TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Basic Financial Statements

For the Year Ended August 31, 2015

(With Independent Auditor's Report Thereon)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

221 East 11th Street, Austin, TX 78701
Main Number: 512-475-3800
Email: info@tdhca.state.tx.us

PO Box 13941, Austin, TX 78711
Toll Free: 1-800-525-0657
Web: www.tdhca.state.tx.us

Equal Opportunity Employer/Program. Auxiliary aids and services are available upon request to individuals with disabilities. Relay Texas: 800-735-2989 (TTY) and 711 (Voice).

****

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS
J. Paul Oxer, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Leslie Bingham-Escareño
T. Tolbert Chisum
Tom H. Gann
J.B. Goodwin

December 18, 2015

Writer's direct phone # (512) 475-3296
Email: tim.irvine@tdhca.state.tx.us

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Texas Comptroller
Ms. Ursula Parks, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

RE: AUDITED ANNUAL FINANCIAL REPORT

Dear Governor Abbott, Comptroller Hegar, Ms. Parks, and Mr. Keel:

We are pleased to submit the Audited Annual Financial Report of the Texas Department of Housing and Community Affairs for the year ended August 31, 2015, in compliance with TEX. GOV'T CODE ANN. §2101.011, the requirements established by the Texas Comptroller of Public Accounts, and Generally Accepted Accounting Principles (GAAP) reporting requirements.

You will recall that the Annual Financial Report was timely submitted to you on November 20, 2015. The Report has now been audited by an independent auditor, as required by TEX. GOV'T CODE ANN. §2306.074, and is timely submitted to you within thirty days of its original submission.

If you have any questions, please contact David Cervantes, Chief Financial Officer, at (512) 475-3875.

Respectfully,

Timothy K. Irvine
Executive Director

TKI/tt

This Page Intentionally Left Blank

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2015

TABLE OF CONTENTS

This Page Intentionally Left Blank

State Auditor's Office
John Keel, CPA
State Auditor

Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors
Mr. J. Paul Oxer, P.E., Chair
Dr. Juan Sanchez Muñoz, Vice Chair
Mr. T. Tolbert Chisum
Ms. Leslie Bingham Escareño
Mr. Tom H. Gann
Mr. J. B. Goodwin

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), as of and for the year ended August 31, 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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

Robert E. Johnson Building
1501 N. Congress Avenue
Austin, Texas 78701

P.O. Box 12067
Austin, Texas 78711-2067

Phone:
(512) 936-9500

Fax:
(512) 936-9400

Internet:
www.sao.state.tx.us

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, 2015, 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, 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, 2015, 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, Schedule of Changes in Department's Net Pension Liability, Schedule of Employer Contributions, and Notes to the Required Supplemental 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 an opinion on the financial statements that collectively comprise the Department's financial statements. The supplementary bond schedules are presented for purposes of additional analysis and are not a required part of the 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 18, 2015, 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 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 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, CIDA
First Assistant State Auditor

December 18, 2015

MANAGEMENT'S

DISCUSSION AND ANALYSIS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2015. 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 decreased $11.8 million and governmental activities net position decreased $20.9 million.

- The Department's proprietary fund had an operating income of $6.2 million, a decrease of $15.5 million from the prior year. This impact on operating income resulted primarily from a decrease of $9.1 million in interest and investment income, a decrease of $12.5 million in the change in fair value of investments, a decrease of $3.1 million in other operating revenue offset by a decrease of $1.1 million in professional fees and services and a decrease of $7.8 million in interest expense.

- Net position in the Department's governmental activities decreased from $493.2 million to $472.3 million. The change represents expenditures exceeding revenues for Homeless Housing and Services Program ("HHSP") and Tax Credit Assistance Program ("TCAP") as well as a restatement of beginning balance of $20.7 million due to pension liability.

- The Bond Program's debt outstanding of $1.5 billion as of August 31, 2015, decreased $160.5 million due to debt retirements and no issuance of bonds during the year.

- Loan originations in the Department's proprietary and governmental funds for the year totaled $14.4 million and $24.8 million, respectively.

- In accordance with Governmental Accounting Standards Board ("GASB") Statement 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. GASB 53 requires the fair value of a derivative to be reported at the end of the fiscal year in the Statement of Net Position. As of August 31, 2015, the Department's five interest rate swaps had a total notional amount of $188.8 million and a negative $16.9 million fair value which was recorded in the deferred outflows of resources account and as a derivative 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 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 reports in the amount of $44.2 million of which $22.4 million is reported in business-type activities and $21.8 million in governmental activities. The implementation of GASB 68 resulted in a restatement of beginning net position of $21.3 million in business-type activities and $20.7 million in governmental activities in order to retroactively recognize the Department's net pension liability.

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 set 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" 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.

<u>Statement of Net Position – Governmental Activities</u>

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

Texas Department of Housing and Community Affairs
Governmental Activities - Condensed Statement of Net Position
As of August 31, 2015

	Governmental Activities		Increase / (Decrease)	
Assets	**2015**	**2014**	**Amount**	**%**
Cash in State Treasury	$ 18,716,093	$ 17,191,270	$ 1,524,823	8.9
Federal Receivables	6,257,472	6,105,741	151,731	2.5
Legislative Appropriations	5,382,911	4,834,624	548,287	11.3
Internal Balances	25,035	261,862	(236,827)	(90.4)
Current Loans and Contracts	21,224,662	23,315,774	(2,091,112)	(9.0)
Other Current Assets	155,753	53,983	101,770	188.5
Non-Current Loans and Contracts	454,173,085	451,294,374	2,878,711	0.6
Capital Assets	193,441	214,681	(21,240)	(9.9)
Total Assets	506,128,452	503,272,309	2,856,143	0.6
DEFERRED OUTFLOWS OF RESOURCES	1,973,457	-	1,973,457	100.0
Liabilities				
Accounts Payable	9,067,811	6,855,715	2,212,096	32.3
Unearned Revenues	682,172	1,016,291	(334,119)	(32.9)
Other Current Liabilities	1,796,082	1,792,838	3,244	0.2
Net Pension Liabilities	21,810,392	-	21,810,392	100.0
Other Non-current Liabilities	399,656	421,109	(21,453)	(5.1)
Total Liabilities	33,756,113	10,085,953	23,670,160	234.7
DEFERRED INFLOWS OF RESOURCES	2,032,725	-	2,032,725	100.0
Net Position				
Invested in Capital Assets	193,441	214,681	(21,240)	(9.9)
Restricted	492,575,164	491,739,878	835,286	0.2
Unrestricted	(20,455,534)	1,231,797	(21,687,331)	(1,760.6)
Total Net Position	$ 472,313,071	$ 493,186,356	$ (20,873,285)	(4.2)

Net position of the Department's governmental activities decreased $20.9 million, or 4.2% to $472.3 million. The change is primarily a result of a decrease in unrestricted net position, which resulted from recording the net pension liability as required by GASB 68, *Accounting and Financial Reporting for Pensions*.

Cash in state treasury increased by $1.5 million or 8.9%. The increase primarily represents unspent program income collected from TCAP.

Internal balances represent expenditure transfers after year end. Included in the 2015 transactions were payroll transfers and benefits allocations according to Accounting Policy Statements.

Loans and contracts increased $787.6 thousand. The variance represents the receipt, disbursement and adjustment of the portfolio for the year. During the fiscal year, HOME loans increased approximately $7.3 million primarily because of new loan set up and less allowance for uncollectible repayments. Neighborhood Stabilization Program ("NSP") loans decreased by $2.0 million and TCAP loans decreased by approximately $4.5 million due to larger loan repayments than loan originations.

Other current assets increased by $101.8 thousand or 188.5% due to increases in other intergovernmental receivables in HHSP and amounts due from other agencies for the Office of Colonia Initiatives ("OCI") program funded through the Texas Department of Agriculture.

Accounts payable increased by $2.2 million or 32.3% because of heavy year end activities recorded in Emergency Solutions Grants Program ("ESG"), HOME, and Department of Energy ("DOE") grants.

The balance in unearned revenues decreased by $334.1 thousand or 32.9%. The change is primarily associated with cash in state treasury related to NSP and Section 8 Programs. The increase to NSP occurred due to unspent program income received from loan repayments. The increase related to Section 8 is a result of decreased grant activities during the fiscal year.

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.

Net pension liabilities were recorded due to the implementation of GASB 68 in which the Department reported potential liabilities of employee pensions. The unrestricted net position decreased $21.7 million as a result of these transactions.

Business Type Activities

Texas Department of Housing and Community Affairs
Business-Type Activities
Condensed Statement of Net Position

	Business-Type Activities		Increase / (Decrease)	
Assets	**2015**	**2014**	**Amount**	**%**
Current Assets:				
Cash & Investments	$ 134,812,695	$ 152,661,971	$ (17,849,276)	(11.7)
Loans and Contracts	12,675,631	13,683,428	(1,007,797)	(7.4)
Interest Receivable	11,801,594	12,064,491	(262,897)	(2.2)
Other Current Assets	1,646,127	789,678	856,449	108.5
Non-current Assets:				
Investments	701,151,445	826,977,157	(125,825,712)	(15.2)
Loans and Contracts	1,075,954,996	1,100,327,546	(24,372,550)	(2.2)
Capital Assets	156,253	163,465	(7,212)	(4.4)
Other Non-Current Assets	202,082	227,370	(25,288)	(11.1)
Total Assets	1,938,400,823	2,106,895,106	(168,494,283)	(8.0)
DEFERRED OUTFLOWS OF RESOURCES	18,939,222	22,441,099	(3,501,877)	(15.6)
Liabilites				
Current				
Interest Payable	17,593,119	19,262,561	(1,669,442)	(8.7)
Bonds Payable	18,841,004	21,806,680	(2,965,676)	(13.6)
Other Liabilities	8,326,443	8,512,453	(186,010)	(2.2)
Non-current				
Net Pension Liability	22,429,754	-	22,429,754	-
Bonds Payable	1,516,769,854	1,674,310,169	(157,540,315)	(9.4)
Derivative Hedging Instrument	16,909,723	22,441,099	(5,531,376)	(24.6)
Other Non-current Liabilities	88,365,447	105,179,526	(16,814,079)	(16.0)
Total Liabilities	1,689,235,344	1,851,512,488	(162,277,144)	(8.8)
DEFERRED INFLOWS OF RESOURCES	2,090,449	-	2,090,449	-
Net Position				
Invested in Capital Assets	156,252	163,465	(7,213)	(4.4)
Restricted	208,295,086	198,730,753	9,564,333	4.8
Unrestricted	57,562,913	78,929,499	(21,366,586)	(27.1)
Total Net Position	$ 266,014,251	$ 277,823,717	$ (11,809,466)	(4.3)

Net position of the Department's business-type activities decreased $11.8 million, or 4.3%, to $266.0 million. Restricted net position of the Department's proprietary fund increased $9.6 million or 4.8%. These restrictions are related to bond covenants and do not significantly affect the availability of resources for future use. The unrestricted net position decreased $21.4 million or 27.1%.

Cash and investments decreased $143.7 million, or 14.7%, to $836.0 million, which is reflective of the liquidation of investments to pay down bonds, the change in fair value of investments, interest earnings and fees. Program loans receivable (current and non-current) decreased $25.4 million, or 0.2%, to $1.1 billion, primarily as a result of loan payoffs related to the Department's

Business Type Activities Cont'd

Multifamily Bond Program and repayment of loans in the Housing Trust Fund Program offset by loan originations related to these programs.

The Department has $1.5 billion in bonds outstanding related to its revenue bonds. The Department's Single Family, Residential Mortgage Revenue Bonds and Collateralized Home Mortgage Revenue Bonds have been rated AA+ by Standard & Poor's. Multifamily ratings vary. Total bonds payable (current and non-current) decreased by $160.5 million, or 9.5%, due to the Department's monthly retirement of existing debt being greater than bond issuance. The $1.7 million decrease in total interest payable to $17.6 million is reflective of the decrease of the Department's debt. For more information on the Department's debt, refer to Note 5.

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, 2014 and 2015 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
	2015	2014	2015	2014	2015	2014	
Program Revenues:							
Charges for Services	$ 6,157	$ 6,248	$ 101,615	$ 113,792	$ 107,772	$ 120,040	(10.2)
Operating Grants and Contributions	212,177	255,984	-	-	212,177	255,984	(17.1)
Total Revenue	218,334	262,232	101,615	113,792	319,949	376,024	(14.9)
Total Expenses:	225,964	252,422	86,721	96,025	312,685	348,447	(10.3)
Net Revenue	(7,630)	9,810	14,894	17,767	7,264	27,577	(73.7)
General Revenues	13,860	12,520	(8,677)	3,932	5,183	16,452	(68.5)
Transfers	(6,419)	(6,679)	3,244	3,281	(3,175)	(3,398)	(6.6)
Change in Net Position	(189)	15,651	9,461	24,980	9,272	40,631	(77.2)
Beginning Net Position	493,186	477,277	277,824	248,578	771,010	725,855	6.2
Restatement	(20,684)	258	(21,271)	4,266	(41,955)	4,524	(1,027.4)
Beginning Net Position, Restated	472,502	477,535	256,553	252,844	729,055	730,379	(0.2)
Ending Net Position	$ 472,313	$ 493,186	$ 266,014	$ 277,824	$ 738,327	$ 771,010	(4.2)

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") and the U.S. Department of Health and Human Services ("HHS"). General Revenues are revenues appropriated to the Department in accordance with legislative acts and regulations.

Total program revenues decreased $43.9 million. This change consisted primarily of decreases in operating grants and contributions as a result of reduced HOME and Low-Income Home Energy Assistance Program ("LIHEAP") grant activities.

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 expenses decreased in HOME and LIHEAP in relation to the decrease in grant revenue, but were offset by increased expenditures in ESG and DOE grants.

Transfers include Manufactured Housing's surplus of revenues transferred to the Comptroller's Office and the transfer of 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 $101.6 million offset by a decrease in fair value of investments of $8.7 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 decreased $12.2 million which is primarily a decrease in interest income on investments and a decrease in interest income on mortgage loans.

Expenses of the Department's business-type activities consist primarily of interest expense of $63.1 million which decreased $7.8 million; professional fees and services of $2.1 million which decreased $1.1 million; and salaries and wages/payroll related expense of $9.8 million. The decrease in interest expense is a result 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. Other operating expenses include general and administrative expenses, allocations involving production or monitoring activities of the Department, as well as internal and external costs.

Business-Type Activities Cont'd

The Department's business-type activities charges for services of $101.6 million exceeded expenses of $86.7 million by $14.9 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 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. It includes an escrow account and the Child Support Addenda Deducts 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	**2015**	**2014**	**Amount**	**%**
Legislative Appropriations	$ 12,891,505	$ 12,507,906	$ 383,599	3.1
Federal Revenues	212,086,651	255,935,474	(43,848,823)	(17.1)
Other Revenue	7,398,422	6,572,925	825,497	12.6
Total Operating Revenues	232,376,578	275,016,305	(42,639,727)	(15.5)
OPERATING EXPENDITURES				
Salaries and Wages	9,723,041	9,778,381	(55,340)	(0.6)
Professional Fees and Services	285,193	274,060	11,133	4.1
Intergovernmental Payments	55,138,472	64,130,390	(8,991,918)	(14.0)
Public Assistance Payments	149,760,142	173,557,049	(23,796,907)	(13.7)
Other Operating Expenditures	9,875,819	4,699,233	5,176,586	110.2
Total Operating Expenditures	224,782,667	252,439,113	(27,656,446)	(11.0)
Excess of Revenues over Expenditures	7,593,911	22,577,192	(14,983,281)	(66.4)
Other Financing Sources (Uses)	(6,419,266)	(6,678,528)	259,262	(3.9)
CHANGE IN FUND BALANCE	1,174,645	15,898,664	(14,724,019)	(92.6)
Beginning Fund Balance	493,930,156	478,038,998	15,891,158	3.3
Restatement	0	256,770	(256,770)	(100.0)
Beginning Fund Balance Restated	493,930,156	478,295,768	15,634,388	3.3
Appropriations (Lapsed)	(182,523)	(264,276)	81,753	(30.9)
Ending Fund Balance	$ 494,922,278	$ 493,930,156	$ 992,122	0.2

Revenues of the Department’s governmental fund totaled $232.4 million. These revenues were primarily federal grants related to LIHEAP, HOME and Community Services Block Grant (“CSBG”) programs. Expenditures of $224.8 million primarily consisted of intergovernmental and public assistance payments.

Total revenues of the governmental fund decreased by $42.6 million. HOME grant activity declined in fiscal year 2015 due to continued reduction to the grant award for the past several years. The Department is adjusting its operations under the reduced funding level. In fiscal year 2015 LIHEAP program activities decreased to normal levels, although 2014 activities were higher due to grant balances that were carried forward and expensed in that year.

Governmental Fund Cont'd

The Department experienced decreases in intergovernmental and public assistance payments for HOME and LIHEAP but increases in CSBG.

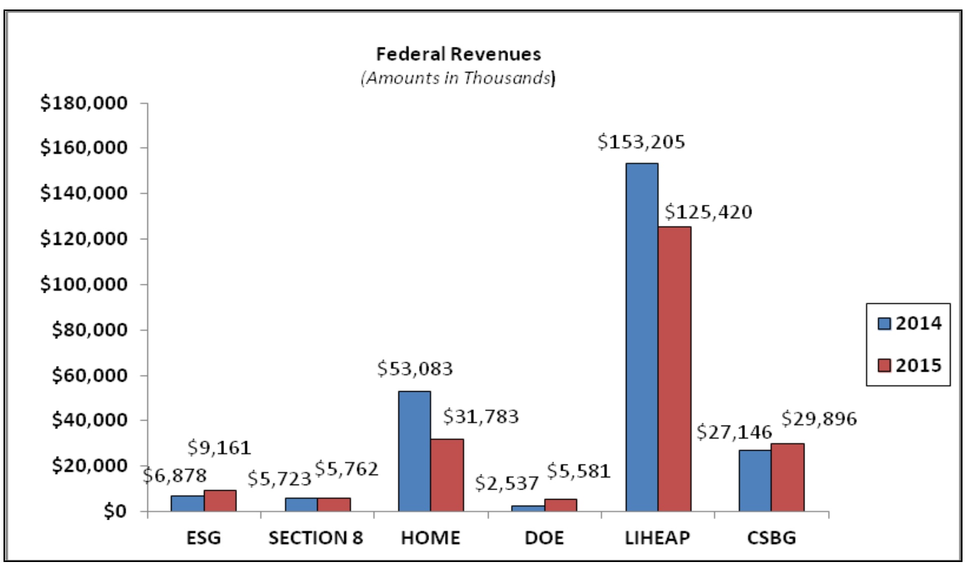
The Department experienced an increase in other operating expenditures due to claims and judgments repayment to HUD. The HUD repayment has been reallocated to multifamily contracts.

