TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Basic Financial Statements

For the Year Ended August 31, 2018

(With Independent Auditor's Report Thereon)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

December 20, 2018

(512) 475-3875
david.cervantes@tdhca.state.tx.us

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Texas Comptroller
Sarah Keyton, Assistant Director, Legislative Budget Board
Lisa Collier, CPA, CFE, CIDA, First Assistant State Auditor

RE: AUDITED ANNUAL FINANCIAL REPORT

Dear Governor Abbott, Comptroller Hegar, Ms. Keyton, 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, 2018, 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 Ernesto Palacios III, Director of Financial Administration, at (512) 475-3354. Joe Guevara may be contacted at (512) 475-3352 for questions related to the Schedule of Expenditures of Federal Awards.

Respectfully,

David Cervantes
Acting Director

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2018

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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 Vasquez

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Department Financial Statements

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2018, 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, Notes to the Required Supplemental Information, Schedule of Changes in Department's Net OPEB Liability, Schedule of Employer Contributions, and Notes to the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2018, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Lisa R. Collier

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

December 20, 2018

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, 2018. 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 of $17.8 million and governmental activities net position decreased $28.2 million.

- The Department's business-type activities decrease of $17.8 million in Net Position can be attributed to a decrease in Unrestricted Net Position of $26.0 million primarily related from the Department's recognition of its proportionate share of the OPEB liability reported by the Employees Retirement System of Texas (ERS) plan offset by an increase of $8.2 million in Restricted Net Position primarily as a result of activity within the single family indentures.

- Net Position in the Department's governmental activities decreased $28.2 million to $439.1 million. The impact on net position resulted primarily from the Department's recognition of its proportionate share of the OPEB liability reported to the ERS plan.

- The Bond Program's debt outstanding of $1.4 billion as of August 31, 2018, increased $36.4 million due to $165.3 million in new bond issuances and $25.9 million in notes payable offset by debt retirements of $154.8 million.

- Loan originations in the Department's proprietary and governmental funds for the year totaled $976.3 million and $20.8 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, 2018, the Department's four interest rate swaps had a total notional amount of $85.6 million and a negative $5.1 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 ERS who is the administrator of the plan. The Department has reported its proportionate share of the pension liability according to their reports in the amount of $59.7 million of which $30.8 million is reported in business-type activities and $28.9 million in governmental activities.

- In accordance with GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the Department has recorded a net OPEB liability. It has relied on reports issued by ERS who is the administrator of the plan. The Department has reported its proportionate share of the pension liability according to their reports in the amount of $43.6 million of which $21.8 million is reported in business-type activities and $21.8 million in governmental activities.

<u>Overview of the Financial Statements</u>

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

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

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

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

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

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

Government-Wide Financial Statements

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

Statement of Net Position

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

Governmental Activities

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

	Governmental Activities		Increase / (Decrease)	
Assets	**2018**	**2017**	**Amount**	**%**
Current Assets:				
Cash in State Treasury	$ 43,577,029	$ 36,416,787	$ 7,160,242	19.7
Federal Receivables	15,142	2,707,522	(2,692,380)	(99.4)
Legislative Appropriations	4,133,839	5,668,218	(1,534,379)	(27.1)
Internal Balances	(81,820)	73,897	(155,717)	(210.7)
Current Loans and Contracts	22,820,597	16,626,883	6,193,714	37.3
Other Current Assets	131,921	100,958	30,963	30.7
Non-current Assets:				
Loans and Contracts	442,410,928	446,747,764	(4,336,836)	(1.0)
Capital Assets	107,301	145,319	(38,018)	(26.2)
Total Assets	513,114,937	508,487,348	4,627,589	0.9
DEFERRED OUTFLOWS OF RESOURCES	6,226,231	7,347,994	(1,121,763)	(15.3)
Liabilities				
Current Liabilities:				
Accounts Payable	3,821,073	7,354,031	(3,532,958)	(48.0)
Unearned Revenues	18,645,318	9,169,442	9,475,876	103.3
Net OPEB Liability	110,514	-	110,514	-
Other Current Liabilities	670,047	2,037,314	(1,367,267)	(67.1)
Non-Current Liabilities:				
Net Pension Liability	28,910,839	26,302,768	2,608,071	9.9
Net OPEB Liabilities	21,669,626	-	21,669,626	-
Other Non-current Liabilities	428,844	373,641	55,203	14.8
Total Liabilities	74,256,261	45,237,196	29,019,065	64.1
DEFERRED INFLOWS OF RESOURCES	6,014,794	3,348,748	2,666,046	79.6
Net Position				
Invested in Capital Assets	107,301	145,319	(38,018)	(26.2)
Restricted	490,537,843	490,413,542	124,301	0.0
Unrestricted	(51,575,031)	(23,309,463)	(28,265,568)	121.3
Total Net Position	$ 439,070,113	$ 467,249,398	$ (28,179,285)	(6.0)

Net position of the Department's governmental activities decreased $28.2 million, or 6.0% to $439.1 million. The change is primarily a result of a decrease in Unrestricted Net Position, which resulted from recording the net pension liability and OPEB liability as required by GASB 68, GASB 74 and GASB 75.

The $124.3 thousand decrease in Restricted Net Position is primarily related to a decrease of $1.3 million in NSP offset by an increase of $1.1 million in the Tax Credit Assistance Program (TCAP).

Governmental Activities Cont'd

Cash in state treasury increased by $7.2 million or 19.7%. The increase is primarily due to additional program income collected and unspent from the HOME Programs in the amount of $9.3 million due to changes in HOME program rules related to program income and TCAP in the amount of $5.4 million offset by $7.7 million in disbursements for loans.

Internal balances represent expenditure transfers after year end. Included in the 2018 transactions were payroll transfers and benefits allocations according to Accounting Policy Statements.

Loans and contracts increased $1.8 million. The variance primarily represents the receipts of loan repayments, disbursements for funding of loans and an adjustment of $817.4 thousand for estimated losses of the portfolio for the year. During the fiscal year, HOME loans decreased approximately $825.6 thousand and the Neighborhood Stabilization Program (NSP) decreased $1.3 million primarily due to more repayments compared to loan funding. The TCAP Program increased $3.9 million primarily as a result of loan funding exceeding loan repayments. The National Housing Trust Fund (NHTF) had an increase of $872.0 thousand in loans in its first year of funding.

Accounts payable decreased by $3.5 million or 48.0% because of a decrease in year end activities recorded in Low Income Home Energy Assistance Program (LIHEAP), HOME and Emergency Solutions Grants Program (ESG) grants due to pending contract related payments.

The balance in unearned revenues increased by $9.5 million or 103.3%. 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 and a net OPEB liability was recognized in accordance to GASB 74 and GASB 75 in which the Department was required to recognize its proportionate share of the amount reported by the Employees Retirement System, the administrator of the plan. The decrease of $28.3 million in unrestricted net position is primarily as a result of a restatement of Net Position with a negative impact of $25.4 million due to the implementation of GASB 74 and GASB 75 during fiscal year 2018. The net pension and OPEB liability also impacted the $1.1 million decrease in Deferred Outflows of Resources and the $2.7 million increase 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	**2018**	**2017**	**Amount**	**%**
Current Assets:				
Cash & Investments	$ 193,334,940	$ 139,074,325	$ 54,260,615	39.0
Loans and Contracts	79,209,960	93,544,607	(14,334,647)	(15.3)
Interest Receivable	8,954,468	8,576,186	378,282	4.4
Other Current Assets	1,014,429	500,507	513,922	102.7
Non-current Assets:				
Investments	675,926,486	643,131,856	32,794,630	5.1
Loans and Contracts	1,009,586,546	1,007,841,016	1,745,530	0.2
Capital Assets	113,900	149,781	(35,881)	(24.0)
Other Non-current Assets	42,960	42,960	-	-
Total Assets	1,968,183,689	1,892,861,238	75,322,451	4.0
DEFERRED OUTFLOWS OF RESOURCES	12,053,472	17,871,856	(5,818,384)	(32.6)
Liabilites				
Current Liabilities:				
Interest Payable	11,872,732	11,749,118	123,614	1.1
Bonds Payable	12,181,059	12,455,884	(274,825)	(2.2)
Notes and Loans Payable	214,705	224,147	(9,442)	(4.2)
Short-Term Debt	67,842,893	81,182,741	(13,339,848)	(16.4)
Net OPEB Liability	110,515	-	110,515	-
Other Current Liabilities	9,628,387	9,031,480	596,907	6.6
Non-current Liabilities:				
Net Pension Liability	30,784,686	27,843,670	2,941,016	10.6
Net OPEB Liability	21,669,626	-	21,669,626	-
Bonds Payable	1,324,365,960	1,313,340,070	11,025,890	0.8
Notes and Loans Payable	109,532,219	83,901,051	25,631,168	30.5
Derivative Hedging Instrument	5,097,825	9,902,173	(4,804,348)	(48.5)
Other Non-current Liabilities	129,169,370	87,961,053	41,208,317	46.8
Total Liabilities	1,722,469,977	1,637,591,387	84,878,590	5.2
DEFERRED INFLOWS OF RESOURCES	5,592,732	3,201,109	2,391,623	74.7
Net Position				
Invested in Capital Assets	113,900	149,781	(35,881)	(24.0)
Restricted	222,460,708	214,212,917	8,247,791	3.9
Unrestricted	29,599,844	55,577,900	(25,978,056)	(46.7)
Total Net Position	$ 252,174,452	$ 269,940,598	$ (17,766,146)	(6.6)

Net position of the Department's business-type activities decreased $17.8 million, or 6.6%, to $252.2 million. Restricted net position of the Department's proprietary fund increased $8.2 million or 3.9%. These restrictions are related to bond covenants and do not significantly affect the availability of resources for future use. The unrestricted net position decreased $26.0 million or 46.7% primarily due to the recognition of the Department's proportionate share of OPEB liability as part of the ERS Plan.

Cash and investments increased $87.1 million, or 11.1%, to 869.3 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) decreased $12.6 million, or 1.1%, to $1.1 billion, primarily as a result of loan originations related to the Department's Multifamily Bond Program, Housing

Business Type Activities Cont'd

Trust Fund and Homeownership Programs down payment assistance offset by loan repayments and payoffs related to these programs.

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) increased by $10.8 million, or .8%, due to the Department's bond issuance being greater than monthly retirement of existing debt. For more information on the Department's debt, refer to Note 6.

Statement of Activities

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

A condensed Statement of Activities for the fiscal years ended August 31, 2018 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
	2018	2017	2018	2017	2018	2017	
Program Revenues:							
Charges for Services	$ 7,182	$ 6,586	$ 135,766	$ 101,587	$ 142,948	$ 108,173	32.1
Operating Grants and Contributions	201,510	194,184	-	-	201,510	194,184	3.8
Total Revenue	208,692	200,770	135,766	101,587	344,458	302,357	13.9
Total Expenses:	216,722	211,077	109,920	98,109	326,642	309,186	5.6
Net Revenue	(8,030)	(10,307)	25,846	3,478	17,816	(6,829)	(360.9)
General Revenues	12,076	14,043	(20,684)	(10,366)	(8,608)	3,677	(334.1)
Transfers	(6,801)	(6,334)	2,495	2,629	(4,306)	(3,705)	16.2
Change in Net Position	(2,755)	(2,598)	7,657	(4,259)	4,902	(6,857)	(171.5)
Beginning Net Position	467,249	469,847	269,941	274,200	737,190	744,047	(0.9)
Restatement	(25,424)	-	(25,424)	-	(50,848)	-	-
Beginning Net Position, Restated	441,825	469,847	244,517	274,200	686,342	744,047	(7.8)
Ending Net Position	$ 439,070	$ 467,249	$ 252,174	$ 269,941	$ 691,244	$ 737,190	(6.2)

Governmental Activities

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

Total program revenues increased $7.3 million. This change consisted primarily of increases in operating grants and contributions primarily as a result of an increase of $4.7 million in LIHEAP and an increase of $4.8 million in CSBG grant activities offset by a decrease of $2.7 million in HOME 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 CSBG and LIHEAP increased in relation to the increase in grant revenue but were offset by decreased expenditures in HOME and Homeless Housing & Services Program (HHSP).

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 $135.8 million offset by a decrease in fair value of investments of $21.1 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 $34.2 million which is primarily attributed to activity within the single family indentures.

Expenses of the Department's business-type activities consist primarily of interest expense of $55.5 million which decreased $1.3 million and other operating expenses of $48.7 million which increased $9.8 million. The decrease in interest expense is a result of an increase of the frequency in the retirement of the Department's bonds and lower interest rates related to the Department's variable rate debt. 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 $135.8 million exceeded expenses of $109.9 million by $25.9 million. Charges for services, primarily interest income on loans and investment income, are intended to cover bond principal and interest expense as required by the bond indenture covenants. The charges for services also cover other direct expenses.

Fund Financial Statements

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

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

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

- Fiduciary Fund – The fiduciary fund is used to account for the assets held for distribution by the state as an agent for another entity for which the government has custodial responsibility and accounts for the flow of assets. It includes an escrow account and the Child Support Addenda Deducts Account.

