NORTH CAROLINA HOUSING FINANCE AGENCY
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006

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ADDITIONAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

Our discussion and analysis of the North Carolina Housing Finance Agency's (the "Agency") financial performance provides an overview of the Agency's financial activities for the year ended June 30, 2006. The financial statements, accompanying notes, and additional information should be read in conjunction with the following discussion.

Overview

The North Carolina Housing Finance Agency was created in 1974 to provide financing for residential housing, both ownership and rental, to families of North Carolina with low and moderate incomes. The Agency has issued bonds to finance housing throughout the State of North Carolina (the "State"). In addition to its bond programs, the Agency administers the Section 8 Lower Housing Assistance Payment Program ("HAP"), the HOME Investment Partnership Program ("Home Program"), Low Income Housing Tax Credits, the North Carolina Housing Trust Fund and other federal and state programs. These programs provide for different types of assistance such as rental subsidies, downpayment assistance, low interest mortgage loans, and various types of rehabilitation of both single and multifamily properties.

Financial Highlights

The following information is an analysis of the Agency's performance for the year ended June 30, 2006:

- The Agency's total assets and liabilities increased $292,766,000 or 17.4% and $257,651,000 or 19.5%, respectively.
    - Mortgage loans receivables increased $55,113,000 or 4.7%, as a result of the increased production in the Home Program and the mortgage loan purchases from three new bond issuances in the 1998 Single Family Bond Series totaling $400,000,000. $185,000,000 of the bonds issued were Convertible Option Bonds ("COB's") that will preserve volume cap. The COB proceeds were invested in investment agreements along with the reserves and proceeds from the remaining current year bond issuances, accounting for the $323,925,000 or 145.2% increase in investments. The $253,581,000 or 19.6% increase in bonds payable is also attributed to the bond issuances (see additional comments under Debt Administration).
    - Accounts payable increased $4,421,000 or 172.2% because The Bank of New York ("Trustee") did not liquidate assets in a timely manner for the July 1, 2006 debt service requirement and alternatively used its own cash to ensure the debt service was paid timely.
    - Obligations under reverse repurchase agreements decreased $5,377,000 or 53.8% as the Agency liquidated $5,000,000 of the master reverse repurchase agreement with Merrill Lynch Government Securities Inc.
    - Other assets increased $12,991,000 or 127.7%. During the 2006 fiscal year, the Agency began receiving monthly mortgage loans remittances from its outside servicers at the beginning of the following month to facilitate a more efficient mortgage reconciliation process. This change in process required the Agency to record an accounts receivable from the servicers in the amount of $7,109,000. Also, one multifamily property defaulted under the 1984 Multifamily Bond Resolution in which the Agency has a debenture of $1,556,000.
- Operating revenues increased $19,506,000 or 8.7%. $13,613,000 resulted from the loans closed under the United States Department of Agriculture ("USDA") Rural Opportunities

Mortgage Program ("ROM") funded by the Home Program. Interest on investments increased $5,969,000 or 29% as a result of the rising interest rate environment and the increased amount of investments due to the COB's. Funding under the Section 8 Contract Administration program increased $2,000,000 as a result of rent increases on the projects that are administered under the program throughout the year.

- Operating expenses increased $9,145,000 or 4.5%. Federal disbursements under the Home Program increased as a result of loans closing under the New Home Loan Program and the Home Second Mortgages. General and administrative expenses increased $785,000 or 6.5% as a result of increased salary, benefits, and general operation costs from the growth of the Agency. Interest expense increased $3,396,000 or 5.0% as a result of the new bonds issued.
- Nonoperating revenues and expenses decreased $47,328,000 or 93.2%. At June 30, 2005, the Agency recognized State Tax Credit revenue for the 2003 and 2004 awards in the amount of $64,951,000. For the fiscal year ended June 30, 2006, the Agency only recognized revenue for the 2005 award year in the amount of $31,068,000, resulting in a net decrease of $33,883,000. Disbursements for the State Tax Credit increased $18,469,000 from fiscal year ended June 30, 2005.
- Net assets increased $35,115,000 or 9.7% as a result of the increased production of loans for the USDA Rural Opportunities Mortgage Program, the New Homes Loan Program, the Self-Help Program administered under the Home Program, and the methods used to manage debt and investments (see additional comments under Debt Administration).

Financial Analysis

The following tables summarize the change in net assets between June 30, 2006 and 2005 (*in thousands*):

Condensed Balance Sheet Information

	2006	2005	Change	%
Assets				
Cash and cash equivalents	$124,305	$215,216	$(90,911)	(42.2)
Accrued interest receivable on investments	2,858	2,513	345	13.7
Accrued interest receivable on mortgage loans	7,878	9,790	(1,912)	(19.5)
Investments	546,950	223,025	323,925	145.2
Investments-reverse repurchase agreement	4,615	9,992	(5,377)	(53.8)
Mortgage loans receivable, net	1,220,986	1,165,873	55,113	4.7
State tax credits receivable	46,944	48,352	(1,408)	(2.9)
Other assets, net	23,162	10,171	12,991	127.7
Total Assets	$1,977,698	$1,684,932	$292,766	17.4
Liabilities				
Bonds payable	$1,545,732	$1,292,151	$253,581	19.6
Accrued interest payable	12,404	8,668	3,736	43.1
Accounts payable	6,988	2,567	4,421	172.2
Deferred revenues	7,547	6,744	803	11.9
Obligations under reverse repurchase agreement	4,615	9,992	(5,377)	(53.8)
Other liabilities	4,142	3,655	487	13.3
Total Liabilities	$1,581,428	$1,323,777	$257,651	19.5

	2006	2005	Change	%
Net Assets				
Restricted	$381,801	$345,980	$35,821	10.4
Unrestricted	14,469	15,175	(706)	(4.7)
Total Net Assets	$396,270	$361,155	$35,115	9.7
Total Liabilities and Net Assets	$1,977,698	$1,684,932	$292,766	17.4

Condensed Statement of Revenues, Expenses and Change in Net Assets Information

	2006	2005	Change	%
Operating Revenues				
Interest on investments	$26,519	$20,550	$5,969	29.0
Net (decrease) increase in fair value of investments	(2,860)	398	(3,258)	(818.6)
Interest on mortgage loans	67,412	70,676	(3,264)	(4.6)
Federal program awards received	138,483	119,901	18,582	15.5
Program income/fees	13,683	12,793	890	7.0
Other revenues	1,229	642	587	91.4
Total Operating Revenues	$244,466	$224,960	$19,506	8.7
Operating Expenses				
Interest on bonds	$71,802	$68,406	$3,396	5.0
Mortgage servicing expense	3,739	3,561	178	5.0
Federal program expense	122,578	117,167	5,411	4.6
Nonfederal program expense	383	599	(216)	(36.1)
General and administrative	12,861	12,076	785	6.5
Other expenses	1,416	1,825	(409)	(22.4)
Total Operating Expenses	$212,779	$203,634	$9,145	4.5
Operating Income	$31,687	$21,326	$10,361	48.6
Nonoperating Revenues (Expenses)				
State appropriations received	$10,451	$6,427	$4,024	62.6
State grant received	1,000	-	1,000	100.0
State tax credits	31,068	64,951	(33,883)	(52.2)
State program expense	(39,091)	(20,622)	(18,469)	89.6
Total Nonoperating Revenues (Expenses)	$3,428	$50,756	$(47,328)	(93.2)
Change in Net Assets	$35,115	$72,082	$(36,967)	(51.3)

New Business

The Agency and the North Carolina Department of Health and Human Services ("DHHS") have partnered to provide the Key Program to help subsidize affordable housing for individuals with mental health, substance abuse, or developmental disabilities. DHHS has committed $1 million from its Trust Fund and a federal grant to directly subsidize rental units. The Agency has committed $4.5 million for this use. Together these funds will make over 280 rental units affordable to individuals with a total income of less than $600 a month for a period of ten years. This program connects individuals with disabilities to Housing Credit properties in their community. A survey of 15 properties revealed 92 units rented to persons with disabilities under this program. The first tenants began receiving rental assistance during fiscal year 2006. This program pays the difference between the rent affordable to a person with disability income and the rent charged in new apartments financed with the Tax Credit Program.

The Rental Preservation Loan Program was created to provide rehabilitation loans to ensure quality housing is available to residents and neighborhoods where property rents and financial structure do not provide for adequate renovations. The Agency set aside $10 million of its Home Program allocation to allow for the rehabilitation and preservation of rental housing that is unable to utilize other resources. The Agency will be able to renovate 614 rental units.

During fiscal year 2006 the Agency's former trustee, Wachovia, sold its trust operation to U.S. Bank, the lead bank of US Bancorp. The Agency took this opportunity to evaluate its needs for trustee services and sent out a Request For Proposal ("RFP"). Six major municipal bond trustees responded to the RFP. Bank of New York ("Trustee") was selected as the Agency's new trustee and began serving as such on May 1, 2006.