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 2014 and 2015 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:

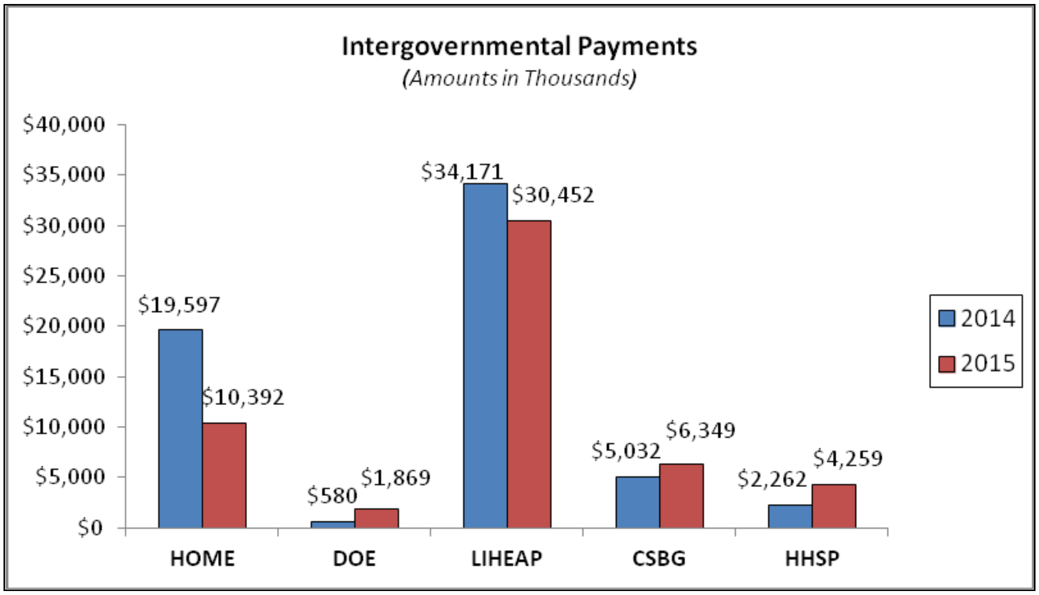
ESG	Emergency Solutions Grants Program
SEC 8	Section 8 Housing Assistance Program
HOME	HOME Investment Partnerships Program
DOE	Department of Energy
LIHEAP	Low-Income Home Energy Assistance Program
HHSP	Homeless Housing and Services Program
CSBG	Community Services Block Grant

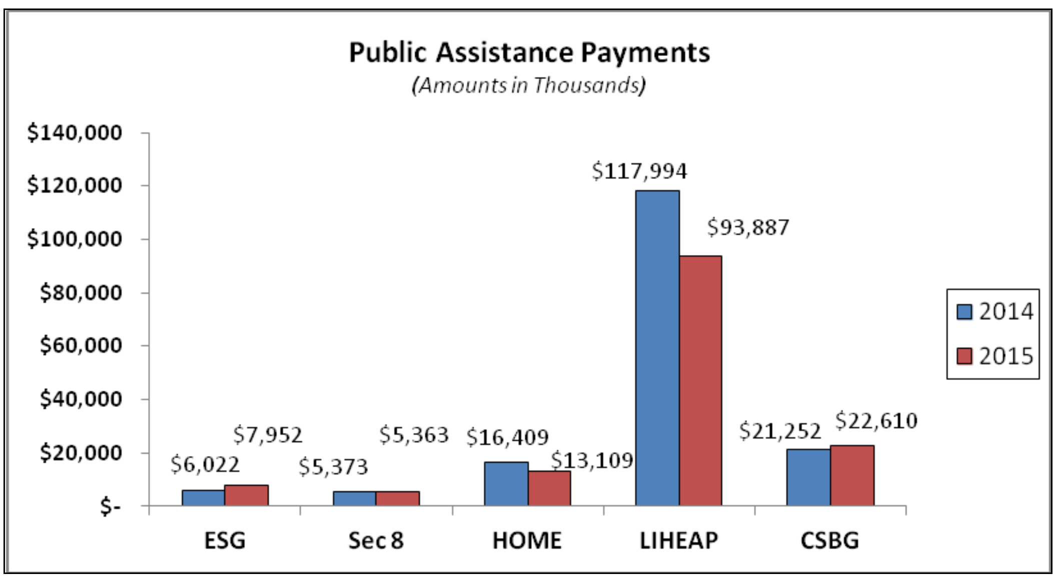
Federal Revenues: Receipts from the State's participation in programs financed with federal funds.



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, 2015 and August 31, 2014.

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

			Increase / (Decrease)	
OPERATING REVENUES	**2015**	**2014**	**Amount**	**%**
Interest and Investment Income	$ 74,723,956	$ 83,866,624	$ (9,142,668)	(10.90)
Net Increase (Decrease) in Fair Value	(8,734,724)	3,783,495	(12,518,219)	(330.86)
Other Operating Revenues	26,949,620	30,074,277	(3,124,657)	(10.39)
Total Operating Revenues	92,938,852	117,724,396	(24,785,544)	(21.05)
OPERATING EXPENSES				
Professional Fees and Services	2,078,992	3,178,380	(1,099,388)	(34.59)
Depreciation Expense	40,063	36,916	3,147	8.52
Interest	63,071,760	70,876,931	(7,805,171)	(11.01)
Bad Debt Expense	586,374	472,020	114,354	24.23
Other Operating Expenses	20,943,409	21,461,000	(517,591)	(2.41)
Total Operating Expenses	86,720,598	96,025,247	(9,304,649)	(9.69)
Operating Income (Loss)	6,218,254	21,699,149	(15,480,895)	(71.34)
TRANSFERS	3,243,515	3,280,806	(37,291)	(1.14)
CHANGE IN NET POSITION	9,461,769	24,979,955	(15,518,186)	(62.12)
Beginning Net Position	277,823,717	248,578,087	29,245,630	11.77
Restatement	(21,271,235)	4,265,675	(25,536,910)	(598.66)
Beginning Net Assets Restated	256,552,482	252,843,762	3,708,720	1.47
Ending Net Position	$ 266,014,251	$ 277,823,717	$ (11,809,466)	(4.25)

Net position of the Department's proprietary fund decreased by $11.8 million, or 4.25%, to $266.0 million.

Proprietary Fund Cont'd

Earnings within the Department's proprietary fund were $92.9 million of which $65.7 million is classified as restricted and $27.2 million is unrestricted. Restricted earnings are composed of $74.3 million in interest and investment income, $8.7 million net decrease in fair value of investments, and $106.0 thousand in other revenues. Interest and investment income are restricted per bond covenants for debt service. The net increase in fair value of investments is a combination of unrealized and realized gains and losses. Unrestricted earnings are composed of $454.6 thousand in interest and investment income, $18.0 thousand related to the decrease in fair value of investments and $26.9 million in other operating revenue.

Interest earned on program loans decreased by $2.0 million, or 4.6%, primarily due to a decrease in the Department's Multifamily Bond Program, resulting from lower interest rates related to variable rate debt and the corresponding mortgage loans.

Investment income decreased $7.1 million or 17.6% due to lower investment yields. The primary changes in investment income were in the Single Family Revenue Bond Program funds that decreased $4.7 million, or 18.0%. The Residential Mortgage Revenue Bond Program decreased $2.3 million or 16.9%.

The net change in fair value of investments decreased by $12.5 million primarily due to the decreasing fair value of the Department's mortgage backed securities.

Other operating revenues decreased $3.1 million primarily due to the Taxable Mortgage Program reduced mortgage volume which was caused by changes in market conditions and increased competition.

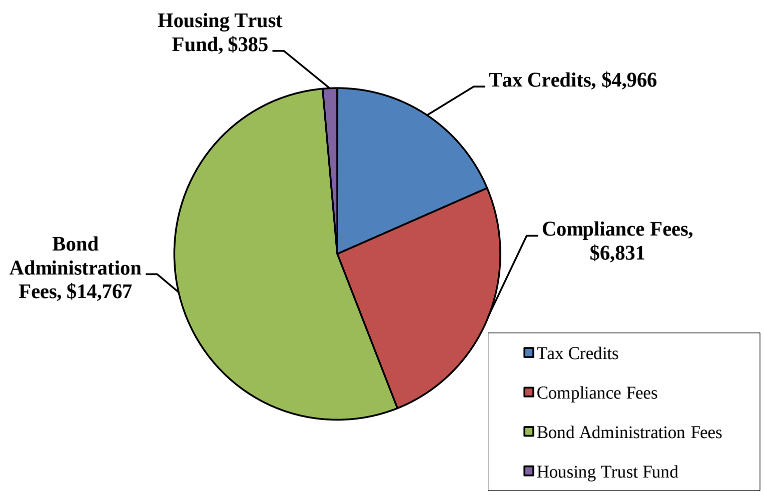
Interest expense decreased $7.8 million related to the Department's debt. One of the factors in this decrease is the Department's decision to pay down its bonds on a monthly basis as opposed to every six months. Another factor is a decrease in interest rates related to variable rate debt.

Interest and investment income earned from unrestricted investments are used to support various housing initiatives such as those related to the 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 administrative fees are generated yearly from the various bond issuances to support the Department's administrative expenses.

Proprietary Fund Cont'd

The graph below illustrates the primary composition of $26.9 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 2015 and 2014.

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

Program	2015	2014	Increase / (Decrease) Amount	Increase / (Decrease) %
Single Family	$ 98,988	$ 100,010	$ (1,022)	(1.0)
RMRB	102,118	91,668	10,450	11.4
CHMRB	1,744	1,753	(9)	(0.5)
Multifamily	(2,171)	(2,171)	0	0.0
General Funds	8,401	7,566	835	11.0
TMP	9,448	10,966	(1,518)	(13.8)
Housing Trust Fund	58,632	58,106	526	0.9
Administration Fund	(23,142)	(826)	(22,316)	2,701.7
Housing Initiatives & Compliance	11,996	10,751	1,245	11.6
Total	$ 266,014	$ 277,823	$ (11,809)	(4.3)

Proprietary Fund Cont'd

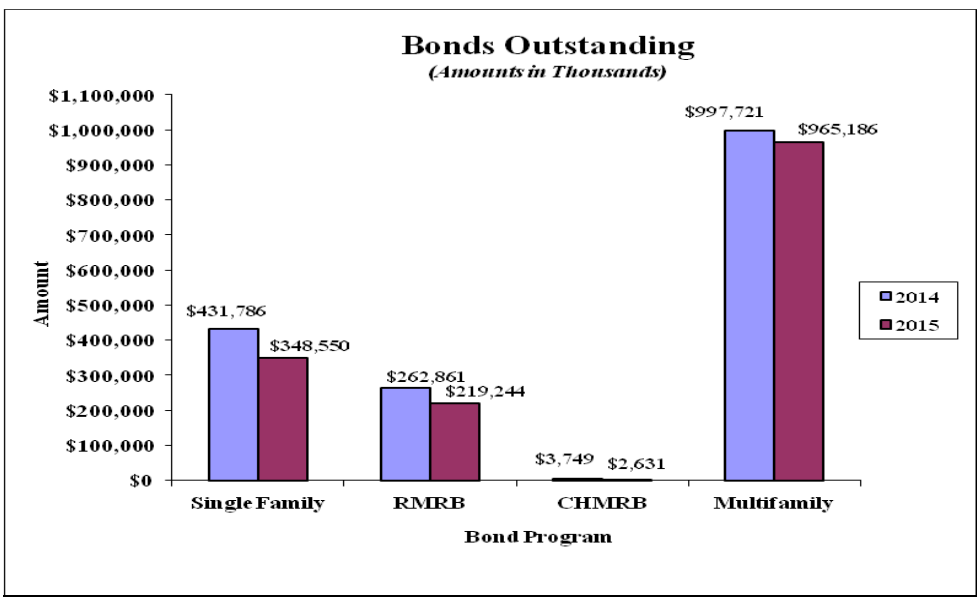
The Net Position of the Single Family Bond Program decreased by $1.0 million or 1.0%, primarily due to a positive difference between interest income and bond interest expense of $7.8 million offset by approximately $862.2 thousand in professional fees and a negative change in fair value of investments of $7.8 million.

The Net Position of the Residential Mortgage Revenue Bond Program increased by $10.5 million, or 11.4%, primarily due to a positive difference of $3.3 million between interest income and bond interest expense, $8.6 million transferred from the Taxable Mortgage Program to fund down payment assistance loans offset by a negative change in fair value of investments of $836.5 thousand.

The Net Position of the Housing Initiatives & Compliance Programs increased $1.2 million or 11.6% which is reflective of a positive difference of $1.2 million between fees collected of $11.8 million and $10.6 million of transfers made to fund the operating budget.

Department Debt

The Department had $159.2 million in debt retirements during the year primarily due to consumer refinancing and prepayments of original loans. The net result was a decrease in bonds payable of $160.5 million to $1.5 billion of which $18.8 million is due within one year. For additional information, see Note 5, Bond Indebtedness, and supplementary bond information schedules. The following graph illustrates a comparison of bonds outstanding between fiscal year 2014 and 2015 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, Chief Financial Officer, 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, 2015

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand	$ 200	$ 200	$ 400
Cash in Bank	20,000	179,389	199,389
Cash in State Treasury		1,385,794	1,385,794
Cash Equivalents		31,051,942	31,051,942
Restricted:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank		173,212	173,212
Cash in State Treasury	18,716,093		18,716,093
Cash Equivalents		102,012,370	102,012,370
Short-term Investments (Note 3)		9,788	9,788
Loans and Contracts	21,224,662	9,422,163	30,646,825
Interest Receivable		11,759,878	11,759,878
Federal Receivable	6,257,472		6,257,472
Legislative Appropriations	5,382,911		5,382,911
Receivables From:			
Interest Receivable	14,130	41,715	55,845
Accounts Receivable	18,964	808,268	827,232
Other Intergovernmental	43,618		43,618
Internal Balances (Note 9)	25,035	(25,035)	
Due From Other Agencies (Note 9)	49,167		49,167
Consumable Inventories	9,674	9,675	19,349
Loans and Contracts		3,253,468	11,429,569
Other Current Assets		828,184	828,184
Total Current Assets	51,761,926	160,911,011	212,672,937
Non-Current Assets:			
Investments (Note 3)		2,356,061	2,356,061
Loans and Contracts		51,995,634	51,995,634
Capital Assets (Note 2):			
Depreciable or Amortizable, Net	193,441	156,252	349,693
Restricted Assets:			
Investments (Note 3)		698,795,384	698,795,384
Loans and Contracts	454,173,085	1,023,959,362	1,478,132,447
Real Estate Owned, net		202,082	202,082
Total Non-Current Assets	454,366,526	1,777,464,775	2,231,831,301
Total Assets	$ 506,128,452	$ 1,938,375,786	$ 2,444,504,238
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources (Note 17)	$ 1,973,457	$ 18,939,222	$ 20,912,679
Total Deferred Outflows of Resources	$ 1,973,457	$ 18,939,222	$ 20,912,679

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I (Continued)
STATEMENT OF NET POSITION - GOVERNMENT-WIDE
As of August 31, 2015

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	$ 9,067,811	$ 1,388,705	$ 10,456,516
Accrued Bond Interest Payable		17,593,119	17,593,119
Payroll Payable	1,262,749		1,262,749
Unearned Revenues	682,172	6,101,250	6,783,422
Employees' Compensable Leave (Note 4)	533,333	532,020	1,065,353
Revenue Bonds Payable (Notes 4 & 5)		18,841,004	18,841,004
Other Current Liabilities		279,432	279,432
Total Current Liabilities	11,546,065	44,735,530	56,281,595
Non-Current Liabilities:			
Employees' Compensable Leave (Note 4)	399,656	436,305	835,961
Net Pension Liability (Note 8)	21,810,392	22,429,754	44,240,146
Revenue Bonds Payable (Notes 4 & 5)		1,516,769,854	1,516,769,854
Derivative Hedging Instrument (Note 6)		16,909,723	16,909,723
Other Non-Current Liabilities (Note 4)		87,929,142	87,929,142
Total Non-Current Liabilities	22,210,048	1,644,474,778	1,666,684,826
Total Liabilities	$ 33,756,113	$ 1,689,210,308	$ 1,722,966,421
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources (Note 17)	$ 2,032,725	$ 2,090,449	$ 4,123,174
Total Deferred Inflows of Resources	$ 2,032,725	$ 2,090,449	$ 4,123,174
NET POSITION			
Invested in Capital Assets	193,441	156,252	349,693
Restricted	492,575,164	208,295,086	700,870,250
Unrestricted	(20,455,534)	57,562,913	37,107,379
Total Net Position	$ 472,313,071	$ 266,014,251	$ 738,327,322

This Page Intentionally Left Blank

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT II
STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE
For the Year Ended August 31, 2015

		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**	**2015 Total**
Primary Government						
Governmental Activities:						
Manufactured Housing	$ 5,589,411	$ 5,961,731	$	$ 372,320	$	$ 372,320
HOME Investment in Affordable Housing	25,733,315		31,783,265	6,049,950		6,049,950
Energy Assistance	130,815,157		131,001,206	186,049		186,049
Community Services	39,027,729		39,056,793	29,064		29,064
Community Development	2,481,860	1,045	528,864	(1,951,951)		(1,951,951)
Section 8	5,734,879		5,761,743	26,864		26,864
Section 811	5,550		5,550			
National Foreclosure Mitigation Counseling	21,929		21,929			
Tax Credit Assistance Program - ARRA	6,140,118		2,234,624	(3,905,494)		(3,905,494)
Money Follows the Person	181,126	170,575		(10,551)		(10,551)
Homeless Housing & Services Program	5,121,873			(5,121,873)		(5,121,873)
Housing Trust Fund	1,116,342	(1)	567	(1,115,776)		(1,115,776)
Administration	3,994,923	23,522	1,782,931	(2,188,470)		(2,188,470)
Total Governmental Activities	225,964,212	6,156,872	212,177,472	(7,629,868)		(7,629,868)
Business-type Activities:						
Single Family Bonds	25,655,501	45,822,162			20,166,661	20,166,661
Multifamily Bonds	40,887,537	40,887,532			(5)	(5)
Housing Trust Fund Program	3,302,810	562,736			(2,740,074)	(2,740,074)
Administration	16,874,750	14,342,880			(2,531,870)	(2,531,870)
Total Business-type Activities	86,720,598	101,615,310			14,894,712	14,894,712
Total Primary Government	$ 312,684,810	$ 107,772,182	$ 212,177,472	(7,629,868)	14,894,712	7,264,844

	Governmental Activities	Business-type Activities	2015 Total
General Revenues:			
Original Appropriations	11,485,513		11,485,513
Additional Appropriations	1,405,992		1,405,992
Interest & Other Investment Income	86,491	58,266	144,757
Appropriations Lapsed	(182,523)		(182,523)
Other Revenues	1,064,239		1,064,239
Net Increase in Fair Value of Investments		(8,734,724)	(8,734,724)
Transfers In (Out) (Note 9)	(6,419,266)	3,243,515	(3,175,751)
Total General Revenues and Transfers	7,440,446	(5,432,943)	2,007,503
Change in Net Position	(189,422)	9,461,769	9,272,347
Net Position, September 1, 2014	493,186,356	277,823,717	771,010,073
Restatement (Note 11)	(20,683,863)	(21,271,235)	(41,955,098)
Net Position, September 1, 2014, as Restated	472,502,493	256,552,482	729,054,975
Net Position - August 31, 2015	$ 472,313,071	$ 266,014,251	$ 738,327,322

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

This Page Intentionally Left Blank

EXHIBIT III
BALANCE SHEET - GOVERNMENTAL FUND
As of August 31, 2015

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3):	
Cash on Hand	$ 200
Cash in Bank	20,000
Restricted:	
Cash and Cash Equivalents (Note 3):	
Cash in State Treasury	18,716,093
Federal Receivable	6,257,472
Legislative Appropriations	5,382,911
Accounts Receivable	18,964
Receivables From:	
Other Intergovernmental	43,618
Interest	14,130
Interfund Receivable (Note 9)	145,523
Due From Other Agencies (Note 9)	49,167
Consumable Inventories	9,674
Restricted - Loans and Contracts	21,224,662
Total Current Assets	51,882,414
Non-Current Assets:	
Restricted - Loans and Contracts	454,173,085
Total Non-Current Assets	454,173,085
Total Assets	506,055,499
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	9,067,811
Payroll Payable	1,262,750
Interfund Payable (Note 9)	120,488
Unearned Revenues	682,172
Total Liabilities	11,133,221
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances:	
Reserved for:	
Nonspendable	9,674
Restricted	490,481,246
Committed	198
Assigned	573,102
Unassigned	3,858,058
Total Fund Balances as of August 31	494,922,278
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.	193,441
Long term liabilities relating to employees' compensable leave and pensions are not due and payable in the current year therefore are not reported in the funds.	(22,802,648)
NET POSITION AS OF AUGUST 31	$ 472,313,071

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

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, 2015

		Total
REVENUES		
Legislative Appropriations:		
Original Appropriations (GR)	$	11,485,513
Additional Appropriations (GR)		1,405,992
Federal Revenue (PR-OP G/C)		212,086,651
Federal Revenue Grant Pass-Thru Revenue (PR-OP G/C)		81,228
State Grant Pass-Through Revenue (PR-OP G/C)		9,025
Licenses, Fees & Permits (PR-C/S)		5,420,494
Interest and Other Investment Income (PR-OP G/C)		567
Interest and Other Investment Income (GR)		86,491
Sales of Goods and Services (PR-C/S)		736,377
Other (GR)		1,064,240
Total Revenues		232,376,578
EXPENDITURES		
Salaries and Wages		9,723,041
Payroll Related Costs		2,828,336
Professional Fees and Services		285,193
Travel		478,827
Materials and Supplies		155,837
Communication and Utilities		174,769
Repairs and Maintenance		272,360
Rentals & Leases		211,695
Printing and Reproduction		13,708
Claims and Judgments		5,440,866
Intergovernmental Payments		55,138,472
Public Assistance Payments		149,760,142
Other Expenditures		270,231
Capital Outlay		29,190
Total Expenditures		224,782,667
Excess of Revenues Over Expenditures		7,593,911
OTHER FINANCING SOURCES (USES)		
Transfers Out (Note 9)		(6,419,266)
Total Other Financing (Uses)		(6,419,266)
Net Change in Fund Balances		1,174,645
FUND FINANCIAL STATEMENT-FUND BALANCES		
Fund Balances--Beginning		493,930,156
Appropriations (Lapsed)		(182,523)
Fund Balances - August 31	$	494,922,278

