TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AUDIT AND FINANCE COMMITTEE MEETING

AGENDA
9:00 AM
March 10, 2022

John H. Reagan Building, JHR 140
1400 Congress Avenue
Austin, Texas 78701

CALL TO ORDER
ROLL CALL — **Ajay Thomas, Chair**
CERTIFICATION OF QUORUM

The Audit and Finance Committee of the Governing Board of the Texas Department of Housing and Community Affairs (TDHCA) will meet to consider and may act on any of the following:

ACTION ITEMS:

ITEM 1:	Presentation, discussion, and possible action to approve the Audit and Finance Committee Minutes Summary for December 9, 2021	**Mark Scott** Director of Internal Audit
ITEM 2:	Presentation, discussion, and possible recommendation of approval of the State Auditor's Office audit of the TDHCA Financial Statements	**State Auditor's Office**

REPORT ITEMS:

ITEM 1:	Presentation and discussion of Internal Audit of the Information Technology (IT) General Controls at TDHCA	**Mark Scott** Director of Internal Audit
ITEM 2:	Presentation and discussion of Internal Audit of the Previous Participation Review (PPR) function	
ITEM 3:	Report on the status of the Internal and External Audit activities	

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS

EXECUTIVE SESSION

The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Tex. Gov't Code, Chapter 551.

Pursuant to Tex. Gov't Code, §551.074 the Audit Committee may go into Executive Session for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

Pursuant to Tex. Gov't Code, §551.071(1) the Committee may go into executive session to seek the advice of its attorney about pending or contemplated litigation or a settlement offer.

Pursuant to Tex. Gov't Code, §551.071(2) the Committee may go into executive session for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code, Chapter 551.

Pursuant to Tex. Gov't Code, §2306.039(c) the Committee may go into executive session to receive reports from the Department's internal auditor, fraud prevention coordinator, or ethics advisor regarding issues related to fraud, waste, or abuse.

OPEN SESSION

If there is an Executive Session, the Committee will reconvene in Open Session and may take action on any items taken up in Executive Session. Except as specifically authorized by applicable law, the Audit Committee may not take any actions in Executive Session.

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at *www.tdhca.state.tx.us* or contact Mark Scott, TDHCA Internal Audit Director, 221 East 11th Street Austin, Texas 78701-2410, 512-475-3813 and request the information.

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Nancy Dennis, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five days before the meeting so that appropriate arrangements can be made. Non-English speaking individuals who require interpreters for this meeting should contact Kathleen Vale Castillo, 512-475-4144, at least five days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Kathleen Vale Castillo, al siguiente número 512-475-4144 por lo menos cinco días antes de la junta para hacer los preparativos apropiados.

Action Item

1

AUDIT AND FINANCE COMMITTEE ACTION REQUEST

INTERNAL AUDIT DIVISION

March 10, 2022

Presentation, discussion and possible action on Audit and Finance Committee Meeting Minutes Summary for December 9, 2021

RECOMMENDED ACTION

RESOLVED, that the Audit and Finance Committee Meeting Minutes Summary for December 10, 2021 are hereby approved as presented.

MINUTES OF THE AUDIT AND FINANCE COMMITTEE MEETING

OF THE GOVERNING BOARD OF THE

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

On Thursday, December 9, 2021, at 8:00 a.m. the meeting of the Audit and Finance Committee (the "Committee") of the Governing Board (the "Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") was held in the John H. Reagan Building, JHR 140, 1400 Congress Ave, Austin, Texas. Ajay Thomas, the new Chair of the Audit and Finance Committee, presided over the meeting, and Mark Scott served as the secretary. Committee member Leo Vasquez and Paul A. Braden were present and represented a quorum for the committee meeting

The first action item on the agenda was approval of the minutes of the June 17, 2021 meeting of the Audit and FinanceCommittee. Minutes were adopted as presented, and were approved

The next action item on the agenda was the "presentation, discussion, and possible action to approve Fiscal Year 2022 Internal Audit Annual Work Plan", and was presented by Mark Scott, Director of Internal Audit. Mr. Scott started his presentation by saying that the proposed projects on the annual work plan were identified for inclusion in the FY 2022 plan based on the annual risk assessments of the auditable units at TDHCA. Internal Audit standards require that the highest rated risk units are to be audited, and these are the units that scored high on the risk assessment matrix. The project numbers on the annual plan is for identification purposes only.

The first audit on the plan is the Texas Rent Relief (TRR) program procurement of administrative contracts. This program provides rental and utility assistance to qualifying applicants to prevent housing instability, potential eviction, utility disconnections and financial hardships for tenants and landlords resulting from the COVID19 pandemic. TRR was funded through Coronavirus Stimulus Bill passed by Congress, and Texas initially received approximately $1.3 billion. The SAO and CLA will include this program in the federal compliance financial portions of the statewide audit. The internal Audit division will audit operational aspects of TRR, primarily procurement of the administration of the contracts.

Mr. Vasquez asked clarifying questions about the potential scope of this audit, and expressed his concerns due to limited resources of Internal Audit division. Mr. Scott said that due to the communications from SAO, and also the nature of this program, the potential risk of not performing this audit could be very high.

Mr. Scott then presented the next proposed audit; the Previous Participation Review (PRR) function. This function evaluates contractors and sub recipients when TDHCA is considering whether to award them a new contract for the following fiscal year or not. This function is involved with new and renewed contracts for several different programs that are administered by TDHCA, and it has never been audited before. Mr. Vasquez inquired and a discussion ensued about the type of contracts that are reviewed by the PPR, and whether or not the contracts with other entities such advisors on Bond programs are also reviewed by PPR.

The third audit on the plan was the Internal Audit of the IT general controls. Mr. Scott said that the Internal Auditing Act requires periodic audits of an agency's information systems. TDHCA's technology is delivered by internal staff of the Information Systems (IS) department with support from the Department Information Resources (DIR). This audit will primarily focus on the functions of Internal Audit TDHCA IS staff and will consider areas such as governance systems, development life cycle controls, physical and logical access to critical hardware and software, backup and recovery, and computer operations controls.

Mr. Vasquez inquired about the Internal Audit staff trainings and technical qualifications to perform this audit. Mr. Scott said that he is a Certified Information Systems Auditor (SICA) and has done these types of IT audits in the past. Also Mrs. Nelson has expertise in audit of IT systems.

Mr. Scott then moved to the forth proposed audit, which was the IT application controls. Application controls are related specifically to critical information system software programs and are necessary for the accurate and proper processing of critical business functions of the software. The audit will include areas such as input and access controls, filing data processing controls, output controls and master files and daily controls. Application controls will be reviewed for select applications used by TDHCA to manage program and administrative data and activity. With no questions from the Committee members Mr. Scott moved to the next audit on the plan; Manufactured Housing (MH) installation inspection and Physical Inspections.

He explained that the Manufactured Housing Division (MHD) administers the Manufactured Housing Standards Act. Because of its regulatory nature, MHD has its own board and executive director, but it is administratively attached to TDHCA and receives audit related services from OIA through an MOU with TDHCA. This requires OIA to provide certain amount of internal audit services to MHD. The Physical Inspection section of the Compliance Monitoring Division was selected for audit during FY 2020, and a report was issued on August 14, 2020. However, due to scope limitation imposed by COVID19 pandemic, this unit will be reviewed more comprehensively during FY 2022. Since the inspections that are performed by MHD are similar in nature to those performed by Physical Inspection division at TDHCA we will conduct these audits together to achieve some economy of scale. OIA also plans to conduct follow up work on the Migrant Labor Housing audit that was conducted in 2019, as well as follow up work on the audit of MHD that was performed by SAO in 2020.

Mr. Vasquez asked for clarification on the role of MHD inspectors in Migrant Labor Housing. After answering Mr. Vasquez's questions, Mr. Scott moved to the last proposed audit on the annual plan; Texas Homeownership Program. The Texas Homeownership Program helps eligible Texas homeowners by providing financial assistance such as down payment assistance, low interest rate mortgages and mortgage credit certificates. The program also offers technical assistance and educational resources for First-Time Homebuyers throughout the process. This program rated high on the risk assessment due to lack of any prior audits by OIA.

With no more questions from the Committee members, Mr. Scott asked the Committee for recommendation to the full Board to approve the 2022 Internal Audit plan. Mr. Thomas, the Chair, entertained a motion to recommend to the full Board the approval of the plan. The motion moved by Mr. Braden and second by Mr. Vasquez after his concerns related to Internal Audit of TRR program were addressed.

The Committee then moved to the seven report items on the agenda. Mr. Scott offered to present and to go through all the reports, and to answer any questions that the members may have at the end of his presentation. The Chair agreed and Mr. Scott started with the first Report item; Internal Audit of Multifamily Direct Loans Programs. OIA reviewed the Multifamily Direct Loans program and found that the program has been consistently successful in committing federal and repayment funds when allocated. Since 2016, TDHCA has funded approximately $152 million direct MFDLs, representing a mix of federal funds from various programs such as Home Investments Partnership and the National Housing Trust Fund. Based on our review the Multifamily Direct Loans program is performing effectively overall, with some suggestions for consistency and efficiency.

The next report on the agenda was the Internal Audit of Ending Homelessness (EH) fund and Homeless Housing and Services Programs (HHSP). The Single Family and Homeless Programs Division awards fund to assist units of general local governments, Public housing authorities, nonprofits and local agencies in the provision of assistance to low income Texans with a focus on housing-related assistance and services. The EH fund and HHSP provide good services and housing activities to local cities and municipalities in combating homelessness and to encourage self-sufficiency and help the homeless to secure stable housing.

Next was the report on the Internal Audit of the Housing Resource Center (HRC) division. The division provide educational materials and technical assistance to the public, community based housing organizations, and nonprofit housing developers and other State and Federal agencies. They also offer assistance to the general public in locating the appropriate service providers in their community, process complaints relating to program activities, and are responsible for plans and reports that TDHCA is required to submit in compliance with State and Federal government regulations. Based on OIA's reviews, the HRC division is functioning effectively and efficiently with a few suggestions, specifically regarding complaint management process for the Texas Rent Relief program. Implementations for improvements to the TRR complaints management were in progress at the time of the audit reporting.

Mr. Scott offered to answer any questions regarding the three audit reports conducted by OIA before moving to the next items, which are Internal Audit Administrative items. Mr. Vasquez inquired about the timing of the HRC audit related to TRR issues and whether or not any solutions were suggested for the identified issues. Mr. Scott confirmed that there were recommendations made to improve the coordination between HRC and TRR program.

Mr. Scott then presented the next report item; Follow up audit of the prior audit findings and recommendations. The report represents the status of prior internal and external audit findings and recommendations. Internal Audit is required to submit an annual report to comply with internal auditing standards. As shown in the report, the findings and recommendations have been addressed by management and there was no problem with responses. Next report item; Self-Assessment report, is done as part of the division's ongoing quality control activity. The analysis included organizational structure of the internal audit function, internal processes, scope areas covered by Internal Audit, as well as operations of the OIA. We identified couple of minor opportunities for improvement, and staff implemented new processes that would address those.

The next report item on the agenda was the Annual Report on Internal audit. This is a statutorily required report that is submitted to all the oversight bodies annually. In this report we reconcile audits that have been completed during the past year to the audits that were on the approved audit plan. This year, OIA completed all of the audits on fiscal year 2021 audit plan. With no questions from the committee members Mr. Scott moved to the last report item on the agenda; The status of the Internal and External audit activities.

The State Auditor's Office (SAO) is completing their audits of the TDHCA financial statements. At this point, they're expecting to issue the report with unqualified opinions on all the areas under audit. CliftonLarsonAllen (CLA) is conducting the federal compliance component of the statewide audit and will issue their report in January or February. Their audit includes the TRR funds.

This concluded Mr. Scott's presentation and he offered to answer any questions. With no questions from the Committee members, Mr. Thomas entertained a motion to accept reports one through seven. Motion moved by Mr. Braden and second by Mr. Vasquez. All the reports were accepted by the Committee. The meeting was adjourned at 8:31am on December 9, 2021

Action Item

2

AUDIT AND FINANCE COMMITTEE ACTION REQUEST

FINANCIAL ADMINISTRATION DIVISION

MARCH 10, 2022

Presentation, discussion, and possible action regarding the Texas State Auditor's Office audit report #22-013 "A Report on the Audit of the Department of Housing and Community Affairs' Fiscal year 2021 Financial Statements".

RECOMMENDED ACTION

WHEREAS, the Department is required to undergo an annual audit of its books and accounts, an annual audit of the Housing Trust Fund, and to obtain audited financial statements for the Housing Finance Division and the Supplemental Bond Schedules,

NOW, therefore, it is hereby

RESOLVED, the annual financial audit, audit of the Housing Trust Fund and the audit of the Housing Finance Division and the Supplemental Bond Schedules are hereby accepted.

BACKGROUND

Audit requirements:

1) The Department's governing statute, Tex. Gov't Code §2306.074, requires an annual audit of the Department's books and accounts.
2) Tex. Gov't Code §2306.204 requires an annual audit of the Housing Trust Fund to determine the amount of unencumbered fund balances that is greater than the amount required for the reserve fund.
3) The Department's bond indentures required audited financial statements of the Housing Finance Division and the Supplemental Bond Schedules.

Results of the audits conducted by the State Auditor's Office:

SAO Report on the "The Audit of the Department of Housing and Community Affairs Fiscal Year 2021 Financial Statements" Report # 22-013 available at:

https://sao.texas.gov/Reports/Main/22-013.pdf

a) FY 2021 Basic Financial Statements (SAO Report # 22-309)

b) FY 2021 Revenue Bond Program Audit (SAO Report # 22-310)

c) FY 2021 Computation of Unencumbered Fund Balances (SAO Report # 22-311)

d) FY 2021 Report on Compliance with the Public Funds Investment Act (SAO Report # 22-308)

e) FY 2021 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (SAO Report # 22-312)

The Basic Financial Statements will be available in their entirety at:

https://www.tdhca.state.tx.us/pdf/fa/21-BasicFinancials.pdf

The Revenue Bond Program – Basic Financial Statements will be available in their entirety at:

https://www.tdhca.state.tx.us/pdf/fa/21-Rev-Bond.pdf

The Computation of Unencumbered Fund Balances will be available in their entirety at:

https://www.tdhca.state.tx.us/pdf/fa/21-UnencumberedComp.pdf

A Report on

The Audit of the Department of Housing and Community Affairs' Fiscal Year 2021 Financial Statements

December 27, 2021

Members of the Legislative Audit Committee:

In our audit report dated December 20, 2021, we concluded that the Department of Housing and Community Affairs' (Department) basic financial statements and Revenue Bond Program financial statements for fiscal year 2021 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America. We also concluded that the Department's Housing Finance Division's computation of unencumbered fund balances complies with Texas Government Code, Sections 2306.204 and 2306.205. The Department published our audit reports as part of its financial statements, which it intends to post on its website at https://www.tdhca.state.tx.us/finan.htm.

We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards. Our procedures did not identify any material weaknesses in internal control over financial reporting or any noncompliance with laws or regulations that materially affected the financial statements. In addition, the major internal controls that we tested for the purpose of forming our opinions on the financial statements were operating effectively.

Our procedures were not intended to provide an opinion on internal control over financial reporting or to provide an opinion on compliance with laws and regulations. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance with laws and regulations.

We also issued an opinion on the Department's compliance with the Public Funds Investment Act for the year ended August 31, 2021. In our opinion, the Department complied, in all material respects, with the Public Funds Investment Act, which is prescribed by Texas Government Code, Chapter 2256.

Additionally, we concluded that the Financial Data Schedule the Department prepared was fairly stated in all material respects in relation to the fiscal year 2020 basic financial statements taken as a whole.

Auditors also performed agreed-upon procedures[1] and determined that the electronic submission of certain information to the U.S. Department of Housing and Urban Development's Real Estate Assessment Center agreed with related hard-copy documents.

[1] In an agreed-upon procedures engagement, which is limited in scope, the auditor does not provide an opinion or conclusion and reports only on the procedures that the Department approved.

SAO Report No. 22-013

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Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the Department's management.

As required by auditing standards, we will also communicate to the Department's Board of Directors certain matters related to the conduct of a financial statement audit.

We appreciate the Department's cooperation during this audit. If you have any questions, please contact Sonya Tao, Audit Manager, or me at (512) 936-9500.

Sincerely,

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

cc: The Honorable Greg Abbott, Governor
Department of Housing and Community Affairs' Board of Directors
Mr. Leo Vasquez, Chair
Mr. Paul A. Braden, Vice Chair
Mr. Brandon Batch
Mr. Kenny Marchant
Mr. Ajay Thomas
Ms. Sharon Thomason
Mr. Robert Wilkinson, Executive Director, Department of Housing and Community Affairs

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Independent Auditor's Report

Department of Housing and Community Affairs' Board of Directors
Mr. Leo Vasquez, Chair
Mr. Paul A. Braden, Vice Chair
Mr. Brandon Batch
Mr. Kenny Marchant
Mr. Ajay Thomas
Ms. Sharon Thomason

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department), an agency of the State of Texas, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department, as of August 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Department Financial Statements

As discussed in Note 1, the financial statements of the Department, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Department's Net Pension Liability, the Schedule of Changes in the Department's Net OPEB Liability, the Schedules of Employer Contributions, and the Notes to the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The supplementary bond schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary bond schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary bond schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2021, on our consideration of the Department'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 solely 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Lisa R. Collier

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

December 20, 2021

Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

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Independent Auditor's Report

Department of Housing and Community Affairs' Board of Directors
Mr. Leo Vasquez, Chair
Mr. Paul A. Braden, Vice Chair
Mr. Brandon Batch
Mr. Kenny Marchant
Mr. Ajay Thomas
Ms. Sharon Thomason

Report on the Financial Statements

We have audited the accompanying financial statements of the Revenue Bond Program (Bond Program) of the Department of Housing and Community Affairs (Department), an agency of the State of Texas, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Bond Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bond Program of the Department, as of August 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Bond Program Financial Statements

As discussed in Note 1, the financial statements present only the financial position of the Bond Program, and do not purport to, and do not, present fairly the financial position of the Department or the State of Texas as of August 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bond Program's basic financial statements. The supplementary bond schedules and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary bond schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary bond schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2021, on our consideration of the Department'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 solely 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Lisa R. Collier

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

December 20, 2021

Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

Independent Auditor's Report

Department of Housing and Community Affairs' Board of Directors
Mr. Leo Vasquez, Chair
Mr. Paul A. Braden, Vice Chair
Mr. Brandon Batch
Mr. Kenny Marchant
Mr. Ajay Thomas
Ms. Sharon Thomason

Report on the Financial Statements

We have audited the accompanying Computation of Unencumbered Fund Balances (Computation) of the Department of Housing and Community Affairs' (Department) Housing Finance Division, as of and for the year ended August 31, 2021, and the related notes to the Computation.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Computation in accordance with the financial reporting provisions of Texas Government Code, Sections 2306.204 and 2306.205. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Computation that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Computation 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 Computation is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Computation. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Computation, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Computation in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Computation.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Computation referred to above presents fairly, in all material respects, the unencumbered fund balances of the Department's Housing Finance Division, as of August 31, 2021, in accordance with the financial reporting provisions of Texas Government Code, Sections 2306.204 and 2306.205, as described in Note 1 of the Computation

Basis of Accounting

We draw attention to Note 1 of the Computation, which described the basis of accounting. As described in Note 1 of the Computation, the Computation is prepared by the Department on the basis of the financial reporting provisions of Texas Government Code, Sections 2306.204 and 2306.205, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Department and is not intended to be and should not be used by anyone other than this specified party.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2021, on our consideration of the Department'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 solely 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Lisa R. Collier

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

December 20, 2021

SAO

Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

Independent Auditor's Report

Department of Housing and Community Affairs' Board of Directors
Mr. Leo Vasquez, Chair
Mr. Paul A. Braden, Vice Chair
Mr. Brandon Batch
Mr. Kenny Marchant
Mr. Ajay Thomas
Ms. Sharon Thomason

We have examined the Department of Housing and Community Affairs' (Department) compliance with the requirements of the Public Funds Investment Act, which are prescribed by Texas Government Code, Chapter 2256, for the year ended August 31, 2021. Management of the Department is responsible for the Department's compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to examination engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with the Public Funds Investment Act.

In our opinion, the Department complied, in all material respects, with the Public Funds Investment Act, which are prescribed by Texas Government Code, Chapter 2256, for the year ended August 31, 2021.

This report is intended solely for the information and use of the Department's Board of Directors and is not intended to be, and should not be, used by anyone other than the specified parties. However, this report is a matter of public record, and its distribution is not limited.

Lisa R. Collier

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

December 20, 2021

SAO Report No. 22-308

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State Auditor

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*

Independent Auditor's Report

Department of Housing and Community Affairs' Board of Directors
Mr. Leo Vasquez, Chair
Mr. Paul A. Braden, Vice Chair
Mr. Brandon Batch
Mr. Kenny Marchant
Mr. Ajay Thomas
Ms. Sharon Thomason

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department), an agency of the State of Texas, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 20, 2021.

In addition, we have audited the financial statements of the Revenue Bond Program of the Department, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Revenue Bond Program's basic financial statements. We also have audited the Computation of Unencumbered Fund Balances of the Department's Housing Finance Division, as of and for the year ended August 31, 2021, and the related notes to the Computation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 financial statements. 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*.

Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the Department's management.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Lisa R. Collier

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

December 20, 2021

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Basic Financial Statements

For the Year Ended August 31, 2021

(With Independent Auditor's Report Thereon)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

221 E. 11th St., Austin, TX 78701 Main Phone: 512-475-3800 Email: info@tdhca.state.tx.us

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Greg Abbott
GOVERNOR

December 20, 2021

Writer's direct dial: (512) 475-3296
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The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Texas Comptroller
Jerry McGinty II, Executive Director, Legislative Budget Board
Lisa Collier, State Auditor

RE: ANNUAL FINANCIAL REPORT

Dear Governor Abbott, Comptroller Hegar, Mr. McGinty, and Ms. Collier:

We are pleased to submit the Annual Financial Report of the Texas Department of Housing and Community Affairs for the fiscal year ended August 31, 2021, in compliance with TEX. GOV'T CODE §2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

The accompanying annual financial report has been prepared in accordance with GAAP reporting requirements. The financial report has been audited by an independent auditor as required by statute.

If you have any questions, please contact Joe Guevara, Director of Financial Administration, at (512) 475-3352. Cristina Ortega may be contacted at (512) 475-4972 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Bobby Wilkinson
Executive Director

RW/jg

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2021

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Independent Auditor's Report

Department of Housing and Community Affairs' Board of Directors
Mr. Leo Vasquez, Chair
Mr. Paul A. Braden, Vice Chair
Mr. Brandon Batch
Mr. Kenny Marchant
Mr. Ajay Thomas
Ms. Sharon Thomason

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department), an agency of the State of Texas, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department, as of August 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Department Financial Statements

As discussed in Note 1, the financial statements of the Department, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Department's Net Pension Liability, the Schedule of Changes in the Department's Net OPEB Liability, the Schedules of Employer Contributions, and the Notes to the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The supplementary bond schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary bond schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary bond schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2021, on our consideration of the Department'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 solely 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Lisa R. Collier

State Auditor

December 20, 2021

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MANAGEMENT'S DISCUSSION

AND ANALYSIS

This section of the Texas Department of Housing and Community Affairs' (Department) annual financial report presents management's discussion and analysis of the Department's financial performance during the fiscal year that ended on August 31, 2021. Please read it in conjunction with the Department's financial statements, which follow this section.

The Department was created to assist local governments in helping residents overcome financial, social and environmental problems; to address very low to moderate income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the state and the public about the needs of local government.

The Manufactured Housing Division is administratively attached to the Department and is responsible for establishing standards and requirements for the construction and installation of manufactured housing that are reasonably necessary to protect the health, safety and welfare of the occupants of such housing and the general public. The Manufactured Housing Division has a governing Board of five members appointed by the Governor.

The Department is governed by a Board, composed of seven members, all of whom are appointed by the Governor with the advice and consent of the Texas Senate.

Financial Highlights

- The Department's business-type activities net position increased $51.3 million and governmental activities net position decreased $5.3 million.

- The Department's business-type activities increase of $51.3 million in Net Position can be attributed to a decrease in Unrestricted Net Position of $4.4 million primarily related to the impact of the Department's recognition of its proportionate share of the Pension and OPEB liabilities as reported by the Employees Retirement System of Texas (ERS) plan offset by an increase of $55.7 million in Restricted Net Position primarily as a result of activity within the Single Family and Residential Mortgage Revenue Bond indentures.

- Net Position in the Department's governmental activities decreased $5.3 million to $430.5 million. The impact on net position resulted primarily from the Department's recognition of its change in proportionate share of the OPEB and pension liability reported by the ERS plan.

- The Bond Program's debt outstanding of $2.3 billion as of August 31, 2021, increased $239.0 million due to $562.6 million in new debt issuances offset by debt retirements of $323.6 million.

- The Bond Program's short-term debt of $54.3 million decreased $86.5 million due to advances due to the Federal Home Loan Bank of Dallas as of the end of the fiscal year. Advances are drawn to purchase mortgage loans prior to pooling the loans into a mortgage-back security (MBS). With each MBS settlement, the advances are repaid related to the loans underlying the MBS. For additional information, see Note 4, Short-term debt.

- Loan originations in the Department's proprietary and governmental funds for the year totaled $2.3 billion and $30.6 million, respectively.

- In accordance with Governmental Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments,* the Department identified its derivative instruments, measured their effectiveness, and reported the derivative instruments at fair value. The Department's interest rate swaps, which were primarily used to hedge changes in interest rates, are considered to be derivative instruments under GASB 53. It requires the fair value of a derivative instrument to be reported at the end of the fiscal year in the balance sheet and GASB No. 72, *Fair Value Measurement and Application*, requires the fair value of a derivative instrument to be computed taking into account nonperformance risk. As of August 31, 2021, the Department's four interest rate swaps had a total notional amount of $48.7 million and a negative $2.2 million fair value which was recorded in the deferred outflow of resources account and as a derivative instrument swap liability.

- In accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions*, the Department has recorded a net pension liability. It has relied on reports issued by ERS who is the administrator of the plan. The Department has reported its proportionate share of the pension liability according to their reports in the amount of $105.1 million of which $53.5 million is reported in business-type activities and $51.6 million in governmental activities.

- In accordance with GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Department has recorded a net OPEB liability. It has relied on reports issued by ERS who is the administrator of the plan. The Department has reported its proportionate share of the OPEB liability according to their reports in the amount of $45.1 million of which $22.6 million is reported in business-type activities and $22.5 million in governmental activities.

- The Department has been allocated $4 billion in federal grants in response to the COVD-19 pandemic through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Consolidated Appropriation Act 2021, and the American Rescue Plan Act (ARPA). These funds have led to significant increases in federal revenues and corresponding program expenditures along with general administrative expenditures.

Overview of the Financial Statements

The financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two types of statements that present different views of the Department.

- The first sets of statements are government-wide financial statements that provide information about the Department's overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Position and the Statement of Activities.

- The remaining statements are fund financial statements of the Department's governmental, fiduciary and proprietary funds. The governmental funds activities are funded primarily from federal funds and General Revenue appropriations for which the Department follows a modified accrual basis of accounting. The Department's proprietary fund operates similar to business activities and follows an accrual basis of accounting.

- The basic financial statements also include a "Notes to Financial Statements" section which explains the information presented in the government-wide and fund financial statements and provides additional detailed data.

- The Notes to the Financial Statements are followed by the Required Supplementary Information which includes the Schedule of Changes in Department's Net Pension Liability, Schedule of Changes in Department's Net OPEB Liability and the Supplementary Bond Schedules that present detailed bond information.

The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of these statements.

Government-Wide Financial Statements

The Statement of Net Position shows governmental activities and business-type activities presented on a full accrual basis. The Statement of Activities presents a government-wide format of expenses, charges for services, operating grants, contributions and net expenses by both governmental activities and business-type activities. Both activities are further broken down by function and programs. The second section of the Statement of Activities shows general revenues not associated with a particular program but provides resources for the Department's programs and operations. The fiduciary activity is not included in the government-wide statements.

Statement of Net Position

The following tables show a summary of changes from prior year amounts.

Governmental Activities

Texas Department of Housing and Community Affairs
Governmental Activities
Condensed Statement of Net Position

	Governmental Activities		Increase / (Decrease)	
Assets	2021	2020	Amount	%
Current Assets:				
Cash and Cash Equivalents	$ 1,114,001,753	$ 57,437,709	$ 1,056,564,044	1,839.5
Federal Receivables	21,470,188	28,561,331	(7,091,143)	(24.8)
Legislative Appropriations	7,330,811	9,067,262	(1,736,451)	(19.2)
Internal Balances	(214,218)	-	(214,218)	
Current Loans and Contracts	17,956,066	24,071,533	(6,115,467)	(25.4)
Other Current Assets	358,850	145,795	213,055	146.1
Non-current Assets:				
Loans and Contracts	449,710,172	440,286,513	9,423,659	2.1
Capital Assets	55,548	85,075	(29,527)	(34.7)
Total Assets	1,610,669,170	559,655,218	1,051,013,952	187.8
DEFERRED OUTFLOWS OF RESOURCES	17,432,234	13,544,866	3,887,368	28.7
Liabilities				
Current Liabilities:				
Accounts Payable	57,807,533	34,346,498	23,461,035	68.3
Unearned Revenues	1,057,067,056	29,534,150	1,027,532,906	3,479.1
Net OPEB Liability	621,501	612,651	8,850	1.4
Other Current Liabilities	1,089,325	884,956	204,369	23.1
Non-Current Liabilities:				
Net Pension Liability	51,640,699	40,905,346	10,735,353	26.2
Net OPEB Liabilities	21,947,802	22,860,936	(913,134)	(4.0)
Other Non-current Liabilities	607,400	500,313	107,087	21.4
Total Liabilities	1,190,781,316	129,644,850	1,061,136,466	818.5
DEFERRED INFLOWS OF RESOURCES	6,846,767	7,803,495	(956,728)	(12.3)
Net Position				
Invested in Capital Assets	55,548	85,075	(29,527)	(34.7)
Restricted	494,787,616	488,865,466	5,922,150	1.2
Unrestricted	(64,369,843)	(53,198,802)	(11,171,041)	21.0
Total Net Position	$ 430,473,321	$ 435,751,739	$ (5,278,418)	(1.2)

Net position of the Department's governmental activities decreased $5.3 million, or 1.2% to $430.5 million. The change is due to the net sum of an increase of $5.9 million in Restricted Net Position and a decrease of $11.2 million in Unrestricted Net Position. The decrease in Unrestricted Net Position is primarily from recording the impact of the net pension liability and OPEB liability as required by GASB 68 and GASB 75.

Cash and Cash Equivalents increased by $1.1 billion. The increase is primarily due to additional program income collected and unspent from the HOME Program and funds received from the United States Treasury for the Emergency Rental Assistance and Homeowner Assistance Fund which are COVID-19 related grants.

Internal balances represent expenditure transfers after year end. Included in the 2021 transactions were payroll transfers and benefits allocations according to Accounting Policy Statements.

Governmental Activities Cont'd

Loans and contracts increased $3.3 million. The variance primarily represents the receipts of loan repayments, disbursements for funding of loans and an adjustment of $486.8 thousand for estimated losses of the portfolio for the year. During the fiscal year, HOME loans increased approximately $727.6 thousand and the National Housing Trust Fund (NHTF) had an increase of $6.9 million in loans due to increased funding of loans with minimal scheduled repayments received during the year. The TCAP decreased $1.8 million and the Neighborhood Stabilization Program (NSP) decreased $2.1 million primarily due to more loan repayments than loans funded for both programs.

Accounts payable increased by $23.5 million or 68.3% primarily due to new funding from grants awarded through the CARES Act, the Consolidated Appropriation Act 2021 and the American Rescue Plan Act for COVID-19 assistance. Federal receivables had a decrease of $7.1 million in relation to these accruals as funds are due from federal grants.

The balance in unearned revenues increased by $1.0 billion. The change is primarily associated with additional cash in state treasury related to unspent program income received from loan repayments of the NSP and HOME Programs and cash received from the US Treasury for the Emergency Rental Assistance and Homeowners Assistance Fund COVID-19 grants.

Other current liabilities are primarily payroll payables. Also, included in other non-current liabilities is the employees' compensable leave, which represents unpaid balances of employees' accumulated annual leave.

A net pension liability was recognized in accordance to GASB 68 and a net OPEB liability was recognized in accordance to GASB 75 in which the Department was required to recognize its proportionate share of the amount reported by the Employees Retirement System, the administrator of the plan. The decrease of $11.2 million in unrestricted net position is primarily as a result of the recognition of the change in pension and OPEB liability. The net pension and OPEB liability also impacted the $3.9 million increase in Deferred Outflows of Resources and the $956.7 thousand decrease in Deferred Inflows of Resources.

Business-Type Activities

Texas Department of Housing and Community Affairs Business-Type Activities Condensed Statement of Net Position				
	Business-Type Activities		Increase / (Decrease)	
Assets	2021	2020	Amount	%
Current Assets:				
Cash & Investments	$ 359,936,736	$ 438,504,767	$ (78,568,031)	(17.9)
Loans and Contracts	84,479,893	187,990,951	(103,511,058)	(55.1)
Interest Receivable	8,050,539	7,427,007	623,532	8.4
Other Current Assets	696,353	367,297	329,056	89.6
Non-current Assets:				
Investments	1,512,480,204	1,203,606,668	308,873,536	25.7
Loans and Contracts	1,232,407,722	1,027,423,562	204,984,160	20.0
Capital Assets	70,098	104,987	(34,889)	(33.2)
Other Non-current Assets	20,613	42,959	(22,346)	(52.0)
Total Assets	3,198,142,158	2,865,468,198	332,673,960	11.6
DEFERRED OUTFLOWS OF RESOURCES	20,595,610	19,280,962	1,314,648	6.8
Liabilites				
Current Liabilities:				
Interest Payable	15,935,832	14,658,285	1,277,547	8.7
Bonds Payable	28,594,280	48,898,287	(20,304,007)	(41.5)
Notes and Loans Payable	1,380,664	986,498	394,166	40.0
Short-Term Debt	54,344,118	140,800,960	(86,456,842)	(61.4)
Net OPEB Liability	884,161	875,311	8,850	1.0
Other Current Liabilities	10,746,992	8,850,967	1,896,025	21.4
Non-current Liabilities:				
Net Pension Liability	53,514,547	42,779,194	10,735,353	25.1
Net OPEB Liability	21,685,141	22,598,275	(913,134)	(4.0)
Bonds Payable	1,956,672,805	1,836,254,207	120,418,598	6.6
Notes and Loans Payable	315,671,642	175,247,583	140,424,059	80.1
Hedging Derivative Instrument	2,210,372	4,783,092	(2,572,720)	(53.8)
Other Non-current Liabilities	325,286,845	206,553,496	118,733,349	57.5
Total Liabilities	2,786,927,399	2,503,286,155	283,641,244	11.3
DEFERRED INFLOWS OF RESOURCES	6,424,705	7,381,433	(956,728)	(13.0)
Net Position				
Invested in Capital Assets	70,098	104,987	(34,889)	(33.2)
Restricted	408,454,050	352,756,283	55,697,767	15.8
Unrestricted	16,861,516	21,220,302	(4,358,786)	(20.5)
Total Net Position	$ 425,385,664	$ 374,081,572	$ 51,304,092	13.7

Net position of the Department's business-type activities increased $51.3 million, or 13.7%, to $425.4 million. Restricted net position of the Department's proprietary fund increased $55.7 million or 15.8%. These restrictions are related to bond covenants and do not significantly affect the availability of resources for future use. The unrestricted net position decreased $4.4 million or 20.5% primarily due the impact of the Department's proportionate share of OPEB and pension liability as part of the ERS Plan.

Cash and investments increased $230.3 million, or 14.0%, to $1.9 billion, which is reflective of proceeds from bond issuances, fee collections, and interest earnings offset by the liquidation of investments to pay down bonds and the change in fair value of investments. Program loans

Business Type Activities Cont'd

receivable (current and non-current) increased $101.5 million, or 8.3%, to $1.3 billion, primarily as a result of loan originations related to the Department's Multifamily Bond Program, Housing Trust Fund and Homeownership Programs down payment assistance offset by loan repayments and payoffs related to these programs.

The Department has $2.0 billion in bonds outstanding related to its revenue bonds. The Department's Single Family and Residential Mortgage Revenue Bonds have been rated AA+ by Standard & Poor's. The Multifamily bonds ratings vary. Total bonds payable (current and non-current) increased by $100.1 million, or 5.3%, due to the Department's bond issuance being greater than monthly retirement of existing debt. For more information on the Department's debt, refer to Note 6.

Statement of Activities

The Statement of Activities reflects the sources of the Department's changes in net position as they arise through its various programs and functions. Single Family, Multifamily and Housing Trust Fund are shown as business-type activities, and other state and federal programs are shown as governmental activities. Federal and state assistance activities allocate various subsidy funds to local governments, nonprofit organizations or individuals.

A condensed Statement of Activities for the fiscal years ended August 31, 2021 and 2020 is shown in the table below.