As a continuation of the Agency's business plan, four strategies have been identified to guide the Agency for the next three years: (1) evaluate needs, resources and programs; (2) leverage technology; (3) promote internal efficiencies; and (4) expand awareness and understanding of the Agency. These strategies will guide the goals and tasks that each of the business groups will contribute towards the business plan. The BizTrac system was created to allow better tracking of the strategic goals and to support other planning activities.

During fiscal year 2006, the Agency continued its emphasis on information technology. The Fund Control System ("FCS") is a multi-year goal to design and develop a single system to track all Agency resources to include appropriations, awards, allocations, commitments, and disbursements. This project includes development of the Fund Control Engine, Fund Control Express, the integration of Fund Control into the operational systems, and the development of business processes related to the FCS operation. An analysis of the FCS requirements was conducted, and the FCS Engine and Express were developed in fiscal year 2006. In the upcoming year, efforts will be focused on integration to business group systems, and the development and implementation of new processes related to the FCS operation.

During September 2005, the Agency's staff helped displaced Hurricane Katrina victims who were relocated to North Carolina. The Agency coordinated with County Human Services, the Red Cross, and the Department of Housing and Urban Development emergency shelters in Raleigh and Charlotte and helped to place over 100 households in Tax Credit apartments. Agency staff recruited property management companies to provide onsite screening and identified donors to supply household goods and furniture. The staff volunteered their time and resources in order to create affordable housing opportunities for Hurricane Katrina victims and, by doing so, demonstrated their commitment to the Agency's values: Stewardship, Caring, Integrity, and Professionalism.

Debt Administration

The Agency experienced an increase in bonds payable of 19.6% during fiscal year 2006**.** As a result of the increased demand for mortgage loans, Single Family Bonds have been issued at a higher volume than in 2005. The increase in bonds is also due to the issuances of COB's which were used to preserve the Agency's private activity bond volume cap that was set to expire at the end of calendar year 2005. COB's are short term bonds that are scheduled to mature in stages. At maturity, the COB's will be refunded with long term bonds or remarketed for another short term. The Agency issued three new Home Ownership Bond Series in the amount of $215,000,000 and COB's in the amount of $185,000,000. The Home Ownership Bond Program enabled the Agency to assist 1,722 additional families this year.

The Agency had scheduled bond maturities of $25,540,000 for Single Family Revenue Bonds and $2,370,000 for Multifamily Revenue Bonds. There were unscheduled bond redemptions of $84,405,000 for Single Family Revenue Bonds and $34,670,000 for the Multifamily Revenue Bonds.

The remaining property in the 93 Multifamily Bond Resolution was prepaid, and all of the 1993 Multifamily Bonds were redeemed on June 30, 2006. Refer to the accompanying footnotes for more detailed information concerning maturities and redemptions for the Single Family and Multifamily Revenue Bonds.

Programs

Home Ownership Programs Since the inception of the Home Ownership Bond Programs the Agency has financed over $5.1 billion of mortgage loans for first-time home buyers. In the current year, 39% of mortgages were issued to home buyers earning less than 60% of area median income. The Agency has also issued 34% of mortgages to buyers earning 61% to 80% of area median income and 27% to buyers earning more than 80% of area median. Currently, the Agency has over 14,293 loans in its portfolio. The majority of these loans are serviced by outside servicers.

The Agency established a Mortgage Credit Certificate (“MCC”) Program in July 1987. A MCC permits first-time home buyers who meet federal limits for family income and acquisition cost to take 20% of annual mortgage interest as a federal income tax credit. As of June 30, 2006, the Agency had issued 24,308 Mortgage Credit Certificates under the MCC program totaling $1,833,652,801 in credit authority.

The Home Loan Saver Program was created for Agency Mortgage Revenue Bond (“MRB”) loans to provide payment or forbearance of up to four months principal and interest payments after a borrower is eligible for unemployment benefits. The program will help keep families from losing their homes to foreclosure. As of June 30, 2006, the Home Loan Saver Program has assisted 109 homeowners.

The Home Protection Pilot Program (“HPPP”) has been expanded this year from eight to twenty-eight counties. During the year, HPPP has helped homeowners who have lost their jobs because of changing economic conditions by providing loans up to $20,000 to help them make mortgage payments. The potential applicants are referred through housing counselors. More than 100 families have benefited from the temporary stay of foreclosure offered by the program. The Agency has approved 137 loans and provided $1,308,561 in loan assistance.

The Rural Opportunities Mortgage (“ROM”) provides home ownership opportunities to rural residents whose income is too low to qualify for the Agency’s First-Time Home Buyer Mortgage. The Agency and the U.S. Department of Agriculture have collaborated to offer a program for very-low-income North Carolinians purchasing newly constructed homes. As of June 30, 2006, the Agency originated 278 ROM loans in the amount of $13,613,000 to help rural residents in North Carolina.

Rental Programs The Agency also administers both the Federal and State Low-Income Housing Tax Credit Programs. These credits are available to developers on a competitive basis for the development of affordable rental housing in the State. The Agency’s goals include supporting the best developments possible given the limited resources available. The Agency has developed criteria to use in selecting developments to serve low-income residents. The criteria include locations with strong market demand; healthy financial structures; attractive architectural design; and the best quality of building materials and workmanship. The Agency has administered this program since its inception in 1987 and has helped create 1,654 projects consisting of 40,535 rental units, and allocating $1,383,507,000 of tax credits.

Unlike the Federal Tax Credit, the State Tax Credit (“STC”) is not a tax-shelter equity investment. It is either claimed directly by the property owner in the form of a grant or transferred to the Agency. The amount of the transferred STC becomes a secured loan from the Agency to the property. In every case so far, the owner has transferred its credit to the Agency because of the preferential federal income tax treatment. Once the property has reached certain milestones, primarily completion of a certain amount of construction, it becomes eligible to close. The STC program began in fiscal year 2003. The Agency received the first STC installment for the 2003 tax credits from the North Carolina Department of Revenue in July 2004. As of June 30, 2006 the Agency has processed 78 STC loans for the total amount of $45,409,000 since its inception. The STC has been extended to January 2010.

Additional Information

This discussion and analysis is intended to provide additional information regarding the activities of the Agency. If you have questions about the report or need additional financial information, contact Elizabeth I. Rozakis, Chief Financial Officer, North Carolina Housing Finance Agency, P.O. Box 28066, Raleigh, North Carolina 27611-8066, (919) 877-5687, eirozakis@nchfa.com or go to the Agency's website at www.nchfa.com.

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Report of Independent Auditors

The Board of Directors
North Carolina Housing Finance Agency

We have audited the accompanying balance sheet of the North Carolina Housing Finance Agency (the Agency), a public agency and component unit of the State of North Carolina as of June 30, 2006, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency'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 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. We were not engaged to perform an audit of the Agency's internal control over financial reporting. Our audit included 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 Agency'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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency at 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006 on our consideration of the Agency's 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.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ernst & Young LLP

August 31, 2006

NORTH CAROLINA HOUSING FINANCE AGENCY

BALANCE SHEET

YEAR ENDED JUNE 30, 2006

(in thousands)	
ASSETS	
Current assets:	
Cash and cash equivalents	$ 470
Restricted cash and cash equivalents	94,094
Investments - reverse repurchase agreements	4,615
Accrued interest receivable on investments	2,858
Accrued interest receivable on mortgage loans	7,878
State tax credits receivable	46,944
Other assets	20,861
TOTAL CURRENT ASSETS	$ 177,720
Noncurrent assets:	
Restricted cash and cash equivalents	$ 29,741
Investments	5,528
Restricted investments	541,422
Mortgage loans receivable, net	1,220,986
Other assets, net	2,301
TOTAL NONCURRENT ASSETS	$ 1,799,978
TOTAL ASSETS	$ 1,977,698
LIABILITIES	
Current liabilities:	
Bonds payable	$ 178,050
Accrued interest payable	12,404
Accounts payable	6,988
Deferred revenues	896
Obligations under reverse repurchase agreements	4,615
Other liabilities	174
TOTAL CURRENT LIABILITIES	$ 203,127
Noncurrent liabilities:	
Bonds payable, net	$ 1,367,682
Deferred revenues	6,651
Other liabilities	3,968
TOTAL NONCURRENT LIABILITIES	$ 1,378,301
TOTAL LIABILITIES	$ 1,581,428
NET ASSETS	
Restricted	$ 381,801
Unrestricted	14,469
TOTAL NET ASSETS	$ 396,270
TOTAL LIABILITIES AND NET ASSETS	$ 1,977,698

See Notes to Financial Statements

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2006

(in thousands)

