

# Comprehensive Annual Financial Report

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

*For the Year Ended June 30, 2004*

**Bob Repine**

Director

**Rick Crager**

Chief Financial Officer

**Prepared by:**

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# Table of Contents

## Introductory Section

Letter of Transmittal .....	2
Certificate of Achievement for Excellence in Financial Reporting .....	5
Department Organization Structure .....	6

## Financial Section

Independent Auditor's Report .....	8
Management's Discussion and Analysis .....	10
Basic Financial Statements - Proprietary Funds:	
Balance Sheet - Proprietary Funds .....	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds .....	15
Statement of Cash Flows - Proprietary Funds .....	16
Notes to the Financial Statements - Proprietary Funds .....	18

## Supplementary Information

Combining Schedules of Housing Finance Fund Activities:	
Combining Schedule of Housing Finance Fund Balance Sheet Activities .....	34
Combining Schedule of Housing Finance Fund Revenues, Expenses, and Changes in Fund Net Asset Activities .....	36
Combining Schedule of Housing Finance Fund Cash Flow Activities .....	38

## Statistical Section - Enterprise Funds

Revenues, Expenses, and Transfers - Last Ten Fiscal Years .....	44
Loans Outstanding - by County as of June 30, 2004 .....	46
New Mortgage Loans - Last Five Fiscal Years .....	48
Single Family Mortgage Program Average New Mortgage Loan Amount Versus Median Income .....	49
Single Family Mortgage Program Mortgage Loan Payoffs .....	50

## Other Reports

Report on Internal Control and Compliance .....	52
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# Introductory Section



# Oregon

Theodore R. Kulongoski, Governor

October 28, 2004

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

## Housing and Community Services

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We are pleased to submit the Comprehensive Annual Financial Report of the Oregon Housing and Community Services Department's (OHCS) Enterprise Funds, for the fiscal year ended June 30, 2004. The financial statements, included on pages 14-32, do not present all activities and financial positions of OHCS, but the enterprise activities only. These activities are reported as a separate fund of OHCS and an annual financial report is issued for these activities in accordance with OHCS's Indentures of Trust. OHCS management is responsible for both the accuracy of data and the completeness and fairness of the presentation, including all disclosures.

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

The Secretary of State, Audits Division, has audited the financial records, books of account, and transactions of OHCS's Enterprise Funds for the year ended June 30, 2004. The auditors used generally accepted auditing standards in conducting the engagement. Their unqualified opinion on the Enterprise Fund financial statements is included in the Financial Section of this report.

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

### Overview of the Department

OHCS is the State's housing finance agency and community services program administrator. The Department provides financial and program support to create and preserve opportunities for quality, affordable housing for Oregonians of lower and moderate income 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 2003." This had not occurred since 1985; however, the OEA is forecasting Oregon economic growth to keep pace with the U.S. economic growth in 2004. For the period between 2005 and 2011, the forecast for growth in the Oregon economy is expected to be higher than the U.S. economy. The OEA forecasts employment growth for Oregon to increase by 2.0 percent for 2004, 2.3 percent in 2005, and 1.9 percent in 2006.

Personal income is predicted to increase by 5.6 percent in 2004, which is higher than the 3.1 percent increase experienced in 2003. The State Economist predicts personal income to increase by 6.1 percent and wage and salary to increase by 6.7 percent in 2005.

Continuing into 2006, personal income is projected to increase by 6.0 percent while wage and salary is forecasted to continue to grow at 6.2 percent. Both of these projections are expected to be equal or higher than the national average in 2005 and 2006.

With the stabilization and rise of interest rates, the housing market has slowed. In 2003, housing starts in Oregon rose by an amazing 14.2 percent, however, it is forecasted to decrease by 2.0 percent in 2004. Nonetheless, the 2004 forecast for housing starts is still well above recent years. While interest rates have not remained at record low levels, they still remain very low, which will continue to drive housing prices upward. Nationally, housing prices increased by 7.3 percent in 2003 compared to 5.3 percent in Oregon. While national housing prices outpaced prices in Oregon, the state continues to have some of the least affordable housing markets in the nation. Oregon housing prices are forecasted to increase by 6.8 percent in 2004, and 6.0 percent in 2005, while the national average is projected to increase by 7.2 percent and 4.6 percent for 2004 and 2005, 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**

### ***Economic Revitalization Team***

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

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

The ERT has regional coordinators deployed around the state to help Oregon communities and businesses become successful. They work with state agencies and local government to streamline the permit processes for business and industry; increase opportunities to link and leverage public and private investments; and provide greater local access to state resources and assistance. OHCSO has provided strong leadership in each of these areas by focusing on developing additional farmworker housing, simplifying its housing development application process, administering the Community Incentive Fund for community development projects, and developing a housing needs analysis model to help communities determine future housing needs.

### ***Housing as an Economic Stimulus***

The development and rehabilitation of housing is critical to economic development in Oregon. It helps ensure that the State's initiatives to create new jobs and attract new businesses in Oregon will provide direct benefits to Oregonians. Where a jobs and housing imbalance exists, workers sometimes commute from outside Oregon or from long distances. In some high development areas a housing price imbalance exists and service workers and even entry level workers cannot afford to live near work. A lack of affordable housing to its workforce is a detriment in attracting business to Oregon.

Government investment can defray costs, remove impediments or provide infrastructure to make community revitalization projects feasible. OHCSO has participated in community revitalization projects statewide. In Portland, the Department provided funding to refurbish as elderly housing the historic Rosemont Commons, and to develop affordable condominiums as part of a comprehensive neighborhood revitalization. In Pendleton, a long abandoned, burned out structure was renovated as Goodwin Court, providing much needed affordable housing above commercial space. In Lakeview, as plans for constructing a new correction facility were made, OHCSO worked with private sector developers to ensure adequate workforce housing would be available.

In addition to its work outside the Department, staff internally has been reviewing economic models and actual data from recent projects to better identify the economic impacts of investments in housing. The models will be used to project the economic impacts of investments in affordable housing from generation of additional jobs and tax revenues to impacts on industry segments. This will provide better information to decision-makers responsible for resources allocation.

### ***New Initiatives for Homeownership***

A major obstacle to purchasing their first home for low- and moderate-income Oregonians is a lack of adequate funds for down payment and closing costs. Historically, the OHCSO first time homebuyer loan program has provided below market rate loans, but little help was available for down payment assistance.

During the last fiscal year, OHCS D enhanced its Residential Loan Program to offer low-income Oregonians a home loan that included funding for downpayment assistance and closing costs. Through the issuance of tax-exempt bonds, the Department has structured its financing to issue bonds at a premium. This premium provides the funding for downpayment assistance and closing costs. Low-income Oregonians can now get a home loan at a slightly higher interest rate and receive a cash assistance grant of 1.75 percent of their loan amount. Through the higher rate on the mortgage loan, the Department is able to pay the premium on the outstanding bonds.

OHCS D has continued to work very hard during the last year in providing potential borrowers with access to homebuyer education. OHCS D is a key sponsor of the *ABC's of Homebuying*, administered by the Homeowner Education Collaborative of Oregon. These homebuying education courses are offered by local, nonprofit organizations throughout the state. Professionals, such as lenders, real estate agents and others volunteer their time to teach the classes. The classes are designed to help first time homebuyers learn the basics and to successfully complete the homebuying process. As part of OHCS D's critical performance measures, the target is that 20 percent of loans processed every year through the Department's Residential Loan Program are with individuals or families that have completed the *ABC's of Homebuying*.

### ***Increasing Energy Savings through Low-Income Weatherization***

Through the OHCS D's Weatherization Assistance Programs, both state and local funds are used to provide weatherization services, which include insulation for attics, ducts, floors, walls; energy saving modifications of heating systems; water heater wraps; and/or storm windows to eligible low-income owners and renters who could not otherwise afford them. Through weatherization, fuel consumption is reduced, resulting in lower heating bills.

OHCS D has been working diligently to expand its weatherization programs and, as a result, has set goals to do more in the area of weatherization. The new annual targets for the number of multifamily units weatherized are 55 percent higher than 2003 levels. Single family targets are 30 percent higher and manufactured dwelling targets are 31 percent higher. OHCS D is accomplishing these targets by increasing the ability or capacity of Community Action Agencies (CAA) to provide weatherization services with training and technical assistance necessary to certify CAA coordinators and work crews in quality weatherization; adding local crews, contractors, and auditors; adding flexibility to the funding process to assure each CAA has adequate funds to expand their number of units weatherized, and providing training to CAA's to better leverage funds with other federal and private sector funds.

As these efforts promote self-reliance, affected Oregonians will make fewer demands on social programs. Also, there will be increased employment and economic benefits. A typical home could see savings of approximately \$217 annually in energy costs. Every dollar in energy costs saved is a dollar that stays in the community.

### **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, 2003. 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 nine 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, 2003

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.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Organization Structure

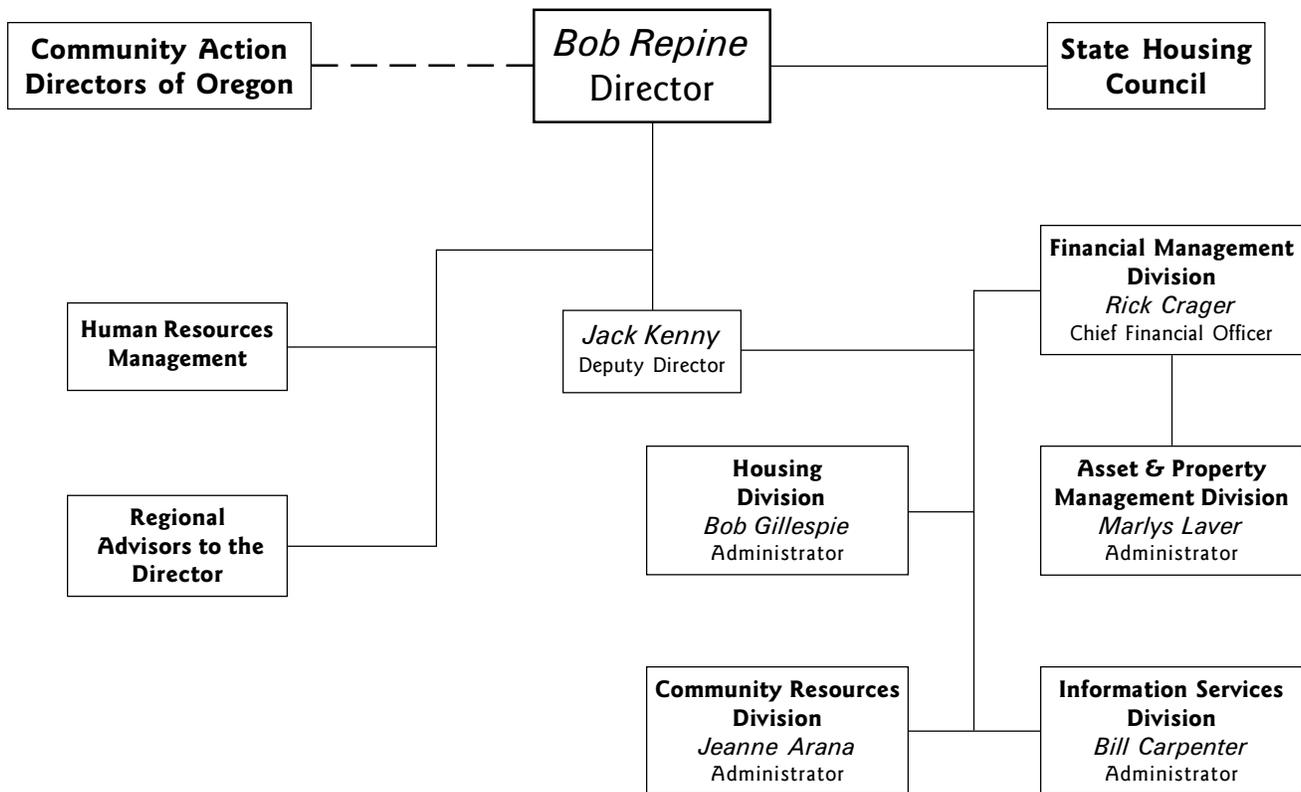


**CADO Executive Committee:**

Michael Fieldman, President  
 John Mullin, Vice President  
 Carmen Bojarski, Secretary  
 Jarralyn Ness, Treasurer  
 Doug Bartlett, Member at Large  
 Jim Slusher, Member at Large,  
 Immediate Past President

**Housing Council Members:**

Baltizar "Buz" Ortiz, Chair  
 Scott R. Cooper  
 John Epstein  
 Maggie LaMont  
 Stuart E. Liebowitz  
 Larry E. Medinger  
 Judith Williams-Pitre



### Community Action Directors of Oregon

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

### State Housing Council

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

# Financial Section



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*Auditing for a Better Oregon*

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

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

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying basic financial statements of the enterprise funds of the State of Oregon, Housing and Community Services Department (department), as of and for the year ended June 30, 2004, 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, as of June 30, 2004, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the enterprise funds of the State of Oregon, Housing and Community Services Department, as of June 30, 2004, 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 is 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 collectively 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2004, 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 section as listed in the table of content.

OREGON AUDITS DIVISION

  
Bill Bradbury  
Secretary of State

October 28, 2004

# 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, 2004. The selected financial data presented was derived from the financial statements of the Department, which have been audited by the Oregon Secretary of State Audits Division.

### FINANCIAL HIGHLIGHTS

- Net assets of the Department decreased \$13.9 million, to \$152.6 million as of June 30, 2004. This represents a decrease of 8.33%.
- Revenues decreased by \$26.0 million from the previous year's results.
- The Department's outstanding debt of \$1.68 billion on June 30, 2004 increased \$44.5 million from the amount outstanding on June 30, 2003. Debt issuance for the year totaled \$537.5 (par value).
- Mortgage loan purchases and originations for the year totaled \$144.1 million, up \$16.5 million from 2003. Single Family Programs were up \$13.9 million in purchases and Multifamily Programs were up \$2.6 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 in the State of Oregon Comprehensive Annual Financial Report located at <http://www.oregon.gov/DAS/SCD/SARS/publications> under 2004 CAFR.

