TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Basic Financial Statements

For the Year Ended August 31, 2017

(With Independent Auditor's Report Thereon)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
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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).

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

December 20, 2017

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
Lisa Collier, CPA, CFE, CIDA, First Assistant State Auditor

RE: AUDITED ANNUAL FINANCIAL REPORT

Dear Governor Abbott, Comptroller Hegar, Ms. Parks, and Ms. Collier:

We are pleased to submit the Annual Financial Report of the Texas Department of Housing and Community Affairs for the fiscal year ended August 31, 2017, in compliance with TEX. GOV'T CODE §2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts, and the Generally Accepted Accounting Principles ("GAAP") reporting requirements. The accompanying annual financial report has been prepared with GAAP reporting requirements. The financial report has been audited by an independent auditor as required by statute.

If you have any questions, please contact David Cervantes, Chief Financial Officer, at (512) 475-3875. Joe Guevara may be contacted at (512) 475-3352 for questions related to the Schedule of Expenditures of Federal Awards.

Respectfully,

Timothy K. Irvine
Executive Director

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2017

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State Auditor's Office

Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors
Mr. J.B. Goodwin, Chair
Ms. Leslie Bingham Escareño, Vice-Chair
Mr. Paul A. Braden
Ms. Asusena Reséndiz
Ms. Sharon Thomason
Mr. Leo Vazquez

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department), an agency of the State of Texas, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department, an agency of the State of Texas, as of August 31, 2017, 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, an agency of the State of Texas, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2017, 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 opinions on the financial statements that collectively comprise the Department's basic financial statements. The supplementary bond schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2017, 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 the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Lisa R. Collier

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

December 20, 2017

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, 2017. 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 $4.3 million and governmental activities net position decreased $2.6 million.

- The Department's proprietary fund had an operating loss of $6.9 million, a decrease of $12.5 million from the prior year. This impact on operating income resulted primarily from a decrease of $6.9 million in the change in fair value of investments and an increase of $11.1 in servicer related expenses offset by an increase of $7.0 million increase in settlement fees related to the Taxable Mortgage Program.

- Net position in the Department's governmental activities decreased $2.6 million to $467.2 million. The impact on net position resulted primarily from expenditures exceeding revenues for the Neighborhood Stabilization Program ("NSP") for $3.5 million offset by a positive difference in the HOME Program of $236.1 thousand.

- The Bond Program's debt outstanding of $1.4 billion as of August 31, 2017, decreased $70.7 million due to debt retirements of $262.0 million offset by $152.5 million in new bond issuances and $38.6 million in notes payable.

- Loan originations in the Department's proprietary and governmental funds for the year totaled $25.6 million and $17.7 million, respectively.

- In accordance with Governmental Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments* , the Department identified its derivative instruments, measured their effectiveness, and reported the derivative instruments at fair value. The Department's interest rate swaps, which were primarily used to hedge changes in interest rates, are considered to be derivative instruments under GASB 53. GASB 53 requires the fair value of a derivative to be reported at the end of the fiscal year in the balance sheet and GASB No. 72, *Fair Value Measurement and Application* , requires the fair value of a derivative to be computed taking into account nonperformance risk. As of August 31, 2017, the Department's four interest rate swaps had a total notional amount of $102.0 million and a negative $9.9 million fair value which was recorded in the deferred outflow 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 $54.1 million of which $27.8 million is reported in business-type activities and $26.3 million in governmental activities.

Overview of the Financial Statements

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

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

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

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

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

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

Government-Wide Financial Statements

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

Statement of Net Position

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

Governmental Activities

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

	Governmental Activities		Increase / (Decrease)	
Assets	**2017**	**2016**	**Amount**	**%**
Cash in State Treasury	$ 36,416,787	$ 25,130,698	$ 11,286,089	44.9
Federal Receivables	2,707,522	7,689,347	(4,981,825)	(64.8)
Legislative Appropriations	5,668,218	5,155,043	513,175	10.0
Internal Balances	73,897	8,009	65,888	822.7
Current Loans and Contracts	16,626,883	17,797,304	(1,170,421)	(6.6)
Other Current Assets	100,958	54,852	46,106	84.1
Non-Current Loans and Contracts	446,747,764	449,510,470	(2,762,706)	(0.6)
Capital Assets	145,319	173,792	(28,473)	(16.4)
Total Assets	508,487,348	505,519,515	2,967,833	0.6
DEFERRED OUTFLOWS OF RESOURCES	7,347,994	2,523,670	4,824,324	191.2
Liabilities				
Accounts Payable	7,354,031	10,599,372	(3,245,341)	(30.6)
Unearned Revenues	9,169,442	1,832,747	7,336,695	400.3
Other Current Liabilities	2,037,314	1,801,874	235,440	13.1
Net Pension Liabilities	26,302,768	19,084,034	7,218,734	37.8
Other Non-current Liabilities	373,641	314,514	59,127	18.8
Total Liabilities	45,237,196	33,632,541	11,604,655	34.5
DEFERRED INFLOWS OF RESOURCES	3,348,748	4,564,013	(1,215,265)	(26.6)
Net Position				
Invested in Capital Assets	145,319	173,792	(28,473)	(16.4)
Restricted	490,413,542	491,577,361	(1,163,819)	(0.2)
Unrestricted	(23,309,463)	(21,904,522)	(1,404,941)	6.4
Total Net Position	$ 467,249,398	$ 469,846,631	$ (2,597,233)	(0.6)

Net position of the Department's governmental activities decreased $2.6 million, or .6% to $467.2 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*

Governmental Activities Cont'd

Financial Reporting for Pensions The $1.2 million decrease in Restricted Net Position is primarily related to a decrease of $3.5 million in NSP offset by an increase of $236.1 thousand in the HOME Program.

Cash in state treasury increased by $11.3 million or 44.9%. The increase is primarily due to additional program income collected and unspent from Tax Credit Assistance Program ("TCAP") in the amount of $3.3 million and HOME Programs in the amount of $6.7 million due to changes in HOME program rules related to program income.

Internal balances represent expenditure transfers after year end. Included in the 2017 transactions were payroll transfers and benefits allocations according to Accounting Policy Statements.

Loans and contracts decreased $3.9 million. The variance primarily represents the receipts of loan repayments, disbursements for funding of loans and an adjustment of $1.4 million for estimated losses of the portfolio for the year. During the fiscal year, HOME loans increased approximately $748.8 thousand primarily due to more funding of loans compared to repayments. The Neighborhood Stabilization Program ("NSP") loans decreased by $3.5 million and TCAP loans decreased by approximately $2.6 million due to larger loan repayments than loan originations.

Other current assets increased by $46.1 thousand or 84.1% due to increases in other intergovernmental receivables and funds due from other entities.

Accounts payable decreased by $3.2 million or 30.6% because of a decrease in year end activities recorded in Low Income Home Energy Assistance Program ("LIHEAP") and Community Services Block Grant Program ("CSBG") grants due to pending contract related payments.

The balance in unearned revenues increased by $7.3 million or 400.3%. The change is primarily associated with additional cash in state treasury related to unspent program income received from loan repayments of the NSP, TCAP and HOME Programs.

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

A net pension liability was recognized in accordance to GASB 68 in which the Department was required to recognize its proportionate share of the amount reported by the Employees Retirement System, the administrator of the plan. The decrease of $1.4 million in unrestricted net position is primarily as a result of these transactions which also impacted the $4.8 million increase in Deferred Outflows of Resources and the $1.2 million decrease in Deferred Inflows of Resources.

Business-Type Activities

Texas Department of Housing and Community Affairs Business-Type Activities Condensed Statement of Net Position				
	Business-Type Activities		Increase / (Decrease)	
Assets	**2017**	**2016**	**Amount**	**%**
Current Assets:				
Cash & Investments	$ 139,074,325	$ 211,868,767	$ (72,794,442)	(34.4)
Loans and Contracts	93,544,607	26,086,598	67,458,009	258.6
Interest Receivable	8,576,186	8,670,744	(94,558)	(1.1)
Other Current Assets	500,507	659,251	(158,744)	(24.1)
Non-current Assets:				
Investments	643,131,856	646,470,842	(3,338,986)	(0.5)
Loans and Contracts	1,007,841,016	1,047,991,187	(40,150,171)	(3.8)
Capital Assets	149,781	157,082	(7,301)	(4.6)
Other Non-Current Assets	42,960	44,096	(1,136)	(2.6)
Total Assets	1,892,861,238	1,941,948,567	(49,087,329)	(2.5)
DEFERRED OUTFLOWS OF RESOURCES	17,871,856	17,625,459	246,397	1.4
Liabilites				
Current				
Interest Payable	11,749,118	13,676,647	(1,927,529)	(14.1)
Bonds Payable	12,455,884	27,896,818	(15,440,934)	(55.4)
Notes and Loans Payable	224,147	214,880	9,267	4.3
Short-Term Debt	81,182,741	-	81,182,741	-
Other Current Liabilities	9,031,480	8,883,880	147,600	1.7
Non-current				
Net Pension Liability	27,843,670	19,703,396	8,140,274	41.3
Bonds Payable	1,313,340,070	1,406,985,542	(93,645,472)	(6.7)
Notes and Loans Payable	83,901,051	45,490,181	38,410,870	84.4
Derivative Hedging Instrument	9,902,173	15,095,971	(5,193,798)	(34.4)
Other Non-current Liabilities	87,961,053	142,854,964	(54,893,911)	(38.4)
Total Liabilities	1,637,591,387	1,680,802,279	(43,210,892)	(2.6)
DEFERRED INFLOWS OF RESOURCES	3,201,109	4,571,514	(1,370,405)	(30.0)
Net Position				
Invested in Capital Assets	149,781	157,082	(7,301)	(4.6)
Restricted	214,212,917	217,016,529	(2,803,612)	(1.3)
Unrestricted	55,577,900	57,026,622	(1,448,722)	(2.5)
Total Net Position	$ 269,940,598	$ 274,200,233	$ (4,259,635)	(1.6)

Net position of the Department's business-type activities decreased $4.3 million, or 1.6%, to $270.0 million. Restricted net position of the Department's proprietary fund decreased $2.8 million or 1.3%. These restrictions are related to bond covenants and do not significantly affect the availability of resources for future use. The unrestricted net position decreased $1.4 million or 2.5%.

Cash and investments decreased $76.1 million, or 8.9%, to $782.2 million, which is reflective of proceeds from bond issuance, fee collections, and interest earnings offset by the liquidation of investments to pay down bonds and the change in fair value of investments. Program loans receivable (current and non-current) increased $27.3 million, or 2.5%, to $1.1 billion, primarily as a result of loan originations related to the Department's Multifamily Bond Program, Housing Trust Fund, and My First Texas Home Program down payment assistance offset by loan repayments and payoffs related to these programs.

Business Type Activities Cont'd

The Department has $1.3 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 $109.1 million, or 7.6%, due to the Department's monthly retirement of existing debt being greater than bond issuance. The $1.9 million decrease in total interest payable to $11.7 million is reflective of the decrease of the Department's debt. For more information on the Department's debt, refer to Note 6.

Statement of Activities

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

A condensed Statement of Activities for the fiscal years ended August 31, 2016 and 2017 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
	2017	2016	2017	2016	2017	2016	
Program Revenues:							
Charges for Services	$ 6,586	$ 6,416	$ 101,587	$ 95,383	$ 108,173	$ 101,799	6.3
Operating Grants and Contributions	194,184	201,832	-	-	194,184	201,832	(3.8)
Total Revenue	200,770	208,248	101,587	95,383	302,357	303,631	(0.4)
Total Expenses:	211,077	216,789	98,109	86,152	309,186	302,941	2.1
Net Revenue	(10,307)	(8,541)	3,478	9,231	(6,829)	690	(1,089.7)
General Revenues	14,043	11,721	(10,366)	(3,612)	3,677	8,109	(54.7)
Transfers	(6,334)	(5,646)	2,629	2,567	(3,705)	(3,079)	20.3
Change in Net Position	(2,598)	(2,466)	(4,259)	8,186	(6,857)	5,720	(219.9)
Beginning Net Position	469,847	472,313	274,200	266,014	744,047	738,327	0.8
Ending Net Position	$ 467,249	$ 469,847	$ 269,941	$ 274,200	$ 737,190	$ 744,047	(0.9)

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 $7.5 million. This change consisted primarily of decreases in operating grants and contributions as a result of reduced HOME and 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 for HOME and LIHEAP decreased in relation to the decrease in grant revenue but were offset by increased expenditures in Emergency Solutions Grants Program ("ESG") and Section 8 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 $10.6 million. Charges for services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs, the investments and the income which are restricted to those programs by a pledge to the respective bond indentures. Total charges for services increased $6.2 million which is primarily attributed to an increase in settlement fees related to the Taxable Mortgage Program.

Expenses of the Department's business-type activities consist primarily of interest expense of $56.9 million which decreased $644.0 thousand and other operating expenses of $39.0 million which increased $14.5 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. The increase in other operating expenses is primarily related to an increase in servicer related expenses and costs related to the issuance of bonds. Other operating expenses also include general and 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 $98.1 million by $3.5 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	**2017**	**2016**	**Amount**	**%**
Legislative Appropriations	$ 13,629,882	$ 11,751,498	$ 1,878,384	16.0
Federal Revenues	194,074,604	201,832,305	(7,757,701)	(3.8)
Other Revenue	7,177,128	6,735,117	442,011	6.6
Total Operating Revenues	214,881,614	220,318,920	(5,437,306)	(2.5)
OPERATING EXPENDITURES				
Salaries and Wages	9,555,178	9,631,600	(76,422)	(0.8)
Professional Fees and Services	298,880	380,141	(81,261)	(21.4)
Intergovernmental Payments	61,397,499	55,473,679	5,923,820	10.7
Public Assistance Payments	133,649,113	147,194,136	(13,545,023)	(9.2)
Other Operating Expenditures	4,743,183	4,987,648	(244,465)	(4.9)
Total Operating Expenditures	209,643,853	217,667,204	(8,023,351)	(3.7)
Excess of Revenues over Expenditures	5,237,761	2,651,716	2,586,045	97.5
Other Financing Sources (Uses)	(6,333,819)	(5,646,020)	(687,799)	12.2
CHANGE IN FUND BALANCE	(1,096,058)	(2,994,304)	1,898,246	(63.4)
Beginning Fund Balance	491,577,361	494,922,278	(3,344,917)	(0.7)
Appropriations (Lapsed)	(67,761)	(350,613)	282,852	(80.7)
Ending Fund Balance	$ 490,413,542	$ 491,577,361	$ (1,163,819)	(0.2)

Revenues of the Department’s governmental fund totaled $214.9 million. These revenues were primarily federal grants related to LIHEAP, HOME and Community Services Block Grant (“CSBG”) programs. Expenditures of $209.6 million primarily consisted of intergovernmental and public assistance payments.

Total revenues of the governmental fund decreased by $5.4 million primarily due to HOME, DOE, and LIHEAP grant activities.

Governmental Fund Cont'd

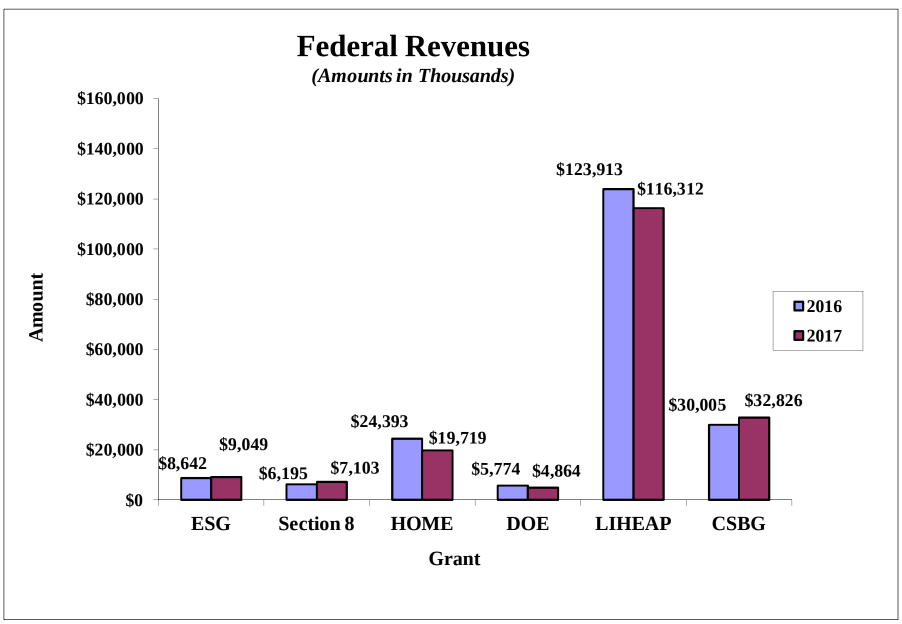
The Department experienced an increase in Intergovernmental Payments of $5.9 million and a decrease in Public Assistance Payments of $13.5 million. These changes were in the HOME, LIHEAP, CSBG, and ESG programs.