Governmental Fund

Texas Department of Housing and Community Affairs
Governmental Fund
Condensed Statements of Revenues, Expenditures and Changes in Fund Balances

			Increase / (Decrease)	
OPERATING REVENUES	**2018**	**2017**	**Amount**	**%**
Legislative Appropriations	$ 11,485,314	$ 13,629,882	$ (2,144,568)	(15.7)
Federal Revenues	201,199,512	194,074,604	7,124,908	3.7
Other Revenue	8,315,580	7,177,128	1,138,452	15.9
Total Operating Revenues	221,000,406	214,881,614	6,118,792	2.8
OPERATING EXPENDITURES				
Salaries and Wages	9,526,085	9,555,178	(29,093)	(0.3)
Professional Fees and Services	333,030	298,880	34,150	11.4
Intergovernmental Payments	51,823,574	61,397,499	(9,573,925)	(15.6)
Public Assistance Payments	147,348,394	133,649,113	13,699,281	10.3
Other Operating Expenditures	4,811,669	4,743,183	68,486	1.4
Total Operating Expenditures	213,842,752	209,643,853	4,198,899	2.0
Excess of Revenues over Expenditures	7,157,654	5,237,761	1,919,893	36.7
Other Financing Sources (Uses)	(6,800,860)	(6,333,819)	(467,041)	7.4
CHANGE IN FUND BALANCE	356,794	(1,096,058)	1,452,852	(132.6)
Beginning Fund Balance	490,413,542	491,577,361	(1,163,819)	(0.2)
Appropriations (Lapsed)	(232,495)	(67,761)	(164,734)	243.1
Ending Fund Balance	$ 490,537,841	$ 490,413,542	$ 124,299	0.0

Revenues of the Department's governmental fund totaled $221.0 million. These revenues were primarily federal grants related to LIHEAP, HOME and Community Services Block Grant (CSBG) programs. Expenditures of $213.8 million primarily consisted of intergovernmental and public assistance payments.

Total revenues of the governmental fund increased by $6.1 million primarily due to CSBG and LIHEAP grant activities.

Governmental Fund Cont'd

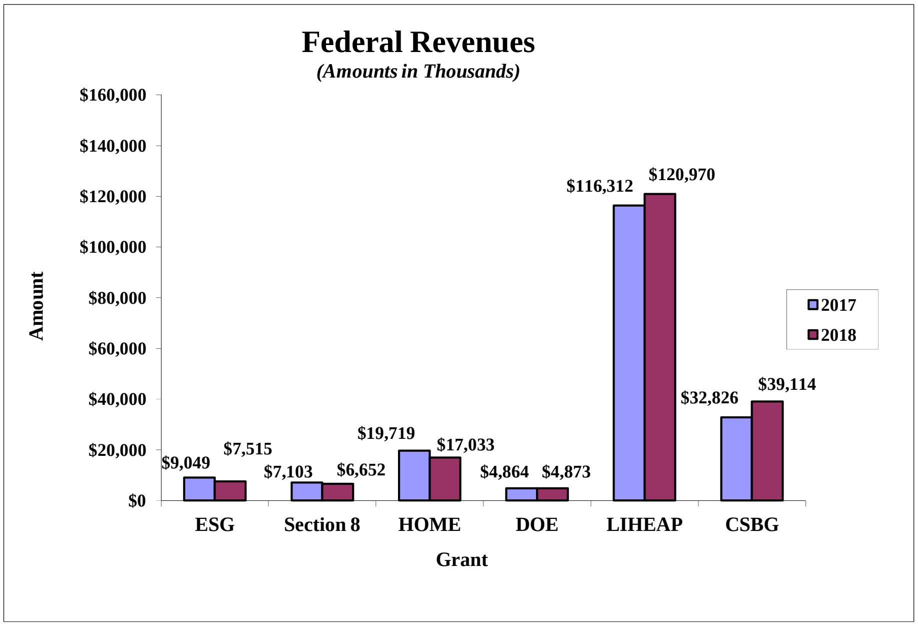
The Department experienced a decrease in Intergovernmental Payments of $9.6 million and an increase in Public Assistance Payments of $13.7 million. These changes were primarily in the HOME, LIHEAP, CSBG, and ESG programs.

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 2017 and 2018 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:

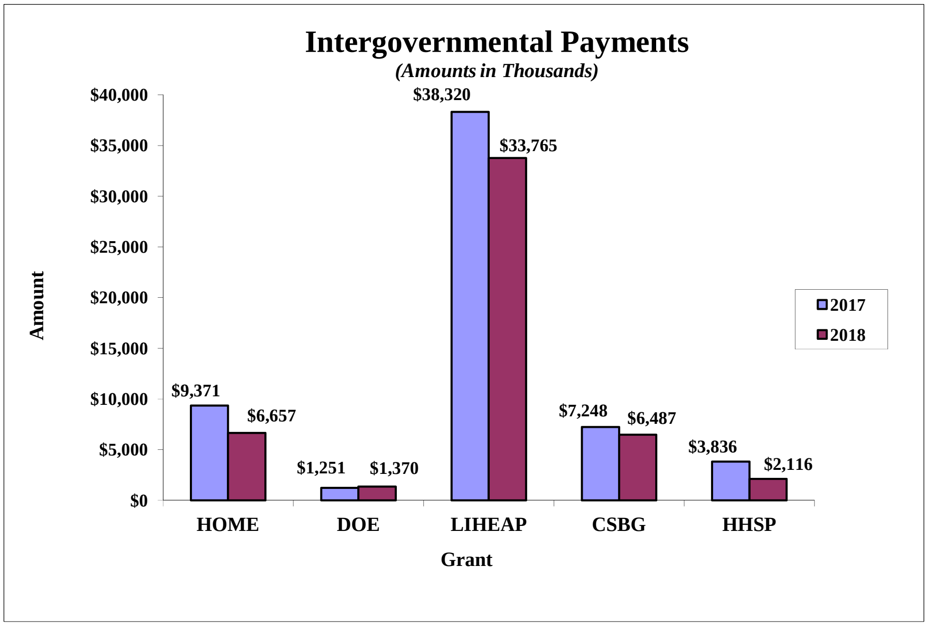
ESG	Emergency Solutions Grants Program
SEC 8	Section 8 Housing Assistance Program
HOME	HOME Investment Partnerships Program
DOE	Department of Energy
LIHEAP	Low-Income Home Energy Assistance Program
HHSP	Homeless Housing and Services Program
CSBG	Community Services Block Grant

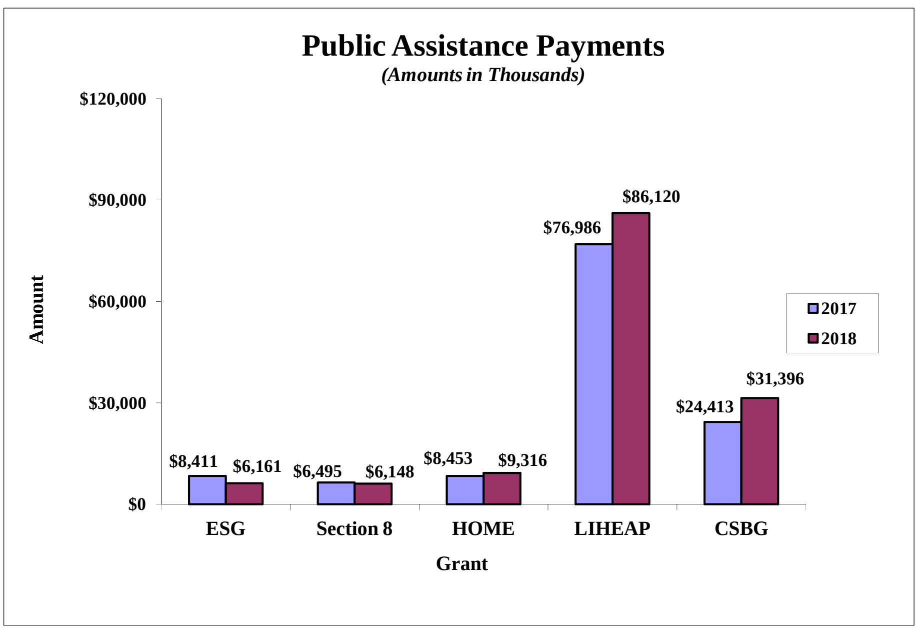
Federal Revenues: Receipts from the State's participation in programs financed with federal funds.



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, 2018 and August 31, 2017.

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

			Increase / (Decrease)	
OPERATING REVENUES	**2018**	**2017**	**Amount**	**%**
Interest and Investment Income	$ 68,523,400	$ 67,748,337	$ 775,063	1.1
Net Increase (Decrease) in Fair Value	(21,141,333)	(10,550,364)	(10,590,969)	100.4
Other Operating Revenues	67,699,696	34,022,990	33,676,706	99.0
Total Operating Revenues	115,081,763	91,220,963	23,860,800	26.2
OPERATING EXPENSES				
Professional Fees and Services	1,743,449	2,065,367	(321,918)	(15.6)
Depreciation Expense	42,835	49,702	(6,867)	(13.8)
Interest	55,526,429	56,866,220	(1,339,791)	(2.4)
Bad Debt Expense	3,892,292	174,118	3,718,174	2,135.4
Other Operating Expenses	48,713,879	38,953,947	9,759,932	25.1
Total Operating Expenses	109,918,884	98,109,354	11,809,530	12.0
Operating Income (Loss)	5,162,879	(6,888,391)	12,051,270	(175.0)
TRANSFERS	2,494,773	2,628,756	(133,983)	(5.1)
CHANGE IN NET POSITION	7,657,652	(4,259,635)	11,917,287	(279.8)
Beginning Net Position	269,940,598	274,200,233	(4,259,635)	(1.6)
Restatement	(25,423,798)	-	(25,423,798)	-
Beginning Net Assets Restated	244,516,800	274,200,233	(29,683,433)	(10.8)
Ending Net Position	$ 252,174,452	$ 269,940,598	$ (17,766,146)	(6.6)

Net position of the Department's proprietary fund decreased by $17.8 million, or 6.6%, to $252.2 million.

Proprietary Fund Cont'd

Earnings within the Department's proprietary fund were $115.1 million of which $94.9 million is classified as restricted and $20.2 million is unrestricted. Restricted earnings are composed of $67.3 million in interest and investment income, $21.1 million net decrease in fair value of investments, and $48.7 million in other operating revenues primarily related to single family activity. Interest and investment income are restricted per bond covenants for debt service. The net 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 $1.2 million in interest and investment income and $19.0 million in other operating revenue.

Interest earned on program loans decreased by $1.7 million, or 4.3%, primarily due to a decrease in the Department's Multifamily Bond Program, resulting from various bond issuances having securitized loans in the form of mortgage-back securities and recognizing investment income instead of interest earned on program loans.

Investment income increased $2.3 million or 8.4% due to higher investment balances and increasing interest rates. The change was primarily due to increases of $3.5 million, or 19.8% in the Single Family Revenue Bond Program funds and $697.4 thousand in the Multifamily Bond Program offset by a decrease of $1.2 million, or 14.0% in the Residential Mortgage Revenue Bond Program.

The net change in fair value of investments decreased by $10.6 million primarily due to the decreasing fair value of the Department's mortgage backed securities.

Other operating revenues increased $33.7 million primarily related to activity within the single family indentures resulting from an increase of settlement fees due to an increase in mortgage volume.

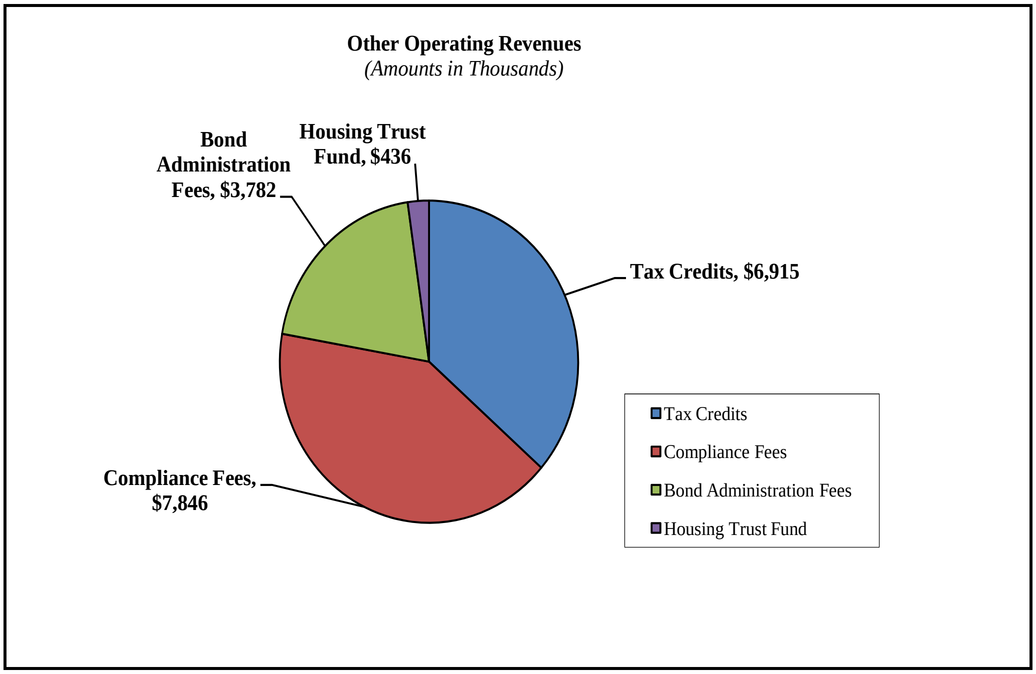
Interest expense decreased $1.3 million related to the Department's debt. One of the factors in this decrease is the Department's decision to pay down its bonds on a monthly basis as opposed to every six months and a decreasing trend in interest incurred related to the Department's Swaps, resulting in a decrease in interest of $1.0 million.