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT IV (Continued)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
Year Ended August 31, 2015

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)	$	1,174,645
Restatement (Note 11)		(20,683,863)
Appropriations (Lapsed)		(182,523)
Changes in Fund Balances		(19,691,741)
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to:		
- capital outlay expense		29,190
- depreciation expense		(50,430)
- payroll expense due to Compensable Leave		25,492
- addl pension expense related to GASB 68/71		(1,185,796)
Change in Net Position, August 31 (Exhibit II)	$	(20,873,285)

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, 2015

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3)	
Cash on Hand	$ 200
Cash in Bank	179,389
Cash in State Treasury	1,385,794
Cash Equivalents	31,051,942
Restricted Assets:	
Cash and Cash Equivalents (Note 3)	
Cash in Bank	173,212
Cash Equivalents	102,012,370
Short-term Investments (Note 3)	9,788
Loans and Contracts	9,422,163
Interest Receivable	11,759,878
Receivable:	
Interest Receivable	41,715
Accounts Receivable	808,268
Consumable Inventories	9,675
Loans and Contracts	3,253,468
Other Current Assets	828,184
Total Current Assets	160,936,046
Non-Current Assets:	
Investments	2,356,061
Loans and Contracts	51,995,634
Capital Assets: (Note 2)	
Depreciable or Amortizable, Net	156,252
Restricted Assets:	
Investments (Note 3)	698,795,384
Loans and Contracts	1,023,959,362
Real Estate Owned, net	202,082
Total Non-Current Assets	1,777,464,775
Total Assets	$ 1,938,400,821
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources (Note 17)	18,939,222
Total Deferred Outflows of Resources	$ 18,939,222

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V (Continued)
STATEMENT OF NET POSITION - PROPRIETARY FUND
August 31, 2015

LIABILITIES	
Current Liabilities	
Payables:	
Accounts Payable	$ 1,388,705
Accrued Bond Interest Payable	17,593,119
Interfund Payable (Note 9)	25,035
Unearned Revenues	6,101,250
Employees' Compensable Leave (Note 4)	532,020
Revenue Bonds Payable (Notes 4 & 5)	18,841,004
Other Current Liabilities	279,432
Total Current Liabilities	44,760,565
Non-Current Liabilities	
Employees' Compensable Leave (Note 4)	436,305
Net Pension Liability (Note 8)	22,429,754
Revenue Bonds Payable (Note 4 & 5)	1,516,769,854
Derivative Hedging Instrument (Note 6)	16,909,723
Other Non-Current Liabilities (Note 4)	87,929,142
Total Non-Current Liabilities	1,644,474,778
Total Liabilities	1,689,235,343
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources (Note 17)	2,090,449
Total Deferred Inflows of Resources	2,090,449
NET POSITION	
Invested in Capital Assets	156,252
Restricted	208,295,086
Unrestricted	57,562,913
Total Net Position	$ 266,014,251

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

This Page Intentionally Left Blank

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, 2015

	Total
OPERATING REVENUES	
Interest and Investment Income	$ 74,723,956
Net (Decrease) in Fair Value	(8,734,724)
Other Operating Revenues	26,949,620
Total Operating Revenues	92,938,852
OPERATING EXPENSES	
Salaries and Wages	9,782,744
Payroll Related Costs	4,389,975
Professional Fees and Services	2,078,992
Travel	243,061
Materials and Supplies	131,535
Communications and Utilities	164,145
Repairs and Maintenance	329,238
Rentals and Leases	61,073
Printing and Reproduction	75,554
Depreciation and Amortization	40,063
Interest	63,071,760
Bad Debt Expense	586,374
Down Payment Assistance	2,857,662
Other Operating Expenses	2,908,422
Total Operating Expenses	86,720,598
Operating Income	6,218,254
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Transfers In (Note 9)	3,243,515
Total Other Revenues, Expenses, Gains, Losses and Transfers	3,243,515
CHANGE IN NET POSITION	9,461,769
Net Position, September 1, 2014	277,823,717
Restatement (Note 11)	(21,271,235)
Net Position, September 1, 2014, as Restated	256,552,482
NET POSITION, AUGUST 31, 2015	$ 266,014,251

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, 2015

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	$ 74,744,532
Proceeds from Other Revenues	30,237,387
Payments to Suppliers for Goods/Services	(33,567,658)
Payments to Employees	(12,938,634)
Payments for Loans Provided	(14,352,060)
Net Cash Provided by Operating Activities	44,123,567
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Transfers from Other Funds	3,243,515
Payments of Principal on Debt Issuance	(154,702,660)
Payments of Interest	(64,802,587)
Net Cash (Used for) Noncapital Financing Activities	(216,261,732)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Capital Assets	(61,832)
Net Cash (Used for) Capital Activities	(61,832)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	182,239,951
Proceeds from Interest/Invest. Income	35,300,257
Payments to Acquire Investments	(63,075,984)
Net Cash Provided By Investing Activities	154,464,224
Net (Decrease) in Cash and Cash Equivalents	(17,735,773)
Cash and Cash Equivalents, September 1, 2014	152,538,680
Cash and Cash Equivalents, August 31, 2015	$ 134,802,907

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII (Continued)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2015

		Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	6,218,254
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation		40,063
Pension Expense		1,961,386
Provision for Uncollectibles		586,374
Operating Income and Cash Flow Categories		
Classification Differences		27,938,255
Changes in Assets and Liabilities:		
(Increase) in Receivables		(220,733)
Decrease in Accrued Interest Receivable		262,897
Decrease in Loans / Contracts		25,350,347
Decrease in Property Owned		25,291
Decrease in Other Assets		630,965
(Decrease) in Payables		(314,883)
Increase in Unearned Revenues		142,557
(Decrease) in Accrued Interest Payable		(1,669,442)
(Decrease) in Other Liabilities		(16,827,764)
Total Adjustments		37,905,313
Net Cash Provided by Operating Activities	$	44,123,567

NON CASH TRANSACTIONS
Decrease in Fair Value of Investments for 2015 was $(8,734,724)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VIII
STATEMENT OF FIDUCIARY NET POSITION
As of August 31, 2015

AGENCY FUND		**Total**
ASSETS		
Current Assets:		
Restricted:		
Cash in State Treasury (Note 3)	$	427,027
Total Current Assets		427,027
Total Assets	$	427,027
LIABILITIES		
Current Liabilities:		
Funds Held for Others	$	427,027
Total Current Liabilities		427,027
Total Liabilities	$	427,027

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

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.

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").

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Fiduciary Fund Types

Agency Funds
Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency 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 GASB Statement No. 20.

In fiscal year 2015, the Department implemented Governmental Accounting Standards Board Statement ("GASB") No. 68, *Accounting and Financial Reporting for Pensions.* The Department relied upon reports issued by the Employee's Retirement System of Texas ("ERS"), the plan administrator, to calculate its proportionate share of contributions and its net pension liability. The Department reported a net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense. The implementation of GASB 68 resulted in a reclassification of beginning net position of $42 million to retroactively account for its beginning net pension liability.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, LIABILITIES 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,* ("GASB Statement 31"). 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"), Federal Home Loan Mortgage Corporation ("FHLMC") has been established by each bond issue's trustee using a pricing service.

The Department has reported all investment securities at fair value as of August 31, 2015 with exception of some short-term money market investments, and nonparticipating interest-earning investments 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 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 Fair Value."

Restricted Assets
Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets in the Governmental 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.

.

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. Specific identification is the method used to determine the cost of inventories. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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 the HOME, Tax Credit Assistance Program ("TCAP") 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 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 nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when they are past due 90 days 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 ("GASB") Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The Department contracted a service provider to measure its derivative effectiveness. Since the derivative instruments were deemed to be effective, the Department will be deferring the changes in fair value for these derivatives and reports them as deferred outflows of resources. The Department has also implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Department will be reporting its allocated contributions as of the measurement date of August 31, 2014, contributions after the measurement date for fiscal year 2015, and the effect of changes in actuarial assumptions as deferred outflows of resources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Liabilities

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

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

Unearned Revenues
Unearned Revenues in the proprietary fund represent 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.

Bonds Payable – Revenue Bonds
Revenue bonds are accounted for in the proprietary funds. 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.

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 Instrument
Per GASB Statement No. 53, the Department is to recognize its interest rate swaps at fair value on the Statement of Net Position. For the year ended August 31, 2015, the fair value of the Department's five 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

Deferred Inflows of Resources
The Department has implemented GASB No. 68. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Fund Balance/Net Position

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

<u>Nonspendable Fund Balance</u>
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.

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

<u>Committed Fund Balance</u>
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.

<u>Assigned Fund Balance</u>
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.

<u>Unassigned Fund Balance</u>
This is the residual classification for the governmental 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 governmental fund.

Net Position Components

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

<u>Restricted Net Position</u>
Includes amounts restricted through bond covenants.

<u>Unrestricted Net Position</u>
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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Interfund Transactions and Balances

Interfund Receivables and Payables/Internal Balances
Interfund receivables and payables are eliminated from the Statement of Net Position. The amounts due between governmental and business-type activities are netted to the Internal Balances line item on the Statement of Net Position – Government Wide.

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

Legislative Sources/Uses
This account represents budget transfers between agencies within the General Revenue Fund (0001).

NOTE 2: CAPITAL ASSETS

Capital Assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Depreciation and amortization was reported in the Statement of Activities in the Administration Function for Business-Type Activities in the amount of $40,063 and $50,430 for Governmental Activities. A summary of changes in Capital Assets for the year ended August 31, 2015, is presented below:

	PRIMARY GOVERNMENT				
	Balance 09/01/14	Reclassifications Completed CIP	Additions	Deletions	Balance 08/31/15
GOVERNMENTAL ACTIVITIES					
Non-depreciable on Non-amortizable Assets					
Construction in Progress	$ 52,823	$ (52,823)	$	$	$
Total Non-depreciable or Non-amortizable Assets	$ 52,823	$ (52,823)	$	$	$
Depreciable Assets					
Furniture and Equipment	$ 591,945	$ 52,823	$ 29,190	$ (40,196)	$ 633,762
Other Capital Assets	130,964				130,964
Total Depreciable Assets	$ 722,909	$ 52,823	$ 29,190	$ (40,196)	$ 764,726
Less Accumulated Depreciation for:					
Furniture and Equipment	$ (430,088)	$	$ (50,430)	$ 40,196	$ (440,322)
Other Capital Assets	(130,963)				(130,963)
Total Accumulated Depreciation	(561,051)		(50,430)	40,196	(571,285)
Depreciable Assets, Net	$ 161,858	$ 52,823	$ (21,240)	$	$ 193,441
Amortizable Assets - Intangible					
Computer Software	$ 1,307,012	$	$	$	$ 1,307,012
Total Amortizable Assets - Intangible	$ 1,307,012	$	$	$	$ 1,307,012
Less Accumulated Amortization for:					
Computer Software	$ (1,307,012)	$	$	$	$ (1,307,012)
Total Accumulated Amortization	(1,307,012)				(1,307,012)
Amortizable Assets - Intangible, Net	$	$	$	$	$
Governmental Activities Capital Assets, Net	$ 214,681	$	$ (21,240)	$	$ 193,441

NOTE 2: CAPITAL ASSETS Cont'd

	PRIMARY GOVERNMENT				
	Balance 09/01/14	**Reclassifications Completed CIP**	**Additions**	**Deletions**	**Balance 08/31/15**
BUSINESS-TYPE ACTIVITIES					
Non-depreciable or Non-amortizable Assets					
Construction in Progress	$ 31,476	$ (31,476)	$	$	$
Total Non-depreciable or Non-amortizable Assets	$ 31,476	$ (31,476)	$	$	$
Depreciable Assets					
Furniture and Equipment	$ 518,006	$ 31,476	$ 32,850	$ (32,311)	$ 550,021
Other Capital Assets	132,279				132,279
Total Depreciable Assets	$ 650,285	$ 31,476	$ 32,850	$ (32,311)	$ 682,300
Less Accumulated Depreciation for:					
Furniture and Equipment	$ (386,017)	$	$ (40,063)	$ 32,311	$ (393,769)
Other Capital Assets	(132,279)				(132,279)
Total Accumulated Depreciation	(518,296)		(40,063)	32,311	(526,048)
Depreciable Assets, Net	$ 131,989	$ 31,476	$ (7,213)	$	$ 156,252
Amortizable Assets - Intangible					
Computer Software	$ 679,785	$	$	$	$ 679,785
Total Amortizable Assets - Intangible	$ 679,785	$	$	$	$ 679,785
Less Accumulated Amortization for:					
Computer Software	$ (679,785)	$	$	$	$ (679,785)
Total Accumulated Amortization	(679,785)				(679,785)
Amortizable Assets - Intangible, Net	$	$	$	$	$
Business-Type Activities Capital Assets, Net	$ 163,465	$	$ (7,213)	$	$ 156,252

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

The Department is authorized by statute to make investments following the "prudent person rule" and its Investment Policy adopted by the Board for all funds except funds invested under a trust indenture. Each trust indenture sets the authorized investments for that particular trust indenture. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2015, the carrying amount of deposits was $372,601.

Governmental and Business-Type Activities	
CASH IN BANK - CARRYING VALUE	$ 372,601

Governmental Funds Current Assets Cash in Bank	$ 20,000
Texas Treasury Safekeeping Trust	179,389
Texas Treasury Safekeeping Trust - Restricted	808,740
Demand Deposits	(635,528)
Cash in Bank	$ 372,601

At August 31, 2015, the Department's cash and deposits in the State Treasury amounted to $20,528,914 which included $427,027 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.

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

Investments

The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures and the Department's Investment Policy adopted by its Board. 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 $87,603,463 in overnight repurchase agreements maturing on the following business day, September 1, 2015, at a rate of .09%.

At August 31, 2015, the fair value of investments (including both short-term and long-term) and cash equivalents are shown below.

Business Type Activities	Carrying Value	Fair Value
U.S. Government Agency Obligations	$ 607,357,132	$ 664,857,506
Repurchase Agreements (TTSTC)	87,603,463	87,603,463
Fixed Income Money Markets	45,460,849	45,460,849
Misc (Investment Agreements/GICs)	36,303,727	36,303,727
Total	$ 776,725,171	$ 834,225,545

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, 2015, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Investment Type	Not Rated	AAA	AA+	A
U.S. Government Agency Obligations			$ 67,250,509	
Repurchase Agreements (TTSTC)	$ 87,603,463			
Misc (Investment Agreements/GICs)	$ 36,303,727			

	Not Rated	AAA-M	AA-M	A-M
Fixed Income Money Market		$ 45,460,849		

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

A total of $597,606,997 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, 2015, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value	% of Total Portfolio
Greenwich	$ 87,603,463	10.50%

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)

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	$ 664,857,506	$ 9,788	$ 127,606	$ 1,228,690	$ 663,491,422
Repurchase Agreements (TTSTC)	87,603,463	87,603,463			
Fixed Income Money Markets	45,460,849	45,460,849			
Misc (Investment Agreements/GICs)	36,303,727				36,303,727
Total	$ 834,225,545	$ 133,074,100	$ 127,606	$ 1,228,690	$ 699,795,149

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 the 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, First-Time Homebuyer Program. Any other fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2015, the Department holds $664,857,506 in mortgage backed securities.

NOTE 4: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2015, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/2014	Additions	Reductions	Balance 08/31/2015	Amounts Due Within One Year
Compensable Leave	$ 958,481	$ 665,911	$ 691,403	$ 932,989	$ 533,333
Total Governmental Activities	$ 958,481	$ 665,911	$ 691,403	$ 932,989	$ 533,333

Business-Type Activities	Balance 09/01/2014	Additions	Reductions	Balance 08/31/2015	Amounts Due Within One Year
Revenue Bonds Payable	$ 1,696,116,849		$ 160,505,991	$ 1,535,610,858	$ 18,841,004
Compensable Leave	987,407	687,098	706,180	968,325	532,020
Total Business-Type Activities	$ 1,697,104,256	$ 687,098	$ 161,212,171	$ 1,536,579,183	$ 19,373,024

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. This obligation is paid only at the time of termination, usually from the same funding source(s) from which the employee's salary or wage compensation was paid. 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 of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (See Note 5 for more information.) The $160,505,991 in reductions is inclusive of $1,271,051 in amortization of bond premium/discount.

Other Non-current Liabilities

Other non-current liabilities in the Proprietary Fund totaling $87,929,142 primarily account for funds due to Developers as a result of Multifamily unexpended bond proceeds and Developer deposits which have corresponding investment balances adjusted to market value. These proceeds are conduit debt issued on behalf of the Developers for the purpose of Multifamily developments and are held by the trustees. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

NOTE 5: BOND INDEBTEDNESS

The Department has 113 bond series outstanding at August 31, 2015. 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 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 and 1-E.)

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 Collateralized Home Mortgage Revenue Bond ("CHMRB") and the remaining Single Family and RMRB programs were used to acquire pass-through certificates (GNMA, FNMA, FHLMC) backed by mortgage loans. Proceeds from the remaining Multifamily bond issues were used to finance mortgage loans.

Interest on bonds and collateralized mortgage obligations is payable periodically.

The Single Family, RMRB and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily Single Family mortgage loans, 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, 2015, are as follows (in thousands):

Description	2016	2017	2018	2019	2020	2021 to 2025	2026 to 2030
Single-family	$ 4,225	$ 4,855	$ 8,670	$ 4,640	$ 7,480	$ 43,230	$ 59,700
RMRB	5,010	5,185	5,540	5,425	5,850	32,125	38,300
CHMRB						2,600	
Multifamily	9,422	26,658	9,838	10,459	11,113	84,722	124,064
Total	$ 18,657	$ 36,698	$ 24,048	$ 20,524	$ 24,443	$162,677	$ 222,064

Description	2031 to 2035	2036 to 2040	2041 to 2045	2046 to 2050	2051 to 2055	2056 to 2060	Total
Single-family	$117,610	$ 96,980	$	$	$	$	$ 347,390
RMRB	45,825	61,625	12,800				217,685
CHMRB							2,600
Multifamily	128,192	314,991	208,241	30,552	7,101		965,353
Total	$291,627	$473,596	$221,041	$ 30,552	$ 7,101	$	$ 1,533,028

NOTE 5: BOND INDEBTEDNESS Cont'd

Interest requirements on variable rate debt are calculated using the interest rate in effect at August 31, 2015. Interest rates on variable rate debt reset on a weekly basis by the remarketing agent.

The interest payment requirements at August 31, 2015, are as follows (in thousands):

Description	2016	2017	2018	2019	2020	2021 to 2025	2026 to 2030
Single-family	$ 6,738	$ 6,510	$ 6,317	$ 6,133	$ 5,990	$ 27,570	$ 22,724
RMRB	7,924	7,782	7,615	7,423	7,217	32,182	24,194
CHMRB	189	172	189	172	172	704	
Multifamily	39,849	39,288	38,676	38,070	37,426	175,223	144,267
Total	$ 54,700	$ 53,752	$ 52,797	$ 51,798	$ 50,805	$ 235,679	$ 191,185

Description	2031 to 2035	2036 to 2040	2041 to 2045	2046 to 2050	2051 to 2055	2056 to 2060	Total
Single-family	$ 16,666	$ 4,509	$	$	$	$	$ 103,157
RMRB	15,788	7,180	258				117,563
CHMRB							1,598
Multifamily	111,776	68,050	25,710	4,618	1,018		723,971
Total	$ 144,230	$ 79,739	$ 25,968	$ 4,618	$ 1,018	$	$ 946,289

CHANGES IN BONDS PAYABLE

Description	Bonds Outstanding 09/01/14	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/15	Amounts Due Within One Year
Single Family	$ 429,890,000	$	$ 4,780,000	$ 77,720,000	$ 347,390,000	$ 4,312,830
RMRB	260,775,000		4,355,000	38,735,000	217,685,000	5,111,866
CHMRB	3,700,000			1,100,000	2,600,000	3,488
Multifamily	997,897,738		8,107,731	24,437,209	965,352,798	9,412,820
Total Principal	$ 1,692,262,738	$ -	$ 17,242,731	$ 141,992,209	$ 1,533,027,798	$ 18,841,004
Unamortized Premium	4,030,074				2,749,681	
Unamortized (Discount)	(175,963)				(166,621)	
Total	$ 1,696,116,849				$ 1,535,610,858	

NOTE 5: BOND INDEBTEDNESS Cont'd

Demand Bonds

The Department currently holds seven single family bond series in the amount $202,095,000 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 which are 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 8/31/15**	**Liquidity Facility Expiration Date**
2004A Jr. Lien	JP Morgan	Comptroller of Public Accounts	0.12%	$ 3,855,000	12/31/2015
2004B	JP Morgan	Comptroller of Public Accounts	0.12%	44,260,000	12/31/2015
2004D	Piper Jaffray	Comptroller of Public Accounts	0.12%	29,585,000	12/31/2015
2005A	JP Morgan	Comptroller of Public Accounts	0.12%	37,115,000	12/31/2015
2005C	JP Morgan	Comptroller of Public Accounts	0.12%	3,090,000	12/31/2015
2006H	JP Morgan	Comptroller of Public Accounts	0.12%	36,000,000	12/31/2015
2007A	JP Morgan	Comptroller of Public Accounts	0.12%	48,190,000	12/31/2015
Total Demand Bonds				**$ 202,095,000**	

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 yearly 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 take out provisions. For fiscal year 2015, the bondholders 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, 2015, the Bond Program had liabilities to the IRS totaling $45,138 reported in the Statement of Net Position as Other Current Liabilities. Any increase in this liability account has been recorded as a decrease to interest income.