OPERATING REVENUES		
Interest on investments	$	26,519
Net decrease in fair value of investments		(2,860)
Interest on mortgage loans		67,412
Federal program awards received		138,483
Program income/fees		13,683
Other revenues		1,229
TOTAL OPERATING REVENUES	$	244,466
OPERATING EXPENSES		
Interest on bonds	$	71,802
Mortgage servicing expense		3,739
Federal program expense		122,578
Nonfederal program expense		383
General and administrative		12,861
Other expenses		1,416
TOTAL OPERATING EXPENSES	$	212,779
OPERATING INCOME	$	31,687
NONOPERATING REVENUES (EXPENSES)		
State appropriations received	$	10,451
State grant received		1,000
State tax credits		31,068
State program expense		(39,091)
TOTAL NONOPERATING REVENUES (EXPENSES)	$	3,428
CHANGE IN NET ASSETS	$	35,115
TOTAL NET ASSETS-BEGINNING		361,155
TOTAL NET ASSETS-ENDING	$	396,270

See Notes to Financial Statements

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006

(in thousands)		
Cash flows from operating activities:		
Interest on mortgage loans	$	69,228
Principal payments on mortgage loans		151,619
Purchase of mortgage loans		(206,123)
Federal awards received		138,943
Federal program expense		(122,847)
Nonfederal program expense		(383)
Federal grant administration income		7,890
Program income/fees		7,891
Other expenses		(13,009)
Other revenues		(12,452)
Net cash provided by operating activities	**$**	**20,757**
Cash flows from non-capital financing activities:		
Issuance of bonds	$	400,000
Principal repayments		(146,985)
Interest paid		(64,720)
Bond issuance costs paid		(2,780)
State appropriations received		10,451
State grant received		1,000
State tax credits		31,068
State program expense		(39,091)
Net cash provided by non-capital financing activities	**$**	**188,943**
Cash flows from investing activities:		
Proceeds from sales or maturities of investments	$	266,743
Purchase of investments		(593,528)
Earnings on investments		26,174
Net cash used in investing activities	**$**	**(300,611)**
Net decrease in cash		(90,911)
Cash and cash equivalents at beginning of year		215,216
Cash and cash equivalents at end of year	**$**	**124,305**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	31,687
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Interest on investments		(26,519)
Decrease in fair value of investments		2,860
Interest on bonds		71,802
Change in assets and liabilities:		
Increase in mortgage loans		(55,113)
Decrease in interest receivable on mortgage loans		1,912
Decrease state tax credit receivable		1,408
Increase in other assets		(13,072)
Increase in accounts payable and other liabilities		4,989
Increase in deferred revenues		803
Total adjustments	**$**	**(10,930)**
Net cash provided by operating activities	**$**	**20,757**

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

A. AUTHORIZING LEGISLATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authorizing Legislation The North Carolina Housing Finance Agency (the “Agency”) is a public agency and component unit of the State of North Carolina (the “State”). The Agency was created to provide financing for residential housing construction, new or rehabilitated, for sale or rental, to residents of the State with low and moderate incomes. Pursuant to its enabling legislation (the “Act”), the Agency is authorized to issue bonds and other obligations to fulfill its corporate purpose up to a total outstanding amount of $3 billion. The debt obligations of the Agency do not constitute a debt, grant or loan of credit of the State, and the State is not liable for the repayment of such obligations.

Basis of Presentation The Agency applies all statements issued by the Governmental Accounting Standards Board (“GASB”) and Financial Accounting Standards Board (“FASB”) issued on or before November 30, 1989, except those that conflict with the GASB.

Programs The Agency’s accounts are organized on the basis of programs. Each program represents a separate accounting entity. Agency resources are allocated to these programs based on legal responsibility, fiscal accountability, and management designation. A summary of the Agency’s primary programs are as follows:

Agency Programs Direct administrative and operational activities, including operating expenses of various programs, are recorded in Agency Programs. Since the inception of the State Tax Credit program, the General Assembly of the State of North Carolina awarded State Tax Credits in the amount of $96,019,000 of which the Agency received $32,476,000 during fiscal year 2006. Under this program the project will receive the credit in the form of a loan or direct refund.

Housing Trust Fund Programs The North Carolina Housing Trust and Oil Overcharge Act created the North Carolina Housing Trust Fund (“Housing Trust Fund”) and the North Carolina Housing Partnership (“Housing Partnership”).

The purpose of the Housing Trust Fund is to increase the supply of decent, affordable, and energy-efficient housing for residents of the State with low and moderate incomes. The General Assembly of the State of North Carolina has appropriated funds of which substantially all are to be used to make loans and grants under the Housing Trust Fund Programs. The Agency received State appropriations in the amount of $8,000,000 for the year ended June 30, 2006. This appropriation is reported in Nonoperating Revenues (Expenses) in the financial statements. The Housing Partnership is responsible for developing policy with respect to the operation of programs within the Housing Trust Fund. The Agency provides staff services to the Housing Partnership and administers the Housing Trust Fund Programs.

Federal and State Programs The Agency administers six federal programs. The Section 8 Lower Income Housing Assistance Payment Program and the HOME Investment Partnership Program represent 74% and 24%, respectively, of federal program expenditures. The Agency receives a fee for administering these programs. The HOME Investment Partnership Program (“Home Program”) is matched with funds appropriated by the General Assembly of the State; the amount of matching funds received during the year was $1,750,945. The General Assembly of the State created the Home Protection Pilot Program in 2004 to assist North Carolinians who have lost their jobs due to recent plant closings. The purpose of this program is to help citizens keep their homes while they search for new jobs and learn new job skills. The Agency received an appropriation of $700,000 in fiscal year 2006 to administer the program. Also in fiscal year 2006, the Agency and the Department of Health and Human Services (“DHHS”) partnered to create the Key Program. The Agency committed $4,500,000 from state appropriated Home Program funds and DHHS committed $1,000,000 from its Trust Fund to assist tenants with mental health, substance abuse, or developmental disabilities. The Agency received the $1,000,000 from DHHS during the 2006 fiscal year, which is reflected in State grant received. These monies from the State are reported in the financial statements as Nonoperating Revenues (Expenses).

Home Ownership Bond Programs The Home Ownership Bond Programs were created through various single family bond resolutions and are restricted as to their use. The proceeds of individual bond issues are used to purchase first-time home buyer mortgage loans on single family residential units.

Rental Bond Programs The Rental Bond Programs were created through various multifamily and special facilities bond resolutions and are restricted as to their use. The proceeds of individual bond issues are used to provide mortgage loans to developers of rental housing projects.

Accounting Policies Below is a discussion of the Agency's accounting policies:

Cash and Cash Equivalents Cash and cash equivalents are comprised of cash on hand, amounts on deposit with financial institutions, which are insured or are collateralized under provisions of North Carolina laws and regulations, amounts in pooled cash accounts managed by the State Treasurer, and highly liquid investments with original maturities of three months or less. Funds deposited in an investment pool of the State Treasurer are invested in a variety of instruments as authorized by State law. The majority of cash and cash equivalents classified as restricted on the balance sheet are restricted for purchasing mortgage loans under our different programs. Cash and cash equivalents that are not available to cover current liabilities are classified as noncurrent.

Investments Investments are reported at fair value in accordance with GASB Statement 31 "Accounting and Financial Reporting for Certain Investments and External Investment Pools" ("GASB 31"), except for certain mortgage-backed securities. The difference between fair value and carrying value for these securities is not significant to the accompanying financial statements. The Agency intends to hold all securities to maturity.

Mortgage Loans Receivable, Net Mortgage loans receivable are carried at cost less unamortized discount and loan loss reserve, plus unamortized direct loan origination costs. The discount on loans and all direct loan origination costs are amortized over the terms of the mortgages using the effective interest rate method. It is the Agency's policy to provide for potential mortgage loan losses based on a periodic evaluation of the loan portfolios.

State Tax Credits Receivable In 2002, the General Assembly converted the State Housing Credit into a refundable credit providing the funds that can be efficiently invested directly in Housing Credit properties through the Agency. The Agency has recorded $46,944,000 in State Housing Credits for the fiscal year ended June 30, 2006. This represents the remaining 2004 and 2005 outstanding awards. During the year, the Agency received State Tax Credits in the amount of $32,476,000 from the General Assembly for the 2003 outstanding awards (second installment) and the 2004 award (first installment). These funds are committed to provide loans to housing credit properties through the Agency. Funds received and disbursed are reflected in Nonoperating Revenues (Expenses).

Other Assets, Net Fixed assets, net of accumulated depreciation, in the amount of $2,301,000 are included in Other assets, net in the financial statements. During fiscal year 2006, the Agency capitalized internally developed software costs in the amount of $615,400. Recorded in Other assets (current) is $2,321,000 in accounts receivables for Quadel Contract

Administration, Section 8 Administration, Home Program administration fees earned, and Home Program loans closed in fiscal year 2006 but reimbursed in fiscal year 2007. At June 30, 2006, the Agency recorded a receivable from the Trustee in the amount of $4,022,000. Additionally, the Agency changed procedures and began receiving monthly remittances from its outside servicers at the beginning of the following month which created $7,109,000 in receivables.