Texas Department of Housing and Community Affairs
Condensed Statement of Activities
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		% Change
	2021	2020	2021	2020	2021	2020	
Program Revenues:							
Charges for Services	$ 8,111	$ 7,337	$ 227,129	$ 197,388	$ 235,240	$ 204,725	14.9
Operating Grants and Contributions	1,169,207	269,825	-	-	1,169,207	269,825	333.3
Total Revenue	1,177,318	277,162	227,129	197,388	1,404,447	474,550	196.0
Total Expenses:	1,189,666	287,678	181,068	153,256	1,370,734	440,934	210.9
Net Revenue	(12,348)	(10,516)	46,061	44,132	33,713	33,616	0.3
General Revenues	12,517	11,085	3,715	26,846	16,232	37,931	(57.2)
Transfers	(5,447)	(887)	1,528	2,266	(3,919)	1,379	(384.2)
Change in Net Position	(5,278)	(318)	51,304	73,244	46,026	72,926	(36.9)
Beginning Net Position	435,751	436,069	374,082	300,838	809,833	736,907	9.9
Ending Net Position	$ 430,473	$ 435,751	$ 425,386	$ 374,082	$ 855,859	$ 809,833	5.7

Governmental Activities

Revenues of the Department's governmental activities were received primarily from operating grants and contributions. The majority of the revenues were from the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Health and Human Services (HHS) and the U.S. Treasury. General Revenues are revenues appropriated to the Department in accordance with legislative acts and regulations.

Total program revenues increased $900.2 million. This change consisted primarily of increases in operating grants and contributions primarily as a result of an increase of $809.1 million in Emergency Rental Assistance (ERA) funding, $15.5 million in LIHEAP, $22.4 million in CSBG, $31.1 million in ESG, $4.1 million in HOME Programs, and $13.5 million in CDBG funding.

Expenses of the Department's governmental activities consisted primarily of intergovernmental payments and public assistance payments. The Department distributes program funds to local providers, including local governments, nonprofit and for-profit organizations, community based organizations and real estate developers. Total expense for these categories increased as a result of increases of $786.6 million for ERA, $15.2 million for LIHEAP, $23.5 million for CSBG, $21.1 million for ESG and $8.8 million in HOME.

Transfers include Manufactured Housing's surplus of revenues transferred to the Comptroller's Office and the transfer for the State Housing Trust Fund from General Revenue to the Texas Treasury Safekeeping Trust Company. There were also transfers of earned federal funds to the State Comptroller's Office.

Net position is primarily composed of restricted net position of non-operational grants. These restrictions, commitments or limitations will not significantly affect the availability of fund resources for future use.

Business-Type Activities

Revenues of the Department's business-type activities were primarily from charges for services of $227.1 million and an increase in fair value of investments of $3.7 million. Charges for services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs; the investments and the income which are restricted to those programs by a pledge to the respective bond indentures. Total charges for services increased $29.7 million which is primarily attributed to activity within the single family indentures.

Expenses of the Department's business-type activities consist primarily of interest expense of $65.4 million which increased $2.4 million and other operating expenses of $91.9 million which increased $7.5 million. The increase in interest expense is a result of new bond issuances offset by the impact of an increase of the frequency in the retirement of the Department's bonds and lower interest rates related to the Department's variable rate debt. The increase in other operating expenses is primarily related to an increase in servicer related expenses and costs related to the issuance of bonds. Other operating expenses also include general and

Business-Type Activities Cont'd

administrative expenses, allocations involving production or monitoring activities of the Department, as well as internal and external costs.

The Department's business-type activities charges for services of $227.1 million exceeded expenses of $181.1 million by $46.0 million. Charges for services, primarily interest income on loans and investment income, are intended to cover bond principal and interest expense as required by the bond indenture covenants. The charges for services also cover other direct expenses.

Fund Financial Statements

The fund financial statements provide more detailed information about the Department's most significant funds and the Department as a whole. The Department has three types of funds:

- Governmental fund – The General Revenue Fund is the Department's only governmental fund. It is the principal operating fund used to account for the Department's general activities. The financing for this fund is authorized through state legislative appropriations either as committed or collected revenues. Federal and state programs are also reported within this fund. The Condensed Balance Sheet - Governmental Fund would be substantially the same as the Condensed Statement of Net Position - Governmental-Activities; therefore, it is not included.

- Proprietary fund – The Department's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuance of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types of loans to finance low and moderate-income housing. This fund also receives fee income from the Multifamily Tax Credit Program and compliance fees collected for the purpose of covering the operating costs of the Department. The net position of these funds represents accumulated earnings since their inception and is generally restricted for program purposes or debt service. The Condensed Statement of Net Position - Proprietary Fund would be substantially the same as the Condensed Statement of Net Position – business-type activities; therefore, it is not included.

- Fiduciary Fund – The Department has implemented GASB 84, Fiduciary Activities, in order to identify and properly report any activities that are classified as Fiduciary. The fiduciary fund is used to account for the assets held for distribution by the state as an agent for another entity for which the government has custodial responsibility and accounts for the flow of assets which are in an escrow account.

Governmental Fund

Texas Department of Housing and Community Affairs Governmental Fund Condensed Statements of Revenues, Expenditures and Changes in Fund Balances				
			Increase / (Decrease)	
OPERATING REVENUES	2021	2020	Amount	%
Legislative Appropriations	9,665,463	$ 9,376,499	$ 288,964	3.1
Federal Revenues	1,169,129,595	269,785,118	899,344,477	333.4
Other Revenue	11,557,238	8,484,014	3,073,224	36.2
Total Operating Revenues	1,190,352,296	287,645,631	902,706,665	313.8
OPERATING EXPENDITURES				
Salaries and Wages	13,615,464	10,181,337	3,434,127	33.7
Professional Fees and Services	51,657,466	422,457	51,235,009	12,127.9
Intergovernmental Payments	89,098,496	64,899,134	24,199,362	37.3
Public Assistance Payments	1,023,406,896	201,225,540	822,181,356	408.6
Other Operating Expenditures	6,558,683	5,192,417	1,366,266	26.3
Total Operating Expenditures	1,184,337,005	281,920,885	902,416,120	320.1
Excess of Revenues over Expenditures	6,015,291	5,724,746	290,545	5.1
Other Financing Sources (Uses)	(5,446,631)	(886,717)	(4,559,914)	514.2
CHANGE IN FUND BALANCE	568,660	4,838,029	(4,269,369)	(88.2)
Beginning Fund Balance	495,689,495	490,250,311	5,439,184	1.1
Appropriations (Lapsed)	(519,123)	601,155	(1,120,278)	(186.4)
Ending Fund Balance	495,739,032	$ 495,689,495	$ 49,537	0.0

Revenues of the Department’s governmental fund totaled $1.2 billion. These revenues were primarily federal grants related to LIHEAP, HOME, ERA and CSBG programs. Expenditures of $1.2 billion primarily consisted of intergovernmental and public assistance payments.

Total revenues of the governmental fund increased by $902.7 million primarily due to funding received through COVID-19 legislation in addition to CDBG, CSBG, ESGP, and LIHEAP grants.

Governmental Fund Cont'd

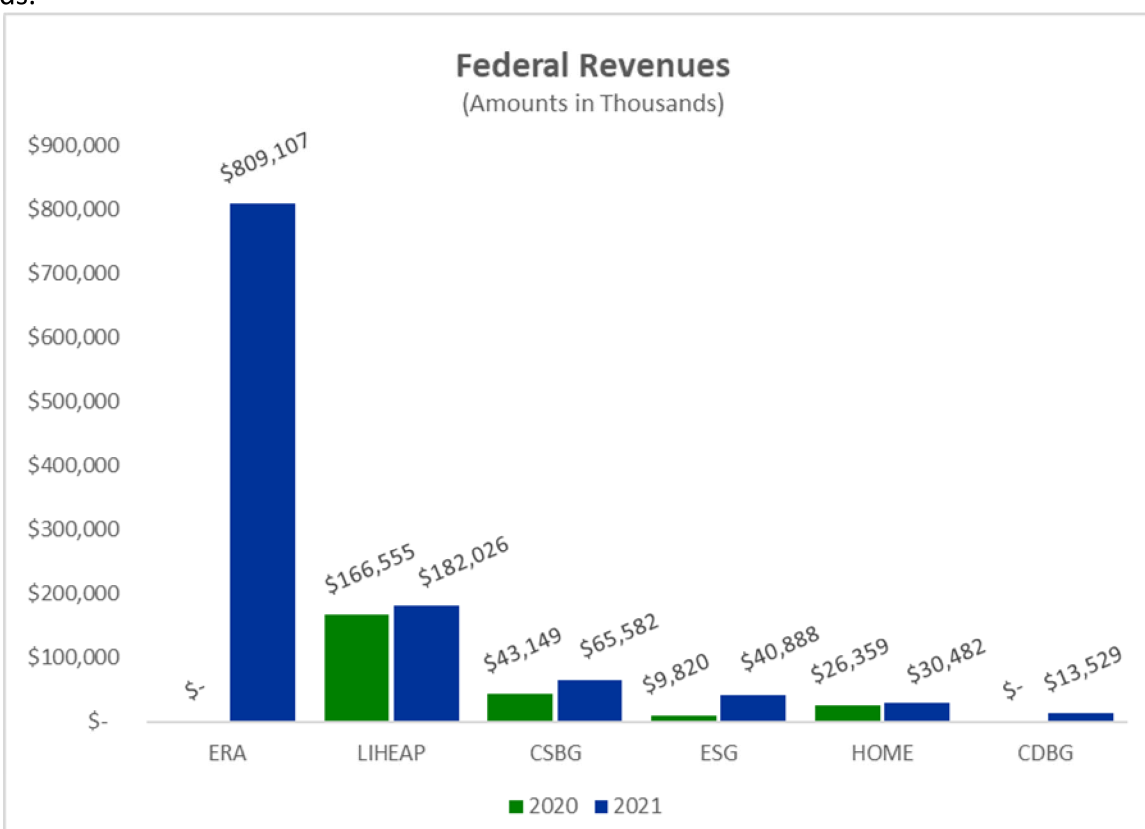
The Department experienced an increase in Intergovernmental Payments of $24.2 million and an increase in Public Assistance Payments of $822.2 million. These changes were primarily in the ERA, HOME, LIHEAP, CSBG, HHSP and CDBG programs.

Other Financing Sources (Uses) consisted primarily of the transfer of Housing Trust Fund (HTF), including interest earnings and loan repayments from General Revenue to the Texas Treasury Safekeeping Trust Company (TTSTC). There were also transfers of earned federal funds and Manufactured Housing revenues.

The following graphs illustrate a comparison between fiscal year 2020 and 2021 for federal revenues, intergovernmental and public assistance payments related to the grants of the Department. The acronyms used in the graphs are defined as follows:

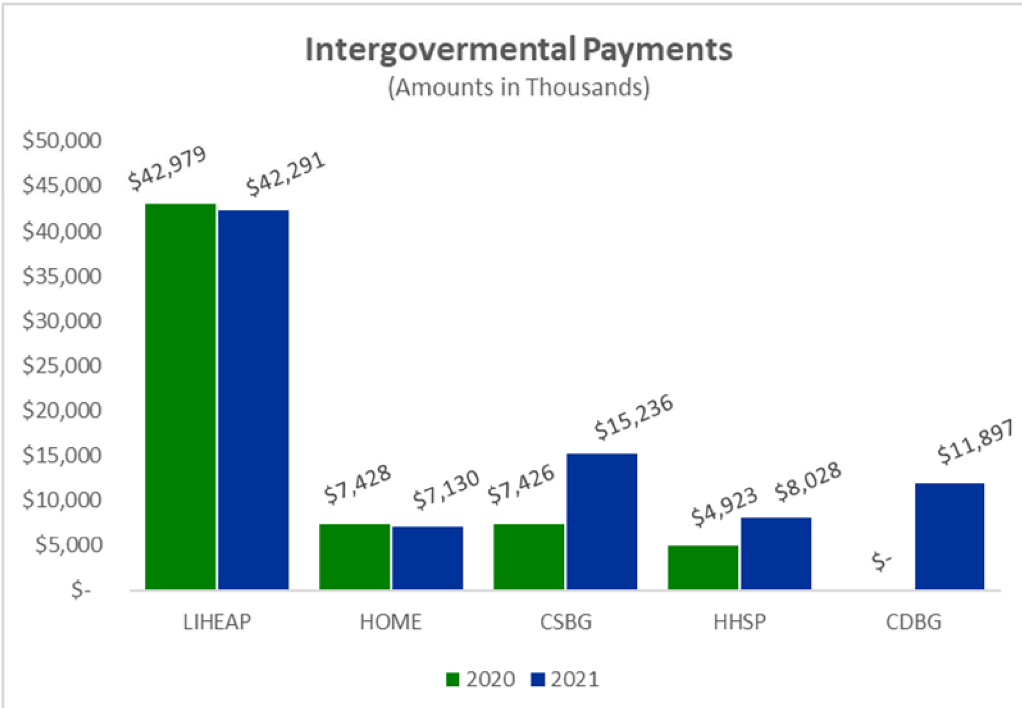
ERA	Emergency Rental Assistance Program
ESG	Emergency Solutions Grants Program
HOME	HOME Investment Partnerships Program
CDBG	Community Development Block Grant Program
LIHEAP	Low-Income Home Energy Assistance Program
HHSP	Homeless Housing and Services Program
CSBG	Community Services Block Grant

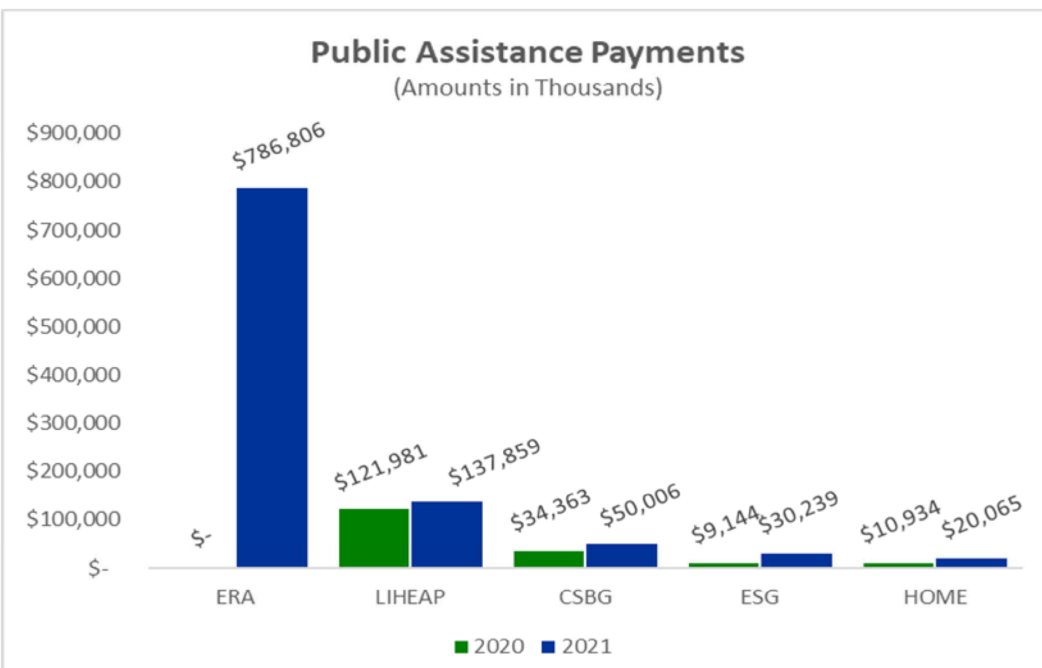
Federal Revenues: Receipts from the State's participation in programs financed with federal funds.



Governmental Fund Cont'd

Intergovernmental and public assistance payments: payment of grants to cities, counties, councils of government, community action groups and organizations for community service programs.





Proprietary Fund

The following table summarizes the Statement of Revenues, Expenses and Changes in Fund Net Position of the Department's proprietary fund for the fiscal years ended August 31, 2021 and August 31, 2020.

Texas Department of Housing and Community Affairs
Proprietary Fund
Condensed Statements of Revenues, Expenses and Changes in Fund Net Position

			Increase / (Decrease)	
OPERATING REVENUES	2021	2020	Amount	%
Interest and Investment Income	$ 78,545,957	$ 76,508,938	$ 2,037,019	2.7
Net Increase in Fair Value	3,668,253	26,495,604	(22,827,351)	(86.2)
Other Operating Revenues	148,629,420	121,227,933	27,401,487	22.6
Total Operating Revenues	230,843,630	224,232,475	6,611,155	2.9
OPERATING EXPENSES				
Professional Fees and Services	2,056,054	1,532,727	523,327	34.1
Depreciation Expense	34,888	39,247	(4,359)	(11.1)
Interest	65,420,513	63,069,211	2,351,302	3.7
Bad Debt Expense	21,649,946	4,194,672	17,455,274	416.1
Other Operating Expenses	91,906,927	84,419,835	7,487,092	8.9
Total Operating Expenses	181,068,328	153,255,692	27,812,636	18.1
Operating Income (Loss)	49,775,302	70,976,783	(21,201,481)	(29.9)
NONOPERATING EXPENSES	1,208	1,004	204	
TRANSFERS	1,527,582	2,266,006	(738,424)	(32.6)
CHANGE IN NET POSITION	51,304,092	73,243,793	(21,939,701)	(30.0)
Beginning Net Position	374,081,572	300,837,779	73,243,793	24.3
Ending Net Position	$ 425,385,664	$ 374,081,572	$ 51,304,092	13.7

Net position of the Department's proprietary fund increased by $51.3 million, or 13.7%, to $425.4 million.

Earnings within the Department's proprietary fund were $230.8 million of which $207.0 million is classified as restricted and $23.8 million is unrestricted. Restricted earnings are composed of

Proprietary Fund Cont'd

$75.2 million in interest and investment income, $3.7 million net increase in fair value of investments, and $128.1 million in other operating revenues primarily related to single family activity. Interest and investment income are restricted per bond covenants for debt service. The net increase in fair value of investments is considered to be an unrealized gain due to changes in interest rates. Unrestricted earnings are composed of $3.3 million in interest and investment income and $20.5 million in other operating revenue.

Interest earned on program loans increased by $675.0 thousand, or 2.5%, primarily due to an increase in loan balances in the Department's Multifamily Bond Program, resulting from an increase in bond issuances funding these loans.

Investment income increased $1.4 million or 2.8% due to higher investment balances. The change was primarily due to increases of $2.3 million, or 8.8%, in the Single Family Revenue Bond Program funds, $2.5 million, or 408.1% in the Taxable Mortgage Program, $2.0 million, or 30.6% in the Multifamily Bond Program, offset by $5.1 million, or 33.2%, decrease in the Residential Mortgage Revenue Bond Program funds.

Other operating revenues increased $27.4 million primarily related to activity within the single family indentures resulting from an increase of settlement fees due to an increase in mortgage volume.

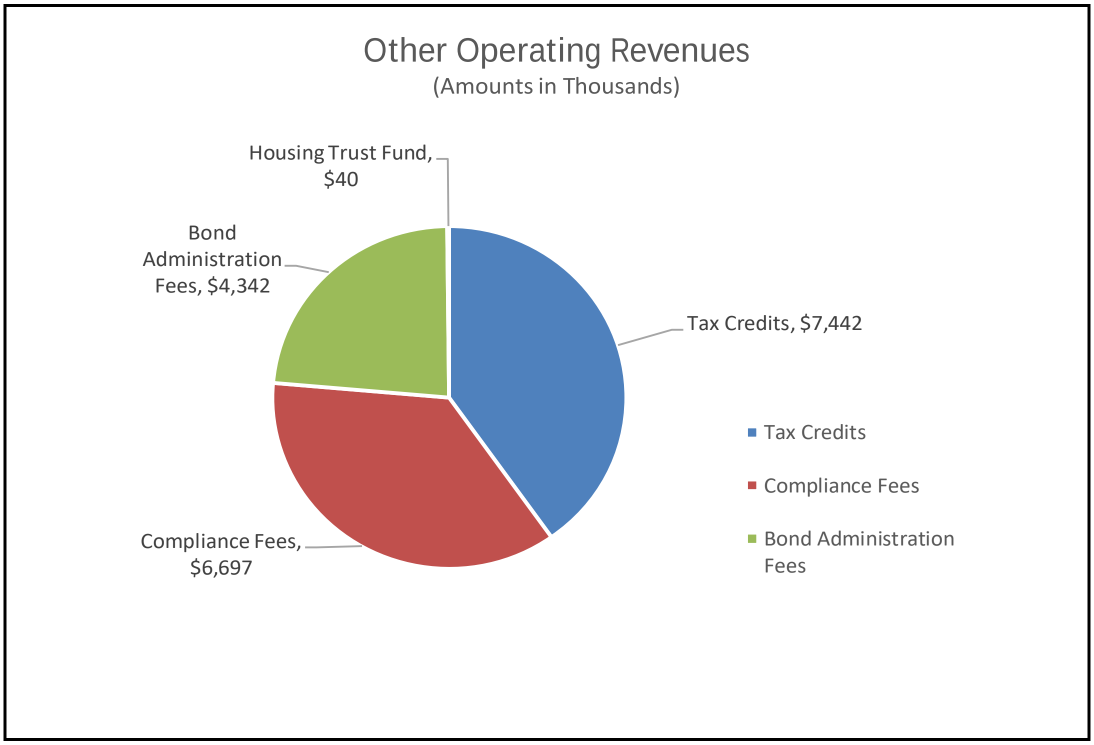
Interest expense increased $2.4 million related to the Department's increase in debt due to the issuance of bonds in the Single Family Mortgage Revenue Bond Program, Residential Mortgage Revenue Bond Program and Multifamily Bond Program.

Interest and investment income earned from unrestricted investments are used to support various housing initiatives such as those related to the State Housing Trust Fund. Sources for other operating revenues are fees from the Tax Credit Program, compliance fees, bond administrative fees, asset management fees and miscellaneous interest earned from funds held by the Comptroller.

Fees earned under the Tax Credit Program are application fees, commitment fees, inspection fees and asset management fees. Yearly compliance fees are generated from the Department's portfolio of multifamily properties. The Department performs on-site visits and desk reviews to ensure the properties are in compliance with the various housing regulations. Bond

Proprietary Fund Cont'd

administrative fees are generated yearly from the various bond issuances to support the Department's administrative expenses. The graph below illustrates the primary composition of $18.5 million in other operating revenues, classified as unrestricted earnings, according to the different housing programs.



The following table illustrates the changes in net position by program of the Department's proprietary fund for fiscal years 2021 and 2020.

Texas Department of Housing and Community Affairs
Proprietary Fund
Changes in Net Position by Program
(Amounts in Thousands)

Program	2021	2020	Increase / (Decrease) Amount	Increase / (Decrease) %
Single Family	$ 219,597	$ 165,847	$ 53,750	32.4
RMRB	156,839	159,346	(2,507)	(1.6)
Multifamily	(547)	(547)	0	0.0
General Funds	6,407	5,786	621	10.7
TMP	31,405	27,818	3,587	12.9
State Housing Trust Fund	54,776	56,442	(1,666)	(3.0)
Administration Fund	(64,786)	(60,174)	(4,612)	7.7
Housing Initiatives & Compliance	21,695	19,564	2,131	10.9
Total	$ 425,386	$ 374,082	$ 51,304	13.7

Proprietary Fund Cont'd

The Net Position of the Single Family Mortgage Revenue Bond Program increased by $53.8 million, or 32.4%, primarily due to a positive change in fair value of investments of $2.7 million, a positive difference between interest income and interest expense of $7.8 million, positive difference of $56.3 million between operating revenue and expenses primarily related to TMP activity, offset by $12.4 million in bad debt expenses, and professional fees and services of $834 thousand.

The Net Position of the Residential Mortgage Revenue Bond Program decreased by $2.5 million, or 1.6%, primarily due to a positive change in fair value of investments of $921.7 thousand, a positive difference of $2.2 million between interest income and interest expense, positive difference of $4.3 million between other operating revenue and expenses primarily related to TMP activity, offset by $9.1 million in bad debt expenses, and professional fees and services of $498 thousand.

The Net Position of the Taxable Mortgage Program increased by $3.6 million, or 12.9%, primarily due to a positive difference between interest income and interest expense of $3.0 million and a positive difference of $2.0 million between other operating revenue and expenses, offset by a net transfer out of $1.4 million.

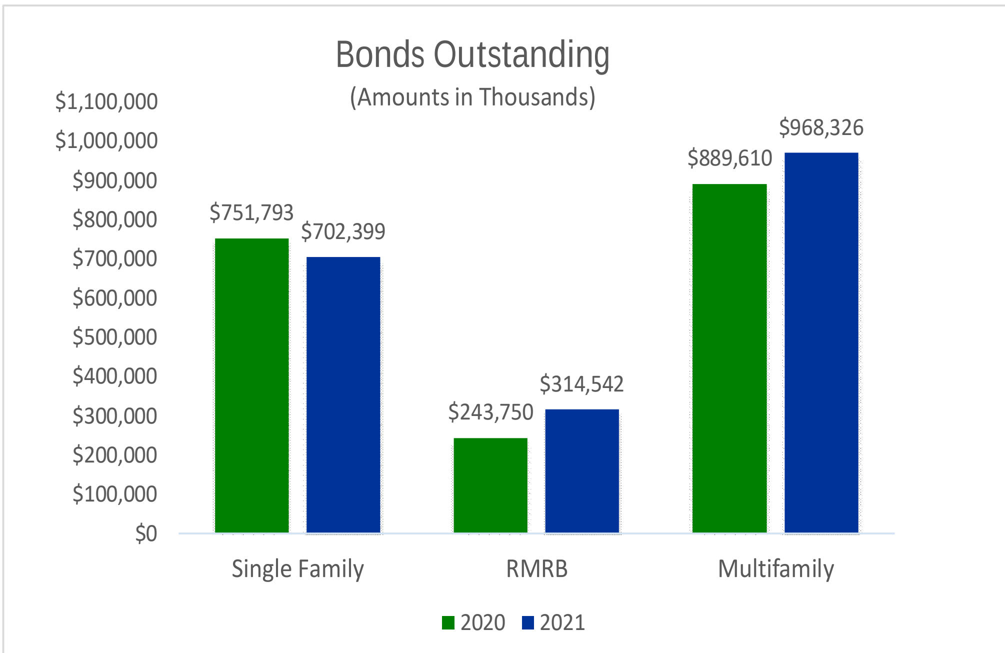
The Net Position of the Housing Initiatives & Compliance Programs increased $2.1 million, or 10.9%, which is reflective of fees collected of $14.1 million and $12.0 million of transfers made to fund the operating budget.

The Net Position of the Administration Fund decreased by $4.6 million, or 7.7%, primarily due to the change in pension and OPEB expense reflective of the Department's proportionate share of the pension and OPEB liability reported by ERS Plan.

Department Bond Debt

The Department had an increase in bonds payable of $100.1 million to $2.0 billion of which $28.6 million is due within one year. It issued $408.6 million in bonds during the year and had $310.4 million in bond debt retirements (See Schedule I-B) during the year primarily due to consumer refinancing and paying off of original loans. For additional information, see Note 6, Bonded Indebtedness, and supplementary bond information schedules.

The following graph illustrates a comparison of bonds outstanding between fiscal year 2020 and 2021 per bond program.



Request for Information

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs' (TDHCA) operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Director of Administration, P.O. Box 13941, Austin, Texas, 78711-3941.

BASIC

FINANCIAL STATEMENTS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I

STATEMENT OF NET POSITION - GOVERNMENT-WIDE

As of August 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand	$ 200.00	$ 200.00	$ 400.00
Cash in Bank	20,000.00	353,751.39	373,751.39
Cash in State Treasury		2,475,629.85	2,475,629.85
Cash Equivalents		42,778,901.21	42,778,901.21
Restricted:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank		78,887,391.53	78,887,391.53
Cash in State Treasury	1,113,413,702.28		1,113,413,702.28
Cash Equivalents	567,850.35	217,407,953.34	217,975,803.69
Short-term Investments (Note 3)		18,032,909.00	18,032,909.00
Loans and Contracts	17,956,066.10	81,247,490.31	99,203,556.41
Interest Receivable		7,129,273.14	7,129,273.14
Federal Receivable	21,470,187.62		21,470,187.62
Legislative Appropriations	7,330,811.24		7,330,811.24
Receivables From:			
Interest Receivable	213,670.85	921,265.21	1,134,936.06
Accounts Receivable	139,213.00	400,303.00	539,516.00
Internal Balances (Note 11)	(214,217.59)	214,217.59	-
Consumable Inventories	5,966.13	5,966.14	11,932.27
Loans and Contracts		3,232,403.08	3,232,403.08
Other Current Assets		75,865.97	75,865.97
Total Current Assets	1,160,903,449.98	453,163,520.76	1,614,066,970.74
Non-Current Assets:			
Loans and Contracts		42,141,213.06	42,141,213.06
Capital Assets (Note 2):			
Depreciable or Amortizable, Net	55,548.27	70,098.36	125,646.63
Restricted Assets:			
Investments (Note 3)		1,512,480,203.76	1,512,480,203.76
Loans and Contracts	449,710,171.80	1,190,266,508.85	1,639,976,680.65
Other Non-Current Assets:			
Real Estate Owned, Net		20,613.84	20,613.84
Total Non-Current Assets	449,765,720.07	2,744,978,637.87	3,194,744,357.94
Total Assets	$ 1,610,669,170.05	$ 3,198,142,158.63	$ 4,808,811,328.68
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources (Note 18)	$ 17,432,233.71	$ 20,595,609.64	$ 38,027,843.35
Total Deferred Outflows of Resources	$ 17,432,233.71	$ 20,595,609.64	$ 38,027,843.35

The notes to the financial statements are an integral part of this statement.

EXHIBIT I (Continued)
STATEMENT OF NET POSITION - GOVERNMENT-WIDE
As of August 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	$ 56,029,309.84	$ 1,674,543.23	$ 57,703,853.07
Accrued Bond Interest Payable		15,935,832.42	15,935,832.42
Payroll Payable	1,778,223.66	110,263.16	1,888,486.82
Unearned Revenues	1,057,067,056.43	7,386,781.22	1,064,453,837.65
Employees' Compensable Leave (Note 5)	1,089,324.51	1,193,295.32	2,282,619.83
Net OPEB Liability (Note 10)	621,500.75	884,161.25	1,505,662.00
Notes Payable (Note 5)		1,380,663.95	1,380,663.95
Revenue Bonds Payable (Notes 5 & 6)		28,594,280.04	28,594,280.04
Restricted Short-Term Debt (Note 4)		54,344,118.46	54,344,118.46
Other Current Liabilities		382,109.05	382,109.05
Total Current Liabilities	1,116,585,415.19	111,886,048.10	1,228,471,463.29
Non-Current Liabilities:			
Employees' Compensable Leave (Note 5)	607,399.69	659,009.33	1,266,409.02
Notes Payable (Note 5)		315,671,641.69	315,671,641.69
Net Pension Liability (Note 9)	51,640,699.11	53,514,546.89	105,155,246.00
Net OPEB Liability (Note 10)	21,947,801.75	21,685,141.25	43,632,943.00
Revenue Bonds Payable (Notes 5 & 6)		1,956,672,805.06	1,956,672,805.06
Derivative Hedging Instrument (Note 7)		2,210,372.00	2,210,372.00
Other Non-Current Liabilities (Note 5)		324,627,834.76	324,627,834.76
Total Non-Current Liabilities	74,195,900.55	2,675,041,350.98	2,749,237,251.53
Total Liabilities	$ 1,190,781,315.74	$ 2,786,927,399.08	$ 3,977,708,714.82
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources (Note 18)	6,846,767.16	$ 6,424,704.84	$ 13,271,472.00
Total Deferred Inflows of Resources	$ 6,846,767.16	$ 6,424,704.84	$ 13,271,472.00
NET POSITION			
Invested in Capital Assets	55,548.27	70,098.36	125,646.63
Restricted	494,787,615.99	408,454,049.61	903,241,665.60
Unrestricted	(64,369,843.40)	16,861,516.38	(47,508,327.02)
Total Net Position	430,473,320.86	425,385,664.35	855,858,985.21

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT II
STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE
For the Year Ended August 31, 2021

		Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
				Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	2021 Total
Primary Government						
Governmental Activities:						
Manufactured Housing	$ 6,660,438.24	$ 7,552,185.80	$ -	$ 891,747.56	$ -	$ 891,747.56
HOME Investment in Affordable Housing	28,763,039.92		29,859,846.64	1,096,806.72		1,096,806.72
ARPA - Home	17,819.25		17,819.25	-		-
Energy Assistance	187,732,845.82		188,371,138.32	638,292.50		638,292.50
Community Services	106,599,311.60		107,100,714.21	501,402.61		501,402.61
Community Development	15,000,282.93		12,986,489.77	(2,013,793.16)		(2,013,793.16)
Emergency Rental Assistance	811,059,750.98		808,834,475.97	(2,225,275.01)		(2,225,275.01)
ERA - Stabilization	21,706.63		21,706.63	-		-
Ending Homelessness	117,814.80	306,207.11		188,392.31		188,392.31
Section 8	7,316,764.61		7,163,045.17	(153,719.44)		(153,719.44)
Section 811	4,431,741.91		4,423,849.59	(7,892.32)		(7,892.32)
Mainstream	53,044.84		53,044.84	-		-
Tax Credit Assistance Program - ARRA	1,354,978.12		1,205,066.56	(149,911.56)		(149,911.56)
Money Follows the Person	198,871.14	230,195.88		31,324.74		31,324.74
Homeless Housing & Services Program	8,214,749.53			(8,214,749.53)		(8,214,749.53)
Housing Trust Fund	649,098.81			(649,098.81)		(649,098.81)
National Housing Trust Fund	112,907.12		7,035,911.59	6,923,004.47		6,923,004.47
Administration	11,361,001.34	22,861.13	2,133,778.68	(9,204,361.53)		(9,204,361.53)
Total Governmental Activities	1,189,666,167.59	8,111,449.92	1,169,206,887.22	(12,347,830.45)		(12,347,830.45)
Business-type Activities:						
Single Family Bonds	119,848,871.00	172,534,071.83			52,685,200.83	52,685,200.83
Multifamily Bonds	35,973,280.68	35,973,280.68			-	-
Housing Trust Fund Program	3,332,473.47	139,052.13			(3,193,421.34)	(3,193,421.34)
Administration	21,913,703.28	18,482,597.73			(3,431,105.55)	(3,431,105.55)
Total Business-type Activities	181,068,328.43	227,129,002.37			46,060,673.94	46,060,673.94
Total Primary Government	$ 1,370,734,496.02	$ 235,240,452.29	$ 1,169,206,887.22	$ (12,347,830.45)	$ 46,060,673.94	$ 33,712,843.49
General Revenues:						
Original Appropriations				10,109,943.00		10,109,943.00
Additional Appropriations				(444,480.24)		(444,480.24)
Interest & Other Investment Income				3,019,791.97	46,374.96	3,066,166.93
Appropriations Lapsed				(519,123.24)		(519,123.24)
Other Revenues				349,911.54	1,207.50	351,119.04
Net Increase in Fair Value of Investments					3,668,253.11	3,668,253.11
Transfers In (Out) (Note 11)				(5,446,630.74)	1,527,582.39	(3,919,048.35)
Total General Revenues and Transfers				7,069,412.29	5,243,417.96	12,312,830.25
Change in Net Position				(5,278,418.16)	51,304,091.90	46,025,673.74
Net Position, September 1, 2020				435,751,739.02	374,081,572.45	809,833,311.47
Net Position - August 31, 2021				$ 430,473,320.86	$ 425,385,664.35	$ 855,858,985.21

The notes to the financial statements are
an integral part of this statement.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT III
BALANCE SHEET - GOVERNMENTAL FUND
As of August 31, 2021

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3):	
Cash on Hand	200.00
Cash in Bank	20,000.00
Restricted:	
Cash and Cash Equivalents (Note 3):	
Cash in State Treasury	1,113,413,702.28
Cash Equivalents	567,850.35
Federal Receivable	21,470,187.62
Legislative Appropriations	7,330,811.24
Receivables From:	
Accounts Receivable	139,213.00
Interest	213,670.85
Notes/Loans Receivable	
Interfund Receivable (Note 11)	76,496.68
Due From Other Funds (Note 11)	219,068.41
Consumable Inventories	5,966.13
Restricted - Loans and Contracts	17,956,066.10
Total Current Assets	1,161,413,232.66
Non-Current Assets:	
Restricted - Loans and Contracts	449,710,171.80
Total Non-Current Assets	449,710,171.80
Total Assets	1,611,123,404.46
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	56,029,309.84
Payroll Payable	1,778,223.66
Due to Other Funds (Note 11)	219,068.41
Interfund Payable (Note 11)	290,714.27
Unearned Revenues	1,057,067,056.43
Total Liabilities	1,115,384,372.61
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances:	
Reserved for:	
Nonspendable	5,966.13
Restricted	494,208,547.74
Assigned	573,102.12
Unassigned	951,415.86
Total Fund Balances as of August 31	495,739,031.85
NOTE: Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore not reported in the funds.	55,548.27
Long term liabilities relating to employees' compensable leave, pensions, and OPEB are not due and payable in the current year therefore are not reported in the funds.	(65,321,259.26)
NET POSITION AS OF AUGUST 31	430,473,320.86

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT IV
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- GOVERNMENTAL FUND
Year Ended August 31, 2021

	Total
REVENUES	
Legislative Appropriations:	
Original Appropriations (GR)	$ 10,109,943.00
Additional Appropriations (GR)	(444,480.24)
Federal Revenue (PR-OP G/C)	1,169,129,594.72
State Grant Pass-Through Revenue (PR-OP G/C)	76,085.00
Licenses, Fees & Permits (PR-C/S)	7,119,188.04
Interest and Other Investment Income (GR)	3,019,791.97
Sales of Goods and Services (PR-C/S)	992,261.88
Other (GR)	349,911.54
Total Revenues	1,190,352,295.91
EXPENDITURES	
Salaries and Wages	13,615,464.24
Payroll Related Costs	4,353,125.19
Professional Fees and Services	51,657,466.08
Travel	294,315.21
Materials and Supplies	253,114.63
Communication and Utilities	182,185.00
Repairs and Maintenance	314,445.40
Rentals & Leases	238,135.42
Printing and Reproduction	9,414.43
Intergovernmental Payments	89,098,496.29
Public Assistance Payments	1,023,406,896.18
Other Expenditures	913,947.49
Total Expenditures	1,184,337,005.56
Excess of Revenues	
Over Expenditures	6,015,290.35
OTHER FINANCING SOURCES (USES)	
Transfers In (Note 11)	205,331.17
Transfers Out (Note 11)	(5,651,961.91)
Total Other Financing (Uses)	(5,446,630.74)
Net Change in Fund Balances	568,659.61
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances--Beginning	495,689,495.48
Appropriations (Lapsed)	(519,123.24)
Fund Balances - August 31	$ 495,739,031.85

The notes to the financial statements are
an integral part of this statement.