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 $19.0 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 2018 and 2017.

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

Program	2018	2017	Increase / (Decrease) Amount	Increase / (Decrease) %
Single Family	$ 106,360	$ 94,975	$ 11,385	12.0
RMRB	95,247	98,215	(2,968)	(3.0)
CHMRB	1,772	1,778	(6)	(0.3)
Multifamily	(2,501)	(2,452)	(49)	2.0
General Funds	8,103	6,352	1,751	27.6
TMP	20,183	22,314	(2,131)	(9.6)
Housing Trust Fund	59,131	58,568	563	1.0
Administration Fund	(52,004)	(24,221)	(27,783)	114.7
Housing Initiatives & Compliance	15,883	14,412	1,471	10.2
Total	$ 252,174	$ 269,941	$ (17,767)	(6.6)

Proprietary Fund Cont'd

The Net Position of the Single Family Mortgage Revenue Bond Program increased by $11.4 million, or 12.0%, primarily due to a positive difference between interest income and interest expense of $9.1 million and a $17.8 million positive difference between other operating revenue and other operating expenses offset by a negative change in fair value of investments of $14.3 million and bad debt expense of $1.1 million.

The Net Position of the Residential Mortgage Revenue Bond Program decreased by $3.0 million, or 3.0%, primarily due to a positive difference between interest income and interest expense of $2.6 million and a $4.0 million positive difference between other operating revenue and other operating expenses offset by a negative change in fair value of investments of $6.7 million and bad debt expense of $2.5 million.

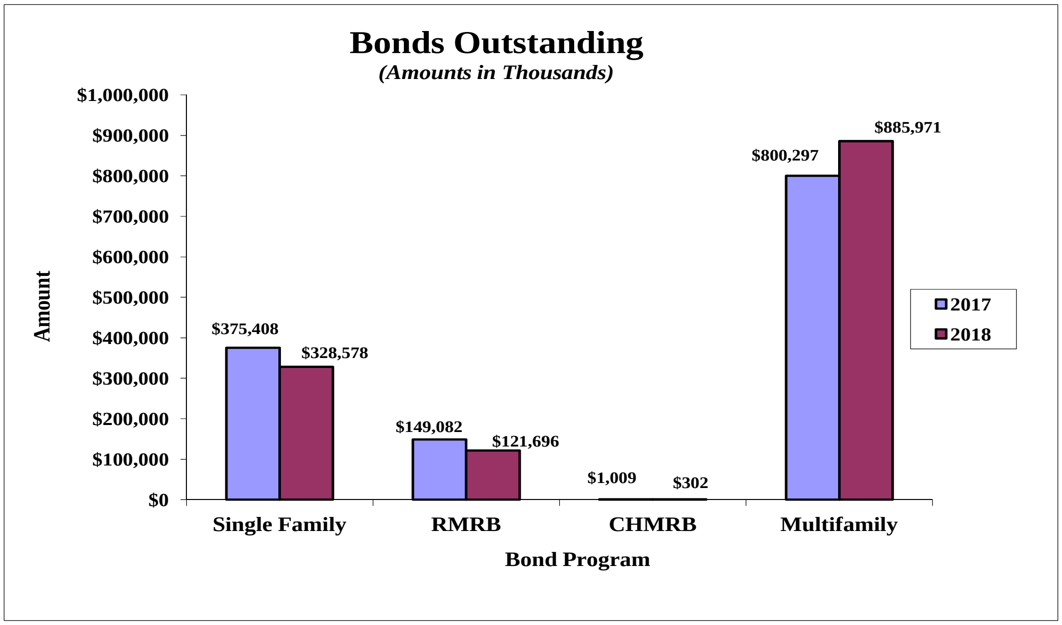
The Net Position of the Taxable Mortgage Program decreased by $2.1 million primarily due to a transfer of $2.5 million to fund the Department's operating budget.

The Net Position of the Housing Initiatives & Compliance Programs increased $1.5 million or 10.2% which is reflective of a positive difference of $1.2 million between fees collected of $14.8 million and $13.6 million of transfers made to fund the operating budget.

The Net Position of the Administration Fund decreased by $27.8 million primarily due to the implementation of GASB 74 and GASB 75 requiring for the Department to recognize it's proportionate share of the OPEB liability reported by ERS Plan.

Department Bond Debt

The Department had an increase in bonds payable of $10.9 million to $1.3 billion of which $12.2 million is due within one year. It issued $165.3 million in bonds during the year and had $154.4 million in bond debt retirements during the year primarily due to consumer refinancing and paying off of original loans. For additional information, see Note 6, Bonded Indebtedness, and supplementary bond information schedules. The following graph illustrates a comparison of bonds outstanding between fiscal year 2017 and 2018 per bond program.



Request for Information

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

BASIC

FINANCIAL STATEMENTS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I
STATEMENT OF NET POSITION - GOVERNMENT-WIDE
As of August 31, 2018

	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	371,221	391,221
Cash in State Treasury		1,907,534	1,907,534
Cash Equivalents		37,703,659	37,703,659
Restricted:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank		58,595,119	58,595,119
Cash in State Treasury	43,465,018		43,465,018
Cash Equivalents	91,811	94,526,078	94,617,889
Short-term Investments (Note 3)		231,129	231,129
Loans and Contracts		76,205,798	76,205,798
Interest Receivable		8,954,468	8,954,468
Federal Receivable	15,142		15,142
Legislative Appropriations	4,133,839		4,133,839
Receivables From:			
Interest Receivable	118,848	313,740	432,588
Accounts Receivable		265,777	265,777
Internal Balances (Note 11)	(81,820)	81,820	-
Due From Other Agencies (Note 11)	6,334		6,334
Consumable Inventories	6,739	6,739	13,478
Loans and Contracts	22,820,597	3,004,162	25,824,759
Other Current Assets		346,353	346,353
Total Current Assets	70,596,708	282,513,797	353,110,505
Non-Current Assets:			
Investments (Note 3)		942,954	942,954
Loans and Contracts		48,398,834	48,398,834
Capital Assets (Note 2):			
Depreciable or Amortizable, Net	107,301	113,900	221,201
Restricted Assets:			
Investments (Note 3)		674,983,532	674,983,532
Loans and Contracts	442,410,928	961,187,712	1,403,598,640
Other Non-Current Assets:			
Real Estate Owned, Net		42,960	42,960
Total Non-Current Assets	442,518,229	1,685,669,892	2,128,188,121
Total Assets	$ 513,114,937	1,968,183,689	$ 2,481,298,626
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources (Note 19)	$ 6,226,231	12,053,472	$ 18,279,703
Total Deferred Outflows of Resources	$ 6,226,231	12,053,472	$ 18,279,703

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I (Continued)
STATEMENT OF NET POSITION - GOVERNMENT-WIDE
As of August 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	$ 2,535,179	1,475,119	$ 4,010,298
Accrued Bond Interest Payable		11,872,732	11,872,732
Payroll Payable	1,285,894	237,829	1,523,723
Due To Other Agencies (Note 11)	3,403		3,403
Unearned Revenues	18,645,318	6,668,903	25,314,221
Employees' Compensable Leave (Note 5)	666,644	883,349	1,549,993
Net OPEB Liability (Note 10)	110,514	110,515	221,029
Notes Payable (Note 5)		214,705	214,705
Revenue Bonds Payable (Notes 5 & 6)		12,181,059	12,181,059
Restricted Short-Term Debt (Note 4)		67,842,893	67,842,893
Other Current Liabilities		363,187	363,187
Total Current Liabilities	23,246,952	101,850,291	125,097,243
Non-Current Liabilities:			
Employees' Compensable Leave (Note 5)	428,844	532,263	961,107
Notes Payable (Note 5)		109,532,219	109,532,219
Net Pension Liability (Note 9)	28,910,839	30,784,686	59,695,525
Net OPEB Liability (Note 10)	21,669,626	21,669,626	43,339,252
Revenue Bonds Payable (Notes 5 & 6)		1,324,365,960	1,324,365,960
Derivative Hedging Instrument (Note 7)		5,097,825	5,097,825
Other Non-Current Liabilities (Note 5)		128,637,107	128,637,107
Total Non-Current Liabilities	51,009,309	1,620,619,686	1,671,628,995
Total Liabilities	74,256,261	1,722,469,977	$ 1,796,726,238
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources (Note 19)	$ 6,014,794	5,592,732	$ 11,607,526
Total Deferred Inflows of Resources	$ 6,014,794	5,592,732	$ 11,607,526
NET POSITION			
Invested in Capital Assets	107,301	113,900	221,201
Restricted	490,537,843	222,460,708	712,998,551
Unrestricted	(51,575,031)	29,599,844	(21,975,187)
Total Net Position	$ 439,070,113	252,174,452	$ 691,244,565

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 II
STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE
For the Year Ended August 31, 2018

		Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
				Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**2018 Total**
Primary Government						
Governmental Activities:						
Manufactured Housing	$ 5,060,087	$ 6,933,132	$	$ 1,873,044	$	$ 1,873,044
HOME Investment in Affordable Housing	17,810,164		17,033,211	(776,953)		(776,953)
Energy Assistance	125,838,688		125,842,929	4,241		4,241
Community Services	46,625,649		46,629,094	3,445		3,445
Community Development	1,196,091		(90,931)	(1,287,022)		(1,287,022)
Ending Homelessness	52	93,626		93,574		93,574
Section 8	6,982,999		6,652,219	(330,780)		(330,780)
Section 811	371,898		364,688	(7,210)		(7,210)
Temporary Assistance for Needy Families	10,000		10,000	-		-
Tax Credit Assistance Program - ARRA	1,896,872		2,597,684	700,812		700,812
Money Follows the Person	155,972	133,404		(22,568)		(22,568)
Homeless Housing & Services Program	3,805,273			(3,805,273)		(3,805,273)
Housing Trust Fund	533,743	(147)	233,304	(300,586)		(300,586)
National Housing Trust Fund	29,226		901,245	872,019		872,019
Administration	6,405,823	22,377	1,336,369	(5,047,077)		(5,047,077)
Total Governmental Activities	216,722,537	7,182,392	201,509,812	(8,030,334)		(8,030,334)
Business-type Activities:						
Single Family Bonds	48,601,471	77,696,383			29,094,912	29,094,912
Multifamily Bonds	38,884,450	38,836,066			(48,384)	(48,384)
Housing Trust Fund Program	2,031,780	689,619			(1,342,161)	(1,342,161)
Administration	20,401,183	18,543,911			(1,857,272)	(1,857,272)
Total Business-type Activities	109,918,884	135,765,979			25,847,095	25,847,095
Total Primary Government	$ 326,641,421	$ 142,948,371	$ 201,509,812	(8,030,334)	25,847,095	17,816,761

	Governmental Activities	Business-type Activities	2018 Total
General Revenues:			
Original Appropriations	9,860,817		9,860,817
Additional Appropriations	1,624,497		1,624,497
Interest & Other Investment Income	445,118	457,117	902,235
Appropriations Lapsed	(232,495)		(232,495)
Other Revenues	377,769		377,769
Net (Decrease) in Fair Value of Investments		(21,141,333)	(21,141,333)
Transfers In (Out) (Note 11)	(6,800,860)	2,494,773	(4,306,087)
Total General Revenues and Transfers	5,274,846	(18,189,443)	(12,914,597)
Change in Net Position	(2,755,488)	7,657,652	4,902,164
Net Position, September 1, 2017	467,249,398	269,940,598	737,189,996
Restatement (Note 13)	(25,423,797)	(25,423,798)	(50,847,595)
Net Position, September 1, 2017, as Restated	441,825,601	244,516,800	686,342,401
Net Position - August 31, 2018	$ 439,070,113	$ 252,174,452	$ 691,244,565

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, 2018

		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		43,465,018
Cash Equivalents		91,811
Federal Receivable		15,142
Legislative Appropriations		4,133,839
Receivables From:		
Interest		118,848
Interfund Receivable (Note 11)		81,777
Due From Other Agencies (Note 11)		6,334
Consumable Inventories		6,739
Restricted - Loans and Contracts		22,820,597
Total Current Assets		70,760,305
Non-Current Assets:		
Restricted - Loans and Contracts		442,410,928
Total Non-Current Assets		442,410,928
Total Assets		513,171,233
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payable		2,535,179
Payroll Payable		1,285,893
Interfund Payable (Note 11)		163,597
Due To Other Agencies (Note 11)		3,403
Unearned Revenues		18,645,318
Total Liabilities		22,633,390
FUND FINANCIAL STATEMENT-FUND BALANCES		
Fund Balances:		
Reserved for:		
Nonspendable		6,740
Restricted		487,613,223
Assigned		447,700
Unassigned		2,470,180
Total Fund Balances as of August 31		490,537,843
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.		107,301
Long term liabilities relating to employees' compensable leave, pensions, and OPEB are not due and payable in the current year therefore are not reported in the funds.		(51,575,031)
NET POSITION AS OF AUGUST 31	$	439,070,113