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

The following graphs illustrate a comparison between fiscal year 2016 and 2017 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:

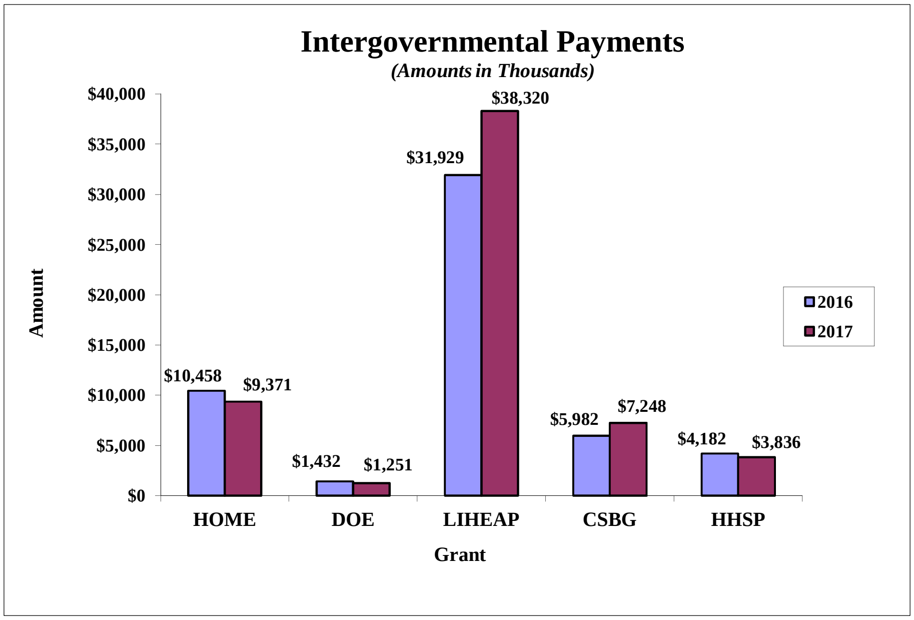
ESG	Emergency Solutions Grants Program
SEC 8	Section 8 Housing Assistance Program
HOME	HOME Investment Partnerships Program
DOE	Department of Energy
LIHEAP	Low-Income Home Energy Assistance Program
HHSP	Homeless Housing and Services Program
CSBG	Community Services Block Grant

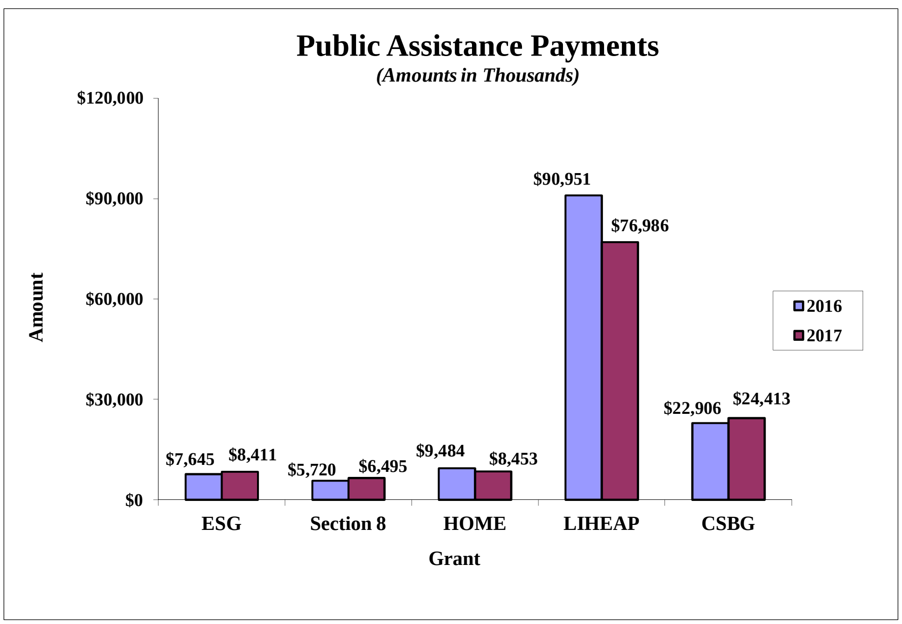
Federal Revenues: Receipts from the State's participation in programs financed with federal funds.



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, 2017 and August 31, 2016.

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

			Increase / (Decrease)	
OPERATING REVENUES	**2017**	**2016**	**Amount**	**%**
Interest and Investment Income	$ 67,748,337	$ 69,237,779	$ (1,489,442)	(2.2)
Net Increase (Decrease) in Fair Value	(10,550,364)	(3,711,414)	(6,838,950)	184.3
Other Operating Revenues	34,022,990	26,244,298	7,778,692	29.6
Total Operating Revenues	91,220,963	91,770,663	(549,700)	(0.6)
OPERATING EXPENSES				
Professional Fees and Services	2,065,367	2,384,509	(319,142)	(13.4)
Depreciation Expense	49,702	48,416	1,286	2.7
Interest	56,866,220	57,510,278	(644,058)	(1.1)
Bad Debt Expense	174,118	1,729,954	(1,555,836)	(89.9)
Other Operating Expenses	38,953,947	24,478,812	14,475,135	59.1
Total Operating Expenses	98,109,354	86,151,969	11,957,385	13.9
Operating Income (Loss)	(6,888,391)	5,618,694	(12,507,085)	(222.6)
TRANSFERS	2,628,756	2,567,288	61,468	2.4
CHANGE IN NET POSITION	(4,259,635)	8,185,982	(12,445,617)	(152.0)
Beginning Net Position	274,200,233	266,014,251	8,185,982	3.1
Ending Net Position	$ 269,940,598	$ 274,200,233	$ (4,259,635)	(1.6)

Net position of the Department's proprietary fund decreased by $4.3 million, or 1.6%, to $269.9 million.

Proprietary Fund Cont'd

Earnings within the Department's proprietary fund were $91.2 million of which $61.9 million is classified as restricted and $29.3 million is unrestricted. Restricted earnings are composed of $66.0 million in interest and investment income, $10.6 million net decrease in fair value of investments, and $6.5 million in other revenues. Interest and investment income are restricted per bond covenants for debt service. The net decrease in fair value of investments is considered to be unrealized gains and losses since no assets were sold during the year. Unrestricted earnings are composed of $1.8 million in interest and investment income and $27.5 million in other operating revenue.

Interest earned on program loans increased by $784.6 thousand, or 2.0%, primarily due to an increase in the Department's Multifamily Bond Program, resulting from higher interest rates related to variable rate debt and the corresponding mortgage loans.

Investment income decreased $2.2 million or 7.5% due to lower investment balances. The change was primarily due to decreases of $2.4 million, or 12.1% in the Single Family Revenue Bond Program funds and $1.1 million, or 11.6% in the Residential Mortgage Revenue Bond Program offset by an increase of $1.2 million in the Taxable Mortgage Program.

The net change in fair value of investments decreased by $6.8 million primarily due to the decreasing fair value of the Department's mortgage backed securities.

Other operating revenues increased $7.8 million primarily due to the Taxable Mortgage Program increase in settlement fees primarily due to an increase in mortgage volume which was caused by changes in market conditions.

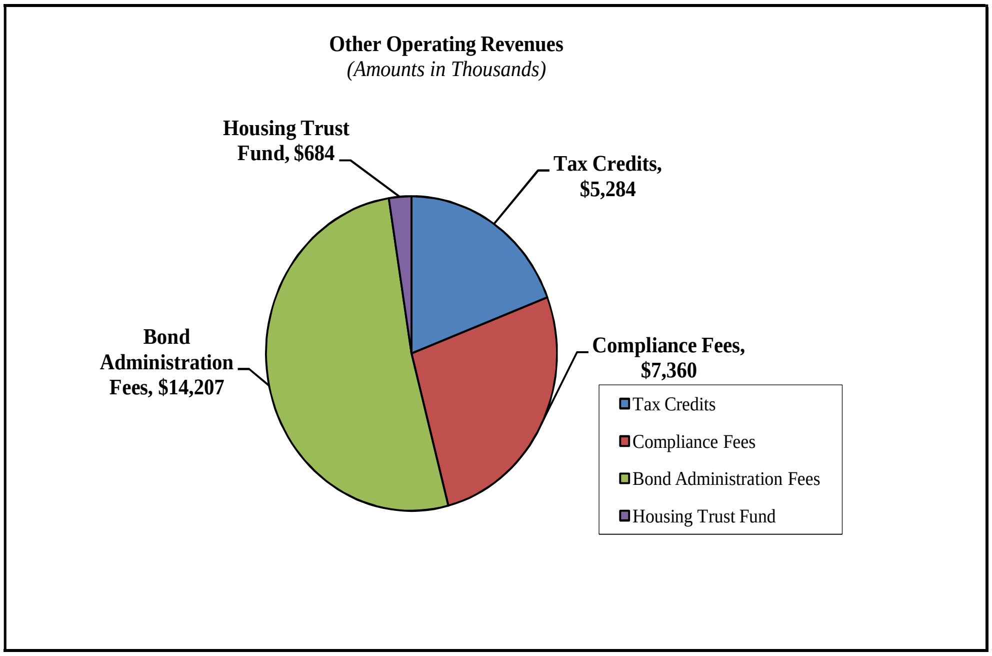
Interest expense decreased $644.1 thousand related to the Department's debt. One of the factors in this decrease is the Department's decision to pay down its bonds on a monthly basis as opposed to every six months. Another factor is a decrease in interest rates related to variable rate debt.

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 $27.5 million in other operating revenues, classified as unrestricted earnings, according to the different housing programs.



The following table illustrates the changes in net position by program of the Department's proprietary fund for fiscal years 2017 and 2016.

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

Program	2017	2016	Increase / (Decrease) Amount	Increase / (Decrease) %
Single Family	$ 94,975	$ 99,670	$ (4,695)	(4.7)
RMRB	98,215	110,207	(11,992)	(10.9)
CHMRB	1,778	1,774	4	0.2
Multifamily	(2,452)	(2,391)	(61)	2.6
General Funds	6,352	8,792	(2,440)	(27.8)
TMP	22,314	7,730	14,584	188.7
Housing Trust Fund	58,568	58,078	490	0.8
Administration Fund	(24,221)	(22,712)	(1,509)	6.6
Housing Initiatives & Compliance	14,412	13,052	1,360	10.4
Total	$ 269,941	$ 274,200	$ (4,259)	(1.6)

Proprietary Fund Cont'd

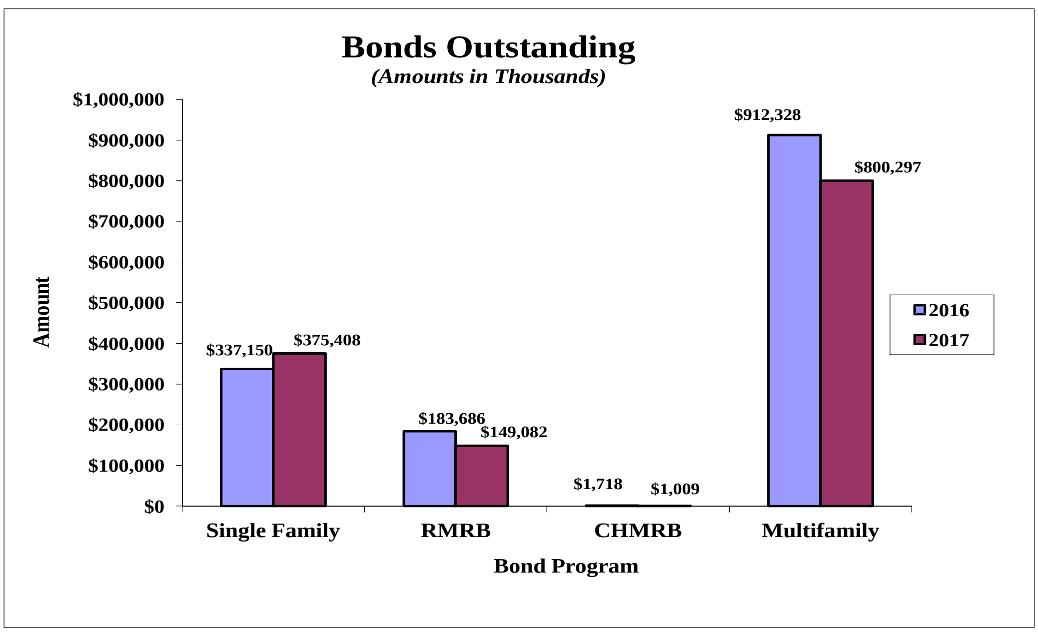
The Net Position of the Residential Mortgage Revenue Bond Program decreased by $12.0 million, or 10.9%, primarily due to a negative difference between other operating revenue and expenses of $4.2 million, a $2.5 million net transferred to the Taxable Mortgage Program to fund escrow accounts and a negative change in fair value of investments of $7.4 million offset by a positive difference of $2.9 million between interest income and bond interest expense.

The Net Position of Taxable Mortgage Program increased $14.6 million, or 188.7% primarily due to a $10.9 million in settlement fees deposited into its accounts and a $4.1 million net transfer in from other sources to fund escrow accounts.

The Net Position of the Housing Initiatives & Compliance Programs increased $1.4 million or 10.4% which is reflective of a positive difference of $1.2 million between fees collected of $12.6 million and $11.4 million of transfers made to fund the operating budget.

Department Bond Debt

The Department had $261.7 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 $109.1 million to $1.3 billion of which $12.5 million is due within one year. For additional information, see Note 6, Bonded Indebtedness, and supplementary bond information schedules. The following graph illustrates a comparison of bonds outstanding between fiscal year 2016 and 2017 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, 2017

	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	262,306	282,306
Cash in State Treasury		1,270,002	1,270,002
Cash Equivalents		33,669,050	33,669,050
Restricted:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank		15,654,899	15,654,899
Cash in State Treasury	36,396,587		36,396,587
Cash Equivalents		88,205,343	88,205,343
Short-term Investments (Note 3)		12,525	12,525
Loans and Contracts		90,657,734	90,657,734
Interest Receivable		8,576,186	8,576,186
Federal Receivable	2,707,522		2,707,522
Legislative Appropriations	5,668,218		5,668,218
Receivables From:			
Interest Receivable	48,018	121,993	170,011
Accounts Receivable	37,751	380,664	418,415
Internal Balances (Note 10)	73,897	(73,897)	-
Due From Other Agencies (Note 10)	2,768		2,768
Consumable Inventories	12,421	12,421	24,842
Loans and Contracts	16,626,883	2,886,873	19,513,756
Other Current Assets		59,326	59,326
Total Current Assets	61,594,265	241,695,625	303,289,890
Non-Current Assets:			
Investments (Note 3)		1,033,181	1,033,181
Loans and Contracts		50,424,709	50,424,709
Capital Assets (Note 2):			
Depreciable or Amortizable, Net	145,319	149,781	295,100
Restricted Assets:			
Investments (Note 3)		642,098,675	642,098,675
Loans and Contracts	446,747,764	957,416,307	1,404,164,071
Other Non-Current Assets:			
Real Estate Owned, net		42,960	42,960
Total Non-Current Assets	446,893,083	1,651,165,613	2,098,058,696
Total Assets	$ 508,487,348	1,892,861,238	$ 2,401,348,586
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources (Note 17)	$ 7,347,994	17,871,856	$ 25,219,850
Total Deferred Outflows of Resources	$ 7,347,994	17,871,856	$ 25,219,850

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, 2017

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	$ 7,354,031	1,620,355	$ 8,974,386
Accrued Bond Interest Payable		11,749,118	11,749,118
Payroll Payable	1,405,014	105,733	1,510,747
Due To Other Agencies (Note 10)		1,851	1,851
Unearned Revenues	9,169,442	6,243,344	15,412,786
Employees' Compensable Leave (Note 5)	632,300	656,581	1,288,881
Notes Payable (Note 5)		224,147	224,147
Revenue Bonds Payable (Notes 5 & 6)		12,455,884	12,455,884
Restricted Short-Term Debt (Note 4)		81,182,741	81,182,741
Other Current Liabilities		403,616	403,616
Total Current Liabilities	18,560,787	114,643,370	133,204,157
Non-Current Liabilities:			
Employees' Compensable Leave (Note 5)	373,641	405,020	778,661
Notes Payable (Note 5)		83,901,051	83,901,051
Net Pension Liability (Note 9)	26,302,768	27,843,670	54,146,438
Revenue Bonds Payable (Notes 5 & 6)		1,313,340,070	1,313,340,070
Derivative Hedging Instrument (Note 7)		9,902,173	9,902,173
Other Non-Current Liabilities (Note 5)		87,556,033	87,556,033
Total Non-Current Liabilities	26,676,409	1,522,948,017	1,549,624,426
Total Liabilities	$ 45,237,196	1,637,591,387	$ 1,682,828,583
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources (Note 17)	$ 3,348,748	3,201,109	$ 6,549,857
Total Deferred Inflows of Resources	$ 3,348,748	3,201,109	$ 6,549,857
NET POSITION			
Invested in Capital Assets	145,319	149,781	295,100
Restricted	490,413,542	214,212,917	704,626,459
Unrestricted	(23,309,463)	55,577,900	32,268,437
Total Net Position	$ 467,249,398	269,940,598	$ 737,189,996

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT II
STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE
For the Year Ended August 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	2017 Total
Primary Government						
Governmental Activities:						
Manufactured Housing	$ 5,536,755	$ 6,354,263	$	$ 817,508	$	$ 817,508
HOME Investment in Affordable Housing	19,517,990		19,719,435	201,445		201,445
Energy Assistance	121,173,645		121,176,071	2,426		2,426
Community Services	41,878,112		41,875,264	(2,848)		(2,848)
Community Development	2,112,042		(1,463,081)	(3,575,123)		(3,575,123)
Section 8	7,136,056		7,102,742	(33,314)		(33,314)
Section 811	57,006		57,006			
Temporary Assistance for Needy Families	10,000		10,000			
Tax Credit Assistance Program - ARRA	775,738		4,011,413	3,235,675		3,235,675
Money Follows the Person	182,382	208,419		26,037		26,037
Homeless Housing & Services Program	6,563,158			(6,563,158)		(6,563,158)
Housing Trust Fund	1,091,033	162	65	(1,090,806)		(1,090,806)
Administration	5,043,349	23,409	1,695,025	(3,324,915)		(3,324,915)
Total Governmental Activities	211,077,266	6,586,253	194,183,940	(10,307,073)		(10,307,073)
Business-type Activities:						
Single Family Bonds	37,487,376	45,542,465			8,055,089	8,055,089
Multifamily Bonds	39,707,502	39,646,902			(60,600)	(60,600)
Housing Trust Fund Program	3,019,733	880,333			(2,139,400)	(2,139,400)
Administration	17,894,743	15,516,841			(2,377,902)	(2,377,902)
Total Business-type Activities	98,109,354	101,586,541			3,477,187	3,477,187
Total Primary Government	$ 309,186,620	$ 108,172,794	$ 194,183,940	(10,307,073)	3,477,187	(6,829,886)
General Revenues:						
Original Appropriations				11,045,055		11,045,055
Additional Appropriations				2,584,826		2,584,826
Interest & Other Investment Income				330,885	184,786	515,671
Appropriations Lapsed				(67,761)		(67,761)
Other Revenues				150,654		150,654
Net (Decrease) in Fair Value of Investments					(10,550,364)	(10,550,364)
Transfers In (Out) (Note 10)				(6,333,819)	2,628,756	(3,705,063)
Total General Revenues and Transfers				7,709,840	(7,736,822)	(26,982)
Change in Net Position				(2,597,233)	(4,259,635)	(6,856,868)
Net Position, September 1, 2016				469,846,631	274,200,233	744,046,864
Net Position - August 31, 2017				$ 467,249,398	$ 269,940,598	$ 737,189,996