EXHIBIT IV (Continued)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- GOVERNMENTAL FUND
Year Ended August 31, 2021

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

		Total
Net Change in Fund Balances (Exhibit IV)	$	568,659.61
Appropriations (Lapsed)		(519,123.24)
Changes in Fund Balances		49,536.37
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to:		
- depreciation expense		(29,526.53)
- payroll expense due to Compensable Leave		(311,454.22)
- additional pension/OPEB expense related to GASB 68/71/75		(4,988,181.28)
- Other Operating Revenue from OPEB related to GASB 75		1,207.50
Change in Net Position, August 31 (Exhibit II)	$	(5,278,418.16)

The notes to the financial statements are an integral part of this statement.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V
STATEMENT OF NET POSITION - PROPRIETARY FUND
August 31, 2021

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3)	
Cash on Hand	$ 200.00
Cash in Bank	353,751.39
Cash in State Treasury	2,475,629.85
Cash Equivalents	42,778,901.21
Restricted Assets:	
Cash and Cash Equivalents (Note 3)	
Cash in Bank	78,887,391.53
Cash Equivalents	217,407,953.34
Short-term Investments (Note 3)	18,032,909.00
Loans and Contracts	81,247,490.31
Interest Receivable	7,129,273.14
Receivable:	
Interest Receivable	921,265.21
Accounts Receivable	400,303.00
Interfund Receivable (Note 11)	214,217.59
Consumable Inventories	5,966.14
Loans and Contracts	3,232,403.08
Other Current Assets	75,865.97
Total Current Assets	453,163,520.76
Non-Current Assets:	
Loans and Contracts	42,141,213.06
Capital Assets: (Note 2)	
Depreciable or Amortizable, Net	70,098.36
Restricted Assets:	
Investments (Note 3)	1,512,480,203.76
Loans and Contracts	1,190,266,508.85
Real Estate Owned, net	20,613.84
Total Non-Current Assets	2,744,978,637.87
Total Assets	$ 3,198,142,158.63
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources (Note 18)	$ 20,595,609.64
Total Deferred Outflows of Resources	$ 20,595,609.64

The notes to the financial statements are
an integral part of this statement.

EXHIBIT V (Continued)
STATEMENT OF NET POSITION - PROPRIETARY FUND
August 31, 2021

LIABILITIES	
Current Liabilities	
Payables:	
Accounts Payable	$ 1,674,543.23
Payroll Payable	110,263.16
Accrued Bond Interest Payable	15,935,832.42
Unearned Revenues	7,386,781.22
Employees' Compensable Leave (Note 5)	1,193,295.32
Net OPEB Liability (Note 10)	884,161.25
Notes and Loans Payable (Note 5)	1,380,663.95
Revenue Bonds Payable (Notes 5 & 6)	28,594,280.04
Restricted Short-Term Debt (Note 4)	54,344,118.46
Other Current Liabilities	382,109.05
Total Current Liabilities	111,886,048.10
Non-Current Liabilities	
Employees' Compensable Leave (Note 5)	659,009.33
Notes and Loans Payable (Note 5)	315,671,641.69
Net Pension Liability (Note 9)	53,514,546.89
Net OPEB Liability (Note 10)	21,685,141.25
Revenue Bonds Payable (Note 5 & 6)	1,956,672,805.06
Hedging Derivative Instrument (Note 7)	2,210,372.00
Other Non-Current Liabilities (Note 5)	324,627,834.76
Total Non-Current Liabilities	2,675,041,350.98
Total Liabilities	$ 2,786,927,399.08
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources (Note 18)	$ 6,424,704.84
Total Deferred Inflows of Resources	$ 6,424,704.84
NET POSITION	
Invested in Capital Assets	70,098.36
Restricted	408,454,049.61
Unrestricted	16,861,516.38
Total Net Position	425,385,664.35

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND

For the fiscal year ended August 31, 2021

	Total
OPERATING REVENUES	
Interest and Investment Income	$ 78,545,957.64
Net Increase in Fair Value	3,668,253.11
Other Operating Revenues	148,629,419.69
Total Operating Revenues	230,843,630.44
OPERATING EXPENSES	
Salaries and Wages	10,907,471.19
Payroll Related Costs	8,227,536.52
Professional Fees and Services	2,056,054.02
Travel	36,369.80
Materials and Supplies	168,035.62
Communications and Utilities	271,452.98
Repairs and Maintenance	344,324.70
Rentals and Leases	86,659.19
Printing and Reproduction	1,418.78
Depreciation and Amortization	34,888.32
Interest	65,420,513.14
Bad Debt Expense	21,649,946.47
Down Payment Assistance	2,740,673.68
Other Operating Expenses	69,122,984.02
Total Operating Expenses	181,068,328.43
Operating Income	49,775,302.01
NONOPERATING REVENUES (EXPENSES)	
Other Nonoperating Revenues	1,207.50
Total Non-Operating Revenues (Expenses)	1,207.50
Income before Other Revenues, Expenses, Gains, Losses and Transfers	49,776,509.51
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Transfers In (Note 11)	1,527,582.39
Total Other Revenues, Expenses, Gains, Losses and Transfers	1,527,582.39
CHANGE IN NET POSITION	51,304,091.90
Net Position, September 1, 2020	374,081,572.45
NET POSITION, AUGUST 31, 2021	$425,385,664.35

The notes to the financial statements are an integral part of this statement.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2021

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	$ 2,409,228,916.39
Proceeds from Other Revenues	158,949,463.62
Payments to Suppliers for Goods/Services	(238,348,388.12)
Payments to Employees	(14,295,657.26)
Payments for Loans Provided	(2,287,477,334.07)
Net Cash Provided By Operating Activities	28,057,000.56
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Debt Issuance	6,467,897,547.53
Proceeds from Note Payable	154,000,000.00
Proceeds of Transfers from Other Funds	1,527,582.39
Payments of Principal on Debt Issuance	(6,400,846,266.38)
Payments of Interest	(66,765,213.85)
Payments for Other Cost of Debt	(1,715,350.38)
Net Cash Provided By Noncapital Financing Activities	154,098,299.31
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net Cash (Used for) Capital Activities	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	239,685,591.03
Proceeds from Interest/Investment Income	50,746,426.27
Payments to Acquire Investments	(549,171,889.64)
Net (Used for) Investing Activities	(258,739,872.34)
Net Decrease in Cash and Cash Equivalents	(76,584,572.47)
Cash and Cash Equivalents, September 1, 2020	418,488,399.79
Cash and Cash Equivalents, August 31, 2021	$ 341,903,827.32

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII (Continued)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2021

	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 49,775,302.01
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	34,888.32
Pension Expense	8,106,020.73
OPEB Expense	98,105.50
Provision for Uncollectibles	21,649,946.47
Operating Income and Cash Flow Categories	
Classification Differences	(71,100,511.66)
Changes in Assets and Liabilities:	
(Increase) in Receivables	(41,533.50)
(Increase) in Accrued Interest Receivable	(623,531.67)
(Increase) in Loans / Contracts	(101,473,102.29)
(Increase) in Other Assets	(269,022.52)
Decrease in Property Owned	22,345.66
Increase in Payables	537,177.84
Increase in Unearned Revenues	1,473,337.67
Increase in Accrued Interest Payable	1,277,547.07
Increase in Other Liabilities	118,590,030.93
Total Adjustments	(21,718,301.45)
Net Cash Provided By Operating Activities	$ 28,057,000.56

NON CASH TRANSACTIONS
Net Change in Fair Value of Investments for 2021 was $3,668,253.11

The notes to the financial statements are
an integral part of this statement.

EXHIBIT VIII
STATEMENT OF FIDUCIARY NET POSITION
As of August 31, 2021

	CUSTODIAL FUND
ASSETS	
Current Assets:	
Restricted:	
Cash in State Treasury (Note 3)	$ 144,232.08
Total Current Assets	144,232.08
Total Assets	$ 144,232.08
LIABILITIES	
Current Liabilities	$ -
Total Liabilities	$ -
Total Net Position	$ 144,232.08

The notes to the financial statements are
an integral part of this statement.

EXHIBIT IX
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
As of August 31, 2021

	CUSTODIAL FUND
ADDITIONS	
Escrow payments collected for other governments	$ 1,492,227.19
Total Additions	1,492,227.19
DEDUCTIONS	
Escrow payments distributed to other governments	1,754,548.87
Total Deductions	1,754,548.87
Net increase (decrease) in Fiduciary Net Position	(262,321.68)
Net Position, September 1, 2020	406,553.76
Net position -- ending	$ 144,232.08

The notes to the financial statements are
an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Department of Housing and Community Affairs (Department) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

Effective September 1, 1991, the Department was created to assist local governments in helping residents overcome financial, social and environmental problems; to address very low to moderate income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the legislature in coordinating federal and state programs affecting local governments; and to continually inform the state and the public about the needs of local government (Texas Government Code Ann., Chapter 2306). The Department was created by merging two former agencies, the Texas Housing Agency and the Texas Department of Community Affairs.

The regulation of manufactured housing was transferred from the Texas Department of Licensing and Regulation to the Department on September 1, 1995. The Manufactured Housing Division is administratively attached to the Department and is responsible for issuing Statements of Ownership and Location, industry licensing, installation inspection, and consumer protection. The Manufactured Housing Division also serves as a State Administrative Agency, inspecting manufacturing plants on HUD's behalf. The Manufactured Housing Division has a governing Board of five members appointed by the Governor.

The Department is governed by a Board, composed of seven members, all of whom are appointed by the Governor with the advice and consent of the Texas Senate. The Board then appoints the Executive Director, with the approval of the Governor.

In response to the COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, additional funding through the Consolidated Appropriation Act 2021, and the American Rescue Plan Act (ARPA). The Department was allocated $3,983,510,746 in funding for various grants.

The accompanying financial statements of the Department have been prepared to conform to Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). These financial statements represent the financial status of the Department, and are not intended to present the financial position of the State of Texas or its results of operations or cash flows.

Component Units - No component units have been identified which should be included in the Department's financial statements.

FUND STRUCTURE

The Government-Wide Financial Statements are presented on the accrual basis of accounting and consist of the Statement of Net Position and the Statement of Activities. Program revenues include charges to customers who purchase, use or directly benefit from services or privileges provided by the Department and grants/contributions that are restricted to meeting the operational requirements of a particular program. The fiduciary activity is not included in the government-wide statements.

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Governmental Fund

The Governmental Fund is the principal operating fund used to account for most of the Department's general activities. It accounts for all financial resources except those accounted for in other funds.

Proprietary Fund Types

Enterprise Funds (Business-Type Activity)

Enterprise Funds account for operations financed and operated in a manner similar to private business. The intent is to recover costs through user charges and where a periodic determination of revenues earned, expenses incurred, and net income are appropriate for management control, accountability, contractual obligations and other purposes.

Fiduciary Fund Types

Custodial Fund

The Department has implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, by identifying activity related to Custodial Funds. Custodial funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Custodial funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The fiduciary activity is not included in the government-wide financial statements.

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental funds are accounted for using the modified accrual basis of accounting. Under modified accrual, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. The Department considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for the Fund Financial Statements prepared on the modified accrual basis of accounting. Expenditures and other uses of financial resources are recognized when the related liability is incurred except for certain long-term liabilities.

The Government-Wide Financial Statements are accounted for using the accrual method of accounting. This includes net pension liability, unpaid Employee Compensable leave, capital assets, and accumulated depreciation.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary Funds distinguish operating from non-operating items. Operating revenues result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Agency funds are custodial in nature and do not involve measurement of operations and provide the most appropriate mechanism for accounting for assets and liabilities.

The Department has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 as allowed by Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

BUDGET AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). The state monitors its statewide budget by establishing the legal level of control at the agency level to ensure that expenditures are not made in excess of budgetary authority. Within the Department, procedures are used to ensure that expenditures do not exceed their total budget at the division level, but the State Comptroller ultimately ensures that each total authorized agency budget is not exceeded. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES/NET POSITION

Assets

Cash and Cash Equivalents
Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Investments
Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and Governmental Accounting Standards Board Statement No. 72, Fair Value of Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair Value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

- Level 1 - inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market which the entity has the ability to access.
- Level 2 - inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 - inputs are unobservable that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

The Department utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. Fair value of the Department's securitized mortgage loans Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC) has been established by each bond issue's trustee using a pricing service which is considered a Level 2 input in accordance with Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application.

The Department has reported all investment securities at fair value as of August 31, 2021 with exception of some short-term money market investments and nonparticipating interest-earning investment contracts which are reported at amortized cost provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Changes in the fair value of investments for the Enterprise Fund are reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Fund as "Net Increase (Decrease) in the Fair Value." These investments are held and pledged per bond covenants and are intended to be held until maturity. The sale of these assets is considered to be incidental to the Department's course of business and any gain/loss on the sale is reported as "Net Increase (Decrease) in the Fair Value."

Consumable Inventories

Consumable inventories consist of postage on hand at year-end. Inventories for governmental fund types and proprietary fund types are accounted for using the consumption method of accounting. The costs of these items are expensed when the items are consumed.

Capital Assets

Assets with an initial individual cost meeting the thresholds established by the Comptroller's Office and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if donated, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset (5 years for both Furniture & Equipment and Other Capital Assets) using the straight-line method. All capital assets acquired by proprietary funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the donation date. Depreciation is charged to operations over the estimated useful life of each asset using the straight-line method.

Loans and Contracts

Loans and contracts consist of loans in the Governmental Fund made from federal funds for the purpose of Single Family loans and Multifamily development loans from HOME, Tax Credit Assistance Program (TCAP) , National Housing Trust Fund (NHTF) and Neighborhood Stabilization Program (NSP) grants. Restricted loans and contracts in proprietary funds consist of mortgage loans made from Single Family and Multifamily bond proceeds. Unrestricted loans and contracts consist of Single Family loans and Multifamily development loans from The State of Texas Housing Trust Fund and other Housing Initiative Programs. Loans receivable are carried at the unpaid principal balance outstanding, net of the allowance for estimated losses. Interest on loans is credited to income as earned. Loans are generally placed on non-accrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when they are 90 days past due as to either principal or interest or when payment in full of principal and interest is not expected.

Real Estate Owned

Real estate owned are properties acquired through foreclosure that are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers, and an allowance for estimated losses on such properties, which approximates the net realizable value of the property at foreclosure. Loans secured by Single Family properties on which there is an indication that the borrower no longer has the ability to repay the loan and that foreclosure is likely are considered in-substance foreclosures and are classified as real estate owned in the accompanying balance sheet. Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

Allowance for Estimated Losses on Loans and Foreclosed Properties
The allowance for estimated losses on loans is calculated for future charge-offs on Single Family and Multifamily loans. The allowance for estimated losses on real estate owned is calculated for future charge-offs on foreclosed Single Family loans.

All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is likely to occur. Periodically, management estimates the level of future losses to determine whether the allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is credited to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses. While management uses available information to recognize losses in the loan and real estate owned portfolios, future additions may be necessary based on changes in economic conditions. However, it is the judgment of management that allowances are currently adequate to absorb reasonably foreseeable losses in the existing loan and real estate owned portfolios.

Deferred Outflows of Resources

Deferred Outflows of Resources
The Department identified its derivative instruments and measured their effectiveness in accordance with Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The Department contracted a service provider to measure its derivative instruments effectiveness. Since the derivative instruments were deemed to be effective, the Department will be deferring the changes in fair value for these derivative instruments and reporting them as deferred outflows of resources. The Department has also implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The Department will be reporting its allocated contributions as of the measurement date of August 31, 2020, contributions after the measurement date for fiscal year 2021, and the effect of changes in actuarial assumptions as deferred outflows of resources.

Liabilities

Accounts Payable
Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Short-Term Debt
Short-term debt primarily consists of funds due to Federal Home Loan Bank related to an Advances and Security Agreement.

Other Current Liabilities
Other current liabilities primarily consist of escrow fees and arbitrage liability.

Unearned Revenues
Unearned Revenues in the proprietary fund represent fees, such as compliance fees that are received in advance of work performed and are recognized over a period of time. Unearned Revenues in the governmental fund represent federal revenues that have not been earned but are available at fiscal year-end in the amount that revenues exceed expenditures.

Employees' Compensable Leave Balances
Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net position.

Net Pension Liability
The Department has implemented Governmental Accounting Standards Board No. 68, Accounting and Financial Reporting for Pensions. The Department has relied on reports issued by the Employees Retirement System of Texas who is the administrator of the plan. The Department has reported its proportionate share of the pension liability according to their report.

Net OPEB Liability
The Department has implemented Governmental Accounting Standards Board Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The Department has relied on reports issued by the Employees Retirement System of Texas who is the administrator of the plan. The Department has reported its proportionate share of the OPEB liability according to their report.

Bonds Payable – Revenue Bonds
Revenue bonds are accounted for in the proprietary fund. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the statement of net position.

Notes Payable
The Department issues notes to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing payable solely from the payments received from the assets and guarantors, which secure the notes. The Department has issued one note which is subordinate lien obligation. The 2016 Issuer Note has a loan agreement with Woodforest National Bank to provide funding for down payment assistance in connection with Texas Homeownership Programs.

Discounts and Premiums on Debt
Discounts and premiums on debt are recognized using the interest method over the lives of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums related to that debt.

Derivative Hedging Instruments
Per Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, the Department is to recognize its interest rate swaps at fair value taking into account non-performance risk on the Statement of Net Position. As of August 31, 2021, the fair value of the Department's four swaps is considered to be negative indicating the Department would be obligated to pay the counterparty the fair value as of the termination date. The Department has the option to terminate prior to the maturity date.

Other Non-Current Liabilities
Other non-current liabilities primarily account for funds due to Developers as a result of Multifamily bond proceeds. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the developers' fluctuation in cash flow needs, the current portion cannot be reasonably estimated.

Deferred Inflows of Resources

The Department has implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions Plans*. It will be reporting the difference between expected and actual experience and the difference between projected and actual investment return as deferred inflows of resources.

Fund Balance/Net Position

Fund Balance/Net Position – Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources on the government-wide, proprietary and fiduciary fund statements. Fund balance is the difference between fund assets and liabilities on the governmental fund statements.

Fund Balance Components

The fund balance amounts for governmental funds were reclassified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable Fund Balance
Includes amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to be maintained intact.

Restricted Fund Balance
Includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

Committed Fund Balance
Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Texas Legislature, the state's highest level of decision-making authority.

Assigned Fund Balance
Includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance
This is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the general fund.

Net Position Components

Invested in Capital Assets
Includes amounts for capital assets net of accumulated depreciation. There is no debt associated with these capital assets.

Restricted Net Position
Restricted Net Position includes monies or other resources restricted by legal or contractual requirements. These assets in the General Fund include federal grants which are restricted by the grantor for specific program purposes.

The Proprietary Fund includes certain assets pledged to respective bond indentures, the use of which is restricted by those same bond covenants.

Unrestricted Net Position
Includes amounts that do not fall under the Invested in Capital Assets or Restricted Net Position categories. When both restricted and unrestricted resources are available for use, restricted resources are used first, then unrestricted resources are used as they are needed.

Interfund Transactions and Balances

Interfund Receivables and Payables
Interfund transactions are reported as interfund receivables and payables at year-end. If repayment is due during the current year or soon thereafter, the balance is classified as current. Balances for repayment due in two (or more) years are classified as noncurrent.

Due From and Due To Other Funds / Agencies
Represents amounts that must be repaid by other funds / agencies or advances from other funds / agencies.

Transfers
Legally required transfers that are reported when incurred as Transfers In by the recipient fund and as Transfers Out by the disbursing fund.

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for year ended August 31, 2021 is below:

	PRIMARY GOVERNMENT				
	Balance 09/01/20	Adjustments	Additions	Deletions	Balance 08/31/21
GOVERNMENTAL ACTIVITIES					
Depreciable Assets					
Furniture and Equipment	$ 530,956.66	$	$ -	$	$ 530,956.66
Other Capital Assets	130,964.13				130,964.13
Total Depreciable Assets	$ 661,920.79	$ -	$ -	$ -	$ 661,920.79
Less Accumulated Depreciation for:					
Furniture and Equipment	$ (445,881.86)	$	$ (29,526.53)	$	$ (475,408.39)
Other Capital Assets	(130,964.13)				(130,964.13)
Total Accumulated Depreciation	(576,845.99)	-	(29,526.53)	-	(606,372.52)
Depreciable Assets, Net	$ 85,074.80	$ -	$ (29,526.53)	$ -	$ 55,548.27
Amortizable Assets - Intangible					
Computer Software	$ 1,307,012.36	$	$	$	$ 1,307,012.36
Total Amortizable Assets - Intangible	$ 1,307,012.36	$ -	$ -	$ -	$ 1,307,012.36
Less Accumulated Amortization for:					
Computer Software	$ (1,307,012.36)	$	$	$	$ (1,307,012.36)
Total Accumulated Amortization	(1,307,012.36)	-	-	-	(1,307,012.36)
Amortizable Assets - Intangible, Net	$ -	$ -	$ -	$ -	$ -
Governmental Activities Capital Assets, Net	$ 85,074.80	$ -	$ (29,526.53)	$ -	$ 55,548.27

	PRIMARY GOVERNMENT				
	Balance 09/01/20	Adjustments	Additions	Deletions	Balance 08/31/21
BUSINESS-TYPE ACTIVITIES					
Depreciable Assets					
Furniture and Equipment	$ 496,982.71	$	$ -	$	$ 496,982.71
Other Capital Assets	132,278.87				132,278.87
Total Depreciable Assets	$ 629,261.58	$ -	$ -	$ -	$ 629,261.58
Less Accumulated Depreciation for:					
Furniture and Equipment	$ (391,996.03)	$	$ (34,888.32)	$	$ (426,884.35)
Other Capital Assets	(132,278.87)				(132,278.87)
Total Accumulated Depreciation	(524,274.90)	-	(34,888.32)	-	(559,163.22)
Depreciable Assets, Net	$ 104,986.68	$ -	$ (34,888.32)	$ -	$ 70,098.36
Amortizable Assets - Intangible					
Computer Software	$ 679,784.59	$	$	$	$ 679,784.59
Total Amortizable Assets - Intangible	$ 679,784.59	$ -	$ -	$ -	$ 679,784.59
Less Accumulated Amortization for:					
Computer Software	$ (679,784.59)	$	$	$	$ (679,784.59)
Total Accumulated Amortization	(679,784.59)	-	-	-	(679,784.59)
Amortizable Assets - Intangible, Net	$ -	$ -	$ -	$ -	$ -
Business-Type Activities Capital Assets, Net	$ 104,986.68	$ -	$ (34,888.32)	$ -	$ 70,098.36

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

The Department is authorized by statute to make investments following the "prudent person rule" and based upon provisions within the master bond indentures and its Investment Policy adopted by the Board in accordance with the Public Funds Investment Act. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2021, the carrying amount of deposits was $79,261,142.92.

Governmental and Business-Type Activities CASH IN BANK - CARRYING VALUE	$ 79,261,142.92

Governmental Funds Current Assets Cash in Bank	$ 20,000.00
Texas Treasury Safekeeping Trust	353,751.39
Texas Treasury Safekeeping Trust - Restricted	6,781,722.60
Demand Deposits	72,105,668.93
Cash in Bank	$ 79,261,142.92

At August 31, 2021, the Department's cash and deposits in the State Treasury amounted to $1,116,033,564.21 which included $144,232.08 in Fiduciary Funds. The total amount was fully collateralized by securities held with a trustee in the State's name, as reported to the Department by the Comptroller of Public Accounts of the State of Texas.

Investments

The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures for bond related funds and the remaining by the Department's Investment Policy adopted by its Board in accordance with the Public Funds Investment Act. The indentures allow for investments in direct obligations of or guaranteed by the U.S. Government; obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. Government; obligations issued by public agencies or municipalities; obligations and general obligations of or guaranteed by the state; demand deposits, interest-bearing time deposits or certificates of deposit; repurchase agreements in U.S. Government securities; direct or general obligations of any state within the territorial U.S.; investment agreements with any bank or financial institution; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

The Department holds $144,308,361.33 in overnight repurchase agreements maturing on the following business day, September 1, 2021, at a rate of 0.02%.

At August 31, 2021, the fair value of investments (including both short-term and long-term) and cash equivalents are shown below.

	Fair Value Hierarchy				
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	Total
Governmental Activities					
Repurchase Agreements (TTSTC)	$ -	$ -	$ -	$ 567,850.35	$ 567,850.35
Total Governmental Activities					$ 567,850.35
Business Type Activities					
U.S. Government					
U.S. Treasury Notes	$ 39,426,012.00	$ -	$ -	$ -	$ 39,426,012.00
U.S. Government Agency Obligations		1,376,440,865.12			1,376,440,865.12
Repurchase Agreements (TTSTC)				143,740,510.98	143,740,510.98
Fixed Income Money Markets				102,907,714.77	102,907,714.77
Miscellaneous Investments				128,184,864.44	128,184,864.44
Total Business-Type Activities					$ 1,790,699,967.31

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Preservation and safety of principal is the foremost objective of the investment program. According to the Department's investment policy, investments should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is mitigated by

- Limiting investments to the safest types of securities.
- Pre-qualifying the financial institution, broker/dealers, intermediaries, and advisors with which the Department will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of August 31, 2021, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Investment Type	Not Rated	AAA	AA+	AA-
Governmental Activities				
Repurchase Agreements (TTSTC)	$567,850.35			
Business-Type Activities				
U.S. Government Agency Obligations			$407,030,494.48	
U.S. Treasury Notes		$39,426,012.00		
Repurchase Agreements (TTSTC)	$143,740,510.98			
Miscellaneous Investments	$45,237,495.71			$82,947,368.73
	Not Rated	AAA-M	AA-M	A-M
Fixed Income Money Market		$102,907,714.77		

Repurchase Agreements, while not rated, are required to be over collateralized such that they meet the requirements set-forth in the various indentures.

A total of $969,410,370.64 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. Government which is composed of U.S. Government Agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2021, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value	% of Total Portfolio
Natwest	$144,308,361.33	8.06%

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. The longer the maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities.

Information about the sensitivity of the fair values of the Department's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Department's investments by maturity:

Remaining Maturity (in months)

Governmental Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
Repurchase Agreements (TTSTC)	$ 567,850.35	$ 567,850.35	$ -	$ -	$ -
Total Governmental Activities	$ 567,850.35	$ 567,850.35	$ -	$ -	$ -
Business Type Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
U.S. Government Agency Obligations	$ 1,376,440,865.12	$ -	$ 53,988.09	$ 1,490,700.49	$ 1,374,896,176.54
U.S. Treasury Notes	39,426,012.00	1,977,427.00	11,692,085.00	$ 25,756,500.00	
Repurchase Agreements (TTSTC)	143,740,510.98	143,740,510.98			
Fixed Income Money Markets	102,907,714.77	102,907,714.77			
Miscellaneous Investments	128,184,864.44	29,594,110.80	$ 22,153,241.55	$ 10,018,800.00	66,418,712.09
Total Business-Type Activities	$ 1,790,699,967.31	$ 278,219,763.55	$ 33,899,314.64	$ 37,266,000.49	$ 1,441,314,888.63

Highly Sensitive Investments

Mortgage-backed securities. These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to changes in interest rates. The Department does not make it a common practice to sell these investments. However, in recent years the Department has sold some of these investments at a premium and used the realized gain to fund Down Payment Assistance loans in connection with the Single Family My First Texas Home Program. Any other fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2021, the Department holds $1,376,440,865.12 in mortgage-backed securities.

NOTE 4: SHORT-TERM DEBT

Business-Type Activities	Balance 09/01/20	Additions	Reductions	Balance 08/31/21
Short -Term Debt (Direct Borrowing)	$ 140,800,959.83	6,053,652,230.83	6,140,109,072.20	$ 54,344,118.46
Total Business-Type Activities	$ 140,800,959.83	6,053,652,230.83	6,140,109,072.20	$ 54,344,118.46

Short-Term Debt

Short-term debt in the Enterprise Fund is comprised of funds due to the Federal Home Loan Bank of Dallas (FHLB) in the amount of $54,344,118.46.

On October 1, 2016, the Idaho Housing and Finance Association (Idaho HFA) began serving as Master Servicer for the Department's Single Family Mortgage Purchase Program. Idaho HFA's servicing structure requires the purchase of program mortgage loans by the Department, and subsequent repurchase of those loans by the Idaho HFA, prior to pooling the loans into a mortgage-backed security (MBS).

The Department executed an Advances and Security Agreement with the FHLB, effective October 1, 2016, to fund the purchase of program loans, and is considered to be a direct borrowing. The Department borrows at short-term rates from FHLB and pledges the mortgage loans, plus additional amounts deposited in an escrow account, as collateral for advances. Borrowings, or advances, occur almost daily and are used to purchase mortgage loans within one to two business days after purchase from lenders by Idaho HFA. With each MBS settlement, the advances related to the mortgage loans underlying the related MBS are repaid.

It contains the following events of default:

- A default in the payment of any principal or interest of the loan when such payments become due and payable;
- The failure of the Department to perform any promise or obligation or satisfy any condition or liability:
- Evidence coming to the attention of FHLB that any representation, statement or warranty made or furnished by the FHLB in connection with any advance, any specification of qualifying collateral or any certification of fair value market value was false in any material respect;
- The issuance of any tax, levy, seizure, attachment, garnishment, levy of execution, or other legal process with respect to the collateral;
- A suspension of payment made by Department to any creditor or any event that results in the acceleration of any of its indebtedness.
- The appointment of a conservator or receiver for the Department under the federal bankruptcy laws.
- The sale by the Department of all or material part of its assets
- The cessation of the Department to be a type of institution that is eligible to become a borrower of FHLB.
- The merger, or consolation or other combination by the Department with any other non-eligible entity.
- FHLB reasonably and in good faith determines that a material adverse change has occurred in the financial condition of the Department
- FHLB deems itself insecure even though the Department is not otherwise in default

The occurrence of or during the continuation any event of default, FHLB may at its own option declare all indebtedness and accrued interest to be immediately due and payable without presentment, demand, protest, or any further notice

As of August 31, 2021, the maximum aggregate principal amount available for advances under the Advances Agreement was $250,000,000 resulting in $195,655,881.54 available in the line of credit at August 31, 2021.

NOTE 5: SUMMARY LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2021, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/20	Additions	Reductions	Balance 08/31/21	Amounts Due Within One Year
Compensable Leave	$ 1,385,269.98	1,696,724.20	1,385,269.98	$ 1,696,724.20	$ 1,089,324.51
Total Governmental Activities	$ 1,385,269.98	1,696,724.20	1,385,269.98	$ 1,696,724.20	$ 1,089,324.51

Business-Type Activities	Balance 09/01/20	Additions	Reductions	Balance 08/31/21	Amounts Due Within One Year
Revenue Bonds Payable	$ 1,602,401,856.61	380,245,316.70	255,533,347.41	$ 1,727,113,825.90	$ 24,338,746.61
Revenue Bonds Payable - Direct Placements	$ 282,750,637.85	34,000,000.00	58,597,378.65	$ 258,153,259.20	$ 4,255,533.43
Notes Payable - Direct Placements	154,234,080.46	154,000,000.00	1,181,774.82	307,052,305.64	1,380,663.95
Notes Payable - Direct Borrowing	22,000,000.00	-	12,000,000.00	10,000,000.00	-
Compensable Leave	1,649,334.35	1,852,304.65	1,649,334.35	1,852,304.65	1,193,295.32
Total Business-Type Activities	$ 2,063,035,909.27	570,097,621.35	328,961,835.23	$ 2,304,171,695.39	$ 31,168,239.31

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Position. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Revenue Bonds Payable

The Department issues bonds to assist in financing the purchase of homes or the construction or rehabilitation of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (See Note 6 for more information.) The $414,245,316.70 in additions is inclusive of $5,625,389.70 in bond premium related to the issuance of the 2021 Residential Mortgage Revenue Bonds Series A. The $314,130,726.06 in reductions is inclusive of $3,727,443.49 in amortization of bond premium/discount.

The Department has $258,153,259.20 of revenue bonds outstanding from direct placements as of August 31, 2021. They were primarily issued to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing and are secured by these assets and their respective revenue. These bonds are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the bonds.

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES Cont'd

They contain the following events of default:

- A default in the payment of any interest of the loan when such interests becomes due and payable;
- A default in the payment of principal of the loan when such principal becomes due and payable.

The occurrence of any event of default would trigger remedies ranging from demand of immediate payment to the acceleration of the bonds causing it to be immediately due and payable.

The following are debt service requirements for bonds payable in the business-type activities:

Texas Department of Housing and Community Affairs
Bonds Payable Debt Service Requirements
Business-Type Activities

	Revenue Bonds Payable			Revenue Bonds Payable - Direct Placement		
Year	Principal	Interest	Total	Principal	Interest	Total
2022	$ 22,188,481.01	$ 46,747,857.46	$ 68,936,338.47	$ 4,255,533.43	$ 10,983,081.39	$ 15,238,614.82
2023	20,992,911.75	46,174,832.63	67,167,744.38	4,463,567.89	10,770,984.35	15,234,552.24
2024	21,861,380.93	33,382,645.68	55,244,026.61	16,708,673.49	22,550,120.53	39,258,794.02
2025	78,037,154.46	44,226,519.82	122,263,674.28	4,931,207.70	10,312,108.00	15,243,315.70
2026	26,008,714.53	43,203,542.28	69,212,256.81	13,348,549.31	9,986,404.69	23,334,954.00
2027-31	147,324,053.10	198,207,080.51	345,531,133.61	42,266,587.17	46,267,974.33	88,534,561.50
2032-36	328,307,438.09	164,623,911.45	492,931,349.54	36,917,300.66	36,635,536.72	73,552,837.38
2037-41	498,403,344.45	109,201,543.56	607,604,888.01	53,381,522.81	27,364,826.92	80,746,349.73
2042-46	291,270,319.52	68,659,341.16	359,929,660.68	31,708,959.10	17,750,952.22	49,459,911.32
2047-51	221,239,783.63	21,254,296.94	242,494,080.57	26,688,185.12	7,387,097.87	34,075,282.99
2052-56	5,496,712.24	6,429,309.37	11,926,021.61	12,473,172.52	3,734,273.57	16,207,446.09
2057-61	30,892,419.37	4,076,407.73	34,968,827.10	11,010,000.00	1,440,916.49	12,450,916.49
Totals	$ 1,692,022,713.08	$ 786,187,288.59	$ 2,478,210,001.67	$ 258,153,259.20	$ 205,184,277.08	$ 463,337,536.28

Notes Payable

The Department has notes and loans payable from direct borrowings and direct placements related to business-type activities in the amount of $317,052,305.64 as of August 31, 2021 and they have no unused lines of credit. It has one Issuer Note from direct borrowings and twelve Multifamily Notes from direct placements.

The Department's Issuer Note from direct borrowings is a subordinate lien obligation to provide funding for down payment assistance in connection with Texas Homeownership Programs. The 2016 Issuer Note has a loan agreement with Woodforest National Bank secured by the RMRB Indenture. It contains the following events of default:

- A default in payment of any interest upon the loan when such interest becomes due and payable;
- A default in payment of principal of the loan when such principal becomes due and payable;
- A default in the Asset Test if the amount calculated pursuant to such test equals an amount less than 102%, plus the current outstanding amount of the loan.

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES Cont'd

The occurrence of any event of default would trigger remedies ranging from demand of immediate payment to the acceleration of the loan causing it to be immediately due and payable.

The Department's twelve notes from direct placements were primarily issued to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing and are secured by these assets and their respective revenue. These notes are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the notes. They contain the following events of default:

- A default in payment of any interest upon the loan when such interests become due and payable;
- A default in payment of principal of the loan when such principal becomes due and payable.

The occurrence of any event of default would trigger remedies ranging from demand of immediate payment to the acceleration of the loan causing it to be immediately due and payable.