Pledged and Other Sources

GASB Statement No. 48 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.

NOTE 5: BOND INDEBTEDNESS Cont'd

	Pledged and Other Sources and Related Expenditures for FY 2015						
	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	$ 97,255,933	$ 551,004	$ 4,780,000	$ 14,622,429	$ 450,546,320	2040	100%
Total Residential Mtg Revenue Bonds	48,093,914	284,747	4,355,000	8,619,848	335,248,034	2041	100%
Total 1992 CHMRB	1,410,928	266		222,340	4,198,305	2024	100%
Total Multifamily Bonds	65,324,744		8,107,731	40,878,195	1,689,323,901	2054	100%
Total	**$ 212,085,519**	**$ 836,017**	**$ 17,242,731**	**$ 64,342,812**	**$ 2,479,316,560**		

NOTE 6: 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 five 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 a 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 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 nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments. Each swap agreement includes 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.

SUMMARY

The fair value balances and notional amounts of derivative instruments outstanding as of August 31 2015, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2015 financial statements are as follows.

Business Type Activities		Changes in Fair Value		Fair Value at August 31, 2015		
Cash Flow Hedges	**Bond Issue**	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Pay-fixed, receive-variable interest rate swap	2004B	Deferred outflow of resources	$ 637,003	Debt	$ (3,258,460)	$ 40,000,000
Pay-fixed, receive-variable interest rate swap	2004D	Deferred outflow of resources	$ 371,075	Debt	$ (1,735,135)	$ 27,485,000
Pay-fixed, receive-variable interest rate swap	2005A	Deferred outflow of resources	$ 1,359,236	Debt	$ (5,236,442)	$ 37,115,000
Pay-fixed, receive-variable interest rate swap	2006H	Deferred outflow of resources	$ 1,181,858	Debt	$ (582,595)	$ 36,000,000
Pay-fixed, receive-variable interest rate swap	2007A	Deferred outflow of resources	$ 1,982,204	Debt	$ (6,097,091)	$ 48,190,000
			$ 5,531,376		$ (16,909,723)	$ 188,790,000

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

TERMS AND FAIR VALUE

The terms, including the fair value of the outstanding swaps as of August 31, 2015 are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
Bank of New York Mellon	$ 40,000,000	$ (3,258,460)	3/1/2014	3.67%	65.5% of LIBOR + .20%	9/1/34 (a)
Goldman Sachs Bank USA	27,485,000	(1,735,135)	1/1/2005	3.08%	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/35 (b)
JP Morgan Chase Bank	37,115,000	(5,236,442)	8/1/2005	4.01%	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/36 (c)
Bank of New York Mellon	36,000,000	(582,595)	3/1/2014	3.86%	63% of LIBOR +.30%	9/1/25 (d)
JP Morgan Chase Bank	48,190,000	(6,097,091)	6/5/2007	4.01%	Less of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	9/1/38 (c)
Total	$ 188,790,000	$ (16,909,723)				

a. Swap Agreement has an optional early 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 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 date each March 1 and September 1 from mortgage loan repayments.
d. The Swap Agreement has 100% optional par termination rights on or after March 1, 2016 and every March and September thereafter. The maximum notional amount subject to early termination is current notional amount per the amortization schedule.

CREDIT RISK

As of August 31, 2015, 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 agreements. The 2004B swap contains swap termination insurance policies with Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) to mitigate a portion of any termination payment due by the Department. 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 & Co.	A+/Stable	Aa3/Stable

*Guaranteed by Goldman Sachs Group, Inc.

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

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 LIBOR as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and SIFMA 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 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. 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 optional termination rights which are listed below. The 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 par termination rights beginning September 2015, with 100% par termination rights in September 2021
2004D Single Family	March 2035	Optional early par termination rights beginning 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
2006H Single Family	September 2025	100% par termination on or after March 2016
2007A Single Family	September 2038	Mandatory par termination each March 1 and September 1 from mortgage loan repayments

SWAP PAYMENTS AND ASSOCIATED DEBT

Using rates as of August 31, 2015, 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
2016	$ 410,000	$ 93,447	$ 6,614,929	$ 7,118,376
2017	860,000	45,298	6,593,562	7,498,860
2018	910,000	45,141	6,563,614	7,518,755
2019	1,805,000	44,843	6,529,930	8,379,773
2020	4,565,000	44,212	6,446,973	11,056,185
2021-2025	26,470,000	201,439	29,831,713	56,503,152
2026-2030	38,065,000	165,402	25,211,910	63,442,312
2031-2035	88,325,000	92,824	14,116,357	102,534,181
2036-2040	33,740,000	11,198	1,905,328	35,656,526
	$ 195,150,000	**$ 743,804**	**$ 103,814,316**	**$ 299,708,120**

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

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 excess of the larger aggregate amount over the smaller aggregate amount. As of August 31, 2015, the Department has an aggregate liability related to the interest rate swaps in the amount of $3,307,864 payable September 1, 2015.

NOTE 7: LEASES

OPERATING LEASES

Included in the Rental & Leases reported in the Statements of Revenues, Expenditures/Expenses and Changes in Fund Balances/Fund Net Position are the following amounts of rent paid or due under operating lease obligations: $172,955 for Governmental Activities and $31,899 for Business-Type Activities.

The Department's operating lease for office space located at 1106 Clayton Lane, Austin, Texas expires on September 30, 2020. The Department's operating lease for Toshiba copiers expires on August 31, 2017 and August 31, 2019. 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
2016 (Future Year 1)	$ 146,251	$ 58,261	$ 204,512
2017 (Future Year 2)	146,251	58,261	204,512
2018 (Future Year 3)	130,025	30,002	160,027
2019 (Future Year 4)	130,025	30,002	160,027
2020 (Future Year 5)	119,591	30,002	149,593
Total Minimum Future Lease Rental Payments	$ 672,143	$ 206,528	$ 878,671

NOTE 8: 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"), the Judicial Retirement System of Texas Plan One ("JRS 1") and Judicial Retirement System of Texas Plan Two ("JRS2").
- TRS – the Teacher Retirement System of Texas plan ("TRS Plan").
- TESRS – the Texas Emergency Services Retirement System 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

NOTE 8: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

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 GASB 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, JRS 1 and JRS2. Elected class includes elected state officials not included in the coverage of JRS1 and JRS2, 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 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 Sept. 1, 2009 and before Sept. 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation. For members hired on or after Sept. 1, 2013, the average monthly compensation is the average of highest 60 months of compensation.

The monthly standard annuity of the elected class 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. Retirement benefits are automatically adjusted as state judicial salaries change.

The ERS plan's membership as of the measurement date of Aug. 31, 2014 is presented in the following table:

Employees Retirement	
Retirees and Beneficiaries Currently Receiving Benefits	95,840
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	96,507
Vested and Non-Vested	134,162
Total Members	326,509

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2014 are presented in the following table:

Required Contribution Rates						
	Employer			**Members**		
Plan	Employee Class	Elected Class – Legislators	Elected Class – Other	Employee Class	Elected Class – Legislators	Elected Class – Other
ERS	8.00%	8.00%	8.00%	6.60%	8.00%	6.60%

NOTE 8: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

The amount of Department's contributions recognized in the ERS plan during the fiscal 2014 measurement period was $1,475,596. It is the proportionate share of the collective amounts in the ERS Plan. The total pension liability is determined by an annual actuarial valuation. The methods and assumptions applied, except discount rate, in the actuarial valuation were based on an experience study covering the five-year period from September 1, 2006 through August 31, 2011. Additionally, the actuarial valuation as of August 31, 2014 also incorporates the across-the-board pay increases budgeted by the state Legislature for the current fiscal 2014-2015 biennium. The following table presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2014:

Actuarial Methods and Assumptions	
Actuarial Valuation Date	August 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Actuarial Assumptions:	
Discount Rate	6.07%
Investment Rate of Return	8.00%
Inflation	3.50%
Salary Increase	0% to 11.5%
Mortality	1994 Group Annuity Mortality Table with no setback for males and set forward two years for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.
Cost-of-living Adjustments	None - Employee 3.5% - Elected

A single blended discount rate of 6.07% was applied to measure the total pension liability. The 6.07% discount rate incorporated an 8% long-term expected rate of return on pension plan investments and 4.17% 20-year municipal bond rate based on Federal Reserve Statistical Release H. 15. The long-term expected investment rate of return was applied to projected benefit payments through fiscal 2041 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. There have been indicators of Legislature's commitment to increase funding for the pension funds, such as changes in the statue in the last and current legislative sessions. Considering these above events, the projected employer contributions are based on fiscal 2015 funding level. The long-term expected rate of return on plan investments was developed using a coding-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 in the following table:

NOTE 8: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

Asset Class	Target Allocation	Real Retun Arithmetic Basis	Long-Term Expected Porfolio Real Rate of Return
Global Equity	55%	7.31%	4.02%
Global Credit	10%	1.94%	0.19%
Intermediate Treasuries	15%	1.23%	0.18%
Real Estate	10%	4.33%	0.43%
Infrastructure	4%	6.21%	0.25%
Hedge Funds	5%	7.03%	0.35%
Cash	1%	0.00%	0.00%
Total	100%		

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 following table:

Sensitivity of Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.07%	**Current Discount Rate 6.07%**	**1% Increase 7.07%**
$59,546,298	$44,240,145	$31,500,257

Note: Some amounts in this schedule are for the Department's proportionate share (.305931519 %) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50.7% and Governmental 49.3%.

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 GASB Statement Nos. 67 and 31. 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. Employees Retirement System issues stand-alone audited Comprehensive Annual Financial Report ("CAFR"). More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2014 CAFR:

Employees Retirement System of Texas
P. O. Box 13207
Austin, Texas 78711-3207

NOTE 8: 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, 2014. For fiscal 2015 reporting, the measurement date of the net pension liability is August 31, 2014. The schedule of the Department's net pension liability for the fiscal year ending August 31, 2015 is presented in the following table:

Net Pension Liability
For Fiscal Year Ending August 31, 2015

Total Pension Liability	$	120,876,347
Plan Fiduciary Net Position		76,636,201
Net Pension Liability	$	44,240,146
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		63.40%

Note: The amounts in this schedule are for the Department's proportionate share (.305931519 %) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50.7% and Governmental 49.3%

The change of discount rate which resulted in an increase in the total pension liability is the only assumption change during the current measurement period. There have been no changes to the benefit terms of the plan since the prior measurement date.

For the fiscal year ending August 31, 2015, the Department recognized pension expense of $3,868,611. At August 31, 2015, 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	$ -	$ 535,780
Changes of assumptions	2,539,610	
Net difference between projected and actual investment return		3,587,394
Contributions subsequent to the measurement date	1,463,346	
Total	$ 4,002,956	$ 4,123,174

The $1,463,345 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, 2016.

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

NOTE 8: PENSION PLANS – DEPARTMENT'S NOTE DISCLOSURE – ERS PLAN Cont'd

Year ended August 31:		
2016	$	(6,260)
2017	$	(6,260)
2018	$	(674,200)
2019	$	(896,844)
2020		-
Thereafter		-

Note: The amounts in this schedule are for the Department's proportionate share (.305931519 %) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50.7% and Governmental 49.3%

NOTE 9: 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, 2015, follows:

Fund	Current Interfund Receivable	Current Interfund Payable	Purpose
Governmental Fund (01)			
General Revenue (0001)	$ 129,931	$ 120,488	Expenditure Transfer
Consolidated Federal (0127, 0369)	15,592	0	Expenditure Transfer
Subtotal Governmental Fund (01)	***$ 145,523***	***$ 120,488***	
Governmental Fund (01) (Exhibit III)	25,035		*Net Receivable/Payable above*
Enterprise Fund (05, 0896) (Exhibit V)		25,035	Expenditure Transfer
Total Internal Balances (Exhibit I)	**$ 25,035**	**$ 25,035**	

NOTE 9: INTERFUND ACTIVITY AND TRANSACTIONS Cont'd

Governmental Fund (01)	Due From Other Agencies	Due To Other Agencies	Source
Appd Fund 0001, D23 Fund 0001			
(Agency 551, D23 Fund 0001)	$ 4,897		Transfers
(Agency 551, D23 Fund 5091)	44,072		Transfers
Appd Fund 5140, D23 Fund 5140			
(Agency 608, D23 Fund 5140)	198		Transfers
Total Due From Other Agencies/Due To Other Agencies (Exhibit I)	**$ 49,167**		

Governmental Fund	Transfers In	Transfers Out	Purpose
Governmental Fund (01)			
Appd Fund 0001, D23 Fund 0001		$ 3,243,515	Article VII-6, Rider 9
Appd Fund 0001, D23 Fund 0001		1,799,360	Article IX, Sect. 6.22
Appd Fund 0001, D23 Fund 0066		1,275,240	Gov't Code, Sect. 403.021
Appd Fund 0001, D23 Fund 0077		33,708	Gov't Code, Sect. 403.021
Appd Fund 0369, D23 Fund 0369		67,443	Article IX, Sect. 6.22
Total Transfers for Fund 0001 (Exhibit II & IV)		**$ 6,419,266**	
Enterprise Fund (05)			
Appd Fund 3054, D23 Fund 0999	$ 3,243,515		Article VII-6, Rider 9
Total Transfers for Fund 3054 (Exhibit II & VI)	**$ 3,243,515**		
Total Transfers*	**$ 3,243,515**	**$ 6,419,266**	

* The difference between total transfers in and out represents transfers to the Comptroller's Office of $3,175,751.

NOTE 10: 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 11: ADJUSTMENTS TO FUND BALANCE AND NET POSITION

During fiscal year 2015, certain accounting changes and adjustments were made that required the restatement of net position/fund balance. The restatements are presented below.

	Governmental Activities	Business-Type Activities	Total
Net Position/Fund Balance, September 1, 2014	$ 493,186,356	$ 277,823,717	$ 771,010,073
Restatement	(20,683,863)	(21,271,235)	(41,955,098)
Net Position/Fund Balance, Sept. 1, 2014, as Restated	$ 472,502,493	$ 256,552,482	$ 729,054,975

NOTE 11: ADJUSTMENTS TO FUND BALANCE AND NET POSITION Cont'd

The restatement of $20,683,863 in the Governmental Fund (01, 0997) and $21,271,235 in Business-Type Activities is due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Pursuant to the requirements in GASB 68, a restatement was required to retroactively reflect the Department's net pension liability. The restatement was based per the calculation of the proportionate share of the "ERS" collective pension amount.

NOTE 12: CONTINGENCIES AND COMMITMENTS

The Department receives federal grants that are subject to review and audit by the grantor agencies. Such audits could result in request(s) for reimbursement to the grantor agency for expenditures disallowed under the terms of the applicable grants. The Department's management has been working to resolve HOME compliance matters identified by the U. S. Department of Housing and Urban Development (HUD) in an audit. The Department has reached agreement with HUD on these past disallowed costs and has entered into an arrangement with HUD to repay the costs with income from other program income sources, and those payments will be re-awarded to the Department's HOME Program.

The Department is a defendant in two legal actions known as Inclusive Communities Project, Inc. vs. Texas Department of Housing and Community Affairs ("TDHCA"), *et al* and Galveston Open Government Project ("GOGP") vs. TDHCA, *et al*. In the first action, the Plaintiffs were awarded $1.87 million in attorney's fees and injunctive relief but no monetary damages. The U.S. Fifth Circuit Court of Appeals ("Fifth Circuit") has reversed the trial court on several issues, including the attorney's fees, and remanded the matter to the district court judge for further action. TDHCA appealed aspects of the Fifth Circuit's decision to the United States Supreme Court. Oral arguments were heard in early 2015. The Supreme Court ruled that a cause of action for disparate impact does exist under the Fair Housing Act and otherwise affirmed the Fifth Circuit's decision. It also clarified issues related to the burden of proof, and remanded the matter back to the trial court for proceedings consistent with its decision. Because the Department continues to contest the plaintiff's request for attorney fees and other issues, management cannot estimate the amount of its liability for the plaintiff's attorneys' fees at this time. In the second action, the Plaintiff is asking for injunctive relief and attorneys fees. The federal district court judge dismissed TDHCA from the lawsuit. GOGP appealed that and other issues to the Fifth Circuit. In July 2015, the Fifth Circuit affirmed the trial court's dismissal of the Department, and the time for Plaintiff to appeal that decision to the U.S. Supreme Court has expired.

DERIVATIVE INSTRUMENTS

All of the Department's derivative instruments include provisions that require posting collateral in the event its 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 following table lists the triggering event and the collateral exposure for each instrument.

NOTE 12: CONTINGENCIES AND COMMITMENTS Cont'd

Series	Collateral Posting Exposure at Current Credit Rating	Credit Rating Downgrade Threshold	MTM Threshold
2004B (1)	None	A3/A- or below for AGM and TDHCA	After downgrade of AGM and TDHCA 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
2006H	None	Baa1/BBB+ or below	After downgrade, 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 still in effect. Collateral posting only required if AGM is downgraded to A3/A- or below and TDHCA is downgraded to A3/A- or below.

As of August 31, 2015, the Department's credit rating related to the Single Family Indenture was AA+ issued by Standard & Poor's and Aa1 by Moody's, therefore no collateral was posted. The Department's aggregate fair value of all hedging derivative instruments with these collateral provisions is $16,909,723. If the collateral posting requirements had been triggered at August 31, 2015, 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 ("MBSs") 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 homebuyers as a tool to fund the First Time Homebuyer Program in order to take advantage of this opportunity. The program is paid for from revenues generated by the packaging and sale of the TMP MBSs. An escrow will be negotiated and established to limit the recourse to the servicer, who delivers the MBSs to the purchaser who will acquire the MBSs backed by the mortgage loans. The amount of the escrow is $4 million, which is funded from the Department's general funds. The TMP program commenced on October 1, 2012.

NOTE 13: SUBSEQUENT EVENTS

Bond Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Bonds	Single Family Revenue Refunding Bonds 2015 Series A(Taxable)	$ 33,825,000	10/29/2015	Fixed Rate, Taxable bonds. Proceeds will be used to refund the 2006H bonds, pay cost of issuance of the 2015A bonds, and may be used for other related costs.
Revenue Bonds	Single Family Mortgage Revenue Bonds 2015 Series B (Non-AMT)	$ 19,870,000	10/29/2015	Fixed Rate, Tax-Exempt bonds. Proceeds will be used to purchase MBS backed by tax-exempt eligible mortgage loans originated through the Single Family Taxable Mortgage Program ("TMP-79").
Revenue Bonds	Multifamily Revenue Bonds MF Series 2015 Good Samaritan Towers	$ 5,620,000	9/3/2015	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Good Samaritan Towers will be located in Dallas, Texas.

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 Liabilities Insurance coverage in the amount of $10,000,000 that includes Network Security and Cyber Liability in the amount of $1,000,000; 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; and Commercial Property, Equipment Breakdown & Terrorism Insurance for the Alpine Retirement Center, the Insurance Annex Building and the Twin Towers Office Center in the amount of $3,836,921. 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 reevaluated 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. The Department did not incur any claims in fiscal year 2015.

NOTE 15: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Department's Enterprise Fund 0896 reported a negative change in Net Position of ($1,045,089) resulting in a negative Net Position balance of ($23,141,856) at August 31, 2015. The implementation of GASB Statement No. 68 accounted for ($1,219,469) of the net change in Net Position.

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 5000securities 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.