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

### OVERVIEW OF THE PROPRIETARY FUNDS FINANCIAL POSITION AND OPERATIONS

The Department's total assets at June 30, 2004 were \$1.91 billion, an increase of \$54.1 million from June 30, 2003. The change in assets consists primarily of a \$95.6 million increase in cash and investments and a \$41.5 million decrease in loans receivable. The asset growth was supported by the issuance of \$537.5 million (par value) of mortgage revenue and general obligation bonds, which contributed to a \$44.5 million net increase in bonds payable.

Total liabilities increased by \$68.0 million to \$1.76 billion at June 30, 2004. The primary reasons for the \$68.0 million increase in liabilities were: 1) an increase of \$44.5 million bonds payable; 2) a decrease in accrued interest payable of \$3.0 million resulting from the calling of high rate bonds due to residential loan prepayments and economic refundings; and 3) an increase of \$26.0 million in obligations under security lending provided by the Oregon State Treasury.

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

**Proprietary Funds  
Statement of Net Assets**

	<b>Business Type Activities</b>			
	<b>2004</b>	<b>2003</b>	<b>Change</b>	<b>% Change</b>
Current and Other Assets	\$ 1,908,661,254	\$ 1,854,526,675	\$ 54,134,579	2.92%
Capital Assets	144,792	157,212	(12,420)	-7.90%
<b>Total Assets</b>	<b>\$ 1,908,806,046</b>	<b>\$ 1,854,683,887</b>	<b>\$ 54,122,159</b>	<b>2.92%</b>
Long Term Liabilities	\$ 1,232,722,459	\$ 1,457,137,807	\$ (224,415,348)	-15.40%
Other Liabilities	523,448,023	231,043,814	292,404,209	126.56%
<b>Total Liabilities</b>	<b>\$ 1,756,170,482</b>	<b>\$ 1,688,181,621</b>	<b>\$ 67,988,861</b>	<b>4.03%</b>
Net Assets:				
Invested in Capital Assets	\$ 144,792	\$ 157,212	\$ (12,420)	-7.90%
Restricted	149,152,478	161,847,959	(12,695,481)	-7.84%
Unrestricted	3,338,294	4,497,095	(1,158,801)	-25.77%
<b>Total Net Assets</b>	<b>\$ 152,635,564</b>	<b>\$ 166,502,266</b>	<b>\$ (13,866,702)</b>	<b>-8.33%</b>

• **Cash and Investments**

Total cash and investments increased by \$95.6 million, or 11.7% at June 30, 2004 compared to June 30, 2003. The primary reason for this increase is that the amount of mortgage loan prepayments in the Department's single family program has continued to outpace the amount of loan originations. While loan originations are higher in the single family program for Fiscal Year 2004, the continued low market interest rates have made it difficult for the Department to make affordable housing loans that were substantially lower in interest rates to that of conventional financing. In addition, because of low interest rates, many of the Department's higher rate loans have continued to prepay, as was the case in Fiscal Year 2003. As a result, the Department has had more cash and investments on hand that was either earmarked for purchasing mortgage loans or calling outstanding bonds. 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 decreased \$41.5 million in Fiscal Year 2004. This decrease is attributed to a combination of loan purchases, scheduled repayments, loan prepayments, and foreclosures.

- Purchases of mortgage loans increased by \$16.5 million for Fiscal Year 2004, which was due to \$13.9 million in higher single-family mortgage loan purchases, and \$2.6 million in increased multifamily mortgage loan purchases. Total mortgage loan purchases for Fiscal Year 2004 was \$144.1 million.
- Other loans in the amount of \$3.3 million were purchased in Fiscal Year 2004. These loans are related to predevelopment, housing development start up, and other program activity.
- Scheduled mortgage and other loan repayments totaled \$26.3 million for Fiscal Year 2004.
- Prepayments on mortgage loans decreased slightly in 2004 by \$7.6 million. However, the total prepayments still remained very high at \$156.8 million.
- Foreclosures decreased \$.5 million for a total of \$5.8 million.

- **Bonds Payable**

During Fiscal Year 2004, the Department issued \$2.9 million of state general obligation bonds and \$534.6 million of revenue bonds, totaling \$537.5 million (par value). This decreased slightly compared to the combined issuance of \$546.2 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 Administration section of the Management's Discussion and Analysis.

- **Net Assets**

The Department's net assets decreased during Fiscal Year 2004 by 8.33%. This is primarily a result of negative arbitrage the Department has sustained within its Single Family Program. With the large volume of prepayments and slower than usual loan origination, the Department has had to hold cash and investments with returns lower than the interest on the debt in which it supports. While the period of time in which the cash and investments have been held is relatively short, the impact has resulted in reduced net assets. Nonetheless, the Department continues to maintain a positive spread of income from investments and mortgage loans to cover ongoing bond interest and operating costs.

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

Proprietary Funds Statement of Operating Activity				
<b>Business Type Activities</b>				
	<b>2004</b>	<b>2003</b>	<b>Change</b>	<b>% Change</b>
<b>Revenues:</b>				
Interest on Loans	\$ 65,650,387	\$ 71,465,435	\$ (5,815,048)	-8.14%
Investment Income	4,819,534	26,337,964	(21,518,430)	-81.70%
Transfer/Commitment Fees	1,006,822	1,051,794	(44,972)	-4.28%
Administrative Charges and Fees	2,346,977	1,287,564	1,059,413	82.28%
Low Income Housing Tax Credit Fees	1,122,706	1,117,418	5,288	0.47%
Gain on Sale of Foreclose Property	337,473	118,817	218,656	184.03%
Miscellaneous Revenue	153,059	42,221	110,838	262.52%
<b>Total Revenue</b>	<b>75,436,958</b>	<b>101,421,213</b>	<b>(25,984,255)</b>	<b>-25.62%</b>
<b>Expenses:</b>				
Personal Services	5,360,496	5,798,187	(437,691)	-7.55%
Services and Supplies	3,688,026	2,852,514	835,512	29.29%
Mortgage Service Fees	2,390,462	2,684,267	(293,805)	-10.95%
Foreclosure Costs	327,082	214,332	112,750	52.61%
Real Estate Owned Expenses	-	646	(646)	-100.00%
Interest Expense - Bonds	71,465,838	77,158,001	(5,692,163)	-7.38%
Interest Expense - Loans	174,574	129,231	45,343	35.09%
Interest Expense - Securities Lending	421,428	159,076	262,352	164.92%
Interest Expense - Bonds	3,739,067	2,748,849	990,218	36.02%
Amortization of Deferred Bond Issuance Costs	1,476,403	1,375,300	101,103	7.35%
Depreciation/Amortization	122,702	104,076	18,626	17.90%
Bad Debt Expense	137,582	14,509	123,073	848.25%
<b>Total Expenses</b>	<b>89,303,660</b>	<b>93,238,988</b>	<b>(3,935,328)</b>	<b>-4.22%</b>
<b>Change in Net Assets</b>	<b>(13,866,702)</b>	<b>8,182,225</b>	<b>(22,048,927)</b>	<b>-269.47%</b>
<b>Net Assets – Beginning</b>	<b>166,502,266</b>	<b>158,320,041</b>	<b>8,182,225</b>	<b>5.17%</b>
<b>Net Assets – Ending</b>	<b>\$ 152,635,564</b>	<b>\$ 166,502,266</b>	<b>\$ (13,866,702)</b>	<b>-8.33%</b>

The Department's proprietary fund revenue is generated principally from interest earned on mortgages and investments. In Fiscal Year 2004, the Department's revenue generated through proprietary funds totaled \$75.4 million, of which \$70.5 million, or 93.4% is from income earned on loans and investments. 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 \$89.3 million, of which \$71.5 million, or 80% is bond interest expense.

The change in net assets for the year ended June 30, 2004 resulted in decrease of \$13.9 million versus a \$8.2 million increase for the year ending June 30, 2003. In total, this resulted in a \$22.1 net change from Fiscal Year 2003 to Fiscal Year 2004. Factors contributing to this change include:

- In Fiscal Year 2004, investment income was \$21.5 million less than Fiscal Year 2003. The primary reason for this reduction was due to reduced market values in the Department's investment portfolio and decreased interest earnings. The Department's strategy is to hold investments until maturity, therefore, while the loss due to market value is recognized for financial reporting purposes, it is not the intent of the Department to realize these losses in the long term.
- Interest expense on bonds was \$5.7 million less than Fiscal Year 2003. This was primarily due to the Department receiving significant amounts of loan prepayments. With these loan prepayments, OHCS D called the high rate debt that supported the loans and, where eligible, reissued new debt with much lower interest rates for new mortgage loans.
- Interest on loans for Fiscal Year 2004 was \$5.8 million less than Fiscal Year 2003. This was due to the fact that the Department's total loan portfolio was reduced due to prepayment of mortgage loans outpacing mortgage loan originations. Increased prepayments were a result of lower interest rates, which prompted borrowers to refinance their high rate loans.

## **Debt Administration**

Oregon statutory provisions authorized the Department to issue up to \$2 billion in revenue bonds to finance the construction, purchase and rehabilitation of housing for lower-income persons and families. The Department also has constitutional authority to issue general obligation bonds to finance housing for elderly and disabled persons. As of June 30, 2004, OHCS D was authorized to issue up to \$1,526,855,488 in general obligation bonds for this purpose.

As of June 30, 2004, OHCS D had a total of \$1,677,799,827 (par value) in outstanding debt. During fiscal year 2004, the Department issued \$528,860,000 (par value) in mortgage revenue bonds for the Single-Family Mortgage Program, \$5,675,000 (par value) in revenue bonds for the Multifamily Housing Revenue Bond Program and \$2,930,000 (par value) in general obligation bonds for the Elderly and Disabled Housing Program.

In addition, the Department issued \$28,088,164 (par value) of Housing Development revenue bonds. These bonds were issued as conduit debt obligations as described in the Notes to the Financial Statements (Note 8) and are not included in the outstanding bonds payable balance of the Department.

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

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

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Balance Sheet

### Proprietary Funds

June 30, 2004

#### Business-Type Activities - Enterprise Funds

	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Assets</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ -	\$ 3,856,659	\$ 3,856,659
Cash and Cash Equivalents - Restricted	15,022,714	84,207	15,106,921
Investments - Restricted	-	472,122,813	472,122,813
Securities Lending Cash Collateral	24,114,934	11,051,068	35,166,002
Accounts Receivable	2,350	33,929	36,279
Accrued Interest Receivable	1,434,697	8,357,527	9,792,224
Interfund Receivable	-	736	736
Prepaid Expenses	-	7,600	7,600
Acquired Property	117,319	1,892,964	2,010,283
<b>Total Current Assets</b>	<b>40,692,014</b>	<b>497,407,503</b>	<b>538,099,517</b>
<i>Noncurrent Assets</i>			
Cash and Cash Equivalents - Restricted	35,842,594	22,155,323	57,997,917
Investments - Restricted	25,795,073	299,449,903	325,244,976
Deferred Charges	2,513,032	10,038,826	12,551,858
Loans Receivable (Net)	215,004,393	759,762,593	974,766,986
Capital Assets (Net)	31,741	113,051	144,792
<b>Total Noncurrent Assets</b>	<b>279,186,833</b>	<b>1,091,519,696</b>	<b>1,370,706,529</b>
<b>Total Assets</b>	<b>\$ 319,878,847</b>	<b>\$ 1,588,927,199</b>	<b>\$ 1,908,806,046</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities:</b>			
<i>Current Liabilities</i>			
Accounts Payable	\$ 143,624	\$ 1,423,493	\$ 1,567,117
Accrued Interest Payable	5,204,816	27,001,543	32,206,359
Obligations Under Securities Lending	24,114,934	11,051,068	35,166,002
Interfund Payable	736	-	736
Matured Bonds and Interest Payable	72,899	84,207	157,106
Bonds Payable	9,770,000	444,250,601	454,020,601
Deferred Income	1,375	28,573	29,948
Vacation Payable	21,307	278,847	300,154
<b>Total Current Liabilities</b>	<b>39,329,691</b>	<b>484,118,332</b>	<b>523,448,023</b>
<i>Noncurrent Liabilities</i>			
Bonds Payable	237,885,902	988,524,806	1,226,410,708
Arbitrage Rebate Liability	-	595,301	595,301
Loans Payable	-	5,716,450	5,716,450
<b>Total Noncurrent Liabilities</b>	<b>237,885,902</b>	<b>994,836,557</b>	<b>1,232,722,459</b>
<b>Total Liabilities</b>	<b>277,215,593</b>	<b>1,478,954,889</b>	<b>1,756,170,482</b>
<b>Net Assets:</b>			
Invested in Capital Assets	31,741	113,051	144,792
Restricted	42,631,513	106,520,965	149,152,478
Unrestricted	-	3,338,294	3,338,294
<b>Total Net Assets</b>	<b>42,663,254</b>	<b>109,972,310</b>	<b>152,635,564</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 319,878,847</b>	<b>\$ 1,588,927,199</b>	<b>\$ 1,908,806,046</b>

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

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Statement of Revenues, Expenses, and Changes in Fund Net Assets