The following are debt service requirements for notes payable in the business-type activities:

Texas Department of Housing and Community Affairs
Notes Payable Debt Service Requirements
Business-Type Activities

	Notes Payable - Direct Borrowing			Notes Payable - Direct Placement		
Year	Principal	Interest	Total	Principal	Interest	Total
2022	$ -	$ -	$ -	$ 1,380,663.95	$ 11,656,148.90	$ 13,036,812.85
2023	-	-	-	33,442,369.86	11,009,807.32	44,452,177.18
2024	-	-	-	1,496,652.86	10,536,920.04	12,033,572.90
2025	-	-	-	1,561,229.75	10,464,482.93	12,025,712.68
2026	-	-	-	1,625,742.21	10,400,928.29	12,026,670.50
2027-31	10,000,000.00	824,383.62	10,824,383.62	9,192,633.67	50,965,339.67	60,157,973.34
2032-36	-	-	-	51,950,343.71	45,749,051.15	97,699,394.86
2037-41	-	-	-	171,402,669.63	24,875,420.25	196,278,089.88
2042-46	-	-	-	-	5,341,473.33	5,341,473.33
2047-51	-	-	-	-	5,341,473.33	5,341,473.33
2052-56	-	-	-	20,000,000.00	4,167,398.66	24,167,398.66
2057-61	-	-	-	15,000,000.00	1,531,224.58	16,531,224.58
Totals	$ 10,000,000.00	$ 824,383.62	$ 10,824,383.62	$ 307,052,305.64	$ 192,039,668.45	$ 499,091,974.09

Other Non-Current Liabilities

Other non-current liabilities in the Enterprise Fund are comprised primarily of funds due to developers as a result of Multifamily bond proceeds which have corresponding investment balances not adjusted to market value in the amount of $324,627,834.76. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

NOTE 6: BONDED INDEBTEDNESS

The Department has 79 bond issues outstanding at August 31, 2021. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by, or the construction of rental housing for, families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 1-A, 1-B, 1-C, 1-D, 1-E and 1-F.)

Proceeds from the issuance of bonds under the Single Family indenture prior to 1987 and Residential Mortgage Revenue Bonds (RMRB) Series 1987A Programs were used to acquire loans. Proceeds from the remaining Single Family and RMRB issues were used to acquire pass-through certificates (GNMA, FNMA, FHLMC) backed by mortgage loans. Proceeds from the Multifamily bond issues were used to finance mortgage loans.

Interest on bonds and collateralized mortgage obligations is payable periodically.

The Single Family and RMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily mortgage-backed securities and investments. The Multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include the following: failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the Trustee; and non-performance or non-observance of any other covenants, agreements or conditions contained in the indentures. Management believes they are in compliance with the covenants of the indentures.

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage-backed securities mature or prepay. Bond contractual maturities (principal only) at August 31, 2021, are as follows (in thousands):

Description	2022	2023	2024	2025	2026	2027 to 2031	2032 to 2036
Single-family	$ 9,085	$ 9,350	$ 9,660	$ 9,905	$ 10,260	$ 71,945	$ 102,497
RMRB	3,670	4,870	5,035	5,215	5,400	30,895	37,515
Multifamily	13,689	11,236	23,875	67,848	23,697	86,751	225,213
Total	$ 26,444	$ 25,456	$ 38,570	$ 82,968	$ 39,357	$ 189,591	$ 365,225

Description	2037 to 2041	2042 to 2046	2047 to 2051	2052 to 2056	2057 to 2061	2062 to 2066	Total
Single-family	$ 149,149	$ 140,110	$ 167,503	$	$	$	$ 679,464
RMRB	45,530	112,384	50,595	1,420			302,529
Multifamily	357,106	70,485	29,830	16,550	41,902		968,182
Total	$ 551,785	$ 322,979	$ 247,928	$ 17,970	$ 41,902	$	$ 1,950,175

NOTE 6: BONDED INDEBTEDNESS Cont'd

The interest payment requirements at August 31, 2021, are as follows (in thousands):

Description	2022	2023	2024	2025	2026	2027 to 2031	2032 to 2036
Single-family	$ 20,790	$ 20,585	$ 20,371	$ 20,139	$ 19,888	$ 93,866	$ 83,731
RMRB	9,701	9,573	9,429	9,277	9,115	42,226	35,860
Multifamily	27,240	26,788	26,133	25,123	24,187	108,383	81,668
Total	$ 57,731	$ 56,946	$ 55,933	$ 54,539	$ 53,190	$ 244,475	$ 201,259

Description	2037 to 2041	2042 to 2046	2047 to 2051	2052 to 2056	2057 to 2061	2062 to 2066	Total
Single-family	$ 66,687	$ 44,765	$ 9,810	$	$	$	$ 400,632
RMRB	28,717	15,764	4,092	21			173,775
Multifamily	41,162	25,882	14,740	10,142	5,517		416,965
Total	$ 136,566	$ 86,411	$ 28,642	$ 10,163	$ 5,517	$	$ 991,372

Interest requirements on variable rate debt are calculated using the interest rate in effect at August 31, 2021. Interest rates on variable rate debt reset on a weekly basis by the remarketing agent.

Changes in Bonds Payable

Description	Bonds Outstanding 09/01/20	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/21	Amounts Due Within One Year
Single Family	$ 726,432,032.00	$ 30,000,000.00	$ 5,735,000.00	$ 71,233,101.00	$ 679,463,931.00	$ 10,358,636.56
RMRB	236,075,000.00	161,369,927.00	3,940,000.00	90,976,194.00	302,528,733.00	4,531,610.52
Multifamily	889,452,295.85	217,250,000.00	9,145,674.52	129,373,313.05	968,183,308.28	13,704,032.96
Total	$ 1,851,959,327.85	$ 408,619,927.00	$ 18,820,674.52	$ 291,582,608.05	$ 1,950,175,972.28	$ 28,594,280.04
Unamortized Premium	33,193,166.61				35,091,112.82	
Total	$ 1,885,152,494.46				$ 1,985,267,085.10	

Demand Bonds

The Department currently holds four single family bond series in the amount $49,705,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities backed by pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements

Single Family Bond Series	Remarketing Agent	Liquidity Provider	Commitment Fee Rate	Outstanding Variable Rate Demand Bonds as of 08/31/21	Liquidity Facility Expiration Date
2007A	JP Morgan	Comptroller of Public Accounts	0.12%	$ 11,945,000.00	08/31/23
2005A	JP Morgan	Comptroller of Public Accounts	0.12%	12,930,000.00	08/31/23
2004D	Piper Jaffray	Comptroller of Public Accounts	0.12%	10,125,000.00	08/31/23
2004B	JP Morgan	Comptroller of Public Accounts	0.12%	14,705,000.00	08/31/23
Total Demand Bonds				$ 49,705,000.00	

NOTE 6: BONDED INDEBTEDNESS Cont'd

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). The liquidity agreement is subject to renewal on an ongoing basis. The Department shall use its best effort to cause the bonds to be purchased from the liquidity facility as soon as possible. The purchased bonds are not subject to term out provisions. For fiscal year 2021, the Trustee did not draw from the liquidity provider, Comptroller of Public Accounts, related to the Department's demand bonds.

Federal Arbitrage Regulations

In accordance with Federal law, the Department is required to rebate to the Internal Revenue Service (IRS) the excess of the amount derived from investing the bond proceeds over the amount that would have been earned if those investments had a rate equal to the yield on the bond issue. As of August 31, 2021, the Bond Program had no liabilities to the IRS or reported in the Statement of Net Position.

Pledged and Other Sources

Governmental Accounting Standards Board Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 1-D.

Pledged and Other Sources and Related Expenditures for FY 2021

	Net Available for Debt Service		Debt Service				
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest	Pledged Revenue for Future Debt Service	Terms of Commitment Year Ending August 31,	Percentage of Revenue Pledged
Total Single Family Bonds	$ 97,232,155.09	$ 892,848.17	$ 5,735,000.00	$ 23,588,213.36	$ 1,080,095,241.95	2051	100%
Total Residential Mtg Revenue Bonds	100,676,826.03	1,909,596.36	3,940,000.00	9,321,802.15	476,303,708.80	2052	100%
Total Multifamily Bonds	155,870,968.79	-	9,145,674.52	26,497,655.72	1,385,148,587.20	2061	100%
Total	$ 353,779,949.91	$ 2,802,444.53	$ 18,820,674.52	$ 59,407,671.23	$ 2,941,547,537.95		

Current Refunding Bonds

On April 28, 2021, the Department issued the 2021 Residential Mortgage Revenue Bonds (Series AB) in the amount of $161,369,927. The proceeds for Series B ($61,369,927), issued at a rate of 1.70%, were used to refund Residential Mortgage Revenue Bonds Series 2009C-1 ($22,670,000) with a rate of 2.875%, Series 2009C-2 ($16,080,000) with a rate of 2.48%, Series 2011A ($7,725,000) with a weighted average rate of 4.92%, and Series 2011B ($14,895,000) with a weighted average rate of 4.14%.

The Department refunded the 2009C-1 Residential Mortgage Revenue Bond to reduce its total debt service payments over the next 20 years by $1,421,360.94 and obtain an economic gain of $3,636,259.54.

The Department refunded the 2009C-2 Residential Mortgage Revenue Bond to reduce its total debt service payments over the next 20 years by $1,053,731.01 and obtain an economic gain of $1,978,747.89.

The Department refunded the 2011A Residential Mortgage Revenue Bond to increase its total debt service payments over the next 8 years by $1,537,207.30 and obtain an economic gain of $925,594.34.

The Department refunded the 2011B Residential Mortgage Revenue Bond to increase its total debt service payments over next 13 years by $2,006,249.56 and obtain an economic gain of $2,139,528.96.

NOTE 7: DERIVATIVE INSTRUMENTS

Variable to Fixed Interest Rate Swap

Objective

In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into four interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at an expected lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments that are expected to be comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to loss in the event of non-performance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments.

The swap agreements related to the 2004B and 2004D bonds include optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date. On September 1, 2021, the Department will exercise its par termination rights to cancel the Series 2004B and Series 2004D swaps and related liquidity agreements upon the refunding of the Single Family Variable Rate Mortgage Revenue Refunding Bonds, Series 2004B and the Single Family Variable Rate Mortgage Revenue Bonds, Series 2004D. In addition to bond redemptions on September 1, 2021, the Department will only have the swaps related to the 2005A and 2007A bonds remaining with a notional amount of $20,705,000.

Summary

The fair value balances and notional amounts of derivative instruments outstanding as of August 31, 2021, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2021 financial statements are as follows.

Business Type Activities		Changes in Fair Value		Fair Value at August 31, 2021		
Cash Flow Hedges	Bond Issue	Classification	Amount	Classification	Amount	Notional
Pay-fixed, receive-variable interest rate swap	2004B	Deferred outflow of resources	$ 507,822.00	Debt	$ -	$ 13,775,000.00
Pay-fixed, receive-variable interest rate swap	2004D	Deferred outflow of resources	316,366.00	Debt	-	10,010,000.00
Pay-fixed, receive-variable interest rate swap	2005A	Deferred outflow of resources	930,275.00	Debt	(1,319,420.00)	12,930,000.00
Pay-fixed, receive-variable interest rate swap	2007A	Deferred outflow of resources	818,257.00	Debt	(890,952.00)	11,945,000.00
Total			$ 2,572,720.00		$ (2,210,372.00)	$ 48,660,000.00

NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

Terms and Fair Value

The terms, including the fair value of the outstanding swaps as of August 31, 2021 are as follows. The notional amounts of the swaps match the principal amount of the associated debt except for the 2004B issue which has $14,705,000 bonds outstanding, $930,000 more than the notional amount of the swap; and the 2004D issue which has $10,125,000 bonds outstanding, $115,000 more than the notional amount of the swap.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
Bank of New York Mellon	$ 13,775,000.00	$ -	03/01/14	3.67%	65.5% of LIBOR + .20%	09/01/34 (a)
Goldman Sachs Bank USA	10,010,000.00	-	01/01/05	3.08%	Formula*, currently 100% of 1M LIBOR	03/01/35 (b)
JP Morgan Chase Bank	12,930,000.00	(1,319,420.00)	08/01/05	4.01%	Formula*, currently 100% of 1M LIBOR	09/01/36 (c)
JP Morgan Chase Bank	11,945,000.00	(890,952.00)	06/05/07	4.01%	Formula*, currently 100% of 1M LIBOR	09/01/38 (c)
Total	$ 48,660,000.00	$ (2,210,372.00)				

a. Swap Agreement has an optional early partial par termination date of September 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
b. Swap Agreement has an optional early partial par termination date of March 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
c. Swap Agreement is subject to mandatory early termination each March 1 and September 1 from mortgage loan repayments.

The Department has adopted Governmental Accounting Standards Board Statement No. 72 – Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. In accordance to Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, the fair value of these derivative instruments was measured using the Income Approach. Using observable inputs of interest rate markets and municipal bond yields, the fair value measurement is based on the present value of future implied cash flows reflective of non-performance risk. The fair value hierarchy disclosure is as follows:

Derivative Instruments	Total	Input Level 1	Input Level 2	Input Level 3
Pay-fixed, receive-variable interest rate swap	$ (2,210,372.00)		$ (2,210,372.00)	
Total	$ (2,210,372.00)		$ (2,210,372.00)	

- Level 1- Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in the pricing of the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

Credit Risk

As of August 31, 2021, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps currently have a negative fair value indicating an obligation for the Department to pay the counterparty as opposed to receive payments should the Department exercise it's optional right to terminate. If interest rates change and the fair value of the swaps become positive, the Department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral provisions. The scheduled payments under the 2004 Series B Swap Agreement are insured by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.). The credit ratings for the counterparties are as follows.

Counterparty	Standard & Poor's	Moody's
Bank of New York Mellon	AA-/Stable	Aa2/Stable
Goldman Sachs Bank USA*	A+/Stable	A1/Stable
JP Morgan Chase Bank	A+/Positive	Aa2/Stable

* Guaranteed by Goldman Sachs Group, Inc.

Basis Risk

The Department's variable-rate bond coupon payments are related to the Securities Industry and Financial Markets Association (SIFMA) rate. The swap agreements designate a function of London Interbank Offered Rate (LIBOR) as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and SIFMA rates converge. The swap agreements provide an option to terminate as stated in the Terms and Fair Value table on previous page.

Rollover Risk

Rollover risk is the risk that arises when a derivative instrument associated with a government's variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative instrument. The Department is not exposed to rollover risk on swap agreements because the variable rate debt has been structured to decline with the swap notional balances. The counterparties in the swap agreements have limited rights to terminate the swap. They can terminate only if the Department were to be downgraded below investment grade or default on any swap payments. The swap providers cannot unilaterally terminate any of the swaps subjecting the Department to rollover risk. The Department has retained par optional termination rights which are listed below. The par optional termination rights are intended to keep the notional amount in line with bonds outstanding to the extent the Department receives prepayments.

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	Optional early partial par termination rights began September 2015, with 100% par termination rights in September 2021.
2004D Single Family	March 2035	Optional early partial par termination rights began March 2015, with 100% par termination rights in September 2021.
2005A Single Family	September 2036	Mandatory par termination each March 1 and September 1 from mortgage loan repayments.
2007A Single Family	September 2038	Mandatory par termination each March 1 and September 1 from mortgage loan repayments.

NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

Swap Payments and Associated Debt

Using rates as of August 31, 2021, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Year Ending August 31	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2022	$ -	$ 25,102.50	$ 1,578,336.15	$ 1,603,438.65
2023	-	16,936.61	1,578,336.15	1,595,272.76
2024	-	16,975.35	1,578,336.15	1,595,311.50
2025	-	16,897.75	1,578,336.15	1,595,233.90
2026	-	16,936.61	1,578,336.15	1,595,272.76
2027-2031	3,555,000.00	84,510.38	7,876,265.67	11,515,776.05
2032-2036	31,400,000.00	53,100.10	5,162,512.90	36,615,613.00
2037-2041	14,750,000.00	4,975.40	768,495.68	15,523,471.08
	$ 49,705,000.00	$ 235,434.70	$ 21,698,955.00	$ 71,639,389.70

Netting Arrangements

The Department's swap agreements allow for netting arrangements. On each payment date, September 1 and March 1, the party with the lesser obligation will be automatically satisfied and discharged and, the obligation of the party with the greater obligation will become the netted amount. As of August 31, 2021, the Department has an aggregate liability related to the interest rate swaps in the amount of $869,929.04 payable on September 1, 2021.

NOTE 8: LEASES

Operating Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations: $213,009.72 for Governmental activities and $63,527.64 for Business-Type Activities.

The Department's operating lease for office space located at 1106 Clayton Lane, Austin, Texas expires on September 30, 2023. The Department's operating leases for Toshiba copiers expires on August 31, 2022 and August 31, 2023. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are:

Year Ended August 31	Governmental Activities	Business-Type Activities	Total
2022 (Future Year 1)	$ 205,695.45	$ 63,892.02	$ 269,587.47
2023 (Future Year 2)	206,695.35	57,618.99	264,314.34
2024 (Future Year 3)	16,844.71	4,134.59	20,979.30
2025 (Future Year 4)	-	-	-
2026 (Future Year 5)	-	-	-
Total Minimum Future Lease Rental Payments	$ 429,235.51	$ 125,645.60	$ 554,881.11

NOTE 9: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN

The state of Texas has three retirement systems in its financial reporting entity – Employees Retirement System (ERS), Teacher Retirement System (TRS), and Texas Emergency Services Retirement System (TESRS). These three retirement systems administer the following six defined benefit pension plans:

- ERS – the Employees Retirement System of Texas Plan (ERS Plan), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS Plan), the Judicial Retirement System of Texas Plan One (JRS1 Plan) and Judicial Retirement System of Texas Plan Two (JRS2 Plan).
- TRS – the Teacher Retirement System of Texas Plan (TRS Plan).
- TESRS – the Texas Emergency Services Retirement System Plan (TESRS Plan).

ERS, LECOS, JRS2, TRS, and TESRS plans are administered through trust; JRS1 plan is on a pay-as-you-go basis.

ERS Plan

The Board of Trustees of ERS is the administrator of four pension plans that provide a standard monthly benefit in a life annuity at retirement and death and disability benefits for members. In addition to the state of Texas, the employers of the ERS Plan include various component units of the state. ERS and the Texas Treasury Safekeeping Trust company, which are blended component units, and the State Bar of Texas, which is a discrete component unit, are also employers of the ERS Plan. The ERS Plan is considered a single employer defined benefit plan under Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions.

The ERS plan covers members in employee and elected classes. Employee class includes employees and appointed officers of the agencies of the State of Texas except those who are included in the coverage of TRS, JRS1 and JRS2 Plans. Elected class includes elected state officials not included in the coverage of JRS1 and JRS2 Plans, and members of the Legislature and district and criminal district attorneys.

The benefit and contribution provisions of the ERS Plan are authorized by state law (Texas Government Code, Title 8, Subtitle 8) and may be amended by the Legislature. The monthly benefit may vary by membership class.

The monthly standard annuity of the employee class is determined by a statutory percentage of 2.3 percent of a member's average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the employee class may vary depending on the hire date. For members hired on or before August 31, 2009, the average monthly compensation is the average of the highest 36 months of compensation. For members hired on or after September 1, 2009 and before September 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation. For members hired on or after September 1, 2013, the average monthly compensation is the average of highest 60 months of compensation.

The monthly standard annuity of the elected class is determined by a statutory percentage of 2.3 percent of a district judge's average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the elected class may vary depending on the hire date. For members hired prior to September 1, 2019, the monthly standard annuity equals the statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by the number of years of service credit. For members hired on or after September 1, 2019, the monthly standard annuity equals the statutory percentage of 2.3 percent of the current state base salary of a district judge multiplied by the number of years of service credit. For district attorneys hired on or after September 1, 2019, the monthly standard annuity equals the statutory percentage of 2.3 percent of the salary of a district judge based on the same number of years of contributing service. Retirement benefits are automatically adjusted as state judicial salaries change.

NOTE 9: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

The ERS plan's membership as of the measurement date of August 31, 2020 is presented in the table below:

Employees Retirement System's Membership	
Retirees and Beneficiaries Currently Receiving Benefits	117,996
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	134,909
Current Employees Vested and Non-Vested	142,062
Total Members	394,967

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2020 are presented in the table below:

Required Contribution Rates						
	Employer			Members		
Plan	Employee Class	Elected Class – Legislators	Elected Class – Other	Employee Class	Elected Class – Legislators	Elected Class – Other
ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%

The amount of Department's contributions recognized in the ERS plan during the fiscal 2020 measurement period was $2,036,923.35. It is the proportionate share of the collective amounts in the ERS Plan.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an annual actuarial valuation performed as of August 31, 2020.

NOTE 9: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2020:

Actuarial Methods and Assumptions	
Actuarial Valuation Date	August 31, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	31 Years
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Actuarial Assumptions:	
Discount Rate	3.62%
Investment Rate of Return	7.50%
Inflation	2.50%
Retirement Age	Experience-based table of rates that are specific to the class of employee. Updated for the 2017 valuation pursuant to an experience study of the 5-year period from September 1, 2011 to August 31, 2016.
Salary Increase	0% to 9.5%
Mortality	2017 State Retirees of Texas (SRT) Mortality Tables. Generational mortality improvements in accordance with the ultimate rates from the scale most recently published by Retirement Plans Experience Committee of the Society of Actuaries ("Scale U-MP") and projected from the year 2017. Rates for male LECO members are set forward one year.
Cost-of-living Adjustments	None - Employee 2.50% - Elected

NOTE 9: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

A single discount rate of 3.62% was applied to measure the total pension liability. The 3.62% discount rate incorporated a 7.00% long-term expected rate of return on pension plan investments and 2.33% 20-year municipal bond rate based on the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index". The long-term expected investment rate of return was applied to projected benefit payments through fiscal 2044 and the municipal bond rate was applied to all benefit payments thereafter.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projected cash flows from the employers are based on contributions for the most recent five year period as of the measurement date, adjusted on consideration of subsequent events. The Legislature passed House Bill No. 9 in the 84th legislative session during fiscal 2015 to increase the state contributions for fiscal 2016 and 2017 and maintained the changes made by the 83rd legislative session in Senate Bill 1459, which established proportional decreases to the employee contribution if the state contribution was decreased. The 87th legislative session passed Senate Bill 321, which begins to pay down the unfunded liability for existing retirement structures beginning September 1, 2021; this bill also creates a different defined benefit structure for employees hired after August 31, 2022. Additionally, in August 2020, the Board of Trustees adopted a new set of assumptions that will be first reflected in the actuarial valuations for fiscal year 2022. Projected employer contributions are based on fiscal year 2020 funding levels.

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan's investment portfolio are presented below:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Global Equity	37.00%	8.10%	2.15%
Private Equity	13.00%	11.20%	1.16%
Global Credit	11.00%	5.80%	0.39%
Opportunistic Credit	3.00%	7.80%	0.17%
Real Estate Trust	3.00%	7.60%	0.16%
Infrastructure / Land	7.00%	7.20%	0.34%
Private Real Estate	9.00%	5.70%	0.31%
Fixed Income-Rates	11.00%	1.90%	-0.04%
Absolute Returns	5.00%	5.80%	0.18%
Cash	1.00%	1.80%	-0.01%
Totals	100.00%		4.79%
Inflation			2.30%
Expected Arithmetic Nominal Rate of Return			7.09%

NOTE 9: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the Department's net pension liability. The result of the analysis is presented in the table below:

Sensitivity of Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 2.62%	Current Discount Rate 3.62%	1% Increase 4.62%
$133,891,027.10	$105,155,246.28	$82,000,521.70

Note: Some amounts in this schedule are for the Department's proportionate share (.27679229%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Employees Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the pension trust fund are reported at fair value in accordance with Governmental Accounting Standards Board, Statement No. 72, Fair Value Measurement and Application. ERS issues a stand-alone audited Annual Comprehensive Financial Report (ACFR), which may be obtained from their website at www.ers.texas.gov and searching for reports and studies.

NOTE 9: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

The Department's total pension liability is based on an actuarial valuation performed as of August 31, 2020. For fiscal 2021 reporting, the measurement date of the net pension liability is August 31, 2020. The schedule of changes in the Department's net pension liability for the fiscal year ending August 31, 2021 is presented below:

Schedule of Changes in Department's Net Pension Liability
For Fiscal Year Ending August 31, 2021

Total Pension Liability-For Department		Department's Pension Liability
Service Cost	$	5,059,385.85
Interest on the Total Pension Liability		6,966,096.67
Benefit Changes		
Difference between Expected and Actual Experience of the Total Pension Liability		1,413,458.70
Assumption Changes		17,623,329.57
Change in Proportional Percentage		(1,315,434.23)
Benefit Payments and Refunds		(7,256,767.01)
Net Change in Total Pension Liability		22,490,069.55
Total Pension Liability - Beginning		160,018,121.78
Total Pension Liability - Ending	$	182,508,191.33
Plan Fiduciary Net Position		
Contributions - Employer	$	2,036,791.88
Contributions - Member		1,976,255.53
Pension Plan Net Investment Income		4,957,520.08
Change in Proportional Percentage		(627,502.72)
Benefit Payments and Refunds		(7,256,767.01)
Pension Plan Administrative Expense		(66,934.84)
Net Change in Plan Fiduciary Net Position		1,019,362.92
Plan Fiduciary Net Position - Beginning		76,333,582.41
Plan Fiduciary Net Position - Ending	$	77,352,945.33
Net Pension Liability - Beginning	$	83,684,539.37
Net Pension Liability - Ending	$	105,155,246.00

Notes to schedule:

1. The change in the total pension liability is due to the change in the single discount rate and included as an assumption change.
2. The covered payroll is the actual annual payroll for the fiscal year as reported by ERS.

The amounts in this schedule are for the Department's proportionate share (.27679229%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

NOTE 9: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

The change of discount rate is the assumption change during the current measurement period. There have been changes to the benefit terms of the plan since the prior measurement date.

As discussed previously in this note, the average monthly compensation of the elected class may vary depending on the hire date, a new defined benefit retirement structure will be created for employees hired after August 31, 2022 and new assumption changes have been adopted by the Board of Trustees. These changes will be reflected the actuarially determined contribution rates for fiscal year 2022. Assumption changes include the investment rate of return changing from 7.5% to 7.0%; the inflation rate from 2.5% to 2.3%; updated experience study 5 year period from Sept 1, 2011 through August 31, 2016 to September 1, 2014 through August 31, 2019 and updated mortality rate tables from 2017 SRT to 2020 SRT.

The Department's proportion of the entire ERS plan is .27679229% in fiscal year 2021 as compared with the .27908653% in the prior measurement period.

For the fiscal year ending August 31, 2021, the Department recognized pension expense of $16,212,041.47. At August 31, 2021, the Department reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,022,807.86	$ 653,417.48
Changes of assumptions	22,045,719.76	1,127,153.52
Net difference between projected and actual investment return	1,552,433.38	
Contributions subsequent to the measurement date	2,161,334.49	
Total	$ 26,782,295.49	$ 1,780,571.00

The $2,161,334.49 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2022.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

Year ended August 31:	
2022	$ 11,509,551.28
2023	$ 8,560,846.55
2024	$ 2,650,734.90
2025	$ 119,257.27
2026	-
Thereafter	-
	22,840,390.00

Note: The amounts in this schedule are for the Department's proportionate share (.27679229%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

NOTE 10: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

ERS Plan

Employees Retirement System is the administrator of the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation. The 61 employers of SRHP include state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551. The SRHP provides post-employment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments.

ERS issued a stand-alone audited Comprehensive Annual Financial Report (CAFR). The ERS CAFR may be obtained from their website at www.ers.texas.gov and searching for reports and studies.

During the measurement period of 2020 for fiscal 2021 reporting, the amount of the Department's contributions recognized by the plan was $4,106,391.22. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates - Retiree Health and Basic Life Premium	
Retiree Only	$ 624.82
Retiree and Spouse	1,340.82
Retiree and Children	1,104.22
Retiree and Family	1,820.22

NOTE 10: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS – Cont'd

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2020 measurement date.

Actuarial Methods and Assumptions	
Actuarial Valuation Date	August 31, 2020
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	2.20%*
Inflation	2.30%
Salary Increase	2.3% to 9.05%, including inflation
Health Cost and Trend Rate	
HealthSelect	8.80% for FY 2022, 5.25% for FY 2023, 5.00% for FY 2024, 4.75% for FY 2025, 4.60% for FY 2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2029 and later years
HealthSelect Medicare Advantage	(53.30)% for FY 2022, 0.00% for FY 2023, 66.67% for FY 2024, 24.00% for FY 2025, 4.60% for FY 2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2029 and later years
Pharmacy	10.00% for FY 2022 and FY 2023, decreasing 100 basis points per year to 5.00% for FY 2028, and 4.30% for FY 2029 and later years
Aggregate Payroll Growth	2.70%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality:	
Service Retirees, Survivors, and other Inactive Members	2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2020
Disable Retirees	2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females with minimum rates at all ages of 3.0% for males and 2.5% for females, respectively, and Ultimate MP Projection Scale projected from the year 2020
Active Members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection Scale from the year 2010
Ad Hoc Post-Employment Benefit Changes	None

* The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

NOTE 10: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS – Cont'd

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2014 to August 31, 2019 for state agency members. The mortality rates were based on the tables identified in the table above titled Actuarial Methods and Assumptions.

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

a. Demographic assumptions (including rates of preretirement and post-disability mortality for all State Agency members; assumed rates of termination and retirement for certain members who are Certified Peace Officers/Custodial Officers (CPO/CO); and assumed salary, aggregate payroll increases and the assumed rate of general inflation) have been updated to reflect assumptions recently adopted by the System's Board of Trustees;
b. Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short term expectations;
c. The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence. The percentage of future female retirees assumed to be married and electing coverage for their spouse;
d. The proportion of future retirees assumed to cover dependent children have been updated to reflect recent plan experience and expected trends. Moreover, the PCORI fees payable under the ACA have been updated to reflect IRS Notice 2020-44; and,
e. The discount rate was changed from 2.97% as of August 31, 2019 to 2.20% as of August 31, 2020 as a result of requirements by Governmental Accounting Standards Board, No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The only benefit revisions that have been adopted since the prior valuation for retirees and dependents are minor benefit changes that will become effective January 1, 2021, since these changes were communicated to plan members in advance of the preparation of this report. These changes are not expected to have a significant impact on plan costs for fiscal year 2021 and are provided for in the 2021 Assumed Per Capital Health Benefit Costs.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 2.20% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 2.97%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 2.97%.

NOTE 10: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS – Cont'd

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the Department's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of Department's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate ($ thousands)		
1% Decrease (1.20%)	Current Discount Rate (2.20%)	1% Increase (3.20%)
$53,650.41	$45,138.60	$38,470.36

Note: Some amounts in this schedule are for the Department's proportionate share (.13659890%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of the Department's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of Department's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate ($ thousands)		
HealthSelect (HS) or HealthSelect Medicare Advantage (HSMA)		
1% Decrease HS/HSMA/Pharmacy (7.80%/-54.30/9.00% decreasing to 3.30%)	Trend Rates HS/HSMA/Pharmacy (8.80%/-53.30/10.00% decreasing to 4.30%)	1% Increase HS/HSMA/Pharmacy (9.8%/-52.30/11.80% decreasing to 5.30%)
$37,778.04	$45,138.60	$54,787.53

Note: Some amounts in this schedule are for the Department's proportionate share (.13659890%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2020 CAFR.

At August 31, 2021, the Department reported a liability of $45,138,605.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of August 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Department's proportion at August 31, 2020 was .13659890%. The Department's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2019 through August 31, 2020.

NOTE 10: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS – Cont'd

For the year ending August 31, 2021, the Department recognized OPEB expense of $196,211 At August 31, 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ 1,765,393.00
Changes of assumptions	2,613,209.40	9,725,508.00
Net difference between projected and actual investment return	13,471.00	
Effect of change in proportion and contribution difference	2,137,940.02	
Contributions subsequent to the measurement date	4,270,555.44	
Total	$ 9,035,175.86	$ 11,490,901.00

The $4,270,555.44 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2022.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

Year ended August 31:		
2022	$	(3,365,613.00)
2023	$	(2,071,099.00)
2024	$	(591,306.00)
2025	$	(339,532.00)
2026	$	(358,730.58)
Thereafter		-
Total	$	(6,726,280.58)

Note: The amounts in this schedule are for the Department's proportionate share (.13659890%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

NOTE 11: INTERFUND ACTIVITY AND TRANSACTIONS

As explained in Note 1 on Interfund Transactions and Balances, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Transfers In or Transfers Out

The Department experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statements. Individual balances and activity at August 31, 2021, follows:

Fund	Current Interfund Receivable	Current Interfund Payable	Purpose
Governmental Fund (01)			
General Revenue (0001)	$ 152,650.03	$ 310,806.33	Expenditure Transfer
Consolidated Federal (0127, 0325)	142,915.06	198,976.35	Expenditure Transfer
Subtotal Governmental Fund (01)	$ 295,565.09	$ 509,782.68	
Governmental Fund (01) (Exhibit III)		214,217.59	Net Receivable/Payable above
Enterprise Fund (05)			
Enterprise Fund (05, 0896)	$ 214,217.59	$ -	Expenditure Transfer
Subtotal Enterprise Fund (05)	$ 214,217.59	$ -	
Enterprise Fund (05) (Exhibit V)	214,217.59		Net Receivable/Payable above
Total Internal Balances (Exhibit I)	$ 214,217.59	$ 214,217.59	

Governmental Fund	Transfers In	Transfers Out	Purpose
General Fund (01)			
Appd Fund 0001, D23 Fund 0001	$ 139,213.00	$ 1,666,795.39	Article VII-6, Rider 9
Appd Fund 0001, D23 Fund 0001		2,153,949.53	Article IX, Sect. 13.11
Appd Fund 0001, D23 Fund 0035		13,725.00	Article VII-6, Rider 15
Appd Fund 0001, D23 Fund 0066		1,685,367.15	Gov't Code, Sect. 403.021
Appd Fund 0001, D23 Fund 0077		2,562.96	Gov't Code, Sect. 403.021
Appd Fund 0127, D23 Fund 0127	63,193.38		Gov't Code, Sect. 403.021
Appd Fund 0127, D23 Fund 0369		129,561.88	Article IX, Sect. 13.11
Appd Fund 0802, D23 Fund 0802	(300.21)		TEX. TRANSP. CODE ANN. Sec. 504.6012
Appd Fund 0325, D23 Fund 0325	3,225.00		Gov't Code, Sect. 403.021
Total Transfers for Fund 01	$ 205,331.17	$ 5,651,961.91	
Special Revenue (02)			
Appd Fund 0809, D23 Fund 0809		300,190.02	SB 1, RS 85th Leg , HB 4102
Appd Fund 0809, D23 Fund 1809	300,190.02		SB 1, RS 85th Leg , HB 4102
Total Transfers for Fund 01 (Exhibit II & IV)	$ 300,190.02	$ 300,190.02	
Enterprise Fund (05)			
Appd Fund 3054, D23 Fund 0999	$ 1,666,795.39	139,213.00	Article VII-6, Rider 9
Total Transfers for Fund 3054 (Exhibit II & VI)	$ 1,666,795.39	$ 139,213.00	
Total Transfers*	$ 2,172,316.58	$ 6,091,364.93	

*The difference between total transfers in and out represents transfers to the Comptroller's Office of $3,919,048.35.

NOTE 12: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Department will be abolished effective September 1, 2025 unless continued in existence as provided by the Act. If abolished, the Department may continue until September 1, 2026 to close out its operations.

NOTE 13: CONTINGENCIES AND COMMITMENTS

Derivative Instruments

All of the Department's derivative instruments include provisions that require posting collateral in the event the Single Family Trust Indenture credit rating falls below a specified level as issued by Moody's Investor Service and Standard & Poor's. If the Department fails to post eligible collateral, the derivative instrument may be terminated by the counterparty. The table below lists the triggering event and the collateral exposure for each instrument.

Series	Collateral Posting Exposure at Current Credit Rating	Credit Rating Downgrade Threshold	MTM Threshold for Indenture or Counterparty
2004B (1)	None	A3/A- or below for AGM and TDHCA	After downgrade of AGM and Indenture or counterparty, collateral exposure with no threshold
2004D	Yes, if MTM exceeds ($7.5M)	A3/A- or below	After downgrade, collateral exposure with no threshold
2005A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds ($7.5M); after downgrade to A3/A or below, collateral exposure with no threshold
2007A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds ($7.5M); after downgrade to A3/A or below, collateral exposure with no threshold

(1) AGM Swap Insurance in effect. Collateral posting only required if AGM is downgraded to A3/A- or below AND Indenture is downgraded to A3/A- or below.

As of August 31, 2021, the credit rating related to the Single Family Trust Indenture was AA+ issued by Standard & Poor's and Aaa by Moody's, therefore no collateral was posted. The Department's aggregate fair value of all hedging derivative instruments with these collateral provisions is a negative ($2,210,372.00). If the collateral posting requirements had been triggered at August 31, 2021, the Department would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments.

Taxable Mortgage Program

On July 26, 2012, the Department approved the Taxable Mortgage Program (TMP). The TMP market facilitates the forward trading of Mortgage Backed Securities (MBS) issued by Ginnie Mae and Fannie Mae. In a TMP trade, the seller and buyer agree to the type of security, coupon, face value, price and settlement date at the time of trade but do not specify the actual pools to be traded. The securities are "to be announced" two business days prior to the trade settlement date. The TMP program was created to provide loans to low to moderate income first time homebuyers. The program is paid for from revenues generated by the packaging and sale of the TMP MBS, available indenture funds and ongoing fees related to the loans originated and securitized through the TMP program. Escrow agreements were negotiated and established to limit the recourse to the servicer and TBA provider, who delivers the MBS to the purchaser of the MBS backed by the mortgage loans. The amount of the escrow is $2.5 million, which is funded from residual funds generated through the Single Family Mortgage Revenue Bond Program. The TMP program commenced on October 1, 2012.

NOTE 13: CONTINGENCIES AND COMMITMENTS Con't

The Department has entered into a Warehouse Agreement with Hilltop Securities, as Warehouse Provider, and The Bank of New York Mellon Trust Company, as trustee under the bond indentures and as Custodian. The purpose is to warehouse MBS relating to various series of bonds issued or to be issued and delivered under the Department's Trust Indentures, including MBS retained by the Department under its TMP Program. The Department has deposited $750,000 into a Warehouse Escrow Account for the benefit of the Warehouse Provider. As of August 31, 2021, there were no MBS held under the Warehouse Agreement.