NOTE 16: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF NET POSITION

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Restricted Assets:			
Current Assets	$ 36,606,130	$ 21,697,972	$ 93,529
Non-Current Assets	417,963,975	301,020,041	4,294,015
Total Assets	454,570,105	322,718,013	4,387,544
Deferred Outflows of Resources:	16,909,723		
Liabilities:			
Current Liabilities	11,345,321	6,467,559	16,267
Non-Current Liabilities	361,146,882	214,132,535	2,627,256
Total Liabilities	372,492,203	220,600,094	2,643,523
Deferred Inflows of Resources:			
Net Position:			
Restricted Net Position	$ 98,987,625	$ 102,117,919	$ 1,744,021
Total Restricted Net Position	$ 98,987,625	$ 102,117,919	$ 1,744,021

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

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Operating Revenues:			
Interest and Investment Income	$ 21,687,521	$ 11,383,368	$ 310,928
Net Increase (Decrease) in Fair Value	(7,778,686)	(836,477)	(115,374)
Other Operating Revenues	113,815	17,037	
Operating Expenses	(15,041,354)	(8,696,731)	(204,701)
Operating Income/Loss	(1,018,704)	1,867,197	(9,147)
Transfers In (Out)	(4,123)	8,582,608	
Changes in Fund Net Position	(1,022,827)	10,449,805	(9,147)
Net Position, September 1, 2014	100,010,452	91,668,114	1,753,168
Net Position, August 31, 2015	$ 98,987,625	$ 102,117,919	$ 1,744,021

NOTE 16: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF CASH FLOWS

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Net Cash Provided (Used) By:			
Operating Activities	$ 812,996	$ (7,880,347)	$ (304)
Noncapital Financing Activities	(98,810,174)	(43,382,985)	(1,317,216)
Investing Activities	92,290,343	56,819,885	1,250,974
Net Increase (Decrease)	(5,706,835)	5,556,553	(66,546)
Beginning Cash and Cash Equivalents	39,746,360	14,985,359	137,559
Ending Cash and Cash Equivalents	$ 34,039,525	$ 20,541,912	$ 71,013

NOTE 17: Deferred Outflows of Resources and Deferred Inflows of Resources

Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Derivatives (Note 6)	$ 16,909,723	$
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period	1,287,582	
To record contribution to the plan in fiscal year 2015 after the measurement date of August 31, 2014	741,917	
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.		271,640
To record difference between projected and actual investment return less the amortization related to the current period.		1,818,809
Total:	**$ 18,939,222**	**$ 2,090,449**

Governmental Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Plans (Note 8):		
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period	$ 1,252,028	$
To record contribution to the plan in fiscal year 2015 after the measurement date of August 31, 2014	721,429	
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.		264,140
To record difference between projected and actual investment return less the amortization related to the current period.		1,768,585
Total:	**$ 1,973,457**	**$ 2,032,725**
Grand Total	**$ 20,912,679**	**$ 4,123,174**

NOTE 17: Deferred Outflows of Resources and Deferred Inflows of Resources Cont'd

Deferred outflows of resources in the amount of $16,909,723 reported in Business-Type Activities is due to the implementation of GASB 63, 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 6.

The State of Texas implemented GASB 68 in fiscal year 2015 and as a result of the pension implementation, the Department recorded total deferred outflows of resources of $4,002,956 and total deferred inflows of resources of $4,123,174. Business-Type activities reported $2,029,499 in deferred outflows of resources and Governmental-Type activities reported $1,973,457. Business-Type activities reported $2,090,449 in deferred inflows of resources and Governmental-Type activities reported $2,032,725. These accounts reflect the unamortized balances of changes in net pension liability related to the changes of assumptions, difference between expected and actual experience, and difference between projected and actual investment return based on the 8/31/14 actuarial valuation performed for the ERS plan, and contributions made after the measurement date of 8/31/14. Details of the deferred outflows and deferred inflows of resources related to the agency employees' pension are disclosed in Note 8.

* * * *

This Page Intentionally Left Blank

REQUIRED SUPPLEMENTARY

INFORMATION

This Page Intentionally Left Blank

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Required Supplementary Information
Schedule of Changes in Department's Net Pension Liability
For the fiscal year ended August 31, 2015

Total Pension Liability		
Service Cost	$	3,485,941
Interest on the Total Pension Liability		7,110,398
Difference between Expected and Actual Experience of the Total Pension Liability		(773,905)
Assumption Changes		3,668,325
Benefit Payments and Refunds		(6,006,909)
Net Change in Total Pension Liability		7,483,850
Total Pension Liability - Beginning		113,392,497
Total Pension Liability - Ending	$	120,876,347
Plan Fiduciary Net Position		
Contributions - Employer	$	1,475,321
Contributions - Member		1,317,326
Pension Plan Net Investment Income		9,950,169
Benefit Payments and Refunds		(6,006,909)
Pension Plan Administrative Expense		(61,784)
Net Change in Plan Fiduciary Net Position		6,674,123
Plan Fiduciary Net Position - Beginning		69,962,078
Plan Fiduciary Net Position - Ending	$	76,636,201
Net Pension Liability - Beginning	$	43,430,419
Net Pension Liability - Ending	$	44,240,146
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		63.40%
Covered-Employee Payroll	$	18,219,631
Net Pension Liability as a Percentage of Covered-Employee Payroll		242.82%

*The change in the total pension liability due to the change in the single discount rate is included as an assumption change.
**The covered employee payroll is the actual payroll for Fiscal Year 2014 which is the measurement period.

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

NOTE: The amounts in this schedule are for the Department's proportionate share of the collective amounts in ERS.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Required Supplementary Information (Continued)
Schedule of Employer Contributions
For the fiscal year ended August 31, 2015

Schedule of Employer Contributions		
	2015	**2014**
Actuarially determined contributions	2,155,110	2,226,852
Contributions in relation to the actuarially determined contributions	1,463,017	1,475,321
Contribution deficiency (excess)	692,093	751,530
Covered-employee payroll	17,981,475	18,219,631

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

Note: Some amounts in this schedule are for the Department's proportionate share (.305931519 %) for Fiscal Year 2014 and (.29237245 %) for Fiscal Year 2015 of the collective amounts for ERS.

Summary of Actuarial Assumptions	
Valuation Date	Actuarially determined contribution rates are calculated as of August 31, 2014.
Methods and Assumptions Used to Determine Contribution Rates	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	31 years
Asset Valuation Method	20% of market plus 80% of expected actuarial value
Inflation	3.5%
Salary Increases	0% to 11.5%
Investment Rate of Return	8.0%
Retirement Age	Experience-based rates specific to the class of employees. Last updated for the 2013 valuation based on an experience study of the 5-year period from Sept. 1, 2006 through Aug. 31, 2011.
Mortality	1994 Group Annuity Mortality with no setback for males and set forward two years for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.

Other Information:

1. Actuarially determined contributions are adjusted for actual payroll and administrative expenses.
2. Members and employers contribute based on statutorily fixed rates.
3. There were no benefit changes during the year.

This Page Intentionally Left Blank

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, 2015

				Scheduled Mat.			
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	(e)
2004 Single Family Series A (Jr. Lien)	4,140,000	VAR - Weekly		2036	09/01/2036	09/01/2036	(e)
2004 Single Family Series D	35,000,000	VAR - Weekly		2035	03/01/2035	(f)	
2005 Single Family Series A	100,000,000	VAR - Weekly		2007	09/01/2036	03/01/2006	
2005 Single Family Series B	25,495,000	4.38%	4.38%	2006	09/01/2026	03/01/2006	
2005 Single Family Series C	8,970,000	VAR - Weekly		2017	09/01/2017	03/01/2006	
2005 Single Family Series D	3,730,000	5.00%	5.00%	2025	09/01/2035	03/01/2006	
2006 Single Family Series A	59,555,000	5.00%	5.00%	2008	09/01/2037	09/01/2006	
2006 Single Family Series B	70,485,000	5.00%	5.00%	2008	09/01/2034	09/02/2006	
2006 Single Family Series C	105,410,000	5.13%	5.13%	2008	09/01/2037	09/03/2006	
2006 Single Family Series D	29,685,000	4.50%	4.50%	2018	09/01/2028	09/04/2006	
2006 Single Family Series E	17,295,000	4.06%	4.06%	2007	09/01/2017	09/05/2006	
2006 Single Family Series F	81,195,000	4.65%	5.75%	2008	03/01/2038	03/01/2016	
2006 Single Family Series G	15,000,000	3.75%	4.60%	2012	09/01/2019	03/01/2016	
2006 Single Family Series H	36,000,000	VAR - Weekly		2016	09/01/2037	03/01/2016	
2007 Single Family Series A	143,005,000	VAR - Weekly		2008	09/01/2038	03/01/2008	(e)
2007 Single Family Series B	157,060,000	3.90%	5.63%	2008	09/01/2039	03/01/2008	
2013 Single Family Series A	42,500,000	2.80%	2.80%	2013	03/01/2036	09/01/2020	
2009 RMRB Series A	80,000,000	5.13%	5.13%	2011	07/01/2039	01/01/2019	
2009 RMRB Series B	22,605,000	4.72%	4.72%	2010	07/01/2022	01/01/2019	
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	
1992 Coll Home Mtg Rev Bonds, Series C	72,700,000	3.48%	10.27%	2024	07/01/2024	05/04/1995	
TOTAL SINGLE FAMILY BONDS	$ 1,459,895,000						
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	
1999 MF Series A-C (Mayfield Apartments)	11,445,000	5.70%	7.25%	2001	05/01/2031	05/01/2002	
2000 MF Series A (Timber Point Apartments)	8,100,000	VAR - Weekly		2003	09/01/2032	07/01/2000	(a)
2000 MF Series A/B (Oaks at Hampton Apartments)	10,060,000	7.20%	9.00%	2002	03/01/2040	03/01/2017	(a)
2000 MF Series A (Deerwood Apartments)	6,435,000	5.25%	6.40%	2003	12/01/2032	06/01/2010	
2000 MF Series A (Creek Point Apartments)	7,200,000	VAR - Weekly		2004	10/01/2032	07/01/2000	(a)
2000 MF Series A/B (Parks at Westmoreland Apartments)	9,990,000	7.20%	9.00%	2002	07/01/2040	07/01/2017	(a)
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/B (Greenbridge at Buckingham Apartments)	20,085,000	7.40%	10.00%	2003	10/01/2040	03/01/2014	
2000 MF Series A-C (Collingham Park Apartments)	13,500,000	6.72%	7.72%	2004	11/01/2033	05/01/2019	
2000 MF Series A/B (Williams Run Apartments)	12,850,000	7.65%	9.25%	2002	11/01/2040	01/01/2011	
2001 MF Series A (Bluffview Apartments)	10,700,000	7.65%	7.65%	2003	05/01/2041	05/01/2018	
2001 MF Series A (Knollwood Apartments)	13,750,000	7.65%	7.65%	2003	05/01/2041	05/01/2018	
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	
2001 MF Series A-C (Fallbrook Apartments)	14,700,000	6.06%	6.78%	2005	12/01/2034	01/01/2012	
2001 MF Series A (Oak Hollow Apartments)	8,625,000	7.00%	7.90%	2003	12/01/2041	11/01/2018	
2001 MF Series A/B (Hillside Apartments)	12,900,000	7.00%	9.25%	2003	12/01/2041	11/01/2018	
2002 MF Series A (Park Meadows Apartments)	4,600,000	6.53%	6.53%	2004	06/01/2034	05/01/2012	
2002 MF Series A (Clarkridge Villas Apartments)	14,600,000	7.00%	7.00%	2004	09/01/2042	08/01/2019	
2002 MF Series A (Hickory Trace Apartments)	11,920,000	7.00%	7.00%	2004	11/01/2042	12/01/2019	
2002 MF Series A (Green Crest Apartments)	12,500,000	7.00%	7.00%	2004	11/01/2042	11/01/2019	
2003 MF Series A/B (Reading Road)	12,200,000	VAR-Weekly		2007	07/01/2036	01/01/2004	(a)
2003 MF Series A/B (North Vista Apartments)	14,000,000	4.10%	5.41%	2006	06/01/2036	06/01/2013	
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	(a)
2003 MF Series A/B (Timber Oaks Apartments)	13,200,000	6.75%	8.75%	2005	11/01/2038	06/01/2020	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-A (Continued)
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2015

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		First Year (Scheduled Mat.)	Final Maturity Date (Scheduled Mat.)	First Call Date	
2003 MF Series A/B (Ash Creek Apartments)	$ 16,375,000	5.60%	15.00%	2006	04/01/2036	10/01/2003	(a)
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	(a)
2003 MF Series A/B (Parkview Townhomes)	16,600,000	6.60%	8.50%	2006	04/01/2041	12/01/2020	
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	31,500,000	VAR - Weekly		2007	07/01/2033	07/01/2007	(a)
2004 MF Series A/B (Timber Ridge II Apartments)	7,500,000	5.75%	8.00%	2007	08/01/2036	03/01/2007	(a)
2004 MF Series A/B (Century Park Townhomes)	13,000,000	5.75%	5.75%	2007	06/01/2037	05/01/2007	(a)
2004 MF Series A/B (Providence at Veterans Memorial)	16,300,000	6.60%	8.50%	2006	01/01/2041	03/01/2006	(a)
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	(a)
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 (Montgomery Pines Apartments)	12,300,000	VAR - Weekly		2006	06/15/2037	12/15/2006	(a)
2004 MF Series A (Bristol Apartments)	12,625,000	VAR - Weekly		2007	06/15/2037	06/15/2007	(a)
2004 MF Series A (Pinnacle Apartments)	14,500,000	VAR - Weekly (c)		2007	06/15/2037	09/01/2007	(a)
2004 MF Series A (Churchill at Pinnacle Park)	10,750,000	5.25%	6.55%	2007	07/01/2044	09/01/2021	(d)
2004 MF Series A (Providence at Village Fair)	14,100,000	5.00%	6.50%	2007	12/01/2044	12/01/2021	
2005 MF Series A (Homes at Pecan Grove)	14,030,000	5.00%	6.50%	2007	01/01/2045	01/01/2022	
2005 MF Series A (Providence at Prairie Oaks)	11,050,000	4.75%	6.50%	2007	01/01/2045	01/01/2022	
2005 MF Series A (Port Royal Homes)	12,200,000	5.00%	6.50%	2007	02/01/2045	02/01/2022	
2005 MF Series A (Mission Del Rio Homes)	11,490,000	5.00%	6.50%	2007	02/01/2045	02/01/2022	
2005 MF Series A (Atascocita Pines Apartments)	11,900,000	VAR - Weekly (c)		2007	04/15/2038	(e)	
2005 MF Series A (Tower Ridge Apartments)	15,000,000	VAR - Weekly (b)		2009	04/01/2038	(e)	
2005 MF Series A (Prairie Ranch Apartments)	12,200,000	4.85%	4.85%	2007	06/20/2045	12/20/2015	
2005 MF Series A (St Augustine Estate Apartments)	7,650,000	VAR - Weekly		2009	09/15/2038	n/a	
2005 MF Series A (Park Manor Senior Community)	10,400,000	5.00%	6.40%	2008	07/01/2045	09/01/2022	
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	(g)	
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 (Harris Branch Apartments)	15,000,000	VAR - Weekly		2009	03/15/2039	(i)	
2006 MF Series A (Bella Vista Apartments)	6,800,000	6.15%	6.15%	2008	04/01/2046	04/01/2016	
2006 MF Series A (Village Park Apartments)	13,660,000	4.75%	5.13%	2009	12/1/2026	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	(h)	
2006 MF Series A (Hillcrest Apartments)	12,435,000	5.25%	5.25%	2009	04/01/2027	04/01/2021	
2006 MF Series A (Pleasant Village)	6,000,000	6.00%	6.00%	2008	03/01/2023	(j)	
2006 MF Series A (Grove Village)	6,180,000	6.00%	6.00%	2008	02/28/2023	(j)	
2006 MF Series A (Red Hills Villas)	5,015,000	VAR - Weekly		2036	09/15/2036	(i)	
2006 MF Series A (Champion Crossing Apartments)	5,125,000	VAR - Weekly		2036	09/15/2036	(i)	
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	(k)	
2006 MF Series A (Villas at Henderson)	7,200,000	VAR - Weekly		2010	11/01/2023	(l)	
2006 MF Series A (Aspen Park)	9,800,000	5.00%	5.00%	2010	07/01/2027	07/01/2021	
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	(l)	
2007 MF Series A (Santora Villas)	13,072,000	5.80%	5.80%	2010	05/01/2047	06/01/2024	
2007 MF Series A (Villas at Mesquite Creek)	16,860,000	5.00%	5.81%	2010	01/20/2047	01/20/2017	
2007 MF Series A (Summit Point)	11,700,000	4.80%	5.25%	2009	06/20/2047	06/20/2017	
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	(m)	
2008 MF Series A (Costa Ibiza Apartments)	13,900,000	VAR - Weekly		2011	08/01/2041	(e)	
2008 MF Series A (Addison Park Apartments)	14,000,000	VAR - Weekly		2008	01/01/2044	(m)	
2008 MF Series A (Alta Cullen Apartments Refunding)	14,000,000	VAR - Weekly		2011	03/01/2045	(m)	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-A (Continued)
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2015

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat. First Year	Scheduled Mat. Final Maturity Date	First Call Date
2009 MF Series A (Costa Mariposa Apartments)	$ 13,690,000	VAR - Weekly		2012	05/01/2042	(m)
2009 MF Series A (Woodmont Apartments)	15,000,000	VAR - Weekly		2012	06/01/2042	(m)
2013 MF Series A (Waters at Willow Run Apartments)	14,500,000	0.35%	0.35%	2014	10/01/2016	10/01/2014
2014 MF Series A (Decatur-Angle Apartments)	23,000,000	5.75%	5.75%	2016	01/01/2054	09/01/2016
2014 MF Series A (Northcrest Apartments)	2,900,000	0.35%	0.35%	2014	06/01/2017	01/01/2015
2014 MF Series A (Pine Haven Apartments)	2,700,000	0.35%	0.35%	2014	06/01/2017	01/01/2015
TOTAL MULTIFAMILY BONDS	$ 1,149,011,000					
TOTAL BONDS ISSUED	**$ 2,608,906,000**					

FOOTNOTES:

(a) 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.

(b) Variable rate not to exceed the maximum rate permitted by applicable law.

(c) Variable rate could change to fixed rate provided the conversion option is exercised.

(d) The bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(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 are subject to optional redemption at the direction of the Borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the Exhibit H in the bond documents plus accrued and unpaid interest, redemption if any, to the date. Optional redemptions may be made only in denominations of $100,000 plus integral multiples of $5,000 or for the entire amount of the bonds outstanding.

(k) 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.

(l) 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.

(m) 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.