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

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT III
BALANCE SHEET - GOVERNMENTAL FUND
As of August 31, 2017

	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	36,396,587
Federal Receivable	2,707,522
Legislative Appropriations	5,668,218
Receivables From:	
Other Intergovernmental	37,751
Interest	48,018
Interfund Receivable (Note 10)	81,859
Due From Other Agencies (Note 10)	2,768
Consumable Inventories	12,421
Restricted - Loans and Contracts	16,626,883
Total Current Assets	61,602,227
Non-Current Assets:	
Restricted - Loans and Contracts	446,747,764
Total Non-Current Assets	446,747,764
Total Assets	508,349,991
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	7,354,031
Payroll Payable	1,405,014
Interfund Payable (Note 10)	7,962
Unearned Revenues	9,169,442
Total Liabilities	17,936,449
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances:	
Reserved for:	
Nonspendable	12,421
Restricted	488,155,241
Committed	222
Assigned	215,985
Unassigned	2,029,673
Total Fund Balances as of August 31	490,413,542
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.	145,319
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.	(23,309,463)
NET POSITION AS OF AUGUST 31	$ 467,249,398

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, 2017

	Total
REVENUES	
Legislative Appropriations:	
Original Appropriations (GR)	$ 11,045,055
Additional Appropriations (GR)	2,584,827
Federal Revenue (PR-OP G/C)	194,074,604
Federal Revenue Grant Pass-Thru Revenue (PR-OP G/C)	41,694
State Grant Pass-Through Revenue (PR-OP G/C)	67,577
Licenses, Fees & Permits (PR-C/S)	5,879,262
Interest and Other Investment Income (GR)	330,950
Sales of Goods and Services (PR-C/S)	706,991
Other (GR)	150,654
Total Revenues	214,881,614
EXPENDITURES	
Salaries and Wages	9,555,178
Payroll Related Costs	3,120,282
Professional Fees and Services	298,880
Travel	483,083
Materials and Supplies	224,250
Communication and Utilities	139,913
Repairs and Maintenance	260,507
Rentals & Leases	191,956
Printing and Reproduction	17,374
Claims and Judgments	23,812
Intergovernmental Payments	61,397,499
Public Assistance Payments	133,649,113
Other Expenditures	251,734
Capital Outlay	30,272
Total Expenditures	209,643,853
Excess of Revenues Over Expenditures	5,237,761
OTHER FINANCING SOURCES (USES)	
Transfers Out (Note 10)	(6,333,819)
Total Other Financing (Uses)	(6,333,819)
Net Change in Fund Balances	(1,096,058)
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances--Beginning	491,577,361
Appropriations (Lapsed)	(67,761)
Fund Balances - August 31	$ 490,413,542

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, 2017

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)	$	(1,096,058)
Appropriations (Lapsed)		(67,761)
Changes in Fund Balances		(1,163,819)
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to:		
- capital outlay expense		30,272
- depreciation expense		(58,744)
- payroll expense due to Compensable Leave		(225,795)
- addl pension expense related to GASB 68/71		(1,179,147)
Change in Net Position, August 31 (Exhibit II)	$	(2,597,233)

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, 2017

		Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)		
Cash on Hand	$	200
Cash in Bank		262,306
Cash in State Treasury		1,270,002
Cash Equivalents		33,669,050
Restricted Assets:		
Cash and Cash Equivalents (Note 3)		
Cash in Bank		15,654,899
Cash Equivalents		88,205,343
Short-term Investments (Note 3)		12,525
Loans and Contracts		90,657,734
Interest Receivable		8,576,186
Receivable:		
Interest Receivable		121,993
Accounts Receivable		380,664
Consumable Inventories		12,421
Loans and Contracts		2,886,873
Other Current Assets		59,326
Total Current Assets		241,769,522
Non-Current Assets:		
Investments (Note 3)		1,033,181
Loans and Contracts		50,424,709
Capital Assets: (Note 2)		
Depreciable or Amortizable, Net		149,781
Restricted Assets:		
Investments (Note 3)		642,098,675
Loans and Contracts		957,416,307
Real Estate Owned, net		42,960
Total Non-Current Assets		1,651,165,613
Total Assets	$	1,892,935,135
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources (Note 17)	$	17,871,856
Total Deferred Outflows of Resources	$	17,871,856

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, 2017

LIABILITIES		
Current Liabilities		
Payables:		
Accounts Payable	$	1,620,355
Payroll Payable		105,733
Accrued Bond Interest Payable		11,749,118
Interfund Payable (Note 10)		73,897
Due to Other Agencies (Note 10)		1,851
Unearned Revenues		6,243,344
Employees' Compensable Leave (Note 5)		656,581
Notes and Loans Payable (Note 5)		224,147
Revenue Bonds Payable (Notes 5 & 6)		12,455,884
Restricted Short-Term Debt (Note 4)		81,182,741
Other Current Liabilities		403,616
Total Current Liabilities		114,717,267
Non-Current Liabilities		
Employees' Compensable Leave (Note 5)		405,020
Notes and Loans Payable (Note 5)		83,901,051
Net Pension Liability (Note 9)		27,843,670
Revenue Bonds Payable (Note 5 & 6)		1,313,340,070
Derivative Hedging Instrument (Note 7)		9,902,173
Other Non-Current Liabilities (Note 5)		87,556,033
Total Non-Current Liabilities		1,522,948,017
Total Liabilities	$	1,637,665,284
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources (Note 17)	$	3,201,109
Total Deferred Inflows of Resources	$	3,201,109
NET POSITION		
Invested in Capital Assets		149,781
Restricted		214,212,917
Unrestricted		55,577,900
Total Net Position	$	269,940,598

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

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VI

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

For the fiscal year ended August 31, 2017

	Total
OPERATING REVENUES	
Interest and Investment Income	$ 67,748,337
Net (Decrease) in Fair Value	(10,550,364)
Other Operating Revenues	34,022,990
Total Operating Revenues	91,220,963
OPERATING EXPENSES	
Salaries and Wages	10,205,958
Payroll Related Costs	4,967,287
Professional Fees and Services	2,065,367
Travel	252,087
Materials and Supplies	239,409
Communications and Utilities	164,547
Repairs and Maintenance	450,681
Rentals and Leases	84,111
Printing and Reproduction	36,712
Depreciation and Amortization	49,702
Interest	56,866,220
Bad Debt Expense	174,118
Down Payment Assistance	2,776,603
Other Operating Expenses	19,776,552
Total Operating Expenses	98,109,354
Operating Loss	(6,888,391)
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Transfers In (Note 10)	2,628,756
Total Other Revenues, Expenses, Gains, Losses and Transfers	2,628,756
CHANGE IN NET POSITION	(4,259,635)
Net Position, September 1, 2016	274,200,233
NET POSITION, AUGUST 31, 2017	$ 269,940,598

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, 2017

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	$ 112,224,013
Proceeds from Other Revenues	42,345,729
Payments to Suppliers for Goods/Services	(78,609,204)
Payments to Employees	(13,820,922)
Payments for Loans Provided	(25,631,863)
Net Cash Provided by Operating Activities	36,507,753
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Debt Issuance	153,063,991
Proceeds from Note Payable	38,635,017
Proceeds of Transfers from Other Funds	2,628,756
Payments of Principal on Debt Issuance	(261,925,205)
Payments of Interest	(58,417,373)
Payments for Other Cost of Debt	(1,684,222)
Net Cash (Used for) Noncapital Financing Activities	(127,699,036)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Capital Assets	(42,400)
Net Cash (Used for) Capital Activities	(42,400)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	148,186,910
Proceeds from Interest/Investment Income	28,467,981
Payments to Acquire Investments	(158,220,939)
Net Cash Provided By Investing Activities	18,433,952
Net Decrease in Cash and Cash Equivalents	(72,799,731)
Cash and Cash Equivalents, September 1, 2016	211,861,531
Cash and Cash Equivalents, August 31, 2017	$ 139,061,800

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, 2017

		Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$	(6,888,391)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		49,702
Pension Expense		2,342,798
Provision for Uncollectibles		174,118
Operating Income and Cash Flow Categories Classification Differences		(26,512,640)
Changes in Assets and Liabilities:		
Decrease in Receivables		427,604
Decrease in Accrued Interest Receivable		3,103,416
(Increase) in Loans / Contracts		(12,754,995)
Decrease in Property Owned		159,123
Decrease in Other Assets		768,855
Increase in Payables		406,155
Increase in Unearned Revenues		142,094
(Decrease) in Accrued Interest Payable		(5,844,002)
Increase in Other Liabilities		80,933,916
Total Adjustments		43,396,144
Net Cash Provided by Operating Activities	$	36,507,753

NON CASH TRANSACTIONS
Net Change in Fair Value of Investments for 2017 was $(10,550,364)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VIII
STATEMENT OF FIDUCIARY NET POSITION
As of August 31, 2017

AGENCY FUND		Total
ASSETS		
Current Assets:		
Restricted:		
Cash in State Treasury (Note 3)	$	547,295
Total Current Assets		547,295
Total Assets	$	547,295
LIABILITIES		
Current Liabilities:		
Funds Held for Others	$	547,295
Total Current Liabilities		547,295
Total Liabilities	$	547,295

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). These financial statements represent the financial status of the Department, and are not intended to present the financial position of the State of Texas or its results of operations or cash flows.

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

FUND STRUCTURE

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

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

Governmental Fund

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Proprietary Fund Types

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

Fiduciary Fund Types

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

BUDGET AND BUDGETARY ACCOUNTING

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

ASSETS, 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 ("GASB") No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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. In accordance with GASB No. 72, *Fair Value Measurement and Application*, the Department would be required to disclose the hierarchy within which the fair value measurement is categorized. The Department has concluded that its investments do not meet the definition of investments as prescribed by GASB No. 72 so this disclosure in not necessary in Note 3.

The Department has reported all investment securities at fair value as of August 31, 2017 with exception of some short-term money market investments and nonparticipating interest-earning investment contracts which are reported at amortized cost provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Capital Assets

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

Loans and Contracts

Loans and contracts consist of loans in the Governmental Fund made from federal funds for the purpose of Single Family loans and Multifamily development loans from HOME, Tax Credit Assistance Program (TCAP) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Deferred Outflows of Resources

Deferred Outflows of Resources
The Department identified its derivative instruments and measured their effectiveness in accordance with Governmental Accounting Standards Board Statement ("GASB") 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 reporting them as deferred outflow 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, 2016, contributions after the measurement date for fiscal year 2017, and the effect of changes in actuarial assumptions as deferred outflow of resources.

Liabilities

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

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

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

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

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

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Notes Payable
The Department issues notes to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing payable solely from the payments received from the assets and guarantors, which secure the notes. The Department also has a note with Woodforest Bank to provide funding for down payment assistance in connection with its My First Texas Home Program.

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

Derivative Hedging Instruments
Per GASB Statement No. 72, the Department is to recognize its interest rate swaps at fair value taking into account non-performance risk on the Statement of Net Position. As of August 31, 2017, the fair value of the Department's four swaps is considered to be negative indicating the Department would be obligated to pay the counterparty the fair value as of the termination date. The Department has the option to terminate prior to the maturity date.

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

Deferred Inflows of Resources

The Department has implemented 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.

Fund Balance/Net Position

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

Fund Balance Components

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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

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

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

Net Position Components

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

Restricted Net Position
Restricted Net Position includes monies or other resources restricted by legal or contractual requirements. These assets in the General Fund include federal grants which are restricted by the grantor for specific program purposes. The Proprietary Fund includes certain assets pledged to respective bond indentures, the use of which is restricted by those same bond covenants.

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

Interfund Transactions and Balances

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

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

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

NOTE 2: CAPITAL ASSETS - A summary of changes in Capital Assets for year ended August 31, 2017 is below:

	PRIMARY GOVERNMENT				
	Balance 09/01/16	Adjustments	Additions	Deletions	Balance 08/31/17
GOVERNMENTAL ACTIVITIES					
Depreciable Assets					
Furniture and Equipment	$ 661,349	$ -	$ 30,272	$ (3,526)	$ 688,095
Other Capital Assets	130,964				130,964
Total Depreciable Assets	$ 792,313	$ -	$ 30,272	$ (3,526)	$ 819,059
Less Accumulated Depreciation for:					
Furniture and Equipment	$ (487,557)		$ (58,745)	$ 3,526	$ (542,776)
Other Capital Assets	(130,964)				(130,964)
Total Accumulated Depreciation	(618,521)	-	(58,745)	3,526	(673,740)
Depreciable Assets, Net	$ 173,792	$ -	$ (28,473)	$ -	$ 145,319
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	$ 173,792	$ -	$ (28,473)	$ -	$ 145,319

	PRIMARY GOVERNMENT				
	Balance 09/01/16	Adjustments	Additions	Deletions	Balance 08/31/17
BUSINESS-TYPE ACTIVITIES					
Depreciable Assets					
Furniture and Equipment	$ 597,489	$ -	$ 42,400	$ (2,553)	$ 637,336
Other Capital Assets	132,279				132,279
Total Depreciable Assets	$ 729,768	$ -	$ 42,400	$ (2,553)	$ 769,615
Less Accumulated Depreciation for:					
Furniture and Equipment	$ (440,407)	$	$ (49,701)	$ 2,553	$ (487,555)
Other Capital Assets	(132,279)				(132,279)
Total Accumulated Depreciation	(572,686)	-	(49,701)	2,553	(619,834)
Depreciable Assets, Net	$ 157,082	$ -	$ (7,301)	$ -	$ 149,781
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	$ 157,082	$ -	$ (7,301)	$ -	$ 149,781

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

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

Deposits of Cash in Bank

As of August 31, 2017, the carrying amount of deposits was $15,937,205.

Governmental and Business-Type Activities	
CASH IN BANK - CARRYING VALUE	$ 15,937,205

Governmental Funds Current Assets Cash in Bank	$ 20,000
Texas Treasury Safekeeping Trust	262,306
Texas Treasury Safekeeping Trust - Restricted	204,593
Demand Deposits	15,450,306
Cash in Bank	$ 15,937,205

At August 31, 2017, the Department's cash and deposits in the State Treasury amounted to $38,213,884 which included $547,295 in Fiduciary Funds. The total amount was fully collateralized by securities held with a trustee in the State's name, as reported to the Department by the Comptroller of Public Accounts of the State of Texas.

Investments

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

The Department holds $78,836,759 in overnight repurchase agreements maturing on the following business day, September 1, 2017, at a rate of 1.00%.

At August 31, 2017, 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	$ 579,250,909	$ 618,508,146
Repurchase Agreements (TTSTC)	78,836,759	78,836,759
Fixed Income Money Markets	43,037,634	43,037,634
Misc (Investment Agreements/GICs)	24,636,235	24,636,235
Total	$ 725,761,537	$ 765,018,774

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

Credit Risk

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

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

As of August 31, 2017, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Investment Type	Not Rated	AAA	AA+
U.S. Government Agency Obligations			$92,615,938
Repurchase Agreements (TTSTC)	$78,836,759		
Misc (Investment Agreements/GICs)	$24,636,235		

	Not Rated	AAA-M	AA-M
Fixed Income Money Market		$43,037,634	

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

A total of $525,892,210 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, 2017, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value	% of Total Portfolio
Greenwich	$78,836,759	10.31%

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.

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

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	$ 618,508,146	$ 12,525	$ 179,035	$ 282,771	$ 618,033,815
Repurchase Agreements (TTSTC)	78,836,759	78,836,759			
Fixed Income Money Markets	43,037,634	43,037,634			
Misc (Investment Agreements/GICs)	24,636,235				24,636,235
Total	$ 765,018,774	$ 121,886,918	$ 179,035	$ 282,771	$ 642,670,050

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, My First Texas Home Program. Any other fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2017, the Department holds $618,508,146 in mortgage backed securities.

NOTE 4: SHORT-TERM DEBT

Business-Type Activities	Balance 09/01/16	Additions	Reductions	Balance 08/31/17
Short -Term Debt	$ -	1,057,575,076	976,392,335	$ 81,182,741
Total Business-Type Activities	$ -	1,057,575,076	976,392,335	$ 81,182,741

Short-Term Debt
Short-term debt in the Enterprise Fund is comprised of funds due to the Federal Home Loan Bank of Dallas (“FHLB”) in the amount of $81,182,741.

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

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

As of August 31, 2017, the maximum aggregate principal amount available for advances under the Advances Agreement was $125 million.

NOTE 5: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2017, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/2016	Additions	Reductions	Balance 08/31/2017	Amounts Due Within One Year
Compensable Leave	$ 780,146	780,071	554,276	$ 1,005,941	$ 632,300
Total Governmental Activities	$ 780,146	780,071	554,276	$ 1,005,941	$ 632,300

Business-Type Activities	Balance 09/01/2016	Additions	Reductions	Balance 08/31/2017	Amounts Due Within One Year
Revenue Bonds Payable	$ 1,434,882,360	153,063,991	262,150,397	$ 1,325,795,954	$ 12,455,884
Notes Payable	45,705,061	38,635,017	214,880	84,125,198	224,147
Compensable Leave	1,302,560	867,308	1,108,267	1,061,601	656,581
Total Business-Type Activities	$ 1,481,889,981	192,566,316	263,473,544	$ 1,410,982,753	$ 13,336,612

Employees' Compensable Leave

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

Revenue Bonds Payable

The Department issues bonds to assist in financing the purchase of homes or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (See Note 6 for more information.) The $153,063,991 in additions is inclusive of $613,039 in bond premium related to the issuance of the 2017 Single Family Series A bonds. The $262,150,397 in reductions is inclusive of $404,389 in amortization of bond premium/discount.

NOTE 5: SUMMARY OF LONG TERM LIABILITIES Cont'd

Notes Payable

The Department issues notes to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing. These notes are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the notes.

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

Year	Principal	Interest	Total
2018	$ 224,147	$ 3,465,625	$ 3,689,772
2019	233,815	3,456,254	3,690,069
2020	243,899	3,449,284	3,693,183
2021	254,419	3,436,284	3,690,703
2022	265,392	3,425,648	3,691,040
2023-27	10,643,868	17,825,046	28,468,914
2028-32	1,863,537	16,613,762	18,477,299
2033-37	70,396,121	8,928,322	79,324,443
Totals	**$ 84,125,198**	**$ 60,600,225**	**$ 144,725,423**

Other Non-Current Liabilities

Other non-current liabilities in the Enterprise Fund are compromised primarily of funds due to developers as a result of Multifamily bond proceeds which have corresponding investment balances not adjusted to market value in the amount of $87,556,033. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

NOTE 6: BONDED INDEBTEDNESS

The Department has 88 bond issues outstanding at August 31, 2017. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 1-A, 1-B, 1-C, 1-D, 1-E. and 1-F.)