The Department has established the TDHCA Liquid Yield Certificate of Deposit Account with Federal Home Loan Bank to secure the Department's obligations under the Advances and Security Agreement. The amount on deposit as of August 31, 2021 is $15,000,000.

NOTE 14 RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. The Department carries Public Official Liability Insurance coverage in the amount of $10,000,000; Automobile Liability Insurance in the amount of $1,000,000; Errors and Omissions Insurance in the amount of $500,000 related to loan servicing for others; Crime Insurance in the amount of $350,000; Commercial General Liability Insurance in the amount of $1,000,000; General Aggregate Insurance in the amount of $2,000,000; Commercial Property, Equipment Breakdown and Terrorism Insurance in the amount of $250,000,000 for the Alpine Retirement Center, the Insurance Annex Building, the Twin Towers Office Center and leased field office located in Lubbock, Texas; and Forced Placed Insurance in the amount of $3,200,000 for the Rincon Point Apartments.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are re-evaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years.

Changes in the balances of the Department's claims liabilities during fiscal year 2021 and 2020 were:

	Beginning Balance	Increases	Decreases	Ending Balance
2021	$ -	$ -	$ -	$ -
2020	$ -	$112,061.50	($112,061.50)	$ -

NOTE 15: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund 0896 within the Department's Enterprise Fund reported a negative change in Net Position of ($4,611,742.28) primarily from the recognition of its proportionate share of the Net Pension/OPEB Liability and Pension/OPEB Expense resulting in a negative Net Position balance of ($64,786,015.84) at August 31, 2021.

NOTE 16: SEGMENT INFORMATION FOR ENTERPRISE FUND

The Segment information below is for the Department's direct debt associated with the issuance of Single Family bonds only and does not include the Multifamily bonds where the Department is only a conduit issuer. Therefore, this note represents less than what is reported in the Enterprise Fund as a whole. Each grouping consists of separate indentures that have one or more bonds outstanding with the revenue stream and assets exclusively pledged in support of that debt. Bonds are issued for the primary purpose of providing funds for the purchase of mortgage-backed securities which represent securitized loans financing single family housing. Each indenture imposes the requirement of separate accounting of the revenues, expenses, gains, losses, assets, and liabilities.

CONDENSED STATEMENT OF NET POSITION

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds
Restricted Assets:		
Current Assets	$ 56,227,733.73	$ 51,827,159.16
Non-Current Assets	876,192,401.21	431,584,051.52
Total Assets	932,420,134.94	483,411,210.68
Deferred Outflows of Resources:	2,210,372.00	-
Liabilities:		
Current Liabilities	20,782,378.93	6,561,239.48
Non-Current Liabilities	694,250,763.21	320,010,642.91
Total Liabilities	715,033,142.14	326,571,882.39
Deferred Inflows of Resources:	-	-
Net Position:		
Restricted Net Position	$ 219,597,364.80	$ 156,839,328.29
Net Position	$ 219,597,364.80	$ 156,839,328.29

NOTE 16: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds
Operating Revenues (Expenses):		
Interest and Investment Income	$ 28,957,958.30	$ 10,326,569.75
Net Increase (Decrease) in Fair Value	2,746,589.80	921,663.31
Other Operating Revenues	116,764,822.05	11,344,662.97
Operating Expenses	(94,907,981.73)	(24,809,405.02)
Operating Income (Loss)	53,561,388.42	(2,216,508.99)
Nonoperating Revenues (Expenses):		
Transfers In (Out)	188,913.65	(289,882.59)
Changes in Net Position	53,750,302.07	(2,506,391.58)
Net Position, September 1, 2020	165,847,062.73	159,345,719.87
Net Position, August 31, 2021	$ 219,597,364.80	$ 156,839,328.29

CONDENSED STATEMENT OF CASH FLOWS

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds
Net Cash Provided (Used) By:		
Operating Activities	$ (14,116,506.98)	$ 10,234,018.01
Noncapital Financing Activities	(81,569,211.79)	60,745,357.45
Investing Activities	(63,519,582.35)	(34,474,215.54)
Net Increase (Decrease)	(159,205,301.12)	36,505,159.92
Beginning Cash and Cash Equivalents	212,988,319.92	14,204,966.89
Ending Cash and Cash Equivalents	$ 53,783,018.80	$ 50,710,126.81

NOTE 17: SUBSEQUENT EVENTS

Bond Issuance	Series	Amount	Date of Issuance	Purpose
Revenue and Refunding Bonds	Single Family Revenue Bonds Series 2021A	$150,000,000.00	09/01/21	The Single Family bonds are issued for the primary purpose of providing funds for the purchase of mortgage-backed securities guaranteed as timely payments of principal and interest by Government National Mortgage Association ("Ginnie Mae").
Revenue and Refunding Bonds	Single Family Revenue and Refunding Bonds Series 2021 B (Taxable)	$24,829,558.00	09/01/21	The Series 2021B bonds are issued for the primary purpose of refunding the Department's outstanding Single Family Variable Rate Mortgage Revenue Refunding Bonds, Series 2004B for the amount of $14,705,000, and Single Family Variable Rate Mortgage Revenue Bonds, Series 2004 D for the amount of $10,125,000.
Revenue Bonds	Multifamily Revenue Bonds MF Series 2021 Meadowbrook Apartments	$30,000,000.00	11/23/21	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Meadowbrook Apartments is located in Dallas, Texas.
Revenue Bonds	Multifamily Revenue Bonds MF Series 2021 Park at Kirkstall Apartments	$26,750,000.00	12/10/21	The multifamily bonds are issued for the primary purpose to finance the acquisition, rehabilitation, and equipping of multifamily rental housing developments. The Park at Kirkstall Apartments is located in Houston, Texas.
Revenue Notes	Multifamily Revenue Notes MF Series 2021 Fiji Lofts	$23,849,000.00	12/10/21	The multifamily notes are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Fiji Lofts is located in Dallas, Texas.

NOTE 18: Deferred Outflows of Resources and Deferred Inflows of Resources

Governmental Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Plans (Note 9):		
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period.	$ 10,861,225.20	$ 774,607.92
To record contribution to the plan in fiscal year 2021 after the measurement date of August 31, 2020.	1,080,667.24	-
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.	511,403.93	326,708.74
To record difference between projected and actual investment return less the amortization related to the current period.	776,216.69	-
OPEB Plans (Note 10):		
To record the effect of changes of assumptions on total OPEB liability less the amortization related to the current period.	1,306,604.70	4,862,754.00
To record the effect of change in proportion and contribution difference.	754,102.73	-
To record contribution to the plan in fiscal year 2021 after the measurement date of August 31, 2020.	2,135,277.72	-
To record effect on total OPEB liability between expected and actual experience less the amortization related to the current period.	-	882,696.50
To record difference between projected and actual investment return less the amortization related to the current period.	6,735.50	-
Total Governmental Activities (Exhibit I):	$ 17,432,233.71	$ 6,846,767.16

Due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, by the State of Texas and recognition of its pension and OPEB liability, TDHCA recorded total deferred outflows of resources of $17,432,233.71 and total deferred inflows of $6,846,767.16 for Governmental-Type Activities.

These accounts reflect the unamortized balances of changes in net pension liability and OPEB liability related to the changes of assumptions, difference between expected and actual experience, and difference between projected and actual investment return based on the August 31, 2020 actuarial valuation performed for the ERS plan, and contributions made after the measurement date of August 31, 2020. Details of the deferred outflows and deferred inflows of resources related to the agency employees’ pension are disclosed in Note 9 and OPEB in Note 10.

NOTE 18: Deferred Outflows of Resources and Deferred Inflows of Resources Cont'd

Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Derivative Instruments (Note 7)	$ 2,210,372.00	$ -
Pension Plans (Note 9):		
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period.	11,184,494.56	352,545.60
To record contribution to the plan in fiscal year 2021 after the measurement date of August 31, 2020.	1,080,667.25	-
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.	511,403.93	326,708.74
To record difference between projected and actual investment return less the amortization related to the current period.	776,216.69	-
OPEB Plans (Note 10):		
To record the effect of changes of assumptions on total OPEB liability less the amortization related to the current period.	1,306,604.70	4,862,754.00
To record the effect of change in proportion and contribution difference.	1,383,837.29	-
To record contribution to the plan in fiscal year 2021 after the measurement date of August 31, 2020.	2,135,277.72	-
To record effect on total OPEB liability between expected and actual experience less the amortization related to the current period.	-	882,696.50
To record difference between projected and actual investment return less the amortization related to the current period.	6,735.50	-
Total Business-Type Activities (Exhibit I) :	$ 20,595,609.64	$ 6,424,704.84

Deferred outflows of resources in the amount of $2,210,372.00 reported in Business-Type Activities is due to the implementation of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, requiring to recognize interest rate swaps hedging interest rate risk on variable rate debt which is in a liability position. Details on the Department's derivative instruments are disclosed in Note 7.

Due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, by the State of Texas and recognition of its pension and OPEB liability, TDHCA recorded total deferred outflows of resources of $18,385,237.64 and total deferred inflows of $6,424,704.84 for Business-Type activities.

These accounts reflect the unamortized balances of changes in net pension liability and OPEB liability related to the changes of assumptions, difference between expected and actual experience, and difference between projected and actual investment return based on the August 31, 2020 actuarial valuation performed for the ERS plan, and contributions made after the measurement date of August 31, 2020. Details of the deferred outflows and deferred inflows of resources related to the agency employees' pension are disclosed in Note 9 and OPEB in Note 10.

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REQUIRED SUPPLEMENTARY

INFORMATION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Required Supplementary Information

Schedule of Changes in Department's Net Pension Liability (Unaudited)

For the fiscal year ended August 31, 2021

	2021	2020	2019	2018	2017
Total Pension Liability-For Department	Pension Liability	Pension Liability	Pension Liability	Pension Liability	Pension Liability
Proportionate Share	0.27679229%	0.27908653%	0.27909334%	0.27302363%	0.27406237%
Net Pension Liability	$105,155,246.00	$ 83,684,539.37	$ 56,351,676.00	$ 59,695,525.00	$ 54,146,438.00
Covered-Employee Payroll	$ 37,103,597.14	$ 34,183,840.29	$ 30,497,388.53	$ 30,090,760.48	$ 27,848,706.01
Net Pension Liability as a Percentage of Covered-Employee Payroll	283.41%	244.81%	184.78%	198.38%	194.43%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.38%	47.70%	57.89%	54.67%	55.32%

	2016	2015
Total Pension Liability-For Department	Pension Liability	Pension Liability
Proportionate Share	0.29237245%	0.30593152%
Net Pension Liability	$ 38,787,429.43	$ 44,240,145.43
Covered-Employee Payroll	$ 25,728,026.97	$ 26,724,094.91
Net Pension Liability as a Percentage of Covered-Employee Payroll	150.76%	165.54%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.40%	63.40%

*The change in the total pension liability due to the change in the single discount rate is included as an assumption change.

Notes to Schedule:

1. The amounts in this schedule are for the Department's proportionate share of the collective amounts in ERS.
2. The change in the total pension liability due to the change in the single discount rate is included as an assumption change.
3. The covered employee payroll is the actual annual payroll for the fiscal year – measurement period.
4. The impact of House Bill 9 passed by the 84th Legislature is included as a benefit change.
5. This schedule is intended to present 10 years of information. Currently only seven years of information is available. Information for future years will be added when it becomes available.

Schedule of Employer Contributions

	2021	2020	2019	2018	2017
Required Employer Contributions	$ 2,161,334.19	$ 2,036,923.35	$ 1,988,903.54	$ 1,945,911.07	$ 1,911,553.65
Contributions Made to the Plan	2,161,334.19	2,036,923.35	1,988,903.54	1,945,911.07	1,911,553.65
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 37,103,597.14	$ 34,183,840.29	$ 30,497,388.53	$ 30,090,760.48	$ 27,848,706.01
Contributions as a percentage of covered-employee payroll	5.83%	5.96%	6.52%	6.47%	6.86%

	2016	2015	2014
Required Employer Contributions	$ 1,882,372.32	$ 1,463,345.34	$ 1,475,596.49
Contributions Made to the Plan	1,882,372.32	1,463,345.34	1,475,596.49
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 25,728,026.97	$ 26,724,094.91	$ 24,787,150
Contributions as a percentage of covered-employee payroll	7.32%	8.14%	8.10%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Summary of Actuarial Assumptions	
Actuarial Valuation Date	Actuarially determined contribution rates are calculated as of Aug. 31, 2020. Members and employers contribute based on statutorily fixed rates. A new set of assumptions were adopted for the Aug. 31, 2020, actuarial valuation and will be first reflected for the ADEC determined for the fiscal year ending 2021.
Methods and Assumptions Used to Determine Contribution Rates	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	31 Years
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.5%
Salary Increases	0.0% to 9.5%
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the class of employee. Updated for the 2017 valuation pursuant to an experience study of the 5-year period from September 1, 2011 to August 31, 2016.
Mortality	2017 State Retirees of Texas (SRT) Mortality Tables. Generational mortality improvements in accordance with the ultimate rates from the scale most recently published by Retirement Plans Experience Committee of the Society of Actuaries ("Scale U-MP") and projected from the year 2017. Rates for male LECO members are set forward one year.

Other Information:

1. Actuarially determined contributions are adjusted for actual payroll and administrative expenses.
2. The covered payroll is the actual annual payroll for the fiscal year as reported by ERS.
3. This schedule is intended to present 10 years of information. Currently only eight years of information is available. Information for future years will be added when it becomes available.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Required Supplementary Information
Schedule of Changes in Department's Net OPEB Liability (Unaudited)
For the fiscal year ended August 31, 2021

	2021	2020	2019	2018
Total OPEB Liability-For Department	OPEB Liability	OPEB Liability	OPEB Liability	OPEB Liability
Proportionate Share	0.13659890%	0.13583200%	0.13374255%	0.12784394%
Net OPEB Liability	$ 45,138,605.00	$ 46,947,173.00	$ 39,638,272.00	$ 43,560,281.00
Covered-Employee Payroll	$ 37,103,597.14	$ 34,183,840.29	$ 30,497,388.53	$ 30,090,760.48
Net OPEB Liability as a Percentage of Covered-Employee Payroll	121.66%	137.34%	129.97%	144.76%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.17%	0.17%	1.27%	2.04%

* This schedule is intended to present 10 years of information. Currently only four years of information is available. Information for future years will be added when it becomes available.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Required Supplementary Information (Continued)
Schedule of Employer Contributions (Unaudited)
For the fiscal year ended August 31, 2021

Schedule of Employer Contributions

	2021	2020	2019	2018
Required Employer Contributions	$ 4,270,555.44	$ 4,025,020.12	$ 3,885,166.30	$ 1,198,204.92
Contributions Made to the Plan	4,270,555.44	4,025,020.12	3,885,166.30	1,198,204.92
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 37,103,597.14	$ 34,183,840.29	$ 30,497,388.53	$ 30,090,760.48
Contributions as a percentage of covered-employee payroll	11.51%	11.77%	12.74%	3.98%

* This schedule is intended to present 10 years of information. Currently only four years of information is available. Information for future years will be added when it becomes available.

Actuarial Methods and Assumptions	
Actuarial Valuation Date	August 31, 2020
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	2.20%*
Inflation	2.30%
Salary Increase	2.3% to 9.05%, including inflation
Health Cost and Trend Rate	
HealthSelect	8.80% for FY 2022, 5.25% for FY 2023, 5.00% for FY 2024, 4.75% for FY 2025, 4.60% for FY 2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2029 and later years
HealthSelect Medicare Advantage	(53.30)% for FY 2022, 0.00% for FY 2023, 66.67% for FY 2024, 24.00% for FY 2025, 4.60% for FY 2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2029 and later years
Pharmacy	10.00% for FY 2022 and FY 2023, decreasing 100 basis points per year to 5.00% for FY 2028, and 4.30% for FY 2029 and later years
Aggregate Payroll Growth	2.70%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality:	
Service Retirees, Survivors, and other Inactive Members	2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2020
Disable Retirees	2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females with minimum rates at all ages of 3.0% for males and 2.5% for females, respectively, and Ultimate MP Projection Scale projected from the year 2020
Active Members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection Scale from the year 2010
Ad Hoc Post-Employment Benefit Changes	None

* The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

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SUPPLEMENTARY BOND

SCHEDULES

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-A
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2021

					Scheduled Maturity			
Description of Issue		Bonds Issued To Date	Range Of Interest Rates		First Year	Final Maturity Date	First Call Date	
2004 Single Family Series B	$	53,000,000	VAR - Weekly		2015	09/01/2034	03/01/2015	(a)
2004 Single Family Series D		35,000,000	VAR - Weekly		2035	03/01/2035	(b)	
2005 Single Family Series A		100,000,000	VAR - Weekly		2007	09/01/2036	03/01/2006	
2007 Single Family Series A		143,005,000	VAR - Weekly		2008	09/01/2038	03/01/2008	(a)
2015 Single Family Series A		33,825,000	3.20%	3.20%	2039	09/01/2039	09/01/2024	
2015 Single Family Series B		19,870,000	3.13%	3.13%	2046	03/01/2046	09/01/2024	
2016 Single Family Series A		31,510,000	3.00%	3.00%	2046	03/01/2046	03/01/2025	
2016 Single Family Series B		59,735,000	3.18%	3.18%	2039	03/01/2039	03/01/2025	
2017 Single Family Series A		61,303,867	2.84%	2.84%	2017	09/01/2047	(c)	
2017 Single Family Series B		29,610,000	2.75%	2.75%	2017	09/01/2038	(c)	
2017 Single Family Series C		42,787,085	3.10%	3.10%	2017	09/01/2047	(c)	
2018 Single Family Series A		143,995,000	1.65%	4.75%	2019	03/01/2049	N/A	
2019 Single Family Series A		165,325,000	1.25%	4.00%	2019	03/01/2050	09/01/2028	
2020 Single Family Series A		174,250,000	0.35%	5.00%	2020	03/01/2051	(d)	
2020 Single Family Series B		12,395,143	2.00%	2.00%	2020	03/01/2036	N/A	
2020 Single Family (Jr Lien)		30,000,000	2.04%	3.00%	2020	09/01/2045	09/01/2030	
2009 RMRB Series C-1		89,030,000	0.70%	3.57%	2029	07/01/2041	04/01/2011	
2009 RMRB Series C-2		60,080,000	0.60%	2.48%	2034	07/01/2041	11/01/2011	
2011 RMRB Series A		60,000,000	0.70%	5.05%	2012	07/01/2029	01/01/2021	
2011 RMRB Series B		87,955,000	0.30%	4.45%	2012	01/01/2034	01/01/2021	
2019 RMRB Series A		166,350,000	1.85%	5.00%	2020	01/01/2050	07/01/2028	
2021 RMRB Series A		100,000,000	0.25%	5.00%	2022	1/1/2052	03/01/2022	
2021 RMRB Series B		61,369,927	1.70%	1.70%	2022	7/1/2042	01/01/2030	
TOTAL SINGLE FAMILY & RMRB BONDS	$	1,760,396,022						
1996 MF Series A/B (Brighton's Mark Development)	$	10,174,000	6.13%	6.13%	2026	04/01/2026	01/01/2003	
1998 MF Series A-C (Residence at the Oaks Projects)		8,200,000	5.98%	7.18%	2001	11/01/2030	05/01/2001	
2000 MF Series A-C (Highland Meadow Village Apartments)		13,500,000	6.75%	8.00%	2004	11/01/2033	05/01/2019	
2000 MF Series A-C (Collingham Park Apartments)		13,500,000	6.72%	7.72%	2004	11/01/2033	05/01/2019	
2001 MF Series A (Skyway Villas Apartments)		13,250,000	6.00%	6.50%	2005	12/01/2034	12/01/2011	
2001 MF Series A/B (Meridian Apartments)		14,310,000	5.45%	6.85%	2004	12/01/2034	12/01/2011	
2001 MF Series A/B (Wildwood Apartments)		14,365,000	5.45%	6.75%	2004	12/01/2034	12/01/2011	
2003 MF Series A/B (Reading Road)		12,200,000	VAR-Weekly		2007	07/01/2036	01/01/2004	(e)
2003 MF Series A/B (West Virginia Apartments)		9,450,000	4.15%	5.41%	2006	06/01/2036	06/01/2013	
2003 MF Series A/B (Primrose Houston School)		16,900,000	5.50%	8.00%	2006	07/01/2036	07/01/2003	(e)
2003 MF Series A/B (Ash Creek Apartments)		16,375,000	5.60%	15.00%	2006	04/01/2036	10/01/2003	(e)
2003 MF Series A/B (Peninsula Apartments)		12,400,000	4.25%	5.30%	2007	10/01/2024	10/01/2013	
2003 MF Series A/B (Arlington Villas)		17,100,000	6.75%	8.00%	2007	12/01/2036	01/01/2007	(e)
2004 MF Series A/B (Timber Ridge II Apartments)		7,500,000	5.75%	8.00%	2007	08/01/2036	03/01/2007	(e)
2004 MF Series A (Providence at Rush Creek II)		10,000,000	5.38%	6.70%	2006	01/01/2044	03/01/2021	
2004 MF Series A (Humble Parkway Townhomes)		11,700,000	6.60%	6.60%	2007	01/01/2041	07/01/2021	
2004 MF Series A (Chisholm Trail Apartments)		12,000,000	VAR - Weekly (b)		2006	04/15/2037	10/15/2006	(e)
2004 MF Series A (Evergreen at Plano Parkway)		14,750,000	5.25%	6.55%	2007	05/01/2044	06/01/2021	
2004 MF Series A (Bristol Apartments)		12,625,000	VAR - Weekly		2007	06/15/2037	06/15/2007	(e)
2004 MF Series A (Pinnacle Apartments)		14,500,000	VAR - Weekly (c)		2007	06/15/2037	09/01/2007	(e)
2005 MF Series A (Atascocita Pines Apartments)		11,900,000	VAR - Weekly (c)		2007	04/15/2038	(a)	
2005 MF Series A (Tower Ridge Apartments)		15,000,000	VAR - Weekly (b)		2009	04/01/2038	(a)	
2005 MF Series A (St Augustine Estate Apartments)		7,650,000	VAR - Weekly		2009	09/15/2038	N/A	
2005 MF Series A (Providence at Mockingbird Apartments)		14,360,000	6.40%	6.40%	2007	08/01/2040	08/01/2022	
2005 MF Series A (Plaza at Chase Oaks Apartments)		14,250,000	5.05%	5.05%	2007	08/01/2035	(f)	
2005 MF Series A (Coral Hills Apartments)		5,320,000	5.05%	5.05%	2009	08/01/2026	08/01/2015	
2006 MF Series A (Village Park Apartments)		13,660,000	4.75%	5.13%	2009	12/01/2026	06/01/2021	
2006 MF Series A (Oakmoor Apartments)		14,635,000	5.50%	6.00%	2008	03/01/2046	03/01/2023	
2006 MF Series A (The Residences at Sunset Pointe)		15,000,000	VAR - Weekly		2039	07/15/2039	(g)	
2006 MF Series A (Hillcrest Apartments)		12,435,000	5.25%	5.25%	2009	04/01/2027	04/01/2021	
2006 MF Series A (Meadowlands Apartments)		13,500,000	6.00%	6.00%	2009	09/01/2046	09/01/2023	
2006 MF Series A (East Tex Pines)		13,500,000	4.95%	4.95%	2010	10/01/2046	(h)	
2006 MF Series A (Aspen Park)		9,800,000	5.00%	5.00%	2010	07/01/2027	07/01/2021	

MISCELLANEOUS BOND INFORMATION (Continued)

For the fiscal year ended August 31, 2021

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Maturity First Year	Scheduled Maturity Final Maturity Date	First Call Date	
2006 MF Series A (Idlewilde)	14,250,000	VAR - Weekly		2010	06/15/2040	(i)	
2007 MF Series A (Lancaster)	14,250,000	VAR - Weekly		2010	07/15/2040	(i)	
2007 MF Series A (Park Place at Loyola)	15,000,000	5.80%	5.80%	2010	02/01/2047	03/01/2024	
2007 MF Series A (Terrace at Cibolo)	8,000,000	VAR - Weekly		2010	05/01/2040	(j)	
2007 MF Series A (Santora Villas)	13,072,000	5.80%	5.80%	2010	05/01/2047	06/01/2024	
2007 MF Series A (Costa Rialto)	12,385,000	5.35%	5.35%	2010	07/01/2047	08/01/2025	
2007 MF Series A (Windshire)	14,000,000	VAR - Weekly		2010	01/15/2041	(i)	
2007 MF Series A (Residences at Onion Creek)	15,000,000	VAR - Weekly		2011	12/15/2040	(i)	
2008 MF Series A (West Oaks Apartments)	13,125,000	VAR - Weekly		2011	07/01/2041	(k)	
2008 MF Series A (Costa Ibiza Apartments)	13,900,000	VAR - Weekly		2011	08/01/2041	(a)	
2008 MF Series A (Alta Cullen Apartments Refunding)	14,000,000	VAR - Weekly		2011	03/01/2045	(k)	
2009 MF Series A (Costa Mariposa Apartments)	13,690,000	VAR - Weekly		2012	05/01/2042	(k)	
2009 MF Series A (Woodmont Apartments)	15,000,000	VAR - Weekly		2012	06/01/2042	(k)	
2014 MF Series A (Decatur-Angle Apartments)	23,000,000	5.75%	5.75%	2016	01/01/2054	09/01/2016	
2015 MF Series A (Williamsburg Apartments)	23,150,000	3.45%	3.45%	2016	01/01/2032	01/26/2016	(l)
2016 MF Series A (Skyline Place Apartments)	18,750,000	2.60%	2.60%	2016	10/01/2032	10/26/2016	(l)
2017 MF Series A (Casa Inc Apartments)	24,000,000	3.15%	3.15%	2017	11/01/2033	N/A	
2017 MF Series A (Casa Brendan Apartments)	5,000,000	3.15%	3.15%	2017	11/01/2033	N/A	
2017 MF Series A (Nuestro Hogar Apartments)	5,700,000	3.15%	3.15%	2017	11/01/2033	N/A	
2018 MF Series A (Vista on Gessner)	50,000,000	3.40%	3.40%	2018	03/01/2035	N/A	
2018 MF Series A (Springs Apartments)	20,000,000	2.23%	2.23%	2020	05/01/2021	05/01/2020	
2018 MF Series A (Crosby Plaza Apartments)	7,000,000	2.00%	2.00%	2020	08/01/2021	02/01/2020	
2018 MF Series A (Oaks on Lamar)	16,810,000	3.55%	3.55%	2018	09/01/2034	N/A	
2018 MF Series A (Riverside Townhomes)	19,200,000	3.55%	3.55%	2018	09/01/2034	N/A	
2018 MF Series A/B (Forestwood)	23,000,000	VAR - Monthly		2021	10/01/2058	04/01/2031	
2018 MF Series A/B (Park Yellowstone)	15,380,000	2.11%	3.50%	2018	08/01/2036	N/A	
2019 MF Series A (Lago de Plata)	14,000,000	4.90%	4.90%	2019	04/01/2059	06/01/2030	
2019 MF Series A (McMullen Square)	10,000,000	3.59%	3.59%	2019	01/09/2036	06/20/2020	
2019 MF Series A (Northgate Village)	19,000,000	2.95%	2.95%	2019	07/01/2036	N/A	
2020 MF Series A (Oaks on Clark)	10,000,000	2.30%	2.30%	2020	06/01/2036	N/A	
2020 MF Series A (Pines)	22,000,000	2.30%	2.30%	2020	07/01/2037	N/A	
2020 MF Series A (333 Holly)	36,800,000	2.30%	2.30%	2020	07/01/2037	N/A	
2020 MF Series A (Scott Street Lofts)	18,000,000	VAR - Monthly		2020	02/01/2040	(m)	
2020 MF Series A (The Walzem)	20,000,000	VAR - Monthly		2020	07/09/2039	N/A	
2020 MF Series A (Pecan Grove)	26,000,000	VAR - Monthly		2020	08/01/2060	09/01/2033	
2020 MF Series A (FishPond@Corpus Christi)	10,000,000	0.50%	0.50%	2023	06/01/2038	N/A	
2021 MF Series A (Montage Apartments)	34,000,000	4.08%	4.08%	2024	01/01/2061	01/01/2033	
2021 MF Series A (Oso Bay Apartments)	14,000,000	0.27%	0.27%	2022	09/01/2024	(n)	
2021 MF Series A (Bella Vista Apartments)	15,000,000	2.15%	2.15%	2021	04/01/2038	N/A	
2021 MF Series A (Crystal Falls Crossing Apartments)	14,000,000	2.17%	2.17%	2021	04/01/2038	N/A	
2021 MF Series A (Shiloh Village Apartments)	22,000,000	2.14%	2.14%	2021	04/01/2038	N/A	
2021 MF Series A (Ridgewood at Panther Creek)	40,000,000	2.17%	2.17%	2021	05/01/2038	N/A	
2021 MF Series A (Pineview at Grogan's Mill)	34,000,000	2.17%	2.17%	2021	05/01/2038	N/A	
2021 MF Series A (Palladium Simpson Stuart)	25,750,000	0.35%	0.35%	2021	01/01/2025	07/01/2023	
2021 MF Series A (Corona Del Valle)	8,500,000	0.37%	0.37%	2023	08/01/2025	(o)	
TOTAL MULTIFAMILY BONDS	$ 1,235,521,000						
TOTAL BONDS ISSUED	$ 2,995,917,022						

FOOTNOTES:

(a) The Bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(b) The Series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indendure, as follows: During a daily interest rate period or weekly interest rate period for the Series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(c) The Series 2017 bonds are subject to redemption prior to maturity, in whole or in part, at any time and from time to time on and after September 1, 2026, at the option of the Department, after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the principal amount of the Series 2017 Bonds or portions thereof to be redeemed, plus accrued interest, to but not including, the redemption date.

(d) The Series 2020A Bonds are subject to redemption prior to maturity, in whole or in part, at any time from time to time, on and after March 1, 2029, at the option of the Department after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the principal amount of such Series 2020A Bonds or portions thereof to be redeemed, plus accured interest to, but not including, the redemption date. The Premium PAC Term Bonds are subject to redemption prior to maturity, in whole or in part at any time and from time to time, on and after March 1, 2029, at the option of the Department after giving notice as provided in the Trust Indenture, at the Redemption Prices set forth, in each case together with interest accrued thereon to the redemption date.

(e) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.

(f) The bonds are subject to redemption at the option of the Issuer, at the direction of the Borrower, in whole or in part on the first day of any month, in the event and to the extent the trustee receives funds from the Borrower representing an optional prepayment of the principal of the note, at a redemption price equal to the principal thereof, plus accrued interest to the redemption date plus any premium remitted therewith as required by the note.

(g) Bonds are subject to redemption if and to the extent the Borrower is entitled to make, or is required to make, a prepayment pursuant to the loan agreement.

(h) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.

(i) The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower.

(j) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant of the Loan Agreement, and with the prior written consent of the Bank, in whole or in part, at a redemption price equal to the principal amount, without premium, plus accrued interest to the date of redemptions.

(k) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.

(l) The bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indendure, as follows: that the Pass-Through Certificate will be prepaid, the Trustee, in accordance with the provisions of this Indenture, shall use its best efforts to give not less than 20 nor more than 30 days' notice, in the name of the Issuer, of the redemption of the Bonds, which notice shall specify the following: (i) the maturity and principal amounts of the Bonds to be redeemed; (ii) the CUSIP number, if any, of the Bonds to be redeemed; (iii) the date of such notice; (iv) the issuance date for such Bonds; (v) the interest rate on the Bonds to be redeemed; (vi) the redemption date; (vii) any conditions to the occurrence of the redemption; (viii) the place or places where amounts due upon such redemption will be payable; (ix) the Redemption Price; (x) the Trustee's name and address with a contact person and a phone number; and (xi) that on the redemption date, the Redemption Price shall be paid. Neither the giving of such notice by the Trustee nor the receipt of such notice by the Bondholders shall be a condition precedent to the effectiveness of any such redemption.

(m) The Bonds are subject to optional redemption prior to maturity from Preference Proof Moneys, at the direction of an Authorized Officer of the Borrower in part in a principal amount not to exceed $6,000,000 on any Business Day on or after February 1, 2022, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest, but without premium, to the date fixed for redemption.

(n) The Bonds are subject to optional redemption prior to maturity from Preference Proof Moneys, at the direction of a Borrower Representative (with delivery of a Cash Flow Projection, if required), in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest, but without premium, to the date fixed for redemption, (i) prior to the initial Mandatory Tender Date, on any Business Day on or after March 1, 2022, and (ii) after the initial Mandatory Tender Date, on any Business Day that is on or after the date that is halfway between the most recent Mandatory Tender Date and the next Mandatory Tender Date or the Maturity Date, as applicable.