Accounts Payable The Agency accrued an accounts payable of $4,524,000, which resulted from the Trustee providing funds to ensure payment of the debt service for July 1, 2006. Certain expenses were incurred for the Federal and State Programs. Of these expenses $1,000,000 represents mortgage loans closed in June 2006 but purchased under the Home Program in 2007, $208,000 is due to HUD for the Section 8 Programs, and $576,000 will be paid for cost incurred to administer the Section 8 Contract Administration and Home Protection Pilot Program. Accounts payable also consists of the June 30, 2006 Reverse Repurchase Investment pair-off of $166,000 and year-end general and administrative accruals of $90,000.

Deferred Bond Financing Costs Deferred bond financing costs represent deferred bond issuance costs and deferred losses on refundings. Deferred losses on refundings result from a difference between the reacquisition price and the net carrying amount of the old debt and are amortized on a straight-line basis over the shorter of the life of the old debt or the new debt. Deferred bond issuance costs are amortized on a straight-line basis over the terms of the bonds. The amortization of deferred losses on refunding and deferred bond issuance costs is included as a component of Interest on bonds. Deferred bond financing costs are included in Bonds payable, net for financial statement presentation.

Deferred Revenues Deferred revenues are monitoring fees received for the Low Income Housing Tax Credit and State Disaster Program. These fees are amortized on a straight-line basis over the life of the tax credit or over the life of the loan.

Interprogram Receivable/Payable During the normal course of operations, the Agency has numerous transactions among programs in order to provide services. To the extent that certain transactions among programs have not been settled as of June 30, 2006, these balances are recorded as interprogram receivables or payables. These interprogram transactions are eliminated in the financial statements.

Net Assets As of June 30, 2006, the Agency has $14,469,000 of unrestricted net assets. The Agency intends to utilize these net assets for potential home ownership mortgage loan losses, meet rating agencies' requirements, cover 2007 operating budget, and support other Agency housing commitments.

Net assets of the Home Ownership Bond Programs and Rental Bond Programs are restricted pursuant to the Agency's agreements with its bondholders as determined in each bond resolution. The Agency has restricted net assets in amounts sufficient to meet required debt service and operating expenses as defined by each bond resolution.

The net assets of the Housing Trust Fund Programs are restricted in accordance with the policies of the Housing Partnership. The Federal and State Programs' net assets are restricted in accordance with each specific program's requirements.

The Agency implemented GASB 31 on July 1, 1997, which requires the Agency to report investments at fair market value. The effect of the adoption on the Agency's financial statements for the past year ended June 30, 2006 is as follows:

(*in thousands*)	**June 30, 2006**	**June 30, 2005**
Increase (Decrease) in Operating Income	$ (2,860)	$ 398
Increase (Decrease) in Net Assets	$ (2,398)	$ 461

Operating Revenues and Expenses One of the Agency's main functions is to borrow funds in the bond market and to use those funds to make home ownership and rental mortgage loans. The Agency has the authority to issue bonds to the investing public in order to create a flow of private capital. These funds are used to purchase mortgage loans for qualified housing sponsors and certain qualified individuals. A significant portion of operating income is derived from interest earned on mortgage loans less the interest expense of bonds outstanding. Additional operating income is earned from the administration of federal programs.

Nonoperating Revenues and Expenses State appropriations received, State grant received, and State tax credits from the State of North Carolina are classified in Nonoperating Revenues (Expenses). The related expenses are classified as State program expense. In fiscal year 2006 the Agency accrued $31,068,000 in State Housing Credits for the 2005 award year (see additional comments under State Tax Credits Receivable).

General and Administrative Expenses General and administrative expenses are classified by the related program. To the extent allowed by bond resolutions and Federal and State Programs, transfers are made from the funds of the bond issue or the Federal and State Programs to the Agency to reimburse certain general and administrative expenses. In the event the bond resolution or Federal and State Program do no permit payment of general and administrative expenses, expenses are paid from Agency reserve funds. Certain indirect costs were allocated to Federal and State Programs based on an independently prepared cost allocation study. These costs are allocated on certain parameters such as square footage, number of approved positions, and number of transactions processed.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period (e.g. loan loss reserve). Actual results could differ from those estimates.

B. CASH, CASH EQUIVLAENTS, INVESTMENTS, AND SECURITIES LENDING TRANSACTIONS

Cash and Cash Equivalents As of June 30, 2006, the Agency had deposits in pooled investment accounts of the State Treasurer with a carrying value of approximately $53,912,000 and a bank balance of approximately $57,717,000. Cash on hand as of June 30, 2006 amounted to $1,000.

The Agency also had deposits with both a carrying value and bank balance approximating $67,250,000 on deposit with the Agency's fiduciary agent. Such deposits are collateralized with eligible securities held by a third-party custodian.

The Agency also held bank deposits with both a carrying value and bank balance approximating $3,142,000. These funds are held in pooled investment accounts of the State Treasurer which represent escrow and replacement reserves maintained on behalf of multifamily mortgagors; accordingly, a corresponding liability of the same amount is also included on the balance sheet.

Custodial credit risk – At year end, the Agency was not exposed to any material custodial credit risk.

Investments Repurchase agreements are collateralized by obligations of the United States Government, its agencies, or direct investments of such obligations. The market value of securities subject to such agreements must be maintained at least equal to 100 percent of the principal and accrued interest on the invested funds daily. The Agency invests in repurchase agreements for mostly long-term (generally reserved) investments. On June 30, 2006, approximately $461 million was invested in such long-term agreements having maturity dates ranging from January 1, 2018, to July 1, 2039 primarily at rates ranging from 3.50% to 7.15%.

The counterparties to the repurchase agreements are institutions whose unsecured debt securities are rated at least in one of the two highest rating categories by a nationally recognized securities rating agency.

In April of 2004, the Local Government Commission authorized the use of reverse repurchase agreements by the Agency. The reverse repurchase agreement is a sale of securities with an associated agreement to repurchase them in the future at the same price plus a contract rate of interest. The Agency entered into a master reverse repurchase transaction with Merrill Lynch Government Securities Inc. on September 13, 2004. This agreement is in the form of the Master Repurchase Agreement developed by the Bond Market Association. The Agency entered into a transaction for the sale and repurchase of securities for $5,000,000. As of June 30, 2006, the carrying amount of these securities totaled $4,615,000.

At June 30, 2006, the Agency held the following investments with the listed maturities at annual rates ranging from 0% to 12%. Ratings are displayed with the Standard & Poor's rating listed first and the Moody's Investors Service second.

Investment Maturities (in years)

(in thousands)

Investments	Carry Amount	Less Than 1	1 - 5	6 - 10	More Than 10
GNMA MBS's Rated AAA/Aaa	$3,646	$ -	$ -	$ -	$3,646
FNMA MBS's Rated AAA/Aaa	715	-	-	-	715
Repurchase Agreements- Rated AAA/Aaa	461,342	4,615	-	-	456,727
US Agency Obligations- Rated AAA/Aaa	77,949	-	-	4,248	73,701
US Treasury Bonds	7,913	559	6,769	585	-
Total Categorized	$551,565	$5,174	$6,769	$4,833	$534,789

Interest rate risk – The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – The General Statutes of the State authorize the Agency to invest in (i) direct obligations or obligations on which the principal and interest are unconditionally guaranteed by the United States Government; (ii) obligations issued by an approved agency or corporation wholly-owned by the United States Government; (iii) interest-bearing time deposits, certificates of deposit, or other approved forms of deposits in any bank or trust company in North Carolina which satisfies insurance and, if necessary, collateral requirements for holding Agency money; (iv) duly established investment programs of the State Treasurer; (v) repurchase agreements; and (vi) investment agreements with banks and financial institutions which are chartered outside of North Carolina and meet specified rating and collateral requirements of the various bond resolutions. Mortgage-Backed Securities ("MBS's") are securitized by the Federal National Mortgage Association ("FNMA"), (Fair Value - $741,000-rated AAA/Aaa), and by the Government National Mortgage Association ("GNMA"), (Fair Value - $3,811,000-rated AAA/Aaa). The

Government National Mortgage Association is a direct obligation of the US Government. Repurchase agreements are fully collateralized by obligations issued by the United States Government or its agencies. Reverse repurchase agreements pose a credit risk the Agency would incur if the dealer defaults on its obligation to resell these securities to the Agency. The Agency would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. This credit exposure at June 30, 2006 was $385,000. The underlying securities associated with the reverse repurchase agreement are US Agency Obligations, which include Federal National Mortgage Association (Fair Value - $4,615,000-rated AAA/Aaa). The maturity dates for the master repurchase agreements and the underlying securities are short-term and long-term in nature, respectively. The US Agency Obligations are comprised of Federal National Mortgage Association (Fair Value - $55,092,000-rated AAA/Aaa), Federal Home Loan Mortgage Corporation (Fair Value - $7,218,000-rated AAA/Aaa), and Federal Home Loan Bank (Fair Value-$11,024,000-rated AAA/Aaa). The US Agency Obligations also include the underlying securities for the reverse repurchase agreements at a fair value of $4,615,000-Rated AAA/Aaa. The Agency does not have a formal investment policy that would further limit its investment choices.