Proceeds from the issuance of bonds under the Single Family indenture prior to 1987 and Residential Mortgage Revenue Bonds (RMRB) Series 1987A Programs were used to acquire loans. Proceeds from 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, 2017, are as follows (in thousands):

Description	2018	2019	2020	2021	2022	2023 to 2027	2028 to 2032
Single-family	$ 10	$ 10	$ 5	$ 5	$ 10	$ 6,210	$ 27,110
RMRB	4,460	4,225	4,515	4,625	4,780	25,415	27,320
CHMRB						1,000	
Multifamily	7,905	8,401	8,908	9,486	10,058	97,940	96,109
Total	$ 12,375	$ 12,636	$ 13,428	$ 14,116	$ 14,848	$ 130,565	$ 150,539

Description	2033 to 2037	2038 to 2042	2043 to 2047	2048 to 2052	2053 to 2057	2058 to 2062	Total
Single-family	$ 87,225	$ 105,720	$ 44,640	$ 103,855	$	$	$ 374,800
RMRB	35,785	37,265					148,390
CHMRB							1,000
Multifamily	208,696	265,262	77,414	5,243	4,818		800,240
Total	$ 331,706	$ 408,247	$ 122,054	$ 109,098	$ 4,818	$	$ 1,324,430

NOTE 6: BONDED INDEBTEDNESS Cont'd

Interest requirements on variable rate debt are calculated using the interest rate in effect at August 31, 2017. Interest rates on variable rate debt reset on a weekly basis by the remarketing agent.

The interest payment requirements at August 31, 2017, are as follows (in thousands):

Description	2018	2019	2020	2021	2022	2023 to 2027	2028 to 2032
Single-family	$ 8,943	$ 8,935	$ 8,936	$ 8,932	$ 8,934	$ 44,633	$ 43,954
RMRB	5,437	5,282	5,123	4,939	4,744	20,353	14,420
CHMRB	73	66	66	73	66	132	
Multifamily	33,967	33,487	32,974	32,418	31,841	147,330	117,712
Total	$ 48,420	$ 47,770	$ 47,099	$ 46,362	$ 45,585	$ 212,448	$ 176,086

Description	2033 to 2037	2038 to 2042	2043 to 2047	2048 to 2052	2053 to 2057	2058 to 2062	Total
Single-family	$ 41,427	$ 27,909	$ 20,729	$ 254	$	$	$ 223,586
RMRB	8,919	2,475					71,692
CHMRB							476
Multifamily	84,942	40,999	11,898	2,188	324		570,080
Total	$ 135,288	$ 71,383	$ 32,627	$ 2,442	$ 324	$	$ 865,834

Changes in Bonds Payable

Description	Bonds Outstanding 09/01/16	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinquished	Bonds Outstanding 08/31/17	Amounts Due Within One Year
Single Family	$ 337,150,000	$ 133,700,952	$ 365,000	$ 95,685,938	$ 374,800,014	$ 30,265
RMRB	182,610,000		4,345,000	29,875,000	148,390,000	4,512,596
CHMRB	1,700,000			700,000	1,000,000	1,340
Multifamily	912,264,985	18,750,000	22,192,762	108,582,308	800,239,915	7,911,683
Total Principal	$ 1,433,724,985	$ 152,450,952	$ 26,902,762	$ 234,843,246	$ 1,324,429,929	$ 12,455,884
Unamortized Premium	1,157,375				1,366,025	
Total	$ 1,434,882,360				$ 1,325,795,954	

NOTE 6: BONDED INDEBTEDNESS Cont'd

Demand Bonds

The Department currently holds five single family bond series in the amount $106,710,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities backed by pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements					
Single Family Bond Series	**Remarketing Agent**	**Liquidity Provider**	**Commitment Fee Rate**	**Outstanding Variable Rate Demand Bonds as of 08/31/17**	**Liquidity Facility Expiration Date**
2007A	JP Morgan	Comptroller of Public Accounts	0.12%	$ 30,385,000	08/31/19
2005A	JP Morgan	Comptroller of Public Accounts	0.12%	25,675,000	08/31/19
2004D	Piper Jaffray	Comptroller of Public Accounts	0.12%	18,920,000	08/31/19
2004B	JP Morgan	Comptroller of Public Accounts	0.12%	27,875,000	08/31/19
2004A Jr. Lien	JP Morgan	Comptroller of Public Accounts	0.12%	3,855,000	08/31/19
Total Demand Bonds				**$ 106,710,000**	

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 on an ongoing basis. The Department shall use its best effort to cause the bonds to be purchased from the liquidity facility as soon as possible. The purchased bonds are not subject to term out provisions. For fiscal year 2017, the Trustee did not draw from the liquidity provider, Comptroller of Public Accounts, related to the Department's demand bonds.

Federal Arbitrage Regulations

In accordance with Federal law, the Department is required to rebate to the Internal Revenue Service (IRS) the excess of the amount derived from investing the bond proceeds over the amount that would have been earned if those investments had a rate equal to the yield on the bond issue. As of August 31, 2017, the Bond Program had no liabilities to the IRS or reported in the Statement of Net Position.

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 6: BONDED INDEBTEDNESS Cont'd

	Pledged and Other Sources and Related Expenditures for FY 2017						
	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	$ 110,735,294	$ 2,171,379	$ 365,000	$ 10,957,557	$ 598,386,354	2048	100%
Total Residential Mtg Revenue Bonds	36,602,861	228,184	4,345,000	6,059,717	220,082,356	2041	100%
Total 1992 CHMRB	902,845	17,008		99,488	1,475,794	2024	100%
Total Multifamily Bonds	145,020,837		22,192,762	36,499,131	1,370,319,954	2054	100%
Total	**$ 293,261,837**	**$ 2,416,571**	**$ 26,902,762**	**$ 53,615,893**	**$ 2,190,264,458**		

Current Refunding

On June 22, 2017, the Department issued the 2017 Single Family Mortgage Revenue Bonds (Series ABC) in the amount of $133,700,952. The proceeds for Series B ($29,610,000) issued at a rate of 2.75% were used to refund outstanding bonds. The proceeds refunded the 2007B Single Family Mortgage Revenue Bonds ($29,610,000) with an average rate of 5.15%. $4,610,000 of the 2007B bonds outstanding were redeemed on June 23, 2017 and the remaining 2017B bond proceeds were deposited with an escrow agent to provide for all future debt service on the 2007B bonds on September 1, 2017. As a result, the 2007B bonds are considered to be defeased and the liability for those bonds has been removed from the Department's financial statements.

The Department refunded the 2007B Single Family Mortgage Revenue Bond to reduce its total debt service payments over the next 30 years by $10,739,992 and to obtain an economic gain of $10,414,144.

NOTE 7: DERIVATIVE INSTRUMENTS

Variable to Fixed Interest Rate Swap

Objective

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

NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

The swap agreements related to the 2004B and 2004D bonds include optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

Summary

The fair value balances and notional amounts of derivative instruments outstanding as of August 31, 2017, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2017 financial statements are as follows.

Business Type Activities		Changes in Fair Value		Fair Value at August 31, 2017		
Cash Flow Hedges	Bond Issue	Classification	Amount	Classification	Amount	Notional
Pay-fixed, receive-variable interest rate swap	2004B	Deferred outflow of resources	$ 1,047,107	Debt	$ (1,827,759)	$ 27,020,000
Pay-fixed, receive-variable interest rate swap	2004D	Deferred outflow of resources	713,213	Debt	(932,197)	18,920,000
Pay-fixed, receive-variable interest rate swap	2005A	Deferred outflow of resources	1,531,728	Debt	(3,744,437)	25,675,000
Pay-fixed, receive-variable interest rate swap	2007A	Deferred outflow of resources	1,901,750	Debt	(3,397,780)	30,385,000
			$ 5,193,798		$ (9,902,173)	$ 102,000,000

Terms and Fair Value

The terms, including the fair value of the outstanding swaps as of August 31, 2017 are as follows. The notional amounts of the swaps match the principal amount of the associated debt except for the 2004B bond issue which has $27,875,000 bonds outstanding, $855,000 more than the notional amount of the swap.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
Bank of New York Mellon	$ 27,020,000	$ (1,827,759)	03/01/14	3.67%	65.5% of LIBOR + .20%	09/01/34 (a)
Goldman Sachs Bank USA	18,920,000	(932,197)	01/01/05	3.08%	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	03/01/35 (b)
JP Morgan Chase Bank	25,675,000	(3,744,437)	08/01/05	4.01%	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	09/01/36 (c)
JP Morgan Chase Bank	30,385,000	(3,397,780)	06/05/07	4.01%	Less of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	09/01/38 (c)
Total	$ 102,000,000	$ (9,902,173)				

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.

NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

During the year ended August 31, 2017, the Department adopted GASB Statement No. 72 – Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. In accordance to GASB 72, the fair value of these derivative instruments was measured using the Income Approach. Using observable inputs of interest rate markets and municipal bond yields, the fair value measurement is based on the present value of future implied cash flows reflective of non-performance risk. The fair value hierarchy disclosure is as follows:

Derivative Instruments	Total	Input Level 1	Input Level 2	Input Level 3
Pay-fixed, receive-variable interest rate swap	$ (9,902,173)		$ (9,902,173)	
Total	$ (9,902,173)		$ (9,902,173)	

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

Credit Risk

As of August 31, 2017, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps currently have a negative fair value indicating an obligation for the Department to pay the counterparty as opposed to receive payments should the Department exercise it's optional right to terminate. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral provisions. The schedule payments under the 2004 Series B Swap Agreement are insured by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.). The credit ratings for the counterparties are as follows.

Counterparty	Standard & Poor's	Moody's
Bank of New York Mellon	AA-/Stable	Aa2/Stable
Goldman Sachs Bank USA*	A/Review Upgrade	A1/Stable
JP Morgan Chase Bank	A+/Stable	Aa3/Stable

* Guaranteed by Goldman Sachs Group, Inc.

Basis Risk

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

NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

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 par optional termination rights which are listed below. The par optional termination rights are intended to keep the notional amount in line with bonds outstanding to the extent the Department receives prepayments.

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

Swap Payments and Associated Debt

Using rates as of August 31, 2017, 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
2018	$ -	$ 872,906	$ 2,709,544	$ 3,582,450
2019		863,017	2,709,544	3,572,561
2020		864,993	2,709,544	3,574,537
2021		861,040	2,709,544	3,570,584
2022		863,017	2,709,544	3,572,561
2023-2027	6,155,000	4,288,058	13,183,444	23,626,502
2028-2032	27,080,000	3,621,349	10,803,868	41,505,217
2033-2037	63,705,000	1,668,994	5,037,133	70,411,127
2038-2042	5,915,000	38,791	130,662	6,084,453
	$ 102,855,000	**$ 13,942,165**	**$ 42,702,827**	**$ 159,499,992**

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, 2017, the Department has an aggregate liability related to the interest rate swaps in the amount of $1,403,213 payable on September 1, 2017.

NOTE 8: LEASES

Operating Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations: $150,468 for Governmental activities and $49,742 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 leases for Toshiba copiers expires on August 31, 2018 and August 31, 2021. 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**
2018 (Future Year 1)	$ 131,030	$ 55,844	$ 186,874
2019 (Future Year 2)	130,448	54,502	184,950
2020 (Future Year 3)	127,287	47,228	174,515
2021 (Future Year 4)	17,443	19,671	37,114
2022 (Future Year 5)	-	-	-
Total Minimum Future Lease Rental Payments	$ 406,208	$ 177,245	$ 583,453

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

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

- ERS – the Employees Retirement System of Texas Plan ("ERS Plan"), the Law Enforcement and Custodial Officer Supplemental Retirement Plan ("LECOS"), the Judicial Retirement System of Texas Plan One ("JRS1") 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 ("TESRS Plan").

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

ERS Plan

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

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

The ERS plan covers members in employee and elected classes. Employee class includes employees and appointed officers of the agencies of the State of Texas except those who are included in the coverage of TRS, JRS1 and JRS2. 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, 2016 is presented in the table below:

Employees Retirement	
Retirees and Beneficiaries Currently Receiving Benefits	103,758
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	108,873
Vested and Non-Vested	146,390
Total Members	359,021

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2016 are presented in the table below:

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

The amount of Department's contributions recognized in the ERS plan during the fiscal 2016 measurement period was $1,882,372. It is the proportionate share of the collective amounts in the ERS Plan.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an annual actuarial valuation performed as of August 31, 2016.

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

The table below presents the actuarial methods and assumptions used to measure the total pension liability as of August 31, 2016:

Actuarial Methods and Assumptions	
Actuarial Valuation Date	August 31, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Actuarial Assumptions:	
Discount Rate	5.73%
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 5.73% was applied to measure the total pension liability. The 5.73% discount rate incorporated an 8% long-term expected rate of return on pension plan investments and 2.84% 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 2050 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 fund. The Legislature passed House Bill No. 9 in the 84th legislative session during fiscal 2015 to increase the member contribution rates for fiscal 2016 and 2017. The state contribution rates also increased as the result of this legislative session. The Legislature also maintained some changes made by Senate Bill 1459 in the 83rd legislative session. Considering these above events, the projected employer contributions are based on fiscal 2016 funding level.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity	55%	4.02%
Global Credit	10%	0.19%
Intermediate Treasuries	15%	0.18%
Real Estate	10%	0.43%
Infrastructure	4%	0.25%
Hedge Funds	5%	0.35%
Cash	1%	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 table below:

Sensitivity of Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 4.73%	Current Discount Rate 5.73%	1% Increase 6.73%
$69,736,089	$54,146,438	$41,142,068

Note: Some amounts in this schedule are for the Department's proportionate share (.27406237%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 53% and Governmental 47%.

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 2016 CAFR:

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

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

The Department's total pension liability is based on an actuarial valuation performed as of August 31, 2016. For fiscal 2017 reporting, the measurement date of the net pension liability is August 31, 2016. The schedule of changes in the Department's net pension liability for the fiscal year ending August 31, 2017 is presented below:

Schedule of Changes in Department's Net Pension Liability
For Fiscal Year Ending August 31, 2017

Total Pension Liability-For Department		**Department's Pension Liability**
Service Cost	$	3,142,923
Interest on the Total Pension Liability		6,913,567
Difference between Expected and Actual Experience of the Total Pension Liability		366,030
Assumption Changes		14,530,692
Benefit Payments and Refunds		(5,884,961)
Net Change in Total Pension Liability		19,068,251
Total Pension Liability - Beginning		102,129,136
Total Pension Liability - Ending	$	121,197,387
Plan Fiduciary Net Position		
Contributions - Employer	$	1,882,160
Contributions - Member		1,849,038
Pension Plan Net Investment Income		3,489,947
Benefit Payments and Refunds		(5,884,961)
Pension Plan Administrative Expense		(56,041)
Net Change in Plan Fiduciary Net Position		1,280,143
Plan Fiduciary Net Position - Beginning		65,770,806
Plan Fiduciary Net Position - Ending	$	67,050,949
Net Pension Liability - Beginning	$	36,358,330
Net Pension Liability - Ending	$	54,146,438

Notes to schedule:

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

2. The amounts in this schedule are for the Department's proportionate share (.27406237 %) of the collective amounts for ERS. The proportionate amount is split between Proprietary 53% and Governmental 47%.

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

The change of discount rate and a slight change in the assumption of the withdraw rate of member contributions at termination are the assumption changes during the current measurement period. There have been no changes to the benefit terms of the plan since the prior measurement date. Department's proportion of the entire ERS plan was .27406237% in fiscal 2017 as compared with the .29237245% in the prior measurement period.

For the fiscal year ending August 31, 2017, the Department recognized pension expense of $4,441,894. At August 31, 2017, 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	$ 252,708	$ 349,006
Changes of assumptions	10,284,809	6,200,851
Net difference between projected and actual investment return	2,868,606	
Contributions subsequent to the measurement date	1,911,554	
Total	**$ 15,317,677**	**$ 6,549,857**

The $1,911,554 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, 2018.

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

Year ended August 31:	
2018	$ 773,308
2019	3,511,329
2020	2,254,965
2021	336,665
2022	-
Thereafter	-

Note: The amounts in this schedule are for the Department's proportionate share (.27406237%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 53% and Governmental 47%.

NOTE 10: 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, 2017, follows:

Fund	Current Interfund Receivable	Current Interfund Payable	Purpose
Governmental Fund (01)			
General Revenue (0001)	$ 48,079	$ 7,962	Expenditure Transfer
Consolidated Federal (0127, 0369)	33,780	-	Expenditure Transfer
Subtotal Governmental Fund (01)	***$ 81,859***	***$ 7,962***	
Governmental Fund (01) (Exhibit III)	73,897		*Net Receivable/Payable above*
Enterprise Fund (05, 0896) (Exhibit V)		73,897	Expenditure Transfer
Total Internal Balances (Exhibit I)	**$ 73,897**	**$ 73,897**	

Governmental Fund (01)	Due From Other Agencies	Due To Other Agencies	Source
Appd Fund 0896, D23 Fund 0896			
(Agency 320, D23 Fund 0165)		$ 1,851	Transfers
Appd Fund 0001, D23 Fund 0077			
(Agency 551, D23 Fund 0001)	$ 2,546		Federal P-T
Appd Fund 0802, D23 Fund 0802			
(Agency 608, D23 Fund 0802)	222		Transfers
Total Due From Other Agencies/Due To Other Agencies (Exhibit I and Exhibit III)	**$ 2,768**	**$ 1,851**	

NOTE 10: INTERFUND ACTIVITY AND TRANSACTIONS Cont'd

Governmental Fund	Transfers In	Transfers Out	Purpose
General Fund (01)			
Appd Fund 0001, D23 Fund 0001		$ 2,628,756	Article VII-6, Rider 9
Appd Fund 0001, D23 Fund 0001		1,700,694	Article IX, Sect. 13.11
Appd Fund 0001, D23 Fund 0066		1,718,478	Gov't Code, Sect. 403.021
Appd Fund 0001, D23 Fund 0077		33,299	Gov't Code, Sect. 403.021
Appd Fund 0369, D23 Fund 0369		252,592	Article IX, Sect. 13.11
Total Transfers for Fund 0001 (Exhibit II & IV)		**$ 6,333,819**	
Enterprise Fund (05)			
Appd Fund 3054, D23 Fund 0999	$ 2,628,756		Article VII-6, Rider 9
Total Transfers for Fund 3054 (Exhibit II & VI)	**$ 2,628,756**		
Total Transfers*	**$ 2,628,756**	**$ 6,333,819**	

*The difference between total transfers in and out represents transfers to the Comptroller's Office of $3,705,063.