(o) The Bonds are subject to optional redemption in whole or in part by the Issuer at the written direction of the Borrower or any Business Day on or after the later to occur of (i) the date the Project is placed in service or (ii) August 1, 2023 (the "Optional Redemption Date"), at a redemption price equal to 100% of the principal amount of such Bonds, plus accrued interest to the Redemption Date.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-B
CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2021

Description of Issue	Bonds Outstanding 09/01/20	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/21	Amounts Due Within One Year
2004 Single Family Series B	$ 16,655,000.00	$	$	$ 1,950,000.00	$ 14,705,000.00	$
2004 Single Family Series D	11,645,000.00			1,520,000.00	10,125,000.00	
2005 Single Family Series A	16,285,000.00			3,355,000.00	12,930,000.00	
2007 Single Family Series A	15,835,000.00			3,890,000.00	11,945,000.00	
2015 Single Family Series A	16,385,000.00			2,685,000.00	13,700,000.00	
2015 Single Family Series B	11,150,000.00			2,845,000.00	8,305,000.00	
2016 Single Family Series A	18,680,000.00			6,880,000.00	11,800,000.00	
2016 Single Family Series B	25,925,000.00			4,855,000.00	21,070,000.00	
2017 Single Family Series A	51,123,267.00			6,634,674.00	44,488,593.00	14,735.40
2017 Single Family Series B	17,502,128.00			2,767,961.00	14,734,167.00	
2017 Single Family Series C	36,127,262.00			5,888,063.00	30,239,199.00	
2018 Single Family Series A	137,695,000.00		2,535,000.00	19,090,000.00	116,070,000.00	2,694,555.72
2019 Single Family Series A	164,945,000.00		2,970,000.00	5,615,000.00	156,360,000.00	3,598,545.30
2020 Single Family Series A	174,250,000.00		230,000.00	1,230,000.00	172,790,000.00	4,050,800.14
2020 Single Family Series B	12,229,375.00			2,027,403.00	10,201,972.00	
2020 Single Family (Jr Lien)		30,000,000.00			30,000,000.00	
2009 RMRB Series C-1	25,490,000.00			25,490,000.00	-	
2009 RMRB Series C-2	19,480,000.00			19,480,000.00	-	
2011 RMRB Series A	9,345,000.00		610,000.00	8,735,000.00	-	
2011 RMRB Series B	18,860,000.00		675,000.00	18,185,000.00	-	
2019 RMRB Series A	162,900,000.00		2,655,000.00	14,160,000.00	146,085,000.00	3,174,023.02
2021 RMRB Series A		100,000,000.00		25,000.00	99,975,000.00	1,357,587.50
2021 RMRB Series B		61,369,927.00		4,901,194.00	56,468,733.00	
Total Single Family Bonds	$ 962,507,032.00	$ 191,369,927.00	$ 9,675,000.00	$ 162,209,295.00	$ 981,992,664.00	$ 14,890,247.08
1996 MF Series A/B (Brighton's Mark Development)	$ 8,075,000.00		$	$	$ 8,075,000.00	$
1998 MF Series A-C (Residence at the Oaks Projects)	4,170,000.00		347,000.00		3,823,000.00	357,000.00
2000 MF Series A-C (Highland Meadow Village Apts)	6,018,000.00		357,000.00		5,661,000.00	369,000.00
2000 MF Series A-C (Collingham Park Apartments)	8,957,000.00		525,000.00		8,432,000.00	545,000.00
2001 MF Series A (Skyway Villas Apartments)	5,410,000.00		245,000.00		5,165,000.00	255,000.00
2001 MF Series A/B (Meridian Apartments)	7,393,000.00		147,000.00		7,246,000.00	160,000.00
2001 MF Series A/B (Wildwood Apartments)	5,683,000.00		114,000.00		5,569,000.00	120,000.00
2003 MF Series A/B (Reading Road)	8,930,000.00			8,930,000.00	-	
2003 MF Series A/B (West Virginia Apartments)	6,815,000.00		275,000.00		6,540,000.00	290,000.00
2003 MF Series A/B (Primrose Houston School)	14,808,864.00		72,432.00	14,736,432.00	-	
2003 MF Series A/B (Ash Creek Apartments)	14,527,849.00		71,353.00	14,456,496.00	-	
2003 MF Series A/B (Peninsula Apartments)	9,080,000.00		340,000.00	5,000.00	8,735,000.00	360,000.00
2003 MF Series A/B (Arlington Villas)	15,419,471.00		210,803.00		15,208,668.00	228,427.00
2004 MF Series A/B (Timber Ridge II Apartments)	5,970,611.00		20,551.00	5,950,060.00	-	
2004 MF Series A (Providence at Rush Creek II)	7,841,100.19		9,415.72	7,831,684.47	-	
2004 MF Series A (Humble Parkway Townhomes)	9,650,000.00		235,000.00	9,415,000.00	-	
2004 MF Series A (Chisholm Trail Apartments)	9,200,000.00			300,000.00	8,900,000.00	
2004 MF Series A (Evergreen at Plano Parkway)	13,158,864.39		186,187.65		12,972,676.74	198,755.91
2004 MF Series A (Bristol Apartments)	10,600,000.00			200,000.00	10,400,000.00	
2004 MF Series A (Pinnacle Apartments)	12,265,000.00			200,000.00	12,065,000.00	
2005 MF Series A (Atascocita Pines Apartments)	9,990,000.00			9,990,000.00	-	
2005 MF Series A (Tower Ridge Apartments)	15,000,000.00				15,000,000.00	
2005 MF Series A (St Augustine Estate Apartments)	5,280,000.00			5,280,000.00	-	
2005 MF Series A (Providence at Mockingbird Apts)	10,234,591.15		121,625.43		10,112,965.72	128,358.19
2005 MF Series A (Plaza at Chase Oaks Apartments)	10,545,709.14		399,808.90		10,145,900.24	420,473.12
2005 MF Series A (Coral Hills Apartments)	3,920,000.00		135,000.00		3,785,000.00	145,000.00
2006 MF Series A (Village Park Apartments)	8,485,000.00		125,000.00	8,360,000.00	-	
2006 MF Series A (Oakmoor Apartments)	12,995,059.09		182,297.06		12,812,762.03	193,540.72
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000.00			100,000.00	14,900,000.00	
2006 MF Series A (Hillcrest Apartments)	9,120,000.00			9,120,000.00	-	
2006 MF Series A (Meadowlands Apartments)	11,236,891.40		149,223.95		11,087,667.45	158,427.80
2006 MF Series A (East Tex Pines)	12,315,000.00		160,000.00		12,155,000.00	170,000.00
2006 MF Series A (Aspen Park)	8,405,000.00		165,000.00		8,240,000.00	180,000.00
2006 MF Series A (Idlewilde)	12,390,000.00			300,000.00	12,090,000.00	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-B
CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2021

Description of Issue	Bonds Outstanding 09/01/20	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/21	Amounts Due Within One Year
2007 MF Series A (Lancaster)	$ 12,380,000.00	$	$	$ 300,000.00	$ 12,080,000.00	$
2007 MF Series A (Park Place at Loyola)	13,248,448.50		146,133.39		13,102,315.11	154,838.11
2007 MF Series A (Terrace at Cibolo)	4,495,000.00			100,000.00	4,395,000.00	
2007 MF Series A (Santora Villas)	11,220,534.69		129,575.96		11,090,958.73	137,294.42
2007 MF Series A (Costa Rialto)	9,770,509.45		123,162.98		9,647,346.47	129,916.19
2007 MF Series A (Windshire)	12,400,000.00			200,000.00	12,200,000.00	
2007 MF Series A (Residences at Onion Creek)	15,000,000.00				15,000,000.00	
2008 MF Series A (West Oaks Apartments)	11,275,000.00			200,000.00	11,075,000.00	
2008 MF Series A (Costa Ibiza Apartments)	12,220,000.00			200,000.00	12,020,000.00	
2008 MF Series A (Alta Cullen Apartments Refunding)	11,100,000.00			200,000.00	10,900,000.00	
2009 MF Series A (Costa Mariposa Apartments)	12,335,000.00			210,000.00	12,125,000.00	
2009 MF Series A (Woodmont Apartments)	13,545,000.00			215,000.00	13,330,000.00	
2014 MF Series A (Decatur Angle Apartments)	22,333,605.85		192,357.20		22,141,248.65	203,916.79
2015 MF Series A (Williamsburg Apartments)	22,136,542.18		313,251.93		21,823,290.25	342,732.72
2016 MF Series A (Skyline Place Apartments)	17,965,869.32		296,644.34		17,669,224.98	307,374.99
2017 MF Series A (Casa Inc Apartments)	23,144,898.08		336,150.07		22,808,748.01	350,428.17
2017 MF Series A (Casa Brendan Apartments)	4,821,853.80		70,031.16		4,751,822.64	73,005.86
2017 MF Series A (Nuestro Hogar Apartments)	5,496,913.42		79,835.64		5,417,077.78	83,226.71
2018 MF Series A (Vista on Gessner Apartments)	49,768,467.00		587,542.63		49,180,924.37	614,606.72
2018 MF Series A (Springs Apartments)	20,000,000.00			20,000,000.00	-	
2018 MF Series A (Crosby Plaza Apartments)	7,000,000.00			7,000,000.00	-	
2018 MF Series A (Oaks on Lamar)	16,436,466.70		208,645.68		16,227,821.02	218,388.29
2018 MF Series A (Riverside Townhomes)	18,773,358.98		238,309.63		18,535,049.35	249,438.10
2018 MF Series A/B (Forestwood)	23,000,000.00		49,436.16	150,000.00	22,800,563.84	3,153,564.31
2018 MF Series A/B (Park Yellowstone)	15,380,000.00			2,880,000.00	12,500,000.00	139,155.47
2019 MF Series A (Lago de Plata)	13,875,000.00		120,000.00		13,755,000.00	130,000.00
2019 MF Series A (McMullen Square)	10,000,000.00		47,581.94	2,400,000.00	7,552,418.06	74,012.18
2019 MF Series A (Northgate Village)	18,733,670.58		259,259.09		18,474,411.49	269,725.79
2020 MF Series A (Oaks on Clark)	9,974,966.85		153,956.74		9,821,010.11	159,026.75
2020 MF Series A (Pines)	21,974,251.06		275,348.11	53,743.07	21,645,159.88	340,341.01
2020 MF Series A (333 Holly)	36,756,929.03		460,582.15	89,897.51	36,206,449.37	569,297.77
2020 MF Series A (Scott Street Lofts)	18,000,000.00				18,000,000.00	
2020 MF Series A (The Walzem)	20,000,000.00				20,000,000.00	
2020 MF Series A (Pecan Grove)	26,000,000.00				26,000,000.00	
2020 MF Series A (FishPond@Corpus Christi)		10,000,000.00			10,000,000.00	
2021 MF Series A (Montage Apartments)		34,000,000.00			34,000,000.00	
2021 MF Series A (Oso Bay Apartments)		14,000,000.00			14,000,000.00	
2021 MF Series A (Bella Vista Apartments)		15,000,000.00	76,825.65		14,923,174.35	236,664.46
2021 MF Series A (Crystal Falls Crossing Apartments)		14,000,000.00			14,000,000.00	
2021 MF Series A (Shiloh Village Apartments)		22,000,000.00	112,927.54		21,887,072.46	347,844.23
2021 MF Series A (Ridgewood at Panther Creek)		40,000,000.00	148,099.20		39,851,900.80	615,441.42
2021 MF Series A (Pineview at Grogan's Mill)		34,000,000.00	126,319.62		33,873,680.38	524,809.76
2021 MF Series A (Palladium Simpson Stuart)		25,750,000.00			25,750,000.00	
2021 MF Series A (Corona Del Valle)		8,500,000.00			8,500,000.00	
Total Multifamily Bonds	$ 889,452,295.85	$ 217,250,000.00	$ 9,145,674.52	$ 129,373,313.05	$ 968,183,308.28	$ 13,704,032.96
	$ 1,851,959,327.85	$ 408,619,927.00	$ 18,820,674.52	$ 291,582,608.05	$ 1,950,175,972.28	$ 28,594,280.04

FOOTNOTES:
(a) Bonds Outstanding balance at 08/31/21 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$ 1,950,175,972.28
Unamortized (Discount)/Premium:	
Single Family	22,935,096.77
RMRB	12,013,520.43
Multi-Family	142,495.62
Bonds Outstanding per Exhibit V	$ 1,985,267,085.10

DESCRIPTION		2022	2023	2024	2025	2026
2004 Single Family Series B	Principal	-	-	-	-	-
2004 Single Family Series B	Interest	7,070.45	4,411.43	4,421.54	4,401.39	4,411.43
2004 Single Family Series D	Principal	-	-	-	-	-
2004 Single Family Series D	Interest	6,041.86	5,062.64	5,074.20	5,050.94	5,062.64
2005 Single Family Series A	Principal	-	-	-	-	-
2005 Single Family Series A	Interest	6,220.54	3,878.99	3,887.88	3,870.11	3,878.99
2007 Single Family Series A	Principal	-	-	-	-	-
2007 Single Family Series A	Interest	5,769.65	3,583.55	3,591.73	3,575.31	3,583.55
2015 Single Family Series A	Principal	-	-	-	-	-
2015 Single Family Series A	Interest	438,399.96	438,399.96	438,399.96	438,399.96	438,399.96
2015 Single Family Series B	Principal	-	-	-	-	-
2015 Single Family Series B	Interest	259,531.23	259,531.20	259,531.20	259,531.20	259,531.20
2016 Single Family Series A	Principal	-	-	-	-	-
2016 Single Family Series A	Interest	354,000.00	354,000.00	354,000.00	354,000.00	354,000.00
2016 Single Family Series B	Principal	-	-	-	-	-
2016 Single Family Series B	Interest	670,026.00	670,026.00	670,026.00	670,026.00	670,026.00
2017 Single Family Series A	Principal	-	-	-	-	-
2017 Single Family Series A	Interest	1,261,251.60	1,261,251.60	1,261,251.60	1,261,251.60	1,261,251.60
2017 Single Family Series B	Principal	-	-	-	-	-
2017 Single Family Series B	Interest	405,189.60	405,189.60	405,189.60	405,189.60	405,189.60
2017 Single Family Series C	Principal	-	-	-	-	-
2017 Single Family Series C	Interest	937,415.16	937,415.16	937,415.16	937,415.16	937,415.16
2018 Single Family Series A	Principal	2,445,000.00	2,535,000.00	2,645,000.00	2,705,000.00	2,810,000.00
2018 Single Family Series A	Interest	4,837,365.30	4,767,515.46	4,692,036.60	4,609,965.30	4,522,515.24
2019 Single Family Series A	Principal	3,135,000.00	3,225,000.00	3,325,000.00	3,435,000.00	3,550,000.00
2019 Single Family Series A	Interest	5,470,346.38	5,393,766.66	5,312,516.64	5,226,880.38	5,136,212.88
2020 Single Family Series A	Principal	3,505,000.00	3,590,000.00	3,690,000.00	3,765,000.00	3,900,000.00
2020 Single Family Series A	Interest	5,172,165.76	5,121,502.62	5,063,947.56	4,999,925.04	4,926,692.58
2020 Single Family Series B	Principal	-	-	-	-	-
2020 Single Family Series B	Interest	204,039.48	204,039.48	204,039.48	204,039.48	204,039.48
2020 Single Family Series A (Jr. Lien)	Principal	-	-	-	-	-
2020 Single Family Series A (Jr. Lien)	Interest	755,550.00	755,550.00	755,550.00	755,550.00	755,550.00
TOTAL SINGLE FAMILY BONDS		29,875,382.97	29,935,124.35	30,030,879.15	30,044,071.47	30,147,760.31
2019 RMRB Series A	Principal	2,620,000.00	2,740,000.00	2,865,000.00	2,995,000.00	3,135,000.00
2019 RMRB Series A	Interest	6,122,024.37	6,017,246.94	5,906,636.88	5,789,346.78	5,665,311.72
2021 RMRB Series A	Principal	1,050,000.00	2,130,000.00	2,170,000.00	2,220,000.00	2,265,000.00
2021 RMRB Series A	Interest	2,618,585.38	2,595,305.34	2,562,751.56	2,527,680.24	2,490,168.96
2021 RMRB Series B	Principal	-	-	-	-	-
2021 RMRB Series B	Interest	959,968.44	959,968.44	959,968.44	959,968.44	959,968.44
TOTAL RESIDENTIAL MTG REVENUE BONDS		13,370,578.19	14,442,520.72	14,464,356.88	14,491,995.46	14,515,449.12

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2021

2027-2031	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056	2057-2061	REQUIRED
2,255,000.00	12,450,000.00	-	-	-	-	-	14,705,000.00
21,966.48	7,625.97	-	-	-	-	-	54,308.69
1,300,000.00	8,825,000.00	-	-	-	-	-	10,125,000.00
25,231.25	10,257.13	-	-	-	-	-	61,780.66
-	10,125,000.00	2,805,000.00	-	-	-	-	12,930,000.00
19,394.96	17,291.13	423.04	-	-	-	-	58,845.64
-	-	11,945,000.00	-	-	-	-	11,945,000.00
17,917.69	17,925.87	4,552.36	-	-	-	-	60,499.71
-	-	13,700,000.00	-	-	-	-	13,700,000.00
2,191,999.80	2,191,999.80	1,534,399.86	-	-	-	-	8,110,399.26
-	-	-	8,305,000.00	-	-	-	8,305,000.00
1,297,656.00	1,297,656.00	1,297,656.00	1,297,656.00	-	-	-	6,488,280.03
-	-	-	11,800,000.00	-	-	-	11,800,000.00
1,770,000.00	1,770,000.00	1,770,000.00	1,770,000.00	-	-	-	8,850,000.00
-	-	21,070,000.00	-	-	-	-	21,070,000.00
3,350,130.00	3,350,130.00	2,010,078.00	-	-	-	-	12,060,468.00
-	-	-	-	44,488,593.00	-	-	44,488,593.00
6,306,258.00	6,306,258.00	6,306,258.00	6,306,258.00	1,366,355.90	-	-	32,897,645.90
-	-	14,734,167.00	-	-	-	-	14,734,167.00
2,025,948.00	2,025,948.00	844,145.00	-	-	-	-	6,921,989.00
-	-	-	-	30,239,199.00	-	-	30,239,199.00
4,687,075.80	4,687,075.80	4,687,075.80	4,687,075.80	1,015,533.09	-	-	24,450,912.09
12,370,000.00	13,430,000.00	24,855,000.00	31,580,000.00	20,695,000.00	-	-	116,070,000.00
21,095,651.34	19,041,566.40	14,671,197.06	8,574,393.66	1,526,056.02	-	-	88,338,262.38
19,305,000.00	21,995,000.00	28,845,000.00	36,590,000.00	32,955,000.00	-	-	156,360,000.00
24,090,936.48	20,878,884.42	16,374,213.60	10,373,912.46	2,666,668.74	-	-	100,924,338.64
21,715,000.00	25,470,000.00	31,195,000.00	36,835,000.00	39,125,000.00	-	-	172,790,000.00
22,320,859.44	18,945,212.64	14,939,324.64	9,732,512.46	3,234,887.46	-	-	94,457,030.20
-	10,201,972.00	-	-	-	-	-	10,201,972.00
1,020,197.40	935,180.95	-	-	-	-	-	2,975,575.75
15,000,000.00	-	-	15,000,000.00	-	-	-	30,000,000.00
3,624,750.00	2,247,750.00	2,247,750.00	2,022,975.00	-	-	-	13,920,975.00
165,810,972.64	186,227,734.11	215,836,240.36	184,874,783.38	177,312,293.21	-	-	1,080,095,241.95
18,185,000.00	22,625,000.00	28,245,000.00	35,730,000.00	26,945,000.00	-	-	146,085,000.00
26,184,456.42	21,674,790.72	16,531,965.18	9,934,526.58	2,071,363.80	-	-	105,897,669.39
12,710,000.00	14,890,000.00	17,285,000.00	20,185,000.00	23,650,000.00	1,420,000.00	-	99,975,000.00
11,241,501.00	9,385,815.42	7,385,074.50	4,949,171.76	2,020,612.38	21,300.00	-	47,797,966.54
-	-	-	56,468,733.00	-	-	-	56,468,733.00
4,799,842.20	4,799,842.20	4,799,842.20	879,971.07	-	-	-	20,079,339.87
73,120,799.62	73,375,448.34	74,246,881.88	128,147,402.41	54,686,976.18	1,441,300.00	-	476,303,708.80

DESCRIPTION		2022	2023	2024	2025	2026
1996 MF Series A/B (Brighton's Mark Development)	Principal	-	-	-	-	8,075,000.00
1996 MF Series A/B (Brighton's Mark Development)	Interest	501,872.43	501,872.43	503,247.42	501,872.43	334,123.29
1998 MF Series A-C (Residence at the Oaks Projects)	Principal	357,000.00	368,000.00	376,000.00	387,000.00	398,000.00
1998 MF Series A-C (Residence at the Oaks Projects)	Interest	103,053.60	93,119.82	82,911.60	72,469.92	61,712.40
2000 MF Series A-C (Collingham Park Apartments)	Principal	545,000.00	565,000.00	587,000.00	608,000.00	630,000.00
2000 MF Series A-C (Collingham Park Apartments)	Interest	303,255.66	283,153.14	262,301.40	240,663.72	218,240.28
2000 MF Series A-C (Highland Meadow Village Apts)	Principal	369,000.00	383,000.00	397,000.00	411,000.00	426,000.00
2000 MF Series A-C (Highland Meadow Village Apts)	Interest	196,803.66	183,640.98	169,983.60	155,831.58	141,184.80
2001 MF Series A (Skyway Villas Apartments)	Principal	255,000.00	270,000.00	295,000.00	305,000.00	325,000.00
2001 MF Series A (Skyway Villas Apartments)	Interest	287,198.04	272,773.02	257,350.20	240,592.92	223,131.78
2001 MF Series A/B (Meridian Apartments)	Principal	160,000.00	169,000.00	180,000.00	190,000.00	201,000.00
2001 MF Series A/B (Meridian Apartments)	Interest	430,440.00	420,540.00	410,070.00	399,045.00	387,360.00
2001 MF Series A/B (Wildwood Apartments)	Principal	120,000.00	129,000.00	135,000.00	144,000.00	155,000.00
2001 MF Series A/B (Wildwood Apartments)	Interest	330,840.00	323,460.00	315,555.00	307,140.00	298,225.00
2003 MF Series A/B (Peninsula Apartments)	Principal	360,000.00	380,000.00	405,000.00	7,590,000.00	-
2003 MF Series A/B (Peninsula Apartments)	Interest	458,317.44	438,972.48	418,302.48	201,135.00	-
2003 MF Series A/B (West Virginia Apartments)	Principal	290,000.00	305,000.00	325,000.00	340,000.00	360,000.00
2003 MF Series A/B (West Virginia Apartments)	Interest	328,684.92	313,688.88	298,067.88	281,291.10	263,754.12
2003 MF Series A/B (Arlington Villas)	Principal	228,427.00	246,156.00	263,690.00	282,471.00	302,590.00
2003 MF Series A/B (Arlington Villas)	Interest	1,020,940.32	1,003,646.07	986,494.80	968,122.02	948,440.42
2004 MF Series A (Bristol Apartments)	Principal	-	-	-	-	-
2004 MF Series A (Bristol Apartments)	Interest	5,199.98	5,199.98	5,205.42	5,194.58	5,199.98
2004 MF Series A (Chisholm Trail Apartments)	Principal	-	-	-	-	-
2004 MF Series A (Chisholm Trail Apartments)	Interest	4,467.01	4,449.94	4,454.62	4,445.33	4,449.94
2004 MF Series A (Evergreen at Plano Parkway)	Principal	198,755.91	212,172.45	226,494.64	241,783.61	258,104.63
2004 MF Series A (Evergreen at Plano Parkway)	Interest	843,814.52	830,397.91	816,075.83	800,786.68	784,465.62
2004 MF Series A (Pinnacle Apartments)	Principal	-	-	-	-	-
2004 MF Series A (Pinnacle Apartments)	Interest	6,032.49	6,032.49	6,038.78	6,026.22	6,032.49
2005 MF Series A (Tower Ridge Apartments)	Principal	-	-	-	-	-
2005 MF Series A (Tower Ridge Apartments)	Interest	18,000.01	18,000.01	18,018.72	17,981.28	18,000.01
2005 MF Series A (Providence at Mockingbird Apts)	Principal	128,358.19	135,463.71	142,962.54	150,876.49	159,228.52
2005 MF Series A (Providence at Mockingbird Apts)	Interest	542,955.30	535,849.79	528,350.83	520,436.95	512,084.78
2005 MF Series A (Plaza at Chase Oaks Apartments)	Principal	420,473.12	442,205.43	465,061.02	489,097.89	514,377.14
2005 MF Series A (Plaza at Chase Oaks Apartments)	Interest	502,724.07	480,991.78	458,136.23	434,099.25	408,819.94
2005 MF Series A (Coral Hills Apartments)	Principal	145,000.00	150,000.00	160,000.00	170,000.00	3,160,000.00
2005 MF Series A (Coral Hills Apartments)	Interest	189,374.88	181,926.24	174,225.06	166,018.74	157,307.46
2006 MF Series A (Oakmoor Apartments)	Principal	193,540.72	205,477.91	218,151.36	231,606.43	245,891.41
2006 MF Series A (Oakmoor Apartments)	Interest	763,501.00	751,563.81	738,890.22	725,434.98	711,149.88
2006 MF Series A (The Residences at Sunset Pointe)	Principal	-	-	-	-	-
2006 MF Series A (The Residences at Sunset Pointe)	Interest	17,880.04	17,880.04	17,898.58	17,861.40	17,880.04
2006 MF Series A (Meadowlands Apartments)	Principal	158,427.80	168,199.28	178,573.46	189,587.48	201,280.80
2006 MF Series A (Meadowlands Apartments)	Interest	660,950.91	651,179.33	640,805.24	629,791.33	618,097.97
2006 MF Series A (East Tex Pines)	Principal	170,000.00	180,000.00	190,000.00	200,000.00	215,000.00
2006 MF Series A (East Tex Pines)	Interest	700,060.02	689,910.00	679,180.02	667,870.02	655,834.98
2006 MF Series A (Aspen Park)	Principal	180,000.00	190,000.00	200,000.00	215,000.00	220,000.00
2006 MF Series A (Aspen Park)	Interest	409,749.84	400,624.86	390,999.90	380,874.84	369,999.90
2006 MF Series A (Idlewilde)	Principal	-	-	-	-	-
2006 MF Series A (Idlewilde)	Interest	6,044.99	6,044.99	6,051.30	6,038.70	6,044.99

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
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2027-2031	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056	2057-2061	REQUIRED
-	-	-	-	-	-	-	8,075,000.00
-	-	-	-	-	-	-	2,342,988.00
1,937,000.00	-	-	-	-	-	-	3,823,000.00
136,305.00	-	-	-	-	-	-	549,572.34
3,518,000.00	1,979,000.00	-	-	-	-	-	8,432,000.00
724,805.58	108,553.62	-	-	-	-	-	2,140,973.40
2,365,000.00	1,310,000.00	-	-	-	-	-	5,661,000.00
467,388.84	68,958.36	-	-	-	-	-	1,383,791.82
1,955,000.00	1,760,000.00	-	-	-	-	-	5,165,000.00
812,327.88	204,103.20	-	-	-	-	-	2,297,477.04
6,336,000.00	10,000.00	-	-	-	-	-	7,246,000.00
1,364,640.00	1,975.00	-	-	-	-	-	3,414,070.00
4,881,000.00	5,000.00	-	-	-	-	-	5,569,000.00
792,250.00	1,000.00	-	-	-	-	-	2,368,470.00
-	-	-	-	-	-	-	8,735,000.00
-	-	-	-	-	-	-	1,516,727.40
2,130,000.00	2,790,000.00	-	-	-	-	-	6,540,000.00
1,018,994.34	406,216.20	-	-	-	-	-	2,910,697.44
1,868,604.00	2,635,853.00	9,380,877.00	-	-	-	-	15,208,668.00
4,394,268.92	3,643,704.34	209,305.65	-	-	-	-	13,174,922.54
-	-	10,400,000.00	-	-	-	-	10,400,000.00
25,999.94	26,005.38	4,325.54	-	-	-	-	82,330.80
-	-	8,900,000.00	-	-	-	-	8,900,000.00
22,249.77	22,254.45	2,957.95	-	-	-	-	69,729.01
1,576,609.08	2,185,590.00	3,029,795.89	5,043,370.53	-	-	-	12,972,676.74
3,636,242.34	3,027,261.92	2,183,055.88	727,328.42	-	-	-	13,649,429.12
-	-	12,065,000.00	-	-	-	-	12,065,000.00
30,162.47	30,168.76	5,018.05	-	-	-	-	95,511.75
-	-	15,000,000.00	-	-	-	-	15,000,000.00
90,000.03	90,018.74	29,274.44	-	-	-	-	299,293.24
938,531.04	1,228,697.87	7,228,847.36	-	-	-	-	10,112,965.72
2,418,033.86	2,127,865.88	1,433,955.41	-	-	-	-	8,619,532.80
2,999,242.06	4,815,443.58	-	-	-	-	-	10,145,900.24
1,616,745.35	685,505.87	-	-	-	-	-	4,587,022.49
-	-	-	-	-	-	-	3,785,000.00
-	-	-	-	-	-	-	868,852.38
1,476,542.91	1,991,635.04	2,686,417.28	5,563,498.97	-	-	-	12,812,762.03
3,308,662.95	2,793,570.57	2,098,789.11	1,107,942.08	-	-	-	12,999,504.60
-	-	14,900,000.00	-	-	-	-	14,900,000.00
89,400.10	89,418.64	52,102.90	-	-	-	-	320,321.74
1,208,662.54	1,630,304.65	2,199,036.68	2,966,170.99	2,187,423.77	-	-	11,087,667.45
2,888,232.03	2,466,590.14	1,897,857.79	1,130,720.89	10,937.12	-	-	11,595,162.75
1,265,000.00	1,675,000.00	2,225,000.00	2,950,000.00	3,085,000.00	-	-	12,155,000.00
3,073,275.00	2,649,005.04	2,086,985.16	1,341,830.04	89,464.98	-	-	12,633,415.26
7,235,000.00	-	-	-	-	-	-	8,240,000.00
358,749.96	-	-	-	-	-	-	2,310,999.30
-	-	12,090,000.00	-	-	-	-	12,090,000.00
30,224.97	30,231.28	23,172.48	-	-	-	-	113,853.70

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2021

DESCRIPTION		2022	2023	2024	2025	2026
2007 MF Series A (Lancaster)	Principal	-	-	-	-	-
2007 MF Series A (Lancaster)	Interest	6,040.03	6,040.03	6,046.32	6,033.74	6,040.03
2007 MF Series A (Park Place at Loyola)	Principal	154,838.11	164,061.32	173,833.96	184,188.72	195,160.30
2007 MF Series A (Park Place at Loyola)	Interest	755,862.18	746,639.04	736,866.41	726,511.50	715,539.79
2007 MF Series A (Terrace at Cibolo)	Principal	-	-	-	-	-
2007 MF Series A (Terrace at Cibolo)	Interest	2,197.54	2,197.54	2,200.04	2,195.01	2,197.54
2007 MF Series A (Santora Villas)	Principal	137,294.42	145,472.62	154,137.98	163,319.52	173,047.97
2007 MF Series A (Santora Villas)	Interest	639,665.06	631,487.05	622,821.65	613,640.14	603,911.66
2007 MF Series A (Costa Rialto)	Principal	129,916.19	137,039.73	144,553.82	152,479.92	160,840.64
2007 MF Series A (Costa Rialto)	Interest	512,979.47	505,855.89	498,341.64	490,415.47	482,054.57
2007 MF Series A (Windshire)	Principal	-	-	-	-	-
2007 MF Series A (Windshire)	Interest	6,099.98	6,099.98	6,106.31	6,093.62	6,099.98
2007 MF Series A (Residences at Onion Creek)	Principal	-	-	-	-	-
2007 MF Series A (Residences at Onion Creek)	Interest	18,000.01	18,000.01	18,018.72	17,981.28	18,000.01
2008 MF Series A (Costa Ibiza Apartments)	Principal	-	-	-	-	-
2008 MF Series A (Costa Ibiza Apartments)	Interest	9,616.01	9,616.01	9,627.02	9,605.00	9,616.01
2008 MF Series A (West Oaks Apartments)	Principal	-	-	-	-	-
2008 MF Series A (West Oaks Apartments)	Interest	5,537.52	5,537.52	5,543.83	5,531.15	5,537.52
2008 MF Series A (Alta Cullen Apartments Refunding)	Principal	-	-	-	-	-
2008 MF Series A (Alta Cullen Apartments Refunding)	Interest	8,719.97	8,719.97	8,729.97	8,709.99	8,719.97
2009 MF Series A (Costa Mariposa Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Costa Mariposa Apartments)	Interest	9,700.03	9,700.03	9,711.10	9,688.89	9,700.03
2009 MF Series A (Woodmont Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Woodmont Apartments)	Interest	10,663.99	10,663.99	10,676.19	10,651.77	10,663.99
2014 MF Series A (Decatur Angle Apartments)	Principal	203,916.79	216,171.03	229,161.67	242,932.99	257,531.88
2014 MF Series A (Decatur Angle Apartments)	Interest	1,267,804.39	1,255,759.62	1,242,990.81	1,229,454.88	1,215,105.42
2015 MF Series A (Williamsburg Apts)	Principal	327,714.20	342,844.28	356,024.10	375,109.94	392,428.18
2015 MF Series A (Williamsburg Apts)	Interest	758,164.53	746,460.89	736,265.68	721,501.86	708,105.40
2016 MF Series A (Skyline Place Apartments)	Principal	307,374.99	318,493.88	328,344.27	341,892.41	354,259.92
2016 MF Series A (Skyline Place Apartments)	Interest	462,098.37	453,862.06	446,565.46	436,529.63	427,368.51
2017 MF Series A (Casa Inc Apartments)	Principal	350,428.17	365,312.95	378,284.77	396,897.94	413,756.58
2017 MF Series A (Casa Inc Apartments)	Interest	723,376.89	711,968.76	702,026.79	687,761.27	674,843.29
2017 MF Series A (Casa Brendan Apartments)	Principal	73,005.86	76,106.85	78,809.30	82,687.03	86,199.24
2017 MF Series A (Casa Brendan Apartments)	Interest	150,702.75	148,326.03	146,254.87	143,282.84	140,591.11
2017 MF Series A (Nuestro Hogar)	Principal	83,226.71	86,761.83	89,842.64	94,263.26	98,267.18
2017 MF Series A (Nuestro Hogar)	Interest	171,802.04	169,092.60	166,731.61	163,343.59	160,274.86
2018 MF Series A (Vista on Gessner Apartments)	Principal	614,606.72	642,917.20	666,535.77	703,234.24	735,627.18
2018 MF Series A (Vista on Gessner Apartments)	Interest	1,685,776.00	1,664,145.48	1,646,099.76	1,618,060.49	1,593,310.85
2018 MF Series A (Oaks on Lamar Apartments)	Principal	218,388.29	228,586.32	237,260.16	250,339.93	262,030.05
2018 MF Series A (Oaks on Lamar Apartments)	Interest	580,527.43	572,500.06	565,672.54	555,376.97	546,175.24
2018 MF Series A (Riverside Townhomes)	Principal	249,438.10	261,086.11	270,993.15	285,932.57	299,284.72
2018 MF Series A (Riverside Townhomes)	Interest	663,064.98	653,896.35	646,098.14	634,338.82	623,828.89
2018 MF Series A/B (Forestwood Apartments)	Principal	3,153,564.31	161,774.94	170,424.59	179,536.73	189,136.03
2018 MF Series A/B (Forestwood Apartments)	Interest	1,062,340.28	1,035,932.40	1,029,975.91	1,017,924.10	1,008,191.64
2019 MF Series A/B (Park Yellowstone)	Principal	139,155.47	145,786.04	151,150.54	159,934.72	167,555.41
2019 MF Series A/B (Park Yellowstone)	Interest	441,341.02	436,295.89	432,214.07	425,530.35	419,731.96
2019 MF Series A (Lago de Plato)	Principal	130,000.00	130,000.00	145,000.00	145,000.00	155,000.00
2019 MF Series A (Lago de Plato)	Interest	671,136.64	664,705.30	658,090.19	650,923.88	643,533.06

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2021

2027-2031	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056	2057-2061	REQUIRED
-	-	12,080,000.00	-	-	-	-	12,080,000.00
30,200.15	30,206.44	23,648.53	-	-	-	-	114,255.27
1,164,661.02	1,555,397.98	2,077,225.09	2,774,122.06	4,658,826.55	-	-	13,102,315.11
3,388,838.02	2,998,099.63	2,476,270.32	1,779,372.74	131,211.30	-	-	14,455,210.93
-	-	4,395,000.00	-	-	-	-	4,395,000.00
10,987.67	10,990.17	8,237.75	-	-	-	-	41,203.26
1,032,701.00	1,379,166.16	1,841,868.45	2,459,804.65	3,604,145.96	-	-	11,090,958.73
2,852,095.50	2,505,628.74	2,042,924.72	1,424,987.93	148,452.02	-	-	12,085,614.47
946,568.21	1,236,139.47	1,614,295.50	2,108,135.92	3,017,377.07	-	-	9,647,346.47
2,267,907.55	1,978,335.11	1,600,176.71	1,106,335.89	138,006.21	-	-	9,580,408.51
-	-	12,200,000.00	-	-	-	-	12,200,000.00
30,499.87	30,506.20	26,950.51	-	-	-	-	118,456.45
-	-	15,000,000.00	-	-	-	-	15,000,000.00
90,000.03	90,018.74	78,000.02	-	-	-	-	348,018.82
-	-	12,020,000.00	-	-	-	-	12,020,000.00
48,080.05	48,091.06	48,069.04	-	-	-	-	192,320.20
-	-	11,075,000.00	-	-	-	-	11,075,000.00
27,687.54	27,693.85	27,210.86	-	-	-	-	110,279.79
-	-	-	10,900,000.00	-	-	-	10,900,000.00
43,599.87	43,609.87	43,589.89	31,224.68	-	-	-	205,624.18
-	-	-	12,125,000.00	-	-	-	12,125,000.00
48,500.08	48,511.15	48,488.94	7,255.09	-	-	-	201,255.34
-	-	-	13,330,000.00	-	-	-	13,330,000.00
53,319.93	53,332.13	53,307.71	8,881.79	-	-	-	222,161.49
1,539,261.63	2,060,795.83	2,759,036.56	3,693,855.98	4,945,411.77	5,993,172.52	-	22,141,248.65
5,828,227.05	5,315,609.75	4,629,303.83	3,710,463.61	2,480,303.34	638,744.53	-	28,813,767.23
2,248,421.38	17,780,748.17	-	-	-	-	-	21,823,290.25
3,319,076.94	259,486.18	-	-	-	-	-	7,249,061.48
1,971,346.69	14,047,512.82	-	-	-	-	-	17,669,224.98
1,988,660.18	425,950.28	-	-	-	-	-	4,641,034.49
2,345,151.39	18,558,916.21	-	-	-	-	-	22,808,748.01
3,162,394.44	1,294,776.44	-	-	-	-	-	7,957,147.88
488,573.01	3,866,441.35	-	-	-	-	-	4,751,822.64
658,829.40	269,744.88	-	-	-	-	-	1,657,731.88
556,973.47	4,407,742.69	-	-	-	-	-	5,417,077.78
751,068.38	307,509.54	-	-	-	-	-	1,889,822.62
4,212,287.28	41,605,715.98	-	-	-	-	-	49,180,924.37
7,558,438.99	4,925,804.75	-	-	-	-	-	20,691,636.32
1,503,384.99	13,527,831.28	-	-	-	-	-	16,227,821.02
2,578,773.17	1,444,796.59	-	-	-	-	-	6,843,822.00
1,717,132.10	15,451,182.60	-	-	-	-	-	18,535,049.35
2,945,415.37	1,650,214.24	-	-	-	-	-	7,816,856.79
1,108,625.56	1,438,433.91	1,866,358.01	2,421,586.52	3,141,991.63	4,076,712.24	4,892,419.37	22,800,563.84
4,878,455.74	4,546,338.11	4,109,704.78	3,546,522.39	2,815,815.13	1,868,520.28	446,307.26	27,366,028.02
963,701.05	10,772,716.77	-	-	-	-	-	12,500,000.00
2,002,847.53	1,811,621.70	-	-	-	-	-	5,969,582.52
905,000.00	1,155,000.00	1,470,000.00	1,880,000.00	2,405,000.00	3,065,000.00	2,170,000.00	13,755,000.00
3,092,491.48	2,842,305.17	2,522,825.03	2,114,818.76	1,594,071.32	928,835.32	161,842.72	16,545,578.87