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, 2018

		Total
REVENUES		
Legislative Appropriations:		
Original Appropriations (GR)	$	9,860,817
Additional Appropriations (GR)		1,624,497
Federal Revenue (PR-OP G/C)		201,199,512
Federal Revenue Grant Pass-Thru Revenue (PR-OP G/C)		38,929
State Grant Pass-Through Revenue (PR-OP G/C)		38,067
Licenses, Fees & Permits (PR-C/S)		6,435,942
Interest and Other Investment Income (GR)		678,423
Sales of Goods and Services (PR-C/S)		746,450
Other (GR)		377,769
Total Revenues		221,000,406
EXPENDITURES		
Salaries and Wages		9,526,085
Payroll Related Costs		3,019,993
Professional Fees and Services		333,030
Travel		503,138
Materials and Supplies		144,521
Communication and Utilities		135,919
Repairs and Maintenance		427,176
Rentals & Leases		176,696
Printing and Reproduction		23,897
Claims and Judgments		167,730
Intergovernmental Payments		51,823,574
Public Assistance Payments		147,348,394
Other Expenditures		207,733
Capital Outlay		4,864
Total Expenditures		213,842,750
Excess of Revenues Over Expenditures		7,157,656
OTHER FINANCING SOURCES (USES)		
Transfers In (Note 11)		91,566
Transfers Out (Note 11)		(6,892,426)
Total Other Financing (Uses)		(6,800,860)
Net Change in Fund Balances		356,796
FUND FINANCIAL STATEMENT-FUND BALANCES		
Fund Balances--Beginning		490,413,542
Appropriations (Lapsed)		(232,495)
Fund Balances - August 31	$	490,537,843

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

EXHIBIT IV (Continued)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
Year Ended August 31, 2018

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)	$	356,796
Restatement (Note 13)		(25,423,797)
Appropriations (Lapsed)		(232,495)
Changes in Fund Balances		(25,299,496)
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to:		
- capital outlay expense		4,864
- depreciation expense		(42,882)
- payroll expense due to Compensable Leave		(89,547)
- additional pension/OPEB expense related to GASB 68/71/75		(2,752,224)
Change in Net Position, August 31 (Exhibit II)	$	(28,179,285)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V
STATEMENT OF NET POSITION - PROPRIETARY FUND
August 31, 2018

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3)	
Cash on Hand	$ 200
Cash in Bank	371,221
Cash in State Treasury	1,907,534
Cash Equivalents	37,703,659
Restricted Assets:	
Cash and Cash Equivalents (Note 3)	
Cash in Bank	58,595,119
Cash Equivalents	94,526,078
Short-term Investments (Note 3)	231,129
Loans and Contracts	76,205,798
Interest Receivable	8,954,468
Receivable:	
Interest Receivable	313,740
Accounts Receivable	265,777
Interfund Receivable (Note 11)	81,820
Consumable Inventories	6,739
Loans and Contracts	3,004,162
Other Current Assets	346,353
Total Current Assets	282,513,797
Non-Current Assets:	
Investments (Note 3)	942,954
Loans and Contracts	48,398,834
Capital Assets: (Note 2)	
Depreciable or Amortizable, Net	113,900
Restricted Assets:	
Investments (Note 3)	674,983,532
Loans and Contracts	961,187,712
Real Estate Owned, net	42,960
Total Non-Current Assets	1,685,669,892
Total Assets	$ 1,968,183,689
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources (Note 19)	$ 12,053,472
Total Deferred Outflows of Resources	$ 12,053,472

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, 2018

LIABILITIES	
Current Liabilities	
Payables:	
Accounts Payable	$ 1,475,119
Payroll Payable	237,829
Accrued Bond Interest Payable	11,872,732
Unearned Revenues	6,668,903
Employees' Compensable Leave (Note 5)	883,349
Net OPEB Liability (Note 10)	110,515
Notes and Loans Payable (Note 5)	214,705
Revenue Bonds Payable (Notes 5 & 6)	12,181,059
Restricted Short-Term Debt (Note 4)	67,842,893
Other Current Liabilities	363,187
Total Current Liabilities	101,850,291
Non-Current Liabilities	
Employees' Compensable Leave (Note 5)	532,263
Notes and Loans Payable (Note 5)	109,532,219
Net Pension Liability (Note 9)	30,784,686
Net OPEB Liability (Note 10)	21,669,626
Revenue Bonds Payable (Note 5 & 6)	1,324,365,960
Derivative Hedging Instrument (Note 7)	5,097,825
Other Non-Current Liabilities (Note 5)	128,637,107
Total Non-Current Liabilities	1,620,619,686
Total Liabilities	$ 1,722,469,977
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources (Note 19)	$ 5,592,732
Total Deferred Inflows of Resources	$ 5,592,732
NET POSITION	
Invested in Capital Assets	113,900
Restricted	222,460,708
Unrestricted	29,599,844
Total Net Position	$ 252,174,452

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, 2018

	Total
OPERATING REVENUES	
Interest and Investment Income	$ 68,523,400
Net (Decrease) in Fair Value	(21,141,333)
Other Operating Revenues	67,699,696
Total Operating Revenues	115,081,763
OPERATING EXPENSES	
Salaries and Wages	10,961,515
Payroll Related Costs	6,583,168
Professional Fees and Services	1,743,449
Travel	307,707
Materials and Supplies	259,117
Communications and Utilities	168,212
Repairs and Maintenance	667,021
Rentals and Leases	76,569
Printing and Reproduction	28,711
Depreciation and Amortization	42,836
Interest	55,526,429
Bad Debt Expense	3,892,292
Down Payment Assistance	1,677,489
Other Operating Expenses	27,984,369
Total Operating Expenses	109,918,884
Operating Income	5,162,879
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Transfers In (Note 11)	2,494,773
Total Other Revenues, Expenses, Gains, Losses and Transfers	2,494,773
CHANGE IN NET POSITION	7,657,652
Net Position, September 1, 2017	269,940,598
Restatement (Note 13)	(25,423,798)
Net Position, September 1, 2017, as Restated	244,516,800
NET POSITION, AUGUST 31, 2018	$ 252,174,452

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2018

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	$ 1,059,283,339
Proceeds from Other Revenues	87,435,836
Payments to Suppliers for Goods/Services	(60,766,124)
Payments to Employees	(14,621,709)
Payments for Loans Provided	(976,289,428)
Net Cash Provided by Operating Activities	95,041,914
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Debt Issuance	1,830,128,763
Proceeds from Note Payable	25,864,983
Proceeds of Transfers from Other Funds	2,494,773
Payments of Principal on Debt Issuance	(1,816,276,083)
Payments of Interest	(55,018,339)
Net Cash (Used for) Noncapital Financing Activities	(12,805,903)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Capital Assets	(6,955)
Net Cash (Used for) Capital Activities	(6,955)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	115,265,837
Proceeds from Interest/Investment Income	31,904,748
Payments to Acquire Investments	(175,357,630)
Net (Used for) Investing Activities	(28,187,045)
Net Increase in Cash and Cash Equivalents	54,042,011
Cash and Cash Equivalents, September 1, 2017	139,061,800
Cash and Cash Equivalents, August 31, 2018	$ 193,103,811

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, 2018

		Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	5,162,879
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation		42,836
Pension Expense		3,152,986
OPEB Expense		1,165,588
Provision for Uncollectibles		3,892,292
Operating Income and Cash Flow Categories		
Classification Differences		21,112,785
Changes in Assets and Liabilities:		
Decrease in Receivables		114,887
(Increase) in Accrued Interest Receivable		(570,030)
Decrease in Loans / Contracts		12,589,117
(Increase) in Other Assets		(368,844)
Increase in Payables		340,339
Increase in Unearned Revenues		425,559
Increase in Accrued Interest Payable		123,615
Increase in Other Liabilities		47,857,905
Total Adjustments		89,879,035
Net Cash Provided by Operating Activities	$	95,041,914

NON CASH TRANSACTIONS
Net Change in Fair Value of Investments for 2018 was ($21,141,333)

EXHIBIT VIII
STATEMENT OF FIDUCIARY NET POSITION
As of August 31, 2018

AGENCY FUND		Total
ASSETS		
Current Assets:		
Restricted:		
Cash in State Treasury (Note 3)	$	487,143
Total Current Assets		487,143
Total Assets	$	487,143
LIABILITIES		
Current Liabilities:		
Funds Held for Others	$	487,143
Total Current Liabilities		487,143
Total Liabilities	$	487,143

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Fiduciary Fund Types

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The fiduciary activity is not included in the government-wide financial statements.

Basis of Accounting

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

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

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

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

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

The Department has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 as allowed by GASB Statement No. 20.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Investments

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

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

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

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

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

The Department has reported all investment securities at fair value as of August 31, 2018 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

acquired by proprietary funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the donation date. Depreciation is charged to operations over the estimated useful life of each asset using the straight-line method.

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

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

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

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

Deferred Outflows of Resources

Deferred Outflows of Resources
The Department identified its derivative instruments and measured their effectiveness in accordance with Governmental Accounting Standards Board 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

The Department has also implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, GASB* Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans and* GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The Department will be reporting its allocated contributions as of the measurement date of August 31, 2017, contributions after the measurement date for fiscal year 2018, and the effect of changes in actuarial assumptions as deferred outflows of resources.

Liabilities

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

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

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

Net OPEB Liability
The Department has implemented GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB No.75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The Department has relied on reports issued by the Employees Retirement System of Texas who is the administrator of the plan. The Department has reported its proportionate share of the OPEB liability according to their report.

Bonds Payable – Revenue Bonds
Revenue bonds are accounted for in the proprietary 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 non-current 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 issued two notes which are subordinate lien obligations. The 2016 Issuer Note has a loan agreement with Woodforest National Bank and the 2018 Issuer Note syndicated between Woodforest National Bank, Tolleson Private Bank, and Hancock Whitney Bank to provide funding for down payment assistance in connection with Texas Homeownership Programs.

Discounts and Premiums on Debt

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

Derivative Hedging Instruments

Per 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, 2018, 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, GASB No. 74, and GASB No. 75. 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, 2018 is below:

	PRIMARY GOVERNMENT				
	Balance 09/01/17	Adjustments	Additions	Deletions	Balance 08/31/18
GOVERNMENTAL ACTIVITIES					
Depreciable Assets					
Furniture and Equipment	$ 688,095	$ -	$ 4,864	$ (98,187)	$ 594,772
Other Capital Assets	130,964				130,964
Total Depreciable Assets	$ 819,059	$ -	$ 4,864	$ (98,187)	$ 725,736
Less Accumulated Depreciation for:					
Furniture and Equipment	$ (542,776)		$ (42,882)	$ 98,187	$ (487,471)
Other Capital Assets	(130,964)				(130,964)
Total Accumulated Depreciation	(673,740)	-	(42,882)	98,187	(618,435)
Depreciable Assets, Net	$ 145,319	$ -	$ (38,018)	$ -	$ 107,301
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	$ 145,319	$ -	$ (38,018)	$ -	$ 107,301

	PRIMARY GOVERNMENT				
	Balance 09/01/17	Adjustments	Additions	Deletions	Balance 08/31/18
BUSINESS-TYPE ACTIVITIES					
Depreciable Assets					
Furniture and Equipment	$ 637,336	$ -	$ 6,955	$ (79,522)	$ 564,769
Other Capital Assets	132,279				132,279
Total Depreciable Assets	$ 769,615	$ -	$ 6,955	$ (79,522)	$ 697,048
Less Accumulated Depreciation for:					
Furniture and Equipment	$ (487,555)	$	$ (42,836)	$ 79,522	$ (450,869)
Other Capital Assets	(132,279)				(132,279)
Total Accumulated Depreciation	(619,834)	-	(42,836)	79,522	(583,148)
Depreciable Assets, Net	$ 149,781	$ -	$ (35,881)	$ -	$ 113,900
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	$ 149,781	$ -	$ (35,881)	$ -	$ 113,900

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, 2018, the carrying amount of deposits was $58,986,340.

Governmental and Business-Type Activities	
CASH IN BANK - CARRYING VALUE	$ 58,986,340

Governmental Funds Current Assets Cash in Bank	$ 20,000
Texas Treasury Safekeeping Trust	371,221
Texas Treasury Safekeeping Trust - Restricted	243,812
Demand Deposits	58,351,307
Cash in Bank	$ 58,986,340

At August 31, 2018, the Department's cash and deposits in the State Treasury amounted to $45,859,695 which included $487,143 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 $87,478,117 in overnight repurchase agreements maturing on the following business day, September 4, 2018, at a rate of 1.00%.

At August 31, 2018, the fair value of investments (including both short-term and long-term) and cash equivalents are shown below.