This Page Intentionally Left Blank

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
Schedule 1-B
CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2015

Description of Issue	Bonds Outstanding 9/1/2014	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2015	Amounts Due Within One Year
2004 Single Family Series B	$ 53,000,000	$	$	$ 8,740,000	$ 44,260,000	$
2004 Single Family Series A (Jr. Lien)	3,855,000				3,855,000	
2004 Single Family Series D	35,000,000		555,000	4,860,000	29,585,000	
2005 Single Family Series A	45,070,000			7,955,000	37,115,000	
2005 Single Family Series B	2,735,000		170,000	930,000	1,635,000	135,000
2005 Single Family Series C	3,430,000			340,000	3,090,000	
2005 Single Family Series D	1,295,000			470,000	825,000	
2006 Single Family Series A	19,720,000		275,000	4,015,000	15,430,000	274,731
2006 Single Family Series B	21,075,000		655,000	4,225,000	16,195,000	573,873
2006 Single Family Series C	33,280,000		705,000	6,735,000	25,840,000	703,101
2006 Single Family Series D	7,685,000			2,290,000	5,395,000	
2006 Single Family Series E	6,865,000		1,605,000	105,000	5,155,000	1,645,000
2006 Single Family Series F	5,100,000			5,100,000		
2006 Single Family Series G	705,000		115,000	590,000		
2006 Single Family Series H	36,000,000				36,000,000	410,000
2007 Single Family Series A	60,900,000			12,710,000	48,190,000	
2007 Single Family Series B	59,750,000		700,000	12,555,000	46,495,000	571,126
2013 Single Family Series A	34,425,000			6,100,000	28,325,000	
2009 RMRB Series A	34,275,000		335,000	4,675,000	29,265,000	338,784
2009 RMRB Series B	10,580,000		935,000	1,335,000	8,310,000	875,000
2009 RMRB Series C-1	62,375,000			9,255,000	53,120,000	
2009 RMRB Series C-2	49,520,000			7,310,000	42,210,000	
2011 RMRB Series A	36,975,000		805,000	6,245,000	29,925,000	1,619,659
2011 RMRB Series B	67,050,000		2,280,000	9,915,000	54,855,000	2,278,423
1992 Coll Home Mtg Rev Bonds, Series C	3,700,000			1,100,000	2,600,000	3,488
Total Single Family Bonds	$ 694,365,000	$	$ 9,135,000	$ 117,555,000	$ 567,675,000	$ 9,428,183
1996 MF Series A/B (Brighton's Mark Development)	$ 8,075,000	$	$	$	$ 8,075,000	$
1998 MF Series A-C (Residence at the Oaks Projects)	6,070,000		295,000		5,775,000	304,000
1999 MF Series A-C (Mayfield Apartments)	8,657,000		312,000		8,345,000	329,000
2000 MF Series A (Timber Point Apartments)	6,670,000			200,000	6,470,000	
2000 MF Series A/B (Oaks at Hampton Apartments)	9,077,562		128,436		8,949,126	137,994
2000 MF Series A (Deerwood Apartments)	5,285,000		145,000		5,140,000	155,000
2000 MF Series A (Creek Point Apartments)	5,660,000			200,000	5,460,000	
2000 MF Series A/B (Parks at Westmoreland Apartments)	9,045,841		124,739		8,921,102	134,023
2000 MF Series A-C (Highland Meadow Village Apts)	7,515,000		194,000		7,321,000	207,000
2000 MF Series A/B (Greenbridge at Buckingham Apts)	19,474,075		272,477		19,201,598	992,937
2000 MF Series A-C (Collingham Park Apartments)	11,255,000		308,000		10,947,000	327,000
2000 MF Series A/B (Williams Run Apartments)	11,644,381		20,982	151,530	11,471,869	136,317
2001 MF Series A (Bluffview Apartments)	9,961,594		100,851		9,860,743	108,788
2001 MF Series A (Knollwood Apartments)	12,801,114		129,598		12,671,516	139,798
2001 MF Series A (Skyway Villas Apartments)	6,600,000		170,000		6,430,000	180,000
2001 MF Series A/B (Meridian Apartments)	8,076,000		96,000		7,980,000	105,000
2001 MF Series A/B (Wildwood Apartments)	6,241,000		81,000		6,160,000	84,000
2001 MF Series A-C (Fallbrook Apartments)	12,476,000		157,000	12,319,000		
2001 MF Series A (Oak Hollow Apartments)	6,032,910		65,068		5,967,842	69,771
2001 MF Series A/B (Hillside Apartments)	12,209,753		73,276		12,136,477	78,573
2002 MF Series A (Park Meadows Apartments)	3,805,000		95,000		3,710,000	105,000
2002 MF Series A (Clarkridge Villas Apartments)	13,084,402		132,034		12,952,368	141,579
2002 MF Series A (Hickory Trace Apartments)	10,821,029		108,474		10,712,555	116,315
2002 MF Series A (Green Crest Apartments)	10,775,925		82,315		10,693,610	86,957
2002 MF Series A/B (Ironwood Crossing)	16,179,043		138,449		16,040,594	149,198
2003 MF Series A/B (Reading Road)	10,690,000		40,000	200,000	10,450,000	40,000
2003 MF Series A/B (North Vista Apartments)	11,310,000		275,000		11,035,000	290,000
2003 MF Series A/B (West Virginia Apartments)	8,165,000		195,000		7,970,000	205,000
2003 MF Series A/B (Primrose Houston School)	15,838,717		138,921		15,699,796	150,631
2003 MF Series A/B (Timber Oaks Apartments)	12,573,925		99,786		12,474,139	104,630
2003 MF Series A/B (Ash Creek Apartments)	15,558,998		140,101		15,418,897	151,881
2003 MF Series A/B (Peninsula Apartments)	10,775,000		210,000	20,000	10,545,000	235,000
2003 MF Series A/B (Arlington Villas)	16,383,623		130,262		16,253,361	141,142
2003 MF Series A/B (Parkview Townhomes)	13,292,941		110,603		13,182,338	115,973
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	18,200,000			490,000	17,710,000	(9,344)
2004 MF Series A/B (Timber Ridge II Apartments)	6,370,425		55,616		6,314,809	59,619
2004 MF Series A/B (Century Park Townhomes)	11,270,000		245,000		11,025,000	255,000
2004 MF Series A/B (Providence at Veterans Memorial)	6,753,716		57,032		6,696,684	59,801
2004 MF Series A (Providence at Rush Creek II)	8,398,068		78,039		8,320,029	83,432
2004 MF Series A (Humble Parkway Townhomes)	10,760,000		155,000		10,605,000	165,000
2004 MF Series A (Chisholm Trail Apartments)	10,800,000			200,000	10,600,000	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Supplementary Bond Schedules

Schedule 1-B (Continued)

CHANGES IN BOND INDEBTEDNESS

For the fiscal year ended August 31, 2015

Description of Issue	Bonds Outstanding 9/1/2014	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2015	Amounts Due Within One Year
2004 MF Series A (Evergreen at Plano Parkway)	$ 14,053,219	$	$ 125,816	$	$ 13,927,403	$ 134,309
2004 MF Series A (Montgomery Pines Apartments)	11,300,000			200,000	11,100,000	
2004 MF Series A (Bristol Apartments)	11,600,000			100,000	11,500,000	
2004 MF Series A (Pinnacle Apartments)	13,465,000			200,000	13,265,000	
2004 MF Series A (Churchill at Pinnacle Park)	9,518,053		106,051		9,412,003	113,209
2004 MF Series A (Providence at Village Fair)	13,366,179		125,486		13,240,694	133,890
2005 MF Series A (Homes at Pecan Grove)	13,116,977		77,999		13,038,978	83,223
2005 MF Series A (Providence at Prairie Oaks)	10,490,697		105,681		10,385,016	104,364
2005 MF Series A (Port Royal Homes)	11,582,486		107,410		11,475,076	114,604
2005 MF Series A (Mission Del Rio Homes)	8,932,753		53,118		8,879,635	56,675
2005 MF Series A (Atascocita Pines Apartments)	11,090,000			200,000	10,890,000	
2005 MF Series A (Tower Ridge Apartments)	15,000,000				15,000,000	
2005 MF Series A (Prairie Ranch Apartments)	11,260,000		160,000		11,100,000	165,000
2005 MF Series A (St Augustine Estate Apartments)	6,080,000			100,000	5,980,000	
2005 MF Series A (Park Manor Senior Community)	10,400,000				10,400,000	
2005 MF Series A (Providence at Mockingbird Apts)	10,841,488		88,029		10,753,459	92,903
2005 MF Series A (Plaza at Chase Oaks Apartments)	12,564,124		295,487		12,268,637	310,759
2005 MF Series A (Coral Hills Apartments)	4,575,000		90,000		4,485,000	100,000
2006 MF Series A (Harris Branch Apartments)	13,790,000			300,000	13,490,000	
2006 MF Series A (Bella Vista Apartments)	6,490,000		60,000		6,430,000	65,000
2006 MF Series A (Village Park Apartments)	9,765,000		185,000		9,580,000	195,000
2006 MF Series A (Oakmoor Apartments)	13,886,767		127,299		13,759,468	135,150
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000				15,000,000	
2006 MF Series A (Hillcrest Apartments)	10,360,000		185,000		10,175,000	195,000
2006 MF Series A (Pleasant Village)	5,343,923				5,343,923	296,328
2006 MF Series A (Grove Village)	5,463,524		131,845	5,331,679		
2006 MF Series A (Red Hills Villas)	4,715,000			100,000	4,615,000	
2006 MF Series A (Champion Crossing Apartments)	4,575,000			100,000	4,475,000	
2006 MF Series A (Meadowlands Apartments)	11,966,822		104,204		11,862,618	110,631
2006 MF Series A (East Tex Pines)	13,110,000		110,000		13,000,000	125,000
2006 MF Series A (Villas at Henderson)	6,720,000			105,000	6,615,000	
2006 MF Series A (Aspen Park)	9,235,000		120,000		9,115,000	125,000
2006 MF Series A (Idlewilde)	13,490,000			100,000	13,390,000	
2007 MF Series A (Lancaster)	13,480,000			100,000	13,380,000	
2007 MF Series A (Park Place at Loyola)	13,968,012		103,271		13,864,741	109,423
2007 MF Series A (Terrace at Cibolo)	4,900,000				4,900,000	
2007 MF Series A (Santora Villas)	11,858,570		91,571		11,766,999	97,025
2007 MF Series A (Villas at Mesquite Creek)	15,970,000		195,000		15,775,000	210,000
2007 MF Series A (Summit Point)	9,070,000		110,000		8,960,000	110,000
2007 MF Series A (Costa Rialto)	10,386,102		89,409		10,296,693	94,312
2007 MF Series A (Windshire)	13,500,000			200,000	13,300,000	
2007 MF Series A (Residences at Onion Creek)	15,000,000				15,000,000	
2008 MF Series A (West Oaks Apartments)	12,325,000			110,000	12,215,000	
2008 MF Series A (Costa Ibiza Apartments)	13,220,000			100,000	13,120,000	
2008 MF Series A (Addison Park Apartments)	13,005,000			200,000	12,805,000	
2008 MF Series A (Alta Cullen Apartments Refunding)	12,200,000			100,000	12,100,000	
2009 MF Series A (Costa Mariposa Apartments)	13,470,000			200,000	13,270,000	
2009 MF Series A (Woodmont Apartments)	14,665,000			110,000	14,555,000	
2013 MF Series A (Waters @ Willow Run)	14,500,000				14,500,000	
2014 MF Series A (Decatur Angle Apartments)	23,000,000				23,000,000	
2014 MF Series A (Northcrest Apartments)	2,900,000				2,900,000	
2014 MF Series A (Pine Haven Apartments)	2,700,000			2,700,000		
Total Multifamily Bonds	$ 997,897,738	$	$ 8,107,731	$ 24,437,209	$ 965,352,798	$ 9,412,820
	$ 1,692,262,738	**$**	**$ 17,242,731**	**$ 141,992,209**	**$ 1,533,027,798**	**$ 18,841,004**

FOOTNOTES:

(a) Bonds Outstanding balance at 8/31/15 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$ 1,533,027,798
Unamortized (Discount)/Premium:	
Single Family	1,159,537
RMRB	1,559,401
CHMRB	30,743
Multifamily	(166,621)
Bonds Outstanding	**$ 1,535,610,858**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2015

DESCRIPTION		2016	2017	2018	2019	2020
2004 Single Family, Series A (Junior Lien)	Principal					
2004 Single Family, Series A (Junior Lien)	Interest	3,864	3,846	3,855	3,855	3,864
2004 Single Family, Series B	Principal					2,080,000
2004 Single Family, Series B	Interest	22,393	8,832	8,852	8,852	8,773
2004 Single Family, Series D	Principal				840,000	1,460,000
2004 Single Family, Series D	Interest	13,694	8,855	8,875	8,855	8,536
2005 Single Family, Series A	Principal					
2005 Single Family, Series A	Interest	16,276	7,406	7,423	7,423	7,440
2005 Single Family, Series B	Principal	135,000	140,000	140,000	140,000	140,000
2005 Single Family, Series B	Interest	77,709	71,190	64,470	57,750	51,030
2005 Single Family, Series C	Principal			3,090,000		
2005 Single Family, Series C	Interest	4,038	4,316	2,181		
2005 Single Family, Series D	Principal					
2005 Single Family, Series D	Interest	41,251	41,251	41,251	41,251	41,251
2006 Single Family, Series A	Principal	265,000	280,000	280,000	285,000	320,000
2006 Single Family, Series A	Interest	768,250	754,750	740,750	726,750	712,000
2006 Single Family, Series B	Principal	560,000	585,000	635,000	655,000	655,000
2006 Single Family, Series B	Interest	802,750	774,625	744,750	712,500	680,000
2006 Single Family, Series C	Principal	640,000	670,000	710,000	740,000	780,000
2006 Single Family, Series C	Interest	1,316,228	1,283,044	1,248,322	1,211,422	1,172,856
2006 Single Family, Series D	Principal			150,000	310,000	320,000
2006 Single Family, Series D	Interest	265,185	265,185	265,185	254,265	239,265
2006 Single Family, Series E	Principal	1,645,000	1,720,000	1,790,000		
2006 Single Family, Series E	Interest	187,676	115,740	39,380		
2006 Single Family, Series H	Principal	410,000	860,000	910,000	965,000	1,025,000
2006 Single Family, Series H	Interest	20,136	10,589	10,352	10,075	9,804
2007 Single Family, Series A	Principal					
2007 Single Family, Series A	Interest	20,948	9,616	9,638	9,638	9,660
2007 Single Family, Series B	Principal	570,000	600,000	965,000	705,000	700,000
2007 Single Family, Series B	Interest	2,384,107	2,357,262	2,328,794	2,287,763	2,252,103
2013 Single Family, Series A	Principal					
2013 Single Family, Series A	Interest	793,100	793,100	793,100	793,100	793,100
TOTAL SINGLE FAMILY BONDS		10,962,605	11,364,607	14,987,178	10,773,499	13,469,682
2009 Residential Mtg Revenue Bonds, Series A	Principal	325,000	325,000	315,000	310,000	
2009 Residential Mtg Revenue Bonds, Series A	Interest	1,526,421	1,515,076	1,502,646	1,490,381	1,481,081
2009 Residential Mtg Revenue Bonds, Series B	Principal	875,000	925,000	1,200,000	910,000	1,470,000
2009 Residential Mtg Revenue Bonds, Series B	Interest	406,358	365,345	317,968	263,520	211,706
2009 Residential Mtg Revenue Bonds, Series C-1	Principal					
2009 Residential Mtg Revenue Bonds, Series C-1	Interest	1,527,200	1,527,200	1,527,200	1,527,200	1,527,200
2009 Residential Mtg Revenue Bonds, Series C-2	Principal					
2009 Residential Mtg Revenue Bonds, Series C-2	Interest	1,046,808	1,046,808	1,046,808	1,046,808	1,046,808
2011 Residential Mtg Revenue Bonds, Series A	Principal	1,590,000	1,675,000	1,745,000	1,840,000	1,930,000
2011 Residential Mtg Revenue Bonds, Series A	Interest	1,340,424	1,293,301	1,238,351	1,173,717	1,099,654
2011 Residential Mtg Revenue Bonds, Series B	Principal	2,220,000	2,260,000	2,280,000	2,365,000	2,450,000
2011 Residential Mtg Revenue Bonds, Series B	Interest	2,077,173	2,033,949	1,981,910	1,920,930	1,850,770
TOTAL RESIDENTIAL MTG REVENUE BONDS		12,934,384	12,966,679	13,154,883	12,847,556	13,067,219
1992 Coll Home Mtg Rev Bonds, Series C	Principal					
1992 Coll Home Mtg Rev Bonds, Series C	Interest	189,221	172,019	189,221	172,019	172,019
TOTAL COLL HOME MTG REV BONDS		189,221.00	172,019.00	189,221.00	172,019.00	172,019.00
1996 MF Series A/B (Brighton's Mark)	Principal					
1996 MF Series A/B (Brighton's Mark)	Interest	494,998	494,998	494,998	494,998	494,998
1998 MF Series A-C (Residence Oaks)	Principal	304,000	312,000	321,000	329,000	339,000
1998 MF Series A-C (Residence Oaks)	Interest	157,301	148,850	140,166	131,262	122,111
1999 MF Series A-C (Mayfield)	Principal	329,000	349,000	369,000	391,000	414,000
1999 MF Series A-C (Mayfield)	Interest	471,048	452,010	429,866	410,486	387,885

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued

August 31, 2015

2021-25	2026-30	2031-35	2036-40	2041-45	2046-50	2051-55	TOTAL REQUIRED
			3,855,000				3,855,000
19,266	19,275	19,275	5,802				82,902
11,965,000	14,510,000	15,705,000					44,260,000
36,968	23,922	8,065					126,657
8,380,000	8,165,000	10,740,000					29,585,000
35,394	23,115	9,234					116,558
	4,610,000	24,255,000	8,250,000				37,115,000
37,098	36,843	21,997	1,667				143,573
855,000	85,000						1,635,000
136,674	2,081						460,904
							3,090,000
							10,535
	550,000	250,000	25,000				825,000
206,255	128,880	40,625	622				582,637
1,610,000	2,180,000	4,700,000	5,510,000				15,430,000
3,323,250	2,871,875	2,185,000	419,754				12,502,379
3,850,000	4,870,000	4,385,000					16,195,000
2,860,375	1,790,000	490,503					8,855,503
4,515,000	5,795,000	7,470,000	4,520,000				25,840,000
5,221,479	3,917,165	2,250,900	354,908				17,976,324
1,815,000	2,800,000						5,395,000
952,055	379,049						2,620,189
							5,155,000
							342,796
6,125,000	8,190,000	10,955,000	6,560,000				36,000,000
43,814	33,331	19,279	2,946				160,326
	2,590,000	26,670,000	18,930,000				48,190,000
48,168	48,190	34,246	6,586				196,690
4,115,000	5,355,000	12,480,000	21,005,000				46,495,000
10,683,524	9,484,908	7,621,287	2,923,498				42,323,246
			28,325,000				28,325,000
3,965,500	3,965,500	3,965,500	793,101				16,655,101
70,799,820	82,424,134	134,275,911	101,488,884				450,546,320
3,685,000	7,360,000	6,820,000	10,125,000				29,265,000
7,185,642	5,659,659	3,774,612	1,600,154				25,735,672
2,930,000							8,310,000
192,019							1,756,916
	4,285,000	19,635,000	24,980,000	4,220,000			53,120,000
7,636,000	7,586,622	5,806,709	2,652,763	82,082			31,400,176
		7,110,000	26,520,000	8,580,000			42,210,000
5,234,040	5,234,040	5,144,264	2,927,392	176,328			23,950,104
11,470,000	9,675,000						29,925,000
4,062,457	1,038,869						11,246,773
14,040,000	16,980,000	12,260,000					54,855,000
7,872,226	4,674,359	1,062,076					23,473,393
64,307,384	62,493,549	61,612,661	68,805,309	13,058,410			335,248,034
2,600,000							2,600,000
703,806							1,598,305
3,303,806							4,198,305
	8,075,000						8,075,000
2,474,990	494,992						5,444,972
1,835,000	2,106,000	229,000					5,775,000
464,255	194,855	3,161					1,361,961
2,458,000	3,264,000	771,000					8,345,000
1,551,599	753,029	33,112					4,489,035