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2021

DESCRIPTION		2022	2023	2024	2025	2026
2019 MF Series A (McMullen Square)	Principal	74,012.18	77,304.41	80,743.04	84,334.65	88,086.02
2019 MF Series A (McMullen Square)	Interest	332,372.18	329,034.20	326,439.46	321,906.44	318,102.95
2019 MF Series A (Northgate Village)	Principal	269,725.79	280,614.97	289,980.07	303,650.65	315,909.41
2019 MF Series A (Northgate Village)	Interest	548,902.84	540,687.17	533,621.40	523,307.36	514,058.39
2020 MF Series A (Oaks on Clark)	Principal	159,026.75	164,263.71	168,824.79	175,232.69	181,003.36
2020 MF Series A (Oaks on Clark)	Interest	227,333.83	223,569.78	220,291.43	215,685.76	211,538.26
2020 MF Series A (Pines)	Principal	340,341.01	351,975.67	362,064.93	376,385.34	389,252.18
2020 MF Series A (Pines)	Interest	501,145.97	493,085.85	486,096.22	476,175.50	467,261.63
2020 MF Series A (333 Holly)	Principal	569,297.77	588,759.38	605,635.97	629,590.12	651,112.84
2020 MF Series A (333 Holly)	Interest	838,280.37	824,797.97	813,106.43	796,511.73	781,601.29
2020 MF Series A (Scott Street Lofts)	Principal	-	-	-	-	-
2020 MF Series A (Scott Street Lofts)	Interest	86,400.00	86,400.00	86,400.00	86,400.00	86,400.00
2020 MF Series A (The Walzem)	Principal	-	-	-	-	-
2020 MF Series A (The Walzem)	Interest	225,999.96	225,999.96	225,999.96	225,999.96	225,999.96
2020 MF Series A (Pecan Grove)	Principal	-	-	-	-	-
2020 MF Series A (Pecan Grove)	Interest	906,903.95	906,903.95	909,388.62	906,903.95	906,903.95
2020 MF Series A (FishPond at Corpus Christi)	Principal	-	-	-	-	-
2020 MF Series A (FishPond at Corpus Christi)	Interest	50,000.04	50,000.04	50,000.04	50,000.04	50,000.04
2021 MF Series A (Montage Apartments)	Principal	-	-	12,000,000.00	-	90,000.00
2021 MF Series A (Montage Apartments)	Interest	1,385,500.56	1,385,500.56	1,141,000.56	896,500.56	895,838.39
2021 MF Series A (Oso Bay Apartments)	Principal	-	-	-	14,000,000.00	-
2021 MF Series A (Oso Bay Apartments)	Interest	37,800.00	37,800.00	37,800.00	18,900.00	-
2021 MF Series A (Bella Vista Apartments)	Principal	236,664.46	244,235.75	250,795.81	260,072.62	268,392.75
2021 MF Series A (Bella Vista Apartments)	Interest	322,958.46	317,724.31	313,189.26	306,776.08	301,024.24
2021 MF Series A (Crystal Falls Crossing)	Principal	-	71,402.33	218,781.01	227,040.93	234,349.36
2021 MF Series A (Crystal Falls Crossing)	Interest	307,877.64	307,677.93	304,951.30	299,225.70	294,159.55
2021 MF Series A (Shiloh Village Apartments)	Principal	347,844.23	358,936.04	368,549.31	382,133.55	394,318.77
2021 MF Series A (Shiloh Village Apartments)	Interest	471,456.51	463,799.49	457,163.22	447,785.87	439,374.28
2021 MF Series A (Ridgewood at Panther Creek)	Principal	615,441.42	635,805.09	653,376.98	678,461.46	700,910.34
2021 MF Series A (Ridgewood at Panther Creek)	Interest	870,641.44	856,896.65	845,036.32	828,105.26	812,953.17
2021 MF Series A (Pineview at Grogan's Mill)	Principal	524,809.76	542,092.41	557,012.77	578,287.33	597,331.03
2021 MF Series A (Pineview at Grogan's Mill)	Interest	740,018.34	728,298.56	718,180.80	703,753.97	690,840.04
2021 MF Series A (Palladium Simpson Stuart)	Principal	-	-	-	25,750,000.00	-
2021 MF Series A (Palladium Simpson Stuart)	Interest	97,635.46	90,125.04	90,125.04	45,062.52	-
2021 MF Series A (Corona Del Valle)	Principal	-	-	-	8,500,000.00	-
2021 MF Series A (Corona Del Valle)	Interest	33,371.90	31,449.96	31,449.96	31,449.96	-
TOTAL MULTIFAMILY BONDS		40,928,992.13	38,024,651.55	50,007,584.60	92,970,923.05	47,884,001.38
Total		84,174,953.29	82,402,296.62	94,502,820.63	137,506,989.98	92,547,210.81
Less Interest		57,730,938.85	56,945,816.98	55,932,766.21	54,538,627.82	53,189,946.97
Total Principal		26,444,014.44	25,456,479.64	38,570,054.42	82,968,362.16	39,357,263.84

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2021

2027-2031	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056	2057-2061	REQUIRED
502,807.68	6,645,130.08	-	-	-	-	-	7,552,418.06
1,528,120.15	1,248,399.71	-	-	-	-	-	4,404,375.09
1,779,412.41	15,235,118.19	-	-	-	-	-	18,474,411.49
2,419,498.99	2,093,452.56	-	-	-	-	-	7,173,528.71
997,587.77	7,975,071.04	-	-	-	-	-	9,821,010.11
991,156.13	838,835.44	-	-	-	-	-	2,928,410.63
2,153,207.42	2,545,967.57	15,125,965.76	-	-	-	-	21,645,159.88
2,192,941.58	1,920,870.89	317,819.19	-	-	-	-	6,855,396.83
3,601,729.34	4,258,710.10	25,301,613.85	-	-	-	-	36,206,449.37
3,668,297.13	3,213,054.44	531,624.86	-	-	-	-	11,467,274.22
-	-	18,000,000.00	-	-	-	-	18,000,000.00
432,000.00	432,000.00	302,400.00	-	-	-	-	1,598,400.00
-	-	20,000,000.00	-	-	-	-	20,000,000.00
1,129,999.80	1,129,999.80	659,166.55	-	-	-	-	4,049,165.95
-	-	-	-	-	-	26,000,000.00	26,000,000.00
4,537,004.42	4,539,489.09	4,537,004.42	4,537,004.42	4,537,004.42	4,539,489.09	3,630,100.47	35,394,100.75
-	-	10,000,000.00	-	-	-	-	10,000,000.00
250,000.20	250,000.20	100,000.08	-	-	-	-	850,000.68
1,235,000.00	1,510,000.00	1,855,000.00	2,270,000.00	2,785,000.00	3,415,000.00	8,840,000.00	34,000,000.00
4,344,903.98	4,066,562.84	3,725,278.66	3,307,151.86	2,794,651.58	2,166,693.72	1,279,073.77	27,388,657.04
-	-	-	-	-	-	-	14,000,000.00
-	-	-	-	-	-	-	132,300.00
1,475,111.52	1,725,803.71	10,462,097.73	-	-	-	-	14,923,174.35
1,413,073.35	1,239,764.96	368,992.73	-	-	-	-	4,583,503.39
1,288,629.53	1,508,954.78	10,450,842.06	-	-	-	-	14,000,000.00
1,389,774.71	1,237,045.79	373,216.75	-	-	-	-	4,513,929.37
2,166,551.19	2,533,477.15	15,335,262.22	-	-	-	-	21,887,072.46
2,062,287.16	1,808,990.21	538,331.98	-	-	-	-	6,689,188.72
3,864,618.58	4,545,331.48	28,157,955.45	-	-	-	-	39,851,900.80
3,821,735.35	3,362,280.28	1,050,760.20	-	-	-	-	12,448,408.67
3,292,004.42	3,868,937.29	23,913,205.37	-	-	-	-	33,873,680.38
3,247,135.37	2,855,903.40	892,310.82	-	-	-	-	10,576,441.30
-	-	-	-	-	-	-	25,750,000.00
-	-	-	-	-	-	-	322,948.06
-	-	-	-	-	-	-	8,500,000.00
-	-	-	-	-	-	-	127,721.78
195,133,922.85	306,881,004.47	398,268,115.50	96,367,386.21	44,570,094.17	26,692,167.70	47,419,743.59	1,385,148,587.20
434,065,695.11	566,484,186.92	688,351,237.74	409,389,572.00	276,569,363.56	28,133,467.70	47,419,743.59	2,941,547,537.95
244,475,054.84	201,259,448.17	136,566,370.48	86,410,293.38	28,641,394.81	10,163,582.94	5,517,324.22	991,371,565.67
189,590,640.27	365,224,738.75	551,784,867.26	322,979,278.62	247,927,968.75	17,969,884.76	41,902,419.37	1,950,175,972.28

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2021

	Pledged and Other Sources and Related Expenditures for FY 2021			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2004 Single Family Series B	$ 2,707,398.37	$ 43,502.66	$	$ 490,340.68
2004 Single Family Series D	2,024,416.10	31,540.35		313,285.43
2005 Single Family Series A	4,039,190.16	27,829.96		554,950.04
2007 Single Family Series A	4,790,937.49	31,078.72		510,367.19
2015 Single Family Series A	3,354,275.67	5,972.44		481,133.34
2015 Single Family Series B	3,250,717.85	3,620.52		279,309.89
2016 Single Family Series A	7,472,248.15	4,821.92		411,625.00
2016 Single Family Series B	5,912,514.27	8,609.98		734,911.25
2017 Single Family Series A	8,597,986.37	16,138.80		1,340,394.93
2017 Single Family Series B	3,418,189.98	5,345.00		439,269.23
2017 Single Family Series C	7,222,539.76	10,969.65		1,011,176.98
2018 Single Family Series A	24,667,248.96	43,795.85	2,535,000.00	5,240,480.51
2019 Single Family Series A	11,741,297.72	35,172.48	2,970,000.00	5,625,139.37
2020 Single Family Series A	5,738,899.11	46,450.62	230,000.00	5,209,645.62
2020 Single Family Series B	2,293,620.16	2,742.57		222,115.15
2021 Single Family Series A (JrLien)	674.97	575,256.65		724,068.75
Total Single Family Bonds	$ 97,232,155.09	$ 892,848.17	$ 5,735,000.00	$ 23,588,213.36
2009 RMRB Series C-1	$ 25,948,009.29	$ 4,267.20	$	$ 460,194.88
2009 RMRB Series C-2	19,892,226.54	4,097.02		290,102.14
2011 RMRB Series A	9,193,009.29	4,267.20	610,000.00	277,651.98
2011 RMRB Series B	18,597,226.54	4,097.01	675,000.00	457,057.22
2019 RMRB Series A	20,867,970.16	19,829.25	2,655,000.00	6,600,307.89
2021 RMRB Series A	826,401.73	1,198,744.76		894,835.09
2021 RMRB Series B	5,351,982.48	674,293.92		341,652.95
Total Residential Mtg Revenue Bonds	$ 100,676,826.03	$ 1,909,596.36	$ 3,940,000.00	$ 9,321,802.15
1996 MF Series A/B (Brighton's Mark Development)	$ 501,872.43	$	$	$ 501,872.43
1998 MF Series A-C (Residence at the Oaks Projects)	109,506.52		347,000.00	109,506.44
2000 MF Series A-C (Collingham Park Apartments)	316,230.56		525,000.00	316,230.56
2000 MF Series A-C (Highland Meadow Village Apartments)	205,319.81		357,000.00	205,319.81
2001 MF Series A (Skyway Villas Apartments)	297,291.50		245,000.00	297,291.50
2001 MF Series A/B (Meridian Apartments)	438,960.00		147,000.00	438,960.00
2001 MF Series A/B (Wildwood Apartments)	337,365.00		114,000.00	337,365.00
2003 MF Series A/B (Reading Road)	8,962,890.61			32,890.61
2003 MF Series A/B (Arlington Villas)	1,037,034.86		210,803.00	1,037,034.86
2003 MF Series A/B (Ash Creek Apartments)	14,695,619.62		71,353.00	239,123.62
2003 MF Series A/B (Peninsula Apartments)	474,116.25		340,000.00	469,116.25
2003 MF Series A/B (Primrose Houston School)	14,976,490.22		72,432.00	240,058.22
2003 MF Series A/B (West Virginia Apartments)	339,178.43		275,000.00	339,178.43
2004 MF Series A (Bristol Apartments)	207,965.44			7,965.75
2004 MF Series A (Chisholm Trail Apartments)	306,915.98			6,915.98
2004 MF Series A (Evergreen at Plano Parkway)	855,366.08		186,187.65	855,365.99
2004 MF Series A (Humble Parkway Townhomes)	9,995,463.58		235,000.00	580,463.58
2004 MF Series A (Pinnacle Apartments)	209,229.92			9,229.92
2004 MF Series A (Providence at Rush Creek II)	7,875,411.38		9,415.72	43,726.91
2004 MF Series A/B (Timber Ridge II Apartments)	6,017,114.08		20,551.00	67,054.08
2005 MF Series A (Atascocita Pines Apartments)	9,995,127.70			5,127.80
2005 MF Series A (Plaza at Chase Oaks Apartments)	521,706.02		399,808.90	521,706.02
2005 MF Series A (Providence at Mockingbird Apartments)	549,139.66		121,625.43	549,139.66
2005 MF Series A (St Augustine Estate Apartments)	5,282,134.15			2,134.14

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-D (Continued)
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE (Continued)
For the Fiscal Year Ended August 31, 2021

	Pledged and Other Sources and Related Expenditures for FY 2021			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2005 MF Series A (Tower Ridge Apartments)	$ 24,386.94	$	$	$ 24,386.93
2005 MF Series A (Coral Hills Apartments)	195,750.54		135,000.00	195,750.63
2006 MF Series A (Aspen Park)	416,875.00		165,000.00	416,875.00
2006 MF Series A (East Tex Pines)	705,763.35		160,000.00	705,763.35
2006 MF Series A (Hillcrest Apartments)	9,141,280.00			21,280.00
2006 MF Series A (Idlewilde)	309,265.51			9,265.50
2006 MF Series A (Meadowlands Apartments)	669,408.05		149,223.95	669,408.05
2006 MF Series A (Oakmoor Apartments)	773,833.06		182,297.06	773,833.06
2006 MF Series A (The Residences at Sunset Pointe)	124,348.27			24,347.89
2006 MF Series A (Village Park Apartments)	8,569,461.71		125,000.00	209,461.71
2007 MF Series A (Costa Rialto)	519,182.20		123,162.98	519,182.20
2007 MF Series A (Lancaster)	309,258.65			9,258.65
2007 MF Series A (Park Place at Loyola)	763,859.57		146,133.39	763,859.57
2007 MF Series A (Santora Villas)	646,756.13		129,575.96	646,756.13
2007 MF Series A (Terrace at Cibolo)	104,487.38			4,487.63
2007 MF Series A (Windshire)	209,364.49			9,364.49
2007 MF Series A (Residences at Onion Creek)	24,386.85			24,386.93
2008 MF Series A (West Oaks Apartments)	208,283.19			8,283.20
2008 MF Series A (Costa Ibiza Apartments)	215,383.22			15,383.23
2008 MF Series A (Alta Cullen Apartments Refunding)	213,972.73			13,972.73
2009 MF Series A (Costa Mariposa Apartments)	225,578.28			15,578.25
2009 MF Series A (Woodmont Apartments)	232,024.08			17,024.06
2014 MF Series A (Decatur Angle Apartments)	1,278,244.60		192,357.20	1,278,244.60
2015 MF Series A (Williamsburg Apartments)	768,421.09		313,251.93	768,421.06
2016 MF Series A (Skyline Place Apartments)	469,383.09		296,644.34	469,383.07
2017 MF Series A (Casa Inc Apartments)	733,408.35		336,150.07	733,408.37
2017 MF Series A (Casa Brendan Apartments)	152,793.42		70,031.16	152,793.47
2017 MF Series A (Nuestro Hogar Apartments)	174,184.47		79,835.64	174,184.42
2018 MF Series A (Vista on Gessner)	1,704,733.79		587,542.63	1,704,734.03
2018 MF Series A (Springs Apartments)	20,074,333.34			74,333.34
2018 MF Series A (Crosby Plaza Apartments)	7,063,174.98			63,175.00
2018 MF Series A (Oaks on Lamar)	587,558.54		208,645.68	587,558.39
2018 MF Series A (Riverside Townhomes)	671,096.00		238,309.63	671,096.19
2018 MF Series A/B (Forestwood)	945,873.43		49,436.16	795,873.47
2018 MF Series A/B (Park Yellowstone)	3,351,326.96			471,326.92
2019 MF Series A (Lago De Plata)	676,690.00		120,000.00	676,690.00
2019 MF Series A (McMullen Square)	2,745,199.96		47,581.94	345,199.96
2019 MF Series A (Northgate Village)	556,141.49		259,259.09	556,141.45
2020 MF Series A (Oaks on Clark)	230,673.52		153,956.74	230,673.59
2020 MF Series A (Pines)	562,030.76		275,348.11	508,287.62
2020 MF Series A (333 Holly)	940,124.18		460,582.15	850,226.56
2020 MF Series A (Scott Street Lofts)	111,900.00			111,900.00
2020 MF Series A (The Walzem)	207,666.67			207,666.67
2020 MF Series A (Pecan Grove)	916,586.01			916,585.78
2020 MF Series A (FishPond at Corpus Christi)	41,250.01			41,250.01
2021 MF Series A (Montage Apartments)	577,291.65			577,291.65
2021 MF Series A (Oso Bay Apartments)	18,900.00			18,900.00
2021 MF Series A (Bella Vista Apartments)	164,478.11		76,825.65	164,478.04
2021 MF Series A (Crystal Falls Crossing)	129,055.50			129,055.50
2021 MF Series A (Shiloh Village Apartments)	199,570.29		112,927.54	199,570.35
2021 MF Series A (Ridgewood at Panther Creek)	368,349.92		148,099.20	368,349.80
2021 MF Series A (Pineview at Grogan's Mill)	313,095.63		126,319.62	313,095.63
2021 MF Series A (Palladium Simpson Stuart)	22,531.26			22,531.26
2021 MF Series A (Corona Del Valle)	4,542.77			4,542.77
Total Multifamily Bonds	$ 155,870,968.79	$ -	$ 9,145,674.52	$ 26,497,655.72
Total	$ 353,779,949.91	$ 2,802,444.53	$ 18,820,674.52	$ 59,407,671.23

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-E
MISCELLANEOUS BOND INFORMATION - DEFEASED BONDS OUTSTANDING
For the fiscal year ended August 31, 2021

Description of Issue	Year Defeased	Par Value Outstanding
Business-Type Activities		
2002 MF Series A/B (Ironwood)	2019	14,944,255.06
2004 MF Series A (Churchill at Pinnacle Park)	2020	8,607,266.23
Total Business-Type Activities		$ 23,551,521.29

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-F
EARLY EXTINGUISHMENT AND REFUNDING
For the fiscal year ended August 31, 2021

			For Refunding Only		
Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities					
2004 Single Family Series B	Early Extinguishment	$ 1,950,000.00	$	$	$
2004 Single Family Series D	Early Extinguishment	1,520,000.00			
2005 Single Family Series A	Early Extinguishment	3,355,000.00			
2007 Single Family Series A	Early Extinguishment	3,890,000.00			
2015 Single Family Series A	Early Extinguishment	2,685,000.00			
2015 Single Family Series B	Early Extinguishment	2,845,000.00			
2016 Single Family Series A	Early Extinguishment	6,880,000.00			
2016 Single Family Series B	Early Extinguishment	4,855,000.00			
2017 Single Family Series A	Early Extinguishment	6,634,674.00			
2017 Single Family Series B	Early Extinguishment	2,767,961.00			
2017 Single Family Series C	Early Extinguishment	5,888,063.00			
2018 Single Family Series A	Early Extinguishment	19,090,000.00			
2019 Single Family Series A	Early Extinguishment	5,615,000.00			
2020 Single Family Series A	Early Extinguishment	1,230,000.00			
2020 Single Family Series B	Early Extinguishment	2,027,403.00			
2009 RMRB Series C-1	Current Refunding	22,670,000.00	22,670,000.00	1,421,360.94	3,636,259.54
2009 RMRB Series C-1	Early Extinguishment	2,820,000.00			
2009 RMRB Series C-2	Current Refunding	16,080,000.00	16,080,000.00	1,053,731.01	1,978,747.89
2009 RMRB Series C-2	Early Extinguishment	3,400,000.00			
2011 RMRB Series A	Current Refunding	7,725,000.00	7,725,000.00	(1,537,207.30)	925,594.34
2011 RMRB Series A	Early Extinguishment	1,010,000.00			
2011 RMRB Series B	Current Refunding	14,895,000.00	14,895,000.00	(2,006,249.56)	2,139,528.96
2011 RMRB Series B	Early Extinguishment	3,290,000.00			
2019 RMRB Series A	Early Extinguishment	14,160,000.00			
2021 RMRB Series A	Early Extinguishment	25,000.00			
2021 RMRB Series B	Early Extinguishment	4,901,194.00			
2003 MF Series A/B (Reading Road)	Early Extinguishment	8,930,000.00			
2003 MF Series A/B (Primrose Houston)	Early Extinguishment	14,736,432.00			
2003 MF Series A/B (Ash Creek Apartments)	Early Extinguishment	14,456,496.00			
2003 MF Series A/B (Peninsula Apartments)	Early Extinguishment	5,000.00			
2004 MF Series A/B (Timber Ridge)	Early Extinguishment	5,950,060.00			
2004 MF Series A (Rush Creek)	Early Extinguishment	7,831,684.47			
2004 MF Series A (Humble Park)	Early Extinguishment	9,415,000.00			
2004 MF Series A (Chisholm Trail Apartments)	Early Extinguishment	300,000.00			
2004 MF Series A (Bristol Apartments)	Early Extinguishment	200,000.00			
2004 MF Series A (Pinnacle Apartments)	Early Extinguishment	200,000.00			
2005 MF Series A (Atascocita Pines Apartments)	Early Extinguishment	9,990,000.00			
2005 MF Series A (St Augustine Estate Apartments)	Early Extinguishment	5,280,000.00			
2006 MF Series A (Village Park)	Early Extinguishment	8,360,000.00			
2006 MF Series A (Sunset Pointe)	Early Extinguishment	100,000.00			
2006 MF Series A (Hillcrest)	Early Extinguishment	9,120,000.00			
2006 MF Series A (Idlewilde)	Early Extinguishment	300,000.00			
2007 MF Series A (Lancaster)	Early Extinguishment	300,000.00			
2007 MF Series A (Terraces at Cibolo)	Early Extinguishment	100,000.00			
2007 MF Series A (Windshire)	Early Extinguishment	200,000.00			
2008 MF Series A (West Oaks Apartments)	Early Extinguishment	200,000.00			
2008 MF Series A (Costa Ibiza Apartments)	Early Extinguishment	200,000.00			
2008 MF Series A (Alta Cullen Apartments Refunding)	Early Extinguishment	200,000.00			
2009 MF Series A (Costa Mariposa Apartments)	Early Extinguishment	210,000.00			
2009 MF Series A (Woodmont Apartments)	Early Extinguishment	215,000.00			
2018 MF Series A (Springs Apartments)	Early Extinguishment	20,000,000.00			
2018 MF Series A (Crosby Plaza Apartments)	Early Extinguishment	7,000,000.00			
2018 MF Series A (Forestwood A/B)	Early Extinguishment	150,000.00			
2018 MF Series A (Park Yellowstone)	Early Extinguishment	2,880,000.00			
2019 MF Series A (McMullen Square)	Early Extinguishment	2,400,000.00			
2020 MF Series A (Pines)	Early Extinguishment	53,743.07			
2020 MF Series A (333 Holly)	Early Extinguishment	89,897.51			
Total Business-Type Activities		$ 291,582,608.05	$ 61,370,000.00	$ (1,068,364.91)	$ 8,680,130.73

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Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

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*

Independent Auditor's Report

Department of Housing and Community Affairs' Board of Directors
Mr. Leo Vasquez, Chair
Mr. Paul A. Braden, Vice Chair
Mr. Brandon Batch
Mr. Kenny Marchant
Mr. Ajay Thomas
Ms. Sharon Thomason

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department), an agency of the State of Texas, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 20, 2021.

In addition, we have audited the financial statements of the Revenue Bond Program of the Department, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Revenue Bond Program's basic financial statements. We also have audited the Computation of Unencumbered Fund Balances of the Department's Housing Finance Division, as of and for the year ended August 31, 2021, and the related notes to the Computation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 financial statements. 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*.

Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the Department's management.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Lisa R. Collier

State Auditor

December 20, 2021

Report Item

1

AUDIT AND FINANCE COMMITTEE REPORT ITEM

INTERNAL AUDIT DIVISION

March 10, 2022

Presentation and discussion of Internal Audit report of the Information Technology (IT) general Controls at TDHCA, Report # 22-001

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
An Internal Audit of Information Technology General Controls at TDHCA
Audit Report # 22-001

Executive Summary

IT General Controls ("ITGC") are controls that apply to all systems, components, processes, and data for a given information technology environment. The objectives of ITGCs are to ensure the proper development and implementation of applications, as well as the integrity of programs, data files, and computer operations. The most common ITCGs are:

- Logical access controls over infrastructure, applications, and data.
- System development life cycle controls.
- Program change management controls.
- Data center physical security controls.
- System and data backup and recovery controls.
- Computer operation controls.

OIA reviewed the IT General Controls in place at TDHCA and found its processes require improvement to meet the ongoing strategic and operational goals and objectives of the Agency. However, OIA recognizes the unusual nature of the period audited. Starting in March of 2020 when the Pandemic was recognized as a national and state disaster, the ISD has focused primarily on Pandemic-related technology resource support. This effort included: introduction of full remote working capability for all employees; implementing new technology to support a remote work environment; addition of IT support for new and large Programs funded directly by the US Department of Treasury; provision of information resources for several additional staff at TDHCA (because of new federal Programs, the Agency increased in staff size approximately 25% due to temporary staff allocations); and implementation of additional security due to new infrastructure security exposures. These activities together were the highest priority for the ISD and have been fulfilled in the most expedient way possible. The ISD team completed over 21,000 help tickets during FY2021-2022.

Findings and Observations

1. The DIR Telecommunications room housing the networking equipment that provides Internet access to TDHCA/MH and other agencies should be protected from unauthorized physical access.
2. OIA noted that required monitoring of the DCs was not completed over the audit period. Surveillance cameras have not been functional for over a year; the authorized access list to these restricted spaces and resulting activity logs of physical access were not reviewed periodically.
3. Penetration testing by DIR should be scheduled in the near future to provide assurance that current cybersecurity related defenses in place are adequate.
4. Complete user access reviews, including privileged logical access such as administrator and/or physical access to network equipment and critical business application reviews, should be conducted periodically; at least annually.
5. Governance processes such as status and prioritization meetings for the IS Steering Committee and management, as well as policies including those on requesting IS services, should be reviewed and updated for current needs; then adhered to and monitored by management.
6. OIA recommends that the business users and ISD work together to create a technology "road map" to drive continuous improvement to the IT environment.
7. OIA recommends that performance measures for IT activities be defined and reported more widely on a periodic basis, for example to the Executive Team, directors, and the Board.
8. OIA recommends that the structure and management of Help Desk functions be reviewed, documented in SOPs and managed to standards. SOPs should strengthen communication and ensure backup of critical functions.
9. OIA recommends that System Access Request forms be in place for all changes requested to critical systems access. Forms should be updated to bring simplicity to managing the process for both business users and ISD personnel. ISD should consider a technological solution to tracking these requests to completion.
10. To ensure accuracy of capital asset records, OIA recommends that the business users of the process (Staff Services, ISD, and Financial Administration) determine requirements and implement changes to tracking systems as necessary.

Findings and Observations, continued

11. Physical access to TDHCA/MH facilities should be protected by providing changes including new and terminated employees to DPS on a timely basis with appropriate documentation retained.
12. OIA recommends that changes to network software be monitored by management with evidence of periodic review, to manage the impact to the overall environment. Any known user impacts should be communicated at a minimum to the Help Desk to prepare for user questions.
13. OIA recommends that critical information resources updates such as security certificates are managed using a planning tool to ensure availability of those information resources.
14. OIA recommends that data updates are verified by the business user in production with approval evidenced via email in the Track-it system.
15. OIA recommends that the change management process be enhanced by clarifying roles and responsibilities of the ISD and business users in completing program changes.
16. OIA recommends that requests for IS Services are originated by a manager, Director or other appropriate designee to reduce unnecessary IT involvement for business procedural or training issues.
17. OIA recommends that ISD create a process by which unnecessary code can be removed from the user acceptance environment so that it is not inadvertently moved to Production.
18. Information security officer and agency staff responsibilities require fulfillment per Texas Administrative Code 1 TAC 10 Section 202. In order to function as mandated by TAC, ownership of information and systems by the business user areas is essential. Training for the business users will be required to complete risk assessments and implement appropriate security related controls.
19. Required reporting to DIR should be completed timely with appropriate documentation maintained to support the information contained in the reports.
20. ISD should inventory all vendors to determine what monitoring and security agreements are required then obtain the necessary documentation. If SOC reports are used, verification of the independent accounting firm's certification and TDHCA complementing controls should be completed.
21. OIA recommends that all IT related SOPs be reviewed, updated and signed by management for consistency and efficiency of IT operations.

Management Response

Management agreed with our recommendations. Detailed responses are included in the body of the report.

Objectives, Scope and Methodology

OIA assessed current compliance primarily with the Texas Government Code Chapter 2054 *Information Resources* ("TGC") and Texas Administrative Code 1 Part 10, Chapter 202 *Information Security Standards* ("TAC"); reviewed activities of application programmers and technicians; validated the process of granting and revoking appropriate employee access to TDHCA systems and resources; tested application development and network change management procedures in place; examined inventory procedures; collected and analyzed customer feedback regarding ISD functions from TDHCA and MH internal staff via survey; reviewed current Standard Operating Procedures ("SOP"); evaluated the current vendor management process; and assessed management and staff time spent on problems with help desk tickets. OIA also observed the areas where file servers, firewalls, and other network hardware components are deployed.

Mark Scott

Mark Scott, CPA, CIA, CISA, CFE, MBA
Director, OIA

3/2/2022
Date Signed

Texas Department of Housing and Community Affairs

www.tdhca.state.tx.us

Greg Abbott
Governor

March 2, 2022

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.state.tx.us

Board Members of the Texas Department of Housing and Community Affairs ("TDHCA")

RE: Internal Audit of the Information Technology (IT) General Controls at TDHCA

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Audit of the Information Technology (IT) General Controls at TDHCA*". This audit was conducted in accordance with applicable audit standards. IT General Controls rated high on the risk assessment and was included in the approved Fiscal Year 2022 audit work plan. The Division was selected for audit as the Internal Auditing Act requires periodic audits of an agency's information systems. Internal TDHCA Information Systems Division ("ISD") staff deliver TDHCA and Manufactured Housing's ("MH") technology with support from the Department of Information Resources ("DIR").

This report is divided into the following sections:

A. Audit Results
B. Background
C. Physical Security
D. Information Security
E. Governance: Oversight of IT Activities
F. Funding and Staffing
G. Process Review and Testing
    a. Help Desk
    b. Employee Onboarding, Transfer and Termination
    c. Application Program and Network Change Management
    d. Texas Administrative Code (TAC) Review
    e. Required Reporting to DIR
    f. Vendor Management
    g. Standard Operating Procedures
H. User Survey

A. AUDIT RESULTS

OIA reviewed the IT General Controls in place at TDHCA and found its processes require improvement to meet the ongoing strategic and operational goals and objectives of the Agency. OIA assessed current compliance primarily with the Texas Government Code Chapter 2054 *Information Resources* ("TGC") and Texas Administrative Code 1 Part 10, Chapter 202 *Information Security Standards* ("TAC"); reviewed activities of application programmers and technicians; validated the process of granting and revoking appropriate employee access to TDHCA systems and resources; tested application development and network change management procedures in place; examined inventory procedures; collected and analyzed customer feedback regarding ISD functions from TDHCA and MH internal staff via survey; reviewed current Standard Operating Procedures ("SOP"); evaluated the current vendor management process; and assessed management and staff time spent on problems with help desk tickets. OIA also observed the areas where file servers, firewalls, and other network hardware components are deployed. Further details regarding testing procedures may be found in Section G, Process Review and Testing.

The audit covered activities and processes currently in place and during Fiscal Year 2021. Prior external reviews of IT General Controls during the annual statewide audit covered specific Program (Texas Rent Relief or "TRR") information security and business applications. In addition, OIA completed a review of the Continuity of Operations Plan that included Disaster Recovery testing, a key component of the IT environment, during FY2020.

B. BACKGROUND

The Texas Internal Auditing Act requires periodic audits of a state agency's major systems, including major information systems. TDHCA and Manufactured Housing (MH) (as well as the General Land Office for Disaster Funds administration) information systems and resources, are managed by the Information Systems Division. The division's major roles are 1) information security and Cybersecurity assessment, monitoring and remediation; 2) development, upgrade, implementation, and maintenance of both software and hardware; 3) compliance reporting to Department of Information Resources and technology project management under Executive governance; and 4) technical support with respect to TDHCA employees and the agency's network. As described further below, all of these areas require constant attention to the security and functioning of information resources. In addition to the Internal Audit Act requirement to perform periodic IT audits, the Institute of Internal Auditors ("IIA") professional practices framework and the Information Systems Audit and Control Association standards require periodic audits of various aspects of IT operations including Governance.

IT General Controls ("ITGC") are controls that apply to all systems, components, processes, and data for a given information technology environment. The objectives of ITGCs are to ensure the proper development and implementation of applications, as well as the integrity of programs, data files, and computer operations. The most common ITCGs are:

- Logical access controls over infrastructure, applications, and data.
- System development life cycle controls.
- Program change management controls.
- Data center physical security controls.
- System and data backup and recovery controls.
- Computer operation controls.

Starting in March of 2020 when the Pandemic was recognized as a national and state disaster, the ISD has focused primarily on Pandemic-related technology resource support. This effort included: introduction of full remote working capability for all employees; implementing new technology to support a remote work environment;

addition of IT support for new and large Programs funded directly by the US Department of Treasury; provision of information resources for several additional staff at TDHCA (because of new federal Programs, the Agency increased in staff size approximately 25% due to temporary staff allocations); and implementation of additional security due to new infrastructure security exposures. These activities together were the highest priority for the ISD and have been fulfilled in the most expedient way possible. The ISD team completed over 21,000 help tickets during FY2021-2022. See ***Appendix A*** for a listing of these projects by category that were also accomplished during the audit period, resulting in the ability of the Agency to meet the challenges presented by new funding and remote work. OIA recognizes that the nature of this time period has been unusual and provides opportunities for lessons learned to strengthen and enhance current processes.

C. PHYSICAL SECURITY

Physical access controls over information resources include protecting equipment that resides in a Data Center ("DC") facility from access by unauthorized users and maintaining appropriate environmental controls such as temperature and humidity regulation, alternate power sources for backup purposes, and fire suppression systems. A DC is a repository that houses computing devices like servers, routers, switches, and firewalls along with supporting components like backup equipment and systems necessary for environmental control.

The Department of Information Resources ("DIR") provides TDHCA and MH with its Internet connection; the facility that contains the equipment to provide Internet service for TDHCA and other state agencies is located on the basement level of the TDHCA building (DIR Telecommunications room). TDHCA ISD manages one primary Data Center located in the Rusk building and a secondary DC at TTOC (the building where MH and ISD software development personnel currently reside) along with a workroom on the basement level of the TDHCA building and multiple wiring closets that include networking equipment for different floors of the building.

OIA visited both DCs, the workroom on the basement floor and the DIR Telecommunications room. Based on observation of these physical spaces and discussion with ISD management, OIA found that generally, the TDHCA ISD DCs have appropriate physical access controls in place, with the exception of TTOC requiring additional fire suppression equipment (note that this room now has an electronics safe fire extinguisher as of the date of this report). ISD management began the process of ordering three additional fire extinguishers. Based on our review, OIA found that necessary monitoring was not completed over the audit period.

When OIA visited the DIR Telecommunications room, the door to the repository was wide open and reportedly had been that way for months. There was no surveillance in place, no card key access, and no protection for the networking cables and equipment from unauthorized access from anyone in the building with access to the basement.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.01	The DIR Telecommunications room housing the networking equipment that provides Internet access to TDHCA/MH and other agencies should be protected from unauthorized physical access.	NA	Director of Information Systems
22-001.02	OIA noted that required monitoring of the DCs was not completed over the audit period. Surveillance cameras have not been functional for over a year; the authorized access list to these restricted spaces and resulting activity logs of physical access were not reviewed periodically.	3/31/2022	Director of Information Systems

Management Responses

<u>22-001.01:</u> *This network room is outside of TDHCA's control. This room is under DIR's responsibility. TDHCA ISD will contact DIR and begin the conversation of ensuring that the room will be secured.*

<u>22-001.02:</u> *TDHCA ISD is reviewing the current policies and procedures for all auditing activities. TDHCA will complete updating policies and procedures and associated audits.*

D. INFORMATION SECURITY

Information system security has in recent years and months come to the forefront of concerns related to electronic data. Primary concerns include; 1) e-Commerce vulnerabilities, 2) identity theft, and 3) hacking and other matters related to the security of data that is used in our everyday lives.

1) TDHCA does not conduct e-Commerce. 2) The agency has protocols to protect personally identifiable information and other protected or confidential information of employees and other stakeholders. The agency has various transactions with program beneficiaries, subrecipients, and other parties. The agency's various systems interact with the Texas Comptroller of Public Accounts and federal funding agencies. ISD has various protocols and controls to protect the identity of these parties. 3) The agency utilizes firewalls and other appropriate anti-hacking protections.

Upon request, DIR conducts periodic "penetration tests" of the networks managed by state agencies. During these tests, DIR attempts to gain unauthorized access to the agency's systems through various methodologies. In the last penetration test of TDHCA systems in 2019, DIR was not able to penetrate the network. However, this testing should be scheduled in the near future as it is required at least biennially.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.03	Penetration testing by DIR should be scheduled in the near future to provide assurance that current cybersecurity related defenses in place are adequate.	3/31/2022	Director of Information Systems

Management Response

Although TDHCA ISD did not complete a penetration test of the TDHCA network, TDHCA ISD did complete a penetration test of the Texas Rent Relief program. TRR was a high priority program during this audit period and the internet applications used to administer this program presented a high risk to the agency. TDHCA also successfully completed disaster recovery test exercises during this period as well. TDHCA ISD will request an external penetration test through DIR STS services. TDHCA ISD will try to complete this task as quickly as possible but will be dependent on DIR's scheduling availability. TDHCA ISD will update the appropriate SOPs and associated documentation to ensure this is an annual exercise.