	Fair Value Hierarchy				
	Level 1 Inputs	**Level 2 Inputs**	**Level 3 Inputs**	**Amortized Cost**	**Total**
Governmental Activities					
Repurchase Agreements (TTSTC)	$ -	$ -	$ -	$ 91,811	$ 91,811
Total Governmental Activities					**$ 91,811**
Business Type Activities					
U.S. Government					
U.S. Treasury Notes	$ 44,297,821	$ -	$ -	$ -	$ 44,297,821
U.S. Government Agency Obligations		603,405,179			$ 603,405,179
Repurchase Agreements (TTSTC)				87,386,306	87,386,306
Fixed Income Money Markets				44,843,431	44,843,431
Misc (Investment Agreements/GICs)				28,454,615	28,454,615
Total Business-Type Activities					**$ 808,387,352**
Total Investments					**$ 808,479,163**

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, 2018, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Investment Type	Not Rated	AAA	AA+
Governmental Activies			
Repurchase Agreements (TTSTC)	$91,811		
Business-Type Activities			
U.S. Government Agency Obligations			$161,530,788
U.S. Treasury Notes		$44,297,821	
Repurchase Agreements (TTSTC)	$87,386,306		
Misc (Investment Agreements/GICs)	$28,454,615		

	Not Rated	AAA-M	AA-M
Fixed Income Money Market		$44,843,431	

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 $441,874,391 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, 2018, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value	% of Total Portfolio
Natwest	$87,478,117	10.82%

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)

Governmental Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
Repurchase Agreements (TTSTC)	$ 91,811	$ 91,811	$ -	$ -	$ -
Total Governmental Activities	$ 91,811	$ 91,811	$ -	$ -	$ -
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	$ 603,405,179	$ 10,313	$ 57,334	$ 373,384	$ 602,964,148
U.S. Treasury Notes	$ 44,297,821	220,816	44,077,005		
Repurchase Agreements (TTSTC)	87,386,306	87,386,306			
Fixed Income Money Markets	44,843,431	44,843,431			
Misc (Investment Agreements/GICs)	28,454,615				28,454,615
Total Business-Type Activities	$ 808,387,352	$ 132,460,866	$ 44,134,339	$ 373,384	$ 631,418,763

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. Any other fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2018, the Department holds $603,405,179 in mortgage-backed securities.

NOTE 4: SHORT-TERM DEBT

Business-Type Activities	Balance 09/01/17	Additions	Reductions	Balance 08/31/18
Short -Term Debt	$ 81,182,741	1,664,818,763	1,678,158,611	$ 67,842,893
Total Business-Type Activities	$ 81,182,741	1,664,818,763	1,678,158,611	$ 67,842,893

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 $67,842,893.

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, 2018, the maximum aggregate principal amount available for advances under the Advances Agreement was $175 million.

NOTE 5: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2018, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/2017	Additions	Reductions	Balance 08/31/2018	Amounts Due Within One Year
Compensable Leave	$ 1,005,941	1,155,778	1,066,231	$ 1,095,488	$ 666,644
Total Governmental Activities	$ 1,005,941	1,155,778	1,066,231	$ 1,095,488	$ 666,644

Business-Type Activities	Balance 09/01/2017	Additions	Reductions	Balance 08/31/2018	Amounts Due Within One Year
Revenue Bonds Payable	$ 1,325,795,954	165,310,000	154,558,935	$ 1,336,547,019	$ 12,181,059
Notes Payable	84,125,198	25,864,983	243,257	109,746,924	214,705
Compensable Leave	1,061,601	1,585,706	1,231,695	1,415,612	883,349
Total Business-Type Activities	$ 1,410,982,753	192,760,689	156,033,887	$ 1,447,709,555	$ 13,279,113

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 $154,558,935 in reductions is inclusive of $179,185 in amortization of bond premium/discount.

NOTE 5: SUMMARY OF LONG TERM LIABILITIES Cont'd

Notes Payable

The Department has two Issuer Notes associated with its Single Family and RMRB indentures and four Multifamily Notes outstanding at August 31, 2018. The Department primarily 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.

The Department also has issued two notes which are subordinate lien obligations to provide funding for down payment assistance in connection with Texas Homeownership Programs. The 2016 Issuer Note has a loan agreement with Woodforest National Bank and the 2018 Issuer Note syndicated between Woodforest National Bank, Tolleson Private Bank, and Hancock Whitney Bank.

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

Year	Principal	Interest	Total
2019	$ 214,705	$ 4,702,826	$ 4,917,531
2020	243,899	4,798,166	5,042,065
2021	284,110	4,781,362	5,065,472
2022	393,779	4,766,889	5,160,668
2023	412,078	4,748,969	5,161,047
2024-28	24,362,406	23,056,142	47,418,548
2029-33	14,442,647	20,679,856	35,122,503
2034-38	69,393,300	8,143,846	77,537,146
Totals	**$ 109,746,924**	**$ 75,678,056**	**$ 185,424,980**

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 $128,637,107. 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 89 bond issues outstanding at August 31, 2018. 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, and 1-E.)

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

Interest on bonds and collateralized mortgage obligations is payable periodically.

The Single Family, RMRB and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily 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, 2018, are as follows (in thousands):

Description	2019	2020	2021	2022	2023	2024 to 2028	2029 to 2033
Single-family	$	$	$	$	$	$ 2,680	$ 29,450
RMRB	3,830	4,095	4,175	4,290	4,310	21,810	22,310
CHMRB						300	
Multifamily	8,280	9,000	54,510	10,458	11,046	101,307	123,414
Total	$ 12,110	$ 13,095	$ 58,685	$ 14,748	$ 15,356	$ 126,097	$ 175,174

Description	2034 to 2038	2039 to 2043	2044 to 2048	2049 to 2053	2054 to 2058	2058 to 2062	Total
Single-family	$ 73,070	$ 81,915	$ 140,893	$	$	$	$ 328,008
RMRB	32,210	24,240					121,270
CHMRB							300
Multifamily	269,115	222,145	67,377	5,565	3,565		885,782
Total	$ 374,395	$ 328,300	$ 208,270	$ 5,565	$ 3,565	$	$ 1,335,360

NOTE 6: BONDED INDEBTEDNESS Cont'd

Interest requirements on variable rate debt are calculated using the interest rate in effect at August 31, 2018. Interest rates on variable rate debt reset on a weekly basis by the remarketing agent.

The interest payment requirements at August 31, 2018, are as follows (in thousands):

Description	2019	2020	2021	2022	2023	2024 to 2028	2029 to 2033
Single-family	$ 8,504	$ 8,581	$ 8,575	$ 8,578	$ 8,578	$ 42,889	$ 41,776
RMRB	4,448	4,302	4,134	3,957	3,769	15,813	11,004
CHMRB	20	20	22	20	22	17	
Multifamily	36,617	36,165	35,467	34,178	33,601	154,206	125,915
Total	$ 49,589	$ 49,068	$ 48,198	$ 46,733	$ 45,970	$ 212,925	$ 178,695

Description	2034 to 2038	2039 to 2043	2044 to 2048	2049 to 2053	2054 to 2058	2059 to 2063	Total
Single-family	$ 37,108	$ 23,177	$ 15,793	$	$	$	$ 203,559
RMRB	6,522	1,183					55,132
CHMRB							121
Multifamily	82,519	34,458	8,989	1,878	82		584,075
Total	$ 126,149	$ 58,818	$ 24,782	$ 1,878	$ 82	$	$ 842,887

Changes in Bonds Payable

Description	Bonds Outstanding 09/01/17	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinquished	Bonds Outstanding 08/31/18	Amounts Due Within One Year
Single Family	$ 374,800,014	$ -	$ 5,000	$ 46,787,102	$ 328,007,912	$ 19,647
RMRB	148,390,000		4,210,000	22,910,000	121,270,000	3,865,116
CHMRB	1,000,000			700,000	300,000	402
Multifamily	800,239,915	165,310,000	7,609,119	72,158,529	885,782,267	8,295,894
Total Principal	$ 1,324,429,929	$ 165,310,000	$ 11,824,119	$ 142,555,631	$ 1,335,360,179	$ 12,181,059
Unamortized Premium	1,366,025				1,186,840	
Total	$ 1,325,795,954				$ 1,336,547,019	

NOTE 6: BONDED INDEBTEDNESS Cont'd

Demand Bonds

The Department currently holds five single family bond series in the amount $89,465,000 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 08/31/18	Liquidity Facility Expiration Date
2007A	JP Morgan	Comptroller of Public Accounts	0.12%	$ 24,750,000	08/31/19
2005A	JP Morgan	Comptroller of Public Accounts	0.12%	22,060,000	08/31/19
2004D	Piper Jaffray	Comptroller of Public Accounts	0.12%	15,765,000	08/31/19
2004B	JP Morgan	Comptroller of Public Accounts	0.12%	23,035,000	08/31/19
2004A Jr. Lien	JP Morgan	Comptroller of Public Accounts	0.12%	3,855,000	08/31/19
Total Demand Bonds				**$ 89,465,000**	

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 2018, 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, 2018, 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.

Pledged and Other Sources and Related Expenditures for FY 2018							
	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	$ 62,406,047	$ 347,187	$ 5,000	$ 10,913,025	$ 531,567,310	2048	100%
Total Residential Mtg Revenue Bonds	28,311,236	190,242	4,210,000	4,899,468	176,401,569	2041	100%
Total 1992 CHMRB	860,198	26,982		50,604	420,905	2024	100%
Total Multifamily Bonds	107,049,293		7,609,119	34,939,149	1,469,856,889	2054	100%
Total	**$ 198,626,774**	**$ 564,411**	**$ 11,824,119**	**$ 50,802,246**	**$ 2,178,246,673**		

NOTE 7: DERIVATIVE INSTRUMENTS

Variable to Fixed Interest Rate Swap

Objective

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

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

Summary

The fair value balances and notional amounts of derivative instruments outstanding as of August 31, 2018, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2018 financial statements are as follows.

Business Type Activities		Changes in Fair Value		Fair Value at August 31, 2018		
Cash Flow Hedges	**Bond Issue**	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Pay-fixed, receive-variable interest rate swap	2004B	Deferred outflow of resources	$ 1,040,858	Debt	$ (786,901)	$ 23,035,000
Pay-fixed, receive-variable interest rate swap	2004D	Deferred outflow of resources	562,595	Debt	(369,602)	15,765,000
Pay-fixed, receive-variable interest rate swap	2005A	Deferred outflow of resources	1,482,623	Debt	(2,261,814)	22,060,000
Pay-fixed, receive-variable interest rate swap	2007A	Deferred outflow of resources	1,718,273	Debt	(1,679,508)	24,750,000
			$ 4,804,349		$ (5,097,825)	$ 85,610,000

NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

Terms and Fair Value

The terms, including the fair value of the outstanding swaps as of August 31, 2018 are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
Bank of New York Mellon	$ 23,035,000	$ (786,901)	03/01/14	3.67%	65.5% of LIBOR + .20%	09/01/34 (a)
Goldman Sachs Bank USA	15,765,000	(369,602)	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	22,060,000	(2,261,814)	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	24,750,000	(1,679,508)	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	$ 85,610,000	$ (5,097,825)				

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

The Department has adopted 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	$ (5,097,825)		$ (5,097,825)	
Total	$ (5,097,825)		$ (5,097,825)	

- 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.

NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

Credit Risk

As of August 31, 2018, 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	Aa1/Stable
Goldman Sachs Bank USA*	A+/Stable	A1/Negative
JP Morgan Chase Bank	A+/Stable	Aa2/Review for Upgrade

* Guaranteed by Goldman Sachs Group, Inc.

Basis Risk

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

Rollover Risk

Rollover risk is the risk that arises when a derivative 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 partial par termination rights began September 2015, with 100% par termination rights in September 2021.
2004D Single Family	March 2035	Optional early partial par termination rights began March 2015, with 100% par termination rights in September 2021.
2005A Single Family	September 2036	Mandatory par termination each March 1 and September 1 from mortgage loan repayments.
2007A Single Family	September 2038	Mandatory par termination each March 1 and September 1 from mortgage loan repayments.

NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

Swap Payments and Associated Debt

Using rates as of August 31, 2018, 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
2019	$ -	$ 1,295,017	$ 1,707,036	$ 3,002,053
2020		1,369,737	1,707,036	3,076,773
2021		1,363,477	1,707,036	3,070,513
2022		1,366,607	1,707,036	3,073,643
2023		1,366,607	1,707,036	3,073,643
2024-2028	2,680,000	6,830,892	8,530,250	18,041,142
2029-2033	29,450,000	5,718,985	7,237,678	42,406,663
2034-2038	52,880,000	2,079,960	2,774,700	57,734,660
2039-2043	600,000	4,840	7,192	612,032
	$ 85,610,000	**$ 21,396,122**	**$ 27,085,000**	**$ 134,091,122**

Netting Arrangements

The Department's swap agreements allow for netting arrangements. On each payment date, September 1 and March 1, the party with the lesser obligation will be automatically satisfied and discharged and, the obligation of the party with the greater obligation will become the netted amount. As of August 31, 2018, the Department has an aggregate liability related to the interest rate swaps in the amount of $957,939 payable on September 1, 2018.

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: $143,196 for Governmental activities and $44,797 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, 2019 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
2019 (Future Year 1)	$ 133,633	$ 56,857	$ 190,490
2020 (Future Year 2)	129,987	48,145	178,132
2021 (Future Year 3)	17,492	19,924	37,416
2022 (Future Year 4)	-	-	-
2023 (Future Year 5)	-	-	-
Total Minimum Future Lease Rental Payments	$ 281,112	$ 124,926	$ 406,038

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*.

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, 2017 is presented in the table below:

Employees Retirement	
Retirees and Beneficiaries Currently Receiving Benefits	107,530
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	112,192
Vested and Non-Vested	141,629
Total Members	361,351

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

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2017 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 2017 measurement period was $1,911,554. 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, 2017.

The table below presents the actuarial methods and assumptions used to measure the total pension liability as of August 31, 2017:

Actuarial Methods and Assumptions	
Actuarial Valuation Date	August 31, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Actuarial Assumptions:	
Discount Rate	5.36%
Investment Rate of Return	7.50%
Inflation	2.50%
Salary Increase	2.5% to 9.3%
Mortality	
	The mortality rates for active member and disability retirees are based on the RP-2014 Active Member Mortality Tables with generational mortality improvements projected from the year 2014, which is based on the most recent Ultimate MP scale.
Cost-of-living Adjustments	None - Employee 2.75% - Elected

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

A single blended discount rate of 5.36% was applied to measure the total pension liability. The 5.36% discount rate incorporated a 7.5% long-term expected rate of return on pension plan investments and 3.42% 20-year municipal bond rate based on Fidelity Index's "20-Year Municipal GO AA Index". The long-term expected investment rate of return was applied to projected benefit payments through fiscal 2047 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 2017 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.