### Proprietary Funds

For the Year Ended June 30, 2004

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b><u>Operating Revenues:</u></b>			
Interest on Loans	\$ 16,372,826	\$ 49,277,561	\$ 65,650,387
Investment Income	(188,399)	5,007,933	4,819,534
Transfer/Commitment Fees	192,615	814,207	1,006,822
Administrative Charges and Fees	206,367	2,140,610	2,346,977
Low Income Housing Tax Credit Fees	-	1,122,706	1,122,706
Gain on Sale of Foreclosed Property	-	337,473	337,473
Miscellaneous Revenue	29,644	123,415	153,059
<b>Total Operating Revenues</b>	<b>16,613,053</b>	<b>58,823,905</b>	<b>75,436,958</b>
<b><u>Operating Expenses:</u></b>			
Personal Services	383,041	4,977,455	5,360,496
Services and Supplies	626,710	3,061,316	3,688,026
Mortgage Service Fees	88,167	2,302,295	2,390,462
Foreclosure Costs	86	326,996	327,082
Interest Expense - Bonds	13,036,802	58,429,036	71,465,838
Interest Expense - Loans	-	174,574	174,574
Interest Expense - Securities Lending	171,352	250,076	421,428
Other Related Program Expenses	473,983	3,265,084	3,739,067
Amortization of Deferred Bond Issuance Costs	205,713	1,270,690	1,476,403
Depreciation/Amortization	22,747	99,955	122,702
Bad Debt Expense	(28,964)	166,546	137,582
<b>Total Operating Expenses</b>	<b>14,979,637</b>	<b>74,324,023</b>	<b>89,303,660</b>
<b>Operating Income (Loss)</b>	<b>1,633,416</b>	<b>(15,500,118)</b>	<b>(13,866,702)</b>
<b>Income (Loss) Before Transfers</b>	<b>1,633,416</b>	<b>(15,500,118)</b>	<b>(13,866,702)</b>
Transfers from Other Funds	-	207,194	207,194
Transfers to Other Funds	(207,194)	-	(207,194)
<b>Change in Net Assets</b>	<b>1,426,222</b>	<b>(15,292,924)</b>	<b>(13,866,702)</b>
<b>Net Assets - Beginning</b>	<b>41,237,032</b>	<b>125,265,234</b>	<b>166,502,266</b>
<b>Net Assets - Ending</b>	<b>\$ 42,663,254</b>	<b>\$ 109,972,310</b>	<b>\$ 152,635,564</b>

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, 2004

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b><u>Cash Flows from Operating Activities:</u></b>			
Received from Customers	\$ 398,424	\$ 4,064,496	\$ 4,462,920
Program Loan Principal Repayments	10,295,517	177,062,852	187,358,369
Program Loan Interest Received	16,431,560	49,065,190	65,496,750
Program Loans Made	(3,305,750)	(144,103,759)	(147,409,509)
Payments to Employees for Services	(348,680)	(5,014,928)	(5,363,608)
Payments to Suppliers for Goods and Services	(625,790)	(4,952,806)	(5,578,596)
Other Receipts (Payments)	(179,071)	1,017,125	838,054
Net Cash Provided (Used) in Operating Activities	22,666,210	77,138,170	99,804,380
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Proceeds from Bond Sales	2,930,000	536,701,825	539,631,825
Principal Payments on Bonds	(39,875,000)	(455,690,000)	(495,565,000)
Interest Payments on Bonds	(13,633,209)	(60,468,289)	(74,101,498)
Bond Issue Costs	(111,719)	(1,841,463)	(1,953,182)
Bond Call Costs	(333,121)	-	(333,121)
Loan Proceeds	-	3,187,900	3,187,900
Principal Payments on Loans	-	(1,362,521)	(1,362,521)
Interest Payments on Loans	-	(125,844)	(125,844)
Transfers from Other Funds	-	207,194	207,194
Transfers to Other Funds	(207,194)	-	(207,194)
Net Cash Provided (Used) in Noncapital Financing Activities	(51,230,243)	20,608,802	(30,621,441)
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Acquisition of Capital Assets	(27,571)	(82,711)	(110,282)
Net Cash Provided (Used) in Capital and Related Financing Activities	(27,571)	(82,711)	(110,282)
<b><u>Cash Flows from Investing Activities:</u></b>			
Purchase of Investments	(1,726,117)	(1,585,417,557)	(1,587,143,674)
Proceeds from Sales and Maturities of Investments	27,702,799	1,486,261,065	1,513,963,864
Interest on Cash and Investments	2,102,739	8,242,096	10,344,835
Investment Income on Securities Lending	171,352	250,076	421,428
Interest Paid on Securities Lending	(171,352)	(250,076)	(421,428)
Net Cash Provided (Used) in Investing Activities	28,079,421	(90,914,396)	(62,834,975)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(512,183)	6,749,865	6,237,682
<b>Cash and Cash Equivalents Balance - Beginning</b>	51,377,491	19,346,324	70,723,815
<b>Cash and Cash Equivalents Balance - Ending</b>	\$ 50,865,308	\$ 26,096,189	\$ 76,961,497
Cash and Cash Equivalents	\$ -	\$ 3,856,659	\$ 3,856,659
Cash and Cash Equivalents - Restricted (Current)	15,022,714	84,207	15,106,921
Cash and Cash Equivalents - Restricted (Noncurrent)	35,842,594	22,155,323	57,997,917
<b>Total Cash and Cash Equivalents</b>	\$ 50,865,308	\$ 26,096,189	\$ 76,961,497

Continued

Continued from previous page

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>			
Operating Income (Loss)	\$ 1,633,416	\$ (15,500,118)	\$ (13,866,702)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation/Amortization	22,747	99,955	122,702
Amortization of Deferred Bond Issuance Costs	205,713	1,270,691	1,476,404
Bad Debt Expense	(28,964)	166,546	137,582
Investment Income Reported as Operating Revenue	188,399	(5,007,933)	(4,819,534)
Interest Expense Reported as Operating Expense	13,208,154	58,853,686	72,061,840
Bond Call Expenses	266,789	1,739,788	2,006,577
(Increase)/Decrease in Assets:			
Loan Interest Receivable	58,998	(197,262)	(138,264)
Accounts Receivable	(2,016)	179,988	177,972
Interfund Receivable	-	327	327
Prepaid Expenses	-	(7,431)	(7,431)
Loans Receivable	7,107,086	34,397,146	41,504,232
Acquired Property	(117,319)	592,625	475,306
Increase/(Decrease) in Liabilities:			
Accounts Payable	122,876	552,903	675,779
Interfund Payable	(327)	-	(327)
Deferred Income	(264)	(5,714)	(5,978)
Vacation Payable	922	2,973	3,895
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$ 22,666,210</b>	<b>\$ 77,138,170</b>	<b>\$ 99,804,380</b>
<b><u>Noncash Investing, Capital, and Financing Activities:</u></b>			
Net Change in Fair Value of Investments	\$ (2,540,965)	\$ (6,427,513)	\$ (8,968,478)
Foreclosed Property	117,319	5,716,005	5,833,324
Loan Modification - Interest Capitalized	-	9,396	9,396
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b>\$ (2,423,646)</b>	<b>\$ (702,112)</b>	<b>\$ (3,125,758)</b>

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, 2004

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

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

##### **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 \$185,135,000 in revenue bonds for the Assisted or Insured Multi-Unit Program, \$143,905,000 in revenue bonds for Multifamily Housing Revenue Bonds, and \$3,924,454,183 in revenue bonds for the Single-Family Mortgage Program (\$511,644,681 in Housing Finance Revenue Bonds and \$3,412,809,502 in Mortgage Revenue Bonds). OHCS D has issued \$562,705,000 in State of Oregon general obligation bonds for the Elderly and Disabled Housing Program. State of Oregon general obligation bonds are authorized by Oregon Constitution Article XI-1(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.

##### **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. The proceeds from the sale of the general obligation bonds are used to finance housing units for elderly and disabled persons.
- (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. Revenue bond proceeds are used to finance home ownership and multi-family units for lower and moderate income persons. Also part of the Housing Finance Fund are the Combined Program Account and the Housing Finance Account. The Combined Program Account is maintained to act as a reserve against possible

deficiencies that may arise in the payment of debt service or related expenses of the 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, operating expenses, non-operating revenue and expense, and capital contributions and transfers.

### **D. Budgets**

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

### **E. Cash Equivalents**

For purposes of the Statement of Cash Flows, all OHCS D moneys held in the State Treasury Oregon Short Term Fund and moneys held in money market funds are considered to be cash equivalents. All short term U.S. Treasury and U.S. Agency securities and 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 Oregon State Treasury Oregon Short Term Fund in short-term debt investments with remaining maturities of up to ninety days on June 30, 2004 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, 2004 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 one year are not capitalized.

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

**L. 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, 2004 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. Rebtable 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 rebtable 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 OHCSD's loan programs. Administrative expenses, depreciation and amortization of capital assets, and bond program related expenses are considered operating expenses. Nonoperating revenues and expenses include any gain or loss on the disposition of capital assets.

**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, 2004, the book balance of cash and cash equivalents was \$76,961,497. The bank balance was \$76,818,691. Monies held in demand accounts with the State Treasurer and amounts invested in the Oregon Short Term Fund totaled \$74,260,665. 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. The bank balance of money market accounts held by the Bond Trustees as agents totaled \$2,401,605. Cash with Fiscal Agent was \$156,421, of which \$83,522 was held by the bond trustees and \$72,899 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 25 percent in government securities and 75 percent in time certificates of deposit, banker's acceptances, and other short-term commercial paper. Earnings on the Short Term Fund are allocated based on daily account balances.

Cash	\$ 74,402,848
Cash with Fiscal Agent	156,421
Money Market Accounts held by Bond Trustees	2,402,228
Total Cash and Cash Equivalents	<u>\$ 76,961,497</u>
<u>Balance Sheet Amounts:</u>	
Cash and Cash Equivalents – Current	\$ 3,856,659
Restricted Cash and Cash Equivalents – Current	15,106,921
Restricted Cash and Cash Equivalents – Noncurrent	57,997,917
Total Cash and Cash Equivalents	<u>\$ 76,961,497</u>

Investments: The Bond Indentures authorize OHCSD 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 by the State; investment agreements, secured or unsecured, with any institution whose debt securities are rated at least

Notes to the Financial Statements (Continued)  
June 30, 2004

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 \$25,795,073 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 \$696,606,891 in U.S. government securities and \$74,965,825 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	\$ 722,401,964	\$ -	\$ -	\$ 722,401,964	\$ 722,401,964
Repurchase Agreements	74,965,825	-	-	74,965,825	74,965,825
Subtotal	<u>\$ 797,367,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 797,367,789</u>	<u>\$ 797,367,789</u>
Not Categorized:					
Securities Lending short-term collateral Investment Pool				35,168,995	35,168,995
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government and Agency Securities				34,402,258	34,402,258
Subtotal				<u>\$ 866,939,042</u>	<u>\$ 866,939,042</u>
Less: Balances treated as Cash and Cash Equivalents on the Balance Sheet				(35,168,995)	(35,168,995)
Less: Balances treated as Securities Lending Cash Collateral on the Balance Sheet				<u>(34,402,258)</u>	<u>(34,402,258)</u>
Total Investments				<u>\$ 797,367,789</u>	<u>\$ 797,367,789</u>

**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 not less than 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 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, 2004, the State had no credit risk exposure to borrowers. On June 30, 2004, 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 June 30, 2004, the fair value of all securities on loan from OSTF was \$3,777,513,662. The total cash collateral received

Notes to the Financial Statements (Continued)  
June 30, 2004

for the securities on loan from OSTF on June 30, 2004 was \$3,861,375,953. The fair value of all investments made with the cash collateral received for those securities on loan was \$3,861,704,642. 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, 2004, consisted of:

	Loans Receivable	Less: Allowance for Uncollectible Accounts	Loans Receivable (Net)
Elderly and Disabled Housing Fund:	\$ 216,061,675	\$ (1,057,282)	\$ 215,004,393
Housing Finance Fund:			
Housing Finance Revenue Bonds	9,123,811	-	9,123,811
Mortgage Revenue Bonds	575,606,632	-	575,606,632
Assisted or Insured Multi-Unit Program	42,060,651	(89,237)	41,971,414
Multifamily Housing Revenue Bonds	126,548,676	(391,057)	126,157,619
Housing Finance Account	6,937,805	(34,688)	6,903,117
Total Housing Finance Fund	760,277,575	(514,982)	759,762,593
Total	\$ 976,339,250	\$ (1,572,264)	\$ 974,766,986

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.

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, 75 percent is federally insured or guaranteed, 16 percent is covered by pool insurance and/or private mortgage insurance and 9 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.