Concentration of credit risk – There are no limits on the amount the Agency may invest in any one issuer. More than 5% of the Agency's investments are in repurchase agreements and US Agency Obligations. The investments are 83.64% and 15.57%, respectively, of the Agency's total investments.

Custodial credit risk – At year end, the Agency was not exposed to custodial credit risk.

The United States Government securities are on deposit with the Agency's fiduciary agent, which holds these securities by book entry in their fiduciary Federal Reserve accounts. The Agency's ownership of these securities is identified through the internal records of the fiduciary agent. Certain of these securities are optionally callable at par by the issuer on specified dates.

In accordance with the 1985 Single Family Revenue Bonds Series U and V, bond proceeds were used to purchase fully-modified mortgage-backed pass-through certificates of the GNMA and mortgage-backed pass-through certificates of FNMA from pools of qualified mortgages originated under the Agency's program guidelines. The securities are based on cash flows from underlying mortgages and are not considered derivatives.

Securities Lending Transactions GASB Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions" ("GASB 28") established accounting and financial reporting standards for transactions where governmental entities transfer their securities to broker-dealers and other entities (borrowers) in exchange for collateral (which may be cash, securities, or letters of credit) and simultaneously agree to return the collateral in exchange for the original securities in the future. The Agency does not directly engage in securities lending transactions; however, the State Treasurer does. The State Treasurer is authorized to engage in these types of transactions under North Carolina General Statute 147-69.3c. The types of securities loaned include U.S. Government securities and corporate bonds and notes which are held in the pooled investment accounts of the State Treasurer. A securities custodian manages the securities lending program for the State and receives cash as collateral from the borrowers. Collateral is invested in a collateral investment pool and must be maintained at 102% of the market value of the original securities lent. This investment in the collateral investment pool is considered to be a highly liquid investment. The State has a custodial credit risk related to the transactions and incurred no losses during the year ended June 30, 2006 related to these transactions.

As of June 30, 2006 and during the year then ended, the Agency had deposits in the pooled investment accounts of the State Treasurer. The risk associated with these transactions will be recorded by the State in its fiduciary funds. No allocation will be made to the Agency; therefore, these financial statements do not reflect the risk associated with securities lending transactions as called for in GASB 28.

C. MORTGAGE LOANS RECEIVABLE

Mortgage loans purchased with the proceeds of the various single family and multifamily bond issues have stated interest rates ranging from 4.50% to 13.00%. Unamortized discounts as of June 30, 2006 total $1,279,000.

The existing and future mortgage loans which the Agency may purchase under the bond programs must comply with guidelines established by the Agency, including the requirement that all such mortgage loans be insured by the Federal Housing Administration ("FHA"), guaranteed by the Veterans Administration, guaranteed by the United States Department of Agriculture, Rural Department, insured under a private mortgage insurance program, or have a loan to value ratio of less than 80%. As of June 30, 2006, all outstanding mortgage loans purchased with mortgage revenue bond proceeds satisfy these requirements; and, accordingly, no allowance for uncollectible mortgage loans is considered necessary.

Mortgage loans made with funds from the Agency Programs, Housing Trust Fund Programs, and Federal and State Programs have allowances for loan losses of $234,000; $766,000; and $399,000, respectively, as of June 30, 2006.

D. BONDS PAYABLE

Bonds payable activity for the year ended June 30, 2006 was as follows (*in thousands*):

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds Payable				
Home Ownership	$1,176,460	$400,000	$(109,945)	$1,466,515
Rental	135,405	-	(37,040)	98,365
	$1,311,865	$400,000	$(146,985)	$1,564,880
Less Deferred Bond Financing Costs				
Home Ownership	$(14,756)	$(2,780)	$1,621	$(15,915)
Rental	(4,958)	-	1,725	(3,233)
	$(19,714)	$(2,780)	$3,346	$(19,148)
Total Bonds Payable, Net	**$1,292,151**	**$397,220**	**$(143,639)**	**$1,545,732**

Bonds payable as of June 30, 2006 are as follows (*in thousands*):

Issue	Stated Rates (%)	Final Maturity	Principal Amount
Single Family Revenue Bonds			
(1985 Resolution)			
Series W/X	6.20 - 6.70	2026	$310
Series Y/Z	5.95 - 6.60	2026	7,030
Series AA/BB	5.80 - 6.50	2026	9,910
Series CC/DD	5.25 - 6.20	2027	7,095
Series EE/FF	5.35 - 6.25	2028	6,740
Series GG/HH	5.65 - 6.30	2028	8,700
Series II/JJ	5.75 - 6.45	2028	15,940
Series KK/LL	5.15 - 6.20	2028	8,540
Series MM/NN	5.15 - 5.95	2028	6,250

Issue	Stated Rates (%)	Final Maturity	Principal Amount
Series OO/PP	5.45 - 6.25	2028	19,035
Series QQ/RR	5.00 - 5.85	2028	26,215
Series SS/TT	4.90 - 5.70	2028	9,645
Series UU/VV	4.65 - 5.35	2029	21,465
Series WW	6.25	2018	32,365
			179,240
Home Ownership Revenue Bonds			
(1998 Trust Agreement)			
Series 1	4.80 - 5.38	2030	32,460
Series 2	4.20 - 5.25	2030	20,030
Series 3	4.20 - 5.20	2030	32,970
Series 4	4.40 - 5.30	2030	30,645
Series 5	4.85 - 5.63	2030	29,305
Series 6	5.15 - 6.20	2030	21,150
Series 7	5.25 - 6.25	2031	32,565
Series 8	5.70 - 6.40	2031	21,520
Series 9	4.95 - 5.88	2032	47,750
Series 10	3.80 - 5.40	2033	27,460
Series 11	3.90 - 5.38	2033	51,070
Series 12	3.55 - 5.45	2033	44,725
Series 13	3.25 - 5.35	2034	58,145
Series 14	3.50 - 5.53	2034	60,745
Series 15	Variable-4.95	2032	43,755
Series 16	Variable-5.40	2032	45,870
Series 17	Variable-5.00	2034	50,395
Series 18	Variable-5.00	2035	46,385
Series 19	2.15 - 5.25	2035	62,235
Series 20	2.00 - 4.75	2035	64,045
Series 21	2.50 - 5.00	2035	64,050
Series 22A	3.40 - 5.50	2037	65,000
Series 22B	3.20	2038	65,000
Series 22C	3.45	2038	40,000
Series 22D	3.50	2039	40,000
Series 22E	3.50	2039	40,000
Series 23	3.30 - 4.80	2037	65,000
Series 24	3.50 - 4.90	2038	85,000
			1,287,275
			1,466,515
Less deferred bond financing costs			(15,915)
Total Home Ownership Bond Programs			**$1,450,600**

Issue	Stated Rates (%)	Final Maturity	Principal Amount
Multifamily Revenue bonds			
(1984 Resolution)			
Series F/G	6.60 - 8.25	2027	$3,310
Series H/I	5.95 - 7.85	2028	18,070
Series J	4.70 - 5.55	2029	8,600
			29,980
Multifamily Revenue Refunding Bonds			
(1992 Resolution)			
Series C	4.80	2024	13,100
Series D	Variable	2024	2,945
			16,045
Multifamily Revenue Bonds			
(1994 Resolution) Series 1994	5.35 - 5.45	2024	3,430
Multifamily Revenue Bonds			
(1995 Resolution) Series C/D	5.05 - 5.90	2020	9,675
Special Facility Bonds*			
(2000 Resolution) Series A/B	Variable	2031	23,710
Special Facility Bonds*			
(2002 Resolution) Series A, B, C, D	5.10 - 5.50	2043	9,525
Special Facility Bonds*			
(2002A Resolution)	Variable	2023	6,000
			98,365
Less deferred bond financing costs			(3,233)
Total Rental Bond Programs			**$95,132**

*These bonds represent special financings that are issued on behalf of Not-for-Profit 501(c)(3) qualified entities.

To the extent provided in the authorizing resolutions, the bonds of each Home Ownership Bond Program and Rental Bond Program are collateralized by the investments and mortgage loans receivable of that program and revenues derived therefrom and do not constitute a general obligation of the Agency. The bond resolutions further provide for the processing of monies through specifically designated funds and accounts, periodic reporting, and the performance of other covenants, conditions, agreements, and provisions contained therein.