NOTE 11: 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 12: CONTINGENCIES AND COMMITMENTS

Architettura, Inc., v. Mission Village of Pecos, LLC et al., Case No. 3:16-cv-02793-M, USDC for the Northern District of Texas, Dallas Division, filed 9/30/2016: Plaintiff pleads copyright infringement and quantum meruit regarding Plaintiff's architectural drawings submitted to TDHCA as part of an application for tax credits. TDHCA has refused to sign a waiver of service of process and is waiting to be served. It is unknown at this time whether the damages requested would exceed $1,000,000, as no specific amount was requested. Plaintiff's filed a third amended complaint in July 2017 and TDHCA filed an amended answer.

Rick Sims, pro se, v. Texas Department of Housing and Community Affairs, Paul Oxer, Chairman and Tim Irvine, Executive Director, in their official capacities, Civil Action No. A16CV0906 LY, USDC for the Western District of Texas, filed July 26, 2016: Plaintiff alleges violations of the Fair Housing Act, the Americans with Disabilities Act, and Section 504 of the Rehabilitation Act of 1973. The case is currently pending before the District Court Judge on recommendation of a magistrate judge to dismiss the suit. Plaintiff has not requested monetary damages at this time.

Derivative Instruments

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

NOTE 12: CONTINGENCIES AND COMMITMENTS Cont'd

The table below lists the triggering event and the collateral exposure for each instrument.

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

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

As of August 31, 2017, the credit rating related to the Single Family Trust 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 a negative ($9,902,173). If the collateral posting requirements had been triggered at August 31, 2017, the Department would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments.

Taxable Mortgage Program

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

The Department has entered into a Warehouse Agreement with Hilltop Securities, as Warehouse Provider, and The Bank of New York Mellon Trust Company, as trustee under the bond indentures and as Custodian. The purpose is to warehouse MBS relating to various series of bonds issued or to be issued and delivered under the Department's Trust Indentures, including MBS retained by the Department under its TMP Program. The Department has deposited $750,000 into a Warehouse Escrow Account for the benefit of the Warehouse Provider. As of August 31, 2017, there were no MBS held under the Warehouse Agreement.

The Department has established the TDHCA Liquid Yield Account with Federal Home Loan Bank to secure the Department's obligations under the Advances and Security Agreement. The amount on deposit as of August 31, 2017, is $15,000,000.

NOTE 13: SUBSEQUENT EVENTS

Bond Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Bonds	Multifamily Revenue Bonds MF Series 2017 Casa Brendan Apartments	$5,000,000	10/17/17	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Casa Brendan Apartments is located in Stephenville, Texas.
Revenue Bonds	Multifamily Revenue Bonds MF Series 2017 Nuestro Hogar Apartments	$5,700,000	10/17/17	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Nuestro Hogar Apartments is located in Arlington, Texas.
Revenue Bonds	Multifamily Revenue Bonds MF Series 2017 Casa Inc. Apartments	$24,000,000	10/17/17	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Casa Inc. Apartments is located in Fort Worth, 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 Liability Insurance coverage in the amount of $10,000,000, Automobile Liability Insurance in the amount of $500,000; 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 and Terrorism Insurance in the amount of $6,147,006 for the Alpine Retirement Center, the Insurance Annex Building, the Twin Towers Office Center and leased field office located in Lubbock, Texas.

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. Changes in the balances of the Department's claims liabilities during fiscal year 2017 and 2016 were:

	Beginning Balance	Increases	Decreases	Ending Balance
2017	$ -	$ 23,812	$ (23,812)	$ -
2016	$ -	$ 241,424	$ (241,424)	$ -

NOTE 15: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Department's Enterprise Fund 0896 reported a negative change in Net Position of $(1,509,566) primarily from the recognition of its proportionate share of the Net Pension Liability and Pension Expense resulting in a negative Net Position balance of ($24,221,245) at August 31, 2017.

NOTE 16: SEGMENT INFORMATION FOR ENTERPRISE FUND

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

CONDENSED STATEMENT OF NET POSITION

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Restricted Assets:			
Current Assets	$ 28,500,774	$ 17,324,610	$ 15,166
Non-Current Assets	446,545,479	240,063,448	2,778,057
Total Assets	475,046,253	257,388,058	2,793,223
Deferred Outflows of Resources:	9,902,173	-	-
Liabilities:			
Current Liabilities	4,693,191	5,468,110	7,598
Non-Current Liabilities	385,279,861	153,704,546	1,007,818
Total Liabilities	389,973,052	159,172,656	1,015,416
Deferred Inflows of Resources:	-	-	-
Net Position:			
Restricted Net Position	$ 94,975,374	$ 98,215,402	$ 1,777,807
Net Position	$ 94,975,374	$ 98,215,402	$ 1,777,807

NOTE 16: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

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

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Operating Revenues:			
Interest and Investment Income	$ 17,587,930	$ 8,533,101	$ 202,845
Net Increase (Decrease) in Fair Value	(2,926,208)	(7,352,794)	(91,168)
Other Operating Revenues	176,961	6,310,510	-
Operating Expenses	(18,415,223)	(16,933,518)	(107,818)
Operating Income (Loss)	(3,576,540)	(9,442,701)	3,859
Nonoperating Revenues (Expenses):			
Transfers In (Out)	(1,118,320)	(2,549,184)	-
Changes in Net Position	(4,694,860)	(11,991,885)	3,859
Net Position, September 1, 2016	99,670,234	110,207,287	1,773,948
Net Position, August 31, 2017	$ 94,975,374	$ 98,215,402	$ 1,777,807

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	$ (9,017,918)	$ (19,049,619)	$ (14,989)
Noncapital Financing Activities	22,426,543	(33,899,773)	(797,578)
Investing Activities	(27,228,613)	44,512,860	750,747
Net (Decrease)	(13,819,988)	(8,436,532)	(61,820)
Beginning Cash and Cash Equivalents	40,376,942	25,007,674	62,454
Ending Cash and Cash Equivalents	$ 26,556,954	$ 16,571,142	$ 634

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

Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Derivatives (Note 7)	$ 9,902,173	$
Pension Plans (Note 9):		
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period	5,302,263	3,016,136
To record contribution to the plan in fiscal year 2017 after the measurement date of August 31, 2016	1,013,123	
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.	133,935	184,973
To record difference between projected and actual investment return less the amortization related to the current period.	1,520,362	
Total:	**$ 17,871,856**	**$ 3,201,109**

Governmental Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Plans (Note 9):		
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period	$ 4,982,546	$ 3,184,715
To record contribution to the plan in fiscal year 2017 after the measurement date of August 31, 2016	898,430	
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.	118,773	164,033
To record difference between projected and actual investment return less the amortization related to the current period.	1,348,245	
Total:	**$ 7,347,994**	**$ 3,348,748**
Grand Total	**$ 25,219,850**	**$ 6,549,857**

Deferred outflows of resources in the amount of $9,902,173 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 7.

Due to the implementation of GASB 68 by the State of Texas and recognition of its pension liability, TDHCA recorded total deferred outflows of resources of $15,317,677 and total deferred inflows of resources of $6,549,857. Business-Type activities reported $7,969,683 in deferred outflows of resources and Governmental activities reported $7,347,994. Business-Type activities reported $3,201,109 in deferred inflows of resources and Governmental activities reported $3,348,748.

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

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 08/31/16 actuarial valuation performed for the ERS plan, and contributions made after the measurement date of 08/31/16. Details of the deferred outflows and deferred inflows of resources related to the agency employees' pension are disclosed in Note 9.

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REQUIRED SUPPLEMENTARY

INFORMATION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Required Supplementary Information
Schedule of Changes in Department's Net Pension Liability (Unaudited)
For the fiscal year ended August 31, 2017

	2017	2016	2015
Total Pension Liability-For Department	**Pension Liability**	**Pension Liability**	**Pension Liability**
Proportionate Share	0.27406237%	0.29237245%	0.30593152%
Net Pension Liability	$ 54,146,438	$ 38,787,430	$ 44,240,146
Covered-Employee Payroll	$ 27,848,705	$ 25,728,027	$ 26,724,096
Net Pension Liability as a Percentage of Covered-Employee Payroll	194.43%	150.76%	165.54%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	55.32%	64.40%	63.40%

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

Notes to Schedule:

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

Schedule of Employer Contributions				
	2017	**2016**	**2015**	**2014**
Required Employer Contributions	$ 1,911,554	$ 1,882,372	$ 1,463,345	$ 1,475,596
Contributions Made to the Plan	1,911,554	1,882,372	1,463,345	1,475,596
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 27,848,705	$ 25,728,027	$ 26,724,096	$ 24,787,150
Contributions as a percentage of covered-employee payroll	6.86%	7.32%	8.14%	8.10%

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

Summary of Actuarial Assumptions	
Valuation Date	Actuarially determined contribution rates are calculated based on the actuarial valuation as of August 31, 2016.
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 table of rates that are specific to the class of employee. Last updated for the 2013 valuation pursuant to an experience study of the 5-year period from September 1, 2006 through August 31, 2011.
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.
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. Beginning in fiscal 2016, the Actuarially Determined Contribution will include the impact of House Bill 9 passed by the 84th Legislature.	

SUPPLEMENTARY BOND

SCHEDULES

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-A
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2017

Description of Issue		Bonds Issued To Date	Range Of Interest Rates		First Year	Scheduled Mat. 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	
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	
2015 Single Family Series A		33,825,000	3.20%	3.20%	2039	09/01/2039	09/01/2024	
2015 Single Family Series B		19,870,000	3.13%	3.13%	2046	03/01/2046	09/01/2024	
2016 Single Family Series A		31,510,000	3.00%	3.00%	2046	03/01/2046	03/01/2025	
2016 Single Family Series B		59,735,000	3.18%	3.18%	2039	03/01/2039	03/01/2025	
2017 Single Family Series A		61,303,867	2.84%	2.84%	2017	9/1/2047	(n)	
2017 Single Family Series B		29,610,000	2.75%	2.75%	2017	9/1/2038	(n)	
2017 Single Family Series C		42,787,085	3.10%	3.10%	2017	9/1/2047	(n)	
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 & RMRB BONDS	$	1,323,910,952						
1996 MF Series A/B (Brighton's Mark Development)	$	10,174,000	6.13%	6.13%	2026	04/01/2026	01/01/2003	
1998 MF Series A-C (Residence at the Oaks Projects)		8,200,000	5.98%	7.18%	2001	11/01/2030	05/01/2001	
2000 MF Series A (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-C (Collingham Park Apartments)		13,500,000	6.72%	7.72%	2004	11/01/2033	05/01/2019	
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 (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	
2002 MF Series A/B (Ironwood Crossing)		16,970,000	5.50%	8.75%	2005	11/01/2042	10/01/2027	
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	
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)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-A (Continued)
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2017

Description of Issue		Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat. First Year	Final Maturity Date	First Call Date	
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 (St Augustine Estate Apartments)		7,650,000	VAR - Weekly		2009	09/15/2038	n/a	
2005 MF Series A (Providence at Mockingbird Apartments)		14,360,000	6.40%	6.40%	2007	08/01/2040	08/01/2022	
2005 MF Series A (Plaza at Chase Oaks Apartments)		14,250,000	5.05%	5.05%	2007	08/01/2035	(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 (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	12/01/2026	06/01/2021	
2006 MF Series A (Oakmoor Apartments)		14,635,000	5.50%	6.00%	2008	03/01/2046	03/01/2023	
2006 MF Series A (The Residences at Sunset Pointe)		15,000,000	VAR - Weekly		2039	07/15/2039	(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 (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	(j)	
2006 MF Series A (Villas at Henderson)		7,200,000	VAR - Weekly		2010	11/01/2023	(k)	
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	(k)	
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 (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	(l)	
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	(l)	
2008 MF Series A (Alta Cullen Apartments Refunding)		14,000,000	VAR - Weekly		2011	03/01/2045	(l)	
2009 MF Series A (Costa Mariposa Apartments)		13,690,000	VAR - Weekly		2012	05/01/2042	(l)	
2009 MF Series A (Woodmont Apartments)		15,000,000	VAR - Weekly		2012	06/01/2042	(l)	
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	
2015 MF Series A (Good Samaritan Towers)		5,620,000	0.95%	0.95%	2017	09/01/2017	03/01/2017	
2015 MF Series A (Williamsburg Apartments)		23,150,000	3.45%	3.45%	2016	01/01/2032	01/26/2016	(m)
2016 MF Series A (Chisolm Trace/Cheyenne Village)		13,500,000	0.80%	0.80%	2017	06/01/2018	06/01/2017	
2016 MF Series A (Fifty Oaks & Edinburg Village)		7,400,000	0.65%	0.65%	2017	08/01/2018	08/01/2017	
2016 MF Series A (Skyline Place Apartments)		18,750,000	2.60%	2.60%	2016	10/01/2032	10/26/2016	(m)
TOTAL MULTIFAMILY BONDS	$	1,091,271,000						
TOTAL BONDS ISSUED	**$**	**2,415,181,952**						

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 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.

(k) 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.

(l) 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.

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

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-B
CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2017

Description of Issue	Bonds Outstanding 09/01/16	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/17	Amounts Due Within One Year
2004 Single Family Series B	$ 39,380,000	$	$	$ 11,505,000	$ 27,875,000	$
2004 Single Family Series A (Jr. Lien)	3,855,000				3,855,000	
2004 Single Family Series D	25,700,000			6,780,000	18,920,000	
2005 Single Family Series A	31,130,000			5,455,000	25,675,000	
2005 Single Family Series B	795,000		60,000	660,000	75,000	10,000
2005 Single Family Series C	3,090,000			3,090,000		
2005 Single Family Series D	430,000			380,000	50,000	
2007 Single Family Series A	38,405,000			8,020,000	30,385,000	
2007 Single Family Series B	35,480,000		305,000	35,175,000		
2013 Single Family Series A	23,385,000			3,720,000	19,665,000	
2015 Single Family Series A	29,680,000			4,180,000	25,500,000	
2015 Single Family Series B	18,920,000			1,820,000	17,100,000	
2016 Single Family Series A	30,970,000			3,430,000	27,540,000	
2016 Single Family Series B	55,930,000			10,780,000	45,150,000	
2017 Single Family Series A		61,303,867		121,551	61,182,316	20,265
2017 Single Family Series B		29,610,000		454,972	29,155,028	
2017 Single Family Series C		42,787,085		114,415	42,672,670	
2009 RMRB Series A	25,225,000		295,000	4,045,000	20,885,000	282,481
2009 RMRB Series B	6,600,000		765,000	515,000	5,320,000	1,030,000
2009 RMRB Series C-1	45,585,000			7,935,000	37,650,000	
2009 RMRB Series C-2	36,110,000			5,920,000	30,190,000	
2011 RMRB Series A	24,240,000		1,410,000	4,140,000	18,690,000	1,396,577
2011 RMRB Series B	44,850,000		1,875,000	7,320,000	35,655,000	1,803,538
1992 Coll Home Mtg Rev Bonds, Series C	1,700,000			700,000	1,000,000	1,340
Total Single Family Bonds	$ 521,460,000	$ 133,700,952	$ 4,710,000	$ 126,260,938	$ 524,190,014	$ 4,544,201
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)	5,471,000		312,000		5,159,000	321,000
2000 MF Series A (Timber Point Apartments)	6,270,000			200,000	6,070,000	
2000 MF Series A/B (Oaks at Hampton Apartments)	8,811,132		148,265		8,662,867	159,298
2000 MF Series A (Deerwood Apartments)	4,985,000		170,000		4,815,000	180,000
2000 MF Series A (Creek Point Apartments)	5,360,000			200,000	5,160,000	
2000 MF Series A/B (Parks at Westmoreland Apartments)	8,787,081		143,996		8,643,085	154,715
2000 MF Series A-C (Highland Meadow Village Apts)	7,114,000		221,000		6,893,000	237,000
2000 MF Series A-C (Collingham Park Apartments)	10,620,000		348,000		10,272,000	370,000
2001 MF Series A (Bluffview Apartments)	9,751,955		117,350		9,634,605	126,586
2001 MF Series A (Knollwood Apartments)	12,531,718		150,801		12,380,917	162,669
2001 MF Series A (Skyway Villas Apartments)	6,250,000		195,000		6,055,000	205,000
2001 MF Series A/B (Meridian Apartments)	7,875,000		108,000		7,767,000	119,000
2001 MF Series A/B (Wildwood Apartments)	6,076,000		89,000		5,987,000	96,000
2001 MF Series A (Oak Hollow Apartments)	5,898,071		74,815		5,823,256	80,224
2001 MF Series A/B (Hillside Apartments)	12,057,904		84,253		11,973,651	90,344
2002 MF Series A (Park Meadows Apartments)	3,605,000		105,000		3,500,000	120,000
2002 MF Series A (Clarkridge Villas Apartments)	12,810,789		151,814		12,658,975	162,788
2002 MF Series A (Hickory Trace Apartments)	10,596,240		124,723		10,471,517	133,740
2002 MF Series A (Green Crest Apartments)	10,606,653		91,863		10,514,790	97,044
2002 MF Series A/B (Ironwood Crossing)	15,891,396		160,780		15,730,616	173,262
2003 MF Series A/B (Reading Road)	10,210,000		40,000	300,000	9,870,000	40,000
2003 MF Series A/B (North Vista Apartments)	10,745,000		310,000		10,435,000	325,000
2003 MF Series A/B (West Virginia Apartments)	7,765,000		215,000		7,550,000	235,000
2003 MF Series A/B (Primrose Houston School)	15,549,165		163,327		15,385,838	177,095
2003 MF Series A/B (Timber Oaks Apartments)	12,369,509		109,710		12,259,799	115,036
2003 MF Series A/B (Ash Creek Apartments)	15,267,016		164,649		15,102,367	178,399
2003 MF Series A/B (Peninsula Apartments)	10,280,000		260,000	10,000	10,010,000	275,000
2003 MF Series A/B (Arlington Villas)	16,112,219		152,933		15,959,286	165,710
2003 MF Series A/B (Parkview Townhomes)	13,066,365		121,603		12,944,762	127,507
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	17,140,000			610,000	16,530,000	(9,344)
2004 MF Series A/B (Timber Ridge II Apartments)	6,255,190		63,909		6,191,281	68,509
2004 MF Series A/B (Century Park Townhomes)	10,770,000			10,770,000		
2004 MF Series A/B (Providence at Veterans Memorial)	6,636,883		62,704		6,574,179	65,748
2004 MF Series A (Providence at Rush Creek II)	8,236,597		89,196		8,147,401	95,360
2004 MF Series A (Humble Parkway Townhomes)	10,440,000		180,000		10,260,000	190,000
2004 MF Series A (Chisholm Trail Apartments)	10,300,000			200,000	10,100,000	
2004 MF Series A (Evergreen at Plano Parkway)	13,793,094		143,376		13,649,718	153,054
2004 MF Series A (Montgomery Pines Apartments)	10,800,000			300,000	10,500,000	
2004 MF Series A (Bristol Apartments)	11,300,000			100,000	11,200,000	
2004 MF Series A (Pinnacle Apartments)	13,265,000			300,000	12,965,000	
2004 MF Series A (Churchill at Pinnacle Park)	9,298,794		120,851		9,177,943	129,009

