

# Comprehensive Annual Financial Report

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

For the Year Ended June 30, 2006

**Victor Merced**

Director

**Rick Crager**

Deputy Director

Chief Financial Officer

**Prepared by:**

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# Introductory Section



# Oregon

Theodore R. Kulongoski, Governor

Housing and  
Community Services



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November 17, 2006

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

We are pleased to submit the Comprehensive Annual Financial Report of the Oregon Housing and Community Services Department's (OHCS) Enterprise Funds, for the fiscal year ended June 30, 2006. The financial statements, included on pages 16 – 35, 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.

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, Management's Discussion and Analysis, and the financial statements for OHCS's Enterprise Funds; (3) Supplementary Information, which includes additional information on the Enterprise Funds; (4) the Statistical Section, which includes statistical data related to the Enterprise Funds; and (5) Other Reports, which includes the Report on Internal Control and Compliance prepared by the Audits Division.

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

The Secretary of State, Audits Division, has audited the financial records, books of account, and transactions of OHCS's Enterprise Funds for the year ended June 30, 2006. The auditors used generally accepted auditing standards in conducting the engagement. Their unqualified opinion on the Enterprise Fund financial statements is included in the Financial Section of this report.

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

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

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

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

Working closely with its partners at the local level, OHCS has streamlined the process to deliver resources more efficiently. OHCS has chosen the model of healthy, viable communities as the way to facilitate a better quality of life for all Oregonians, while still supporting special needs populations.

## **Economic Condition and Outlook**

According to the Oregon Office of Economic Analysis (OEA), the State's economy "grew slower than the U.S. economy in 1998 through 2003." This had not occurred since 1985; however, the OEA forecasts that for the period between 2006 and 2013, the Oregon economy is expected to be stronger than the U.S. economy. The OEA forecasts employment growth for Oregon to increase by 3.1 percent for 2006, which would match the growth experienced in 2005. The employment growth is expected to continue in 2007 and 2008 at 1.4 percent and 1.6 percent, respectively.

Personal income is predicted to increase by 6.5 percent in 2006, which is equal to the estimated increase experienced in 2005. The State Economist predicts personal income to increase by 5.7 percent and wage and salary to increase by 5.4 percent in 2007. Continuing into 2008, personal income is projected to increase by 5.6 percent while wage and salary is forecasted to continue to grow at 5.5 percent. Both of these projections are expected to be slightly higher than the national average in 2007 and 2008.

The increase in the cost of housing for Oregon exceeded the national average in 2004 and 2005. In 2004, housing costs increased by an estimated 9.8 percent while the national average was 9.0 percent. This trend continued in 2005 with an increase of an estimated 12.5 percent in Oregon compared to a national increase of 9.5 percent. With the red hot housing market showing signs of slowing down and the Federal Reserve continuing to raise interest rates, the increased cost of housing is expected to slow down in 2006 and 2007. Oregon housing prices are forecasted to increase by 6.4 percent in 2006, and 5.9 percent in 2007, while the national average is projected to increase by 3.6 percent and 2.9 percent for 2006 and 2007, 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. This is a growing problem in many parts of the state, particularly in Central and Southern Oregon. However, if Oregon can maintain a relative cost advantage in housing in comparison to other western states, this should work to the state's advantage in attracting business and employment growth.

## **Long Term Financial Planning**

OHCS D manages funds available for its program and operational cost through comprehensive cash flows analyses that determine the prudent level of funding that can be distributed from the Housing Finance Fund as well as the Elderly and Disabled Housing Fund. Each year, OHCS D reanalyzes the cash flows to determine what is appropriate for distribution. Based on how OHCS D has managed its programs, or if excess distributions have been taken out for such things as legislative transfers, the cash flows will either increase or decrease. Since 2001, annual distributions for program and operational cost have decreased by \$1.2 million. This is primarily a result of two factors: 1) there was \$3.8 million transferred by the Legislature from the Housing Finance Fund during the last two biennia to fund agency homeless programs; and 2) economic and business factors have had negative financial impacts on the Department's resources.

Through these difficult times, OHCS D has been able to continue operating at a quality level through its prudent financial management. OHCS D has created and continues to create programmatic and operational efficiencies to generate administrative savings. The Department is proposing a reduction in workforce for the 2007-09 biennium of 11 positions. OHCS D is hopeful that the \$3.8 million transferred during the last two biennia can be restored, or partially restored, to allow the Department to add back approximately half of the positions eliminated. Should this happen, OHCS D is confident that it will be able to maintain services at its current level. If the funds are not restored, the Department will need to look at additional program modifications.

As OHCS D moves forward into the next fiscal year, strategies continue to be implemented in an effort to increase single-family loan production, which will have a direct impact on rebuilding future cash distributions. OHCS D has created and implemented new innovative programs to rebuild its loan portfolio such as the Department's Cash Advantage Program. Through this program, OHCS D is able to generate down payment assistance through the issuance of tax-exempt bonds which compliment the low mortgage rates the Department is able to generate through its Residential Loan Program. During the last two fiscal years, the Department has averaged approximately 260 loans more than it did the previous two fiscal years. With continued growth in its loan portfolio and prudent financial management, OHCS D is confident that its cash distributions will begin to rebound.

## **Major Initiatives**

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

The Economic Revitalization Team (ERT) was established by the 72nd Oregon Legislature to focus state agencies on working together at the local level to increase economic opportunities and help local governments, businesses and property owners bring

industrial sites to “shovel ready” status. The ERT evolved from what was formerly the Community Solutions Team (CST). The CST network, and now the ERT, promotes collaborative problem solving between state agencies and works with local partners to help resolve community development problems.

The ERT is an inter-agency team that includes the Departments of Transportation, Environmental Quality, Land Conservation and Development, Consumer and Business Services, State Lands, Agriculture, and Economic and Community Development, as well as 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 governments 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 plans to continue providing strong leadership in each of these areas by focusing on developing affordable housing that meets special needs, continuing to develop regional housing centers for greater service access, and working with state partners to identify how housing development can play a role in areas such as corrections, human services, transportation and economic development.

### ***Ending Homelessness Advisory Council***

According to the OHCSO’s one night shelter count, on any given night during the last year, nearly 11,509 Oregonians were homeless or at risk of being homeless and sought shelter assistance. Children accounted for 35 percent of those individuals. Since 1991, the number of individuals turned away at homeless shelters has increased 300 percent.

To respond to this problem, OHCSO has begun the implementation of Executive Order 06-05 to establish the Ending Homelessness Advisory Council (EHAC). EHAC will serve as the designated planning body for ending homelessness in the State of Oregon. Its charge will be to develop a 10-year plan to end homelessness in Oregon which focuses on specific strategies with achievable outcomes. In addition, it will recommend and promote effective interagency collaboration and system integration; recommend needed policy, regulatory, and resource distribution changes; and make recommendations in relation to providing oversight that will ensure accountability, results and sustained success.

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

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

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

### ***Manufactured Dwelling Parks***

Currently, Oregon counties list approximately 140,000 manufactured structures on their tax rolls. OHCSO has documented approximately 1,350 manufactured dwelling parks with over 65,000 spaces. OHCSO field representatives provide direct and indirect services to landlords and tenants, including training and technical assistance. In 2005-06 the program served almost 6,000 people including requests for assistance and information, mediation, and park facilitation.

With increases in property values, many of these manufactured dwelling parks are at risk of converting to alternative uses. As with other affordable housing, preservation of manufactured parks is a cheaper way of maintaining affordable housing than the development of new affordable housing. OHCSO is currently working on strategies with its partners to develop ways in which manufactured dwelling parks can be preserved for affordable housing. These strategies include providing technical assistance to tenants of manufactured dwelling parks that would aid them in purchasing parks from owners, as well as developing finance products that could be utilized in the actual purchase of the parks.

***Fighting the Problem of Hunger***

Through the oversight of five federally funded food programs and its partnership with the Hunger Relief Task Force, OHCS D continues to fight the problem of hunger in Oregon. The good news is that Oregon has experienced a statistically significant drop in the rate of food insecurity hunger, putting the state near the national average for both hunger and food insecurity. Oregon’s rate of food insecurity with hunger decreased from 5.8 percent in 1999-01 to 3.8 percent in 2002-04. The rate of food insecurity also decreased, from 13.7 percent in 1999-01 to 11.9 percent in 2002-04.

However, the food insecurity rate is still high enough to be of concern. Even with the improvement, more than 1 in 10 Oregonians experienced difficulty purchasing food due to a lack of resources at some time during the year. OHCS D and the Hunger Relief Task Force will need to keep working to ensure that families reach economic stability in that they have the resources necessary to meet all of their basic needs.

**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, 2005. The Certificate of Achievement is a prestigious national award, which recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. OHCS D has received a Certificate of Achievement for the last eleven 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 to determine its eligibility for another certificate.

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,

Victor Merced

  
Director

Rick Crager

  
Deputy Director and 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, 2005

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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Organization Structure

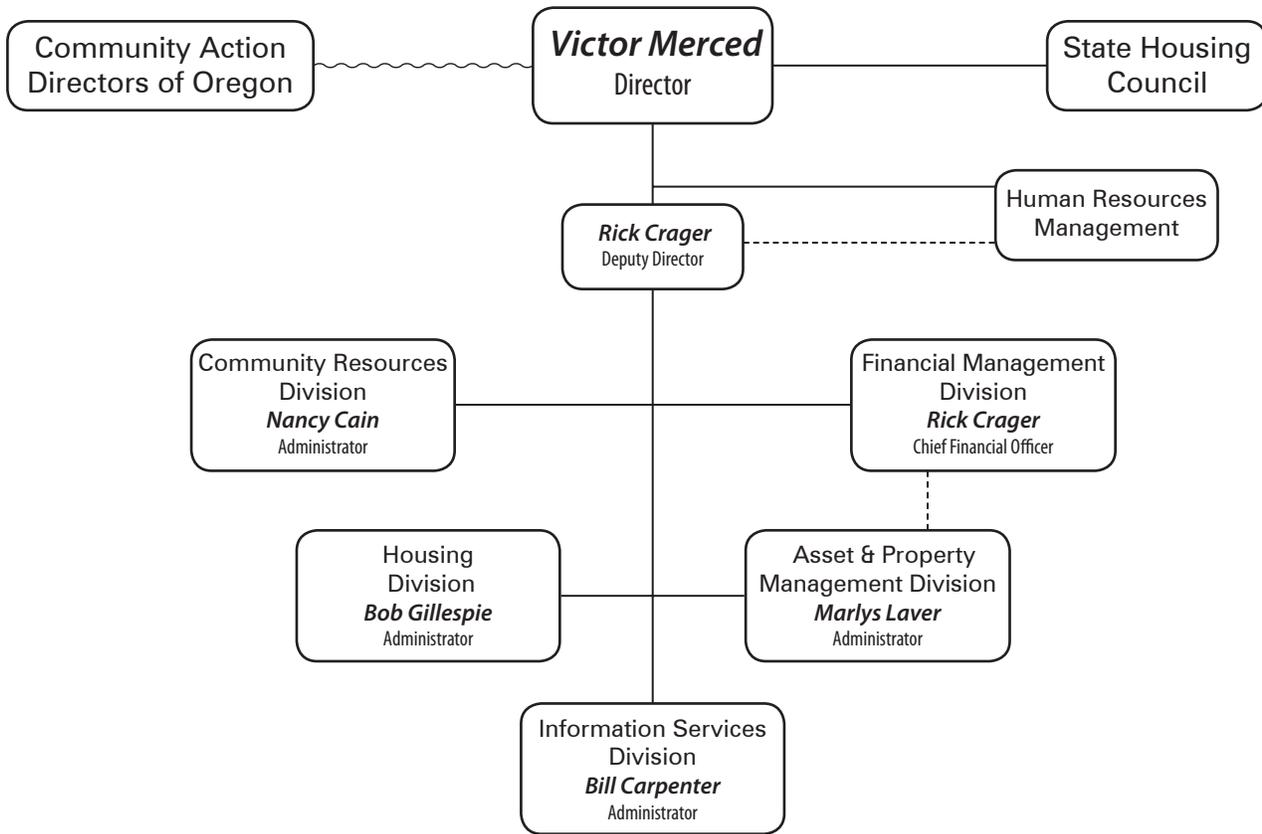


**CADO Executive Committee:**

Tom Clancey-Burns, President  
 Sharon Miller, Vice President  
 Jarralyn Ness, Treasurer  
 Ron Hauge, Secretary  
 Mike Fieldman, Past President  
 Jim Slusher, Member-at-Large  
 Doug Bartlett, Member-at-Large

**Housing Council Members:**

Buz Ortiz, Chair  
 Scott R. Cooper  
 John Epstein  
 Maggie LaMont  
 Stuart E. Liebowitz  
 Larry E. Medinger  
 Jeana Woolley



**State Housing Council**

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

**Community Action Directors of Oregon**

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



# 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

Victor Merced, 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, 2006, as listed in the table of contents. These financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the basic financial statements present only the department's enterprise funds and do not purport to, and do not, present fairly the financial position of the department or State of Oregon, as of June 30, 2006, 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, 2006, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2006, on our consideration of the State of Oregon, Housing and Community Services Department enterprise funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is separately presented in the other reports section as listed in the table of contents.

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

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

OREGON AUDITS DIVISION

  
Bill Bradbury  
Secretary of State

November 17, 2006

# 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, 2006. The selected financial data presented was derived from the financial statements of OHCS D, which have been audited by the Oregon Secretary of State Audits Division.

### FINANCIAL HIGHLIGHTS

- Net assets increased \$2.1 million, to \$161.5 million as of June 30, 2006. This represents an increase of 1.30%.
- Revenues decreased by \$1.9 million from the previous year's results.
- Outstanding bond debt of \$1.69 billion on June 30, 2006 decreased \$81.3 million from the amount outstanding on June 30, 2005. Debt issuance for the year totaled \$553.9 million (par value).
- Mortgage loan purchases and originations for the year totaled \$168.4 million, down \$28.8 million from 2005. Single-Family Mortgage Program purchases were down \$21.3 million and multifamily housing development programs were down \$7.5 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. OHCS D's basic financial statements do not include department-wide financial statements since only the proprietary funds are audited by the Secretary of State Audits Division. OHCS D does have a minimal portion of governmental funds that are included in the State of Oregon Comprehensive Annual Financial Report located at <http://www.oregon.gov/DAS/SCD/SARS/publications.shtml>.

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

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

Total assets at June 30, 2006 were \$1.89 billion, a decrease of \$88.8 million from June 30, 2005. The change in assets consists primarily of a \$117.0 million decrease in investments, a \$37.3 million increase in net loans receivable, and a \$3.7 million decrease in cash and cash equivalents.

Total liabilities decreased by \$90.8 million to \$1.73 billion at June 30, 2006. This included decreases of \$81.3 million in bonds payable, \$4.7 million in accrued interest payable and \$2.9 million in loans payable.

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

Proprietary Funds Statement of Net Assets				
Business Type Activities				
	2006	2005	Change	% Change
<b>Assets:</b>				
Current and Other Assets	\$ 1,890,957,536	\$ 1,979,714,888	\$ (88,757,352)	-4.48%
Capital Assets	38,262	58,222	(19,960)	-34.28%
<b>Total Assets</b>	<b>\$ 1,890,995,798</b>	<b>\$ 1,979,773,110</b>	<b>\$ (88,777,312)</b>	<b>-4.48%</b>
<b>Liabilities:</b>				
Long Term Liabilities	\$ 1,656,921,906	\$ 1,262,265,451	\$ 394,656,455	31.27%
Other Liabilities	72,528,966	558,031,122	(485,502,156)	-87.00%
<b>Total Liabilities</b>	<b>\$ 1,729,450,872</b>	<b>\$ 1,820,296,573</b>	<b>\$ (90,845,701)</b>	<b>-4.99%</b>
<b>Net Assets:</b>				
Invested in Capital Assets	\$ 38,262	\$ 58,222	\$ (19,960)	-34.28%
Restricted for Residential Assistance	1,546,849	1,545,107	1,742	0.11%
Restricted by Trust Indentures	154,284,714	152,183,757	2,100,957	1.38%
Unrestricted	5,675,101	5,689,451	(14,350)	-0.25%
<b>Total Net Assets</b>	<b>\$ 161,544,926</b>	<b>\$ 159,476,537</b>	<b>\$ 2,068,389</b>	<b>1.30%</b>

- **Cash and Investments**

Total cash and cash equivalents and investments decreased by \$120.7 million, or 13.3%, from June 30, 2005 to June 30, 2006. During fiscal year 2006, OHCS D implemented strategies to reduce the amount of negative arbitrage OHCS D had been sustaining. These strategies were focused primarily around reducing cash and investments from the OHCS D single-family bond program that were being held for loan purchases. As a result of less frequent bond issuance and the spending down of available bond proceeds to lower levels prior to issuing new debt, cash and investments typically held for loan purchases was greatly reduced. The total cash and investments available for loan acquisition in the Housing Finance Fund as of June 30, 2006 decreased by \$43.5 million from amounts available on June 30, 2005.