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%	4.57%
Global Credit	10%	0.29%
Intermediate Treasuries	15%	0.33%
Real Estate	10%	0.53%
Infrastructure	4%	0.29%
Hedge Funds	5%	0.40%
Cash	1%	0.00%
Total	100%	

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

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

Sensitivity of Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 4.36%	**Current Discount Rate 5.36%**	**1% Increase 6.36%**
$77,803,678	$59,695,525	$43,609,484

Note: Some amounts in this schedule are for the Department's proportionate share (.27302363%) 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 2017 CAFR:

Employees Retirement System of Texas
200 E. 18th Street
Austin, Texas 78701

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, 2017. For fiscal 2018 reporting, the measurement date of the net pension liability is August 31, 2017. The schedule of changes in the Department's net pension liability for the fiscal year ending August 31, 2018 is presented below:

Schedule of Changes in Department's Net Pension Liability
For Fiscal Year Ending August 31, 2018

Total Pension Liability-For Department		**Department's Pension Liability**
Service Cost	$	3,978,671
Interest on the Total Pension Liability		6,853,243
Difference between Expected and Actual Experience of the Total Pension Liability		315,704
Assumption Changes		6,060,230
Benefit Payments and Refunds		(6,249,032)
Net Change in Total Pension Liability		10,958,816
Total Pension Liability - Beginning		120,738,030
Total Pension Liability - Ending	$	131,696,846
Plan Fiduciary Net Position		
Contributions - Employer	$	1,911,379
Contributions - Member		1,871,472
Pension Plan Net Investment Income		7,733,743
Benefit Payments and Refunds		(6,249,032)
Pension Plan Administrative Expense		(63,056)
Net Change in Plan Fiduciary Net Position		5,204,506
Plan Fiduciary Net Position - Beginning		66,796,815
Plan Fiduciary Net Position - Ending	$	72,001,321
Net Pension Liability - Beginning	$	53,941,215
Net Pension Liability - Ending	$	59,695,525

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 (.27302363 %) 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 is 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 .27302363% in fiscal 2018 as compared with the .27406237% in the prior measurement period.

For the fiscal year ending August 31, 2018, the Department recognized pension expense of $5,949,030. At August 31, 2018, 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	$ 356,820	$ 53,116
Changes of assumptions	9,696,385	1,923,023
Net difference between projected and actual investment return	290,812	
Contributions subsequent to the measurement date	1,945,911	
Total	**$ 12,289,928**	**$ 1,976,139**

The $1,945,911 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, 2019.

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:	
2019	$ 4,917,538
2020	3,668,954
2021	279,619
2022	(498,233)
2023	-
Thereafter	-

Note: The amounts in this schedule are for the Department's proportionate share (.27302363%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 53% and Governmental 47%.

NOTE 10: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

ERS Plan

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

Audited Comprehensive Annual Financial Report (CAFR) for Employees Retirement System may be obtained from:

Employees Retirement System of Texas
200 E. 18th Street
Austin, Texas 78701

During the measurement period of 2017 for fiscal 2018 reporting, the amount of the Department's contributions recognized by the plan was $1,198,205. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates - Retiree Health and Basic Life Premium		
Retiree Only	$	617
Retiree and Spouse		971
Retiree and Children		854
Retiree and Family		1,208

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

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2017 measurement date.

Actuarial Methods and Assumptions	
Actuarial Valuation Date	August 31, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	3.51%
Inflation	2.50%
Salary Increase	2.5% to 9.5%, including inflation
Health Cost and Trend Rate	2.50%
Aggregate Payroll Growth	3.00%
Retirement Age	Experience-based tables of rates that are specific to the class of employess
Mortality:	
Service Retirees, Survivors, and other Inactive Members	2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017
Disable Retirees	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014
Active Members	RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale projected from the year 2014
Ad Hoc Post-Employment Benefit Changes	None

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2011 to August 31, 2016 for state agency members. The mortality rates were based on the tables identified in the table above titled Actuarial Methods and Assumptions.

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

The following benefit revisions have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary:

a. increase in the out-of-pocket cost applicable to services obtained at a free standing emergency facility,
b. elimination of the copayment for virtual visits,
c. copay reduction for Airrosti and for out of state participants and
d. elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.51% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 2.84%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 2.84%.

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

Sensitivity of Department's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate ($ thousands)		
1% Decrease (2.51%)	**Current Discount Rate (3.51%)**	**1% Increase (4.51%)**
$51,998	$43,560	$37,024

Note: Some amounts in this schedule are for the Department's proportionate share (.12784394%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

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

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

Sensitivity of Department's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate ($ thousands)		
1% Decrease (7.50% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (8.50% decreasing to 4.50%)	1% Increase (9.50% decreasing to 5.50%)
$36,620	$43,560	$52,566

Note: Some amounts in this schedule are for the Department's proportionate share (.12784394%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2017 CAFR.

At August 31, 2018, the Department reported a liability of $43,560,281 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Department's proportion at August 31, 2017 was .12784394%. The Department's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2016 through August 31, 2017.

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

For the year ending August 31, 2018, the Department recognized OPEB expense of $2,331,176. At August 31, 2018, 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	$ -	$ 523,455
Changes of assumptions		9,107,932
Net difference between projected and actual investment return	12,897	
Contributions subsequent to the measurement date	879,053	
Total	**$ 891,950**	**$ 9,631,387**

The $879,053 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, 2019.

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

Year ended August 31:	
2019	$ (2,166,007)
2020	(2,166,007)
2021	(2,166,007)
2022	(2,166,007)
2023	$ (954,462)
Thereafter	-

Note: The amounts in this schedule are for the Department's proportionate share (.12784394%) of the collective amounts for ERS. The proportionate amount is split between Proprietary 50% and Governmental 50%.

NOTE 11: INTERFUND ACTIVITY AND TRANSACTIONS

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

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

The Department experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statements. Individual balances and activity at August 31, 2018, follows:

Fund	Current Interfund Receivable	Current Interfund Payable	Purpose
Governmental Fund (01)			
General Revenue (0001)	$ 47,997	$ 158,830	Expenditure Transfer
Consolidated Federal (0127, 0369)	33,780	4,767	Expenditure Transfer
Subtotal Governmental Fund (01)	***$ 81,777***	***$ 163,597***	
Governmental Fund (01) (Exhibit III)		81,820	*Net Receivable/Payable above*
Enterprise Fund (05, 0896) (Exhibit V)	81,820		Expenditure Transfer
Total Internal Balances (Exhibit I)	**$ 81,820**	**$ 81,820**	

Governmental Fund (01)	Due From Other Agencies	Due To Other Agencies	Source
Appd Fund 0896, D23 Fund 0896			
(Agency 320, D23 Fund 0165)		$ 3,403	Transfers
Appd Fund 0001, D23 Fund 0077			
(Agency 551, D23 Fund 0001)	$ 6,334		Federal P-T
Total Due From Other Agencies/Due To Other Agencies (Exhibit I and Exhibit III)	**$ 6,334**	**$ 3,403**	

NOTE 11: INTERFUND ACTIVITY AND TRANSACTIONS Cont'd

Governmental Fund	Transfers In	Transfers Out	Purpose
General Fund (01)			
Appd Fund 0001, D23 Fund 0001	$ -	$ 2,494,773	Article VII-6, Rider 9
Appd Fund 0001, D23 Fund 0001		1,812,954	Article IX, Sect. 13.11
Appd Fund 0001, D23 Fund 0066		2,047,458	Gov't Code, Sect. 403.021
Appd Fund 0001, D23 Fund 0077		44,667	Gov't Code, Sect. 403.021
Appd Fund 0369, D23 Fund 0369		399,016	Article IX, Sect. 13.11
Appd Fund 0802, D23 Fund 0802		1,992	TEX. TRANSP. CODE ANN. Section 504.6012
Special Revenue Fund (02)			
Appd Fund 0809, D23 Fund 0809		91,566	SB 1, RS 85th Leg, HB 4102
Appd Fund 0809, D23 Fund 1809	91,566		SB 1, RS 85th Leg, HB 4102
Total Transfers for Fund 0001 (Exhibit II & IV)	**$ 91,566**	**$ 6,892,426**	
Enterprise Fund (05)			
Appd Fund 3054, D23 Fund 0999	$ 2,494,773		Article VII-6, Rider 9
Total Transfers for Fund 3054 (Exhibit II & VI)	**$ 2,494,773**	**$ -**	
Total Transfers*	**$ 2,586,339**	**$ 6,892,426**	

*The difference between total transfers in and out represents transfers to the Comptroller's Office of $4,306,087.

NOTE 12: CONTINUANCE SUBJECT TO REVIEW

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

NOTE 13: ADJUSTMENTS TO FUND BALANCE AND NET POSITION

During fiscal year 2018, certain accounting changes and adjustments were made that required the restatement of net position/fund balance. The restatements are presented below.

	Governmental Activities	Business-Type Activities	Total
Net Position/Fund Balance, September 1, 2017	$ 467,249,398	$ 269,940,598	$ 737,189,996
Restatement	(25,423,797)	(25,423,798)	(50,847,595)
Net Position/Fund Balance, Sept. 1, 2017, as Restated	$ 441,825,601	$ 244,516,800	$ 686,342,401

The restatement of $25,423,797 in the Governmental Activities and $25,423,798 in Business-Type Activities is due to the implementation of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans and* GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Pursuant to the requirements in GASB 74 and GASB 75, a restatement was required to retroactively reflect the Department's net OPEB liability. The restatement was based per the calculation of the proportionate share of the ERS collective OPEB amount.

NOTE 14: CONTINGENCIES AND COMMITMENTS

Derivative Instruments

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

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

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

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

As of August 31, 2018, 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 ($5,097,825). If the collateral posting requirements had been triggered at August 31, 2018, 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 funded by available indenture funds, ongoing fees received on the originated mortgage loans, repayment of down payment assistance loans, and MBS premium, if any, received at the sale of the MBS. 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, 2018, there were no MBS held under the Warehouse Agreement.

NOTE 14: CONTINGENCIES AND COMMITMENTS Cont'd

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, 2018, is $15,000,000.

NOTE 15: SUBSEQUENT EVENTS

Bond Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Bonds	Single Family Mortgage Revenue Bonds Series 2018 A	$143,995,000	09/12/18	The Single Family bonds are issued for the primary purpose of providing funds for the purchase of mortgage-backed securities guaranteed as timely payments of principal and interest by Government National Mortgage Association (Ginnie Mae).
Revenue Bonds	Multifamily Revenue Bonds MF Series 2018 Forestwood Apartments	$23,000,000	10/30/18	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Forestwood Apartments is located in Balch Springs, Texas.

NOTE 16: RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. The Department carries Public Official Liability Insurance coverage in the amount of $10,000,000, Automobile Liability Insurance in the amount of $1,000,000; Errors and Omissions Insurance in the amount of $500,000 related to loan servicing for others; Crime Insurance in the amount of $350,000; and Commercial Property, Equipment Breakdown and Terrorism Insurance in the amount of $6,377,516 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 2018 and 2017 were:

	Beginning Balance	Increases	Decreases	Ending Balance
2018	$ -	$ 167,730	$ (167,730)	$ -
2017	$ -	$ 23,812	$ (23,812)	$ -

NOTE 17: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Department's Enterprise Fund 0896 reported a negative change in Net Position of $(2,359,451) primarily from the recognition of its proportionate share of the Net Pension Liability/OPEB Liability and Pension/OPEB Expense resulting in a negative Net Position balance of ($52,004,493) at August 31, 2018.