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2015

DESCRIPTION		2016	2017	2018	2019	2020
2000 MF Series A (Creek Point Apts)	Principal					
2000 MF Series A (Creek Point Apts)	Interest	2,723	2,727	2,730	2,730	2,733
2000 MF Series A (Deerwood Apts)	Principal	155,000	170,000	180,000	190,000	205,000
2000 MF Series A (Deerwood Apts)	Interest	325,540	315,618	304,750	293,253	280,968
2000 MF Series A/B (Oaks at Hampton)	Principal	137,994	148,265	159,298	171,152	183,892
2000 MF Series A/B (Oaks at Hampton)	Interest	639,841	629,570	618,536	606,681	593,943
2000 MF Series A (Timber Point Apts)	Principal					
2000 MF Series A (Timber Point Apts)	Interest	3,226	3,231	3,235	3,235	3,239
2000 MF Series A/B (Greenbridge)	Principal	992,937	229,906	247,508	266,457	286,858
2000 MF Series A/B (Greenbridge)	Interest	1,356,097	1,339,747	1,322,145	1,303,195	1,282,794
2000 MF Series A/B (Parks @ Westmoreland)	Principal	134,023	143,995	154,715	166,227	178,599
2000 MF Series A/B (Parks @ Westmoreland)	Interest	637,954	627,979	617,262	605,748	593,377
2000 MF Series A/B (Williams Run)	Principal	136,317	167,738	181,029	195,374	210,856
2000 MF Series A/B (Williams Run)	Interest	873,521	861,369	848,078	833,733	818,252
2000 MF Series A-C (Collingham Park)	Principal	327,000	348,000	370,000	392,000	417,000
2000 MF Series A-C (Collingham Park)	Interest	730,229	707,918	684,163	658,930	632,184
2000 MF Series A-C (Highland Meadow Apts)	Principal	207,000	221,000	237,000	253,000	271,000
2000 MF Series A-C (Highland Meadow Apts)	Interest	490,726	476,517	461,330	445,062	427,681
2001 MF Series A (Bluffview Senior Apts)	Principal	108,788	117,350	126,586	136,549	147,296
2001 MF Series A (Bluffview Senior Apts)	Interest	745,680	737,117	727,882	717,919	707,172
2001 MF Series A (Knollwood Villas Apts)	Principal	139,798	150,801	162,669	175,472	189,282
2001 MF Series A (Knollwood Villas Apts)	Interest	958,232	947,229	935,361	922,558	908,747
2001 MF Series A (Oak Hollow Apts.)	Principal	69,771	74,815	80,224	86,023	92,242
2001 MF Series A (Oak Hollow Apts.)	Interest	415,539	410,495	405,086	399,287	393,068
2001 MF Series A (Skyway Villas)	Principal	180,000	195,000	205,000	215,000	225,000
2001 MF Series A (Skyway Villas)	Interest	358,369	348,257	337,290	325,777	313,719
2001 MF Series A/B (Hillside Apts.)	Principal	78,573	84,253	90,344	96,875	103,878
2001 MF Series A/B (Hillside Apts.)	Interest	847,065	841,385	835,294	828,763	821,760
2001 MF Series A/B (Meridian Apts.)	Principal	105,000	108,000	119,000	123,000	132,000
2001 MF Series A/B (Meridian Apts.)	Interest	475,980	469,530	462,775	455,565	447,870
2001 MF Series A/B (Wildwood Apts.)	Principal	84,000	89,000	96,000	100,000	108,000
2001 MF Series A/B (Wildwood Apts.)	Interest	367,290	362,200	356,580	350,790	344,490
2002 MF Series A (Clarkridge Villas Apts)	Principal	141,579	151,814	162,788	174,556	187,175
2002 MF Series A (Clarkridge Villas Apts)	Interest	902,181	891,946	880,972	869,204	856,585
2002 MF Series A (Green Crest Apts)	Principal	86,957	91,863	97,044	102,518	108,301
2002 MF Series A (Green Crest Apts)	Interest	585,978	581,073	575,891	570,417	564,634
2002 MF Series A (Hickory Trace Apts)	Principal	116,315	124,723	133,740	143,408	153,775
2002 MF Series A (Hickory Trace Apts)	Interest	746,193	737,784	728,768	719,100	708,733
2002 MF Series A (Park Meadows Apts)	Principal	105,000	105,000	120,000	125,000	135,000
2002 MF Series A (Park Meadows Apts)	Interest	240,631	233,611	226,591	218,592	210,429
2002 MF Series A/B (Ironwood Crossing)	Principal	149,198	160,780	173,262	186,713	201,208
2002 MF Series A/B (Ironwood Crossing)	Interest	717,985	706,402	693,921	680,470	665,975
2003 MF Series A/B (Ash Creek Apts)	Principal	151,881	164,649	178,399	191,406	204,713
2003 MF Series A/B (Ash Creek Apts)	Interest	1,018,024	1,005,412	991,916	979,262	966,231
2003 MF Series A/B (North Vista Apts)	Principal	290,000	310,000	325,000	340,000	360,000
2003 MF Series A/B (North Vista Apts)	Interest	557,104	542,108	526,227	509,440	491,903
2003 MF Series A/B (Peninsula Apts)	Principal	235,000	250,000	265,000	290,000	315,000
2003 MF Series A/B (Peninsula Apts)	Interest	555,579	543,117	529,735	515,425	499,658
2003 MF Series A/B (Primrose Houston School)	Principal	150,631	163,327	177,095	192,023	207,856
2003 MF Series A/B (Primrose Houston School)	Interest	1,025,541	1,013,032	999,469	984,762	969,992
2003 MF Series A/B (Reading Road)	Principal	40,000	40,000	40,000	50,000	50,000
2003 MF Series A/B (Reading Road)	Interest	117,580	114,872	112,176	109,307	105,936
2003 MF Series A/B (Timber Oaks Apts)	Principal	104,630	109,710	115,036	120,621	126,477
2003 MF Series A/B (Timber Oaks Apts)	Interest	869,327	859,970	850,158	839,870	829,083
2003 MF Series A/B (West Virginia Apts)	Principal	205,000	215,000	235,000	245,000	255,000
2003 MF Series A/B (West Virginia Apts)	Interest	402,374	391,835	380,661	368,581	356,001
2004 MF Series A (Bristol)	Principal					
2004 MF Series A (Bristol)	Interest	4,605	4,595	4,600	4,600	4,605

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued

August 31, 2015

2021-25	2026-30	2031-35	2036-40	2041-45	2046-50	2051-55	TOTAL REQUIRED
		5,460,000					5,460,000
13,647	13,650	5,917					46,857
1,270,000	1,805,000	1,165,000					5,140,000
1,184,800	707,360	114,558					3,526,847
1,146,295	1,641,248	2,349,921	3,011,061				8,949,126
2,742,884	2,247,929	1,539,259	529,254				10,147,897
		6,470,000					6,470,000
16,171	16,175	6,748					55,260
1,799,348	2,602,020	3,762,757	5,441,290	3,572,517			19,201,598
6,048,915	5,246,241	4,085,505	2,406,975	43,389			24,435,003
1,113,297	1,594,005	2,281,281	3,154,960				8,921,102
2,746,578	2,265,868	1,577,596	592,786				10,265,148
1,333,005	1,951,743	2,857,674	4,184,111	254,022			11,471,869
3,812,530	3,193,794	2,287,861	961,424	3,248			14,493,810
2,519,000	3,444,000	3,130,000					10,947,000
2,695,929	1,718,271	432,398					8,260,022
1,664,000	2,320,000	2,148,000					7,321,000
1,832,055	1,177,067	299,734					5,610,172
929,731	1,357,904	1,983,263	2,896,623	2,056,653			9,860,743
3,342,607	2,914,436	2,289,073	1,375,712	103,767			13,661,365
1,194,749	1,744,969	2,548,586	3,722,296	2,642,894			12,671,516
4,295,400	3,745,180	2,941,565	1,767,857	133,344			17,555,473
571,409	810,043	1,148,340	1,627,916	1,407,059			5,967,842
1,855,141	1,616,507	1,278,213	798,637	108,137			7,680,110
1,370,000	1,840,000	2,200,000					6,430,000
1,358,856	917,553	322,010					4,281,831
643,493	912,234	1,293,204	1,833,279	7,000,344			12,136,477
3,984,698	3,715,956	3,334,983	2,794,909	627,253			18,632,066
846,000	6,537,000	10,000					7,980,000
2,099,790	1,751,400	2,575					6,165,485
642,000	5,036,000	5,000					6,160,000
1,614,930	1,090,175	1,300					4,487,755
1,159,493	1,643,726	2,330,189	3,303,334	3,697,714			12,952,368
4,059,306	3,575,070	2,888,609	1,915,464	419,493			17,258,830
640,332	842,487	1,108,463	7,615,645				10,693,610
2,724,345	2,522,191	2,256,215	513,180				10,893,924
953,061	1,350,414	1,914,379	2,713,873	3,108,867			10,712,555
3,359,865	2,961,965	2,397,997	1,598,505	374,077			14,332,987
810,000	1,120,000	1,190,000					3,710,000
907,344	599,454	181,371					2,818,023
1,203,473	1,484,447	1,839,804	10,641,709				16,040,594
3,140,780	2,851,466	2,496,110	1,392,411				13,345,520
1,257,890	1,760,315	2,463,416	9,046,228				15,418,897
4,601,696	4,109,707	3,421,212	390,482				17,483,942
2,125,000	2,775,000	3,650,000	860,000				11,035,000
2,160,062	1,549,313	749,430	32,895				7,118,482
9,190,000							10,545,000
2,026,323							4,669,837
1,273,780	1,773,707	2,469,850	9,291,527				15,699,796
4,620,740	4,131,351	3,449,887	538,932				17,733,706
305,000	430,000	600,000	8,895,000				10,450,000
473,799	352,978	183,381	10,636				1,580,665
730,670	266,995		10,900,000				12,474,139
3,964,365	3,698,261	3,678,750	2,391,188				17,980,972
1,535,000	2,015,000	2,640,000	625,000				7,970,000
1,564,654	1,122,779	542,172	24,013				5,153,070
			11,500,000				11,500,000
22,995	23,000	23,000	8,432				100,432

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2015

DESCRIPTION		2016	2017	2018	2019	2020
2004 MF Series A (Chisholm Trail)	Principal					
2004 MF Series A (Chisholm Trail)	Interest	4,244	4,236	4,240	4,240	4,244
2004 MF Series A (Churchill @ Pinnacle)	Principal	113,209	120,851	129,009	137,717	147,014
2004 MF Series A (Churchill @ Pinnacle)	Interest	613,127	605,485	597,327	588,619	579,323
2004 MF Series A (Evergreen @ Plano)	Principal	134,309	143,376	153,054	163,385	174,414
2004 MF Series A (Evergreen @ Plano)	Interest	908,261	899,195	889,516	879,185	868,156
2004 MF Series A (Humble Park)	Principal	165,000	180,000	190,000	205,000	215,000
2004 MF Series A (Humble Park)	Interest	697,290	686,070	674,025	661,320	647,625
2004 MF Series A (Montgomery Pines)	Principal					
2004 MF Series A (Montgomery Pines)	Interest	4,445	4,435	4,440	4,440	4,445
2004 MF Series A (Pinnacle)	Principal					
2004 MF Series A (Pinnacle)	Interest	5,312	5,300	5,306	5,306	5,312
2004 MF Series A (Rush Creek)	Principal	83,432	89,196	95,360	101,949	108,993
2004 MF Series A (Rush Creek)	Interest	554,911	549,146	542,983	536,394	529,350
2004 MF Series A/B (Century Park)	Principal	255,000	275,000	290,000	305,000	325,000
2004 MF Series A/B (Century Park)	Interest	590,902	576,885	561,775	546,003	529,292
2004 MF Series A/B (Timber Ridge)	Principal	59,619	63,909	68,509	73,439	78,722
2004 MF Series A/B (Timber Ridge)	Interest	424,430	420,275	415,821	411,045	405,927
2004 MF Series A/B (Veterans Memorial)	Principal	59,801	62,704	65,748	68,940	72,287
2004 MF Series A/B (Veterans Memorial)	Interest	440,188	436,154	431,924	427,489	422,839
2003 MF Series A/B (Parkview Twnhms)	Principal	115,973	121,603	127,507	133,697	140,188
2003 MF Series A/B (Parkview Twnhms)	Interest	866,556	858,733	850,530	841,929	832,910
2003 MF Series A/B (Arlington Villas)	Principal	141,142	152,933	165,710	179,553	194,552
2003 MF Series A/B (Arlington Villas)	Interest	1,107,669	1,095,952	1,083,255	1,069,498	1,054,592
2003 MF Series A (NHP-Asmara) Refunding	Principal					
2003 MF Series A (NHP-Asmara) Refunding	Interest	1,773	1,769	1,771	1,771	1,773
2004 MF Series A (Village Fair)	Principal	133,890	142,857	152,424	162,632	173,524
2004 MF Series A (Village Fair)	Interest	856,704	847,737	838,169	827,961	817,069
2005 MF Series A (Pecan Grove)	Principal	83,223	88,796	94,743	101,088	107,858
2005 MF Series A (Pecan Grove)	Interest	845,083	839,510	833,563	827,218	820,448
2005 MF Series A (Prairie Oaks)	Principal	104,364	111,353	118,810	126,768	135,255
2005 MF Series A (Prairie Oaks)	Interest	671,954	664,965	657,507	649,550	641,060
2005 MF Series A (Port Royal)	Principal	114,604	122,279	130,468	139,206	148,527
2005 MF Series A (Port Royal)	Interest	742,506	734,831	726,642	717,904	708,581
2005 MF Series A (Del Rio)	Principal	56,675	60,471	64,521	68,842	73,452
2005 MF Series A (Del Rio)	Interest	575,507	571,712	567,662	563,341	558,730
2005 MF Series A (Atascocita Pines)	Principal					
2005 MF Series A (Atascocita Pines)	Interest	4,361	4,351	4,356	4,356	4,361
2005 MF Series A (Tower Ridge)	Principal					
2005 MF Series A (Tower Ridge)	Interest	12,013	11,987	12,000	12,000	12,013
2005 MF Series A (Prairie Ranch)	Principal	165,000	175,000	180,000	190,000	205,000
2005 MF Series A (Prairie Ranch)	Interest	536,289	528,165	519,677	510,826	501,490
2005 MF Series A (St Augustine)	Principal					
2005 MF Series A (St Augustine)	Interest	2,395	2,390	2,392	2,392	2,395
2005 MF Series A (Park Manor)	Principal					
2005 MF Series A (Park Manor)	Interest	665,600	665,600	665,600	665,600	665,600
2005 MF Series A (Mockingbird)	Principal	92,903	98,045	103,473	109,201	115,246
2005 MF Series A (Mockingbird)	Interest	578,411	573,268	567,841	562,113	556,068
2005 MF Series A (Chase Oaks)	Principal	310,759	326,820	343,712	361,477	380,160
2005 MF Series A (Chase Oaks)	Interest	612,439	596,377	579,485	561,720	543,037
2005 MF Series A (Coral Hills)	Principal	100,000	100,000	100,000	110,000	115,000
2005 MF Series A (Coral Hills)	Interest	225,230	220,180	215,130	209,954	204,399
2006 MF Series A (Harris Branch)	Principal					
2006 MF Series A (Harris Branch)	Interest	2,771	2,695	2,698	2,698	2,701
2006 MF Series A (Bella Vista)	Principal	65,000	70,000	70,000	80,000	80,000
2006 MF Series A (Bella Vista)	Interest	395,445	391,447	387,142	382,837	377,917

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued

August 31, 2015

2021-25	2026-30	2031-35	2036-40	2041-45	2046-50	2051-55	TOTAL REQUIRED
			10,600,000				10,600,000
21,196	21,200	21,200	7,063				91,863
898,020	1,244,890	1,725,742	2,392,326	2,503,225			9,412,003
2,733,661	2,386,794	1,905,942	1,239,359	341,594			11,591,231
1,065,395	1,476,913	2,047,387	2,838,209	5,730,961			13,927,403
4,147,459	3,735,938	3,165,466	2,374,642	1,082,307			18,950,125
1,335,000	1,840,000	2,540,000	3,505,000	430,000			10,605,000
2,998,545	2,486,055	1,782,990	809,490	14,190			11,457,600
			11,100,000				11,100,000
22,195	22,200	22,200	8,138				96,938
			13,265,000				13,265,000
26,524	26,530	26,530	9,726				115,846
668,891	934,199	1,304,736	1,822,246	3,111,027			8,320,029
2,522,822	2,257,513	1,886,973	1,369,467	535,579			11,285,138
1,925,000	2,570,000	3,415,000	1,665,000				11,025,000
2,359,517	1,766,450	976,417	113,706				8,020,947
487,217	689,668	976,226	3,817,500				6,314,809
1,938,993	1,742,934	1,465,411	250,368				7,475,204
417,609	529,314	670,894	850,344	3,899,043			6,696,684
2,036,141	1,880,934	1,684,209	1,434,866	71,407			9,266,151
809,881	1,026,508	1,301,078	1,649,091	7,756,812			13,182,338
4,013,179	3,712,181	3,330,673	2,847,120	271,020			18,424,831
1,231,547	1,744,364	2,460,599	9,982,961				16,253,361
5,017,644	4,515,810	3,815,149	864,761				19,624,330
		17,710,000					17,710,000
8,853	8,855	5,162					31,727
1,058,308	1,463,446	2,023,680	2,798,380	5,131,553			13,240,694
3,894,661	3,489,523	2,929,288	2,154,587	1,014,134			17,669,833
657,818	909,642	1,257,870	9,737,940				13,038,978
3,983,710	3,731,886	3,383,660	1,472,811				16,737,889
824,915	1,140,706	1,577,389	2,181,240	4,064,216			10,385,016
3,056,665	2,740,871	2,304,188	1,700,337	816,778			13,903,875
905,858	1,252,634	1,732,171	2,395,275	4,534,054			11,475,076
3,379,687	3,032,907	2,553,374	1,890,271	926,346			15,413,049
447,979	619,472	856,619	6,631,604				8,879,635
2,712,934	2,541,439	2,304,295	1,036,073				11,431,693
			10,890,000				10,890,000
21,775	21,780	21,780	11,612				98,732
			15,000,000				15,000,000
59,987	60,000	60,000	31,528				271,528
1,195,000	1,545,000	1,920,000	2,440,000	3,085,000			11,100,000
2,345,823	2,018,570	1,605,471	1,084,824	425,708			10,076,843
			5,980,000				5,980,000
11,959	11,961	11,961	7,375				55,220
				10,400,000			10,400,000
3,328,000	3,328,000	3,328,000	3,328,000	3,272,535			19,912,535
679,286	889,302	1,164,249	7,501,754				10,753,459
2,677,281	2,467,264	2,192,315	1,832,360				12,006,921
2,216,646	2,851,844	5,477,219					12,268,637
2,399,339	1,764,144	946,928					8,003,469
710,000	3,250,000						4,485,000
923,644	161,979						2,160,516
			13,490,000				13,490,000
13,487	13,490	13,490	9,660				63,690
495,000	670,000	915,000	1,240,000	1,685,000	1,060,000		6,430,000
1,807,791	1,635,284	1,400,969	1,082,706	649,746	65,196		8,576,480

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2015

DESCRIPTION		2016	2017	2018	2019	2020
2006 MF Series A (Village Park)	Principal	195,000	205,000	220,000	235,000	245,000
2006 MF Series A (Village Park)	Interest	483,600	474,219	464,244	453,675	442,394
2006 MF Series A (Oakmoor)	Principal	135,150	143,486	152,336	161,731	171,707
2006 MF Series A (Oakmoor)	Interest	821,892	813,556	804,706	795,310	785,335
2006 MF Series A (Sunset Pointe)	Principal					
2006 MF Series A (Sunset Pointe)	Interest	12,013	11,987	12,000	12,000	12,013
2006 MF Series A (Hillcrest)	Principal	195,000	210,000	225,000	230,000	245,000
2006 MF Series A (Hillcrest)	Interest	531,694	521,194	510,038	498,094	485,888
2006 MF Series A (Pleasant Village)	Principal	296,328	120,648	128,195	136,215	143,920
2006 MF Series A (Pleasant Village)	Interest	311,667	303,743	296,196	288,176	280,441
2006 MF Series A (Red Hills Villas)	Principal					
2006 MF Series A (Red Hills Villas)	Interest	1,848	1,844	1,846	1,846	1,848
2006 MF Series A (Champion Crossing)	Principal		100,000	100,000	100,000	100,000
2006 MF Series A (Champion Crossing)	Interest	1,792	1,751	1,713	1,673	1,635
2006 MF Series A (Meadowlands)	Principal	110,631	117,454	124,698	132,389	140,555
2006 MF Series A (Meadowlands)	Interest	708,748	701,925	694,681	686,990	678,824
2006 MF Series A (East Tex Pines)	Principal	125,000	125,000	135,000	145,000	155,000
2006 MF Series A (East Tex Pines)	Interest	750,375	743,125	735,585	727,465	718,765
2006 MF Series A (Villas at Henderson)	Principal					
2006 MF Series A (Villas at Henderson)	Interest	2,649	2,643	2,646	2,646	2,649
2006 MF Series A (Aspen Park Apts)	Principal	125,000	135,000	140,000	150,000	160,000
2006 MF Series A (Aspen Park Apts)	Interest	454,250	447,875	441,000	433,875	426,250
2006 MF Series A (Idlewilde Apts)	Principal					
2006 MF Series A (Idlewilde Apts)	Interest	5,362	5,350	5,356	5,356	5,362
2007 MF Series A (Lancaster Apts)	Principal					
2007 MF Series A (Lancaster Apts)	Interest	5,358	5,346	5,352	5,352	5,358
2007 MF Series A (Park Place)	Principal	109,423	115,941	122,847	130,165	137,918
2007 MF Series A (Park Place)	Interest	801,278	794,760	787,853	780,536	772,782
2007 MF Series A (Terrace at Cibolo)	Principal					
2007 MF Series A (Terrace at Cibolo)	Interest	1,962	1,958	1,960	1,960	1,962
2007 MF Series A (Santora Villas)	Principal	97,025	102,804	108,928	115,416	122,291
2007 MF Series A (Santora Villas)	Interest	679,935	674,155	668,031	661,543	654,668
2007 MF Series A (Villas @ Mesquite Creek)	Principal	210,000	220,000	235,000	245,000	260,000
2007 MF Series A (Villas @ Mesquite Creek)	Interest	791,977	779,631	766,704	752,946	740,000
2007 MF Series A (Summit Point)	Principal	110,000	110,000	115,000	130,000	135,000
2007 MF Series A (Summit Point)	Interest	462,338	457,058	451,778	445,953	439,453
2007 MF Series A (Costa Rialto)	Principal	94,312	99,483	104,938	110,691	116,761
2007 MF Series A (Costa Rialto)	Interest	548,585	543,414	537,959	532,205	526,135
2007 MF Series A (Windshire)	Principal					
2007 MF Series A (Windshire)	Interest	5,326	5,314	5,320	5,320	5,326
2007 MF Series A (Residences @ Onion Creek)	Principal					
2007 MF Series A (Residences @ Onion Creek)	Interest	12,013	11,987	12,000	12,000	12,013
2008 MF Series A (Addison Park)	Principal					
2008 MF Series A (Addison Park)	Interest	10,256	10,232	10,244	10,244	10,256
2008 MF Series A (Costa Ibiza)	Principal					
2008 MF Series A (Costa Ibiza)	Interest	2,627	2,621	2,624	2,624	2,627
2008 MF Series A (West Oaks)	Principal					
2008 MF Series A (West Oaks)	Interest	4,892	4,880	4,886	4,886	4,892
2009 MF Series A (Costa Mariposa Apartments)	Principal					
2009 MF Series A (Costa Mariposa Apartments)	Interest	2,657	2,651	2,654	2,654	2,657
2009 MF Series A (Woodmont Apartments)	Principal					
2009 MF Series A (Woodmont Apartments)	Interest	2,914	2,908	2,911	2,911	2,914
2008 MF Series A (Alta Cullen Apartments)	Principal					
2008 MF Series A (Alta Cullen Apartments)	Interest	4,846	4,834	4,840	4,840	4,846
2013 MF Series A (Waters @ Willow Run)	Principal		14,500,000			
2013 MF Series A (Waters @ Willow Run)	Interest	50,750	25,375			
2014 MF Series A (Decatur Angle Apartments)	Principal		152,311	161,464	171,167	181,453
2014 MF Series A (Decatur Angle Apartments)	Interest	1,322,500	1,318,528	1,309,532	1,299,995	1,289,884

