonds		Total	
Number of Projects	Principal Amount	Number of Projects	Principal Amount	Number of Projects	Principal Amount	Number of Projects	Principal Amount
63	\$ 3,711,323	1	\$ 176,417	-	\$ -	66	\$ 4,215,413
89	8,120,436	2	1,380,967	1	1,200,000	100	12,790,788
316	31,820,094	7	2,810,071	3	17,954,096	365	76,255,232
53	4,982,254	1	994,609	-	-	60	7,590,418
53	4,927,470	1	929,844	1	2,312,994	67	10,178,796
234	14,726,904	2	752,108	-	-	251	19,129,697
56	3,688,418	3	448,884	-	-	68	6,146,727
4	288,642	-	-	-	-	8	566,237
161	10,568,866	7	1,288,022	1	2,593,406	188	19,851,600
114	8,243,065	7	1,680,873	2	4,176,750	145	27,146,543
4	208,913	-	-	-	-	6	1,352,557
5	242,265	4	959,027	-	-	13	1,448,278
13	742,142	1	106,906	-	-	18	3,406,607
8	693,760	2	1,112,646	-	-	12	3,510,147
467	37,000,454	15	3,717,099	1	3,601,129	501	55,167,464
38	2,704,901	3	688,406	-	-	47	4,515,218
299	24,398,983	3	318,723	-	-	317	31,809,414
301	17,706,659	2	1,097,338	-	-	312	19,080,251
19	1,063,558	-	-	-	-	20	1,106,285
783	56,492,608	12	6,371,275	1	2,388,691	842	85,306,032
49	3,967,756	2	1,237,755	-	-	60	14,499,369
180	12,049,613	3	391,162	-	-	204	21,145,551
75	4,096,097	4	437,296	-	-	87	4,877,958
963	72,000,509	10	2,704,103	2	1,746,929	1,067	104,893,250
55	3,566,045	-	-	-	-	58	3,688,010
2,802	242,688,711	7	8,131,901	9	33,163,368	2,988	329,828,313
128	9,929,177	2	805,426	-	-	165	19,976,352
2	117,848	-	-	-	-	2	117,848
12	899,925	1	57,269	-	-	16	4,669,875
445	26,395,252	6	1,376,093	-	-	486	33,109,102
161	9,702,464	3	1,133,344	1	1,457,247	179	14,802,410
19	1,262,590	-	-	-	-	23	2,994,051
11	662,617	1	580,573	-	-	13	1,293,771
544	54,210,068	7	7,217,779	2	5,541,503	584	81,841,652
-	-	-	-	-	-	1	490,389
179	17,523,433	1	959,016	-	-	219	31,745,589
8,705	\$ 691,403,820	120	\$ 49,864,932	24	\$ 76,136,113	9,558	\$ 1,060,547,194