Maturities Debt service requirements, including sinking fund requirements on term bonds, subsequent to June 30, 2006 are as follows (*in thousands*):

Fiscal year Ending June 30	Home Ownership Programs	Rental Programs	Total
2007	$243,440	$8,455	$251,895
2008	134,367	7,247	141,614
2009	94,370	7,294	101,664
2010	94,527	7,328	101,855
2011	93,833	7,342	101,175
2012 - 2016	464,463	37,161	501,624
2017 - 2021	388,679	36,516	425,195
2022 - 2026	391,990	27,693	419,683
2027 - 2031	402,578	13,816	416,394
2032 - 2036	187,759	3,093	190,852
2037 - After	10,479	4,503	14,982
Total Requirements	$2,506,485	$160,448	$2,666,933
Less Interest	(1,039,970)	(62,083)	(1,102,053)
Principal	**$1,466,515**	**$98,365**	**$1,564,880**
Less deferred bond financing costs	(15,915)	(3,233)	(19,148)
Bonds payable, net	**$1,450,600**	**$95,132**	**$1,545,732**

Bond Redemptions The bond series resolutions provide for various methods of redemption. Bonds are redeemed at par from prepayments of mortgage loans securing the issues, from unexpended bond proceeds of the issues, or from funds released via the related decreases in the respective debt service reserve requirements. Losses on these bond redemptions represent the reduction of the proportionate amount of unamortized deferred bond issuance costs for the bonds redeemed. Such losses are included in Interest on bonds for financial statement purposes. Various bond issues are redeemable at the option of the Agency with premiums ranging up to 2% for up to twelve years after the date of issue.

For the year ended June 30, 2006 bond redemptions by resolution were as follows (*in thousands*):

Issue	Amount Redeemed	Loss Recorded
Single Family Revenue Bonds (1985 Resolution)	$22,655	$(275)
Single Family Revenue Bonds (1998 Resolution)	61,750	(726)
Total Home Ownership Bond Programs	**$84,405**	**$(1,001)**
Multifamily Revenue Bonds (1984 Resolution)	8,635	(837)
Multifamily Revenue Bonds (1992 Resolution)	18,330	(589)
Multifamily Revenue Bonds (1993 Resolution)	2,810	-
Multifamily Revenue Bonds (1995 Resolution)	1,695	(98)
Special Facility Bonds (2000 Resolution)	2,000	-
Special Facility Bonds (2002A Resolution)	1,200	-
Total Multifamily Ownership Bond Programs	**$34,670**	**$(1,524)**

E. INTEREST RATE SWAP

Objective of the interest rate swap The Agency has entered into interest rate swaps in connection with its $78.7 million variable-rate revenue bonds associated with several series in its 1998 Home Ownership Revenue Bond Resolution as a means to lower its borrowing costs when compared against fixed-rate bonds at the time of issuance. The intention of the swap was to effectively lower the Agency's interest rate on the long term bonds to a fixed rate.

Terms

Series	Counterparty	Rating*	Notional $ Amount	Date of Swap	Maturity Date of Swap	Fixed Rate Paid	FMV
15	UBS AG	Aa2/AA+	$19,205,000	May 8, 2003	July 1, 2032	3.510%	$ 684,613
16	Bank of America NA	Aa2/AA-	$19,485,000	Sept. 16, 2003	July 1, 2032	3.810%	$ 266,177
17	Bank of America NA	Aa2/AA-	$20,000,000	Dec. 11, 2003	July 1, 2032	3.725%	$ 253,414
18	Goldman Sachs Mitsui Marine	Aa3/AA+	$20,000,000	April 20, 2004	Jan. 1, 2035	3.288%	$1,141,348

* Ratings are Moody's Investor Service, Inc./Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

Under all of the swaps, the Agency pays the counterparties a fixed rate and receives a variable payment computed as 63% on the London Interbank Offered Rate ("LIBOR"), plus 30 basis points. The bonds' variable-rate coupons are based on the variable Bond Market Association Municipal Swap Index ("BMA"), which was 4.05% as of June 30, 2006.

Fair value In total, the swaps have a positive fair value of $2,345,552 as of June 30, 2006. Because the coupons on the Agency's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Basis risk and termination risk The swaps expose the Agency to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. Series 15 swap may be terminated if the counterparty's credit rating falls below "A3" as issued by Moody's Investor Service or "A-" as issued by Fitch Ratings or Standard & Poor's. For Series 16, 17 and 18, collateral thresholds have been established if the counterparty's ratings reach "A2" for Moody's or "A" for Standard & Poor's. Series 16, 17 and 18 swaps may be terminated if the counterparty's rating falls below "Baa" as issued by Moody's or "BBB" as issued by Standard & Poor's.

Credit risk All of the Agency's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Agency is exposed to credit risk – i.e., the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled "FMV" in the table above. The Agency is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of June 30, 2006, the Agency was exposed to a total of $2,345,552 of credit risk to 3 counterparties. To mitigate credit risk, the Agency maintains strict credit standards for swap counterparties. Additionally, credit events can trigger certain termination provisions or collateral provisions as outlined in the swap documents.

Swap payments and associated debt 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 the Agency. Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments are as follows. The amounts below are in thousands:

Fiscal Year	Variable-Rate Bond		Interest Rate	Total
Ending June 30	Principal	Interest	Swap, Net	Interest
2007	$2,380	$3,158	$(61)	$3,097
2008	1,620	3,091	(62)	3,029
2009	1,560	3,024	(61)	2,963
2010	1,885	2,947	(61)	2,886
2011	3,650	2,763	(55)	2,708
2012 - 2035	67,595	24,439	(457)	23,982
Total	**$78,690**	**$39,422**	**$(757)**	**$38,665**

F. OPERATING LEASE

The Agency leases office space with future minimum lease payments of $500,000 for fiscal year 2007, $504,000 per fiscal year through 2009, and $84,000 for two months in fiscal year 2010. Total rent expense for all operating leases amounted to $466,000 for the year ended June 30, 2006.

G. FEDERAL AWARDS

As a designated Public Housing Authority for the Department of Housing and Urban Development's ("HUD") Section 8 Lower Income Housing Assistance Payment Program (Section 8 Program), the Agency requisitions Section 8 Program funds and makes disbursements to eligible landlords. For the year ended June 30, 2006, $107,890,000, which was received by the Agency and disbursed to landlords or families, is included in Federal program expense in the Federal and State Programs.

The Agency is designated as the participating entity under grant agreements with HUD for the HOME Investment Partnership Program ("Home Program"). The Home Program provides funding for the purpose of developing affordable housing for persons of low and very low income. For the year ended June 30, 2006, $33,940,000, which was received and disbursed by the Agency, is included in Federal program expense and Mortgage loans receivable, net in the Federal and State Programs, depending upon the terms of the transaction.

The Agency earned fees of $7,892,000 for administering these and other federal programs for the year ended June 30, 2006 and are reported in Program income/fees. Of these fees, $3,180,000 was paid to Quadel Consulting Corporation for the Section 8 Contract Administration, which is reported in General and administrative expense.

H. PENSION PLAN

Plan Description All permanent full-time employees of the Agency participate in the Teachers' and State Employees' Retirement System of North Carolina (the "System"), a cost-sharing multiple-employer defined benefit pension plan administered by the State. The System provides retirement benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy Plan members are required to contribute 6% of their annual covered salary, and the Agency is required to contribute at an actuarially determined rate. The current rate is 2.340% of the annual covered payroll. The contribution requirements of plan members and the Agency are established and may be amended by the North Carolina General Assembly. The Agency's contribution to the System for the year ended June 30, 2006 was $125,000, equal to the required contributions for the year.

I. POST-EMPLOYMENT / DISABILITY BENEFITS

In addition to pension benefits, employees are provided post-employment health care benefits and long-term disability benefits in accordance with State statutes. These benefits are provided through plans administered by the State. The Agency makes monthly contributions to the State for these benefits. Health care benefits are provided to long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the System who have at least five years of creditable service under the System. The System pays the full cost of coverage for all retirees enrolled in the State's self-funded Teachers' and State Employees' Comprehensive Major Medical Plan. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees. Retirees and the aforementioned surviving spouses pay for the entire cost of coverage of their dependents. The health benefit plans are funded by the State on a pay-as-you-go basis.

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina ("Disability Income Plan"), a State-administered plan. Long-term disability benefits are payable from the Disability Income Plan after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five years of contributing membership service in the System earned within 96 months prior to the end of the short-term disability period; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period, after salary continuation payments cease, or after monthly payments for workers' compensation cease, whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of employees' usual occupation; (4) the disability must have been continuous, likely to be permanent and incurred at the time of active employment; and (5) the employee must not be eligible to receive unreduced retirement benefits from the System. In addition, recipients of long-term disability benefits are eligible to receive the State paid health insurance coverage. The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation reduced by any social security or workers compensation to which the recipient may be entitled up to a maximum of $3,900 per month. When an employee qualifies for an unreduced service retirement allowance from the System, the benefits payable from the Disability Income Plan cease and the employee will commence retirement under the System.

All short-term disability benefit payments are made by the various State-administered plans. The Agency has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Agency during the first six months of the short-term period. Contributions are determined as a percentage of covered monthly payroll. Annually, the State sets monthly contribution rates for post-employment health care benefits, death benefits and disability benefits, which are the same for all agencies across the State.

For the year ended June 30, 2006, the Agency made contributions to the State for post-employment health care, disability and death benefits of $204,000, $28,000 and $8,000, respectively. These contributions represent 3.80%, .520% and .16% of covered payroll, respectively. Since the benefit payments are made by the various State-administered plans and not by the Agency, the Agency does not determine the number of eligible participants.