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-B
CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2017

Description of Issue	Bonds Outstanding 09/01/16	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/17	Amounts Due Within One Year
2004 MF Series A (Providence at Village Fair)	$ 13,106,804	$	$ 106,270	$ 13,000,534	$	$
2005 MF Series A (Homes at Pecan Grove)	12,955,755		73,594	12,882,161		
2005 MF Series A (Providence at Prairie Oaks)	10,247,808		73,195	10,174,613		
2005 MF Series A (Port Royal Homes)	11,360,473		122,278		11,238,195	130,468
2005 MF Series A (Mission Del Rio Homes)	8,822,960		60,471		8,762,489	64,521
2005 MF Series A (Atascocita Pines Apartments)	10,790,000			200,000	10,590,000	
2005 MF Series A (Tower Ridge Apartments)	15,000,000				15,000,000	
2005 MF Series A (St Augustine Estate Apartments)	5,880,000			200,000	5,680,000	
2005 MF Series A (Providence at Mockingbird Apts)	10,660,556		98,045		10,562,511	103,473
2005 MF Series A (Plaza at Chase Oaks Apartments)	11,957,878		326,820		11,631,058	343,712
2005 MF Series A (Coral Hills Apartments)	4,385,000		105,000	5,000	4,275,000	110,000
2006 MF Series A (Bella Vista Apartments)	6,365,000		70,000		6,295,000	70,000
2006 MF Series A (Village Park Apartments)	9,385,000		205,000		9,180,000	220,000
2006 MF Series A (Oakmoor Apartments)	13,624,318		143,486		13,480,832	152,336
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000				15,000,000	
2006 MF Series A (Hillcrest Apartments)	9,980,000		200,000		9,780,000	210,000
2006 MF Series A (Red Hills Villas)	4,515,000			4,515,000		
2006 MF Series A (Champion Crossing Apartments)	4,375,000			4,375,000		
2006 MF Series A (Meadowlands Apartments)	11,751,987		117,454		11,634,533	124,698
2006 MF Series A (East Tex Pines)	12,875,000		125,000		12,750,000	135,000
2006 MF Series A (Villas at Henderson)	6,515,000			6,515,000		
2006 MF Series A (Aspen Park)	8,990,000		135,000		8,855,000	140,000
2006 MF Series A (Idlewilde)	13,190,000			200,000	12,990,000	
2007 MF Series A (Lancaster)	13,180,000			200,000	12,980,000	
2007 MF Series A (Park Place at Loyola)	13,755,318		115,941		13,639,377	122,847
2007 MF Series A (Terrace at Cibolo)	4,800,000			100,000	4,700,000	
2007 MF Series A (Santora Villas)	11,669,974		102,804		11,567,170	108,928
2007 MF Series A (Villas at Mesquite Creek)	15,565,000		110,000	15,455,000		
2007 MF Series A (Costa Rialto)	10,202,381		99,483		10,102,898	104,938
2007 MF Series A (Windshire)	13,200,000			200,000	13,000,000	
2007 MF Series A (Residences at Onion Creek)	15,000,000				15,000,000	
2008 MF Series A (West Oaks Apartments)	12,075,000			200,000	11,875,000	
2008 MF Series A (Costa Ibiza Apartments)	12,920,000			100,000	12,820,000	
2008 MF Series A (Addison Park Apartments)	12,595,000			200,000	12,395,000	
2008 MF Series A (Alta Cullen Apartments Refunding)	11,900,000			200,000	11,700,000	
2009 MF Series A (Costa Mariposa Apartments)	13,165,000			240,000	12,925,000	
2009 MF Series A (Woodmont Apartments)	14,290,000			110,000	14,180,000	
2013 MF Series A (Waters @ Willow Run)	14,500,000		14,500,000			
2014 MF Series A (Decatur Angle Apartments)	23,000,000		152,311		22,847,688	161,464
2015 MF Series A (Good Samaritan Towers)	5,620,000			5,620,000		
2015 MF Series A (Williamsburg Apts)	23,150,000		156,691		22,993,309	289,546
2016 MF Series A (Chisholm Trace/Cheyenne Village)	13,500,000			13,500,000		
2016 MF Series A (Fifty Oaks & Edinburg Village)	7,400,000			7,400,000		
2016 MF Series A (Fifty Oaks & Edinburg Village)	-	18,750,000			18,750,000	
Total Multifamily Bonds	$ 912,264,985	$ 18,750,000	$ 22,192,762	$ 108,582,308	$ 800,239,915	$ 7,911,683
	$ 1,433,724,985	**$ 152,450,952**	**$ 26,902,762**	**$ 234,843,246**	**$ 1,324,429,929**	**$ 12,455,884**

FOOTNOTES:

(a) Bonds Outstanding balance at 08/31/17 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$ 1,324,429,929
Unamortized (Discount)/Premium:	
Single Family	607,939
RMRB	692,125
CHMRB	9,157
Multi-Family	56,804
Bonds Outstanding	**$ 1,325,795,954**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017

DESCRIPTION		2018	2019	2020	2021	2022
2004 Single Family, Series A (Junior Lien)	Principal	-	-	-	-	-
2004 Single Family, Series A (Junior Lien)	Interest	41,788	43,947	44,048	43,846	43,947
2004 Single Family, Series B	Principal	-	-	-	-	-
2004 Single Family, Series B	Interest	234,784	231,362	231,892	230,833	231,362
2004 Single Family, Series D	Principal	-	-	-	-	-
2004 Single Family, Series D	Interest	156,590	155,144	155,499	154,789	155,144
2005 Single Family, Series A	Principal	-	-	-	-	-
2005 Single Family, Series A	Interest	220,538	218,237	218,737	217,738	218,237
2005 Single Family, Series B	Principal	10,000	10,000	5,000	5,000	10,000
2005 Single Family, Series B	Interest	3,530	3,050	2,570	2,450	2,083
2005 Single Family, Series D	Principal	-	-	-	-	-
2005 Single Family, Series D	Interest	2,500	2,500	2,500	2,500	2,500
2007 Single Family, Series A	Principal	-	-	-	-	-
2007 Single Family, Series A	Interest	260,995	258,273	258,864	257,681	258,273
2013 Single Family, Series A	Principal	-	-	-	-	-
2013 Single Family, Series A	Interest	550,620	550,620	550,620	550,620	550,620
2015 Single Family, Series A	Principal	-	-	-	-	-
2015 Single Family, Series A	Interest	816,000	816,000	816,000	816,000	816,000
2015 Single Family, Series B	Principal	-	-	-	-	-
2015 Single Family, Series B	Interest	534,375	534,375	534,375	534,375	534,375
2016 Single Family, Series A	Principal	-	-	-	-	-
2016 Single Family, Series A	Interest	826,200	826,200	826,200	826,200	826,200
2016 Single Family, Series B	Principal	-	-	-	-	-
2016 Single Family, Series B	Interest	1,435,770	1,435,770	1,435,770	1,435,770	1,435,770
2017 Single Family, Series A	Principal	-	-	-	-	-
2017 Single Family, Series A	Interest	1,734,519	1,734,519	1,734,519	1,734,519	1,734,519
2017 Single Family, Series B	Principal	-	-	-	-	-
2017 Single Family, Series B	Interest	801,763	801,763	801,763	801,763	801,763
2017 Single Family, Series C	Principal	-	-	-	-	-
2017 Single Family, Series C	Interest	1,322,853	1,322,853	1,322,853	1,322,853	1,322,853
TOTAL SINGLE FAMILY BONDS		8,952,825	8,944,613	8,941,210	8,936,937	8,943,646
2009 Residential Mtg Revenue Bonds, Series A	Principal	280,000	275,000	-	-	-
2009 Residential Mtg Revenue Bonds, Series A	Interest	1,092,175	1,081,185	1,072,985	1,072,985	1,072,985
2009 Residential Mtg Revenue Bonds, Series B	Principal	1,030,000	715,000	1,195,000	1,190,000	1,190,000
2009 Residential Mtg Revenue Bonds, Series B	Interest	258,967	213,367	171,937	109,331	46,857
2009 Residential Mtg Revenue Bonds, Series C-1	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-1	Interest	1,082,437	1,082,438	1,082,438	1,082,438	1,082,438
2009 Residential Mtg Revenue Bonds, Series C-2	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-2	Interest	748,712	748,712	748,712	748,712	748,712
2011 Residential Mtg Revenue Bonds, Series A	Principal	1,380,000	1,420,000	1,450,000	1,505,000	1,570,000
2011 Residential Mtg Revenue Bonds, Series A	Interest	861,511	810,655	754,107	692,744	625,566
2011 Residential Mtg Revenue Bonds, Series B	Principal	1,770,000	1,815,000	1,870,000	1,930,000	2,020,000
2011 Residential Mtg Revenue Bonds, Series B	Interest	1,393,234	1,346,115	1,292,340	1,233,028	1,167,595
TOTAL RESIDENTIAL MTG REVENUE BONDS		9,897,036	9,507,472	9,637,519	9,564,238	9,524,153
1992 Coll Home Mtg Rev Bonds, Series C	Principal	-	-	-	-	-
1992 Coll Home Mtg Rev Bonds, Series C	Interest	72,777	66,161	66,161	72,777	66,161
TOTAL COLL HOME MTG REV BONDS		72,777	66,161	66,161	72,777	66,161

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
-	-	3,855,000	-	-	-	-	3,855,000
219,735	219,836	197,881	-	-	-	-	855,028
3,130,000	15,680,000	9,065,000	-	-	-	-	27,875,000
1,148,268	745,040	114,339	-	-	-	-	3,167,880
3,025,000	9,100,000	6,795,000	-	-	-	-	18,920,000
757,239	492,668	99,767	-	-	-	-	2,126,840
-	2,300,000	23,375,000	-	-	-	-	25,675,000
1,091,186	1,091,686	509,713	-	-	-	-	3,786,072
35,000	-	-	-	-	-	-	75,000
3,432	-	-	-	-	-	-	17,115
20,000	30,000	-	-	-	-	-	50,000
11,750	2,621	-	-	-	-	-	26,871
-	-	24,470,000	5,915,000	-	-	-	30,385,000
1,291,364	1,291,955	945,180	38,788	-	-	-	4,861,373
-	-	19,665,000	-	-	-	-	19,665,000
2,753,100	2,753,100	2,202,480	-	-	-	-	10,461,780
-	-	-	25,500,000	-	-	-	25,500,000
4,080,000	4,080,000	4,080,001	2,039,999	-	-	-	18,360,000
-	-	-	-	17,100,000	-	-	17,100,000
2,671,875	2,671,875	2,671,876	2,671,875	2,137,499	-	-	15,496,875
-	-	-	-	27,540,000	-	-	27,540,000
4,131,000	4,131,000	4,131,001	4,131,000	3,304,799	-	-	23,959,800
-	-	-	45,150,000	-	-	-	45,150,000
7,178,850	7,178,850	7,178,851	2,871,539	-	-	-	31,586,940
-	-	-	-	-	61,182,316	-	61,182,316
8,672,595	8,672,595	8,672,596	8,672,595	8,672,595	144,531	-	52,180,102
-	-	-	29,155,028	-	-	-	29,155,028
4,008,815	4,008,815	4,008,816	868,582	-	-	-	16,903,843
-	-	-	-	-	42,672,670	-	42,672,670
6,614,265	6,614,265	6,614,266	6,614,265	6,614,265	110,230	-	39,795,821
50,843,474	71,064,306	128,651,767	133,628,671	65,369,158	104,109,747	-	598,386,354
4,845,000	5,165,000	5,025,000	5,295,000	-	-	-	20,885,000
4,848,152	3,523,745	2,214,848	492,426	-	-	-	16,471,486
-	-	-	-	-	-	-	5,320,000
-	-	-	-	-	-	-	800,459
-	8,245,000	15,295,000	14,110,000	-	-	-	37,650,000
5,412,190	5,091,267	3,282,460	885,783	-	-	-	20,083,889
-	-	12,330,000	17,860,000	-	-	-	30,190,000
3,743,560	3,743,560	3,288,604	1,096,783	-	-	-	15,616,067
8,795,000	2,570,000	-	-	-	-	-	18,690,000
1,814,963	148,751	-	-	-	-	-	5,708,297
11,775,000	11,340,000	3,135,000	-	-	-	-	35,655,000
4,533,761	1,912,528	133,557	-	-	-	-	13,012,158
45,767,626	41,739,851	44,704,469	39,739,992	-	-	-	220,082,356
1,000,000	-	-	-	-	-	-	1,000,000
131,757	-	-	-	-	-	-	475,794
1,131,757	-	-	-	-	-	-	1,475,794

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017

DESCRIPTION		2018	2019	2020	2021	2022
1996 MF Series A/B (Brighton's Mark)	Principal	-	-	-	-	-
1996 MF Series A/B (Brighton's Mark)	Interest	501,872	501,872	503,247	501,872	501,872
1998 MF Series A-C (Residence Oaks)	Principal	321,000	329,000	339,000	347,000	357,000
1998 MF Series A-C (Residence Oaks)	Interest	140,166	131,262	122,111	112,699	103,054
2000 MF Series A (Creek Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Creek Point Apts)	Interest	46,000	45,924	45,977	45,871	45,924
2000 MF Series A (Deerwood Apts)	Principal	180,000	190,000	205,000	220,000	240,000
2000 MF Series A (Deerwood Apts)	Interest	304,750	293,253	280,968	267,840	253,440
2000 MF Series A/B (Oaks at Hampton)	Principal	159,298	171,152	183,892	197,578	212,283
2000 MF Series A/B (Oaks at Hampton)	Interest	618,536	606,681	593,943	580,257	565,553
2000 MF Series A (Timber Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Timber Point Apts)	Interest	54,113	54,023	54,085	53,961	54,023
2000 MF Series A/B (Parks @ Westmoreland)	Principal	154,715	166,227	178,599	191,891	206,171
2000 MF Series A/B (Parks @ Westmoreland)	Interest	617,262	605,748	593,377	580,084	565,803
2000 MF Series A-C (Collingham Park)	Principal	370,000	392,000	417,000	444,000	471,000
2000 MF Series A-C (Collingham Park)	Interest	684,163	658,930	632,184	603,691	573,418
2000 MF Series A-C (Highland Meadow Apts)	Principal	237,000	253,000	271,000	290,000	311,000
2000 MF Series A-C (Highland Meadow Apts)	Interest	461,330	445,062	427,681	409,085	389,172
2001 MF Series A (Bluffview Senior Apts)	Principal	126,586	136,549	147,296	158,889	171,394
2001 MF Series A (Bluffview Senior Apts)	Interest	727,882	717,919	707,172	695,579	683,074
2001 MF Series A (Knollwood Villas Apts)	Principal	162,669	175,472	189,282	204,180	220,249
2001 MF Series A (Knollwood Villas Apts)	Interest	935,361	922,558	908,747	893,850	877,780
2001 MF Series A (Oak Hollow Apts.)	Principal	80,224	86,023	92,242	98,910	106,060
2001 MF Series A (Oak Hollow Apts.)	Interest	405,086	399,287	393,068	386,400	379,250
2001 MF Series A (Skyway Villas)	Principal	205,000	215,000	225,000	245,000	255,000
2001 MF Series A (Skyway Villas)	Interest	337,290	325,777	313,719	300,942	287,198
2001 MF Series A/B (Hillside Apts.)	Principal	90,344	96,875	103,878	111,387	119,440
2001 MF Series A/B (Hillside Apts.)	Interest	835,294	828,763	821,760	814,251	806,199
2001 MF Series A/B (Meridian Apts.)	Principal	119,000	123,000	132,000	147,000	160,000
2001 MF Series A/B (Meridian Apts.)	Interest	462,775	455,565	447,870	439,695	430,440
2001 MF Series A/B (Wildwood Apts.)	Principal	96,000	100,000	108,000	114,000	120,000
2001 MF Series A/B (Wildwood Apts.)	Interest	356,580	350,790	344,490	337,935	330,840
2002 MF Series A (Clarkridge Villas Apts)	Principal	162,788	174,556	187,175	200,706	215,215
2002 MF Series A (Clarkridge Villas Apts)	Interest	880,972	869,204	856,585	843,054	828,545
2002 MF Series A (Green Crest Apts)	Principal	97,044	102,518	108,301	114,410	120,864
2002 MF Series A (Green Crest Apts)	Interest	575,891	570,417	564,634	558,525	552,071
2002 MF Series A (Hickory Trace Apts)	Principal	133,740	143,408	153,775	164,891	176,811
2002 MF Series A (Hickory Trace Apts)	Interest	728,768	719,100	708,733	697,617	685,697
2002 MF Series A (Park Meadows Apts)	Principal	120,000	125,000	135,000	140,000	150,000
2002 MF Series A (Park Meadows Apts)	Interest	226,591	218,592	210,429	201,614	192,145
2002 MF Series A/B (Ironwood Crossing)	Principal	173,262	186,713	201,208	225,179	229,059
2002 MF Series A/B (Ironwood Crossing)	Interest	693,921	680,470	665,975	650,345	638,123
2003 MF Series A/B (Ash Creek Apts)	Principal	178,399	191,406	204,713	218,945	234,166
2003 MF Series A/B (Ash Creek Apts)	Interest	991,916	979,262	966,231	952,295	937,390
2003 MF Series A/B (North Vista Apts)	Principal	325,000	340,000	360,000	380,000	405,000
2003 MF Series A/B (North Vista Apts)	Interest	526,227	509,440	491,903	473,356	453,778