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, 2004 is presented in the table below and at the top of the next page. 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	43,582	21,215	-	64,797
Data Processing Software	9,389	6,356	-	15,745
Leasehold Improvements	7,219	-	(7,219)	-
Less Accumulated Depreciation/Amortization	(34,747)	(22,747)	7,219	(50,275)
Total	\$ 26,917	\$ 4,824	\$ -	\$ 31,741

Notes to the Financial Statements (Continued)  
June 30, 2004

	Beginning Balance	Increases	Decreases	Ending Balance
Housing Finance Fund:				
Equipment/Furniture	\$ 242,060	\$ -	\$ (134,150)	\$ 107,910
Data Processing Hardware	819,894	63,643	(91,688)	791,849
Data Processing Software	225,677	19,069	-	244,746
Leasehold Improvements	61,759	-	(26,907)	34,852
Less Accumulated Depreciation/Amortization	(1,219,095)	(99,956)	252,745	(1,066,306)
Total	\$ 130,295	\$ (17,244)	\$ -	\$ 113,051

**NOTE 5. Interfund Balances and Transfers**

The following schedule summarizes interfund receivables and payables for the year ended June 30, 2004:

Elderly and Disabled Housing Fund:	
Due to Housing Finance Fund	\$ 736
Total Interfund Payable	<u>\$ 736</u>
Housing Finance Fund:	
Due from Elderly and Disabled Housing Fund	\$ 736
Total Interfund Receivable	<u>\$ 736</u>

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

The following schedule summarizes transfers for the year ended June 30, 2004:

Elderly and Disabled Housing Fund:	
Transfer to Housing Finance Fund	\$ (207,194)
Total Transfer Out	<u>\$ (207,194)</u>
Housing Finance Fund:	
Transfer from Elderly and Disabled Housing Fund	\$ 207,194
Total Transfer In	<u>\$ 207,194</u>

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

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 1,635,954,116	\$ 539,569,194	\$ 495,092,001	\$ 1,680,431,309	\$ 454,020,601
Arbitrage Rebate Liability	2,082,620	309,346	1,796,665	595,301	309,346
Loans Payable	3,891,071	3,187,900	1,362,521	5,716,450	2,656,450
Total Long Term Liabilities	\$ 1,641,927,807	\$ 543,066,440	\$ 498,251,187	\$ 1,686,743,060	\$ 456,986,397

**NOTE 7. Long Term Debt**

The following table summarizes outstanding bonds by program and series as of June 30, 2004:

**General Obligation Bonds**

**Elderly and Disabled Housing Program**

Series	Due Dates	Original Issue			Bonds Outstanding				Due Within One Year
		Interest From	Range To	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1992 A	1993-2013	3.300	6.250%	\$ 11,985,000	\$ 7,940,000	\$ -	\$ 525,000	\$ 7,415,000	\$ 560,000
1992 B	1993-2024	3.300	6.375%	56,505,000	10,360,000	-	7,860,000	2,500,000	60,000
1992 C	1993-2022	3.300	6.500%	14,695,000	640,000	-	15,000	625,000	20,000
1993 A	1995-2024	3.400	5.700%	11,140,000	9,265,000	-	9,265,000	-	-
1993 B	1994-2026	2.700	5.500%	11,060,000	9,585,000	-	210,000	9,375,000	215,000
1993 C	1994-2026	2.850	5.650%	13,915,000	11,865,000	-	275,000	11,590,000	285,000
1994 A	1995-2025	3.500	6.150%	9,440,000	2,655,000	-	55,000	2,600,000	60,000
1994 B	1996-2026	4.200	6.300%	24,400,000	21,295,000	-	415,000	20,880,000	435,000
1995 A	1996-2026	4.000	6.000%	14,100,000	11,665,000	-	240,000	11,425,000	245,000
1995 B	1997-2027	4.000	5.700%	24,240,000	15,875,000	-	2,525,000	13,350,000	285,000
1996 A	1998-2027	4.050	5.600%	2,850,000	1,250,000	-	735,000	515,000	10,000
1996 B	1998-2027	4.200	5.800%	10,605,000	9,655,000	-	190,000	9,465,000	195,000
1997 A	1999-2028	4.050	5.375%	8,475,000	7,855,000	-	1,265,000	6,590,000	195,000
1998 A	2000-2029	3.400	4.500%	8,870,000	4,795,000	-	1,130,000	3,665,000	1,175,000
1998 B	2001-2030	3.550	4.875%	10,285,000	9,960,000	-	5,940,000	4,020,000	90,000
1998 C	2000-2029	4.900	6.000%	1,880,000	1,160,000	-	265,000	895,000	280,000
1999 A	2000-2030	3.250	5.150%	10,840,000	7,415,000	-	895,000	6,520,000	925,000
1999 B	2000-2031	3.350	5.250%	4,485,000	4,330,000	-	75,000	4,255,000	75,000
1999 C	2000-2005	5.400	6.160%	1,335,000	720,000	-	540,000	180,000	85,000
1999 D	2000-2030	3.950	6.000%	5,695,000	3,540,000	-	525,000	3,015,000	570,000
1999 E	2001-2031	5.000	6.250%	19,105,000	18,510,000	-	275,000	18,235,000	290,000
1999 F	2000-2006	6.250	7.000%	1,375,000	870,000	-	280,000	590,000	225,000
2001 A	2002-2032	2.550	5.100%	5,210,000	5,125,000	-	3,615,000	1,510,000	45,000
2001 B	2002-2020	2.550	4.950%	7,805,000	7,600,000	-	340,000	7,260,000	230,000
2001 C	2002-2032	2.700	5.300%	25,325,000	24,780,000	-	570,000	24,210,000	605,000
2002 A	2003-2022	1.400	4.650%	10,840,000	10,840,000	-	410,000	10,430,000	410,000
2002 B	2003-2024	1.400	4.700%	37,905,000	37,905,000	-	1,240,000	36,665,000	1,255,000
2002 C	2003-2043	1.600	5.050%	13,595,000	13,595,000	-	200,000	13,395,000	335,000
2003 A	2004-2024	1.150	4.650%	7,800,000	7,800,000	-	-	7,800,000	270,000
2003 B	2004-2024	1.300	4.800%	9,265,000	9,265,000	-	-	9,265,000	315,000
2003 C	2013-2034	4.350	5.100%	2,930,000	-	2,930,000	-	2,930,000	25,000
<i>Total General Obligation Bonds</i>					\$ 288,115,000	\$ 2,930,000	\$ 39,875,000	\$ 251,170,000	\$ 9,770,000

**Revenue Bonds**

**Housing Finance Revenue Bonds**

Series	Due Dates	Original Issue			Bonds Outstanding				Due Within One Year
		Interest From	Range To	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1977 A	1979-2009	4.550	8.000%	\$ 43,800,000	\$ 7,520,000	\$ -	\$ 1,065,000	\$ 6,455,000	\$ 1,020,000
<i>Total Housing Finance Revenue Bonds</i>					\$ 7,520,000	\$ -	\$ 1,065,000	\$ 6,455,000	\$ 1,020,000

**Mortgage Revenue Bonds**

Series	Due Dates	Original Issue			Bonds Outstanding				Due Within One Year
		Interest From	Range To	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1991 D	1993-2027	4.750	6.800%	\$ 21,250,000	\$ 18,920,000	\$ -	\$ 7,365,000	\$ 11,555,000	\$ 335,000
1992 A	1994-2016	4.500	6.800%	32,874,827	3,354,827	-	-	3,354,827	770,601

Notes to the Financial Statements (Continued)  
June 30, 2004

Series	Due Dates	Original Issue		Amount	Bonds Outstanding			Ending Balance	Due Within One Year
		Interest Rate	Range		Beginning Balance	Increases	Decreases		
1992 B	2028	6.875	6.875%	47,670,000	17,275,000	-	17,275,000	-	-
1992 C	1994-2016	2.400	5.550%	20,585,000	8,815,000	-	2,915,000	5,900,000	305,000
1992 D	2019	5.650	5.650%	4,415,000	185,000	-	185,000	-	-
1993 A	1994-2024	2.750	5.450%	36,720,000	23,820,000	-	1,790,000	22,030,000	1,875,000
1993 B	1995-2017	3.250	5.375%	18,795,000	8,660,000	-	2,645,000	6,015,000	360,000
1994 A	1995-2018	3.750	6.400%	18,150,000	7,055,000	-	2,660,000	4,395,000	25,000
1994 C	1996-2016	4.200	6.250%	12,440,000	5,635,000	-	1,310,000	4,325,000	185,000
1994 D	2020-2024	6.125	6.500%	10,610,000	1,390,000	-	1,390,000	-	-
1995 A	1996-2026	4.400	6.450%	25,000,000	12,190,000	-	4,325,000	7,865,000	200,000
1995 B	1997-2012	3.900	6.000%	9,800,000	3,515,000	-	3,435,000	80,000	80,000
1995 C	2015-2026	6.200	6.400%	20,200,000	9,930,000	-	1,505,000	8,425,000	-
1995 E	1997-2027	4.000	6.000%	25,000,000	13,200,000	-	3,975,000	9,225,000	260,000
1996 A	2008-2016	5.500	6.000%	6,465,000	3,450,000	-	2,510,000	940,000	-
1996 B	1998-2027	4.200	6.200%	18,535,000	9,065,000	-	1,785,000	7,280,000	280,000
1996 D	1998-2027	4.300	6.375%	27,300,000	12,190,000	-	4,725,000	7,465,000	110,000
1996 H	1998-2027	4.050	6.000%	27,300,000	17,085,000	-	6,050,000	11,035,000	215,000
1997 A	1999-2027	4.600	6.200%	25,000,000	15,520,000	-	5,580,000	9,940,000	225,000
1997 E	1999-2015	3.900	5.250%	8,475,000	6,805,000	-	3,325,000	3,480,000	275,000
1997 F	2017-2028	5.500	5.650%	14,025,000	13,185,000	-	905,000	12,280,000	-
1997 G	2028	6.700	6.700%	7,500,000	1,240,000	-	1,210,000	30,000	-
1997 H	1999-2028	4.000	5.650%	33,570,000	26,365,000	-	8,245,000	18,120,000	355,000
1997 I	2028	6.640	6.640%	7,500,000	2,970,000	-	1,155,000	1,815,000	-
1998 A	2000-2015	4.000	5.150%	10,655,000	7,340,000	-	2,490,000	4,850,000	385,000
1998 B	2018-2029	4.900	5.450%	19,345,000	14,575,000	-	2,780,000	11,795,000	-
1998 D	2000-2029	3.850	5.300%	35,000,000	28,370,000	-	7,040,000	21,330,000	230,000
1998 G	2000-2029	3.650	5.250%	35,000,000	27,415,000	-	5,150,000	22,265,000	440,000
1999 A	2001-2027	3.600	5.150%	25,480,000	22,625,000	-	1,065,000	21,560,000	525,000
1999 B	2030	5.250	5.250%	5,450,000	3,625,000	-	3,250,000	375,000	-
1999 E	2019-2027	4.850	5.400%	20,350,000	16,975,000	-	4,755,000	12,220,000	-
1999 F	2001-2028	3.850	5.500%	14,650,000	11,665,000	-	3,265,000	8,400,000	520,000
1999 I	2001-2020	4.100	5.550%	25,555,000	18,015,000	-	7,075,000	10,940,000	375,000
1999 J	2023-2030	5.200	5.750%	29,320,000	22,395,000	-	5,040,000	17,355,000	-
1999 L	2013-2020	5.750	6.050%	10,000,000	2,910,000	-	2,910,000	-	-
1999 M	2002-2031	4.650	6.200%	32,260,000	26,560,000	-	9,590,000	16,970,000	235,000
2000 A	2001-2028	4.300	6.050%	18,265,000	14,435,000	-	4,375,000	10,060,000	385,000
2000 B	2025-2030	5.750	6.250%	16,735,000	9,840,000	-	5,700,000	4,140,000	-
2000 E	2002-2030	4.850	6.150%	29,160,000	23,170,000	-	3,955,000	19,215,000	555,000
2000 F	2028	6.250	6.250%	20,840,000	11,070,000	-	10,190,000	880,000	-
2000 H	2009-2030	4.650	5.750%	30,070,000	27,300,000	-	7,430,000	19,870,000	-
2000 I	2002-2009	4.400	4.900%	4,930,000	800,000	-	800,000	-	-
2000 K	2003-2022	4.500	5.700%	14,825,000	13,580,000	-	4,895,000	8,685,000	365,000
2000 L	2031-2033	5.900	5.900%	20,175,000	18,905,000	-	2,870,000	16,035,000	-
2001 A	2003-2030	3.600	5.350%	23,465,000	22,815,000	-	2,925,000	19,890,000	485,000
2001 B	2022-2032	5.350	5.450%	6,535,000	6,260,000	-	2,650,000	3,610,000	-
2001 C	2032	***	***	7,500,000	7,265,000	-	1,390,000	5,875,000	75,000
2001 F	2003-2030	3.350	5.550%	24,025,000	23,975,000	-	2,460,000	21,515,000	555,000
2001 G	2026-2032	4.850	5.700%	10,975,000	10,105,000	-	3,505,000	6,600,000	-
2001 J	2003-2030	3.000	5.150%	26,435,000	25,850,000	-	1,945,000	23,905,000	510,000
2001 K	2032	5.400	5.400%	3,565,000	3,210,000	-	3,025,000	185,000	-
2001 L	2032	***	***	9,100,000	8,805,000	-	1,485,000	7,320,000	85,000
2001 Q	2003-2024	2.350	5.125%	19,015,000	18,985,000	-	1,695,000	17,290,000	550,000
2001 R	2027-2033	4.200	5.375%	15,985,000	15,695,000	-	1,430,000	14,265,000	-
2002 A	2004-2024	2.350	5.200%	18,620,000	18,620,000	-	385,000	18,235,000	445,000
2002 B	2004-2033	2.700	5.450%	16,380,000	16,275,000	-	765,000	15,510,000	125,000
2002 F	2005-2022	3.150	5.250%	15,190,000	15,190,000	-	590,000	14,600,000	-
2002 G	2003-2033	2.400	5.600%	19,810,000	19,810,000	-	450,000	19,360,000	550,000
2002 H	2006-2023	2.450	5.000%	16,315,000	16,315,000	-	-	16,315,000	-
2002 I	2004-2033	2.000	5.250%	18,685,000	18,685,000	-	540,000	18,145,000	650,000
2002 M	2006-2023	2.400	5.050%	16,285,000	16,285,000	-	-	16,285,000	-
2002 N	2004-2033	2.200	5.250%	18,715,000	18,715,000	-	130,000	18,585,000	635,000
2002 O	2003	1.300	1.300%	37,250,000	37,250,000	-	37,250,000	-	-
2002 P	2003	1.350	1.350%	3,885,000	3,885,000	-	3,885,000	-	-
2002 Q	2003	1.350	1.350%	89,465,000	89,465,000	-	89,465,000	-	-
2003 A	2007-2030	2.150	4.900%	22,810,000	22,810,000	-	-	22,810,000	-
2003 B	2004-2034	1.400	5.000%	12,190,000	12,190,000	-	-	12,190,000	620,000