J. RISK MANAGEMENT

The Agency's risk management policies provide for participation in the State's risk management programs. The following types of risk are covered under these programs, as disclosed in the State of North Carolina's Comprehensive Annual Financial Report:

- (i) Fire and Other Property Losses
- (ii) Public Officer's and Employees' Liability
- (iii) Workers' Compensation
- (iv) Unemployment Insurance
- (v) Contributory Death Benefit for Retirees
- (vi) Employee Health Benefits

K. SEGMENT INFORMATION

The Agency's Home Ownership Bond Programs and Rental Bond Programs are initially funded with bond proceeds. These proceeds are used to purchase mortgage loans which provide the income along with investment earnings to repay the debt. Condensed financial statements at June 30, 2006 for these two segments are as follows (*in thousands*):

BALANCE SHEET

	Home Ownership	Rental
ASSETS		
Current assets		
Restricted cash and cash equivalents	$26,255	$11,202
Accrued interest receivable on investments	2,186	354
Accrued interest receivable on mortgage loans	7,123	578
Other assets	11,137	2,153
Interprogram receivable/(payable)	(85)	111
TOTAL CURRENT ASSETS	$46,616	$14,398
Noncurrent assets		
Restricted cash and cash equivalents	$29,741	$ -
Restricted investments	498,848	37,104
Mortgage loans receivable, net	1,059,829	92,785
TOTAL NONCURRENT ASSETS	$1,588,418	$129,889
TOTAL ASSETS	**$1,635,034**	**$144,287**
LIABILITIES		
Current liabilities		
Bonds payable	$174,070	$3,980
Accrued interest payable	11,980	424
Accounts payable	3,424	1,462
Other liabilities	143	-
TOTAL CURRENT LIABILITIES	$189,617	$5,866

	Home Ownership	Rental
Noncurrent liabilities		
Bonds payable, net	$1,276,530	$91,152
Other liabilities	205	-
TOTAL NONCURRENT LIABILITIES	$1,276,735	$91,152
TOTAL LIABILITIES	**$1,466,352**	**$97,018**
TOTAL NET ASSETS, RESTRICTED	**168,682**	**47,269**
TOTAL LIABILITIES AND NET ASSETS	**$1,635,034**	**$144,287**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OPERATING REVENUES		
Interest on investments	$21,475	$2,243
Net decrease in fair value of investments	(1,749)	(623)
Interest on mortgage loans	61,262	5,253
Other revenues	-	444
TOTAL OPERATING REVENUE	**$80,988**	**$7,317**
OPERATING EXPENSES		
Interest on bonds	$65,656	$6,146
Mortgage servicing expense	3,666	72
Federal program expense	-	15
General and administrative	512	49
Other expenses	192	134
TOTAL OPERATING EXPENSES	**$70,026**	**$6,416**
OPERATING INCOME	**$10,962**	**$901**
NONOPERATING REVENUES (EXPENSES)		
Transfers out from other Agency Programs	$(978)	$(1,964)
TOTAL NONOPERATING REVENUES (EXPENSES)	**$(978)**	**$(1,964)**
CHANGE IN NET ASSETS	$9,984	$(1,063)
TOTAL NET ASSETS – BEGINNING	158,698	48,332
TOTAL NET ASSETS – ENDING	**$168,682**	**$47,269**

STATEMENT OF CASH FLOWS

Net cash (used in) provided by operating activities	$(6,557)	$30,206
Net cash provided by (used in) non-capital financing activities	225,526	(43,253)
Net cash used in investing activities	(287,754)	(9,930)
Net decrease in cash	$(68,785)	$(22,977)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	124,781	34,179
CASH AND CASH EQUIVALENTS AT END OF YEAR	$55,996	$11,202

L. SUBSEQUENT EVENTS

Series 25 On August 31, 2006, the Agency signed a bond purchase agreement under the 1998 Home Ownership Trust Indenture for Series 25A in the amount of $65,000,000. The Agency will deliver these bonds on September 26, 2006.

North Carolina Housing Finance Agency

Additional Information

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Report of Independent Auditors

The Board of Directors
North Carolina Housing Finance Agency

We have audited the accompanying balance sheet of the North Carolina Housing Finance Agency (the Agency), a public agency and component unit of the State of North Carolina as of June 30, 2006, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 whole.

Ernst & Young LLP

August 31, 2006

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING BALANCE SHEET

YEAR ENDED JUNE 30, 2006

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS: Housing Trust Fund	GRANT PROGRAMS: Federal and State Programs	HOME OWNERSHIP BOND PROGRAMS: 1985	HOME OWNERSHIP BOND PROGRAMS: 1998
ASSETS					
Current assets:					
Cash and cash equivalents	$ 470	-	-	-	-
Restricted cash and cash equivalents	23,721	22,203	10,713	11,892	14,363
Investments - reverse repurchase agreements	4,615	-	-	-	-
Accrued interest receivable on investments	249	69	-	1,580	606
Accrued interest receivable on mortgage loans	151	13	13	1,516	5,607
State tax credits receivable	46,944	-	-	-	-
Other assets	5,250	-	2,321	5,334	5,803
Interprogram receivable/(payable)	888	(54)	(860)	(52)	(33)
TOTAL CURRENT ASSETS	$ 82,288	22,231	12,187	20,270	26,346
Noncurrent assets:					
Restricted cash and cash equivalents	$ -	-	-	-	29,741
Investments	5,528	-	-	-	-
Restricted investments	5,470	-	-	75,272	423,576
Mortgage loans receivable, net	6,046	17,330	44,996	166,577	893,252
Other assets, net	2,301	-	-	-	-
TOTAL NONCURRENT ASSETS	$ 19,345	17,330	44,996	241,849	1,346,569
TOTAL ASSETS	$ 101,633	39,561	57,183	262,119	1,372,915
LIABILITIES					
Current liabilities:					
Bonds payable	$ -	-	-	6,750	167,320
Accrued interest payable	-	-	-	3,556	8,424
Accounts payable	318	-	1,784	29	3,395
Deferred revenues	896	-	-	-	-
Obligations under reverse repurchase agreements	4,615	-	-	-	-
Other liabilities	20	1	10	143	-
TOTAL CURRENT LIABILITIES	$ 5,849	1	1,794	10,478	179,139
Noncurrent liabilities:					
Bonds payable, net	$ -	-	-	169,492	1,107,038
Deferred revenues	6,651	-	-	-	-
Other liabilities	3,763	-	-	31	174
TOTAL NONCURRENT LIABILITIES	$ 10,414	-	-	169,523	1,107,212
TOTAL LIABILITIES	$ 16,263	1	1,794	180,001	1,286,351
NET ASSETS					
Restricted	$ 70,901	39,560	55,389	82,118	86,564
Unrestricted	14,469	-	-	-	-
TOTAL NET ASSETS	$ 85,370	39,560	55,389	82,118	86,564
TOTAL LIABILITIES AND NET ASSETS	$ 101,633	39,561	57,183	262,119	1,372,915

	RENTAL BOND PROGRAMS					
1984	1992	1993	1994	1995	Special Facilities	TOTAL
-	-	-	-	-	-	$ 470
1,373	8,431	941	16	441	-	94,094
-	-	-	-	-	-	4,615
147	168	6	28	5	-	2,858
139	93	-	22	62	262	7,878
-	-	-	-	-	-	46,944
1,912	60	15	129	37	-	20,861
-	52	-	-	59	-	-
3,571	8,804	962	195	604	262	$ 177,720
-	-	-	-	-	-	$ 29,741
-	-	-	-	-	-	5,528
23,755	9,414	-	2,498	1,437	-	541,422
22,267	16,401	-	4,136	10,746	39,235	1,220,986
-	-	-	-	-	-	2,301
46,022	25,815	-	6,634	12,183	39,235	$ 1,799,978
49,593	34,619	962	6,829	12,787	39,497	$ 1,977,698
730	535	-	130	495	2,090	$ 178,050
100	-	-	62	-	262	12,404
1,454	2	-	-	6	-	6,988
-	-	-	-	-	-	896
-	-	-	-	-	-	4,615
-	-	-	-	-	-	174
2,284	537	-	192	501	2,352	$ 203,127
27,388	14,811	-	3,197	8,611	37,145	$ 1,367,682
-	-	-	-	-	-	6,651
-	-	-	-	-	-	3,968
27,388	14,811	-	3,197	8,611	37,145	$ 1,378,301
29,672	15,348	-	3,389	9,112	39,497	$ 1,581,428
19,921	19,271	962	3,440	3,675	-	$ 381,801
-	-	-	-	-	-	14,469
19,921	19,271	962	3,440	3,675	-	$ 396,270
49,593	34,619	962	6,829	12,787	39,497	$ 1,977,698