- **Loans Receivable**

Total mortgages and other loans receivable increased by \$37.2 million in fiscal year 2006. This increase included the following:

- New mortgage loans purchased or financed decreased by \$28.8 million in fiscal year 2006 compared to fiscal year 2005. Single-family mortgage loan purchases decreased by \$21.3 million and multifamily mortgage loans financed decreased by \$7.5 million. Mortgage loans purchased or financed in fiscal year 2006 totaled \$168.4 million.
- In fiscal year 2006, OHCS D financed \$9.4 million in multifamily construction loans.
- Other loans in the amount of \$1.3 million were financed in fiscal year 2006. These loans are related to predevelopment, housing development start up, and other program activity.
- Scheduled mortgage and other loan repayments totaled \$31.8 million for fiscal year 2006.
- Prepayments on mortgage loans increased in fiscal year 2006 by \$1.9 million. Total prepayments still remained high at \$108.5 million.
- Foreclosures decreased \$2.3 million to a total of \$1.6 million.

- **Capital Assets**

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

- **Bonds Payable**

During fiscal year 2006, OHCS D issued \$553.9 million of revenue bonds (par value). This is a decrease of \$214.9 million compared to the combined issuance of \$768.8 million in the previous fiscal year. This large decrease is related to strategies implemented to reduce negative arbitrage and to decreases in the issuance of Multifamily Housing Revenue Bonds and Multiple Purpose Bonds. For additional details, see the Debt Administration section of the Management's Discussion and Analysis.

- **Net Assets**

Net assets increased during fiscal year 2006 by 1.30%. As in 2005, OHCS D continued to experience growth within its net assets for fiscal year 2006. Through the use of the Homeowner Revenue Bonds as well as less frequent issuance of Mortgage Revenue Bonds, OHCS D has continued to reduce the impact of negative arbitrage and reduce its cost of issuing bonds. This, along with a continued net growth in the OHCS D's loan portfolio, has had a positive impact on net assets. OHCS D continues to maintain a positive spread of income from investments and mortgage loans to cover ongoing bond interest and operating costs.

Of OHCS D's \$161.5 million in net assets, 96.5% is restricted to bond indentures or other financial commitments. The remaining 3.5% is primarily unrestricted and available to pay for current agency operations. Each fiscal year, OHCS D applies the required bond indenture restrictions to assess the allowable amount that can be released for the purpose of paying for agency operations. Once these funds are officially transferred from the bond indentures, they are classified as unrestricted, but until that point in time, they are considered a pledge to the bondholders and are appropriately classified as restricted.

The results of operations for OHCS D's proprietary funds are presented below:

Proprietary Funds Statement of Operating Activity				
Business Type Activities				
	2006	2005	Change	% Change
<b>Operating Revenues:</b>				
Interest on Loans	\$ 65,082,624	\$ 64,114,118	\$ 968,506	1.51%
Investment Income	25,652,212	28,621,494	(2,969,282)	-10.37%
Transfer/Commitment Fees	1,478,102	1,517,595	(39,493)	-2.60%
Administrative Charges and Fees	1,470,229	1,584,686	(114,457)	-7.22%
Low Income Housing Tax Credit Fees	1,312,453	1,179,279	133,174	11.29%
Gain on Sale of Foreclosed Property	198,983	269,196	(70,213)	-26.08%
Miscellaneous Revenue	245,240	56,236	189,004	336.09%
<b>Total Operating Revenues</b>	<b>95,439,843</b>	<b>97,342,604</b>	<b>(1,902,761)</b>	<b>-1.95%</b>
<b>Operating Expenses:</b>				
Personal Services	4,845,797	5,102,049	(256,252)	-5.02%
Services and Supplies	3,271,671	2,849,854	421,817	14.80%
Mortgage Service Fees	2,664,045	2,508,225	155,820	6.21%
Foreclosure Costs	137,702	208,736	(71,034)	-34.03%
Interest Expense - Bonds	75,721,114	71,779,520	3,941,594	5.49%
Interest Expense - Loans	173,520	226,258	(52,738)	-23.31%
Interest Expense - Securities Lending	570,599	454,241	116,358	25.62%
Other Program Related Expenses	4,879,984	5,992,723	(1,112,739)	-18.57%
Amortization of Deferred Bond Issuance Costs	1,129,185	1,390,976	(261,791)	-18.82%
Depreciation/Amortization	62,460	86,570	(24,110)	-27.85%
Bad Debt Expense	(84,623)	(97,521)	12,898	13.23%
<b>Total Operating Expenses</b>	<b>93,371,454</b>	<b>90,501,631</b>	<b>2,869,823</b>	<b>3.17%</b>
<b>Change in Net Assets</b>	<b>2,068,389</b>	<b>6,840,973</b>	<b>(4,772,584)</b>	<b>-69.76%</b>
<b>Net Assets – Beginning</b>	<b>159,476,537</b>	<b>152,635,564</b>	<b>6,840,973</b>	<b>4.48%</b>
<b>Net Assets – Ending</b>	<b>\$ 161,544,926</b>	<b>\$ 159,476,537</b>	<b>\$ 2,068,389</b>	<b>1.30%</b>

OHCS D's proprietary fund revenue is generated principally from interest earned on mortgages and investments. In fiscal year 2006, revenue generated through proprietary funds totaled \$95.4 million, of which \$90.7 million, or 95.1% is from income earned on loans and investments. Expenses of OHCS D's proprietary funds consist primarily of interest expense on debt incurred to fund various lending programs. The total expenses for proprietary fund activities totaled \$93.4 million, of which \$75.7 million, or 81.1% is bond interest expense.

The change in net assets for the year ended June 30, 2006 resulted in an increase of \$2.1 million versus a \$6.8 million increase for the year ending June 30, 2005. In total, this resulted in a \$4.8 million decrease from fiscal year 2005 to fiscal year 2006. Factors contributing to this change include:

- In fiscal year 2006, investment income was \$3.0 million less than in fiscal year 2005. The primary reason for this reduction was due to reduced market values in the OHCS D's investment portfolio. While investment income has reduced from fiscal year 2005 levels, the investment income is consistent with returns experienced in prior years, with the exception of 2004 when market values decreased dramatically.
- Interest expense on bonds was \$3.9 million higher than fiscal year 2005. While OHCS D continued to experience a high rate of loan prepayments resulting in the calling of high rate revenue bonds, the interest rates on new bonds issued in 2006 were higher than those issued in 2005. In addition, OHCS D's variable rate bonds experienced higher interest rates in 2006 compared to 2005. OHCS D has taken action on these variable rate bonds by entering into interest rate exchange agreements (swaps) that mitigate the variable rate risk. For additional information on OHCS D's interest rate swaps see the Notes to the Financial Statements (Note 8).
- Program related expenses decreased by \$1.1 million in fiscal year 2006 due mostly to the fact that in fiscal year 2005, OHCS D made a transfer of \$0.8 million from the Housing Finance Fund to backfill reductions in General Fund for OHCS D's homeless programs. This transfer, which was approved by the Legislature, did not reoccur in fiscal year 2006.
- Interest on loans for fiscal year 2006 was \$1.0 million more than fiscal year 2005. This was due to the increase in OHCS D's loan portfolio along with the increased interest rates on loans over the last year.

### **Debt Administration**

Oregon Revised Statutes authorize OHCS D to issue up to \$2.5 billion in revenue bonds to finance the construction, purchase and rehabilitation of housing for low- and moderate-income persons and families. OHCS D also has constitutional authority to issue general obligation bonds to finance housing for elderly and disabled persons. As of June 30, 2006, OHCS D was authorized to issue up to \$1,814,184,612 in State of Oregon General Obligation bonds for this purpose.

As of June 30, 2006, OHCS D had a total of \$1,680,883,110 (par value) in outstanding debt. During fiscal year 2006, \$544,040,000 (par value) in revenue bonds were issued for the Single-Family Mortgage Program and \$9,855,000 (par value) in revenue bonds were issued for the Multifamily Housing Revenue Bond Program.

In addition, OHCS D issued \$23,798,921 (par value) within the Housing Development Revenue Bond Program. These bonds were issued as conduit debt obligations as described in the Notes to the Financial Statements (Note 9) and are not included in the outstanding bonds payable balance on the Balance Sheet.

In fiscal year 2006, OHCS D entered into interest rate swaps for three series of variable rate Mortgage Revenue Bonds. The notional amount of the three swaps totals \$50,000,000 as described in the Notes to the Financial Statements (Note 8).

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

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

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Balance Sheet

Proprietary Funds

June 30, 2006

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Assets:</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ -	\$ 4,606,282	\$ 4,606,282
Cash and Cash Equivalents - Restricted	11,479,164	1,900,619	13,379,783
Investments - Restricted	-	48,776,551	48,776,551
Securities Lending Cash Collateral	6,140,879	3,112,315	9,253,194
Accounts Receivable	369	64,791	65,160
Accrued Interest Receivable	1,130,671	5,586,924	6,717,595
Interfund Receivable	-	790	790
Acquired Property	-	370,188	370,188
<b>Total Current Assets</b>	<b>18,751,083</b>	<b>64,418,460</b>	<b>83,169,543</b>
<b>Noncurrent Assets</b>			
Cash and Cash Equivalents - Restricted	35,504,126	20,524,736	56,028,862
Investments - Restricted	22,575,011	641,439,535	664,014,546
Deferred Charges	1,874,544	9,663,859	11,538,403
Loans Receivable (Net)	179,847,930	896,358,252	1,076,206,182
Capital Assets (Net)	9,565	28,697	38,262
<b>Total Noncurrent Assets</b>	<b>239,811,176</b>	<b>1,568,015,079</b>	<b>1,807,826,255</b>
<b>Total Assets</b>	<b>\$ 258,562,259</b>	<b>\$ 1,632,433,539</b>	<b>\$ 1,890,995,798</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 53,397	\$ 857,496	\$ 910,893
Accrued Interest Payable	4,298,420	25,738,836	30,037,256
Obligations Under Securities Lending	6,140,879	3,112,315	9,253,194
Interfund Payable	790	-	790
Matured Bonds and Interest Payable	30,744	36,525	67,269
Bonds Payable	7,150,000	24,901,809	32,051,809
Deferred Income	5,354	26,881	32,235
Compensated Absences Payable	33,133	142,387	175,520
<b>Total Current Liabilities</b>	<b>17,712,717</b>	<b>54,816,249</b>	<b>72,528,966</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	11,044	47,462	58,506
Bonds Payable	190,126,822	1,464,412,715	1,654,539,537
Arbitrage Rebate Liability	-	823,863	823,863
Loans Payable	-	1,500,000	1,500,000
<b>Total Noncurrent Liabilities</b>	<b>190,137,866</b>	<b>1,466,784,040</b>	<b>1,656,921,906</b>
<b>Total Liabilities</b>	<b>207,850,583</b>	<b>1,521,600,289</b>	<b>1,729,450,872</b>
<b>Net Assets:</b>			
Invested in Capital Assets	9,565	28,697	38,262
Restricted for Residential Assistance	-	1,546,849	1,546,849
Restricted by Trust Indentures	50,702,111	103,582,603	154,284,714
Unrestricted	-	5,675,101	5,675,101
<b>Total Net Assets</b>	<b>50,711,676</b>	<b>110,833,250</b>	<b>161,544,926</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 258,562,259</b>	<b>\$ 1,632,433,539</b>	<b>\$ 1,890,995,798</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, 2006

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Operating Revenues:</b>			
Interest on Loans	\$ 13,832,931	\$ 51,249,693	\$ 65,082,624
Investment Income	113,335	25,538,877	25,652,212
Transfer/Commitment Fees	13,225	1,464,877	1,478,102
Administrative Charges and Fees	179,063	1,291,166	1,470,229
Low Income Housing Tax Credit Fees	-	1,312,453	1,312,453
Gain (Loss) on Sale of Foreclosed Property	(3,502)	202,485	198,983
Miscellaneous Revenue	-	245,240	245,240
<b>Total Operating Revenues</b>	<b>14,135,052</b>	<b>81,304,791</b>	<b>95,439,843</b>
<b>Operating Expenses:</b>			
Personal Services	619,661	4,226,136	4,845,797
Services and Supplies	232,006	3,039,665	3,271,671
Mortgage Service Fees	97,744	2,566,301	2,664,045
Foreclosure Costs	-	137,702	137,702
Interest Expense - Bonds	11,088,605	64,632,509	75,721,114
Interest Expense - Loans	-	173,520	173,520
Interest Expense - Securities Lending	274,407	296,192	570,599
Other Related Program Expenses	648,541	4,231,443	4,879,984
Amortization of Deferred Bond Issuance Costs	173,993	955,192	1,129,185
Depreciation/Amortization	14,975	47,485	62,460
Bad Debt Expense	(85,259)	636	(84,623)
<b>Total Operating Expenses</b>	<b>13,064,673</b>	<b>80,306,781</b>	<b>93,371,454</b>
<b>Operating Income (Loss)</b>	<b>1,070,379</b>	<b>998,010</b>	<b>2,068,389</b>
Transfers from Other Funds	-	117,816	117,816
Transfers to Other Funds	(117,816)	-	(117,816)
<b>Change in Net Assets</b>	<b>952,563</b>	<b>1,115,826</b>	<b>2,068,389</b>
<b>Net Assets - Beginning</b>	<b>49,759,113</b>	<b>109,717,424</b>	<b>159,476,537</b>
<b>Net Assets - Ending</b>	<b>\$ 50,711,676</b>	<b>\$ 110,833,250</b>	<b>\$ 161,544,926</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, 2006

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Received from Customers	\$ 188,080	\$ 4,075,926	\$ 4,264,006
Program Loan Principal Repayments	20,019,026	121,669,357	141,688,383
Program Loan Interest Received	13,965,131	51,335,390	65,300,521
Program Loans Made	(974,300)	(178,070,403)	(179,044,703)
Payments to Employees for Services	(601,675)	(4,367,769)	(4,969,444)
Payments to Suppliers for Goods and Services	(315,139)	(5,459,448)	(5,774,587)
Other Receipts (Payments)	(3,998)	(2,303,084)	(2,307,082)
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>32,277,125</b>	<b>(13,120,031)</b>	<b>19,157,094</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Proceeds from Bond Sales	-	555,927,003	555,927,003
Principal Payments on Bonds	(23,410,000)	(613,081,117)	(636,491,117)
Interest Payments on Bonds	(11,233,605)	(70,034,157)	(81,267,762)
Bond Issue Costs	-	(1,249,158)	(1,249,158)
Bond Call Costs	-	(1,500)	(1,500)
Loan Proceeds	-	863,000	863,000
Principal Payments on Loans	-	(3,784,200)	(3,784,200)
Interest Payments on Loans	-	(208,434)	(208,434)
Transfers from Other Funds	-	117,816	117,816
Transfers to Other Funds	(117,816)	-	(117,816)
<b>Net Cash Provided (Used) in Noncapital Financing Activities</b>	<b>(34,761,421)</b>	<b>(131,450,747)</b>	<b>(166,212,168)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(10,625)	(31,875)	(42,500)
<b>Net Cash Provided (Used) in Capital and Related Financing Activities</b>	<b>(10,625)</b>	<b>(31,875)</b>	<b>(42,500)</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investments	-	(894,191,540)	(894,191,540)
Proceeds from Sales and Maturities of Investments	3,011,264	1,006,108,352	1,009,119,616
Interest on Cash and Investments	3,270,750	25,224,040	28,494,790
Investment Income on Securities Lending	274,407	296,192	570,599
Interest Paid on Securities Lending	(274,407)	(296,192)	(570,599)
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>6,282,014</b>	<b>137,140,852</b>	<b>143,422,866</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,787,093</b>	<b>(7,461,801)</b>	<b>(3,674,708)</b>
<b>Cash and Cash Equivalents Balance - Beginning</b>	<b>43,196,197</b>	<b>34,493,438</b>	<b>77,689,635</b>
<b>Cash and Cash Equivalents Balance - Ending</b>	<b>\$ 46,983,290</b>	<b>\$ 27,031,637</b>	<b>\$ 74,014,927</b>
Cash and Cash Equivalents	\$ -	\$ 4,606,282	\$ 4,606,282
Cash and Cash Equivalents - Restricted (Current)	11,479,164	1,900,619	13,379,783
Cash and Cash Equivalents - Restricted (Noncurrent)	35,504,126	20,524,736	56,028,862
<b>Total Cash and Cash Equivalents</b>	<b>\$ 46,983,290</b>	<b>\$ 27,031,637</b>	<b>\$ 74,014,927</b>

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

Continued on the next page

Continued from the previous page

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ 1,070,379	\$ 998,010	\$ 2,068,389
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation/Amortization	14,975	47,485	62,460
Amortization of Deferred Bond Issuance Costs	173,993	955,192	1,129,185
Bad Debt Expense	(85,259)	636	(84,623)
Investment Income Reported as Operating Revenue	(113,335)	(25,538,877)	(25,652,212)
Interest Expense Reported as Operating Expense	11,363,012	65,102,221	76,465,233
Bond Call Expenses	530,725	680,930	1,211,655
<b>(Increase)/Decrease in Assets:</b>			
Loan Interest Receivable	128,198	37,905	166,103
Accounts Receivable	1,522	24,486	26,008
Interfund Receivable	-	(516)	(516)
Loans Receivable	19,044,726	(56,233,981)	(37,189,255)
Acquired Property	117,319	787,245	904,564
<b>Increase/(Decrease) in Liabilities:</b>			
Accounts Payable	6,759	83,707	90,466
Interfund Payable	516	-	516
Deferred Income	4,002	5,393	9,395
Compensated Absences Payable	19,593	(69,867)	(50,274)
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$ 32,277,125</b>	<b>\$ (13,120,031)</b>	<b>\$ 19,157,094</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Net Change in Fair Value of Investments	\$ (3,358,091)	\$ 1,664,132	\$ (1,693,959)
Foreclosed Property	-	1,583,291	1,583,291
Loan Modification - Interest Capitalized	-	1,603	1,603
Other Noncash Activity	-	40,000	40,000
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b>\$ (3,358,091)</b>	<b>\$ 3,289,026</b>	<b>\$ (69,065)</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, 2006

**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 revenue bonds for the Single Family Mortgage Program (Housing Finance Revenue Bonds, Mortgage Revenue Bonds, and Homeowner Revenue Bonds), Multifamily Housing Revenue Bonds, and Multiple Purpose Bonds. OHCS D has issued State of Oregon general obligation bonds for the Elderly and Disabled Housing Program. State of Oregon general obligation bonds are authorized by Oregon Constitution Article XI-I(2).