Notes to the Financial Statements (Continued)  
June 30, 2004

Original Issue					Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range		Amount	Beginning Balance	Increases	Decreases	Ending Balance	
		From	To						
2003 C	2004	1.130	1.130%	10,400,000	10,400,000	-	10,400,000	-	-
2003 D	2004	1.180	1.180%	12,320,000	12,320,000	-	12,320,000	-	-
2003 E	2004-2030	1.100	4.600%	24,665,000	24,665,000	-	-	24,665,000	655,000
2003 F	2032-2034	3.200	4.750%	10,335,000	10,335,000	-	-	10,335,000	-
2003 G	2004	1.030	1.030%	36,640,000	36,640,000	-	36,640,000	-	-
2003 H	2004	1.100	1.100%	16,065,000	16,065,000	-	16,065,000	-	-
2003 I	2004	1.100	1.100%	29,295,000	29,295,000	-	29,295,000	-	-
2003 J	2005-2023	1.300	4.700%	22,880,000	-	22,880,000	-	22,880,000	-
2003 K	2005-2029	1.700	5.625%	12,120,000	-	12,120,000	-	12,120,000	-
2003 L	2034	****	****	15,000,000	-	15,000,000	-	15,000,000	-
2003 M	2005	1.200	1.200%	55,840,000	-	55,840,000	-	55,840,000	55,840,000
2003 N	2005	1.250	1.250%	24,625,000	-	24,625,000	-	24,625,000	24,625,000
2003 O	2005	1.250	1.250%	57,000,000	-	57,000,000	-	57,000,000	57,000,000
2003 P	2005	1.250	1.250%	151,945,000	-	151,945,000	7,600,000	144,345,000	144,345,000
2004 A	2005-2023	1.100	4.500%	23,720,000	-	23,720,000	-	23,720,000	-
2004 B	2029	5.625	5.625%	11,280,000	-	11,280,000	-	11,280,000	-
2004 C	2034	****	****	15,000,000	-	15,000,000	-	15,000,000	-
2004 D	2005	1.160	1.160%	82,150,000	-	82,150,000	-	82,150,000	82,150,000
2004 E	2005	1.210	1.210%	43,100,000	-	43,100,000	-	43,100,000	43,100,000
2004 F	2005	1.210	1.210%	14,200,000	-	14,200,000	-	14,200,000	14,200,000
<b>Total Mortgage Revenue Bonds</b>					<b>\$ 1,151,569,827</b>	<b>\$ 528,860,000</b>	<b>\$ 449,180,000</b>	<b>\$ 1,231,249,827</b>	<b>\$ 437,070,601</b>

\*\*\* Interest on the 2001 C and 2001 L Series is adjusted monthly based on the one month LIBOR rate plus 0.40%, not to exceed 11.00% for 2001 C and 11.50% for 2001 L. The interest rate at the end of the fiscal year was 1.51%.

\*\*\*\* Interest on the 2003 L and 2004 C Series is adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%. The interest rate at the end of the fiscal year was 1.07% for the 2003 L Series and 1.13% for the 2004 C Series.

**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	\$ 10,425,000	\$ -	\$ 665,000	\$ 9,760,000	\$ 715,000
1991 B	1992-2013	4.700	6.800%	18,270,000	12,160,000	-	780,000	11,380,000	830,000
1991 C	1993-2022	5.000	6.850%	5,985,000	570,000	-	15,000	555,000	15,000
1993 A	1994-2012	2.800	5.750%	48,455,000	29,795,000	-	2,590,000	27,205,000	2,720,000
<b>Total Assisted or Insured Multi-Unit Program</b>					<b>\$ 52,950,000</b>	<b>\$ -</b>	<b>\$ 4,050,000</b>	<b>\$ 48,900,000</b>	<b>\$ 4,280,000</b>

**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	\$ 4,260,000	\$ -	\$ 75,000	\$ 4,185,000	\$ 80,000
1997 A	1999-2029	4.100	5.700%	16,360,000	15,495,000	-	270,000	15,225,000	285,000
1997 B	2000-2029	4.000	5.550%	10,100,000	9,620,000	-	175,000	9,445,000	180,000
1999 A	2001-2030	3.450	5.150%	12,440,000	12,025,000	-	215,000	11,810,000	225,000
1999 B	2002-2031	4.300	6.000%	34,920,000	34,440,000	-	500,000	33,940,000	525,000
2000 A	2003-2042	4.600	6.050%	18,325,000	18,325,000	-	130,000	18,195,000	135,000
2001 A	2024-2032	4.600	5.100%	1,770,000	1,770,000	-	30,000	1,740,000	30,000
2001 B	2004-2043	2.900	5.450%	31,935,000	31,935,000	-	-	31,935,000	275,000
2002 A	2004-2033	1.800	5.000%	7,875,000	7,875,000	-	-	7,875,000	145,000
2003 A	2013-2044	4.400	5.150%	5,675,000	-	5,675,000	-	5,675,000	-
<b>Total Multifamily Housing Revenue Bonds</b>					<b>\$ 135,745,000</b>	<b>\$ 5,675,000</b>	<b>\$ 1,395,000</b>	<b>\$ 140,025,000</b>	<b>\$ 1,880,000</b>
<b>Total Revenue Bonds</b>					<b>\$ 1,347,784,827</b>	<b>\$ 534,535,000</b>	<b>\$ 455,690,000</b>	<b>\$ 1,426,629,827</b>	<b>\$ 444,250,601</b>
<b>Total General Obligation and Revenue Bonds</b>					<b>\$ 1,635,899,827</b>	<b>\$ 537,465,000</b>	<b>\$ 495,565,000</b>	<b>\$ 1,677,799,827</b>	<b>\$ 454,020,601</b>

Notes to the Financial Statements (Continued)  
June 30, 2004

**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)	Plus: Accretion	Plus: Premium	Less: Discount	Less: Deferred Amount on Debt Refunding	Bonds Payable
<b>General Obligation Bonds:</b>						
Elderly and Disabled Housing Program	\$ 251,170,000	\$ -	\$ -	\$ (436,542)	\$ (3,077,556)	\$ 247,655,902
<b>Revenue Bonds (Housing Finance Fund):</b>						
<b>Single Family Mortgage Program:</b>						
Housing Finance Revenue Bonds	6,455,000	-	-	-	-	6,455,000
Mortgage Revenue Bonds	1,231,249,827	4,054,521	2,130,284	(2,385)	-	1,237,432,247
Assisted or Insured Multi-Unit Program	48,900,000	-	-	(36,840)	-	48,863,160
Multifamily Housing Revenue Bonds	140,025,000	-	-	-	-	140,025,000
<b>Total Revenue Bonds</b>	<b>1,426,629,827</b>	<b>4,054,521</b>	<b>2,130,284</b>	<b>(39,225)</b>	<b>-</b>	<b>1,432,775,407</b>
<b>Total General Obligation and Revenue Bonds</b>	<b>\$ 1,677,799,827</b>	<b>\$ 4,054,521</b>	<b>\$ 2,130,284</b>	<b>\$ (475,767)</b>	<b>\$ (3,077,556)</b>	<b>\$ 1,680,431,309</b>

**Debt Service Requirements to Maturity:**

The following table summarizes the amounts necessary to pay all future bonded debt principal and interest requirements as of June 30, 2005 for each fiscal year during the next five year period ending June 30, 2009, and in five year increments thereafter.

Year Ending June 30	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 9,770,000	\$ 12,308,966	\$ 22,078,966	\$ 444,250,601	\$ 55,639,970	\$ 499,890,571
2006	10,155,000	11,927,369	22,082,369	24,741,117	49,624,976	74,366,093
2007	8,430,000	11,561,061	19,991,061	25,756,809	48,614,351	74,371,160
2008	8,040,000	11,228,079	19,268,079	26,675,289	47,514,461	74,189,750
2009	8,400,000	10,882,794	19,282,794	27,381,011	46,329,604	73,710,615
2010-2014	45,520,000	48,453,912	93,973,912	136,975,000	205,921,308	342,896,308
2015-2019	54,950,000	36,346,638	91,296,638	145,195,000	171,587,135	316,782,135
2020-2024	61,340,000	20,763,084	82,103,084	183,170,000	128,561,968	311,731,968
2025-2029	33,665,000	6,832,470	40,497,470	223,280,000	74,420,243	297,700,243
2030-2034	8,315,000	1,468,872	9,783,872	159,605,000	23,195,734	182,800,734
2035-2039	1,260,000	504,266	1,764,266	16,555,000	5,624,283	22,179,283
2040-2044	1,325,000	172,584	1,497,584	12,880,000	1,807,333	14,687,333
2045-2049	-	-	-	165,000	4,249	169,249
<b>Total</b>	<b>\$ 251,170,000</b>	<b>\$ 172,450,095</b>	<b>\$ 423,620,095</b>	<b>\$ 1,426,629,827</b>	<b>\$ 858,845,615</b>	<b>\$ 2,285,475,442</b>

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, 2004, various statutory or constitutional provisions limited the amount of bonds outstanding to \$2,000,000,000 in revenue bonds and approximately \$1,526,855,488 in general obligation bonds.

**Debt Refunding:**

On August 1, 2003, OHCS D issued \$17,065,000 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 21 years by approximately \$3,941,425 and results in an economic gain of approximately \$2,136,879.

**NOTE 8. Conduit Debt Obligations**

As of June 30, 2004, OHCS D has issued seven series of Housing Development Revenue Bonds in the aggregate amount of \$84,963,164, of which \$84,832,965 is outstanding. 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, 2004 was \$51,068. The future minimum lease payments for the next five years are:

Fiscal Year Ending:	
June 30, 2005	\$ 57,609
June 30, 2006	7,251
June 30, 2007	444
June 30, 2008	-
June 30, 2009	-
Total	<u>\$ 65,304</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 Multi-Unit Program	Multifamily Housing Revenue Bonds
<b>Condensed Statement of Net Assets</b>				
Assets:				
Interfund Receivables	\$ 13,946	\$ -	\$ -	\$ -
Other Current Assets	1,656,974	475,658,187	6,537,288	7,465,283
Noncurrent Assets	26,360,970	840,787,888	59,377,884	145,219,247
Total Assets	<u>28,031,890</u>	<u>1,316,446,075</u>	<u>65,915,172</u>	<u>152,684,530</u>
Liabilities:				
Interfund Payables	-	24,629	-	-
Other Current Liabilities	1,436,561	466,832,361	6,074,509	6,473,796
Noncurrent Liabilities	5,435,000	800,938,323	44,601,784	138,145,000
Total Liabilities	<u>6,871,561</u>	<u>1,267,795,313</u>	<u>50,676,293</u>	<u>144,618,796</u>
Net Assets				
Restricted Net Assets	21,160,329	48,650,762	15,238,879	8,065,734
Total Net Assets	<u>\$ 21,160,329</u>	<u>\$ 48,650,762</u>	<u>\$ 15,238,879</u>	<u>\$ 8,065,734</u>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
Operating Revenues	\$ 923,944	\$ 41,165,245	\$ 4,619,163	\$ 9,079,619
Operating Expenses	(451,491)	(53,330,079)	(3,378,899)	(8,120,254)
Operating Income	472,453	(12,164,834)	1,240,264	959,365
Transfers In	-	2,330,000	-	425,000
Transfers Out	(2,350,000)	(2,500,000)	(2,206,893)	-
Change in Net Assets	(1,877,547)	(12,334,834)	(966,629)	1,384,365
Beginning Net Assets	23,037,876	60,985,596	16,205,508	6,681,369
Ending Net Assets	<u>\$ 21,160,329</u>	<u>\$ 48,650,762</u>	<u>\$ 15,238,879</u>	<u>\$ 8,065,734</u>

Notes to the Financial Statements (Continued)  
June 30, 2004

	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Assisted or Insured Multi-Unit Program	Multifamily Housing Revenue Bonds
<b>Condensed Statement of Cash Flows</b>				
Net Cash Provided (Used) by:				
Operating Activities	\$ 3,404,991	\$ 78,704,140	\$ 8,747,014	\$ (6,881,938)
Noncapital Financing Activities	(3,832,154)	30,394,503	(9,383,778)	(2,778,391)
Investing Activities	38,028	(103,324,797)	886,067	10,739,740
Net Increase (Decrease)	(389,135)	5,773,846	249,303	1,079,411
Beginning Cash and Cash Equivalents	781,161	13,026,061	363,293	459,940
Ending Cash and Cash Equivalents	\$ 392,026	\$ 18,799,907	\$ 612,596	\$ 1,539,351

**NOTE 11. Restricted Assets**

Restricted asset account balances are as follows:

Purpose:	Elderly and Disabled Housing Fund	Housing Finance Fund
Loan Acquisition	\$ 6,433,000	\$ 101,217,382
Current Debt Service	22,078,966	499,890,572
Future Debt Service	21,347,814	96,377,748
Debt Reserves	26,727,702	69,225,929
Insurance Reserves	-	15,158,896
Combined Program Account	-	11,857,512
Matured Bonds and Coupons	72,899	84,207
Total	\$ 76,660,381	\$ 793,812,246
<b>Balance Sheet Amounts:</b>		
Restricted Cash and Cash Equivalents – Current	\$ 15,022,714	\$ 84,207
Restricted Cash and Cash Equivalents – Noncurrent	35,842,594	22,155,323
Restricted Investments – Current	-	472,122,813
Restricted Investments – Noncurrent	25,795,073	299,449,903
Total	\$ 76,660,381	\$ 793,812,246

**NOTE 12. Employee Retirement Plan**

The 2003 Oregon Legislature created the Oregon Public Service Retirement Plan (OPSRP). Public employees hired on or after August 29, 2003 become part of OPSRP, unless membership was previously established in the Oregon Public Employee's Retirement System (PERS). OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). Beginning January 1, 2004, PERS member contributions will go into the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions will be deposited in the member's IAP account, not into the member's PERS account. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from Fiscal Services Division, PERS, P.O. Box 23700, Tigard, Oregon 97281-3700.