NOTE 18: 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	$ 31,200,592	$ 18,543,862	$ 74,101
Non-Current Assets	419,775,094	209,332,250	2,002,253
Total Assets	450,975,686	227,876,112	2,076,354
Deferred Outflows of Resources:	5,097,825	-	-
Liabilities:			
Current Liabilities	4,058,123	4,798,535	2,599
Non-Current Liabilities	345,655,847	127,830,733	301,944
Total Liabilities	349,713,970	132,629,268	304,543
Deferred Inflows of Resources:	-	-	-
Net Position:			
Restricted Net Position	$ 106,359,541	$ 95,246,844	$ 1,771,811
Net Position	$ 106,359,541	$ 95,246,844	$ 1,771,811

NOTE 18: 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	$ 20,961,283	$ 7,336,221	$ 160,198
Net Increase (Decrease) in Fair Value	(14,261,242)	(6,711,941)	(95,420)
Other Operating Revenues	39,250,167	9,468,985	-
Operating Expenses	(35,273,657)	(13,170,146)	(70,774)
Operating Income (Loss)	10,676,551	(3,076,881)	(5,996)
Nonoperating Revenues (Expenses):			
Transfers In (Out)	707,616	108,323	-
Changes in Net Position	11,384,167	(2,968,558)	(5,996)
Net Position, September 1, 2017	94,975,374	98,215,402	1,777,807
Net Position, August 31, 2018	$ 106,359,541	$ 95,246,844	$ 1,771,811

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	$ (12,152,919)	$ (612,356)	$ (26,999)
Noncapital Financing Activities	(46,654,922)	(30,661,930)	(754,649)
Investing Activities	61,949,131	32,314,741	844,510
Net (Decrease)	3,141,290	1,040,455	62,862
Beginning Cash and Cash Equivalents	26,556,954	16,571,142	634
Ending Cash and Cash Equivalents	$ 29,698,244	$ 17,611,597	$ 63,496

NOTE 19: Deferred Outflows of Resources and Deferred Inflows of Resources

Governmental Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Plans (Note 9):		
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period.	$ 4,686,558	$ 1,172,543
To record contribution to the plan in fiscal year 2018 after the measurement date of August 31, 2017.	972,956	-
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.	178,410	26,558
To record difference between projected and actual investment return less the amortization related to the current period.	145,406	-
OPEB Plans (Note 10):		
To record the effect of changes of assumptions on total OPEB liability less the amortization related to the current period.	-	4,553,966
To record contribution to the plan in fiscal year 2018 after the measurement date of August 31, 2017.	236,453	-
To record effect on total OPEB liability between expected and actual experience less the amortization related to the current period.	-	261,727
To record difference between projected and actual investment return less the amortization related to the current period.	6,448	-
Total Governmental Activities (Exhibit I):	**$ 6,226,231**	**$ 6,014,794**

Due to the implementation of GASB 68, GASB 74 and GASB 75 by the State of Texas and recognition of its pension and OPEB liability, TDHCA recorded total deferred outflows of resources of $6,226,231 and total deferred inflows of $6,014,794 for Governmental Activities.

These accounts reflect the unamortized balances of changes in net pension liability and OPEB liability related to the changes of assumptions, difference between expected and actual experience, and difference between projected and actual investment return based on the August 31, 2017 actuarial valuation performed for the ERS plan, and contributions made after the measurement date of August 31, 2017. Details of the deferred outflows and deferred inflows of resources related to the agency employees' pension are disclosed in Note 9 and OPEB in Note 10.

NOTE 19: Deferred Outflows of Resources and Deferred Inflows of Resources Cont'd

Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Derivatives (Note 7)	$ 5,097,825	$ -
Pension Plans (Note 9):		
To record the effect of changes of assumptions on total pension liability less the amortization related to the current period.	5,009,827	750,480
To record contribution to the plan in fiscal year 2018 after the measurement date of August 31, 2017.	972,956	-
To record effect on total pension liability between expected and actual experience less the amortization related to the current period.	178,410	26,558
To record difference between projected and actual investment return less the amortization related to the current period.	145,406	-
OPEB Plans (Note 10):		
To record the effect of changes of assumptions on total OPEB liability less the amortization related to the current period.	-	4,553,966
To record contribution to the plan in fiscal year 2018 after the measurement date of August 31, 2017.	642,600	-
To record effect on total OPEB liability between expected and actual experience less the amortization related to the current period.	-	261,728
To record difference between projected and actual investment return less the amortization related to the current period.	6,448	-
Total Business-Type Activities (Exhibit I) :	**$ 12,053,472**	**$ 5,592,732**

Deferred outflows of resources in the amount of $5,097,825 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, GASB 74 and GASB 75 by the State of Texas and recognition of its pension and OPEB liability, TDHCA recorded total deferred outflows of resources of $6,955,647 and total deferred inflows of $5,592,732 for Business-Type activities.

These accounts reflect the unamortized balances of changes in net pension liability and OPEB liability related to the changes of assumptions, difference between expected and actual experience, and difference between projected and actual investment return based on the August 31, 2017 actuarial valuation performed for the ERS plan, and contributions made after the measurement date of August 31, 2017. Details of the deferred outflows and deferred inflows of resources related to the agency employees' pension are disclosed in Note 9 and OPEB in Note 10.

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REQUIRED SUPPLEMENTARY

INFORMATION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Required Supplementary Information
Schedule of Changes in Department's Net Pension Liability (Unaudited)
For the fiscal year ended August 31, 2018

	2018	2017	2016	2015
Total Pension Liability-For Department	**Pension Liability**	**Pension Liability**	**Pension Liability**	**Pension Liability**
Proportionate Share	0.27302363%	0.27406237%	0.29237245%	0.30593152%
Net Pension Liability	$ 59,695,525	$ 54,146,438	$ 38,787,430	$ 44,240,146
Covered-Employee Payroll	$ 30,090,701	$ 27,848,705	$ 25,728,027	$ 26,724,096
Net Pension Liability as a Percentage of Covered-Employee Payroll	198.39%	194.43%	150.76%	165.54%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	54.67%	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 four years of information is available. Information for future years will be added when it becomes available.

Schedule of Employer Contributions (Unaudited)
For the fiscal year ended August 31, 2018

Schedule of Employer Contributions

	2018	2017	2016	2015	2014
Contributions	$ 1,945,911	$ 1,911,554	$ 1,882,372	$ 1,463,345	$ 1,475,596
Contributions Made to the Plan	1,945,911	1,911,554	1,882,372	1,463,345	1,475,596
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 30,090,701	$ 27,848,705	$ 25,728,027	$ 26,724,096	$ 24,787,150
Contributions as a percentage of covered-employee payroll	6.47%	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, 2017.
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	2.5%
Salary Increases	2.5% to 9.3%
Investment Rate of Return	7.5%
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	The mortality rates for active member and disability retirees are based on the RP-2014 Active Member Mortality Tables with generational mortality improvements projected from the year 2014, which is based on the most recent Ultimate MP scale.

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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Required Supplementary Information
Schedule of Changes in Department's Net OPEB Liability (Unaudited)
For the fiscal year ended August 31, 2018

Total Pension Liability-For Department		**2018** **OPEB Liability**
Proportionate Share		0.12784394%
Net OPEB Liability	$	43,560,281
Covered-Employee Payroll	$	30,090,701
Net OPEB Liability as a Percentage of Covered-Employee Payroll		144.76%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		2.04%

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

Schedule of Employer Contributions (Unaudited)
For the fiscal year ended August 31, 2018

Schedule of Employer Contributions		
		2018
Required Employer Contributions	$	1,198,205
Contributions Made to the Plan		1,198,205
Contribution deficiency (excess)	$	-
Covered-employee payroll	$	30,090,701
Contributions as a percentage of covered-employee payroll		3.98%

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Notes to the Required Supplementary Information
Summary of Actuarial Assumptions (Unaudited)
For the fiscal year ended August 31, 2018

Actuarial Methods and Assumptions	
Actuarial Valuation Date	August 31, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	3.51%
Inflation	2.50%
Salary Increase	2.5% to 9.5%, including inflation
Health Cost and Trend Rate	8.50% for Fiscal Year 2019, decreasing 0.50% per year to 4.50% for Fiscal Year 2027 and later years
Aggregate Payroll Growth	3.00%
Retirement Age	Experience-based tables of rates that are specific to the class of employess
Mortality:	
Service Retirees, Survivors, and other Inactive Members	2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017
Disable Retirees	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014
Active Members	RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale projected from the year 2014
Ad Hoc Post-Employment Benefit Changes	None

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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, 2018

Description of Issue		Bonds Issued To Date	Range Of Interest Rates		Scheduled Maturity First Year	Final Maturity Date	First Call Date	
2004 Single Family Series B	$	53,000,000	VAR - Weekly		2015	09/01/2034	03/01/2015	(e)
2004 Single Family Series A (Jr. Lien)		4,140,000	VAR - Weekly		2036	09/01/2036	09/01/2036	(e)
2004 Single Family Series D		35,000,000	VAR - Weekly		2035	03/01/2035	(f)	
2005 Single Family Series A		100,000,000	VAR - Weekly		2007	09/01/2036	03/01/2006	
2005 Single Family Series B		25,495,000	4.38%	4.38%	2006	09/01/2026	03/01/2006	
2005 Single Family Series 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)
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	09/01/2047	(n)	
2017 Single Family Series B		29,610,000	2.75%	2.75%	2017	09/01/2038	(n)	
2017 Single Family Series C		42,787,085	3.10%	3.10%	2017	09/01/2047	(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 & CHMRB BONDS	$	1,157,880,952						
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
Supplementary Bond Schedules
SCHEDULE 1-A (Continued)
MISCELLANEOUS BOND INFORMATION (Continued)
For the fiscal year ended August 31, 2018

				Scheduled Maturity			
Description of Issue	Bonds Issued To Date	Range Of Interest Rates		First Year	Final Maturity Date	First Call Date	
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)
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 (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 (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 (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)	
2014 MF Series A (Decatur-Angle Apartments)	23,000,000	5.75%	5.75%	2016	01/01/2054	09/01/2016	
2015 MF Series A (Williamsburg Apartments)	23,150,000	3.45%	3.45%	2016	01/01/2032	01/26/2016	(m)
2016 MF Series A (Skyline Place Apartments)	18,750,000	2.60%	2.60%	2016	10/01/2032	10/26/2016	(m)
2017 MF Series A (Casa Inc Apartments)	24,000,000	3.15%	3.15%	2017	11/01/2033	N/A	
2017 MF Series A (Casa Brendan Apartments)	5,000,000	3.15%	3.15%	2017	11/01/2033	N/A	
2017 MF Series A (Nuestro Hogar Apartments)	5,700,000	3.15%	3.15%	2017	11/01/2033	N/A	
2017 MF Series A (Emli at Liberty Crossing)	17,600,000	1.80%	1.80%	2019	12/01/2020	(o)	
2018 MF Series A (Vista on Gessner)	50,000,000	3.40%	3.40%	2018	03/01/2035	N/A	
2018 MF Series A (Springs Apartments)	20,000,000	2.23%	2.23%	2020	05/01/2021	05/01/2020	
2018 MF Series A (Crosby Plaza Apartments)	7,000,000	2.00%	2.00%	2020	08/01/2021	02/01/2020	
2018 MF Series A (Oaks on Lamar)	16,810,000	3.55%	3.55%	2018	09/01/2034	N/A	
2018 MF Series A (Riverside Townhomes)	19,200,000	3.55%	3.55%	2018	09/01/2034	N/A	
TOTAL MULTIFAMILY BONDS	$ 1,129,181,000						
TOTAL BONDS ISSUED	**$ 2,287,061,952**						

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.

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-B
CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2018

Description of Issue	Bonds Outstanding 09/01/17	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/18	Amounts Due Within One Year
2004 Single Family Series B	$ 27,875,000	$	$	$ 4,840,000	$ 23,035,000	$
2004 Single Family Series A (Jr. Lien)	3,855,000				3,855,000	
2004 Single Family Series D	18,920,000			3,155,000	15,765,000	
2005 Single Family Series A	25,675,000			3,615,000	22,060,000	
2005 Single Family Series B	75,000		5,000	70,000		
2005 Single Family Series D	50,000			50,000		
2007 Single Family Series A	30,385,000			5,635,000	24,750,000	
2013 Single Family Series A	19,665,000			3,330,000	16,335,000	
2015 Single Family Series A	25,500,000			4,555,000	20,945,000	
2015 Single Family Series B	17,100,000			2,335,000	14,765,000	
2016 Single Family Series A	27,540,000			2,530,000	25,010,000	
2016 Single Family Series B	45,150,000			8,450,000	36,700,000	
2017 Single Family Series A	61,182,316			1,865,363	59,316,953	19,647
2017 Single Family Series B	29,155,028			5,484,979	23,670,049	
2017 Single Family Series C	42,672,670			871,760	41,800,910	
2009 RMRB Series A	20,885,000		255,000	3,335,000	17,295,000	250,000
2009 RMRB Series B	5,320,000		1,015,000	145,000	4,160,000	690,000
2009 RMRB Series C-1	37,650,000			5,985,000	31,665,000	
2009 RMRB Series C-2	30,190,000			4,820,000	25,370,000	
2011 RMRB Series A	18,690,000		1,305,000	2,910,000	14,475,000	1,296,344
2011 RMRB Series B	35,655,000		1,635,000	5,715,000	28,305,000	1,628,771
1992 Coll Home Mtg Rev Bonds, Series C	1,000,000			700,000	300,000	402
Total Single Family Bonds	$ 524,190,014	$	$ 4,215,000	$ 70,397,102	$ 449,577,912	$ 3,885,164
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)	5,159,000		321,000		4,838,000	329,000
2000 MF Series A (Timber Point Apartments)	6,070,000			200,000	5,870,000	
2000 MF Series A/B (Oaks at Hampton Apartments)	8,662,867		25,762	8,637,105		
2000 MF Series A (Deerwood Apartments)	4,815,000			4,815,000		
2000 MF Series A (Creek Point Apartments)	5,160,000			200,000	4,960,000	
2000 MF Series A/B (Parks at Westmoreland Apartments)	8,643,085		25,021	8,618,064		
2000 MF Series A-C (Highland Meadow Village Apts)	6,893,000		237,000		6,656,000	253,000
2000 MF Series A-C (Collingham Park Apartments)	10,272,000		370,000		9,902,000	392,000
2001 MF Series A (Bluffview Apartments)	9,634,605		126,586		9,508,019	136,549
2001 MF Series A (Knollwood Apartments)	12,380,917		162,669		12,218,248	175,472
2001 MF Series A (Skyway Villas Apartments)	6,055,000		205,000		5,850,000	215,000
2001 MF Series A/B (Meridian Apartments)	7,767,000		119,000		7,648,000	123,000
2001 MF Series A/B (Wildwood Apartments)	5,987,000		96,000		5,891,000	100,000
2001 MF Series A (Oak Hollow Apartments)	5,823,256		19,534	5,803,722		
2001 MF Series A/B (Hillside Apartments)	11,973,651		90,344		11,883,307	96,875
2002 MF Series A (Park Meadows Apartments)	3,500,000			3,500,000		
2002 MF Series A (Clarkridge Villas Apartments)	12,658,975		162,788		12,496,187	174,556
2002 MF Series A (Hickory Trace Apartments)	10,471,517		76,878	10,394,638		
2002 MF Series A (Green Crest Apartments)	10,514,790		97,044		10,417,746	102,518
2002 MF Series A/B (Ironwood Crossing)	15,730,616		173,262		15,557,354	186,713
2003 MF Series A/B (Reading Road)	9,870,000		40,000	200,000	9,630,000	50,000
2003 MF Series A/B (North Vista Apartments)	10,435,000		160,000	10,275,000		
2003 MF Series A/B (West Virginia Apartments)	7,550,000		235,000		7,315,000	245,000
2003 MF Series A/B (Primrose Houston School)	15,385,838		177,095		15,208,743	192,023
2003 MF Series A/B (Timber Oaks Apartments)	12,259,799		115,036		12,144,763	120,621
2003 MF Series A/B (Ash Creek Apartments)	15,102,367		178,399		14,923,968	191,406
2003 MF Series A/B (Peninsula Apartments)	10,010,000		275,000	5,000	9,730,000	295,000
2003 MF Series A/B (Arlington Villas)	15,959,286		165,710		15,793,576	179,553
2003 MF Series A/B (Parkview Townhomes)	12,944,762		127,507		12,817,255	133,697
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	16,530,000			16,530,000		
2004 MF Series A/B (Timber Ridge II Apartments)	6,191,281		68,509		6,122,772	73,439
2004 MF Series A/B (Providence at Veterans Memorial)	6,574,179		65,748		6,508,431	68,940
2004 MF Series A (Providence at Rush Creek II)	8,147,401		95,360		8,052,041	101,949
2004 MF Series A (Humble Parkway Townhomes)	10,260,000		190,000		10,070,000	205,000
2004 MF Series A (Chisholm Trail Apartments)	10,100,000			300,000	9,800,000	
2004 MF Series A (Evergreen at Plano Parkway)	13,649,718		153,054		13,496,664	163,385
2004 MF Series A (Montgomery Pines Apartments)	10,500,000			200,000	10,300,000	
2004 MF Series A (Bristol Apartments)	11,200,000			200,000	11,000,000	
2004 MF Series A (Pinnacle Apartments)	12,965,000			200,000	12,765,000	
2004 MF Series A (Churchill at Pinnacle Park)	9,177,943		129,009		9,048,934	137,717