Information security is an ongoing process that requires periodic review of the logical access rights of users to information resources including applications and network structures. (Logical access rights define the ability to perform specific functions within an information system.) Some users are considered "privileged", which means that they have a wider array of access than the average user (for example, Domain Administrator User IDs on the network that allow for deletions or additions; many ISD functions require privileged access). OIA found that there had not been a complete review of user access for critical information resources during the audit period.

OIA noted that FY2022 network user access reviews were completed by the end of the audit reporting period and had been completed for FY2021. Previously, reviews were completed at the network level on a quarterly basis; this review is considered front line in nature and would mitigate most logical access risk. ISD should consider reinstating the practice of these reviews quarterly. In addition, previous internal audits found multiple issues with network folder level access that should be mitigated by a thorough review at folder levels signed off by business users.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.04	Complete user access reviews, including privileged logical access such as administrator and/or physical access to network equipment and critical business application reviews, should be conducted periodically; at least annually.	3/31/2022	Director of Information Systems

Management Response

TDHCA ISD will review account audit policy and complete a full account audit review. TDHCA ISD will ensure periodic reviews are performed according to policy in the future.

TDHCA provides security awareness training to employees, contractors and Board members who have access to TDHCA computers and associated networks, at the time of onboarding as well as annually thereafter. A DIR-approved vendor that meets the legislative requirements of House Bill 1118 (87R) and TGC 2054.519 *State Certified Cybersecurity Training Programs*, provides the training; ISD along with Human Resources tracks and assures that training is completed as required, then reported to DIR. OIA reviewed to ensure training was completed and self-reported to DIR by TDHCA for the FY2021 period with no exception noted.

E. Governance: Oversight of IT Activities

The IIA Global Technology Audit Guide 17 *Auditing IT Governance* states that, "Alignment of organizational objectives and IT is more about governance and less about technology. Governance assures alternatives are evaluated, execution is appropriately directed, and risk and performance are monitored."

TDHCA has a wide array of funding sources and programs. ISD maintains an internal administrative system to manage time-keeping, payroll, and other personnel-related areas. The agency also has a variety of systems for managing funds flow from the state and federal sources. In the context of this report, the term "*business users*" means the Administrative and Programs Divisions of the Agency who utilize information resources to meet Agency goals and objectives; they also represent the interests of the external business users.

Prior to the Pandemic and the focus of ISD staff to the immediate needs at that time, the ISD had well documented and generally followed, policies and processes in place for business user prioritization and monitoring of the technology development team's efforts on project deliverables. Since the Pandemic reprioritized efforts to completely new and unplanned projects, many projects either slowed down or stopped entirely. Because the Pandemic efforts took a large percentage of ISD's resources, there was little time for additional communication and coordination between ISD and business divisions.

Previously utilized methods such as SOP 1264.03 Requesting IS Services and the meeting of the IS Steering Team (including quarterly management level meetings to communicate project status) have been successful in providing Governance to IT investments. In addition, an IT "road map" could be helpful in planning ways to reduce complexity of the IT environment (retiring old systems by consolidating into existing, upgrading old infrastructure) while providing additional business functionality.

Performance reporting is a critical aspect of managing any Agency activity so that goals can be set and achieved. Performance measures allow a Division to communicate accomplishments and activities. When performance may fall short, the root causes can be investigated and obstacles removed to reaching goals. Currently the ISD has defined performance measures that are reviewed by its up line Executive management periodically. Some examples of IT activity measurements include system uptime, total number and dollar amount of projects completed, number of employees granted or revoked access, and total problem tickets cleared.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.05	Governance processes such as status and prioritization meetings for the IS Steering Committee and management, as well as policies including those on requesting IS services, should be reviewed and updated for current needs; then adhered to and monitored by management.	3/31/2022	Director of Information Systems
22-001.06	OIA recommends that the business users and ISD work together to create a technology "road map" to drive continuous improvement to the IT environment.	8/31/2022	IS Steering Committee

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22.001-07	OIA recommends that performance measures for IT activities be defined and reported more widely on a periodic basis, for example to the Executive Team, directors, and the Board.	5/31/2022	Director of Information Systems

Management Responses

<u>22-001.05:</u> *TDHCA ISD will review all policies and procedures related to ISSC and SOP 1264.03 Requesting IS Services and route to management for approval.*

<u>22-001.06:</u> *TDHCA ISD will work with business users to gather technology related information from each division. TDHCA ISD will then consolidate this information for ISSC review and prioritization. The final prioritization will be used to produce a technology "road map".*

<u>22-001.07:</u> *TDHCA ISD will create an SOP to govern internal technology related performance measures and route to management for consideration.*

F. FUNDING AND STAFFING

The ISD received funding of approximately $2.0 million in both FY2021 and FY2022 for operations from a direct appropriation in the TDHCA bill pattern Goal, F.1.2 strategy; Information Resource Technologies. The Division is comprised of one Director, two Managers, 19 staff members and 1 Peoplesoft/CAPPS contractor with plans to add 2 additional contractors for capital projects as discussed below; for a total of 25 staff. Among these team members, 11 are dedicated to network and technical support activities (one of whom is designated as Information Security Officer); and 11 to application development. While 4 members of the team (Director of ISD, Software Development Manager, Network and Technical Support Manager, and Information Security Officer) are considered to be management level, they have retained many day to day functions that were inherited from previous positions. This can hamper their ability to elevate to their current positions and to allow for knowledge transfer among the team. This tendency could be related to the relatively new management in place as of this time period; the ISD Director was promoted in August 2019 and the Network and Technical Manager was hired within the audit period. The Pandemic crisis activity was the highest ISD priority as required by Agency needs.

Because of the increase in capital projects and lack of system upgrades historically, the ISD requires additional focus on project management and compliance reporting, as well as communication both internally and externally to business users. OIA noted as well, that over half of the application development programming team is eligible for retirement in the next few years. Based on discussion with management, ISD has started the process of reviewing its organization and determining appropriate needs for the next budget cycle.

TDHCA also receives appropriations for capital budget projects. Capital projects may include hardware, software upgrades, and internal work hours to develop software applications and enhancements. Capital budgets were increased from $880K in FY2021 to $1.5M in FY2022. This increase was primarily due to the addition of the Compliance Management Tracking System (CMTS) upgrade, additional resourcing for Cybersecurity and DIR Shared Technology Services ("STS") data backup and disaster recovery services, DIR STS Office 365, and ongoing upgrades to the TDCHA version of the statewide Peoplesoft/CAPPS system.

Title 9 funding for ISD to support the new federal programs in response to the Pandemic was only recently allowed by the US Treasury. ISD is currently attempting to backfill positions from this funding.

G. Process Review and Testing

Help Desk

The Pandemic presented many challenges to ISD personnel, especially Help Desk. With the advent of remote working, gone were the days of walking to a person's workstation and working with them face to face to solve problems. These issues were compounded by the layers of Internet access and security authorization between all the connection points. Between setting up and onboarding additional employees who were not expected, growth of capital asset procurement, and the difficulties of assisting personnel remotely, the Help Desk managed all these processes with the tools in place, primarily email, Track-It, LogMeIn, and other programs. The environment the Help Desk supports became much more complex as they were required to determine both the Agency setups but what the business users had in place at home.

Despite the issues they faced, the Help Desk and Application Development teams completed over 21,000 help tickets during FY2021-FY2022. (Note that some help activities, where it was a quick phone call or something easy to resolve, are not included in this number.) These help tickets spanned many types of issues and work activities including software, hardware, access to business systems, and sometimes training and consultation. OIA's review found that often there were staff who were contacted directly by others outside ISD to assist with specific issues. Additionally it appeared that the workload was not equitably balanced due to customer preferences for certain personnel as well as subject matter expertise of specific personnel. A common theme found was that there is very little backup support defined within the organization. In addition, it seemed that many personnel looked to leadership to handle problems, as opposed to allowing the Help Desk personnel work through it and learn.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.08	OIA recommends that the structure and management of Help Desk functions be reviewed, documented in SOPs and managed to standards. SOPs should strengthen communication and ensure backup of critical functions.	8/31/2022	Director of Information Systems

Management Response

TDHCA ISD management has worked to ensure all primary areas have at least one back up personnel that can function in the event an employee leaves or is unable to perform their assigned job duties. However, due to the size of the team, the multitude of systems we administer and maintain, and previous external and internal audits stressing the importance and need for separation of duties, the performance of the back up in some cases would cause a drop in overall performance. TDHCA ISD management will continue to improve SOPs and associated procedural documentation to improve communication and backup of critical functions.

Employee and Contractor Onboarding, Transfer and Termination

- Logical Access to Information Resources
- Capital Assets Inventory Control
- Physical Access to Facilities

Within the context of this report, the term "*Employees*" means permanent and temporary employees of TDHCA and MH, as well as consultants and contractors who use Agency information resources.

Logical Access to Information Resources

OIA selected a sample of employees and tracked compliance to the process regarding logical access forms, capital assets transfer forms, update of these records to all the required systems, and the logical badge access to building facilities. OIA noted an increase of onboarding from FY2021 to FY2022, in the respect that as of the date of this report, as many employees have been hired to date as the entire past fiscal year. This hiring brought Agency total authorized full-time equivalents ("FTE") (the way the State accounts for number of staff positions) from 313 approved CAP maximum FTEs to 389 that includes temporary FTEs (noting that not all positions are filled).

While testing these employees, OIA noted that there is often excessive coordination back and forth with Division management to define the profiles and access needs of employees. The ISD assists the Divisions to select appropriate access levels; however as business users of these systems, they should understand the underlying security rights granted and how they affect their business processing.

OIA also noted that transferred employees rarely had forms in place for their access updates, and they often were less defined due to the expedited (or uncommunicated) change for these transfers.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.09	OIA recommends that System Access Request forms be in place for all changes requested to critical systems access. Forms should be updated to bring simplicity to managing the process for both business users and ISD personnel. ISD should consider a technological solution to tracking these requests to completion.	4/30/2022	Director of Information Systems

Management Response

TDHCA ISD will communicate with the agency to reinforce the current policies and procedures (SOP 1264.01) are known to all agency employees. TDHCA ISD will also strengthen current policies and procedures to cover cross divisional moves of employees to new positions. This will ensure proper termination of system access when an employee's associated job duties change due to moving to a new position.

Capital Assets Inventory Control

When IT capital assets are required for new employees, generally the Division management will discuss these needs with Help Desk personnel. The timing of these requests varies from far ahead of personnel additions to the day ahead of employee start to after the fact. This affects the ability of ISD to manage the process of providing the information resources as required. In addition, OIA found that often the property transfer request currently required to update the property records is sometimes not provided by Division management to Shared Services timely. As a result, underlying records of the capital asset system, Genesis, are inconsistent at a detail level between Divisions and the names associated with equipment is not always updated. Shared Services as well as ISD retains multiple spreadsheets to track these assets.

OIA noted that the current end user hardware vendor, Dell, maintains much of the equipment via long-term warranties; ISD maintains an inventory of parts that are used to upgrade or swap out items that may not be functional. These inventories were observed during the walkthroughs of data centers, work areas and closets.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.10	To ensure accuracy of capital asset records, OIA recommends that the business users of the process (Staff Services, ISD, and Financial Administration) determine requirements and implement changes to tracking systems as necessary.	3/31/2022	Director of Information Systems

Management Response

TDHCA ISD and necessary business staff review the ordering and receiving of IT related hardware and software. All equipment is ordered, received, and distributed according to state laws and required procedures. All purchases are approved by ISD, a unique TDHCA inventory number is assigned to the equipment and item placed in inventory. The deployment of inventoried assets includes acknowledgment of receipt and transfer documentation to the employee.

TDHCA ISD, Staff Services, and Financial Administration complete annual reporting of all controlled assets to the Comptroller of Public Accounts ("CPA") through the State Property Accounting ("SPA") system. Staff Services completes an audit of all tracked equipment under TDHCA's control and certifies the results of that audit to CPA. Any missing or unaccounted for equipment must be found or reported as lost or stolen. During FY2021 TDHCA reported that 100% of equipment was accounted for and reported to CPA.

TDHCA ISD will work with Staff Services and Financial Administration to review current policies and procedures and make any improvements that may be necessary.

Physical Access to Facilities

The employee onboarding, transfer and termination process extends to facility badging access that is coordinated through the Staff Services section. Staff Services requests facility access through coordination with the Department of Public Safety that manages badging and parking.

OIA reviewed the underlying documentation for granting and revoking access and found that authorization is not always evidenced, as well as deactivations not occurring consistently when employees terminate. OIA found several employees that had terminated who had not been deactivated during the audit period. In addition, the process of reviewing access periodically is not in place as noted in *Finding 22-001.04*.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.11	Physical access to TDHCA/MH facilities should be protected by providing changes including new and terminated employees to DPS on a timely basis with appropriate documentation retained.	3/31/2022	Director of Staff Services

Management Response

TDHCA acknowledges the necessity to promptly deactivate user badges. However, it should be noted that Human Resources recovers all badges from terminated employees on the last day of employment and are no longer in the former employee's possession. This means that although the badge remained active, the former employee had no access to the badge and therefore had no access to TDHCA/MH buildings. TDHCA will strengthen current policies and procedures as noted in this finding.

Application Program and Network Change Management

Change management is the process by which changes to information resources are identified, defined, designed, coded, tested, communicated and implemented. Changes to software may include:

- Network software "patches" or updates required for security or operating systems functionality
- Network infrastructure (hardware) upgrades
- Data updates requested by business users to "fix" input or setup problems
- Business functionality changes driven by new or existing Program needs

OIA noted that the Applications Development Manager was in the process of restructuring and updating the Change Management process policy and procedure. ISD is reviewing a software package that has been in the budget for two years, to better control and document authorizations from appropriate parties for the change management process. This software, called JIRA, is DIR-approved and would manage all changes including Help Desk tickets.

During the FY2021-2022 time frame, the Application Development team completed over 1,000 work orders which included software development and maintenance, reporting, and database updates. During that time frame, OIA found approximately 200 network changes documented in the "IS System Changes" email account in Outlook.

Changes to Network Software

The current SOP and underlying process for network software updates outlines the documentation of the testing and release of these changes into the production environment. It does not currently require explicit management approval for these changes. At times, when the changes are larger and may affect how the user interacts with the information resource, a communication will be sent ahead of the implementation. While it may not be practical to have management review each change, there should be a checkpoint review periodically.

In addition, during the audit period there was a production issue where a security certificate had not been renewed timely, although the ISD already had purchased the renewal. This caused service interruption to both internal and external parties.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.12	OIA recommends that changes to network software be monitored by management with evidence of periodic review, to manage the impact to the overall environment. Any known user impacts should be communicated at a minimum to the Help Desk to prepare for user questions.	3/31/2022	Director of Information Systems
22-001.13	OIA recommends that critical information resources updates such as security certificates are managed using a planning tool to ensure availability of those information resources.	3/31/2022	Director of Information Systems

Management Response

__22-001.12:__ *TDHCA ISD will review current SOPs for management review of network changes. THDCA ISD management and employees are in constant communication about network related changes. With only four members (IS Director, Network Manager, ISO, and Network Specialist) being able to make changes explicit management approval seems redundant and may add additional burdens on staff. As noted earlier in this report, three of the four positions listed are management level positions (as noted in F. Funding and Staffing, page 7). At no time during this audit period was a network change made that the ISD Director and Network Manager were unaware.*

__22-001.13:__ *TDHCA ISD will update the necessary SOPs and create necessary documentation to govern the management of all security certificates.*

Business Application Data Changes

Data changes are typically requested from the ISD via a Help Desk request or phone call that is converted to a Track-it ticket (Track-it is the system utilized by ISD to track a problem or activity through to resolution). Once engaged, the application programmer will determine what is required to fix the problem, run the update in a test environment then the Database Administrator will promote the update to production.

Currently, the process does not require user approval to be documented in the Track-it database; several of the tested tickets only had ISD manager approval. In addition, the user did not consistently document their verification of the data update. OIA did note that over the year, when recurring data fixes were required, ISD took action to create online processes for business users to make updates rather than having continuous updates required directly by ISD.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.14	OIA recommends that data updates are verified by the business user in production with approval evidenced via email in the Track-it system.	4/30/2022	Director of Information Systems

Management Response

TDHCA ISD will strengthen current change management procedures to ensure user verification is documented. Although not always evidenced by documentation the users with the appropriate authority always requested the change and reviewed the work.

Business Functionality Changes

Business functionality changes implemented in the TDHCA/MH systems environment should follow the Systems Development Life Cycle (SDLC). In this project management process, there are roles and responsibilities that require clarity between the business users and IT functions. Typically, the business users define the need and request IS services; once ISD is able to size the project, it should be prioritized against projects competing for those resources; once prioritized, the business users further detail the requirements of the functionality to be developed which should refine the project estimate; ISD designs and codes the program changes desired, tests the code and promotes it to the user acceptance test environment. At this level, business user testing commences with focus on changes and ensuring other parts of the system maintain proper functionality. When business user testing is complete, the program changes are promoted into the production environment where everyday business processing takes place.

Currently, ISD is often writing combined business and technical requirements for systems changes. This creates a situation where these important roles are merged, and outcomes can be affected by a lack of understanding of the entire business process flow and impacts. In addition, when the business users are more heavily involved, they better understand the functionality being built, can update their SOP accordingly, and can provide training to others in the Division.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.15	OIA recommends that the change management process be enhanced by clarifying roles and responsibilities of the ISD and business users in completing program changes.	6/30/2022	Director of Information Systems

Management Response

TDHCA ISD is in the process of updating change management processes and will incorporate a review of these recommendations. TDHCA ISD agrees that business user involvement is key to the successful completion of software development projects.

During the testing of program changes, OIA noted a difference in the process between TDHCA and MH in that the MH Division requires that any request for IS services is originated by a manager, Director, or their designee. TDHCA requests can come from any level of staff; unfortunately these are often training or procedural issues that could be managed within the originating Division.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.16	OIA recommends that requests for IS Services are originated by a manager, Director or other appropriate designee to reduce unnecessary IT involvement for business procedural or training issues.	5/30/2022	Director of Information Systems

Management Response

TDHCA ISD acknowledges the recommendation of OIA. TDHCA ISD will seek executive leadership guidance to determine if changes to current procedures are beneficial for TDHCA.

There are times when business functionality software is coded and provided to the business user, however due to needs changing or other reasons, the project or code is no longer needed or desired. During testing of the program changes and discussion with ISD staff, OIA determined that there is no rollback procedure currently in place to segregate the unnecessary code and remove it from the user acceptance environment.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.17	OIA recommends that ISD create a process by which unnecessary code can be removed from the user acceptance environment so that it is not inadvertently moved to Production.	Completed	Director of Information Systems

Management Response

TDHCA ISD management has discussed and implemented procedural changes in the aftermath of this event. The changes will ensure that code will not be inadvertently promoted to production in the future.

Texas Administrative Code 1 Title 10 Section 202 Review

State agencies must interact with DIR and implement directives from that oversight agency. Parameters for IS compliance are established primarily by DIR and are laid out in 1 TAC 10 Chapter 202. The purpose of this area of the audit was to evaluate compliance and recommend improvements. We did not test to an extent so as to determine full legal compliance. The following area regarding the Information Security Officer function, based on interviews or examination of documents, indicated potential for improvement. See ***Appendix B*** for 1 TAC 10 202 excerpts and current status.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.18	The Director of Information Systems, Information security officer and agency staff responsibilities require fulfillment per Texas Administrative Code 1 TAC 10 Section 202. In order to function as mandated by TAC, ownership of information and systems by the business user areas is essential. Training for the business users will be required to complete risk assessments and implement appropriate security related controls.	6/30/2022	Director of Information Systems

Management Response

TDHCA ISD will work with business users to complete all required risk assessments.

Required Reporting to DIR

OIA reviewed reporting requirements of state agencies to DIR and found that some reporting was not completed by TDHCA or not submitted timely; these reports are due in even-numbered years:

1. Vulnerability Report – June 15th
2. Information Security Assessment – November 15th
3. IT Infrastructure Report – November 15th

OIA noted that the FY2021 Information Security Plan was submitted after notification from DIR.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.19	Required reporting to DIR should be completed timely with appropriate documentation maintained to support the information contained in the reports.	Complete	Director of Information Systems

Management Response

Due to COVID related demands and changes in leadership, although not completed in a timely fashion they have been completed.

Vendor Management

Both the TDHCA business users and ISD utilize various information resources provided by external vendors. The Texas Procurement and Contract Management guide outlines guidance for properly monitoring vendor contracts, which includes progress reports, status reports, financial reports and onsite monitoring. ISD receives various types of reporting from their vendors, however there is no onsite monitoring in place. In lieu of onsite monitoring, ISD may be able to accept an independent auditor's Service Organization Controls (SOC) report that attests to the vendor's internal controls that affect its ability to provide certain services. SOC reports should be evaluated to assure that required internal controls are in place on TDHCA's side that allow reliance on the vendor's internal controls. Note that the independent accounting firm should be verified via the Texas State Board of Public Accountancy website to ensure they are certified. Additionally, some vendors should be required to sign TDHCA's Information Security and Privacy Agreement (ISPA).

During review of the vendor agreements and monitoring, OIA noted very few existing signed ISPAs and SOC reports or other monitoring procedures. Some newer contracts had these documents in place, however it did not appear that all vendors who should have these requirements had fulfilled them.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.20	ISD should inventory all vendors to determine what monitoring and security agreements are required then obtain the necessary documentation. If SOC reports are used, verification of the independent accounting firm's certification and TDHCA complementing controls should be completed.	4/30/2022	Director of Information Systems

Management Response

TDHCA ISD is currently working to update all vendor management SOP's and associated procedural documentation.

Standard Operating Procedures (SOP)

An SOP is a procedure specific to the operation of a division that describes the activities necessary to complete tasks in accordance with applicable rules and regulations. It defines expected practices in a process where quality standards exist. SOPs play an important role in any organization and division. They are policies, procedures and standards needed to operate in a successful way. They can create efficiencies, consistency and reliability, fewer errors, and add value to the Division.

OIA reviewed the Level One and Level Two SOP currently in place to manage Information Technology resources. While much of the content still applies to current processes, many of the SOP documents were outdated and several had been signed by previous Executive Directors. The oldest Level One SOP was dated in 2009; the most recently updated was a Level Two SOP completed in 2019.

Finding Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
22-001.21	OIA recommends that all IT related SOPs be reviewed, updated and signed by management for consistency and efficiency of IT operations.	8/31/2022	Director of Information Systems

Management Response

TDHCA ISD will review and update all SOPs. In the future, TDHCA ISD will review all SOPs periodically, but not less than annually.

H. User Survey

Internal audit conducted a customer survey of TDHCA and MH staff, and the result indicated a decrease in customer satisfaction in IT services from the initial survey in 2017 to present. Overall, customers indicated a weighted average score for overall satisfaction with IT services of 2.7 as of 2022, compared to a weighted average satisfaction score of 3.2 in 2017. The largest differences in the survey related to Help Desk and Communication. The survey results independently validate the findings included in this report in many instances. OIA will share details with management for further action.

OIA extends our sincere appreciation to management and staff of the Information Systems Division for their cooperation and assistance during the course of this audit.

Sincerely,

Mark Scott

Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director

MS/SN

Appendix A

IT Project Accomplishments FY2021-FY2022

Type of Project	*Name of Project*	*Business Purpose*
Security Enhancements	Multifactor Authentication	Strengthens information security by requiring both a password and authentication code for login.
	Migration from Windows 7 to Windows 10	Remediated potential security issues with replacement of outdated Windows environment.
	Attivo Networks Active Directory Implementation	Provides capability of auditing network platform to help track and monitor for vulnerabilities, malicious actions, and configuration flaws throughout the network.
	Cybersecurity and Infrastructure Security Agency (CISA) Agreement	Implemented agreement with CISA for continual ongoing external vulnerability scans and reporting for the TDHCA network.
Remote Work Requirement	Microsoft Office 365 Migration	Greatly enhances business continuity to TDHCA and MH staff by allowing for access to emails and other resources from the cloud based system.
	Creation and Support of the Remote Work Environment	Implemented LogMeIn, Global Protect, additional Internet capacity; continues to support a hybrid work environment.
	CISCO Jabber Access	Addition to the phone technology at TDHCA, this allows for desk phone access by TDHCA staff via the internet. Required for remote work answering general line phone calls.
Application Development/ Enhancements for New Programs	Community Affairs New Programs and Reporting	Implemented several new programs, integrated LIHEAP performance measures and other reports.
	Housing Contract System Updates	Added new Programs for 2022/2023, created new CDBG Cares System, added new Amy Young State Wide Admin and Reservation Project funds to Housing Trust Fund.
	Texas Rent Relief Program Utility Provider Information System	Collects information from Texas Utility providers for the purpose of making payments on behalf of program beneficiaries.
	Texas Rent Relief and Homeowner Assistance Fund Coordination	Assisted in evaluation and selection of all vendors; provided IT related support ongoing and via weekly calls with management.

Appendix A

IT Project Accomplishments FY2021-FY2022

Type of Project	*Name of Project*	*Business Purpose*
Legacy Upgrade	Software and Firmware Upgrades for all TDHCA Networking Equipment	Upgraded old technology and increased security by including security appliances and firewalls.
Compliance	Migrant Labor Housing Facility System	Automation of an existing Excel application to handle critical business functions for licensing/inspections of migrant labor housing
	Manufactured Housing Complaint Module	Allows for submission of online web complaints from external homeowners or customer for MH.
	MH Home Maintenance Module	Created to reduce number of data update requests needed for correcting home records.
	Vacancy Clearinghouse Audit Update	Added accessibility to our vacancy clearinghouse.
	HUD LIHTC Tenant File Upload	Created files required by HUD for reporting.
	IRS1099 MISC Filing System	Converted old technology and allowed for direct upload by external parties.
Business Continuity	Disaster Recovery	Successfully completed Disaster Recovery exercise with DIR to validate consistency and integrity of backup data.
Automation	Emergency Solution Grants System	Automation of an existing Excel application to handle critical business functions for Emergency Solutions Grants.
	Community Affairs Household Module	Automation of existing process to allow CA sub recipients to upload files for performance reporting to HUD. Includes LIHEAP, WAP and CSBG.
	Section 811 Project Rental Assistance Upgrade	A complete revamping of the system used to manage the participant application function within the Program.
Annual Systems Maintenance Requirements	Changes required every year for Programs processing and compliance	Requires IT driven updates to critical systems used by TDHCA and MH such as uploading data files, adding new funds and new programs for the coming fiscal year, and reporting.

Appendix B

Development Status of 10 TAC 202 Compliance

The purpose of this Exhibit is to highlight at a summary level, the status of development of processes and policy to meet the requirements of 10 TAC 202, *Information Security Standards*.

TAC 202 Sections		Current Status
202.20	Responsibilities of the Agency Head	In place
202.21	Responsibilities of the Information Owner	Assignment of Information Owners and Custodians pending; developing
202.22	Staff Responsibilities	Developing
202.23	Security Reporting	Developing
202.24	Agency Information Security Program	Developing
202.25	Managing Security Risks	Risk assessments pending; developing
202.26	Security Controls Standard Catalog	Developing

Report Item

2

AUDIT AND FINANCE COMMITTEE REPORT ITEM

INTERNAL AUDIT DIVISION

March 10, 2022

Presentation and discussion of Internal Audit report of the Previous Participation Review (PPR) function, Report # 22-002

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
An Internal Audit of the Previous Participation Review (PPR) function
Audit Report # 22-002

Executive Summary

The Office of Internal Audit (OIA) reviewed the Previous Participation Review (PPR) function at TDHCA, its role and responsibility in ensuring compliance with applicable rules and regulations, as well as its internal process and procedures that are currently in place. Based on our reviews and testing, the OIA concludes that the Previous Participation Review function is operating effectively in assuring compliance with appropriate rules and regulations in awarding new contracts, renewing existing contracts, or approving transfers, related to programs and funds under TDHCA's purview.

Observations and Recommendations

The folder system on the shared drive and the tracking spreadsheet for the PPR function could be improved to a more efficient way of identifying the location of specific folders. Currently the PPR requests on the tracking spreadsheet are listed by their program specific application numbers, which have different formats depending on their funding source program. The tracking spreadsheet doesn't include the type of funding or the program for each of the requests either. The supporting documentation seems to be in multiple locations depending on the program and type of funding.

Management Response

The PPR tracking spreadsheet has been updated to include an area that tracks the type of funds being requested and will be completed by the Review Coordinator (labeled "Source(s) of Funds Requested"). In addition, a field has been added to record where the back-up documentation was stored and will be completed by the PPR designated reviewers (labeled "Stored in Completed Folder"). This information will assist in locating support documentation when multiple sources of funds are requested through a single PPR. This is effective immediately for any PPR requests received or closed on or after March 1, 2022.

Objective, Scope and Methodology

Our scope included a review of the Texas Administrative Code (10 TAC §1.301 and §1.302), TX Government Code §2306.057 and §2306.613, and Department's internal policy and procedures, including specific SOP related to PPR reviews. We also reviewed the PPR's goals, processes, and roles and responsibilities related to ensuring Department's compliance with applicable rules and regulations.

Mark Scott

Mark Scott, CPA, CIA, CISA, CFE, MBA
Director, Internal Audit

3/3/2022
Date Signed

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

March 03, 2022

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Board Members of the Texas Department of Housing and Community Affairs ("TDHCA")

RE: Internal Audit of the Previous Participation Review (PPR) function

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") *"Review of the Previous Participation Review (PPR) function."* This audit was conducted in accordance with the applicable audit standards. It included the objectives to evaluate and explain the *PPR* function and its process, and to evaluate its compliance with applicable rules and regulations.

The Previous Participation Review function was identified during the fiscal year 2022 risk assessment, and rated high on the risk assessment due to lack of recent audits of the function, and its role in ensuring compliance with program specific rules and regulations as it relates to awarding contracts to sub recipients and contractors.

This report includes the following sections:

A. Overall Result
B. Background
C. Scope and Methodology
D. Roles and Responsibilities

E. Processes and procedure
F. Testing and Recommendation

A. Overall Results

Based on our review and testing, the Previous Participation Review function is operating effectively in assuring compliance with appropriate rules and regulations in awarding new contracts, renewing existing contracted, or requests for transfers, related to programs and funds under TDHCA purview. We've identified an area for improvement as described in the detailed report.

B. Background

As the state agency responsible for affordable housing, community and energy assistance programs, colonia activities, and regulation of the state's manufactured housing industry, TDHCA (the Department) administers its assigned programs to ensure compliance with state and federal laws that govern housing programs.

The Texas Government Code §2306.057 requires a compliance assessment of any project that is subject to approval by the Board, and prior to its presentation to the Board. Texas Administrative Code (10 TAC §1.301) provides the procedures to be used by the Department to comply with the requirements of the TX Gov't Code as well as 2 CFR §200 and Uniform Grant Management Standard (UGMS).

C. Scope and Methodology

Our scope included a review of the Texas Administrative Code (10 TAC §1.301 and §1.302), TX Government Code §2306.057 and §2306.613, and Department's internal policy and procedures, including specific SOP related to PPR reviews. We also reviewed the PPR's goals, processes, and roles and responsibilities related to ensuring Department's compliance with applicable rules and regulations. We also conducted interviews and meetings with key staff members to better understand the PPR function.

D. Previous Participation Review's Role and Responsibilities

The PPR function's role is to conduct a review of the administrators, sub-recipients, affiliated parties, entities, and responsible parties of the development owners, sub-recipients, and nonprofit organizations that have applied for a new contract, requesting a transfer, or are subject to renewing an existing contract. The PPR review includes identifying any previous participation of the entity with the Department, and associated compliance performances with state and federal laws that govern the programs at TDHCA, and providing their results and findings to the Executive Award Review Advisory Committee (EARAC) for their review and recommendation to the Board.

The Compliance Division collaborates with other divisions, such as Financial Administration and Loan Servicing, in assessing the compliance history of the applicants and their affiliates, the compliance issues associated with the proposed development, and provides the result of their assessment to the EARAC. The list of reviews conducted is provided in the next section.

E. Processes and Procedure

The process is initiated by the program or the division that is subject to the new or the renewed contract, and a request is sent through an email to the designated staff, the Review Coordinator in the Compliance division, along with the backup documentation and necessary information. The Compliance division starts the review process by gathering backup information, and reviewing and documenting compliance history of the applicant with State and Federal programs. Any finding and areas of deficiencies are reported back to the program as well as to the EARAC.

The followings are the main review steps that is followed by PPR function in their review process.

- ***System of Award Management (SAM)***

SAM (SAM.Gov) is the official website of the U.S Government, publically available and accessible, and is used to check on the status of an entity and its exclusion records. The Review Coordinator conducts searches of the identified entities and their members, including all Board members, in the SAM to ensure that no matches with those listed as barred from participation in a Federal Programs.

- ***TDHCA Compliance & Monitoring Tracking System (CMTS)***

The PPR designated reviewers, who are also part of the Compliance Division, conduct searches in the CMTS to identify any previous participation of the applicant with the Department. In the cases of previous participation with the Department, the reviewer will compare the results of the CMTS searches to the information provided by the Applicant to ensure that an accurate depiction of previous participation is captured. Any discrepancies recorded and reported to the management with the result of the review.

- ***Final Order***

Pursuant to the authority granted to TDHCA under Tex Gov't Code §2306.0504 the Department's Board has adopted a policy for the debarment of a person or entity from participation in the Department's programs because of their failure to comply with the conditions imposed by the Department in relation to the administration of its programs. Any person or entity that has been debarred is prohibited from participation in the programs administered by the Department for the term of their debarment unless by its terms the order of debarment permits continuing activity in one or more specified programs.

- ***Single Audit***

The Single Audit Act, previously known as A-133 audit, and the Texas Administrative Code Rule §1.403(e) states that "*Sub-recipients that expend $750,000 or more in federal and / or state awards or have an outstanding loan balance associated with a federal or state resource of $750,000 or more with continuing* *compliance requirements, or a combination thereof must have a Single Audit or program specific audit conducted*". Sub-recipients and entities that meet this threshold are required to submit their annual Single Audit report within nine months after the end of the audited fiscal year.

A Single audit is an organization wide financial statement and Federal awards audit for the purpose of ensuring that a recipient of federal funds is in compliance with the federal program's requirements for how the money can be used. As part of the PPR process the Compliance division reviews the Single Audit reports related to entities under review.

In the event of a finding or a discrepancy in the records, the applicant has the opportunity to address the finding and resolve the discrepancy. Once all the reviews are completed and all the necessary back up information and documentation are gathered, the results are forwarded to the EARAC* for final decision before presentation at the Board meeting for their approval.

> ***10 TAC §1.303;** The Executive Award and Review Advisory Committee (EARAC) is established by Tex. Gov't Code §2306.1112 to make recommendations to the Board regarding funding and allocation decisions related to Low Income Housing Tax Credits and federal housing funds provided to the state under the Cranston Gonzales National Affordable Housing Act. The Department also utilizes EARAC as the body to consider funding and allocation recommendations to the Board related to other programs, and to consider an awardee under the requirements of 2 CFR §200.331(b) and (c), UGMS, and TxGMS, which requires that the Department evaluate an applicant's risk of noncompliance and consider imposing conditions if appropriate prior to awarding funds for certain applicable programs...*

STANDARD OPERATING PROCEDURES (SOP)

An SOP is a procedure specific to the operation of an entity or function that describes the activities necessary to complete tasks in accordance with applicable rules and regulations. It defines expected practices in a process where quality standards exist. SOPs play an important role in any organization and division. They are policies, procedures and standards needed to operate in a successful way. They can create efficiencies, consistency and reliability, fewer errors, and add value.
As part of our audit we reviewed specific SOP related to PPR function, SOP # 2281.09, and found it to be complete and up-to-date. The SOP was signed by the current Director of Compliance Monitoring on 01/21/2021, and it contains clear and complete details of the rules, and steps that needs to be followed, as well as roles and responsibilities of each staff and each division.

F. Testing and Recommendation

As part of our audit we randomly selected 20 PPRs from the total of 226 PPRs that were completed between 9/1/2021 and 2/2/2022, from the tracking spreadsheet that is maintained by the Compliance Division. Our attributes included verification of compliance with the applicable reviews and research of the applicant, such as SAM and single audit, as well as appropriate approval process.

OBSERVATION

The PPR function seems to have an adequate system of review and approval related to the review of new or renewed contracts, as well as transfer requests. There seems to be an effective collaboration between the interested divisions in completing the review and providing all the necessary documentation and information to EARAC in a timely manner. However, we did note that the folder system on the shared drive and the tracking spreadsheet could be improved for a more efficient way of identifying the location of specific folders and documents. Currently the PPR requests on the tracking spreadsheet are listed by their program specific application numbers, which have different formats depending on their funding program. The tracking spreadsheet doesn't include the type of funding or the program for each of the requests either. The supporting documentation seem to be in multiple locations depending on the program and type of funding.

MANAGEMENT RESPONSE

The PPR tracking spreadsheet has been updated to include an area that tracks the type of funds being requested and will be completed by the Review Coordinator (labeled "Source(s) of Funds Requested"). In addition, a field has been added to record where the back-up documentation was stored and will be completed by the PPR designated reviewers (labeled "Stored in Completed Folder"). This information will assist in locating support documentation when multiple sources of funds are requested through a single PPR. This is effective immediately for any PPR requests received or closed on or after March 1, 2022.

OIA extends our appreciation to Compliance Monitoring management and the staff involved in the Previous Participation Review function for their cooperation and assistance during the course of this audit.

Sincerely,

Mark Scott

Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director

MS/NS

Report Item

3

AUDIT AND FINANCE COMMITTEE REPORT REQUEST

INTERNAL AUDIT DIVISION

March 10, 2022

Report on the status of the Internal Audit and External Audit activities

Verbal Report