Oregon Public Employee's Retirement System (PERS)

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

OHCS D is required by statute to contribute actuarially computed amounts as determined by PERS (the agency). Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for fiscal year 2004 was 11.31 percent for July through October and 4.71 percent for November through June. The amounts contributed

Notes to the Financial Statements (Continued)  
June 30, 2004

by OHCS D for the years ending June 30, 2004, 2003, and 2002 were \$376,751, \$653,609 and \$609,298, respectively, equal to the required contributions for each year.

Oregon Public Service Retirement Plan (OPSRP)

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

OHCS D is required by statute to contribute actuarially computed amounts as determined by PERS (the agency). Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for fiscal year 2004 was 8.04 percent. The amount contributed by OHCS D for the year ending June 30, 2004 was \$623, equal to the required contribution for the year.

The Individual Account Program (IAP) is the defined contribution portion of OPSRP. The IAP is administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, chapter 238A. It is applicable to all new hires on or after August 29, 2003 and for active PERS members as of January 1, 2004. Covered employees are required by State statute to contribute 6.0 percent of their salary to the plan. Current law requires employers that had been paying the member contributions into PERS to pay employee contributions to the IAP until at least December 31, 2005. The amount contributed by OHCS D for the year ending June 30, 2004 was \$108,977, equal to the required contributions for the year.

**NOTE 13. Risk Financing**

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

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

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

**NOTE 14. Contingent Liabilities**

OHCS D is currently being audited by the Office of Inspector General (OIG) on behalf of the U.S. Department of Housing and Urban Development (HUD) as it relates to the Department's inspecting and monitoring of housing projects that receive federal assistance from HUD. The Department is responsible for ensuring that these projects comply with all applicable rules and regulations of OHCS D and HUD. Based on this audit, the OIG has communicated preliminary findings to the Department which question approximately \$1.5 million in expenditures incurred by several projects that received project-based Section 8 assistance from HUD. OHCS D disagrees with these preliminary findings and intends to respond to OIG with additional information that support these project expenditures. If these preliminary findings become official findings of the audit, this could result in the recognition of a liability in the enterprise funds. The Department would also consider taking legal action to contest the finding, in which case it would be represented by the Attorney General of the State of Oregon.

Notes to the Financial Statements (Continued)  
 June 30, 2004

**NOTE 15. Subsequent Events**

On September 9, 2004, OHCS D issued the following Multifamily Housing Revenue Bonds:

	<u>Issue Amount</u>
2004 Series A	\$ 5,120,000

On October 6, 2004, OHCS D issued the following Mortgage Revenue Bonds (Single-Family Mortgage Program):

	<u>Issue Amount</u>
2004 Series G	\$ 23,410,000
2004 Series H	11,590,000
2004 Series I	15,000,000

On August 1, 2004, OHCS D called the following Elderly and Disabled Housing Bonds prior to maturity:

	<u>Amount Called</u>
2002 Series B	\$ 3,025,000

On September 30, 2004, OHCS D published notices to call, on November 1, 2004, the following Mortgage Revenue Bonds (Single-Family Mortgage Program) prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>
1991 Series D	\$ 1,275,000	2000 Series E	\$ 1,965,000
1992 Series C	1,260,000	2000 Series F	880,000
1993 Series B	655,000	2000 Series H	3,355,000
1994 Series A	650,000	2000 Series L	1,500,000
1994 Series C	430,000	2001 Series A	480,000
1995 Series C	395,000	2001 Series B	1,345,000
1995 Series E	110,000	2001 Series C	650,000
1996 Series B	630,000	2001 Series F	250,000
1997 Series F	480,000	2001 Series G	2,170,000
1997 Series G	30,000	2001 Series J	2,560,000
1997 Series I	500,000	2001 Series K	185,000
1998 Series B	1,265,000	2001 Series L	925,000
1998 Series D	250,000	2001 Series R	1,580,000
1999 Series A	2,550,000	2002 Series B	1,450,000
1999 Series B	375,000	2002 Series G	1,250,000
1999 Series F	2,030,000	2002 Series I	1,145,000
1999 Series J	2,510,000	2002 Series N	225,000
1999 Series M	780,000	2003 Series B	305,000
2000 Series A	1,570,000	2003 Series F	545,000
2000 Series B	580,000		

# Supplementary Information

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Combining Schedule of Housing Finance Fund Balance Sheet Activities

June 30, 2004

	Single-Family Mortgage Program			
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Assisted or Insured Multi-Unit Program	Multifamily Housing Revenue Bonds
<b>Assets</b>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	82,949	574	684	-
Investments - Restricted	1,207,195	459,403,795	5,784,953	5,726,870
Securities Lending Cash Collateral	134,418	8,082,709	258,626	711,055
Accounts Receivable	-	-	-	-
Accrued Interest Receivable	135,938	6,374,619	493,025	1,027,358
Interfund Receivable	13,946	-	-	-
Prepaid Expenses	-	-	-	-
Acquired Property	96,474	1,796,490	-	-
<b>Total Current Assets</b>	<b>1,670,920</b>	<b>475,658,187</b>	<b>6,537,288</b>	<b>7,465,283</b>
<i>Noncurrent Assets</i>				
Cash & Cash Equivalents - Restricted	309,077	18,799,333	611,912	1,539,351
Investments - Restricted	16,925,115	238,511,718	16,481,945	15,669,236
Deferred Charges	2,967	7,870,205	312,613	1,853,041
Loans Receivable (Net)	9,123,811	575,606,632	41,971,414	126,157,619
Capital Assets (Net)	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>26,360,970</b>	<b>840,787,888</b>	<b>59,377,884</b>	<b>145,219,247</b>
<b>Total Assets</b>	<b>\$ 28,031,890</b>	<b>\$ 1,316,446,075</b>	<b>\$ 65,915,172</b>	<b>\$ 152,684,530</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 11,971	\$ 242,291	\$ 24,414	\$ 35,871
Accrued Interest Payable	187,195	21,413,795	1,504,953	3,846,870
Obligations Under Securities Lending	134,418	8,082,709	258,626	711,055
Interfund Payable	-	24,629	-	-
Matured Bonds and Interest Payable	82,949	574	684	-
Bonds Payable	1,020,000	437,070,601	4,280,000	1,880,000
Deferred Income	28	22,391	5,832	-
Vacation Payable	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,436,561</b>	<b>466,856,990</b>	<b>6,074,509</b>	<b>6,473,796</b>
<i>Noncurrent Liabilities</i>				
Bonds Payable	5,435,000	800,361,646	44,583,160	138,145,000
Arbitrage Rebate Liability	-	576,677	18,624	-
Loans Payable	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>5,435,000</b>	<b>800,938,323</b>	<b>44,601,784</b>	<b>138,145,000</b>
<b>Total Liabilities</b>	<b>6,871,561</b>	<b>1,267,795,313</b>	<b>50,676,293</b>	<b>144,618,796</b>
<b>Net Assets:</b>				
Invested in Capital Assets	-	-	-	-
Restricted	21,160,329	48,650,762	15,238,879	8,065,734
Unrestricted	-	-	-	-
<b>Total Net Assets</b>	<b>21,160,329</b>	<b>48,650,762</b>	<b>15,238,879</b>	<b>8,065,734</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 28,031,890</b>	<b>\$ 1,316,446,075</b>	<b>\$ 65,915,172</b>	<b>\$ 152,684,530</b>

Combined Program Account	Housing Finance Account	Total
\$ -	\$ 3,856,659	\$ 3,856,659
-	-	84,207
-	-	472,122,813
-	1,864,260	11,051,068
-	33,929	33,929
-	326,587	8,357,527
-	11,419	25,365 **
-	7,600	7,600
-	-	1,892,964
-	6,100,454	497,432,132
1,512	894,138	22,155,323
11,856,000	5,889	299,449,903
-	-	10,038,826
-	6,903,117	759,762,593
-	113,051	113,051
11,857,512	7,916,195	1,091,519,696
\$ 11,857,512	\$ 14,016,649	\$ 1,588,951,828
\$ -	\$ 1,108,946	\$ 1,423,493
-	48,730	27,001,543
-	1,864,260	11,051,068
-	-	24,629 **
-	-	84,207
-	-	444,250,601
-	322	28,573
-	278,847	278,847
-	3,301,105	484,142,961
-	-	988,524,806
-	-	595,301
-	5,716,450	5,716,450
-	5,716,450	994,836,557
-	9,017,555	1,478,979,518
-	113,051	113,051
11,857,512	1,547,749	106,520,965
-	3,338,294	3,338,294
11,857,512	4,999,094	109,972,310
\$ 11,857,512	\$ 14,016,649	\$ 1,588,951,828

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling \$24,629 are not included in the Balance Sheet.

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Combining Schedule of Housing Finance Fund Revenues, Expenses,  
and Changes in Fund Net Asset Activities  
For the Year Ended June 30, 2004

	Single-Family Mortgage Program			
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Assisted or Insured Multi-Unit Program	Multifamily Housing Revenue Bonds
<b><u>Operating Revenues:</u></b>				
Interest on Loans	\$ 727,170	\$ 35,901,765	\$ 4,401,586	\$ 7,906,700
Investment Income	143,770	4,978,262	(328,610)	1,949
Transfer/Commitment Fees	-	-	-	-
Administrative Charges and Fees	-	-	546,187	1,170,970
Low Income Housing Tax Credit Fees	-	-	-	-
Gain on Sale of Foreclosed Property	52,754	284,719	-	-
Miscellaneous Revenue	250	499	-	-
<b>Total Operating Revenues</b>	<b>923,944</b>	<b>41,165,245</b>	<b>4,619,163</b>	<b>9,079,619</b>
<b><u>Operating Expenses:</u></b>				
Personal Services	-	-	-	-
Services and Supplies	8,428	33,997	32,860	308,339
Mortgage Service Fees	38,988	2,216,357	29,974	16,777
Foreclosure Costs	25,976	301,020	-	-
Interest Expense - Bonds	374,390	47,518,595	3,017,041	7,519,010
Interest Expense - Loans	-	-	-	-
Interest Expense - Securities Lending	2,678	211,554	7,030	9,991
Other Related Program Expenses	-	1,946,742	231,893	-
Amortization of Deferred Bond Issuance Costs	1,031	1,101,814	69,134	98,711
Depreciation/Amortization	-	-	-	-
Bad Debt Expense	-	-	(9,033)	167,426
<b>Total Operating Expenses</b>	<b>451,491</b>	<b>53,330,079</b>	<b>3,378,899</b>	<b>8,120,254</b>
<b>Operating Income (Loss)</b>	<b>472,453</b>	<b>(12,164,834)</b>	<b>1,240,264</b>	<b>959,365</b>
<b>Income (Loss) Before Transfers</b>	<b>472,453</b>	<b>(12,164,834)</b>	<b>1,240,264</b>	<b>959,365</b>
Transfers from Other Funds	-	2,330,000	-	425,000
Transfers to Other Funds	(2,350,000)	(2,500,000)	(2,206,893)	-
<b>Change in Net Assets</b>	<b>(1,877,547)</b>	<b>(12,334,834)</b>	<b>(966,629)</b>	<b>1,384,365</b>
<b>Net Assets - Beginning</b>	<b>23,037,876</b>	<b>60,985,596</b>	<b>16,205,508</b>	<b>6,681,369</b>
<b>Net Assets - Ending</b>	<b>\$ 21,160,329</b>	<b>\$ 48,650,762</b>	<b>\$ 15,238,879</b>	<b>\$ 8,065,734</b>

Combined Program Account	Housing Finance Account	Total
\$ -	\$ 340,340	\$ 49,277,561
124,310	88,252	5,007,933
-	814,207	814,207
-	423,453	2,140,610
-	1,122,706	1,122,706
-	-	337,473
-	122,666	123,415
124,310	2,911,624	58,823,905
-	4,977,455	4,977,455
-	2,677,692	3,061,316
-	199	2,302,295
-	-	326,996
-	-	58,429,036
-	174,574	174,574
-	18,823	250,076
-	1,086,449	3,265,084
-	-	1,270,690
-	99,955	99,955
-	8,153	166,546
-	9,043,300	74,324,023
124,310	(6,131,676)	(15,500,118)
124,310	(6,131,676)	(15,500,118)
2,500,000	7,264,087	12,519,087 **
(2,500,000)	(2,755,000)	(12,311,893) **
124,310	(1,622,589)	(15,292,924)
11,733,202	6,621,683	125,265,234
\$ 11,857,512	\$ 4,999,094	\$ 109,972,310

\*\* Transfers within the Housing Finance Fund totaling \$12,311,893 are not included in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Schedule of Housing Finance Fund Cash Flow Activities  
For the Year Ended June 30, 2004