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2006

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS Housing Trust Fund	GRANT PROGRAMS Federal and State Programs	HOME OWNERSHIP BOND PROGRAMS 1985	HOME OWNERSHIP BOND PROGRAMS 1998
OPERATING REVENUES					
Interest on investments	$ 2,061	690	50	5,170	16,305
Net increase (decrease) in fair value of investments	(488)	-	-	(949)	(800)
Interest on mortgage loans	183	213	501	12,360	48,902
Federal program awards received	-	-	138,483	-	-
Program income/fees	3,691	334	9,658	-	-
Other revenues	344	440	1	-	-
TOTAL OPERATING REVENUES	$ 5,791	1,677	148,693	16,581	64,407
OPERATING EXPENSES					
Interest on bonds	$ -	-	-	12,141	53,515
Mortgage servicing expense	1	-	-	683	2,983
Federal program expense	1,351	1,007	120,205	-	-
Nonfederal program expense	383	-	-	-	-
General and administrative	9,116	-	3,184	65	447
Other expenses	821	40	229	79	113
TOTAL OPERATING EXPENSES	$ 11,672	1,047	123,618	12,968	57,058
OPERATING INCOME (LOSS)	$ (5,881)	630	25,075	3,613	7,349
NONOPERATING REVENUES (EXPENSES)					
Transfers in (out)	$ 7,725	(72)	(4,711)	(1,507)	529
Equity transfer in (out)	3,114	-	(3,114)	-	-
State appropriations received	-	8,000	2,451	-	-
State grant received	-	-	1,000	-	-
State tax credits	31,068	-	-	-	-
State program expense	(33,000)	(3,400)	(2,691)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 8,907	4,528	(7,065)	(1,507)	529
CHANGE IN NET ASSETS	$ 3,026	5,158	18,010	2,106	7,878
TOTAL NET ASSETS - BEGINNING	82,344	34,402	37,379	80,012	78,686
TOTAL NET ASSETS - ENDING	$ 85,370	39,560	55,389	82,118	86,564

RENTAL BOND PROGRAMS						
					Special	
1984	1992	1993	1994	1995	Facilities	TOTAL
1,089	863	40	126	125	-	$ 26,519
(358)	(202)	-	(50)	(13)	-	(2,860)
2,401	1,137	263	270	860	322	67,412
-	-	-	-	-	-	138,483
-	-	-	-	-	-	13,683
410	-	-	-	34	-	1,229
3,542	1,798	303	346	1,006	322	$ 244,466
3,231	1,412	169	195	817	322	$ 71,802
33	17	3	4	15	-	3,739
-	-	-	-	15	-	122,578
-	-	-	-	-	-	383
5	35	-	1	8	-	12,861
100	-	-	-	34	-	1,416
3,369	1,464	172	200	889	322	$ 212,779
173	334	131	146	117	-	$ 31,687
1,331	(3,295)	-	-	-	-	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	10,451
-	-	-	-	-	-	1,000
-	-	-	-	-	-	31,068
-	-	-	-	-	-	(39,091)
1,331	(3,295)	-	-	-	-	$ 3,428
1,504	(2,961)	131	146	117	-	$ 35,115
18,417	22,232	831	3,294	3,558	-	361,155
19,921	19,271	962	3,440	3,675	-	$ 396,270

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006

		AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP PROGRAMS	
(in thousands)			**Housing Trust Fund**	**Federal and State Programs**	**1985**	**1998**
Cash flows from operating activities:						
Interest on mortgage loans	$	169	221	497	13,143	49,986
Principal payments on mortgage loans		364	1,444	1,118	30,827	92,232
Purchase of mortgage loans		(2,737)	(1,723)	(20,949)	(98)	(180,616)
Federal awards received		-	-	138,943	-	-
Federal program expense		(1,351)	(1,007)	(120,474)	-	-
Nonfederal program expense		(383)	-	-	-	-
Federal grant administration income		-	-	7,890	-	-
Program income/fees		5,866	334	1,691	-	-
Other expenses		(9,951)	(12)	(3,217)	(746)	(278)
Other revenues		374	-	1	(5,306)	(5,701)
Net cash provided by (used in) operating activities	**$**	**(7,649)**	**(743)**	**5,500**	**37,820**	**(44,377)**
Cash flows from non-capital financing activities:						
Issuance of bonds	$	-	-	-	-	400,000
Principal repayments on bonds		-	-	-	(29,485)	(80,460)
Interest paid		-	-	-	(12,248)	(48,223)
Bond issuance costs paid		-	-	-	-	(2,780)
Net transfers		11,139	(72)	(7,825)	(1,507)	229
State appropriations received		-	8,000	2,451	-	-
State grant received		-	-	1,000	-	-
State tax credits		31,068	-	-	-	-
State program expense		(33,000)	(3,400)	(2,691)	-	-
Net cash provided by (used in) non-capital financing activities	**$**	**9,207**	**4,528**	**(7,065)**	**(43,240)**	**268,766**
Cash flows from investing activities:						
Proceeds from sales or maturities of investments	$	2,312	-	-	54,349	189,720
Purchase of investments		(8,026)	-	-	(60,398)	(492,598)
Earnings on investments		2,077	660	50	4,985	16,188
Net cash provided by (used in) investing activities	**$**	**(3,637)**	**660**	**50**	**(1,064)**	**(286,690)**
Net increase (decrease) in cash	$	(2,079)	4,445	(1,515)	(6,484)	(62,301)
Cash and cash equivalents at beginning of year		26,270	17,758	12,228	18,376	106,405
Cash and cash equivalents at end of year	**$**	**24,191**	**22,203**	**10,713**	**11,892**	**44,104**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$	(5,881)	630	25,075	3,613	7,349
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Interest on investments		(2,061)	(690)	(50)	(5,170)	(16,305)
Decrease (increase) in fair value of investments		488	-	-	949	800
Interest on bonds		-	-	-	12,141	53,515
Net operating transfers		(300)	-	-	-	300
Change in assets and liabilities:						
(Increase) decrease in mortgage loans		(2,453)	(719)	(19,603)	30,633	(88,512)
(Increase) decrease in interest receivable on mortgage loans		65	8	(4)	879	912
(Increase) decrease state tax credit receivable		1,408	-	-	-	-
(Increase) decrease in other assets		(261)	-	460	(5,306)	(5,701)
Increase (decrease) in accounts payable and other liabilities		466	28	(301)	81	3,265
Increase (decrease) in deferred revenues		880	-	(77)	-	-
Total adjustments	**$**	**(1,768)**	**(1,373)**	**(19,575)**	**34,207**	**(51,726)**
Net cash provided by (used in) operating activities	**$**	**(7,649)**	**(743)**	**5,500**	**37,820**	**(44,377)**

RENTAL BOND PROGRAMS						
					Special	
1984	**1992**	**1993**	**1994**	**1995**	**Facilities**	**Total**
2,495	1,137	188	271	873	248	$ 69,228
16,270	507	2,844	110	2,233	3,670	151,619
-	-	-	-	-	-	(206,123)
-	-	-	-	-	-	138,943
-	-	-	-	(15)	-	(122,847)
-	-	-	-	-	-	(383)
-	-	-	-	-	-	7,890
-	-	-	-	-	-	7,891
1,316	(54)	(3)	(5)	(59)	-	(13,009)
(1,502)	(112)	(15)	(129)	(62)	-	(12,452)
18,579	**1,478**	**3,014**	**247**	**2,970**	**3,918**	**$ 20,757**
-	-	-	-	-	-	$ 400,000
(9,350)	(18,755)	(2,890)	(125)	(2,250)	(3,670)	(146,985)
(2,189)	(780)	(169)	(191)	(672)	(248)	(64,720)
-	-	-	-	-	-	(2,780)
1,331	(3,295)	-	-	-	-	-
-	-	-	-	-	-	10,451
-	-	-	-	-	-	1,000
-	-	-	-	-	-	31,068
-	-	-	-	-	-	(39,091)
(10,208)	**(22,830)**	**(3,059)**	**(316)**	**(2,922)**	**(3,918)**	**$ 188,943**
12,277	2,860	1,321	1,810	2,094	-	$ 266,743
(21,252)	(6,175)	(754)	(2,198)	(2,127)	-	(593,528)
1,080	847	35	124	128	-	26,174
(7,895)	**(2,468)**	**602**	**(264)**	**95**	**-**	**$ (300,611)**
476	(23,820)	557	(333)	143	-	$ (90,911)
897	32,251	384	349	298	-	215,216
1,373	**8,431**	**941**	**16**	**441**	**-**	**$ 124,305**
173	334	131	146	117	-	$ 31,687
(1,089)	(863)	(40)	(126)	(125)	-	(26,519)
358	202	-	50	13	-	2,860
3,231	1,412	169	195	817	322	71,802
-	-	-	-	-	-	-
16,270	504	2,754	110	2,233	3,670	(55,113)
94	3	15	1	13	(74)	1,912
-	-	-	-	-	-	1,408
(1,912)	(112)	(15)	(129)	(96)	-	(13,072)
1,454	(2)	-	-	(2)	-	4,989
-	-	-	-	-	-	803
18,406	**1,144**	**2,883**	**101**	**2,853**	**3,918**	**$ (10,930)**
18,579	**1,478**	**3,014**	**247**	**2,970**	**3,918**	**$ 20,757**