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

New Mortgage Loans

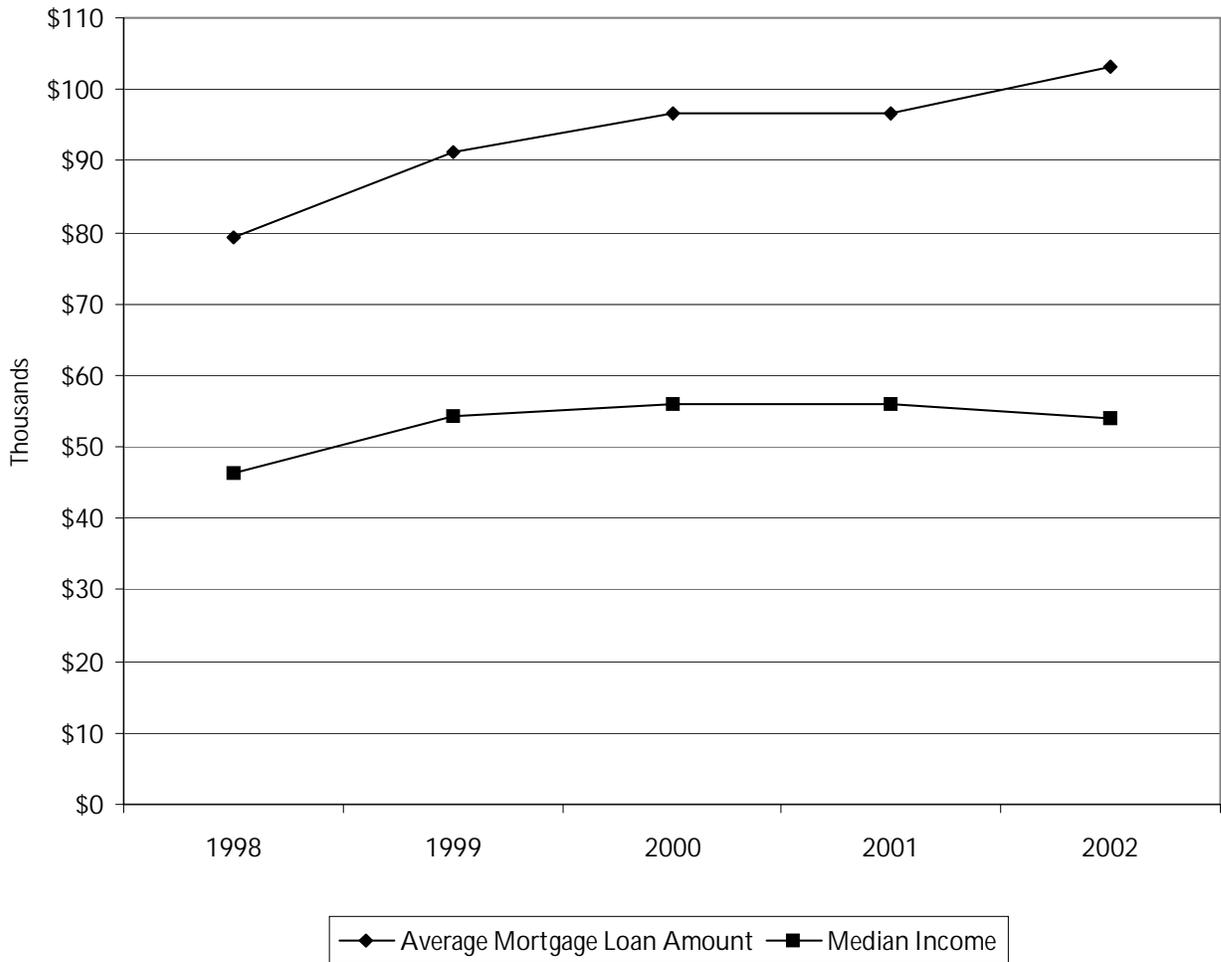
Enterprise Funds

Last Five Fiscal Years

Unaudited

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

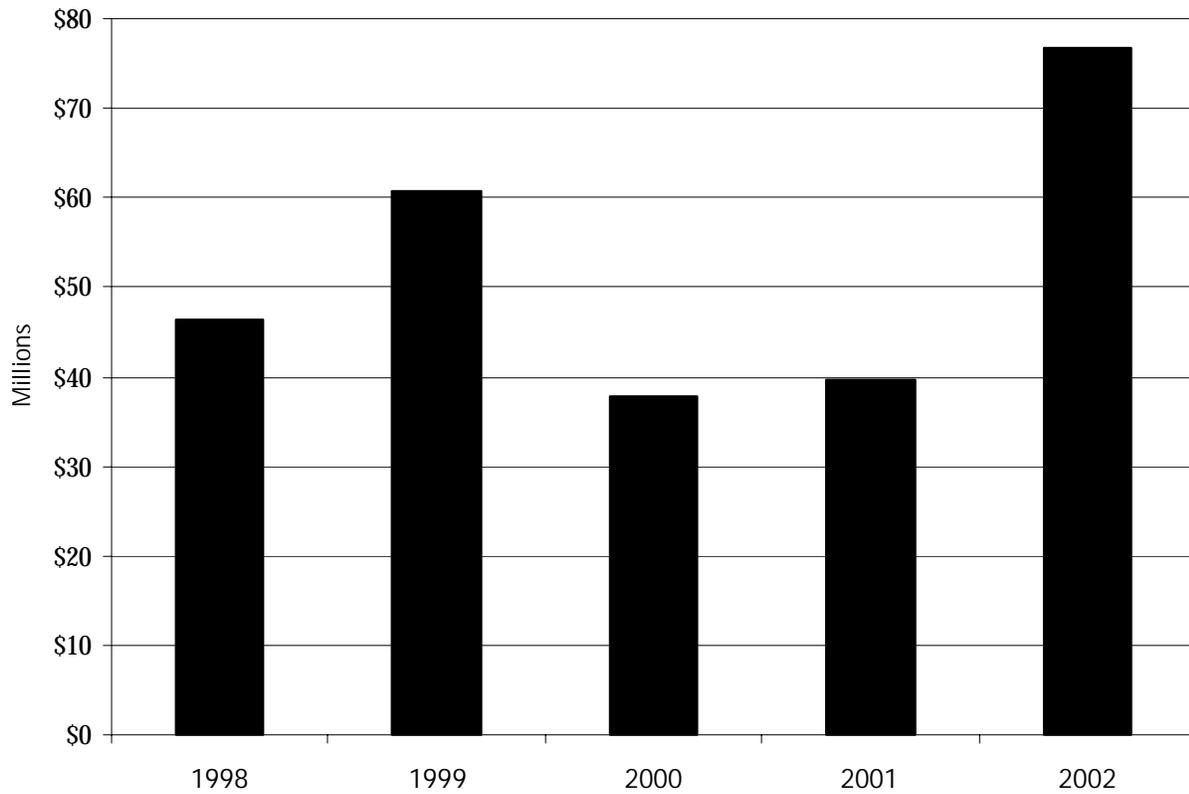
Single Family Mortgage Program
 Average New Mortgage Loan Amount
 versus Median Income



	1998	1999	2000	2001	2002
Average Loan Amount	\$ 79,415	\$ 91,173	\$ 96,648	\$ 96,591	\$ 103,278
Median Income for a 4-Person Family in the State of Oregon **	\$ 46,245	\$ 54,226	\$ 55,892	\$ 55,947	\$ 53,909

** Source: US Census Bureau

Single Family Mortgage Program
 Mortgage Loan Payoffs



	1998	1999	2000	2001	2002
Prepaid Principal	\$ 46,365,256	\$ 60,786,689	\$ 37,743,579	\$ 39,766,779	\$ 76,838,383

Other Reports

OFFICE OF THE
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Bill Bradbury
Secretary of State



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Auditing for a Better Oregon

The Honorable John Kitzhaber, M.D.
Governor of Oregon
254 State Capitol
Salem, Oregon 97310-4047

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 20, 2002. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

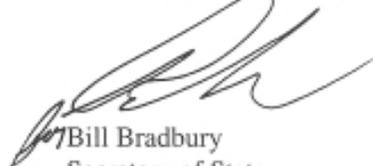
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over

financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the department in a separate letter.

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

OREGON AUDIT'S DIVISION



Bill Bradbury
Secretary of State

Fieldwork Completion Date:
November 20, 2002