	Single-Family Mortgage Program		
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Assisted or Insured Multi-Unit Program
<b><u>Cash Flows from Operating Activities:</u></b>			
Received from Customers	\$ -	\$ -	\$ 560,288
Program Loan Principal Repayments	2,314,065	167,866,810	4,055,831
Program Loan Interest Received	745,165	36,342,104	4,417,350
Program Loans Made	-	(124,615,859)	-
Payments to Employees for Services	-	-	-
Payments to Suppliers for Goods and Services	(39,966)	(2,252,890)	(54,563)
Other Receipts (Payments)	385,727	1,363,975	(231,892)
Net Cash Provided (Used) in Operating Activities	3,404,991	78,704,140	8,747,014
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Proceeds from Bond Sales	-	531,026,825	-
Principal Payments on Bonds	(1,065,000)	(449,180,000)	(4,050,000)
Interest Payments on Bonds	(417,154)	(49,489,807)	(3,126,885)
Bond Issue Costs	-	(1,792,515)	-
Bond Call Costs	-	-	-
Loan Proceeds	-	-	-
Principal Payments on Loans	-	-	-
Interest Payments on Loans	-	-	-
Transfers from Other Funds	-	2,330,000	-
Transfers to Other Funds	(2,350,000)	(2,500,000)	(2,206,893)
Net Cash Provided (Used) in Noncapital Financing Activities	(3,832,154)	30,394,503	(9,383,778)
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Acquisition of Capital Assets	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	-	-	-
<b><u>Cash Flows from Investing Activities:</u></b>			
Purchase of Investments	(42,903,970)	(1,352,864,591)	(30,419,132)
Proceeds from Sales and Maturities of Investments	42,217,061	1,243,836,791	30,631,000
Interest on Cash and Investments	724,937	5,703,003	674,199
Investment Income on Securities Lending	2,678	211,554	7,030
Interest Paid on Securities Lending	(2,678)	(211,554)	(7,030)
Net Cash Provided (Used) in Investing Activities	38,028	(103,324,797)	886,067
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(389,135)	5,773,846	249,303
<b>Cash and Cash Equivalents Balance - Beginning</b>	781,161	13,026,061	363,293
<b>Cash and Cash Equivalents Balance - Ending</b>	\$ 392,026	\$ 18,799,907	\$ 612,596
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted (Current)	82,949	574	684
Cash and Cash Equivalents - Restricted (Noncurrent)	309,077	18,799,333	611,912
<b>Total Cash and Cash Equivalents</b>	\$ 392,026	\$ 18,799,907	\$ 612,596

Multifamily Housing Revenue Bonds	Combined Program Account	Housing Finance Account	Total
\$ 1,170,970	\$ -	\$ 2,333,238	\$ 4,064,496
1,128,972	-	1,697,174	177,062,852
7,421,672	-	138,899	49,065,190
(16,200,000)	-	(3,287,900)	(144,103,759)
-	-	(5,014,928)	(5,014,928)
(403,552)	-	(2,201,835)	(4,952,806)
-	-	(500,685)	1,017,125
(6,881,938)	-	(6,836,037)	77,138,170
5,675,000	-	-	536,701,825
(1,395,000)	-	-	(455,690,000)
(7,434,443)	-	-	(60,468,289)
(48,948)	-	-	(1,841,463)
-	-	-	-
-	-	3,187,900	3,187,900
-	-	(1,362,521)	(1,362,521)
-	-	(125,844)	(125,844)
425,000	2,500,000	7,264,087	12,519,087 **
-	(2,500,000)	(2,755,000)	(12,311,893) **
(2,778,391)	-	6,208,622	20,608,802
-	-	(82,711)	(82,711)
-	-	(82,711)	(82,711)
(110,437,185)	(47,172,693)	(1,619,986)	(1,585,417,557)
120,102,000	47,173,500	2,300,713	1,486,261,065
1,074,925	3	65,029	8,242,096
9,991	-	18,823	250,076
(9,991)	-	(18,823)	(250,076)
10,739,740	810	745,756	(90,914,396)
1,079,411	810	35,630	6,749,865
459,940	702	4,715,167	19,346,324
\$ 1,539,351	\$ 1,512	\$ 4,750,797	\$ 26,096,189
\$ -	\$ -	\$ 3,856,659	\$ 3,856,659
-	-	-	84,207
1,539,351	1,512	894,138	22,155,323
\$ 1,539,351	\$ 1,512	\$ 4,750,797	\$ 26,096,189

\*\* Transfers within the Housing Finance Fund totaling \$12,311,893 are not included in the Statement of Cash Flows.

(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, 2004

	Single-Family Mortgage Program		
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Assisted or Insured Multi-Unit Program
<b><u>Reconciliation of Operating Income to</u></b>			
<b><u>Net Cash Provided by Operating Activities:</u></b>			
Operating Income (Loss)	\$ 472,453	\$ (12,164,834)	\$ 1,240,264
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation/Amortization	-	-	-
Amortization of Deferred Bond Issuance Costs	1,032	1,101,813	69,135
Bad Debt Expense	-	-	(9,033)
Investment Income Reported as Operating Revenue	(143,770)	(4,978,262)	328,610
Interest Expense Reported as Operating Expense	377,068	47,730,149	3,024,071
Bond Call Expenses	-	1,739,788	-
(Increase)/Decrease in Assets:			
Loan Interest Receivable	18,019	454,638	16,206
Accounts Receivable	-	301	-
Interfund Receivable	(13,946)	-	-
Prepaid Expenses	-	-	-
Loans Receivable	2,487,559	44,515,510	4,055,831
Acquired Property	199,151	393,474	-
Increase/(Decrease) in Liabilities:			
Accounts Payable	7,449	(107,013)	22,372
Interfund Payable	-	23,479	-
Deferred Income	(24)	(4,903)	(442)
Vacation Payable	-	-	-
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$ 3,404,991</b>	<b>\$ 78,704,140</b>	<b>\$ 8,747,014</b>
<b><u>Noncash Investing, Capital, and Financing Activities:</u></b>			
Net Change in Fair Value of Investments	\$ (449,926)	\$ (4,139,758)	\$ (1,048,427)
Foreclosed Property	230,696	5,485,309	-
Loan Modification - Interest Capitalized	-	9,396	-
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b>\$ (219,230)</b>	<b>\$ 1,354,947</b>	<b>\$ (1,048,427)</b>

Multifamily Housing Revenue Bonds	Combined Program Account	Housing Finance Account	Total
\$ 959,365	\$ 124,310	\$ (6,131,676)	\$ (15,500,118)
-	-	99,955	99,955
98,711	-	-	1,270,691
167,426	-	8,153	166,546
(1,949)	(124,310)	(88,252)	(5,007,933)
7,529,001	-	193,397	58,853,686
-	-	-	1,739,788
(485,029)	-	(201,096)	(197,262)
-	-	179,687	179,988
-	-	(9,206)	(23,152) **
-	-	(7,431)	(7,431)
(15,071,028)	-	(1,590,726)	34,397,146
-	-	-	592,625
(78,435)	-	708,530	552,903
-	-	-	23,479 **
-	-	(345)	(5,714)
-	-	2,973	2,973
<u>\$ (6,881,938)</u>	<u>\$ -</u>	<u>\$ (6,836,037)</u>	<u>\$ 77,138,170</u>
\$ (918,223)	\$ 124,307	\$ 4,514	\$ (6,427,513)
-	-	-	5,716,005
-	-	-	9,396
<u>\$ (918,223)</u>	<u>\$ 124,307</u>	<u>\$ 4,514</u>	<u>\$ (702,112)</u>

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling an increase of \$23,479 are not included in the Statement of Cash Flows.



# Statistical Section

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Revenues, Expenses, and Transfers

### Enterprise Funds

### Last Ten Fiscal Years

	2004	2003	2002	2001
<b><u>Operating Revenues:</u></b>				
Interest on Loans	\$ 65,650,387	\$ 71,465,435	\$ 72,928,497	\$ 67,714,244
Investment Income	4,819,534	26,337,964	25,999,709	37,090,750
Transfer/Commitment Fees	1,006,822	1,051,794	1,924,442	2,158,957
Administrative Charges and Fees	2,346,977	1,287,564	866,827	892,201
Low Income Housing Tax Credit Fees	1,122,706	1,117,418	884,634	791,355
Mortgage Credit Certificate Fees	-	-	75	125
Gain on Sale of Foreclosed Property	337,473	118,817	45,516	29,757
Miscellaneous Revenue	153,059	42,221	181,343	1,448,282
<b>Total Operating Revenues</b>	<b>\$ 75,436,958</b>	<b>\$ 101,421,213</b>	<b>\$ 102,831,043</b>	<b>\$ 110,125,671</b>
<b><u>Operating Expenses:</u></b>				
Personal Services	\$ 5,360,496	\$ 5,798,187	\$ 5,488,760	\$ 5,089,114
Services and Supplies	3,688,026	2,852,514	2,842,198	2,921,737
Mortgage Service Fees	2,390,462	2,684,267	2,699,626	2,517,471
Foreclosure Costs	327,082	214,332	99,046	38,904
Real Estate Owned Expenses	-	646	-	1,060
Interest Expense - Bonds	71,465,838	77,158,001	79,687,587	76,622,684
Interest Expense - Loans	174,574	129,231	65,467	36,213
Interest Expense - Securities Lending	421,428	159,076	112,001	278,322
Other Related Program Expenses	3,739,067	2,748,849	5,527,426	2,522,261
Amortization of Deferred Bond Issuance Costs	1,476,403	1,375,300	1,523,776	1,615,378
Depreciation/Amortization	122,702	104,076	147,903	348,529
Bad Debt Expense	137,582	14,509	7,072	186,208
<b>Total Operating Expenses</b>	<b>\$ 89,303,660</b>	<b>\$ 93,238,988</b>	<b>\$ 98,200,862</b>	<b>\$ 92,177,881</b>
<b><u>Nonoperating Revenue/(Expense):</u></b>				
Gain/(Loss) on Disposition of Capital Assets	\$ -	\$ -	\$ -	\$ 38,965
<b>Total Nonoperating Revenue/(Expense)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 38,965</b>
<b><u>Transfers:</u></b>				
Transfers from Other Funds	\$ 207,194	\$ 207,194	\$ 207,194	\$ 207,194
Transfers to Other Funds	(207,194)	(207,194)	(207,194)	(207,194)
<b>Total Transfers</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*Unaudited*

2000	1999	1998	1997	1996	1995
\$ 59,712,811	\$ 51,599,437	\$ 49,470,569	\$ 45,586,467	\$ 42,217,704	\$ 39,849,335
29,165,409	21,504,499	29,290,017	25,353,617	20,865,667	14,597,087
3,137,948	1,526,166	1,222,215	1,096,097	678,957	1,271,136
839,522	587,101	875,389	722,154	677,743	656,697
582,379	510,704	466,363	435,412	376,154	316,791
150	570	6,569	14,406	73,316	257,897
61,394	24,315	-	22,894	49,115	35,651
213,110	196,237	288,188	156,331	158,744	243,490
<b>\$ 93,712,723</b>	<b>\$ 75,949,029</b>	<b>\$ 81,619,310</b>	<b>\$ 73,387,378</b>	<b>\$ 65,097,400</b>	<b>\$ 57,228,084</b>
<b>\$ 4,764,953</b>	<b>\$ 4,370,317</b>	<b>\$ 3,340,984</b>	<b>\$ 3,114,905</b>	<b>\$ 3,016,443</b>	<b>\$ 2,736,183</b>
2,688,021	2,579,604	1,850,048	1,655,554	1,725,836	1,434,329
2,132,604	1,693,703	1,560,202	1,434,703	1,541,821	1,414,408
43,269	40,161	8,099	28,218	10,123	56,286
750	1,716	-	-	-	-
68,769,372	60,580,845	55,619,972	52,221,672	47,278,234	40,263,376
29,377	3,968	-	-	-	-
389,209	331,776	359,799	936,902	-	-
1,991,381	1,761,623	1,541,757	1,831,920	639,153	2,181,735
1,575,026	1,251,314	904,281	822,151	651,782	565,316
515,674	460,439	256,705	95,349	80,743	39,874
53,208	132,070	255,006	126,822	99,748	187,591
<b>\$ 82,952,844</b>	<b>\$ 73,207,536</b>	<b>\$ 65,696,853</b>	<b>\$ 62,268,196</b>	<b>\$ 55,043,883</b>	<b>\$ 48,879,098</b>
<b>\$ (6,507)</b>	<b>\$ (3,377)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,959)</b>	<b>\$ -</b>
<b>\$ (6,507)</b>	<b>\$ (3,377)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,959)</b>	<b>\$ -</b>
<b>\$ 207,194</b>	<b>\$ 207,194</b>	<b>\$ 196,690</b>	<b>\$ 144,170</b>	<b>\$ 144,170</b>	<b>\$ 144,170</b>
<b>(207,194)</b>	<b>(207,194)</b>	<b>(196,690)</b>	<b>(144,170)</b>	<b>(144,170)</b>	<b>(144,170)</b>
<b>\$ -</b>					

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Loans Outstanding - By County

### Enterprise Funds

June 30, 2004

County	Elderly and Disabled Housing Program		Housing Finance Revenue Bonds		Mortgage Revenue Bonds	
	Number of Projects	Principal Amount	Number of Projects	Principal Amount	Number of Projects	Principal Amount
Baker	1	\$ 256,675	-	\$ -	53	\$ 3,147,204
Benton	7	2,806,514	2	33,517	71	6,838,942
Clackamas	31	22,228,645	4	188,881	255	26,851,877
Clatsop	5	1,412,622	-	-	49	4,851,642
Columbia	7	1,456,129	1	66,310	51	4,944,215
Coos	6	3,189,875	8	318,329	161	10,493,817
Crook	1	1,481,343	6	334,356	47	3,655,666
Curry	2	95,582	1	113,889	3	234,630
Deschutes	7	4,402,804	3	141,915	163	15,156,338
Douglas	10	11,991,953	6	300,386	102	7,665,362
Gilliam	1	1,012,992	1	52,861	2	97,797
Grant	2	96,651	1	59,314	4	246,313
Harney	2	2,339,336	2	110,060	19	1,066,170
Hood River	2	1,646,233	-	-	6	468,547
Jackson	12	11,747,505	4	110,627	292	26,220,449
Jefferson	2	956,288	4	110,814	31	2,372,224
Josephine	6	6,102,000	3	201,310	210	19,798,896
Klamath	2	103,308	3	22,345	284	18,030,702
Lake	1	98,772	1	41,287	26	1,611,701
Lane	26	15,901,417	8	291,044	641	51,129,061
Lincoln	9	9,318,780	-	-	76	6,550,626
Linn	11	7,860,989	7	113,533	117	8,024,328
Malheur	2	61,283	2	110,417	72	4,214,385
Marion	62	26,832,652	23	641,280	764	63,391,149
Morrow	-	-	2	113,432	54	3,539,818
Multnomah	60	40,954,343	67	993,831	1,948	185,954,609
Polk	14	7,328,228	14	951,683	112	9,344,360
Sherman	-	-	-	-	1	65,277
Tillamook	3	3,546,933	-	-	10	791,086
Umatilla	9	3,951,621	19	971,915	354	21,385,335
Union	4	1,711,060	9	557,812	119	7,535,183
Wallowa	2	1,519,063	2	140,960	18	1,237,015
Wasco	1	48,515	-	-	4	245,811
Washington	22	13,556,007	7	409,131	391	43,276,026
Wheeler	1	488,044	-	-	-	-
Yamhill	10	9,557,513	17	1,622,572	149	15,170,071
<b>Total</b>	<b>343</b>	<b>\$ 216,061,675</b>	<b>227</b>	<b>\$ 9,123,811</b>	<b>6,659</b>	<b>\$ 575,606,632</b>