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued

August 31, 2015

2021-25	2026-30	2031-35	2036-40	2041-45	2046-50	2051-55	TOTAL REQUIRED
1,475,000	7,005,000						9,580,000
2,011,702	525,182						4,855,016
1,031,073	1,390,762	1,875,932	2,530,351	3,413,064	2,753,876		13,759,468
3,754,135	3,394,443	2,909,273	2,254,854	1,372,144	89,401		17,795,049
			15,000,000				15,000,000
59,987	60,000	60,000	46,980				286,980
1,520,000	7,550,000						10,175,000
2,212,219	764,267						5,523,394
4,518,617							5,343,923
678,667							2,158,890
200,000	900,000	1,200,000	2,315,000				4,615,000
9,116	7,862	5,751	886				32,847
500,000	900,000	1,200,000	1,475,000				4,475,000
7,565	6,182	4,071	522				26,904
844,011	1,138,446	1,535,593	2,071,285	2,793,852	2,853,704		11,862,618
3,252,881	2,958,448	2,561,302	2,025,609	1,303,041	164,036		15,736,485
900,000	1,195,000	1,585,000	2,105,000	2,785,000	3,745,000		13,000,000
3,446,650	3,144,615	2,743,545	2,212,555	1,508,145	287,535		17,018,360
6,615,000							6,615,000
8,500							21,733
950,000	7,455,000						9,115,000
2,000,500	728,748						4,932,498
			13,390,000				13,390,000
26,774	26,780	26,780	25,894				133,014
			13,380,000				13,380,000
26,754	26,760	26,760	26,312				133,352
823,055	1,099,185	1,467,957	1,960,448	2,618,165	5,279,637		13,864,741
3,730,446	3,454,315	3,085,542	2,593,048	1,935,330	421,097		19,156,987
			4,900,000				4,900,000
9,798	9,800	9,800	9,311				48,511
729,801	974,644	1,301,633	1,738,321	2,321,519	4,154,617		11,766,999
3,154,998	2,910,153	2,583,164	2,146,471	1,563,274	374,938		16,071,330
1,515,000	1,935,000	2,480,000	3,180,000	4,065,000	1,430,000		15,775,000
3,488,625	3,064,125	2,522,375	1,826,875	937,500	72,125		15,742,883
780,000	1,020,000	1,335,000	1,775,000	2,325,000	1,125,000		8,960,000
2,087,890	1,866,602	1,569,569	1,171,802	644,045	74,288		9,670,776
687,153	897,364	1,171,884	1,530,383	1,998,552	3,485,172		10,296,693
2,527,325	2,317,112	2,042,593	1,684,090	1,215,920	313,100		12,788,438
				13,300,000			13,300,000
26,594	26,600	26,600	26,606	2,223			135,229
				15,000,000			15,000,000
59,987	60,000	60,000	60,013	3,999			304,012
				12,805,000			12,805,000
51,208	51,220	51,220	51,232	35,014			291,126
				13,120,000			13,120,000
13,117	13,120	13,120	13,123	2,621			68,224
				12,215,000			12,215,000
24,424	24,430	24,430	24,436	4,466			126,622
				13,270,000			13,270,000
13,267	13,270	13,270	13,273	4,636			70,989
				14,555,000			14,555,000
14,552	14,555	14,555	14,558	5,333			78,111
				12,100,000			12,100,000
24,194	24,200	24,200	24,206	22,166			143,172
							14,500,000
							76,125
1,084,540	1,452,004	1,943,974	2,602,633	3,484,458	4,665,067	7,100,929	23,000,000
6,275,176	5,913,991	5,430,434	4,783,034	3,916,281	2,755,856	1,018,161	36,633,372

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2015

DESCRIPTION		2016	2017	2018	2019	2020
2014 MF Series A (Northcrest Apartments)	Principal		2,900,000			
2014 MF Series A (Northcrest Apartments)	Interest	13,050	11,963			
TOTAL MULTI-FAMILY BONDS		49,271,595	65,946,490	48,514,239	48,528,828	48,538,795
Total		73,357,805	90,449,795	76,845,521	72,321,902	75,247,715
Less Interest		54,700,641	53,751,486	52,797,330	51,797,860	50,804,510
Total Principal		18,657,164	36,698,309	24,048,191	20,524,042	24,443,205

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued

August 31, 2015

2021-25	2026-30	2031-35	2036-40	2041-45	2046-50	2051-55	TOTAL REQUIRED
							2,900,000
							25,013
259,944,218	268,330,809	239,968,056	383,041,375	233,950,761	35,169,645	8,119,090	1,689,323,901
398,355,228	413,248,492	435,856,628	553,335,568	247,009,171	35,169,645	8,119,090	2,479,316,560
235,678,582	191,184,928	144,229,669	79,739,425	25,968,600	4,617,572	1,018,161	946,288,764
162,676,646	222,063,564	291,626,959	473,596,143	221,040,571	30,552,073	7,100,929	1,533,027,796

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, 2015

	Pledged and Other Sources and Related Expenditures for FY 2015			
	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 A (Jr. Lien)	$ 56	$ 57	$	$ 4,098
2004 Single Family Series B	11,016,956	121,409		1,375,084
2004 Single Family Series D	6,340,427	56,032	555,000	898,908
2005 Single Family Series A	9,760,232	98,019		1,524,039
2005 Single Family Series B	1,045,896	4,546	170,000	99,874
2005 Single Family Series C	559,032	8,591		3,515
2005 Single Family Series D	528,480	2,294		51,188
2006 Single Family Series A	4,975,748	4,010	275,000	863,916
2006 Single Family Series B	5,273,089	4,375	655,000	910,958
2006 Single Family Series C	8,394,475	6,927	705,000	1,486,250
2006 Single Family Series D	2,639,363	1,458		303,536
2006 Single Family Series E	454,363	1,458	1,605,000	226,398
2006 Single Family Series F	5,100,000			66,022
2006 Single Family Series G	590,000		115,000	7,959
2006 Single Family Series H	2,238,981	97,935		1,266,752
2007 Single Family Series A	15,355,500	129,519		2,013,044
2007 Single Family Series B	15,447,896	6,083	700,000	2,659,316
2013 Single Family Series A	7,535,439	8,291		861,572
Total Single Family Bonds	$ 97,255,933	$ 551,004	$ 4,780,000	$ 14,622,429
2009 RMRB Series A	$ 6,434,048	$ 184,912	$ 335,000	$ 1,637,119
2009 RMRB Series B	1,834,494	52,507	935,000	469,552
2009 RMRB Series C-1	11,561,916	14,164		1,646,333
2011 RMRB Series A	7,544,594	7,979	805,000	1,484,534
2009 RMRB Series C-2	8,829,352	10,952		1,121,104
2011 RMRB Series B	11,889,510	14,233	2,280,000	2,261,206
Total Residential Mtg Revenue Bonds	$ 48,093,914	$ 284,747	$ 4,355,000	$ 8,619,848
1992 CHMRB Series C	$ 1,410,928	$ 266	$	$ 222,340
Total 1992 CHMRB	$ 1,410,928	$ 266	$	$ 222,340
1996 MF Series A/B (Brighton's Mark Development)	$ 501,872	$	$	$ 501,873
1998 MF Series A-C (Residence at the Oaks Projects)	162,801		295,000	162,802
1999 MF Series A-C (Mayfield Apartments)	483,132		312,000	483,132
2000 MF Series A (Creek Point Apartments)	203,633			3,633
2000 MF Series A (Deerwood Apartments)	332,549		145,000	332,549
2000 MF Series A (Timber Point Apartments)	204,277			4,277
2000 MF Series A/B (Greenbridge at Buckingham Apartments)	1,437,157		272,477	1,437,157
2000 MF Series A/B (Oaks at Hampton Apartments)	648,631		128,436	648,631
2000 MF Series A/B (Parks at Westmoreland Apartments)	646,489		124,738	646,489
2000 MF Series A/B (Williams Run Apartments)	1,031,716		20,982	880,186
2000 MF Series A-C (Collingham Park Apartments)	744,330		308,000	744,330
2000 MF Series A-C (Highland Meadow Village Apartments)	499,658		194,000	499,658
2001 MF Series A (Bluffview Apartments)	752,978		100,851	752,978
2001 MF Series A (Knollwood Apartments)	967,611		129,598	967,611
2001 MF Series A (Oak Hollow Apartments)	419,863		65,068	419,863
2001 MF Series A (Skyway Villas Apartments)	365,420		170,000	365,420
2001 MF Series A/B (Hillside Apartments)	851,934		73,276	851,934
2001 MF Series A/B (Meridian Apartments)	481,440		96,000	481,440
2001 MF Series A/B (Wildwood Apartments)	371,895		81,000	371,895
2001 MF Series A-C (Fallbrook Apartments)	12,597,181		157,000	278,180
2002 MF Series A (Clarkridge Villas Apartments)	910,955		132,034	910,955
2002 MF Series A (Park Meadows Apartments)	245,446		95,000	245,446
2002 MF Series A (Green Crest Apartments)	590,244		82,314	590,244
2002 MF Series A (Hickory Trace Apartments)	753,403		108,473	753,403
2002 MF Series A/B (Ironwood Crossing)	727,868		138,449	727,868
2003 MF Series A (NHP Foundation-Asmara Project) Refunding	506,762			7,419
2003 MF Series A/B (Reading Road)	322,091		40,000	122,091
2003 MF Series A/B (Arlington Villas)	1,117,614		130,262	1,117,614
2003 MF Series A/B (Ash Creek Apartments)	1,028,724		140,101	1,028,724
2003 MF Series A/B (North Vista Apartments)	567,598		275,000	567,598
2003 MF Series A/B (Parkview Townhomes)	873,408		110,604	873,408
2003 MF Series A/B (Peninsula Apartments)	581,983		210,000	561,983
2003 MF Series A/B (Primrose Houston School)	1,036,152		138,921	1,036,152

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-D (Continued)
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2015

	Pledged and Other Sources and Related Expenditures for FY 2015			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2003 MF Series A/B (Timber Oaks Apartments)	$ 877,523	$	$ 99,786	$ 877,523
2003 MF Series A/B (West Virginia Apartments)	409,754		195,000	409,754
2004 MF Series A (Bristol Apartments)	107,507			7,507
2004 MF Series A (Chisholm Trail Apartments)	206,940			6,940
2004 MF Series A (Churchill at Pinnacle Park)	619,707		106,051	619,707
2004 MF Series A (Evergreen at Plano Parkway)	916,062		125,816	916,064
2004 MF Series A (Humble Parkway Townhomes)	705,980		155,000	705,980
2004 MF Series A (Montgomery Pines Apartments)	207,256			7,256
2004 MF Series A (Pinnacle Apartments)	208,615			8,615
2004 MF Series A (Providence at Rush Creek II)	559,867		78,039	559,867
2004 MF Series A (Providence at Village Fair)	864,428		125,486	864,428
2004 MF Series A/B (Century Park Townhomes)	600,702		245,000	600,702
2004 MF Series A/B (Timber Ridge II Apartments)	427,992		55,616	427,992
2004 MF Series A/B (Providence at Veterans Memorial)	488,147		57,032	488,147
2005 MF Series A (Atascocita Pines Apartments)	207,159			7,159
2005 MF Series A (Mission Del Rio Homes)	578,777		53,118	578,777
2005 MF Series A (Park Manor Senior Community)	665,600			665,600
2005 MF Series A (Homes at Pecan Grove)	849,884		77,999	849,884
2005 MF Series A (Plaza at Chase Oaks Apartments)	626,468		295,486	626,468
2005 MF Series A (Port Royal Homes)	749,117		107,410	749,117
2005 MF Series A (Providence at Prairie Oaks)	678,017		105,680	678,017
2005 MF Series A (Prairie Ranch Apartments)	542,640		160,000	542,640
2005 MF Series A (Providence at Mockingbird Apartments)	582,887		88,030	582,887
2005 MF Series A (St Augustine Estate Apartments)	103,910			3,910
2005 MF Series A (Tower Ridge Apartments)	12,202			12,202
2006 MF Series A (Aspen Park)	459,250		120,000	459,250
2006 MF Series A (Bella Vista Apartments)	397,598		60,000	397,598
2006 MF Series A (Champion Crossing Apartments)	103,365			3,366
2005 MF Series A (Coral Hills Apartments)	229,522		90,000	229,522
2006 MF Series A (East Tex Pines)	754,532		110,000	754,532
2006 MF Series A (Grove Village)	5,474,642		131,845	142,962
2006 MF Series A (Harris Branch Apartments)	308,925			8,924
2006 MF Series A (Hillcrest Apartments)	537,491		185,000	537,491
2006 MF Series A (Idlewilde)	108,743			8,743
2006 MF Series A (Meadowlands Apartments)	714,654		104,204	714,654
2006 MF Series A (Oakmoor Apartments)	829,107		127,299	829,107
2006 MF Series A (Pleasant Village)	325,089			325,089
2006 MF Series A (Red Hills Villas)	103,463			3,464
2006 MF Series A (The Residences at Sunset Pointe)	12,201			12,201
2006 MF Series A (Village Park Apartments)	490,366		185,000	490,366
2006 MF Series A (Villas at Henderson)	109,821			4,821
2007 MF Series A (Villas at Mesquite Creek)	802,307		195,000	802,307
2007 MF Series A (Costa Rialto)	553,087		89,409	553,087
2007 MF Series A (Lancaster)	108,737			8,737
2007 MF Series A (Park Place at Loyola)	806,929		103,271	806,929
2007 MF Series A (Santora Villas)	684,946		91,571	684,946
2007 MF Series A (Summit Point)	466,576		110,000	466,576
2007 MF Series A (Terrace at Cibolo)	3,390			3,390
2007 MF Series A (Windshire)	208,722			8,722
2007 MF Series A (Residences at Onion Creek)	12,201			12,201
2008 MF Series A (West Oaks Apartments)	117,899			7,899
2008 MF Series A (Costa Ibiza Apartments)	105,564			5,564
2008 MF Series A (Addison Park Apartments)	210,518			10,519
2008 MF Series A (Alta Cullen Apartments Refunding)	107,563			7,562
2009 MF Series A (Costa Mariposa Apartments)	205,648			5,648
2009 MF Series A (Woodmont Apartments)	116,174			6,174
2013 MF Series A (Waters at Willow Run)	50,750			50,750
2014 MF Series A (Decatur Angle Apartments)	1,322,500			1,322,500
2014 MF Series A (Northcrest Apartments)	10,633			10,633
2014 MF Series A (Pine Haven Apartments)	2,707,875			7,875
Total Multifamily Bonds	$ 65,324,744	$	$ 8,107,731	$ 40,878,195
Total	$ 212,085,519	$ 836,017	$ 17,242,731	$ 64,342,812

This Page Intentionally Left Blank

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
Schedule 1-E
EARLY EXTINGUISHMENT AND REFUNDING
For the fiscal year ended August 31, 2015

			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	$ 8,740,000			
2004 Single Family Series D	Early Extinguishment	4,860,000			
2005 Single Family Series A	Early Extinguishment	7,955,000			
2005 Single Family Series B	Early Extinguishment	930,000			
2005 Single Family Series C	Early Extinguishment	340,000			
2005 Single Family Series D	Early Extinguishment	470,000			
2006 Single Family Series A	Early Extinguishment	4,015,000			
2006 Single Family Series B	Early Extinguishment	4,225,000			
2006 Single Family Series C	Early Extinguishment	6,735,000			
2006 Single Family Series D	Early Extinguishment	2,290,000			
2006 Single Family Series E	Early Extinguishment	105,000			
2006 Single Family Series F	Early Extinguishment	5,100,000			
2006 Single Family Series G	Early Extinguishment	590,000			
2007 Single Family Series A	Early Extinguishment	12,710,000			
2007 Single Family Series B	Early Extinguishment	12,555,000			
2013 Single Family Series A	Early Extinguishment	6,100,000			
2009 RMRB Series A	Early Extinguishment	4,675,000			
2009 RMRB Series B	Early Extinguishment	1,335,000			
2009 RMRB Series C-1	Early Extinguishment	9,255,000			
2011 RMRB Series A	Early Extinguishment	6,245,000			
2009 RMRB Series C-2	Early Extinguishment	7,310,000			
2011 RMRB Series B	Early Extinguishment	9,915,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	1,100,000			
2000 MF Series A (Timber Point Apartments)	Early Extinguishment	200,000			
2000 MF Series A (Creek Point Apartments)	Early Extinguishment	200,000			
2000 MF Series A/B (Williams Run Apts)	Early Extinguishment	151,530			
2001 MF Series A-C (FallBrook Apts)	Early Extinguishment	12,319,000			
2003 MF Series A/B (Reading Road)	Early Extinguishment	200,000			
2003 MF Series A/B (Peninsula Apartments)	Early Extinguishment	20,000			
2003 MF Series (NHP Foundation-Asmara Proj Refunding)	Early Extinguishment	490,000			
2004 MF Series A (Chisholm Trail Apartments)	Early Extinguishment	200,000			
2004 MF Series A (Montgomery Pines Apartments)	Early Extinguishment	200,000			
2004 MF Series A (Bristol Apartments)	Early Extinguishment	100,000			
2004 MF Series A (Pinnacle Apartments)	Early Extinguishment	200,000			
2005 MF Series A (Atascocita Pines Apartments)	Early Extinguishment	200,000			
2005 MF Series A (St Augustine Estate Apartments)	Early Extinguishment	100,000			
2006 MF Series A (Harris Branch Apartments)	Early Extinguishment	300,000			
2006 MF Series A (Red Hills Villas)	Early Extinguishment	100,000			
2006 MF Series A (Grove Village)	Early Extinguishment	5,331,679			
2006 MF Series A (Champion Crossing Apartments)	Early Extinguishment	100,000			
2006 MF Series A (Villas at Henderson)	Early Extinguishment	105,000			
2006 MF Series A (Idlewilde)	Early Extinguishment	100,000			
2007 MF Series A (Lancaster)	Early Extinguishment	100,000			
2007 MF Series A (Windshire)	Early Extinguishment	200,000			
2008 MF Series A (West Oaks Apartments)	Early Extinguishment	110,000			
2008 MF Series A (Costa Ibiza Apartments)	Early Extinguishment	100,000			
2008 MF Series A (Addison Park Apartments)	Early Extinguishment	200,000			
2008 MF Series A (Alta Cullen Apartments Refunding)	Early Extinguishment	100,000			
2009 MF Series A (Costa Mariposa Apartments)	Early Extinguishment	200,000			
2009 MF Series A (Woodmont Apartments)	Early Extinguishment	110,000			
2014 MF Series A (Pine Haven Apts)	Early Extinguishment	2,700,000			
Total Business-Type Activities		**$ 141,992,209**	$	$	$

This Page Intentionally Left Blank

State Auditor's Office
John Keel, CPA
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. Paul Oxer, P.E., Chair
Dr. Juan Sanchez Muñoz, Vice-Chair
Mr. T. Tolbert Chisum
Ms. Leslie Bingham Escareño
Mr. Tom H. Gann
Mr. J.B. Goodwin

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) as of and for the year ended August 31, 2015, 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 18, 2015.

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) to determine the 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.

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.

Robert E. Johnson Building
1501 N. Congress Avenue
Austin, Texas 78701

P.O. Box 12067
Austin, Texas 78711-2067

Phone:
(512) 936-9500

Fax:
(512) 936-9400

Internet:
www.sao.state.tx.us

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, CIDA
First Assistant State Auditor

December 18, 2015