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

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

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

### **D. Budgets**

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

### **E. Cash Equivalents**

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

### **F. Investments**

OHCS D's investments are stated at fair value. Investment fair value is determined using quoted market prices. Since the principle activity of OHCS D is lending, investment income is reported as operating activity. Securities lending cash collateral reinvested by the Oregon State Treasury Oregon Short Term Fund in short-term debt investments with remaining maturities of up to ninety days on June 30, 2006 is reported at amortized cost.

### **G. Receivables**

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

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

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

### **I. Acquired Property**

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

**J. Deferred Charges**

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

**K. Capital Assets**

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

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

**L. Rebatable Arbitrage**

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

**M. Compensated Absences**

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

**N. 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.

**O. Deferred Amount on Debt Refunding**

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

**P. Restricted Assets**

The use of all cash, cash equivalents, and investments of the Enterprise Fund are generally restricted as to purpose and use by the Bond Declarations and Indentures of Trust. The bond program funds are restricted for acquisition of loans, payment of debt service, and payment of operating costs. Individual reserve accounts have been established to meet certain requirements and the balances of these accounts as of June 30, 2006 were sufficient to meet all legal requirements. When both restricted and unrestricted resources are available to use, it is OHCS D's policy to use restricted resources before using unrestricted resources.

**Q. Operating Revenues and Expenses**

Operating revenues include interest and fees on program loans as well as earnings on cash and investments related to OHCS D’s loan programs. Administrative expenses, depreciation and amortization of capital assets, and bond program related expenses are considered operating expenses. Nonoperating revenues and expenses include any gain or loss on the disposition of capital assets.

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

**Deposits:**

On June 30, 2006, the book balance of cash and cash equivalents was \$74,014,927 and the bank balance was \$74,209,388. Monies held in demand accounts with the State Treasurer and amounts invested in the Oregon Short Term Fund totaled \$70,964,787. State Treasurer demand deposit accounts and time certificates of deposit investments of the Short Term Fund held in state banks are insured or collateralized in excess of FDIC coverage for a minimum of 25 percent in accordance with State statute. Securities in the Short Term Fund are held by the Treasury’s agent in the name of the State of Oregon. Earnings on the Short Term Fund are allocated based on daily account balances. The bank balance of money market accounts held by the Bond Trustees as agents totaled \$3,177,332. Total Cash with Fiscal Agents was \$67,269, of which \$36,525 was collateralized and held at the Fiscal Agent but not in OHCS D’s name and is exposed to custodial credit risk. The remaining \$30,744 is insured up to \$100,000 per bond holder. OHCS D does not have a deposit policy.

**Investments:**

Oregon Revised Statutes, Bond Indentures of Trust, and OHCS D’s investment policy authorize OHCS D to invest in insured or registered securities explicitly or implicitly guaranteed by the U.S. Government and in investment agreements, collateralized or uncollateralized, with institutions that are rated by nationally recognized rating agencies and rated at least equal to the initial rating on the bonds. As of June 30, 2006, OHCS D had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Securities	\$ 11,756,129	\$ -	\$ 4,798	\$ 239,468	\$ 11,511,863
U.S. Agency Securities	231,539,940	172,248,704	4,909,656	6,999,286	47,382,294
Guaranteed Investment Contracts	469,495,028	1,475,000	468,020,028	-	-
Total	\$ 712,791,097	\$ 173,723,704	\$ 472,934,482	\$ 7,238,754	\$ 58,894,157

Investments with OHCS D’s Trustees consisted of \$1,760,829 in U.S. Government Securities, \$218,960,229 in U.S. Agency securities, and \$469,495,028 in guaranteed investment contracts. They are held by the Trust Departments of OHCS D’s Bond Trustees as agents in OHCS D’s name. Investments with the State Treasurer consisted of \$9,995,300 in U.S. Government Securities and \$12,579,711 in U.S. Agency securities. OHCS D’s investments with the State Treasurer are held with the State Treasurer’s agent in the name of the State of Oregon and segregated in the Treasurer’s records in OHCS D’s name.

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

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to OHCS D’s investment policy, to mitigate credit risk, funds shall be invested in, or collateralized by, U.S. Treasury Bonds, Notes, and Bills and “highly liquid” U.S. Agency securities. As of June 30, 2006, all of OHCS D’s investments in U.S. Agency securities are rated Aaa by Moody’s Investor Service and AAA by Standard & Poors. OHCS D’s guaranteed investment contracts are unrated.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. On June 30, 2006, 65.7% of OHCS D’s total investments are in Trinity Funding Company, LLC, 11.2% are in Federal National Mortgage Association, 9.7% are in Federal Home Loan Bank, and 9.6% are in Federal Home Loan Mortgage Corporation.

**Securities Lending:**

In accordance with State of Oregon investment policies, state agencies may participate in securities lending. OHCS D is involved in securities lending only with cash balances invested in the Oregon Short Term Fund (OSTF). As of June 30, 2006, the fair value of all securities on loan from OSTF was \$1,027,628,515. The total cash collateral received for the securities on loan from OSTF was \$1,048,759,710. The fair value of all investments made with the cash collateral received for those securities on loan was \$1,047,819,815. The portion of these balances allocated to OHCS D's Enterprise Funds are \$9,070,386, \$9,253,195, and \$9,245,064, respectively.

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

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

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 do not match the maturities of the securities loans. On June 30, 2006, the State had no credit risk exposure to borrowers related to securities on loan.

**NOTE 3. Loans Receivable**

Loans receivable on June 30, 2006 consisted of:

	Loans Receivable	Less: Allowance for Uncollectible Accounts	Loans Receivable (Net)
Elderly and Disabled Housing Fund:	\$ 180,753,335	\$ (905,405)	\$ 179,847,930
Housing Finance Fund:			
Housing Finance Revenue Bonds	4,917,587	-	4,917,587
Mortgage Revenue Bonds	697,603,042	-	697,603,042
Multifamily Housing Revenue Bonds	151,996,791	(379,992)	151,616,799
Multiple Purpose Bonds	37,181,939	(79,004)	37,102,935
Combined Program Account	1,685,500	(8,428)	1,677,072
Housing Finance Account	3,458,108	(17,291)	3,440,817
Total Housing Finance Fund	896,842,967	(484,715)	896,358,252
Total	\$ 1,077,596,302	\$ (1,390,120)	\$ 1,076,206,182

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

The Single-Family Mortgage Program (Housing Finance Revenue Bonds and Mortgage Revenue Bonds) provides financing for single family homes for at or below median income home buyers. These loans are collateralized by first lien mortgages on the applicable real estate. Of the total mortgage principal balance outstanding, 60 percent is federally insured or guaranteed, 21 percent is covered by pool insurance and/or private mortgage insurance and 19 percent is uninsured. Based on prior experience, OHCS D does not anticipate any material loss in the collection of mortgage loans receivable or in the disposition of acquired properties.

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

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

Notes to the Financial Statements (Continued)  
June 30, 2006

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, 2006 is presented in the table below. OHCS D has no outstanding debt related to capital assets.

	Elderly and Disabled Housing Fund				Housing Finance Fund			
	Beginning Balance	Increases	Decreases	Ending Balance	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets:</b>								
Equipment/Furniture	\$ 1,474	\$ -	\$ -	\$ 1,474	\$ 86,831	\$ -	\$ (19,390)	\$ 67,441
Data Processing Hardware	64,797	-	-	64,797	791,849	-	(180,294)	611,555
Data Processing Software	15,745	10,625	-	26,370	93,033	31,875	-	124,908
Leasehold Improvements	-	-	-	-	34,852	-	-	34,852
<b>Total Capital Assets</b>	<b>82,016</b>	<b>10,625</b>	<b>-</b>	<b>92,641</b>	<b>1,006,565</b>	<b>31,875</b>	<b>(199,684)</b>	<b>838,756</b>
<b>Less Accumulated Depreciation/Amortization:</b>								
Equipment/Furniture	(1,474)	-	-	(1,474)	(86,831)	-	19,390	(67,441)
Data Processing Hardware	(53,911)	(9,021)	-	(62,932)	(759,191)	(27,063)	180,294	(605,960)
Data Processing Software	(12,716)	(5,954)	-	(18,670)	(81,384)	(20,422)	-	(101,806)
Leasehold Improvements	-	-	-	-	(34,852)	-	-	(34,852)
<b>Total Accumulated Depreciation/Amortization</b>	<b>(68,101)</b>	<b>(14,975)</b>	<b>-</b>	<b>(83,076)</b>	<b>(962,258)</b>	<b>(47,485)</b>	<b>199,684</b>	<b>(810,059)</b>
<b>Capital Assets, Net</b>	<b>\$ 13,915</b>	<b>\$ (4,350)</b>	<b>\$ -</b>	<b>\$ 9,565</b>	<b>\$ 44,307</b>	<b>\$ (15,610)</b>	<b>\$ -</b>	<b>\$ 28,697</b>

**NOTE 5. Interfund Balances and Transfers**

The following schedule summarizes interfund receivables and payables for the year ended June 30, 2006:

Elderly and Disabled Housing Fund:	
Due to Housing Finance Fund	\$ 790
<b>Total Interfund Payable</b>	<b>\$ 790</b>
Housing Finance Fund:	
Due from Elderly and Disabled Housing Fund	\$ 790
<b>Total Interfund Receivable</b>	<b>\$ 790</b>

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

The following schedule summarizes transfers for the year ended June 30, 2006:

Elderly and Disabled Housing Fund:	
Transfer to Housing Finance Fund	\$ (117,816)
<b>Total Transfer Out</b>	<b>\$ (117,816)</b>
Housing Finance Fund:	
Transfer from Elderly and Disabled Housing Fund	\$ 117,816
<b>Total Transfer In</b>	<b>\$ 117,816</b>

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	\$ 1,767,850,894	\$ 556,225,623	\$ 637,485,171	\$ 1,686,591,346	\$ 32,051,809
Arbitrage Rebate Liability	219,184	768,198	163,519	823,863	-
Loans Payable	4,421,200	863,000	3,784,200	1,500,000	-
Compensated Absences Payable	284,300	19,593	69,867	234,026	175,520
Total Long Term Liabilities	\$ 1,772,775,578	\$ 557,876,414	\$ 641,502,757	\$ 1,689,149,235	\$ 32,227,329

**NOTE 7. Long Term Debt**

The following table summarizes outstanding bonds by program and series as of June 30, 2006:

**General Obligation Bonds**

**Elderly and Disabled Housing Program**

Original Issue				Bonds Outstanding				
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
1992 A	1993-2013	3.300 - 6.250%	\$ 11,985,000	\$ 3,775,000	\$ -	\$ 325,000	\$ 3,450,000	\$ 350,000
1992 C	1993-2022	3.300 - 6.500%	14,695,000	605,000	-	20,000	585,000	20,000
1993 B	1994-2026	2.700 - 5.500%	11,060,000	9,160,000	-	230,000	8,930,000	240,000
1993 C	1994-2026	2.850 - 5.650%	13,915,000	11,305,000	-	295,000	11,010,000	310,000
1994 A	1995-2025	3.500 - 6.150%	9,440,000	2,540,000	-	60,000	2,480,000	65,000
1994 B	1996-2026	4.200 - 6.300%	24,400,000	20,445,000	-	455,000	19,990,000	485,000
1995 A	1996-2026	4.000 - 6.000%	14,100,000	11,180,000	-	260,000	10,920,000	275,000
1995 B	1997-2027	4.000 - 5.700%	24,240,000	13,065,000	-	300,000	12,765,000	310,000
1996 A	1998-2027	4.050 - 5.600%	2,850,000	505,000	-	10,000	495,000	10,000
1996 B	1998-2027	4.200 - 5.800%	10,605,000	9,270,000	-	210,000	9,060,000	220,000
1997 A	1999-2028	4.050 - 5.375%	8,475,000	5,535,000	-	115,000	5,420,000	125,000
1998 A	2000-2029	3.400 - 4.500%	8,870,000	2,490,000	-	1,215,000	1,275,000	25,000
1998 B	2001-2030	3.550 - 4.875%	10,285,000	3,930,000	-	95,000	3,835,000	95,000
1998 C	2000-2029	4.900 - 6.000%	1,880,000	615,000	-	295,000	320,000	5,000
1999 A	2000-2030	3.250 - 5.150%	10,840,000	5,595,000	-	965,000	4,630,000	990,000
1999 B	2000-2031	3.350 - 5.250%	4,485,000	4,180,000	-	80,000	4,100,000	80,000
1999 C	2000-2005	5.400 - 6.160%	1,335,000	95,000	-	95,000	-	-
1999 D	2000-2030	3.950 - 6.000%	5,695,000	2,445,000	-	620,000	1,825,000	280,000
1999 E	2001-2031	5.000 - 6.250%	19,105,000	17,945,000	-	300,000	17,645,000	315,000
1999 F	2000-2006	6.250 - 7.000%	1,375,000	365,000	-	240,000	125,000	125,000
2001 A	2002-2032	2.550 - 5.100%	5,210,000	1,465,000	-	50,000	1,415,000	55,000
2001 B	2002-2020	2.550 - 4.950%	7,805,000	7,030,000	-	250,000	6,780,000	265,000
2001 C	2002-2032	2.700 - 5.300%	25,325,000	23,605,000	-	655,000	22,950,000	690,000
2002 A	2003-2022	1.400 - 4.650%	10,840,000	10,020,000	-	420,000	9,600,000	430,000
2002 B	2003-2024	1.400 - 4.700%	37,905,000	28,990,000	-	10,895,000	18,095,000	695,000
2002 C	2003-2043	1.600 - 5.050%	13,595,000	7,450,000	-	190,000	7,260,000	195,000
2003 A	2004-2024	1.150 - 4.650%	7,800,000	7,530,000	-	4,405,000	3,125,000	120,000
2003 B	2004-2024	1.300 - 4.800%	9,265,000	8,950,000	-	315,000	8,635,000	325,000
2003 C	2013-2034	4.350 - 5.100%	2,930,000	2,905,000	-	45,000	2,860,000	50,000
<i>Total General Obligation Bonds</i>				\$ 222,990,000	\$ -	\$ 23,410,000	\$ 199,580,000	\$ 7,150,000

### Revenue Bonds

#### Housing Finance Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1977 A	1979-2009	4.550 - 8.000%	\$43,800,000	\$ 5,435,000	\$ -	\$ 950,000	\$ 4,485,000	\$ 865,000
<i>Total Housing Finance Revenue Bonds</i>				\$ 5,435,000	\$ -	\$ 950,000	\$ 4,485,000	\$ 865,000