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

Unaudited

Assisted or Insured Multi-Unit Program		Multifamily Housing Revenue Bonds		Housing Finance Account		Total	
Number of Projects	Principal Amount	Number of Projects	Principal Amount	Number of Projects	Principal Amount	Number of Projects	Principal Amount
1	\$ 144,142	-	\$ -	-	\$ -	55	\$ 3,548,021
2	1,162,553	1	1,188,417	-	-	83	12,029,943
7	2,450,987	3	17,527,922	5	1,313,995	305	70,562,307
1	841,624	-	-	-	-	55	7,105,888
1	853,653	1	2,252,246	-	-	61	9,572,553
2	608,229	-	-	-	-	177	14,610,250
3	355,474	-	-	-	-	57	5,826,839
-	-	-	-	-	-	6	444,101
7	1,016,344	1	2,535,622	2	355,062	183	23,608,085
7	1,407,552	2	4,076,958	-	-	127	25,442,211
-	-	-	-	-	-	4	1,163,650
4	860,046	-	-	-	-	11	1,262,324
1	80,692	-	-	-	-	24	3,596,258
2	951,839	-	-	-	-	10	3,066,619
15	2,924,616	1	3,520,892	1	500,000	325	45,024,089
3	583,069	-	-	-	-	40	4,022,395
3	206,756	-	-	-	-	222	26,308,962
2	884,667	-	-	1	86,239	292	19,127,261
-	-	-	-	-	-	28	1,751,760
12	5,501,617	1	2,316,122	-	-	688	75,139,261
2	1,075,645	-	-	1	874	88	16,945,925
3	307,932	-	-	1	156,550	139	16,463,332
4	319,738	-	-	2	167,125	82	4,872,948
10	2,297,667	2	1,697,093	5	1,344,145	866	96,203,986
-	-	-	-	-	-	56	3,653,250
7	7,100,890	11	54,204,215	4	1,882,000	2,097	291,089,888
2	729,548	-	-	1	55,000	143	18,408,819
-	-	-	-	-	-	1	65,277
1	37,061	-	-	-	-	14	4,375,080
6	1,052,339	-	-	1	70,000	389	27,431,210
3	975,584	1	1,424,778	-	-	136	12,204,417
-	-	-	-	-	-	22	2,897,038
1	461,291	-	-	2	410,307	8	1,165,924
7	6,026,742	4	35,804,411	2	516,000	433	99,588,317
-	-	-	-	-	-	1	488,044
1	842,354	-	-	1	80,508	178	27,273,018
120	\$ 42,060,651	28	\$ 126,548,676	29	\$ 6,937,805	7,406	\$ 976,339,250

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## New Mortgage Loans

### Enterprise Funds

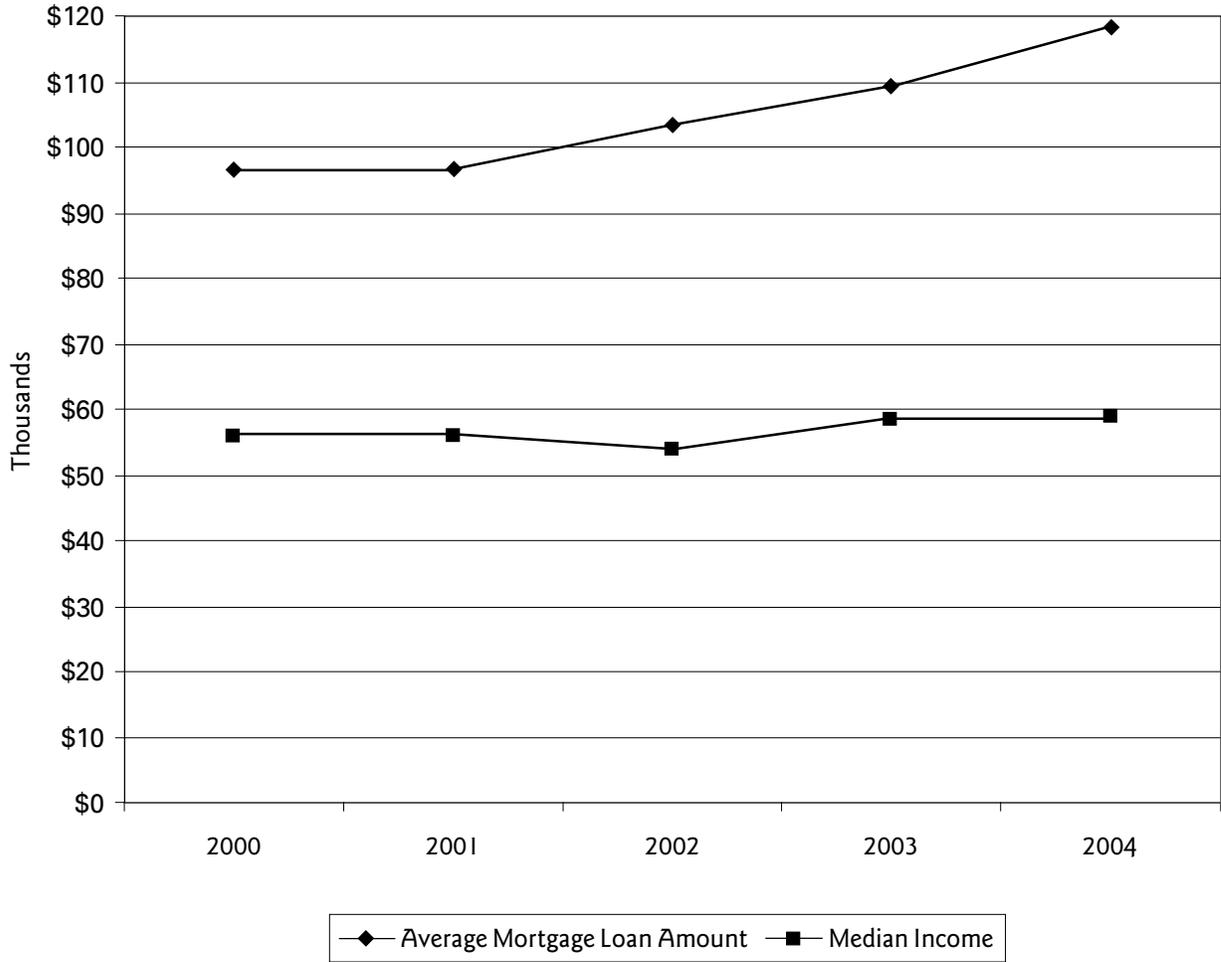
#### Last Five Fiscal Years

*Unaudited*

	2004	2003	2002	2001	2000
<b><u>Elderly and Disabled Housing Program</u></b>					
Original Loan Amount	\$ 3,305,750	\$ 2,619,450	\$ 5,378,782	\$ 23,316,965	\$ 13,979,021
Average Loan Amount	826,438	436,575	1,792,927	777,232	199,700
Number of New Loans	4	6	3	30	70
Number of Units	130	110	109	322	264
<b><u>Housing Finance Revenue Bonds</u></b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ 206,596	\$ -
Average Loan Amount	-	-	-	103,298	-
Number of New Loans	-	-	-	2	-
<b><u>Mortgage Revenue Bonds</u></b>					
Original Loan Amount	\$ 124,615,859	\$ 110,737,283	\$ 136,533,418	\$ 128,935,731	\$ 179,765,331
Average Loan Amount	118,569	109,208	103,278	96,581	96,648
Number of New Loans	1,051	1,014	1,322	1,335	1,860
<b><u>Assisted or Insured Multi-Unit Program</u></b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ -
Average Loan Amount	-	-	-	-	-
Number of New Loans	-	-	-	-	-
<b><u>Multifamily Housing Revenue Bonds</u></b>					
Original Loan Amount	\$ 38,225,000	\$ 14,250,000	\$ 3,205,668	\$ 37,328,926	\$ 19,935,507
Average Loan Amount	12,741,667	14,250,000	1,068,556	3,732,893	3,322,585
Number of New Loans	3	1	3	10	6
Number of Units	636	276	97	1,005	444
<b><u>Housing Finance Account</u></b>					
Original Loan Amount	\$ -	\$ 491,000	\$ -	\$ 100,000	\$ 100,000
Average Loan Amount	-	122,750	-	100,000	100,000
Number of New Loans	-	4	-	1	1

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

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



	2000	2001	2002	2003	2004
Average Loan Amount	\$ 96,648	\$ 96,591	\$ 103,278	\$ 109,208	\$ 118,569
Median Income for a 4-Person Family in the State of Oregon **	\$ 55,892	\$ 55,947	\$ 53,909	\$ 58,315	\$ 58,737

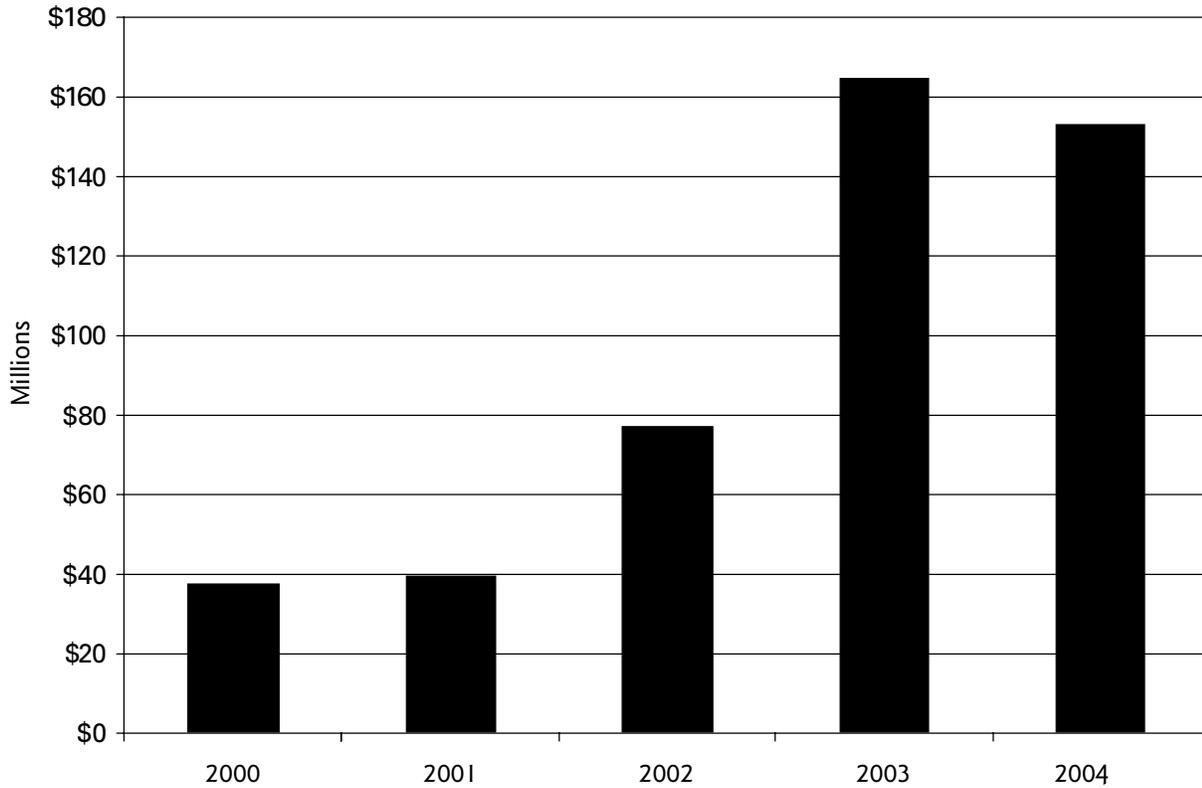
\*\* Source: US Census Bureau

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Enterprise Funds  
Last Five Fiscal Years

Unaudited

Single Family Mortgage Program  
Mortgage Loan Payoffs



	2000	2001	2002	2003	2004
Prepaid Principal	\$ 37,743,579	\$ 39,766,779	\$ 76,838,383	\$ 164,283,221	\$ 153,778,052

# Other Reports



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*Auditing for a Better Oregon*

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

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

**INDEPENDENT AUDITOR'S REPORT 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 (department), as of and for the year ended June 30, 2004, and have issued our report thereon dated October 28, 2004. 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 trust indentures, 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*.

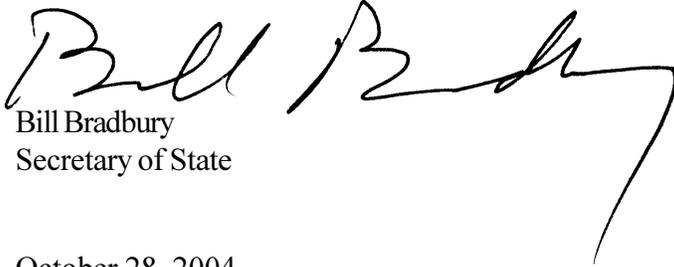
Internal Control Over Financial Reporting

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 AUDITS DIVISION



Bill Bradbury  
Secretary of State

October 28, 2004