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
8,075,000	-	-	-	-	-	-	8,075,000
1,841,118	-	-	-	-	-	-	4,351,853
1,938,000	1,528,000	-	-	-	-	-	5,159,000
360,881	85,637	-	-	-	-	-	1,055,810
-	-	5,160,000	-	-	-	-	5,160,000
229,620	229,673	7,654	-	-	-	-	696,643
1,455,000	2,075,000	250,000	-	-	-	-	4,815,000
1,013,600	463,840	7,999	-	-	-	-	2,885,690
1,323,268	1,894,635	2,712,715	1,808,046	-	-	-	8,662,867
2,565,911	1,994,542	1,176,462	176,601	-	-	-	8,878,486
-	-	6,070,000	-	-	-	-	6,070,000
270,115	270,177	4,575	-	-	-	-	815,072
1,285,176	1,840,100	2,633,634	1,986,572	-	-	-	8,643,085
2,574,699	2,019,774	1,225,386	217,082	-	-	-	8,999,215
2,852,000	3,908,000	1,418,000	-	-	-	-	10,272,000
2,341,147	1,232,549	95,793	-	-	-	-	6,821,875
1,900,000	2,648,000	983,000	-	-	-	-	6,893,000
1,595,804	847,700	67,095	-	-	-	-	4,642,929
1,081,837	1,580,060	2,307,730	3,924,264	-	-	-	9,634,605
3,190,501	2,692,279	1,964,605	799,557	-	-	-	12,178,568
1,390,212	2,030,450	2,965,541	5,042,862	-	-	-	12,380,917
4,099,937	3,459,700	2,524,610	1,027,469	-	-	-	15,650,012
657,009	931,393	1,320,368	2,451,026	-	-	-	5,823,255
1,769,541	1,495,158	1,106,185	520,102	-	-	-	6,854,077
1,540,000	2,075,000	1,295,000	-	-	-	-	6,055,000
1,198,378	700,489	111,412	-	-	-	-	3,575,205
739,893	1,048,891	1,486,934	8,176,008	-	-	-	11,973,650
3,888,297	3,579,298	3,141,253	2,228,500	-	-	-	16,943,615
952,000	6,124,000	10,000	-	-	-	-	7,767,000
1,992,025	990,230	1,375	-	-	-	-	5,219,975
726,000	4,718,000	5,000	-	-	-	-	5,987,000
1,533,145	503,785	700	-	-	-	-	3,758,265
1,333,192	1,889,966	2,679,265	3,798,194	2,017,919	-	-	12,658,976
3,885,606	3,328,830	2,539,533	1,420,605	11,769	-	-	15,464,703
714,609	940,214	8,316,831	-	-	-	-	10,514,791
2,650,070	2,424,464	1,830,802	-	-	-	-	9,726,874
1,095,765	1,552,713	2,201,165	3,120,428	1,728,821	-	-	10,471,517
3,217,097	2,759,664	2,111,212	1,191,951	29,171	-	-	12,849,010
925,000	1,270,000	635,000	-	-	-	-	3,500,000
795,844	446,163	52,404	-	-	-	-	2,343,782
1,305,092	1,617,511	2,004,723	9,787,869	-	-	-	15,730,616
3,030,820	2,718,402	2,331,192	511,884	-	-	-	11,921,132
1,438,870	2,013,581	10,622,287	-	-	-	-	15,102,367
4,424,474	3,861,702	2,347,237	-	-	-	-	15,460,507
2,360,000	3,095,000	3,170,000	-	-	-	-	10,435,000
1,935,369	1,255,067	374,130	-	-	-	-	6,019,270

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017

DESCRIPTION		2018	2019	2020	2021	2022
2003 MF Series A/B (Peninsula Apts)	Principal	275,000	295,000	315,000	335,000	345,000
2003 MF Series A/B (Peninsula Apts)	Interest	526,953	512,113	496,213	479,253	461,365
2003 MF Series A/B (Primrose Houston School)	Principal	177,095	192,023	207,856	222,182	237,391
2003 MF Series A/B (Primrose Houston School)	Interest	999,469	984,762	969,992	956,036	941,147
2003 MF Series A/B (Reading Road)	Principal	40,000	50,000	50,000	50,000	60,000
2003 MF Series A/B (Reading Road)	Interest	182,146	179,232	175,941	172,398	168,938
2003 MF Series A/B (Timber Oaks Apts)	Principal	115,036	120,621	126,477	132,617	139,055
2003 MF Series A/B (Timber Oaks Apts)	Interest	850,158	839,870	829,083	817,773	805,913
2003 MF Series A/B (West Virginia Apts)	Principal	235,000	245,000	255,000	275,000	290,000
2003 MF Series A/B (West Virginia Apts)	Interest	380,661	368,581	356,001	342,921	328,685
2004 MF Series A (Bristol)	Principal	-	-	-	-	-
2004 MF Series A (Bristol)	Interest	99,686	99,680	99,784	99,576	99,680
2004 MF Series A (Chisholm Trail)	Principal	-	-	-	-	-
2004 MF Series A (Chisholm Trail)	Interest	89,896	89,890	89,984	89,797	89,890
2004 MF Series A (Churchill @ Pinnacle)	Principal	129,009	137,717	147,014	156,938	167,531
2004 MF Series A (Churchill @ Pinnacle)	Interest	597,327	588,619	579,323	569,399	558,805
2004 MF Series A (Evergreen @ Plano)	Principal	153,054	163,385	174,414	186,188	198,756
2004 MF Series A (Evergreen @ Plano)	Interest	889,516	879,185	868,156	856,383	843,815
2004 MF Series A (Humble Park)	Principal	190,000	205,000	215,000	235,000	245,000
2004 MF Series A (Humble Park)	Interest	674,025	661,320	647,625	633,105	617,430
2004 MF Series A (Montgomery Pines)	Principal	-	-	-	-	-
2004 MF Series A (Montgomery Pines)	Interest	93,456	93,450	93,547	93,353	93,450
2004 MF Series A (Pinnacle)	Principal	-	-	-	-	-
2004 MF Series A (Pinnacle)	Interest	115,396	115,389	115,509	115,268	115,389
2004 MF Series A (Rush Creek)	Principal	95,360	101,949	108,993	116,524	124,575
2004 MF Series A (Rush Creek)	Interest	542,983	536,394	529,350	521,819	513,767
2004 MF Series A/B (Timber Ridge)	Principal	68,509	73,439	78,722	84,391	90,464
2004 MF Series A/B (Timber Ridge)	Interest	415,821	411,045	405,927	400,440	394,558
2004 MF Series A/B (Veterans Memorial)	Principal	65,748	68,940	72,287	75,796	79,476
2004 MF Series A/B (Veterans Memorial)	Interest	431,924	427,489	422,839	417,963	412,850
2003 MF Series A/B (Parkview Twnhms)	Principal	127,507	133,697	140,188	146,994	154,130
2003 MF Series A/B (Parkview Twnhms)	Interest	850,530	841,929	832,910	823,453	813,538
2003 MF Series A/B (Arlington Villas)	Principal	165,710	179,553	194,552	210,803	228,427
2003 MF Series A/B (Arlington Villas)	Interest	1,083,255	1,069,498	1,054,592	1,038,441	1,020,940
2003 MF Series A (NHP-Asmara) Refunding	Principal	-	-	-	-	-
2003 MF Series A (NHP-Asmara) Refunding	Interest	123,957	123,975	124,117	123,833	123,975
2005 MF Series A (Port Royal)	Principal	130,468	139,206	148,527	158,475	169,088
2005 MF Series A (Port Royal)	Interest	726,642	717,904	708,581	698,634	688,021
2005 MF Series A (Del Rio)	Principal	64,521	68,842	73,452	78,372	83,620
2005 MF Series A (Del Rio)	Interest	567,662	563,341	558,730	553,811	548,563
2005 MF Series A (Atascocita Pines)	Principal	-	-	-	-	-
2005 MF Series A (Atascocita Pines)	Interest	94,257	94,251	94,349	94,153	94,251
2005 MF Series A (Tower Ridge)	Principal	-	-	-	-	-
2005 MF Series A (Tower Ridge)	Interest	140,905	141,000	141,147	140,853	141,000
2005 MF Series A (St Augustine)	Principal	-	-	-	-	-
2005 MF Series A (St Augustine)	Interest	50,555	50,552	50,605	50,499	50,552

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
8,445,000	-	-	-	-	-	-	10,010,000
1,071,394	-	-	-	-	-	-	3,547,291
1,454,148	2,024,873	10,870,270	-	-	-	-	15,385,838
4,444,172	3,885,483	2,514,071	-	-	-	-	15,695,132
350,000	490,000	8,780,000	-	-	-	-	9,870,000
779,891	641,598	370,847	-	-	-	-	2,670,991
725,993	-	-	10,900,000	-	-	-	12,259,799
3,831,691	3,678,749	3,678,750	919,689	-	-	-	16,251,676
1,710,000	2,250,000	2,290,000	-	-	-	-	7,550,000
1,402,019	909,221	270,771	-	-	-	-	4,358,860
-	-	11,200,000	-	-	-	-	11,200,000
498,400	498,504	481,637	-	-	-	-	1,976,947
-	-	10,100,000	-	-	-	-	10,100,000
449,451	449,545	419,308	-	-	-	-	1,767,761
1,023,349	1,418,630	1,966,589	2,726,203	1,304,962	-	-	9,177,942
2,608,332	2,213,055	1,665,095	905,482	87,182	-	-	10,372,619
1,214,083	1,683,034	2,333,124	3,234,314	4,309,366	-	-	13,649,718
3,998,770	3,529,817	2,879,729	1,978,537	418,761	-	-	17,142,669
1,525,000	2,085,000	2,890,000	2,670,000	-	-	-	10,260,000
2,813,250	2,231,625	1,430,880	364,980	-	-	-	10,074,240
-	-	10,500,000	-	-	-	-	10,500,000
467,250	467,347	451,535	-	-	-	-	1,853,388
-	-	12,965,000	-	-	-	-	12,965,000
576,944	577,064	557,535	-	-	-	-	2,288,494
764,520	1,067,758	1,491,271	2,082,766	2,193,685	-	-	8,147,401
2,427,193	2,123,953	1,700,440	1,108,947	176,236	-	-	10,181,082
559,872	792,510	4,443,374	-	-	-	-	6,191,281
1,868,631	1,643,336	1,090,741	-	-	-	-	6,630,499
459,143	581,955	737,616	4,433,218	-	-	-	6,574,179
1,978,432	1,807,790	1,591,500	899,022	-	-	-	8,389,809
890,426	1,128,596	1,430,474	8,792,749	-	-	-	12,944,761
3,901,264	3,570,332	3,150,882	1,914,704	-	-	-	16,699,542
1,419,048	2,001,694	11,559,499	-	-	-	-	15,959,286
4,834,060	4,264,071	3,055,852	-	-	-	-	17,420,709
-	-	16,530,000	-	-	-	-	16,530,000
619,875	620,017	113,303	-	-	-	-	1,973,052
1,031,254	1,426,040	1,971,951	2,726,847	3,336,339	-	-	11,238,195
3,254,289	2,859,505	2,313,593	1,558,695	409,848	-	-	13,935,712
509,991	705,226	975,200	6,203,265	-	-	-	8,762,489
2,650,920	2,455,686	2,185,715	200,046	-	-	-	10,284,474
-	-	-	10,590,000	-	-	-	10,590,000
471,255	471,353	471,157	62,748	-	-	-	1,947,774
-	-	-	15,000,000	-	-	-	15,000,000
705,000	705,147	704,853	88,463	-	-	-	2,908,368
-	-	-	5,680,000	-	-	-	5,680,000
252,760	252,813	252,707	54,845	-	-	-	1,065,888

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017

DESCRIPTION		2018	2019	2020	2021	2022
2005 MF Series A (Mockingbird)	Principal	103,473	109,201	115,246	121,625	128,358
2005 MF Series A (Mockingbird)	Interest	567,841	562,113	556,068	549,688	542,955
2005 MF Series A (Chase Oaks)	Principal	343,712	361,477	380,160	399,809	420,473
2005 MF Series A (Chase Oaks)	Interest	579,485	561,720	543,037	523,388	502,724
2005 MF Series A (Coral Hills)	Principal	110,000	120,000	125,000	135,000	145,000
2005 MF Series A (Coral Hills)	Interest	211,469	211,847	202,757	196,319	189,375
2006 MF Series A (Bella Vista)	Principal	70,000	80,000	80,000	85,000	95,000
2006 MF Series A (Bella Vista)	Interest	387,142	382,837	377,917	372,997	367,770
2006 MF Series A (Village Park)	Principal	220,000	235,000	245,000	265,000	270,000
2006 MF Series A (Village Park)	Interest	464,244	453,675	442,394	430,638	417,688
2006 MF Series A (Oakmoor)	Principal	152,336	161,731	171,707	182,297	193,541
2006 MF Series A (Oakmoor)	Interest	804,706	795,310	785,335	774,745	763,501
2006 MF Series A (Sunset Pointe)	Principal	-	-	-	-	-
2006 MF Series A (Sunset Pointe)	Interest	140,905	141,000	141,147	140,853	141,000
2006 MF Series A (Hillcrest)	Principal	210,000	220,000	230,000	240,000	250,000
2006 MF Series A (Hillcrest)	Interest	510,694	499,538	487,856	475,650	462,919
2006 MF Series A (Meadowlands)	Principal	124,698	132,389	140,555	149,224	158,428
2006 MF Series A (Meadowlands)	Interest	694,681	686,990	678,824	670,155	660,951
2006 MF Series A (East Tex Pines)	Principal	135,000	145,000	155,000	160,000	170,000
2006 MF Series A (East Tex Pines)	Interest	735,585	727,465	718,765	709,630	700,060
2006 MF Series A (Aspen Park Apts)	Principal	140,000	150,000	160,000	165,000	180,000
2006 MF Series A (Aspen Park Apts)	Interest	441,000	433,875	426,250	418,250	409,750
2006 MF Series A (Idlewilde Apts)	Principal	-	-	-	-	-
2006 MF Series A (Idlewilde Apts)	Interest	115,618	115,611	115,731	115,491	115,611
2007 MF Series A (Lancaster Apts)	Principal	-	-	-	-	-
2007 MF Series A (Lancaster Apts)	Interest	115,529	115,522	115,642	115,402	115,522
2007 MF Series A (Park Place)	Principal	122,847	130,165	137,918	146,133	154,838
2007 MF Series A (Park Place)	Interest	787,853	780,536	772,782	764,567	755,862
2007 MF Series A (Terrace at Cibolo)	Principal	-	-	-	-	-
2007 MF Series A (Terrace at Cibolo)	Interest	41,388	41,360	41,407	41,313	41,360
2007 MF Series A (Santora Villas)	Principal	108,928	115,416	122,291	129,576	137,294
2007 MF Series A (Santora Villas)	Interest	668,031	661,543	654,668	647,384	639,665
2007 MF Series A (Costa Rialto)	Principal	104,938	110,691	116,761	123,163	129,916
2007 MF Series A (Costa Rialto)	Interest	537,959	532,205	526,135	519,733	512,979
2007 MF Series A (Windshire)	Principal	-	-	-	-	-
2007 MF Series A (Windshire)	Interest	115,707	115,700	115,820	115,580	115,700
2007 MF Series A (Residences @ Onion Creek)	Principal	-	-	-	-	-
2007 MF Series A (Residences @ Onion Creek)	Interest	140,905	141,000	141,147	140,853	141,000
2008 MF Series A (Addison Park)	Principal	-	-	-	-	-
2008 MF Series A (Addison Park)	Interest	116,445	116,513	116,646	116,380	116,513
2008 MF Series A (Costa Ibiza)	Principal	-	-	-	-	-
2008 MF Series A (Costa Ibiza)	Interest	107,692	107,688	107,811	107,565	107,688
2008 MF Series A (West Oaks)	Principal	-	-	-	-	-
2008 MF Series A (West Oaks)	Interest	105,746	105,687	105,809	105,566	105,687
2009 MF Series A (Costa Mariposa Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Costa Mariposa Apartments)	Interest	107,281	107,278	107,400	107,155	107,278
2009 MF Series A (Woodmont Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Woodmont Apartments)	Interest	120,534	120,530	120,668	120,392	120,530

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
756,575	990,484	1,296,715	6,940,834	-	-	-	10,562,511
2,599,993	2,366,080	2,059,849	1,050,655	-	-	-	10,855,242
2,451,704	3,154,260	4,119,463	-	-	-	-	11,631,058
2,164,281	1,461,730	458,288	-	-	-	-	6,794,653
3,640,000	-	-	-	-	-	-	4,275,000
679,477	-	-	-	-	-	-	1,691,244
560,000	760,000	1,030,000	1,400,000	2,135,000	-	-	6,295,000
1,744,754	1,550,414	1,285,041	925,266	395,450	-	-	7,789,588
7,945,000	-	-	-	-	-	-	9,180,000
1,688,558	-	-	-	-	-	-	3,897,197
1,162,183	1,567,612	2,114,475	2,852,110	4,922,841	-	-	13,480,833
3,623,023	3,217,593	2,670,730	1,933,096	791,562	-	-	16,159,601
-	-	-	15,000,000	-	-	-	15,000,000
705,000	705,147	704,853	270,025	-	-	-	3,089,930
8,630,000	-	-	-	-	-	-	9,780,000
2,105,249	-	-	-	-	-	-	4,541,906
951,335	1,283,211	1,730,859	2,334,668	4,629,167	-	-	11,634,534
3,145,556	2,813,684	2,366,036	1,762,225	846,709	-	-	14,325,811
1,010,000	1,340,000	1,775,000	2,350,000	5,510,000	-	-	12,750,000
3,335,870	2,997,730	2,548,955	1,954,310	1,096,490	-	-	15,524,860
8,060,000	-	-	-	-	-	-	8,855,000
1,901,249	-	-	-	-	-	-	4,030,374
-	-	-	12,990,000	-	-	-	12,990,000
578,055	578,175	577,935	327,684	-	-	-	2,639,911
-	-	-	12,980,000	-	-	-	12,980,000
577,610	577,730	577,490	336,902	-	-	-	2,647,349
924,029	1,234,036	1,648,049	2,200,960	6,940,403	-	-	13,639,378
3,629,472	3,319,463	2,905,449	2,352,536	1,492,429	-	-	17,560,949
-	-	-	4,700,000	-	-	-	4,700,000
206,800	206,847	206,753	113,731	-	-	-	940,959
819,335	1,094,216	1,461,319	1,951,582	5,627,214	-	-	11,567,171
3,065,465	2,790,581	2,423,475	1,933,210	1,233,219	-	-	14,717,241
764,575	998,470	1,303,919	1,702,810	4,747,657	-	-	10,102,900
2,449,903	2,216,007	1,910,556	1,511,662	979,301	-	-	11,696,440
-	-	-	13,000,000	-	-	-	13,000,000
578,500	578,620	578,380	395,599	-	-	-	2,709,606
-	-	-	15,000,000	-	-	-	15,000,000
705,000	705,147	704,853	470,147	-	-	-	3,290,052
-	-	-	-	12,395,000	-	-	12,395,000
582,565	582,698	582,432	582,565	165,352	-	-	3,078,109
-	-	-	12,820,000	-	-	-	12,820,000
538,440	538,563	538,317	430,751	-	-	-	2,584,515
-	-	-	11,875,000	-	-	-	11,875,000
528,436	528,558	528,315	413,778	-	-	-	2,527,582
-	-	-	12,925,000	-	-	-	12,925,000
536,389	536,511	536,266	509,344	-	-	-	2,654,902
-	-	-	14,180,000	-	-	-	14,180,000
602,650	602,788	602,512	582,507	-	-	-	2,993,111