#### Mortgage Revenue Bonds

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1991 D	1993-2027	4.750 - 6.800%	\$21,250,000	\$ 7,475,000	\$ -	\$ 2,215,000	\$ 5,260,000	\$ 120,000
1992 A	1994-2016	4.500 - 6.800%	32,874,827	2,584,226	-	716,116	1,868,110	666,809
1992 C	1994-2016	2.400 - 5.550%	20,585,000	3,435,000	-	1,455,000	1,980,000	130,000
1993 A	1994-2024	2.750 - 5.450%	36,720,000	20,155,000	-	1,975,000	18,180,000	2,075,000
1993 B	1995-2017	3.250 - 5.375%	18,795,000	4,150,000	-	1,205,000	2,945,000	215,000
1994 A	1995-2018	3.750 - 6.400%	18,150,000	3,180,000	-	825,000	2,355,000	80,000
1994 C	1996-2016	4.200 - 6.250%	12,440,000	3,020,000	-	640,000	2,380,000	165,000
1995 A	1996-2026	4.400 - 6.450%	25,000,000	6,345,000	-	1,110,000	5,235,000	130,000
1995 C	2015-2026	6.200 - 6.400%	20,200,000	6,595,000	-	990,000	5,605,000	-
1995 E	1997-2027	4.000 - 6.000%	25,000,000	6,955,000	-	1,070,000	5,885,000	170,000
1996 A	2008-2016	5.500 - 6.000%	6,465,000	160,000	-	100,000	60,000	-
1996 B	1998-2027	4.200 - 6.200%	18,535,000	5,800,000	-	1,025,000	4,775,000	240,000
1996 D	1998-2027	4.300 - 6.375%	27,300,000	5,655,000	-	860,000	4,795,000	65,000
1996 H	1998-2027	4.050 - 6.000%	27,300,000	7,595,000	-	2,055,000	5,540,000	100,000
1997 A	1999-2027	4.600 - 6.200%	25,000,000	6,525,000	-	2,025,000	4,500,000	115,000
1997 F	2017-2028	5.500 - 5.650%	14,025,000	10,740,000	-	2,420,000	8,320,000	-
1997 H	1999-2028	4.000 - 5.650%	33,570,000	14,070,000	-	3,305,000	10,765,000	235,000
1997 I	2028	6.640 - 6.640%	7,500,000	810,000	-	810,000	-	-
1998 A	2000-2015	4.000 - 5.150%	10,655,000	3,505,000	-	820,000	2,685,000	220,000
1998 B	2018-2029	4.900 - 5.450%	19,345,000	9,405,000	-	2,415,000	6,990,000	-
1998 D	2000-2029	3.850 - 5.300%	35,000,000	16,475,000	-	4,060,000	12,415,000	85,000
1998 G	2000-2029	3.650 - 5.250%	35,000,000	17,020,000	-	4,360,000	12,660,000	120,000
1999 A	2001-2027	3.600 - 5.150%	25,480,000	16,085,000	-	4,585,000	11,500,000	335,000
1999 E	2019-2027	4.850 - 5.400%	20,350,000	10,815,000	-	835,000	9,980,000	-
1999 F	2001-2028	3.850 - 5.500%	14,650,000	4,505,000	-	3,075,000	1,430,000	120,000
1999 I	2001-2020	4.100 - 5.550%	25,555,000	6,195,000	-	2,740,000	3,455,000	140,000
1999 J	2023-2030	5.200 - 5.750%	29,320,000	13,460,000	-	2,485,000	10,975,000	-
1999 M	2002-2031	4.650 - 6.200%	32,260,000	12,000,000	-	2,925,000	9,075,000	145,000
2000 A	2001-2028	4.300 - 6.050%	18,265,000	6,990,000	-	1,605,000	5,385,000	225,000
2000 B	2025-2030	5.750 - 6.250%	16,735,000	3,000,000	-	1,060,000	1,940,000	-
2000 E	2002-2030	4.850 - 6.150%	29,160,000	13,675,000	-	2,710,000	10,965,000	380,000
2000 H	2009-2030	4.650 - 5.750%	30,070,000	14,570,000	-	3,285,000	11,285,000	-
2000 K	2003-2022	4.500 - 5.700%	14,825,000	5,125,000	-	2,740,000	2,385,000	120,000
2000 L	2031-2033	5.900 - 5.900%	20,175,000	13,870,000	-	2,135,000	11,735,000	-
2001 A	2003-2030	3.600 - 5.350%	23,465,000	17,065,000	-	3,545,000	13,520,000	415,000
2001 B	2022-2032	5.350 - 5.450%	6,535,000	1,010,000	-	1,010,000	-	-
2001 C	2032	**	7,500,000	4,580,000	-	1,120,000	3,460,000	65,000
2001 F	2003-2030	3.350 - 5.550%	24,025,000	17,455,000	-	5,450,000	12,005,000	355,000
2001 G	2026-2032	4.850 - 5.700%	10,975,000	3,900,000	-	1,010,000	2,890,000	-
2001 J	2003-2030	3.000 - 5.150%	26,435,000	17,855,000	-	3,990,000	13,865,000	330,000
2001 L	2032	**	9,100,000	5,510,000	-	1,265,000	4,245,000	60,000
2001 Q	2003-2024	2.350 - 5.125%	19,015,000	14,285,000	-	2,675,000	11,610,000	420,000
2001 R	2027-2033	4.200 - 5.375%	15,985,000	11,440,000	-	2,830,000	8,610,000	-
2002 A	2004-2024	2.350 - 5.200%	18,620,000	16,285,000	-	2,330,000	13,955,000	495,000
2002 B	2004-2033	2.700 - 5.450%	16,380,000	12,935,000	-	2,805,000	10,130,000	-
2002 F	2005-2022	3.150 - 5.250%	15,190,000	12,230,000	-	2,365,000	9,865,000	420,000
2002 G	2003-2033	2.400 - 5.600%	19,810,000	16,430,000	-	2,745,000	13,685,000	-
2002 H	2006-2023	2.450 - 5.000%	16,315,000	15,390,000	-	1,555,000	13,835,000	585,000
2002 I	2004-2033	2.000 - 5.250%	18,685,000	15,530,000	-	4,280,000	11,250,000	-
2002 M	2006-2023	2.400 - 5.050%	16,285,000	16,285,000	-	1,075,000	15,210,000	615,000

Notes to the Financial Statements (Continued)  
June 30, 2006

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2002 N	2004-2033	2.200 - 5.250%	18,715,000	16,855,000	-	2,535,000	14,320,000	-
2003 A	2007-2030	2.150 - 4.900%	22,810,000	22,790,000	-	1,690,000	21,100,000	-
2003 B	2004-2034	1.400 - 5.000%	12,190,000	10,590,000	-	2,005,000	8,585,000	630,000
2003 E	2004-2030	1.100 - 4.600%	24,665,000	23,875,000	-	1,335,000	22,540,000	660,000
2003 F	2032-2034	3.200 - 4.750%	10,335,000	9,205,000	-	1,585,000	7,620,000	-
2003 J	2005-2023	1.300 - 4.700%	22,880,000	22,880,000	-	1,995,000	20,885,000	915,000
2003 K	2005-2029	1.700 - 5.625%	12,120,000	11,920,000	-	2,090,000	9,830,000	-
2003 L	2034	***	15,000,000	15,000,000	-	-	15,000,000	-
2004 A	2005-2023	1.100 - 4.500%	23,720,000	23,720,000	-	2,820,000	20,900,000	1,010,000
2004 B	2029	5.625 - 5.625%	11,280,000	11,215,000	-	1,075,000	10,140,000	-
2004 C	2034	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 G	2005-2023	1.350 - 4.500%	23,410,000	23,400,000	-	1,450,000	21,950,000	975,000
2004 H	2029	5.125 - 5.125%	11,590,000	11,540,000	-	640,000	10,900,000	-
2004 I	2034	***	15,000,000	15,000,000	-	-	15,000,000	-
2004 J	2006-2019	1.950 - 4.350%	15,560,000	15,560,000	-	230,000	15,330,000	915,000
2004 K	2020-2030	4.800 - 5.100%	19,440,000	19,440,000	-	720,000	18,720,000	-
2004 L	2030-2035	****	15,000,000	15,000,000	-	-	15,000,000	-
2004 M	2007-2025	2.250 - 4.600%	7,510,000	7,510,000	-	90,000	7,420,000	-
2004 N	2026-2035	4.900 - 4.900%	8,390,000	8,390,000	-	260,000	8,130,000	-
2004 O	2005-2006	2.000 - 2.450%	125,055,000	109,555,000	-	109,555,000	-	-
2004 P	2006	3.000 - 3.000%	86,755,000	86,755,000	-	86,755,000	-	-
2004 R	2005-2006	2.050 - 2.550%	140,625,000	136,290,000	-	136,290,000	-	-
2004 S	2005-2006	2.050 - 2.550%	148,730,000	145,230,000	-	145,230,000	-	-
2005 A	2006-2024	2.600 - 4.500%	16,055,000	16,055,000	-	20,000	16,035,000	320,000
2005 B	2034	5.375 - 5.375%	8,455,000	8,455,000	-	180,000	8,265,000	-
2005 C	2035	***	10,500,000	10,500,000	-	-	10,500,000	-
2005 D	2007-2025	3.000 - 4.650%	26,340,000	-	26,340,000	-	26,340,000	-
2005 E	2006-2031	3.150 - 5.750%	13,775,000	-	13,775,000	75,000	13,700,000	100,000
2005 F	2036	****	14,855,000	-	14,855,000	-	14,855,000	-
2006 A	2007-2021	3.125 - 4.350%	20,210,000	-	20,210,000	-	20,210,000	-
2006 B	2007-2030	3.350 - 5.625%	19,790,000	-	19,790,000	-	19,790,000	-
2006 C	2036	***	20,000,000	-	20,000,000	-	20,000,000	-
<b>Total Mortgage Revenue Bonds</b>				<b>\$1,291,849,226</b>	<b>\$ 115,000,000</b>	<b>\$ 605,311,116</b>	<b>\$ 801,538,110</b>	<b>\$ 15,681,809</b>

\*\* The interest rates for the 2001 C and 2001 L Series are adjusted monthly based on the one month LIBOR rate plus 0.40%, not to exceed 11.00% for 2001 C and 11.50% for 2001 L. The interest rate at the end of the fiscal year was 5.51%.

\*\*\* The interest rates for the 2003 L, 2004 I, 2005 C, and 2006 C Series are adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%. The interest rate at the end of the fiscal year was 4.03%.

\*\*\*\* The interest rates for the 2004 C, 2004 L, and 2005 F Series are adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%. The interest rate at the end of the fiscal year was 4.04%.

**Homeowner Revenue Bonds**

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2005 A	2010	***	\$ 128,465,000	\$ 22,500,000	\$ 105,965,000	\$ -	\$ 128,465,000	\$ -
2005 B	2010	****	339,160,000	16,085,000	323,075,000	-	339,160,000	-
<b>Total Homeowner Revenue Bonds</b>				<b>\$ 38,585,000</b>	<b>\$ 429,040,000</b>	<b>\$ -</b>	<b>\$ 467,625,000</b>	<b>\$ -</b>

\*\*\* The interest rate for the 2005 A Series is adjusted monthly based on the BMA index rate plus 0.75%, not to exceed the one-month LIBOR rate plus 0.023% or fall below 95% of the one-month LIBOR rate. The interest rate at the end of the fiscal year was 4.85%.

\*\*\*\* The interest rate for the 2005 B Series is adjusted monthly based on the BMA index rate plus 0.80%, not to exceed the one-month LIBOR rate plus 0.023% or fall below 95% of the one-month LIBOR rate. The interest rate at the end of the fiscal year was 4.85%.

**Multifamily Housing Revenue Bonds**

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1996 A	1999-2028	4.650 - 6.200%	\$ 4,505,000	\$ 4,105,000	\$ -	\$ 80,000	\$ 4,025,000	\$ 85,000
1997 A	1999-2029	4.100 - 5.700%	16,360,000	14,940,000	-	295,000	14,645,000	310,000
1997 B	2000-2029	4.000 - 5.550%	10,100,000	9,265,000	-	190,000	9,075,000	200,000
1999 A	2001-2030	3.450 - 5.150%	12,440,000	11,585,000	-	235,000	11,350,000	245,000
1999 B	2002-2031	4.300 - 6.000%	34,920,000	33,415,000	-	550,000	32,865,000	575,000
2000 A	2003-2042	4.600 - 6.050%	18,325,000	18,060,000	-	140,000	17,920,000	150,000
2001 A	2024-2032	4.600 - 5.100%	1,770,000	1,710,000	-	35,000	1,675,000	30,000
2001 B	2004-2043	2.900 - 5.450%	31,935,000	31,660,000	-	280,000	31,380,000	290,000
2002 A	2004-2033	1.800 - 5.000%	7,875,000	7,730,000	-	145,000	7,585,000	150,000
2003 A	2013-2044	4.400 - 5.150%	5,675,000	5,675,000	-	50,000	5,625,000	55,000
2004 A	2014-2045	4.300 - 5.100%	5,120,000	5,120,000	-	20,000	5,100,000	45,000
2004 B	2046	****	14,950,000	14,950,000	-	-	14,950,000	-
2005 A	2007-2047	3.050 - 5.000%	9,855,000	-	9,855,000	-	9,855,000	-
<b>Total Multifamily Housing Revenue Bonds</b>				<b>\$ 158,215,000</b>	<b>\$ 9,855,000</b>	<b>\$ 2,020,000</b>	<b>\$ 166,050,000</b>	<b>\$ 2,135,000</b>

\*\*\*\* The interest rate for the 2004 B Series is adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%.  
The interest rate at the end of the fiscal year was 4.03%.

**Multiple Purpose Bonds**

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2005 A	2005-2024	1.900 - 4.300%	\$46,405,000	\$ 46,405,000	\$ -	\$ 4,800,000	\$ 41,605,000	\$ 6,220,000
<b>Total Multiple Purpose Bonds</b>				<b>\$ 46,405,000</b>	<b>\$ -</b>	<b>\$ 4,800,000</b>	<b>\$ 41,605,000</b>	<b>\$ 6,220,000</b>

<b>Total Revenue Bonds</b>	<b>\$1,540,489,226</b>	<b>\$ 553,895,000</b>	<b>\$ 613,081,116</b>	<b>\$1,481,303,110</b>	<b>\$ 24,901,809</b>
<b>Total General Obligation and Revenue Bonds</b>	<b>\$1,763,479,226</b>	<b>\$ 553,895,000</b>	<b>\$ 636,491,116</b>	<b>\$1,680,883,110</b>	<b>\$ 32,051,809</b>

**Bonds Payable Per Balance Sheet:**

Bonds payable are presented on the balance sheet at their carrying value. The carrying value is the outstanding bond principal plus the accretion in principal for capital appreciation bonds plus unamortized bond premium less unamortized bond discount less the deferred amount on debt refunding. Bonds payable balances on June 30, 2006 are summarized below:

	Principal (per preceding Schedule)	Plus: Accretion	Plus: Premium	Less: Discount	Less: Deferred Amount on Debt Refunding	Bonds Payable
General Obligation Bonds:						
Elderly and Disabled Housing Program	\$ 199,580,000	\$ -	\$ -	\$ (334,855)	\$ (1,968,323)	\$ 197,276,822
Revenue Bonds (Housing Finance Fund):						
Single Family Mortgage Program:						
Housing Finance Revenue Bonds	4,485,000	-	-	-	-	4,485,000
Mortgage Revenue Bonds	801,538,110	2,829,477	5,551,922	(1,248)	-	809,948,261
Homeowner Revenue Bonds	467,625,000	-	-	-	-	467,625,000
Multifamily Housing Revenue Bonds	166,050,000	-	-	-	-	166,050,000
Multiple Purpose Bonds	41,605,000	-	-	-	(398,737)	41,206,263
<b>Total Revenue Bonds</b>	<b>1,481,303,110</b>	<b>2,829,477</b>	<b>5,551,922</b>	<b>(1,248)</b>	<b>(398,737)</b>	<b>1,489,314,524</b>
<b>Total General Obligation and Revenue Bonds</b>	<b>\$ 1,680,883,110</b>	<b>\$ 2,829,477</b>	<b>\$ 5,551,922</b>	<b>\$ (336,103)</b>	<b>\$ (2,367,060)</b>	<b>\$ 1,686,591,346</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, 2006 for each fiscal year during the next five year period ending June 30, 2011, and in five year increments thereafter.

Year Ending June 30	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 7,150,000	\$ 10,169,741	\$ 17,319,741	\$ 24,901,809	\$ 71,225,556	\$ 96,127,365
2008	6,710,000	9,881,146	16,591,146	27,610,290	70,894,131	98,504,421
2009	7,030,000	9,585,271	16,615,271	28,516,011	69,891,350	98,407,361
2010	6,775,000	9,276,154	16,051,154	497,040,000	65,813,608	562,853,608
2011	7,135,000	8,953,184	16,088,184	25,025,000	43,988,354	69,013,354
2012-2016	41,430,000	39,053,796	80,483,796	126,440,000	204,103,824	330,543,824
2017-2021	52,820,000	27,228,740	80,048,740	156,325,000	171,716,536	328,041,536
2022-2026	46,250,000	13,258,746	59,508,746	192,000,000	127,810,959	319,810,959
2027-2031	20,025,000	3,373,782	23,398,782	226,555,000	71,712,027	298,267,027
2032-2036	3,095,000	507,266	3,602,266	140,485,000	23,283,029	163,768,029
2037-2041	730,000	214,120	944,120	21,550,000	6,650,848	28,200,848
2042-2046	430,000	32,573	462,573	14,065,000	1,629,218	15,694,218
2047-2051	-	-	-	790,000	25,845	815,845
<b>Total</b>	<b>\$ 199,580,000</b>	<b>\$ 131,534,519</b>	<b>\$ 331,114,519</b>	<b>\$ 1,481,303,110</b>	<b>\$ 928,745,285</b>	<b>\$ 2,410,048,395</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, 2006, various statutory or constitutional provisions limited the amount of bonds outstanding to \$2,500,000,000 in revenue bonds and approximately \$1,814,184,612 in general obligation bonds.

**Loans Payable:**

The following table summarizes the amounts necessary to pay all future loan principal and interest requirements as of June 30, 2006 for each fiscal year until the loan is due on June 30, 2009.

Year Ending June 30	Loans Payable		
	Principal	Interest	Total
2007	\$ -	\$ 72,750	\$ 72,750
2008	-	72,750	72,750
2009	1,500,000	72,750	1,572,750
<b>Total</b>	<b>\$ 1,500,000</b>	<b>\$ 218,250</b>	<b>\$ 1,718,250</b>

**NOTE 8. Interest Rate Swaps**

OHCS D has entered into four separate pay-fixed, receive-variable interest rate swaps to lower borrowing costs compared to fixed-rate bonds. The notional amounts of the swaps match the principal amounts of the associated debt. The following table lists the terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2006.

Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Rating
MF® 2004 B	\$ 14,950,000	12/16/2004	3.894%	64% of LIBOR** + .27%	\$ 456,318	07/01/2046	Aa3/A+/AA-
MRB* 2004 C	15,000,000	01/24/2006	4.032%	64% of LIBOR + .29%	553,349	07/01/2034	Aa3/A+/AA-
MRB 2004 I	15,000,000	01/24/2006	4.012%	64% of LIBOR + .29%	483,034	07/01/2034	Aa3/A+/AA-
MRB 2006 C	20,000,000	02/28/2006	4.184%	64% of LIBOR + .29%	364,763	07/01/2036	Aa3/A+/AA-
	<b>\$ 64,950,000</b>				<b>\$ 1,857,464</b>		

\* Multifamily Housing Revenue Bonds

\*\* Mortgage Revenue Bonds

\*\* London Interbank Offered Rate

Notes to the Financial Statements (Continued)  
June 30, 2006

The MF 2004 B swap contains an embedded one-time call option in 2007 on up to 10% of the notional amount to provide flexibility to reduce the swap notional amount if the project were to come in under budget and a portion of the bonds were retired. To manage credit (default) risk, the MF 2004 B swap has a call option where OHCS D has the right to "call" (cancel) the swap in whole or in part semiannually beginning in 2015. The MRB swaps include options giving OHCS D the right to call the swaps in whole or in part, depending on the exercise date, semi-annually beginning in 2012 (MRB 2004 C & I swaps) or 2013 (MRB 2006 C swap). These options provide flexibility to manage the pre-payments of loans and the related bonds.

Because of interest rate increases after the swaps were executed, the fair value of all of the swaps as of June 30, 2006 are positive. OHCS D is exposed to credit risk in the amount of the derivative's fair value. The valuations provided are derived from proprietary models based upon well recognized financial principals and reasonable estimates about relevant future market conditions. This valuation methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

OHCS D has entered into swap transactions with two counterparties, Merrill Lynch Capital Services for the MF swap and Morgan Stanley Capital Services for the MRB swaps. Both counterparties are rated Aa3/A+/AA- by Moody's, Standard & Poor's, and Fitch, respectively.

As rates vary, variable-rate bond interest payments and net swap payments will differ between the fixed payments paid to the counterparty and the variable rate paid to OHCS D. Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments are as follows:

Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps (Net)	Total
	Principal	Interest		
2007	\$ -	\$ 2,312,468	\$ 256,684	\$ 2,569,152
2008	155,000	2,617,461	184,374	2,956,835
2009	160,000	2,611,118	177,464	2,948,582
2010	165,000	2,604,665	183,894	2,953,559
2011	175,000	2,597,914	183,642	2,956,556
2012-2016	990,000	12,876,625	907,382	14,774,007
2017-2021	1,215,000	12,657,785	892,854	14,765,640
2022-2026	1,495,000	12,387,949	889,393	14,772,341
2027-2031	14,615,000	11,666,033	852,294	27,133,327
2032-2036	37,615,000	5,383,314	392,533	43,390,846
2037-2041	4,600,000	1,110,269	43,328	5,753,597
2042-2046	3,385,000	463,127	17,454	3,865,582
2047	380,000	7,720	346	388,066
Total	\$ 64,950,000	\$ 69,296,448	\$ 4,981,642	\$ 139,228,090

On June 21, 2006, OHCS D entered into a swap transaction with an effective date of July 18, 2006 for MRB 2006 F. The notional amount of the swap is \$20,000,000 and the termination date is July 1, 2037. OHCS D will pay the counterparty (Bank of America) a fixed rate of 4.430% and receive a variable payment of 64% of LIBOR plus 29 basis points. OHCS D was not exposed to credit risk because the swap has a fair value of negative \$38,936 on June 30, 2006. The counterparty's credit rating as of June 30, 2006 is Aa1/AA-/AA.

**NOTE 9. Conduit Debt Obligations**

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. As of June 30, 2006, the total aggregate amount of Housing Development Revenue Bonds outstanding is \$127,274,030. 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.

June 30, 2006

**NOTE 10. Segment Information**

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

	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds
<b>Condensed Statement of Net Assets:</b>					
<b>Assets</b>					
Interfund Receivables	\$ -	\$ 23,988	\$ -	\$ -	\$ -
Other Current Assets	1,200,718	40,925,573	1,864,094	7,695,548	7,246,524
Noncurrent Assets	20,235,636	840,048,803	468,230,870	175,586,686	46,799,084
<b>Total Assets</b>	<b>21,436,354</b>	<b>880,998,364</b>	<b>470,094,964</b>	<b>183,282,234</b>	<b>54,045,608</b>
<b>Liabilities</b>					
Interfund Payables	23,988	97,260	-	-	-
Other Current Liabilities	1,120,464	37,002,675	1,864,094	6,625,570	6,925,762
Noncurrent Liabilities	3,620,000	794,428,693	468,128,013	163,915,000	35,144,872
<b>Total Liabilities</b>	<b>4,764,452</b>	<b>831,528,628</b>	<b>469,992,107</b>	<b>170,540,570</b>	<b>42,070,634</b>
<b>Net Assets</b>					
Restricted Net Assets	16,671,902	49,469,736	102,857	12,741,664	11,974,974
<b>Total Net Assets</b>	<b>\$ 16,671,902</b>	<b>\$ 49,469,736</b>	<b>\$ 102,857</b>	<b>\$ 12,741,664</b>	<b>\$ 11,974,974</b>

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

Operating Revenues	\$ 747,759	\$ 52,440,581	\$ 8,818,685	\$ 10,045,586	\$ 4,631,047
Operating Expenses	(287,570)	(52,188,194)	(8,868,261)	(9,197,242)	(1,878,357)
Operating Income	460,189	252,387	(49,576)	848,344	2,752,690
Transfers In	-	1,100,000	43,516	555,000	-
Transfers Out	(2,500,000)	-	-	-	(2,821,271)
Change in Net Assets	(2,039,811)	1,352,387	(6,060)	1,403,344	(68,581)
Beginning Net Assets	18,711,713	48,117,349	108,917	11,338,320	12,043,555
Ending Net Assets	\$ 16,671,902	\$ 49,469,736	\$ 102,857	\$ 12,741,664	\$ 11,974,974

**Condensed Statement of Cash Flows:**

Net Cash Provided (Used) by:					
Operating Activities	\$ 1,670,374	\$ (22,132,231)	\$ (24,041)	\$ 1,096,892	\$ 9,401,135
Noncapital Financing Activities	(3,760,010)	(541,296,214)	422,011,469	(216,841)	(8,800,088)
Investing Activities	2,720,429	553,927,688	(420,113,330)	(464,880)	(835,701)
Net Increase (Decrease)	630,793	(9,500,757)	1,874,098	415,171	(234,654)
Beginning Cash and Cash Equivalents	207,936	27,056,913	99,264	547,655	887,256
Ending Cash and Cash Equivalents	\$ 838,729	\$ 17,556,156	\$ 1,973,362	\$ 962,826	\$ 652,602

**NOTE 11. Restricted Assets**

Restricted asset account balances are as follows:

Purpose:	Elderly and Disabled Housing Fund	Housing Finance Fund
Loan Acquisition	\$ -	\$ 22,140,113
Current Debt Service	17,319,741	96,127,365
Future Debt Service	28,689,727	513,422,947
Debt Reserves	23,518,089	53,572,005
Insurance Reserves	-	16,420,969
Combined Program Account	-	10,921,517
Matured Bonds and Coupons	30,744	36,525
<b>Total</b>	<b>\$ 69,558,301</b>	<b>\$ 712,641,441</b>

<u>Balance Sheet Amounts:</u>	Elderly and Disabled Housing Fund	Housing Finance Fund
Restricted Cash and Cash Equivalents – Current	\$ 11,479,164	\$ 1,900,619
Restricted Cash and Cash Equivalents – Noncurrent	35,504,126	20,524,736
Restricted Investments – Current	-	48,776,551
Restricted Investments – Noncurrent	22,575,011	641,439,535
Total	\$ 69,558,301	\$ 712,641,441

**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). PERS member contributions go into the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but member contributions are 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 2006 was 8.69 percent. The amounts contributed by OHCS D for the years ending June 30, 2006, 2005, and 2004 were \$230,062, \$157,302, and \$376,751, 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 2006 was 8.04 percent through February 2006 and 4.43 percent for the rest of the fiscal year. The amount contributed by OHCS D for the years ending June 30, 2006, 2005, and 2004 were \$31,698, \$15,569, and \$623, respectively, equal to the required contribution for each year.

The Individual Account Program (IAP) is the defined contribution portion of OPSRP. The IAP is administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, chapter 238A. Covered employees are required by State statute to contribute 6.0 percent of their salary to the plan. State agencies currently pay the 6.0 percent member contribution for their employees. The amount contributed by OHCS D for the years ending June 30, 2006, 2005, and 2004 were \$189,717, \$200,123, and \$108,977, respectively, equal to the required contributions for each 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**

On February 9, 2005, the Office of Inspector General (OIG) issued a final audit report to the U.S. Housing and Urban Development Department (HUD) related to contracted services provided by OHCS D in inspecting and monitoring housing projects that receive federal rent subsidy assistance from HUD. OHCS D is responsible for ensuring that these projects comply with all applicable OHCS D and HUD rules and regulations. The OIG's final audit report includes twelve audit recommendations of which five include recovering \$1,392,995 in non-federal funds for expenses incurred by several projects that were deemed to either be ineligible or unreasonable. In addition, the OIG recommends that if OHCS D does not take corrective action on each of the findings, that HUD take action in collecting the appropriate portion of contract administrative fees OHCS D received for performing this service. The total amount of contract fees paid during the audit period is \$1,982,052. On June 16, 2006, OHCS D received communication from HUD that they were either closing or amending certain findings based on the Department's responses. However, there continued to be monetary findings that equaled \$716,629, along with the understanding that should OHCS D not take appropriate action in repaying these funds, HUD would take action on collecting the appropriate portion of contract fees. OHCS D responded to HUD on July 6, 2006, that it continues to disagree with the audit findings and is committed to seeking a resolution that removes all remaining monetary findings. OHCS D will take legal action if necessary to contest the remaining findings, in which case it would be represented by the Attorney General of the State of Oregon. If OHCS D is held liable for these findings, this could result in the recognition of a liability in the enterprise fund.

**NOTE 15. Subsequent Events**

On July 18, 2006, OHCS D issued the following Mortgage Revenue Bonds:

	<u>Issue Amount</u>
2006 Series D	\$ 18,705,000
2006 Series E	21,295,000
2006 Series F	20,000,000
2006 Series G	16,105,000

On July 18, 2006, OHCS D entered into a swap transaction for MRB 2006 G. The notional amount of the swap is \$16,105,000 and the termination date is July 1, 2016. OHCS D will pay the counterparty (Merrill Lynch Capital Services) a fixed rate of 3.833% and receive a variable payment of 64% of LIBOR plus 19 basis points.

On October 17, 2006, OHCS D issued the following Mortgage Revenue Bonds:

	<u>Issue Amount</u>
2006 Series H	\$ 13,905,000
2006 Series I	27,680,000

Notes to the Financial Statements (Continued)  
June 30, 2006

On July 1, 2006, OHCS D called the following Housing Finance Revenue Bonds prior to maturity:

	<u>Amount Called</u>
1977 Series A	\$ 3,620,000

On September 1, 2006, OHCS D called the following Mortgage Revenue Bonds prior to maturity:

	<u>Amount Called</u>
1993 Series A	\$ 16,105,000

On September 1, 2006, OHCS D called the following Homeowner Revenue Bonds prior to maturity:

	<u>Amount Called</u>
2005 Series A	\$ 18,705,000
2005 Series B	38,911,000

On November 1, 2006, OHCS D called the following Homeowner Revenue Bonds prior to maturity:

	<u>Amount Called</u>
2005 Series A	\$ 13,905,000
2005 Series B	28,735,000

On November 14, 2006, OHCS D distributed notices to call, on December 15, 2006, the following Mortgage Revenue Bonds prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>
1991 Series D	\$ 335,000	2001 Series J	\$ 660,000
1992 Series C	235,000	2001 Series L	195,000
1993 Series B	125,000	2001 Series Q	455,000
1994 Series A	95,000	2001 Series R	995,000
1994 Series C	95,000	2002 Series A	525,000
1995 Series A	280,000	2002 Series B	1,170,000
1995 Series C	430,000	2002 Series F	310,000
1995 Series E	395,000	2002 Series G	1,000,000
1996 Series B	235,000	2002 Series H	240,000
1996 Series D	405,000	2002 Series I	1,080,000
1996 Series H	505,000	2002 Series M	510,000
1997 Series A	355,000	2002 Series N	1,155,000
1997 Series F	335,000	2003 Series A	930,000
1997 Series H	515,000	2003 Series B	1,140,000
1998 Series B	445,000	2003 Series E	455,000
1998 Series D	585,000	2003 Series F	1,065,000
1998 Series G	790,000	2003 Series J	725,000
1999 Series A	740,000	2003 Series K	925,000
1999 Series E	245,000	2004 Series A	1,455,000
1999 Series F	955,000	2004 Series B	765,000
1999 Series I	715,000	2004 Series G	440,000
1999 Series J	900,000	2004 Series H	625,000
1999 Series M	820,000	2004 Series J	700,000
2000 Series B	460,000	2004 Series K	650,000
2000 Series E	1,205,000	2004 Series M	150,000
2000 Series H	730,000	2004 Series N	200,000
2000 Series K	395,000	2005 Series A	875,000
2000 Series L	435,000	2005 Series B	300,000
2001 Series A	1,320,000	2005 Series D	425,000
2001 Series C	340,000	2005 Series E	330,000
2001 Series F	550,000	2006 Series B	85,000
2001 Series G	475,000		



# Supplementary Information

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Schedule of Housing Finance Fund Balance Sheet Activities  
June 30, 2006

	Single-Family Mortgage Program			
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds	Multifamily Housing Revenue Bonds
<b>Assets:</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	36,525	-	1,864,094	-
Investments - Restricted	995,065	34,417,979	-	6,522,011
Securities Lending Cash Collateral	87,065	2,196,859	-	101,518
Accounts Receivable	-	-	-	-
Accrued Interest Receivable	82,063	3,940,547	-	1,072,019
Interfund Receivable	-	23,988	-	-
Acquired Property	-	370,188	-	-
<b>Total Current Assets</b>	<b>1,200,718</b>	<b>40,949,561</b>	<b>1,864,094</b>	<b>7,695,548</b>
<b>Noncurrent Assets</b>				
Cash & Cash Equivalents - Restricted	802,204	17,556,156	109,268	962,826
Investments - Restricted	14,514,462	117,955,730	468,020,028	20,800,166
Deferred Charges	1,383	6,933,875	101,574	2,206,895
Loans Receivable (Net)	4,917,587	697,603,042	-	151,616,799
Capital Assets (Net)	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>20,235,636</b>	<b>840,048,803</b>	<b>468,230,870</b>	<b>175,586,686</b>
<b>Total Assets</b>	<b>\$ 21,436,354</b>	<b>\$ 880,998,364</b>	<b>\$ 470,094,964</b>	<b>\$ 183,282,234</b>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 1,776	\$ 368,772	\$ -	\$ 2,041
Accrued Interest Payable	130,065	18,736,170	1,864,094	4,387,011
Obligations Under Securities Lending	87,065	2,196,859	-	101,518
Interfund Payable	23,988	97,260	-	-
Matured Bonds and Interest Payable	36,525	-	-	-
Bonds Payable	865,000	15,681,809	-	2,135,000
Deferred Income	33	19,065	-	-
Compensated Absences Payable	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,144,452</b>	<b>37,099,935</b>	<b>1,864,094</b>	<b>6,625,570</b>
<b>Noncurrent Liabilities</b>				
Compensated Absences Payable	-	-	-	-
Bonds Payable	3,620,000	794,266,452	467,625,000	163,915,000
Arbitrage Rebate Liability	-	162,241	503,013	-
Loans Payable	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>3,620,000</b>	<b>794,428,693</b>	<b>468,128,013</b>	<b>163,915,000</b>
<b>Total Liabilities</b>	<b>4,764,452</b>	<b>831,528,628</b>	<b>469,992,107</b>	<b>170,540,570</b>
<b>Net Assets:</b>				
Invested in Capital Assets	-	-	-	-
Restricted for Residential Assistance	-	-	-	-
Restricted by Trust Indentures	16,671,902	49,469,736	102,857	12,741,664
Unrestricted	-	-	-	-
<b>Total Net Assets</b>	<b>16,671,902</b>	<b>49,469,736</b>	<b>102,857</b>	<b>12,741,664</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,436,354</b>	<b>\$ 880,998,364</b>	<b>\$ 470,094,964</b>	<b>\$ 183,282,234</b>

Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ -	\$ -	\$ 4,606,282	\$ 4,606,282
-	-	-	1,900,619
6,841,496	-	-	48,776,551
77,352	-	649,521	3,112,315
1,848	-	62,943	64,791
325,828	22,906	143,561	5,586,924
-	-	98,050	122,038 **
-	-	-	370,188
7,246,524	22,906	5,560,357	64,539,708
652,602	29,131	412,549	20,524,736
8,623,415	10,892,386	633,348	641,439,535
420,132	-	-	9,663,859
37,102,935	1,677,072	3,440,817	896,358,252
-	-	28,697	28,697
46,799,084	12,598,589	4,515,411	1,568,015,079
\$ 54,045,608	\$ 12,621,495	\$ 10,075,768	\$ 1,632,554,787
\$ 2,130	\$ 25	\$ 482,752	\$ 857,496
621,496	-	-	25,738,836
77,352	-	649,521	3,112,315
-	-	-	121,248 **
-	-	-	36,525
6,220,000	-	-	24,901,809
4,784	-	2,999	26,881
-	-	142,387	142,387
6,925,762	25	1,277,659	54,937,497
-	-	47,462	47,462
34,986,263	-	-	1,464,412,715
158,609	-	-	823,863
-	-	1,500,000	1,500,000
35,144,872	-	1,547,462	1,466,784,040
42,070,634	25	2,825,121	1,521,721,537
-	-	28,697	28,697
-	-	1,546,849	1,546,849
11,974,974	12,621,470	-	103,582,603
-	-	5,675,101	5,675,101
11,974,974	12,621,470	7,250,647	110,833,250
\$ 54,045,608	\$ 12,621,495	\$ 10,075,768	\$ 1,632,554,787

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling \$121,248 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, 2006

	Single-Family Mortgage Program			
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds	Multifamily Housing Revenue Bonds
<b>Operating Revenues:</b>				
Interest on Loans	\$ 386,746	\$ 36,737,119	\$ -	\$ 10,097,287
Investment Income	368,966	15,493,024	8,818,685	(51,701)
Transfer/Commitment Fees	-	-	-	-
Administrative Charges and Fees	-	-	-	-
Low Income Housing Tax Credit Fees	-	-	-	-
Gain (Loss) on Sale of Foreclosed Property	(7,953)	210,438	-	-
Miscellaneous Revenue	-	-	-	-
<b>Total Operating Revenues</b>	<b>747,759</b>	<b>52,440,581</b>	<b>8,818,685</b>	<b>10,045,586</b>
<b>Operating Expenses:</b>				
Personal Services	-	-	-	-
Services and Supplies	-	73,469	24,041	342,071
Mortgage Service Fees	21,686	2,488,242	-	22,731
Foreclosure Costs	618	137,084	-	-
Interest Expense - Bonds	260,130	45,480,047	8,817,402	8,682,135
Interest Expense - Loans	-	-	-	-
Interest Expense - Securities Lending	4,420	216,191	-	20,225
Other Related Program Expenses	-	3,105,962	-	-
Amortization of Deferred Bond Issuance Costs	716	687,199	26,818	116,536
Depreciation/Amortization	-	-	-	-
Bad Debt Expense	-	-	-	13,544
<b>Total Operating Expenses</b>	<b>287,570</b>	<b>52,188,194</b>	<b>8,868,261</b>	<b>9,197,242</b>
<b>Operating Income (Loss)</b>	<b>460,189</b>	<b>252,387</b>	<b>(49,576)</b>	<b>848,344</b>
Transfers from Other Funds	-	1,100,000	43,516	555,000
Transfers to Other Funds	(2,500,000)	-	-	-
<b>Change in Net Assets</b>	<b>(2,039,811)</b>	<b>1,352,387</b>	<b>(6,060)</b>	<b>1,403,344</b>
<b>Net Assets - Beginning</b>	<b>18,711,713</b>	<b>48,117,349</b>	<b>108,917</b>	<b>11,338,320</b>
<b>Net Assets - Ending</b>	<b>\$ 16,671,902</b>	<b>\$ 49,469,736</b>	<b>\$ 102,857</b>	<b>\$ 12,741,664</b>

Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ 3,756,517	\$ 58,609	\$ 213,415	\$ 51,249,693
173,438	452,910	283,555	25,538,877
-	-	1,464,877	1,464,877
701,092	-	590,074	1,291,166
-	-	1,312,453	1,312,453
-	-	-	202,485
-	-	245,240	245,240
4,631,047	511,519	4,109,614	81,304,791
-	-	4,226,136	4,226,136
-	-	2,600,084	3,039,665
32,741	326	575	2,566,301
-	-	-	137,702
1,392,795	-	-	64,632,509
-	-	173,520	173,520
18,577	-	36,779	296,192
321,270	-	804,211	4,231,443
123,923	-	-	955,192
-	-	47,485	47,485
(10,949)	8,428	(10,387)	636
1,878,357	8,754	7,878,403	80,306,781
2,752,690	502,765	(3,768,789)	998,010
-	-	5,439,087	7,137,603 **
(2,821,271)	-	(1,698,516)	(7,019,787) **
(68,581)	502,765	(28,218)	1,115,826
12,043,555	12,118,705	7,278,865	109,717,424
\$ 11,974,974	\$ 12,621,470	\$ 7,250,647	\$ 110,833,250

\*\* Transfers within the Housing Finance Fund totaling \$7,019,787 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, 2006

	Single-Family Mortgage Program		
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds
<b>Cash Flows from Operating Activities:</b>			
Received from Customers	\$ -	\$ -	\$ -
Program Loan Principal Repayments	2,205,879	109,046,870	-
Program Loan Interest Received	419,206	36,562,424	-
Program Loans Made	(968,533)	(163,786,943)	-
Payments to Employees for Services	-	-	-
Payments to Suppliers for Goods and Services	(22,060)	(2,494,414)	(24,041)
Other Receipts (Payments)	35,882	(1,460,168)	-
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>1,670,374</b>	<b>(22,132,231)</b>	<b>(24,041)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Proceeds from Bond Sales	-	117,032,003	429,040,000
Principal Payments on Bonds	(950,000)	(605,311,117)	-
Interest Payments on Bonds	(310,010)	(53,125,549)	(7,052,572)
Bond Issue Costs	-	(990,051)	(19,475)
Bond Call Costs	-	(1,500)	-
Loan Proceeds	-	-	-
Principal Payments on Loans	-	-	-
Interest Payments on Loans	-	-	-
Transfers from Other Funds	-	1,100,00	43,516
Transfers to Other Funds	(2,500,000)	-	-
<b>Net Cash Provided (Used) in Noncapital Financing Activities</b>	<b>(3,760,010)</b>	<b>(541,296,214)</b>	<b>422,011,469</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	-	-	-
<b>Net Cash Provided (Used) in Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investments	(19,769,124)	(354,244,948)	(429,435,028)
Proceeds from Sales and Maturities of Investments	21,824,914	894,823,140	-
Interest on Cash and Investments	664,639	13,349,496	9,321,698
Investment Income on Securities Lending	4,420	216,191	-
Interest Paid on Securities Lending	(4,420)	(216,191)	-
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>2,720,429</b>	<b>553,927,688</b>	<b>(420,113,330)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>630,793</b>	<b>(9,500,757)</b>	<b>1,874,098</b>
<b>Cash and Cash Equivalents Balance - Beginning</b>	<b>207,936</b>	<b>27,056,913</b>	<b>99,264</b>
<b>Cash and Cash Equivalents Balance - Ending</b>	<b>\$ 838,729</b>	<b>\$ 17,556,156</b>	<b>\$ 1,973,362</b>
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted (Current)	36,525	-	1,864,094
Cash and Cash Equivalents - Restricted (Noncurrent)	802,204	17,556,156	109,268
<b>Total Cash and Cash Equivalents</b>	<b>\$ 838,729</b>	<b>\$ 17,556,156</b>	<b>\$ 1,973,362</b>

Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ -	\$ 641,084	\$ -	\$ 3,434,842	\$ 4,075,926
1,590,073	5,335,052	9,500	3,481,983	121,669,357
10,153,226	3,778,856	54,114	367,564	51,335,390
(10,256,927)	-	(1,695,000)	(1,363,000)	(178,070,403)
-	-	-	(4,367,769)	(4,367,769)
(389,480)	(32,587)	(301)	(2,496,565)	(5,459,448)
-	(321,270)	-	(557,528)	(2,303,084)
1,096,892	9,401,135	(1,631,687)	(1,500,473)	(13,120,031)
9,855,000	-	-	-	555,927,003
(2,020,000)	(4,800,000)	-	-	(613,081,117)
(8,414,593)	(1,131,433)	-	-	(70,034,157)
(192,248)	(47,384)	-	-	(1,249,158)
-	-	-	-	(1,500)
-	-	-	863,000	863,000
-	-	-	(3,784,200)	(3,784,200)
-	-	-	(208,434)	(208,434)
555,000	-	-	5,439,087	7,137,603 **
-	(2,821,271)	-	(1,698,516)	(7,019,787) **
(216,841)	(8,800,088)	-	610,937	(131,450,747)
-	-	-	(31,875)	(31,875)
-	-	-	(31,875)	(31,875)
(40,334,567)	(22,849,478)	(26,673,759)	(884,636)	(894,191,540)
38,780,550	21,622,494	28,158,685	898,569	1,006,108,352
1,089,137	391,283	174,625	233,162	25,224,040
20,225	18,577	-	36,779	296,192
(20,225)	(18,577)	-	(36,779)	(296,192)
(464,880)	(835,701)	1,659,551	247,095	137,140,852
415,171	(234,654)	27,864	(674,316)	(7,461,801)
547,655	887,256	1,267	5,693,147	34,493,438
\$ 962,826	\$ 652,602	\$ 29,131	\$ 5,018,831	\$ 27,031,637
\$ -	\$ -	\$ -	\$ 4,606,282	\$ 4,606,282
-	-	-	-	1,900,619
962,826	652,602	29,131	412,549	20,524,736
\$ 962,826	\$ 652,602	\$ 29,131	\$ 5,018,831	\$ 27,031,637

\*\* Transfers within the Housing Finance Fund totaling \$7,019,787 are not included in the Statement of Cash Flows.

Continued on the next page

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Schedule of Housing Finance Fund Cash Flow Activities  
For the Year Ended June 30, 2006

Continued from the previous page

	Single-Family Mortgage Program		
	Housing Finance Revenue Bonds	Mortgage Revenue Bonds	Homeowner Revenue Bonds
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ 460,189	\$ 252,387	\$ (49,576)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation/Amortization	-	-	-
Amortization of Deferred Bond Issuance Costs	716	687,199	26,818
Bad Debt Expense	-	-	-
Investment Income Reported as Operating Revenue	(368,966)	(15,493,024)	(8,818,685)
Interest Expense Reported as Operating Expense	264,550	45,696,238	8,817,402
Bond Call Expenses	-	680,930	-
<u>(Increase)/Decrease in Assets:</u>			
Loan Interest Receivable	8,679	(153,709)	-
Accounts Receivable	-	3,960	-
Interfund Receivable	-	(23,988)	-
Loans Receivable	1,281,578	(54,575,858)	-
Acquired Property	-	787,245	-
<u>Increase/(Decrease) in Liabilities:</u>			
Accounts Payable	(374)	84,767	-
Interfund Payable	23,988	(81,380)	-
Deferred Income	14	3,002	-
Compensated Absences Payable	-	-	-
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$ 1,670,374</b>	<b>\$ (22,132,231)</b>	<b>\$ (24,041)</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Net Change in Fair Value of Investments	\$ (212,375)	\$ 2,709,093	\$ -
Foreclosed Property	45,767	1,537,524	-
Loan Modification - Interest Capitalized	221	-	-
Other Noncash Activity	-	-	-
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b>\$ (166,387)</b>	<b>\$ 4,246,617</b>	<b>\$ -</b>

Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Combined Program Account	Housing Finance Account	Total
\$ 848,344	\$ 2,752,690	\$ 502,765	\$ (3,768,789)	\$ 998,010
-	-	-	47,485	47,485
116,536	123,923	-	-	955,192
13,544	(10,949)	8,428	(10,387)	636
51,701	(173,438)	(452,910)	(283,555)	(25,538,877)
8,702,360	1,411,372	-	210,299	65,102,221
-	-	-	-	680,930
55,939	22,891	(4,495)	108,600	37,905
-	(1,848)	-	22,374	24,486
-	-	-	80,864	56,876 **
(8,666,854)	5,335,052	(1,685,500)	2,077,601	(56,233,981)
-	-	-	-	787,245
(24,678)	(58,005)	25	81,972	83,707
-	-	-	-	(57,392) **
-	(553)	-	2,930	5,393
-	-	-	(69,867)	(69,867)
<u>\$ 1,096,892</u>	<u>\$ 9,401,135</u>	<u>\$ (1,631,687)</u>	<u>\$ (1,500,473)</u>	<u>\$ (13,120,031)</u>
\$ (1,195,831)	\$ (51,285)	\$ 398,411	\$ 16,119	\$ 1,664,132
-	-	-	-	1,583,291
-	-	-	1,382	1,603
-	-	-	40,000	40,000
<u>\$ (1,195,831)</u>	<u>\$ (51,285)</u>	<u>\$ 398,411</u>	<u>\$ 57,501</u>	<u>\$ 3,289,026</u>

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling a decrease of \$57,392 are not included in the Statement of Cash Flows.



# Statistical Section

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

	2006	2005	2004	2003
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 4,606,282	\$ 5,386,744	\$ 3,856,659	\$ 4,123,840
Cash and Cash Equivalents - Restricted	69,408,645	72,302,891	73,104,838	66,599,975
Investments - Restricted	712,791,097	829,746,883	797,367,789	734,007,673
Securities Lending Cash Collateral	9,253,194	11,809,193	35,166,002	9,201,365
Accounts Receivable	65,160	91,840	36,279	214,251
Accrued Interest Receivable	6,717,595	7,663,814	9,792,224	7,268,314
Prepaid Expenses	-	-	7,600	169
Acquired Property	370,188	1,274,752	2,010,283	2,485,589
Deferred Charges	11,538,403	12,506,193	12,551,858	14,215,636
Loans Receivable (Net)	1,076,206,182	1,038,932,304	974,766,986	1,016,408,800
Capital Assets (Net)	38,262	58,222	144,792	157,212
<b>Total Assets</b>	<b>\$ 1,890,995,008</b>	<b>\$ 1,979,772,836</b>	<b>\$ 1,908,805,310</b>	<b>\$ 1,854,682,824</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 910,893	\$ 809,374	\$ 1,567,117	\$ 1,017,577
Accrued Interest Payable	30,037,256	34,763,251	32,206,359	35,221,084
Obligations Under Securities Lending	9,253,194	11,809,193	35,166,002	9,201,365
Matured Bonds and Interest Payable	67,269	116,063	157,106	480,540
Bonds Payable	1,686,591,346	1,767,850,894	1,680,431,309	1,635,954,116
Deferred Income	32,235	22,840	29,948	35,926
Compensated Absences Payable	234,026	284,300	300,154	296,259
Arbitrage Rebate Liability	823,863	219,184	595,301	2,082,620
Loans Payable	1,500,000	4,421,200	5,716,450	3,891,071
<b>Total Liabilities</b>	<b>\$ 1,729,450,082</b>	<b>\$ 1,820,296,299</b>	<b>\$ 1,756,169,746</b>	<b>\$ 1,688,180,558</b>
<b>Net Assets:</b>				
Invested in Capital Assets	\$ 38,262	\$ 58,222	\$ 144,792	\$ 157,212
Restricted for Residential Assistance	1,546,849	1,545,107	1,547,749	1,994,293
Restricted by Trust Indentures	154,284,714	152,183,757	147,604,729	159,853,666
Unrestricted	5,675,101	5,689,451	3,338,294	4,497,095
<b>Total Net Assets</b>	<b>\$ 161,544,926</b>	<b>\$ 159,476,537</b>	<b>\$ 152,635,564</b>	<b>\$ 166,502,266</b>

2002	
\$	6,090,414
	72,845,538
	557,161,155
	5,381,403
	113,403
	11,453,337
	15,495
	1,858,656
	14,176,522
	1,077,824,363
	177,935
	<u>\$ 1,747,098,221</u>

\$	3,909,628
	38,138,448
	5,381,403
	529,517
	1,531,763,222
	26,884
	305,702
	4,723,376
	4,000,000
	<u>\$ 1,588,778,180</u>