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017

DESCRIPTION		2018	2019	2020	2021	2022
2008 MF Series A (Alta Cullen Apartments)	Principal	-	-	-	-	-
2008 MF Series A (Alta Cullen Apartments)	Interest	105,310	105,300	105,421	105,179	105,300
2014 MF Series A (Decatur Angle Apartments)	Principal	161,464	171,167	181,453	192,357	203,917
2014 MF Series A (Decatur Angle Apartments)	Interest	1,309,532	1,299,995	1,289,884	1,279,166	1,267,804
2015 MF Series A (Williamsburg Apts)	Principal	273,696	286,332	296,738	313,252	327,714
2015 MF Series A (Williamsburg Apts)	Interest	799,950	790,175	782,126	769,352	758,165
2016 MF Series A (Skyline Place Apartments)	Principal	-	-	-	-	-
2016 MF Series A (Skyline Place Apartments)	Interest	494,271	494,271	495,625	494,271	494,271
TOTAL MULTIFAMILY BONDS		41,872,607	41,887,492	41,881,938	41,903,323	41,898,642
Total		60,795,245	60,405,738	60,526,828	60,477,275	60,432,602
Less Interest		48,420,067	47,769,898	47,099,156	46,361,593	45,584,899
Total Principal		12,375,178	12,635,840	13,427,672	14,115,682	14,847,703

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
-	-	-	-	11,700,000	-	-	11,700,000
526,500	526,621	526,379	526,500	271,760	-	-	2,904,270
1,218,806	1,631,762	2,184,638	2,924,838	3,915,834	5,242,602	4,818,849	22,847,687
6,143,205	5,737,307	5,193,885	4,466,335	3,492,279	2,188,193	324,759	33,992,344
1,876,952	19,618,625	-	-	-	-	-	22,993,309
3,606,425	2,884,471	-	-	-	-	-	10,390,664
-	-	18,750,000	-	-	-	-	18,750,000
2,472,709	2,474,063	82,603	-	-	-	-	7,502,084
245,270,620	213,820,168	293,637,865	306,261,170	89,311,726	7,430,795	5,143,608	1,370,319,954
343,013,477	326,624,325	466,994,101	479,629,833	154,680,884	111,540,542	5,143,608	2,190,264,458
212,448,233	176,085,819	135,288,103	71,382,372	32,626,676	2,442,954	324,759	865,834,529
130,565,244	150,538,506	331,705,998	408,247,461	122,054,208	109,097,588	4,818,849	1,324,429,929

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2017

	Pledged and Other Sources and Related Expenditures for FY 2017			
	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)	$ 635	$ 726	$	$ 35,060
2004 Single Family Series B	13,032,730	99,808		1,123,151
2004 Single Family Series D	7,756,262	89,439		603,884
2005 Single Family Series A	6,717,873	75,881		1,080,226
2005 Single Family Series B	825,943	7,306	60,000	18,113
2005 Single Family Series C	3,090,000	-		12,333
2005 Single Family Series D	490,629	4,871		10,792
2007 Single Family Series A	9,754,093	96,925		1,272,621
2007 Single Family Series B	36,590,288	8,339	305,000	1,554,589
2013 Single Family Series A	4,753,473	7,062		606,982
2015 Single Family Series A	5,396,318	9,906		866,720
2015 Single Family Series B	2,630,879	6,604		557,539
2016 Single Family Series A	4,804,429	10,605		879,937
2016 Single Family Series B	13,022,489	17,303		1,593,829
2017 Single Family Series A	663,576	798,838		332,823
2017 Single Family Series B	714,201	382,053		155,027
2017 Single Family Series C	491,476	555,713		253,931
Total Single Family Bonds	$ 110,735,294	$ 2,171,379	$ 365,000	$ 10,957,557
2009 RMRB Series A	$ 5,319,415	$ 150,119	$ 295,000	$ 1,209,043
2009 RMRB Series B	833,604	37,530	765,000	303,030
2009 RMRB Series C-1	9,685,483	13,409		1,186,213
2011 RMRB Series A	5,002,178	6,604	1,410,000	987,472
2009 RMRB Series C-2	7,080,203	9,440		815,052
2011 RMRB Series B	8,681,978	11,082	1,875,000	1,558,907
Total Residential Mtg Revenue Bonds	$ 36,602,861	$ 228,184	$ 4,345,000	$ 6,059,717
1992 CHMRB Series C	902,845	17,008		99,488
Total 1992 CHMRB	$ 902,845	$ 17,008	$ -	$ 99,488
1996 MF Series A/B (Brighton's Mark Development)	$ 501,875	$	$	$ 501,872
1998 MF Series A-C (Residence at the Oaks Projects)	145,978		312,000	145,978
2000 MF Series A (Creek Point Apartments)	242,074			42,074
2000 MF Series A (Deerwood Apartments)	312,940		170,000	312,940
2000 MF Series A (Timber Point Apartments)	249,751			49,751
2000 MF Series A/B (Oaks at Hampton Apartments)	628,683		148,265	628,683
2000 MF Series A/B (Parks at Westmoreland Apartments)	627,116		143,996	627,116
2000 MF Series A-C (Collingham Park Apartments)	700,123		348,000	700,123
2000 MF Series A-C (Highland Meadow Village Apartments)	471,544		221,000	471,544
2001 MF Series A (Bluffview Apartments)	736,374		117,350	736,374
2001 MF Series A (Knollwood Apartments)	946,272		150,801	946,272
2001 MF Series A (Oak Hollow Apartments)	410,058		74,815	410,058
2001 MF Series A (Skyway Villas Apartments)	345,351		195,000	345,351
2001 MF Series A/B (Hillside Apartments)	840,893		84,253	840,893
2001 MF Series A/B (Meridian Apartments)	468,990		108,000	468,990
2001 MF Series A/B (Wildwood Apartments)	361,755		89,000	361,755
2002 MF Series A (Clarkridge Villas Apartments)	891,060		151,814	891,060
2002 MF Series A (Park Meadows Apartments)	231,897		105,000	231,897
2002 MF Series A (Green Crest Apartments)	580,652		91,863	580,652
2002 MF Series A (Hickory Trace Apartments)	737,058		124,723	737,058
2002 MF Series A/B (Ironwood Crossing)	705,398		160,780	705,398
2003 MF Series A (NHP Foundation-Asmara Project) Refunding	733,380			123,380
2003 MF Series A/B (Reading Road)	474,571		40,000	174,572
2003 MF Series A/B (Arlington Villas)	1,094,932		152,933	1,094,932
2003 MF Series A/B (Ash Creek Apartments)	1,004,314		164,649	1,004,314
2003 MF Series A/B (North Vista Apartments)	537,901		310,000	537,901
2003 MF Series A/B (Parkview Townhomes)	858,064		121,603	858,064
2003 MF Series A/B (Peninsula Apartments)	545,300		260,000	535,300
2003 MF Series A/B (Primrose Houston School)	1,011,943		163,327	1,011,943

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-D (Continued)
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2017

	Pledged and Other Sources and Related Expenditures for FY 2017			
	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)	$ 859,170	$	$ 109,710	$ 859,170
2003 MF Series A/B (West Virginia Apartments)	388,926		215,000	388,926
2004 MF Series A (Bristol Apartments)	182,691			82,691
2004 MF Series A (Chisholm Trail Apartments)	274,905			74,905
2004 MF Series A (Churchill at Pinnacle Park)	604,825		120,851	604,825
2004 MF Series A (Evergreen at Plano Parkway)	898,412		143,376	898,412
2004 MF Series A (Humble Parkway Townhomes)	684,090		180,000	684,090
2004 MF Series A (Montgomery Pines Apartments)	378,476			78,476
2004 MF Series A (Pinnacle Apartments)	396,446			96,446
2004 MF Series A (Providence at Rush Creek II)	548,648		89,196	548,648
2004 MF Series A (Providence at Village Fair)	13,620,202		106,270	619,670
2004 MF Series A/B (Century Park Townhomes)	10,770,000			51,603
2004 MF Series A/B (Timber Ridge II Apartments)	419,913		63,909	419,913
2004 MF Series A/B (Providence at Veterans Memorial)	435,809		62,704	435,809
2005 MF Series A (Atascocita Pines Apartments)	278,458			78,458
2005 MF Series A (Mission Del Rio Homes)	571,384		60,471	571,384
2005 MF Series A (Homes at Pecan Grove)	13,572,451		73,594	690,290
2005 MF Series A (Plaza at Chase Oaks Apartments)	595,002		326,820	595,002
2005 MF Series A (Port Royal Homes)	734,168		122,278	734,168
2005 MF Series A (Providence at Prairie Oaks)	10,611,400		73,195	436,788
2005 MF Series A (Providence at Mockingbird Apartments)	572,826		98,045	572,826
2005 MF Series A (St Augustine Estate Apartments)	242,605			42,605
2005 MF Series A (Tower Ridge Apartments)	133,522			133,521
2006 MF Series A (Aspen Park)	446,750		135,000	446,750
2006 MF Series A (Bella Vista Apartments)	389,654		70,000	389,654
2006 MF Series A (Champion Crossing Apartments)	4,408,950			33,950
2005 MF Series A (Coral Hills Apartments)	224,591		105,000	219,591
2006 MF Series A (East Tex Pines)	740,104		125,000	740,104
2006 MF Series A (Hillcrest Apartments)	516,950		200,000	516,950
2006 MF Series A (Idlewilde)	296,250			96,250
2006 MF Series A (Meadowlands Apartments)	701,337		117,454	701,337
2006 MF Series A (Oakmoor Apartments)	812,838		143,486	812,838
2006 MF Series A (Red Hills Villas)	4,550,448			35,447
2006 MF Series A (The Residences at Sunset Pointe)	133,522			133,522
2006 MF Series A (Village Park Apartments)	471,841		205,000	471,841
2006 MF Series A (Villas at Henderson)	6,553,133			38,133
2007 MF Series A (Villas at Mesquite Creek)	15,783,139		110,000	328,139
2007 MF Series A (Costa Rialto)	542,968		99,483	542,968
2007 MF Series A (Lancaster)	296,176			96,176
2007 MF Series A (Park Place at Loyola)	794,199		115,941	794,199
2007 MF Series A (Santora Villas)	673,657		102,803	673,657
2007 MF Series A (Terrace at Cibolo)	137,736			37,736
2007 MF Series A (Windshire)	296,338			96,338
2007 MF Series A (Residences at Onion Creek)	133,522			133,522
2008 MF Series A (West Oaks Apartments)	290,448			90,448
2008 MF Series A (Costa Ibiza Apartments)	199,286			99,286
2008 MF Series A (Addison Park Apartments)	311,263			111,263
2008 MF Series A (Alta Cullen Apartments Refunding)	295,281			95,281
2009 MF Series A (Costa Mariposa Apartments)	340,508			100,508
2009 MF Series A (Woodmont Apartments)	219,364			109,364
2013 MF Series A (Waters at Willow Run)	7,250		14,500,000	7,250
2014 MF Series A (Decatur Angle Apartments)	1,317,798		152,312	1,317,798
2015 MF Series A (Good Samaritan Towers)	5,646,695			26,695
2015 MF Series A (Williamsburg Apartments)	807,902		156,692	807,902
2016 MF Series A (Chisolm Trace/Cheyenne Village)	13,572,000			81,000
2016 MF Series A (Fifty Oaks & Edinburg Village)	7,444,092			44,092
2016 MF Series A (Skyline Apartments)	494,271			494,271
Total Multifamily Bonds	$ 145,020,837	$ -	$ 22,192,762	$ 36,499,131
Total	$ 293,261,837	$ 2,416,571	$ 26,902,762	$ 53,615,893

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-E
DEFEASED BONDS OUTSTANDING
For the fiscal year ended August 31, 2017

Description of Issue	**Year Refunded**		**Par Value Outstanding**
Business-Type Activities			
2007 Single Family Series B	2017	$	25,000,000
Total Business-Type Activities		$	25,000,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-F
EARLY EXTINGUISHMENT AND REFUNDING
For the fiscal year ended August 31, 2017

			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	$ 11,505,000			
2004 Single Family Series D	Early Extinguishment	6,780,000			
2005 Single Family Series A	Early Extinguishment	5,455,000			
2005 Single Family Series B	Early Extinguishment	660,000			
2005 Single Family Series C	Early Extinguishment	3,090,000			
2005 Single Family Series D	Early Extinguishment	380,000			
2007 Single Family Series A	Early Extinguishment	8,020,000			
2007 Single Family Series B	Early Extinguishment	5,565,000			
2007 Single Family Series B	Current Refunding	29,610,000	29,610,000	10,739,992	10,414,144
2013 Single Family Series A	Early Extinguishment	3,720,000			
2015 Single Family Series A	Early Extinguishment	4,180,000			
2015 Single Family Series B	Early Extinguishment	1,820,000			
2016 Single Family Series A	Early Extinguishment	3,430,000			
2016 Single Family Series B	Early Extinguishment	10,780,000			
2017 Single Family Series A	Early Extinguishment	121,551			
2017 Single Family Series B	Early Extinguishment	454,972			
2017 Single Family Series C	Early Extinguishment	114,415			
2009 RMRB Series A	Early Extinguishment	4,045,000			
2009 RMRB Series B	Early Extinguishment	515,000			
2009 RMRB Series C-1	Early Extinguishment	7,935,000			
2009 RMRB Series C-2	Early Extinguishment	5,920,000			
2011 RMRB Series A	Early Extinguishment	4,140,000			
2011 RMRB Series B	Early Extinguishment	7,320,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	700,000			
2000 MF Series A (Timber Point Apartments)	Early Extinguishment	200,000			
2000 MF Series A (Creek Point Apartments)	Early Extinguishment	200,000			
2003 MF Series A/B (Reading Road)	Early Extinguishment	300,000			
2003 MF Series A/B (Peninsula Apartments)	Early Extinguishment	10,000			
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	Early Extinguishment	610,000			
2004 MF Series A/B (Century Park Townhomes)	Early Extinguishment	10,770,000			
2004 MF Series A (Chisholm Trail Apartments)	Early Extinguishment	200,000			
2004 MF Series A (Montgomery Pines Apartments)	Early Extinguishment	300,000			
2004 MF Series A (Bristol Apartments)	Early Extinguishment	100,000			
2004 MF Series A (Pinnacle Apartments)	Early Extinguishment	300,000			
2004 MF Series A (Providence at Village Fair)	Early Extinguishment	13,000,534			
2005 MF Series A (Homes at Pecan Grove)	Early Extinguishment	12,882,161			
2005 MF Series A (Providence at Prairie Oaks)	Early Extinguishment	10,174,613			
2005 MF Series A (Atascocita Pines Apartments)	Early Extinguishment	200,000			
2005 MF Series A (St Augustine Estate Apartments)	Early Extinguishment	200,000			
2005 MF Series A (Coral Hills Apartments)	Early Extinguishment	5,000			
2006 MF Series A (Red Hills Villas)	Early Extinguishment	4,515,000			
2006 MF Series A (Champion Crossing Apartments)	Early Extinguishment	4,375,000			
2006 MF Series A (Villas at Henderson)	Early Extinguishment	6,515,000			
2006 MF Series A (Idlewilde)	Early Extinguishment	200,000			
2007 MF Series A (Lancaster)	Early Extinguishment	200,000			
2007 MF Series A (Terrace at Cibolo)	Early Extinguishment	100,000			
2007 MF Series A (Villas at Mesquite Creek)	Early Extinguishment	15,455,000			
2007 MF Series A (Windshire)	Early Extinguishment	200,000			
2008 MF Series A (West Oaks Apartments)	Early Extinguishment	200,000			
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	200,000			
2009 MF Series A (Costa Mariposa Apartments)	Early Extinguishment	240,000			
2009 MF Series A (Woodmont Apartments)	Early Extinguishment	110,000			
2015 MF Series A (Good Samaritan Towers)	Early Extinguishment	5,620,000			
2016 MF Series A (Chisholm Trace/Cheyenne Village)	Early Extinguishment	13,500,000			
2016 MF Series A (Fifty Oaks & Edinburg Village)	Early Extinguishment	7,400,000			
Total Business-Type Activities		$ 234,843,246	$ 29,610,000	$ 10,739,992	$ 10,414,144

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State Auditor's Office

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. J.B. Goodwin, Chair
Ms. Leslie Bingham Escareño, Vice-Chair
Mr. Paul A. Braden
Ms. Asusena Reséndiz
Ms. Sharon Thomason
Mr. Leo Vazquez

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, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 20, 2017.

In addition, we have audited the accompanying financial statements of the Revenue Bond Program Enterprise Fund (Program) of the Department, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements. We also have audited the accompanying Computation of Unencumbered Fund Balances (Computation) of the Department's Housing Finance Division, as of August 31, 2017, and the related notes to the Computation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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, CFE, CIDA
First Assistant State Auditor

December 20, 2017