	177,935
	1,824,609
	150,329,625
	5,987,872
\$	<u>158,320,041</u>

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

	2006	2005	2004	2003
<b><u>Operating Revenues:</u></b>				
Interest on Loans	\$ 65,082,624	\$ 64,114,118	\$ 65,650,387	\$ 71,465,435
Investment Income	25,652,212	28,621,494	4,819,534	26,337,964
Transfer/Commitment Fees	1,478,102	1,517,595	1,006,822	1,051,794
Administrative Charges and Fees	1,470,229	1,584,686	2,346,977	1,287,564
Low Income Housing Tax Credit Fees	1,312,453	1,179,279	1,122,706	1,117,418
Mortgage Credit Certificate Fees	-	-	-	-
Gain on Sale of Foreclosed Property	198,983	269,196	337,473	118,817
Miscellaneous Revenue	245,240	56,236	153,059	42,221
<b>Total Operating Revenues</b>	<b>95,439,843</b>	<b>97,342,604</b>	<b>75,436,958</b>	<b>101,421,213</b>
<b><u>Operating Expenses:</u></b>				
Personal Services	4,845,797	5,102,049	5,360,496	5,798,187
Services and Supplies	3,271,671	2,849,854	3,688,026	2,852,514
Mortgage Service Fees	2,664,045	2,508,225	2,390,462	2,684,267
Foreclosure Costs	137,702	208,736	327,082	214,978
Interest Expense - Bonds	75,721,114	71,779,520	71,465,838	77,158,001
Interest Expense - Loans	173,520	226,258	174,574	129,231
Interest Expense - Securities Lending	570,599	454,241	421,428	159,076
Other Related Program Expenses	4,879,984	5,992,723	3,739,067	2,748,849
Amortization of Deferred Bond Issuance Costs	1,129,185	1,390,976	1,476,403	1,375,300
Depreciation/Amortization	62,460	86,570	122,702	104,076
Bad Debt Expense	(84,623)	(97,521)	137,582	14,509
<b>Total Operating Expenses</b>	<b>93,371,454</b>	<b>90,501,631</b>	<b>89,303,660</b>	<b>93,238,988</b>
<b>Operating Income (Loss)</b>	<b>2,068,389</b>	<b>6,840,973</b>	<b>(13,866,702)</b>	<b>8,182,225</b>
<b><u>Nonoperating Revenue/(Expenses):</u></b>				
Gain/(Loss) on Disposition of Capital Assets	-	-	-	-
<b>Total Nonoperating Revenue/(Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>\$ 2,068,389</b>	<b>\$ 6,840,973</b>	<b>\$ (13,866,702)</b>	<b>\$ 8,182,225</b>

						Unaudited
2002	2001	2000	1999	1998	1997	
\$ 72,928,497	\$ 67,714,244	\$ 59,712,811	\$ 51,599,437	\$ 49,470,569	\$ 45,586,467	
25,999,709	37,090,750	29,165,409	21,504,499	29,290,017	25,353,617	
1,924,442	2,158,957	3,137,948	1,526,166	1,222,215	1,096,097	
866,827	892,201	839,522	587,101	875,389	722,154	
884,634	791,355	582,379	510,704	466,363	435,412	
75	125	150	570	6,569	14,406	
45,516	29,757	61,394	24,315	-	22,894	
181,343	1,448,282	213,110	196,237	288,188	156,331	
102,831,043	110,125,671	93,712,723	75,949,029	81,619,310	73,387,378	
5,488,760	5,089,114	4,764,953	4,370,317	3,340,984	3,114,905	
2,842,198	2,921,737	2,688,021	2,579,604	1,850,048	1,655,554	
2,699,626	2,517,471	2,132,604	1,693,703	1,560,202	1,434,703	
99,046	39,964	44,019	41,877	8,099	28,218	
79,687,587	76,622,684	68,769,372	60,580,845	55,619,972	52,221,672	
65,467	36,213	29,377	3,968	-	-	
112,001	278,322	389,209	331,776	359,799	936,902	
5,527,426	2,522,261	1,991,381	1,761,623	1,541,757	1,831,920	
1,523,776	1,615,378	1,575,026	1,251,314	904,281	822,151	
147,903	348,529	515,674	460,439	256,705	95,349	
7,072	186,208	53,208	132,070	255,006	126,822	
98,200,862	92,177,881	82,952,844	73,207,536	65,696,853	62,268,196	
4,630,181	17,947,790	10,759,879	2,741,493	15,922,457	11,119,182	
-	38,965	(6,507)	(3,377)	-	-	
-	38,965	(6,507)	(3,377)	-	-	
\$ 4,630,181	\$ 17,986,755	\$ 10,753,372	\$ 2,738,116	\$ 15,922,457	\$ 11,119,182	

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

Unaudited

	2006	2005	2004	2003	2002
Overall Weighted Average Interest Rate	5.255%	5.151%	5.223%	5.637%	6.078%
Elderly and Disabled Housing Program	6.531%	6.000%	6.702%	6.123%	5.637%
Housing Finance Revenue Bonds	4.801%	-	-	-	-
Mortgage Revenue Bonds	5.237%	5.088%	4.850%	5.456%	6.086%
Multifamily Housing Revenue Bonds	5.900%	6.221%	6.311%	7.050%	6.507%
Combined Program Account	6.400%	-	-	-	-
Housing Finance Account	1.000%	-	-	2.441%	-

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

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
 Principle Program Loan Interest Payers  
 Enterprise Funds  
 Current Year and Four Years Ago

Unaudited

Project	Fiscal Year 2006			Fiscal Year 2002		
	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received
Woodridge Apartments	1	\$ 1,019,747	1.56%			
Westridge Meadows Apartments	2	991,592	1.52%			
Troutdale Terrace	3	910,863	1.39%	5	482,958	0.65%
Willamette Gardens Apartments	4	784,978	1.20%			
Lake Crest Apartments	5	649,222	0.99%	1	681,950	0.92%
The Hazelwood Apartments	6	509,671	0.78%	3	540,126	0.73%
Park Tower Apartments	7	507,945	0.78%	2	640,939	0.87%
Buckman Heights Apartments	8	456,514	0.70%	4	484,707	0.66%
Gateway Park Apartments	9	449,620	0.69%			
Cascadia Village Retirement Center	10	436,169	0.67%	8	456,509	0.62%
Fountain Plaza				6	472,812	0.64%
Fifth Avenue Court Apartments				7	457,996	0.62%
1200 Building Apartments				9	448,322	0.61%
Carmen Oaks Manor				10	412,077	0.56%
<b>Total</b>		<b>\$ 6,716,321</b>	<b>10.28%</b>		<b>\$ 5,078,396</b>	<b>6.88%</b>

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

Unaudited

Business-Type Activities - Enterprise Funds						
Fiscal Year	General Obligation Bonds <sup>(1)</sup>	Revenue Bonds <sup>(2)</sup>	Loans Payable	Total	Percentage of Personal Income <sup>(3)</sup>	Per Capita <sup>(3)</sup>
2006	\$ 199,580,000	\$ 1,484,303,110	\$ 1,500,000	\$ 1,685,383,110	1.44%	\$ 463
2005	222,990,000	1,540,489,226	4,421,200	1,767,900,426	1.60%	492
2004	251,170,000	1,426,629,827	5,716,450	1,683,516,277	1.61%	473
2003	288,115,000	1,347,784,827	3,891,071	1,639,790,898	1.61%	466
2002	275,495,000	1,255,374,827	4,000,000	1,534,869,827	1.55%	442
2001	282,200,000	1,149,674,827	748,606	1,432,623,433	1.49%	418
2000	289,720,000	1,059,249,827	75,000	1,349,044,827	1.50%	397
1999	277,065,000	960,449,827	268,500	1,237,783,327	1.45%	369
1998	244,320,000	770,804,827	-	1,015,124,827	1.26%	307
1997	250,145,000	668,174,827	-	918,319,827	1.21%	283

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

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

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

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

Unaudited

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Percentage of Debt Limit
<u>General Obligation Bonds</u>				
2006	\$ 1,814,184,612	\$ 199,580,000	\$ 1,614,604,612	11.00%
2005	1,651,243,593	222,990,000	1,428,253,593	13.50%
2004	1,526,855,488	251,170,000	1,275,685,488	16.45%
2003	1,436,406,940	288,115,000	1,148,291,940	20.06%
2002	1,370,162,155	275,495,000	1,094,667,155	20.11%
2001	1,291,069,462	282,200,000	1,008,869,462	21.86%
2000	1,201,599,761	289,720,000	911,879,761	24.11%
1999	1,111,054,649	277,065,000	833,989,649	24.94%
1998	1,046,171,744	244,320,000	801,851,744	23.35%
1997	950,802,375	250,145,000	700,657,375	26.31%
<u>Revenue Bonds</u>				
2006	\$ 2,500,000,000	\$ 1,483,303,110	\$ 1,015,696,890	59.37%
2005	2,000,000,000	1,540,489,226	459,510,774	77.02%
2004	2,000,000,000	1,426,629,827	573,370,173	71.33%
2003	2,000,000,000	1,347,784,827	652,215,173	67.39%
2002	2,000,000,000	1,255,374,827	744,625,173	62.77%
2001	2,000,000,000	1,149,674,827	850,325,173	57.48%
2000	2,000,000,000	1,059,249,827	940,750,173	52.96%
1999	1,030,000,000	960,449,827	69,550,173	93.25%
1998	1,030,000,000	770,804,827	259,195,173	74.84%
1997	1,030,000,000	668,174,827	361,825,173	64.87%

Legal Debt Margin for Fiscal Year 2006

General Obligation Bonds

True cash value of all taxable property in the state	\$ 362,836,922,347
Debt Limit (0.5% of true cash value)	1,814,184,612
Less: Debt applicable to the limit (Elderly and Disabled Housing Bonds)	(199,580,000)
Legal Debt Margin	<u>\$ 1,614,604,612</u>

Revenue Bonds

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

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

Unaudited

Calendar Year	Population <sup>(1)</sup>	Personal Income <sup>(1)</sup> (in thousands)	Per Capita Personal Income	Annual Unemployment Rate <sup>(2)</sup>
2005	3,641,056	\$ 117,148,817	\$ 32,174	6.1%
2004	3,591,363	110,694,823	30,823	7.3%
2003	3,562,681	104,660,326	29,377	8.1%
2002	3,522,342	101,881,884	28,924	7.6%
2001	3,473,484	99,020,013	28,507	6.4%
2000	3,431,070	96,401,727	28,097	5.1%
1999	3,393,941	89,873,232	26,480	5.5%
1998	3,352,449	85,628,707	25,542	5.7%
1997	3,304,310	80,854,187	24,469	5.6%
1996	3,247,111	75,975,414	23,398	5.6%

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

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

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Employment Data - State of Oregon  
2005 and 2001

Unaudited

	2005		2001		Change
	Number of Employees	Percent of Total	Number of Employees	Percent of Total	
Retail Trade	244,807	11.00%	238,102	11.32%	2.82%
Health Care and Social Assistance	231,629	10.41%	197,938	9.41%	17.02%
Manufacturing	217,265	9.77%	227,751	10.83%	-4.60%
Accommodation and Food Services	150,943	6.78%	140,640	6.69%	7.33%
Construction	131,872	5.93%	120,021	5.70%	9.87%
Professional and Technical Services	125,944	5.66%	116,567	5.54%	8.04%
Administrative Services	117,578	5.29%	102,354	4.87%	14.87%
Real Estate, Rental, and Leasing	89,326	4.02%	79,614	3.78%	12.20%
Wholesale Trade	86,571	3.89%	81,667	3.88%	6.00%
Finance and Insurance	83,248	3.74%	80,932	3.85%	2.86%
Farm Employment	68,045	3.06%	66,948	3.18%	1.64%
Transportation and Warehousing	64,490	2.90%	63,040	3.00%	2.30%
Arts, Entertainment, and Recreation	46,822	2.10%	42,080	2.00%	11.27%
Educational Services	41,975	1.89%	35,094	1.67%	19.61%
Information	40,783	1.83%	45,714	2.17%	-10.79%
Forestry, Fishing, and Related Activities	35,877	1.61%	36,095	1.72%	-0.60%
Management of Companies	28,919	1.30%	27,600	1.31%	4.78%
Waste Management and Remediation	5,580	0.25%	5,069	0.24%	10.08%
Utilities	5,281	0.24%	5,587	0.27%	-5.48%
Mining	3,346	0.15%	3,484	0.17%	-3.96%
Other Services	120,248	5.41%	109,189	5.19%	10.13%
Federal Government (Civilian)	29,647	1.33%	29,095	1.38%	1.90%
Military	12,700	0.57%	12,698	0.60%	0.02%
State Government	67,707	3.04%	60,892	2.89%	11.19%
Local Government	174,235	7.83%	175,497	8.34%	-0.72%
<b>Total Employment</b>	<b>2,224,838</b>	<b>100.00%</b>	<b>2,103,668</b>	<b>100.00%</b>	<b>5.76%</b>

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

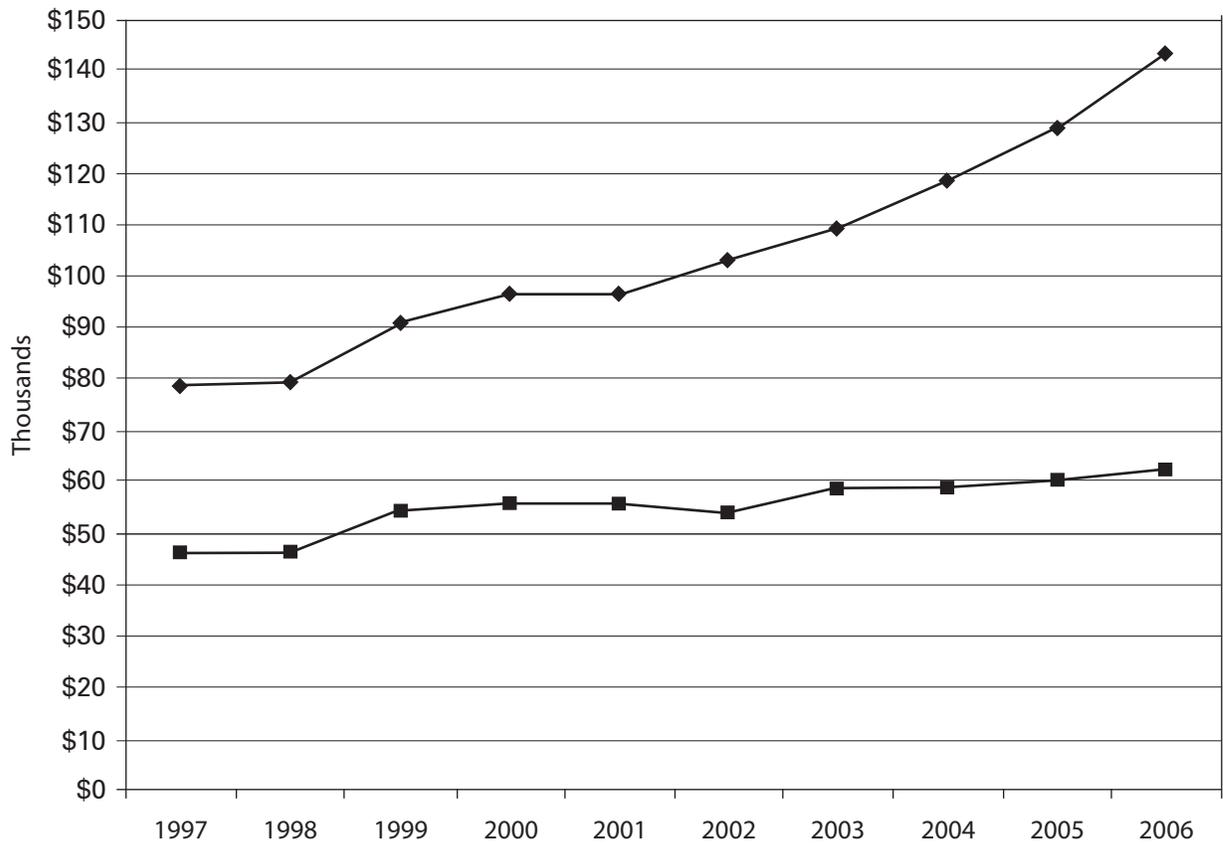
## Number of Employees

### Last Ten Fiscal Years

Unaudited

	Full-Time-Equivalent Employees as of June 30									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Housing Division	23.9	24.1	24.5	26.0	23.0	22.0	22.0	22.0	18.0	18.0
Asset & Property Management Division	29.5	29.5	29.5	30.0	28.0	24.0	17.0	11.5	12.5	11.5
Community Resources Division	24.0	28.0	29.1	33.1	32.0	26.5	25.0	14.0	15.0	13.0
Information Services Division	17.9	19.6	18.5	20.0	21.5	16.5	14.5	11.0	15.0	6.0
Financial Management Division	23.8	22.8	22.0	29.0	27.0	28.0	27.0	25.5	25.0	25.0
Human Resources	4.0	3.5	3.5	3.0	3.5	3.5	3.0	2.0	2.0	2.0
Director's Office	9.0	15.6	14.0	13.0	15.5	13.5	13.0	11.0	9.0	7.0
<b>Total</b>	<b>132.1</b>	<b>143.1</b>	<b>141.1</b>	<b>154.1</b>	<b>150.5</b>	<b>134.0</b>	<b>121.5</b>	<b>97.0</b>	<b>96.5</b>	<b>82.5</b>

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



◆ Average Mortgage Loan Amount    ■ Median Income

Fiscal Year	Average Loan Amount	Median Income for a 4-Person Family in the State of Oregon <sup>(1)</sup>
2006	\$ 143,390	\$ 61,945
2005	128,606	60,262
2004	118,569	58,737
2003	109,208	58,315
2002	103,278	53,909
2001	96,591	55,947
2000	96,648	55,892
1999	91,173	54,226
1998	79,415	46,245
1997	78,535	46,229

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

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

	2006	2005	2004	2003	2002
<b><u>Elderly and Disabled Housing Program:</u></b>					
Original Loan Amount	\$ 974,300	\$ 670,695	\$ 3,305,750	\$ 2,619,450	\$ 5,378,782
Average Loan Amount	324,767	670,695	826,438	436,575	1,792,927
Number of New Loans	3	1	4	6	3
Number of Units	28	15	130	110	109
<b><u>Housing Finance Revenue Bonds:</u></b>					
Original Loan Amount	\$ 968,533	\$ -	\$ -	\$ -	\$ -
Average Loan Amount	96,853	-	-	-	-
Number of New Loans	10	-	-	-	-
<b><u>Mortgage Revenue Bonds:</u></b>					
Original Loan Amount	\$ 163,786,944	\$ 186,092,283	\$ 124,615,859	\$ 110,737,283	\$ 136,533,418
Average Loan Amount	143,799	128,606	118,569	109,208	103,278
Number of New Loans	1,139	1,447	1,051	1,014	1,322
<b><u>Multifamily Housing Revenue Bonds:</u></b>					
Original Loan Amount	\$ 900,000	\$ 10,460,000	\$ 38,225,000	\$ 14,250,000	\$ 3,205,668
Average Loan Amount	900,000	5,230,000	12,741,667	14,250,000	1,068,556
Number of New Loans	1	2	3	1	3
Number of Units	24	241	636	276	97
<b><u>Multiple Purpose Bonds:</u></b>					
Original Loan Amount	\$ -	\$ -	\$ -	\$ -	\$ -
Average Loan Amount	-	-	-	-	-
Number of New Loans	-	-	-	-	-
<b><u>Combined Program Account:</u></b>					
Original Loan Amount	\$ 1,695,000	\$ -	\$ -	\$ -	\$ -
Average Loan Amount	847,500	-	-	-	-
Number of New Loans	2	-	-	-	-
Number of Units	60	-	-	-	-
<b><u>Housing Finance Account:</u></b>					
Original Loan Amount	\$ 101,382	\$ -	\$ -	\$ 491,000	\$ -
Average Loan Amount	101,382	-	-	122,750	-
Number of New Loans	1	-	-	4	-

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

Unaudited

2001	2000	1999	1998	1997
\$ 23,316,965	\$ 13,979,021	\$ 24,318,182	\$ 10,249,689	\$ 26,569,176
777,232	199,700	579,004	788,438	885,639
30	70	42	13	30
322	264	439	212	509
\$ 206,596	\$ -	\$ 5,303,636	\$ 5,152,647	\$ 5,040,297
103,298	-	85,543	79,271	82,628
2	-	62	65	61
\$ 128,935,731	\$ 179,765,331	\$ 129,085,698	\$ 70,370,617	\$ 84,253,924
96,581	96,648	91,420	79,425	78,303
1,335	1,860	1,412	886	1,076
\$ 37,328,926	\$ 19,935,507	\$ 11,130,000	\$ 6,277,240	\$ -
3,732,893	3,322,585	3,710,000	3,138,620	-
10	6	3	2	-
1,005	444	241	197	-
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ 100,000	\$ 100,000	\$ 313,013	\$ 99,950	\$ 100,000
100,000	100,000	166,506	99,950	100,000
1	1	2	1	1

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

Loans Outstanding - By Interest Rate

Enterprise Funds

Current Year and Three Years Ago

Unaudited

Interest Rate	Fiscal Year 2006				Fiscal Year 2003			
	Number of Loans	Percent	Principal	Percent	Number of Loans	Percent	Principal	Percent
0.00 - 4.99%	2,320	30.80%	\$ 290,857,247	26.99%	422	4.99%	\$ 62,091,152	6.10%
5.00 - 5.99%	2,985	39.62%	349,486,805	32.43%	2,934	34.69%	301,460,307	29.62%
6.00 - 6.99%	1,078	14.31%	219,239,982	20.35%	2,406	28.45%	287,250,330	28.22%
7.00 - 7.99%	811	10.77%	143,116,652	13.28%	2,180	25.77%	253,174,953	24.87%
8.00 - 8.99%	245	3.25%	40,270,673	3.74%	346	4.09%	71,130,246	6.99%
9.00 - 9.99%	55	0.73%	12,115,029	1.12%	119	1.41%	14,452,442	1.42%
10.00% or More	39	0.52%	22,509,914	2.09%	51	0.60%	28,284,052	2.78%
<b>Total</b>	<b>7,533</b>	<b>100.00%</b>	<b>\$ 1,077,596,302</b>	<b>100.00%</b>	<b>8,458</b>	<b>100.00%</b>	<b>\$ 1,017,843,482</b>	<b>100.00%</b>

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

Unaudited

Monthly Payment <sup>(1)</sup>	Fiscal Year 2006				Fiscal Year 2003			
	Number of Loans	Percent	Principal Amount	Percent	Number of Loans	Percent	Principal Amount	Percent
<u>Single Family Loans <sup>(2)</sup></u>								
\$ 0 - \$ 200	131	1.88%	\$ 2,071,420	0.29%	220	2.80%	\$ 3,207,674	0.51%
\$ 201 - \$ 400	947	13.56%	38,991,821	5.55%	1,544	19.66%	59,854,970	9.47%
\$ 401 - \$ 600	2,373	33.96%	188,721,949	26.86%	3,249	41.35%	244,719,478	38.73%
\$ 601 - \$ 800	2,236	32.01%	261,210,560	37.18%	2,232	28.42%	239,661,856	37.94%
\$ 801 - \$ 1,000	1,014	14.51%	155,027,308	22.07%	585	7.45%	80,276,890	12.71%
\$ 1,001 - \$ 1,200	230	3.29%	43,742,842	6.23%	25	0.32%	4,012,645	0.64%
\$ 1,201 - \$ 1,400	42	0.60%	9,449,762	1.35%	-	0.00%	-	0.00%
\$ 1,401 - \$ 1,600	13	0.19%	3,304,967	0.47%	-	0.00%	-	0.00%
<b>Total</b>	<b>6,986</b>	<b>100.00%</b>	<b>702,520,629</b>	<b>100.00%</b>	<b>7,855</b>	<b>100.00%</b>	<b>631,733,513</b>	<b>100.00%</b>
<u>Multi-Family Loans <sup>(3)</sup></u>								
\$ 0 - \$ 1,000	257	46.98%	12,896,523	3.44%	261	43.28%	14,597,059	3.78%
\$ 1,001 - \$ 5,000	120	21.94%	26,196,953	6.98%	157	26.04%	32,418,303	8.40%
\$ 5,001 - \$10,000	55	10.05%	33,562,759	8.96%	60	9.96%	38,884,048	10.08%
\$10,001 - \$15,000	38	6.95%	50,805,389	13.55%	38	6.30%	54,446,777	14.10%
\$15,001 - \$20,000	22	4.02%	43,525,165	11.60%	23	3.81%	48,817,986	12.64%
\$20,001 - \$25,000	19	3.47%	47,087,406	12.55%	22	3.65%	59,194,696	15.33%
\$25,001 - \$30,000	10	1.83%	36,454,514	9.72%	9	1.49%	33,086,445	8.57%
\$30,001 or more	17	3.11%	122,052,764	32.54%	16	2.65%	100,404,584	26.00%
Due at Maturity	9	1.65%	2,494,200	0.66%	17	2.82%	4,260,071	1.10%
<b>Total</b>	<b>547</b>	<b>100.00%</b>	<b>375,075,673</b>	<b>100.00%</b>	<b>603</b>	<b>100.00%</b>	<b>386,109,969</b>	<b>100.00%</b>
<b>Grand Total</b>	<b>7,533</b>		<b>\$1,077,596,302</b>		<b>8,458</b>		<b>\$1,017,843,482</b>	

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

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

<sup>(3)</sup> Elderly and Disabled Housing Fund, Multifamily Housing Revenue Bond, Multiple Purpose Bond (FY 2006), Assisted or Insured Multi-Unit Program (FY 2003), Combined Program Account, and Housing Finance Account Loans

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Loans Outstanding - By County  
Enterprise Funds  
June 30, 2006

County	Elderly and Disabled Housing Program		Housing Finance Revenue Bonds		Mortgage Revenue Bonds	
	Number of Projects <sup>(1)</sup>	Principal Amount	Number of Projects	Principal Amount	Number of Projects	Principal Amount
Baker	1	\$ 239,156	-	\$ -	43	\$ 2,531,661
Benton	6	2,654,675	-	-	94	10,483,540
Clackamas	30	16,965,585	3	77,032	273	34,446,309
Clatsop	5	1,308,119	-	-	34	3,584,153
Columbia	7	1,306,172	1	63,389	58	6,564,309
Coos	6	3,072,885	4	153,589	147	11,289,994
Crook	1	1,421,919	3	192,219	32	2,956,535
Curry	2	90,378	-	-	10	1,282,895
Deschutes	6	4,090,729	2	132,946	270	33,616,507
Douglas	9	8,931,189	2	92,490	101	8,885,119
Gilliam	1	933,579	1	50,733	3	157,881
Grant	2	91,425	-	-	5	321,374
Harney	1	2,224,687	-	-	26	1,595,651
Hood River	2	1,579,544	-	-	6	693,212
Jackson	9	8,052,944	3	16,083	223	22,828,630
Jefferson	1	906,655	2	25,217	50	4,824,184
Josephine	6	5,795,892	2	278,353	136	14,175,054
Klamath	2	94,727	2	7,228	327	26,978,391
Lake	1	96,084	1	39,669	34	2,947,759
Lane	24	12,670,632	8	373,532	621	56,229,791
Lincoln	8	8,917,687	-	-	71	6,334,513
Linn	10	5,488,781	2	5,054	134	11,480,388
Malheur	2	54,968	1	61,552	91	6,024,225
Marion	60	24,463,063	14	385,355	827	79,655,164
Morrow	-	-	1	61,194	56	3,632,374
Multnomah	56	28,921,437	42	550,746	1,994	224,882,283
Polk	14	6,921,575	9	545,527	114	10,829,364
Sherman	1	208,298	-	-	1	62,762
Tillamook	3	3,366,070	-	-	12	1,063,709
Umatilla	8	3,796,256	9	479,846	325	21,494,041
Union	3	986,425	6	374,203	91	5,968,539
Wallowa	1	1,378,999	1	61,324	13	905,164
Wasco	1	46,052	-	-	5	389,819
Washington	22	13,158,174	4	207,891	499	63,991,259
Wheeler	1	447,818	-	-	-	-
Yamhill	12	10,070,756	7	682,415	130	14,496,489
<b>Total</b>	<b>324</b>	<b>\$ 180,753,335</b>	<b>130</b>	<b>\$ 4,917,587</b>	<b>6,856</b>	<b>\$ 697,603,042</b>

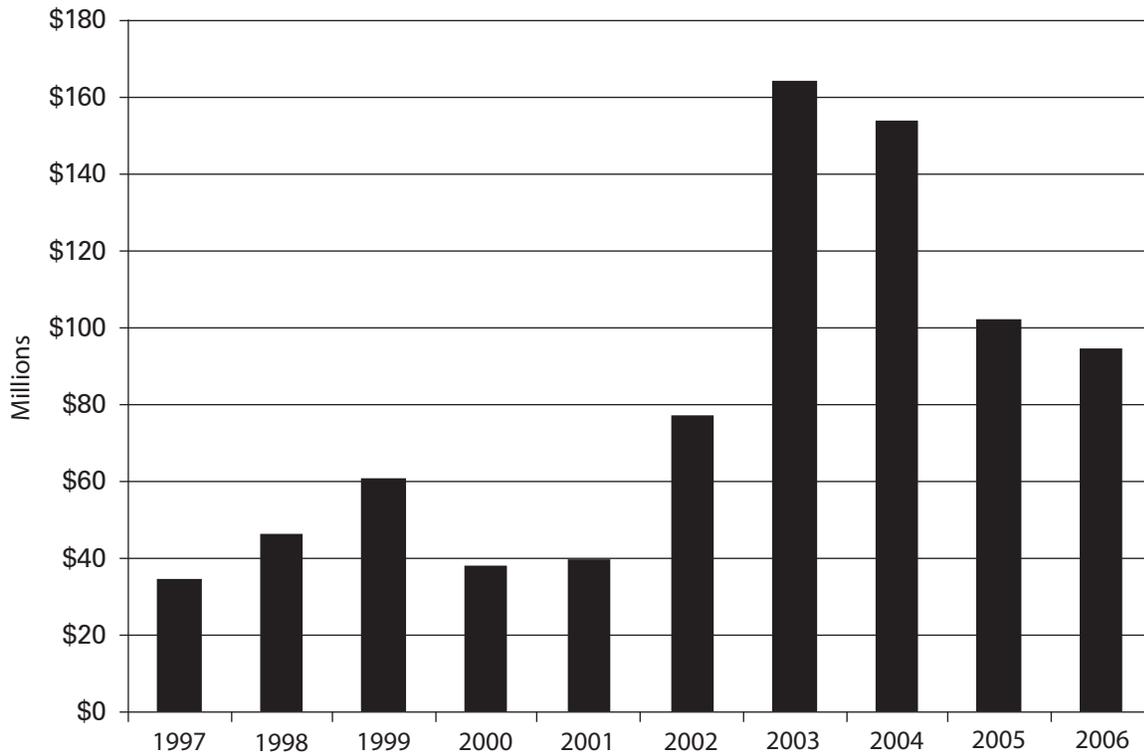
<sup>(1)</sup> Some projects have more than one loan.  
Allowance for Uncollectible Accounts is not included. See Note 3.

Unaudited

Multifamily Housing Revenue Bonds		Multiple Purpose Bonds		Combined Program Account		Housing Finance Account		Total	
Number of Projects <sup>(1)</sup>	Principal Amount	Number of Projects <sup>(1)</sup>	Principal Amount	Number of Projects	Principal Amount	Number of Projects	Principal Amount	Number of Projects <sup>(1)</sup>	Principal Amount
-	\$ -	1	\$ 102,368	-	\$ -	-	\$ -	45	\$ 2,873,185
1	1,175,086	2	896,716	-	-	1	500,000	104	15,710,017
5	24,557,713	7	2,010,925	-	-	2	173,855	320	78,231,419
-	-	1	664,843	-	-	-	-	40	5,557,115
1	2,180,061	1	777,079	-	-	-	-	68	10,891,010
-	-	2	445,645	-	-	-	-	159	14,962,113
-	-	3	246,319	-	-	-	-	39	4,816,992
-	-	-	-	-	-	-	-	12	1,373,273
1	2,466,557	7	667,956	-	-	1	375,000	287	41,349,695
2	3,960,609	6	1,076,753	-	-	1	108,000	121	23,054,160
-	-	-	-	-	-	-	-	5	1,142,193
-	-	4	739,762	-	-	-	-	11	1,152,561
-	-	1	49,485	-	-	-	-	28	3,869,823
-	-	2	743,477	-	-	-	-	10	3,016,233
1	4,321,211	15	1,963,249	-	-	1	236,400	252	37,418,517
-	-	3	456,701	-	-	-	-	56	6,212,757
-	-	3	68,445	-	-	-	-	147	20,317,744
-	-	2	638,313	-	-	1	76,811	334	27,795,470
-	-	-	-	-	-	-	-	36	3,083,512
2	16,734,325	12	4,428,564	-	-	-	-	667	90,436,844
-	-	2	875,604	-	-	1	480,000	82	16,607,804
-	-	3	206,842	-	-	-	-	149	17,181,065
-	-	4	179,670	-	-	2	140,912	100	6,461,327
2	1,641,128	10	1,810,294	-	-	2	142,991	915	108,097,995
-	-	-	-	-	-	-	-	57	3,693,568
12	58,277,669	11	9,821,377	-	-	2	744,800	2,117	323,198,312
-	-	2	644,718	-	-	-	-	139	18,941,184
-	-	-	-	-	-	-	-	2	271,060
-	-	1	14,093	-	-	-	-	16	4,443,872
-	-	5	666,905	-	-	-	-	347	26,437,048
1	1,385,970	4	1,288,999	2	1,685,500	-	-	107	11,689,636
-	-	1	67,676	-	-	-	-	16	2,413,163
-	-	1	322,769	-	-	2	378,995	9	1,137,635
4	35,296,462	7	4,615,277	-	-	1	26,000	537	117,295,063
-	-	-	-	-	-	-	-	1	447,818
-	-	1	691,115	-	-	1	74,344	151	26,015,119
32	\$ 151,996,791	124	\$ 37,181,939	2	\$ 1,685,500	18	\$ 3,458,108	7,486	\$ 1,077,596,302

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

Unaudited



Fiscal Year	Prepaid Principal
2006	\$ 94,717,727
2005	102,327,105
2004	153,778,052
2003	164,283,221
2002	76,838,383
2001	39,766,779
2000	37,743,579
1999	60,786,689
1998	46,365,256
1997	34,410,395

# 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

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the basic financial statements of the enterprise funds of the State of Oregon, Housing and Community Services Department (department), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

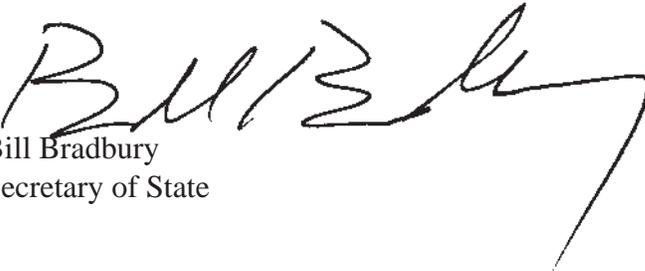
In planning and performing our audit, we considered the department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.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

### **Compliance and Other Matters**

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

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

OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read "Bill Bradbury", with a long, sweeping underline that extends to the right.

Bill Bradbury  
Secretary of State

November 17, 2006