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Supplementary Bond Schedules
SCHEDULE 1-B
CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2018

Description of Issue	Bonds Outstanding 09/01/17	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/18	Amounts Due Within One Year
2005 MF Series A (Port Royal Homes)	$ 11,238,195	$	$ 130,468	$	$ 11,107,727	$ 139,206
2005 MF Series A (Mission Del Rio Homes)	8,762,489		64,521		8,697,968	68,842
2005 MF Series A (Atascocita Pines Apartments)	10,590,000			200,000	10,390,000	
2005 MF Series A (Tower Ridge Apartments)	15,000,000				15,000,000	
2005 MF Series A (St Augustine Estate Apartments)	5,680,000			100,000	5,580,000	
2005 MF Series A (Providence at Mockingbird Apts)	10,562,511		103,473		10,459,038	109,201
2005 MF Series A (Plaza at Chase Oaks Apartments)	11,631,058		343,712		11,287,346	361,477
2005 MF Series A (Coral Hills Apartments)	4,275,000		110,000		4,165,000	120,000
2006 MF Series A (Bella Vista Apartments)	6,295,000		70,000		6,225,000	80,000
2006 MF Series A (Village Park Apartments)	9,180,000		220,000		8,960,000	235,000
2006 MF Series A (Oakmoor Apartments)	13,480,832		152,336		13,328,496	161,731
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000				15,000,000	
2006 MF Series A (Hillcrest Apartments)	9,780,000		210,000		9,570,000	220,000
2006 MF Series A (Meadowlands Apartments)	11,634,533		124,698		11,509,835	132,389
2006 MF Series A (East Tex Pines)	12,750,000		135,000		12,615,000	145,000
2006 MF Series A (Aspen Park)	8,855,000		140,000		8,715,000	150,000
2006 MF Series A (Idlewilde)	12,990,000			200,000	12,790,000	
2007 MF Series A (Lancaster)	12,980,000			200,000	12,780,000	
2007 MF Series A (Park Place at Loyola)	13,639,377		122,847		13,516,530	130,165
2007 MF Series A (Terrace at Cibolo)	4,700,000				4,700,000	
2007 MF Series A (Santora Villas)	11,567,170		108,928		11,458,242	115,416
2007 MF Series A (Costa Rialto)	10,102,898		104,938		9,997,960	110,691
2007 MF Series A (Windshire)	13,000,000			200,000	12,800,000	
2007 MF Series A (Residences at Onion Creek)	15,000,000				15,000,000	
2008 MF Series A (West Oaks Apartments)	11,875,000			200,000	11,675,000	
2008 MF Series A (Costa Ibiza Apartments)	12,820,000			200,000	12,620,000	
2008 MF Series A (Addison Park Apartments)	12,395,000			200,000	12,195,000	
2008 MF Series A (Alta Cullen Apartments Refunding)	11,700,000			200,000	11,500,000	
2009 MF Series A (Costa Mariposa Apartments)	12,925,000			150,000	12,775,000	
2009 MF Series A (Woodmont Apartments)	14,180,000			230,000	13,950,000	
2014 MF Series A (Decatur Angle Apartments)	22,847,688		161,464		22,686,223	171,167
2015 MF Series A (Williamsburg Apts)	22,993,309		273,696		22,719,613	301,988
2016 MF Series A (Skyline Place Apartments)	18,750,000		223,218		18,526,782	276,354
2017 MF Series A (Casa Inc Apartments)	-	24,000,000	225,825		23,774,175	309,421
2017 MF Series A (Casa Brendan Apartments)	-	5,000,000	47,047		4,952,953	64,463
2017 MF Series A (Nuestro Hogar Apartments)	-	5,700,000	53,633		5,646,368	73,487
2017 MF Series A (Emli Liberty Crossing Apartments)	-	17,600,000			17,600,000	
2018 MF Series A (Vista on Gessnar Apartments)	-	50,000,000			50,000,000	
2018 MF Series A (Springs Apartments)	-	20,000,000			20,000,000	
2018 MF Series A (Crosby Plaza Apartments)	-	7,000,000			7,000,000	
2018 MF Series A (Oaks on Lamar)	-	16,810,000			16,810,000	176,214
2018 MF Series A (Riverside Townhomes)	-	19,200,000			19,200,000	201,268
Total Multifamily Bonds	$ 800,239,915	$ 165,310,000	$ 7,609,119	$ 72,158,529	$ 885,782,267	$ 8,295,895
	$ 1,324,429,929	**$ 165,310,000**	**$ 11,824,119**	**$ 142,555,631**	**$ 1,335,360,179**	**$ 12,181,059**

FOOTNOTES:

(a) Bonds Outstanding balance at 08/31/18 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$ 1,335,360,179
Unamortized (Discount)/Premium:	
Single Family	569,757
RMRB	425,848
CHMRB	2,347
Multi-Family	188,888
Bonds Outstanding	**$ 1,336,547,019**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2018

DESCRIPTION		2019	2020	2021	2022	2023
2004 Single Family, Series A (Junior Lien)	Principal	-	-	-	-	-
2004 Single Family, Series A (Junior Lien)	Interest	74,012	76,890	76,539	76,715	76,715
2004 Single Family, Series B	Principal	-	-	-	-	-
2004 Single Family, Series B	Interest	350,000	369,404	367,716	368,560	368,560
2004 Single Family, Series D	Principal	-	-	-	-	-
2004 Single Family, Series D	Interest	234,121	249,657	248,516	249,087	249,087
2005 Single Family, Series A	Principal	-	-	-	-	-
2005 Single Family, Series A	Interest	335,022	353,769	352,152	352,960	352,960
2007 Single Family, Series A	Principal	-	-	-	-	-
2007 Single Family, Series A	Interest	375,875	396,907	395,093	396,000	396,000
2013 Single Family, Series A	Principal	-	-	-	-	-
2013 Single Family, Series A	Interest	457,380	457,380	457,380	457,380	457,380
2015 Single Family, Series A	Principal	-	-	-	-	-
2015 Single Family, Series A	Interest	670,240	670,240	670,240	670,240	670,240
2015 Single Family, Series B	Principal	-	-	-	-	-
2015 Single Family, Series B	Interest	461,406	461,406	461,406	461,406	461,406
2016 Single Family, Series A	Principal	-	-	-	-	-
2016 Single Family, Series A	Interest	750,300	750,300	750,300	750,300	750,300
2016 Single Family, Series B	Principal	-	-	-	-	-
2016 Single Family, Series B	Interest	1,167,060	1,167,060	1,167,060	1,167,060	1,167,060
2017 Single Family, Series A	Principal	-	-	-	-	-
2017 Single Family, Series A	Interest	1,681,636	1,681,636	1,681,636	1,681,636	1,681,636
2017 Single Family, Series B	Principal	-	-	-	-	-
2017 Single Family, Series B	Interest	650,926	650,926	650,926	650,926	650,926
2017 Single Family, Series C	Principal	-	-	-	-	-
2017 Single Family, Series C	Interest	1,295,828	1,295,828	1,295,828	1,295,828	1,295,828
TOTAL SINGLE FAMILY BONDS		8,503,806	8,581,403	8,574,792	8,578,098	8,578,098
2009 Residential Mtg Revenue Bonds, Series A	Principal	250,000	-	-	-	720,000
2009 Residential Mtg Revenue Bonds, Series A	Interest	906,393	898,893	898,893	898,893	890,163
2009 Residential Mtg Revenue Bonds, Series B	Principal	690,000	1,160,000	1,160,000	1,150,000	-
2009 Residential Mtg Revenue Bonds, Series B	Interest	207,015	166,950	106,050	45,282	-
2009 Residential Mtg Revenue Bonds, Series C-1	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-1	Interest	910,368	910,368	910,368	910,368	910,368
2009 Residential Mtg Revenue Bonds, Series C-2	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-2	Interest	629,176	629,176	629,176	629,176	629,176
2011 Residential Mtg Revenue Bonds, Series A	Principal	1,285,000	1,290,000	1,325,000	1,370,000	1,620,000
2011 Residential Mtg Revenue Bonds, Series A	Interest	674,661	623,787	569,234	510,233	442,915
2011 Residential Mtg Revenue Bonds, Series B	Principal	1,605,000	1,645,000	1,690,000	1,770,000	1,970,000
2011 Residential Mtg Revenue Bonds, Series B	Interest	1,120,241	1,072,712	1,020,650	963,257	896,862
TOTAL RESIDENTIAL MTG REVENUE BONDS		8,277,854	8,396,886	8,309,371	8,247,209	8,079,484
1992 Coll Home Mtg Rev Bonds, Series C	Principal	-	-	-	-	-
1992 Coll Home Mtg Rev Bonds, Series C	Interest	19,848	19,848	21,833	19,848	21,833
TOTAL COLL HOME MTG REV BONDS		19,848	19,848	21,833	19,848	21,833
1996 MF Series A/B (Brighton's Mark)	Principal	-	-	-	-	-
1996 MF Series A/B (Brighton's Mark)	Interest	501,872	503,247	501,872	501,872	501,872
1998 MF Series A-C (Residence Oaks)	Principal	329,000	339,000	347,000	357,000	368,000
1998 MF Series A-C (Residence Oaks)	Interest	131,262	122,111	112,699	103,054	93,120
2000 MF Series A (Creek Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Creek Point Apts)	Interest	76,413	76,471	76,297	76,384	76,384

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2018

2024-28	2029-33	2034-38	2039-43	2044-48	2049-53	2054-58	TOTAL REQUIRED
-	-	3,855,000	-	-	-	-	3,855,000
383,749	383,398	268,883	-	-	-	-	1,416,901
1,185,000	16,305,000	5,545,000	-	-	-	-	23,035,000
1,843,644	1,181,760	89,483	-	-	-	-	4,939,127
1,495,000	9,615,000	4,655,000	-	-	-	-	15,765,000
1,240,731	802,733	93,370	-	-	-	-	3,367,302
-	3,530,000	18,530,000	-	-	-	-	22,060,000
1,765,610	1,755,400	605,316	-	-	-	-	5,873,189
-	-	24,150,000	600,000	-	-	-	24,750,000
1,980,907	1,979,093	1,291,790	4,839	-	-	-	7,216,504
-	-	16,335,000	-	-	-	-	16,335,000
2,286,900	2,286,900	1,372,140	-	-	-	-	8,232,840
-	-	-	20,945,000	-	-	-	20,945,000
3,351,200	3,351,200	3,351,201	1,005,358	-	-	-	14,410,159
-	-	-	-	14,765,000	-	-	14,765,000
2,307,030	2,307,030	2,307,031	2,307,030	1,384,224	-	-	12,919,375
-	-	-	-	25,010,000	-	-	25,010,000
3,751,500	3,751,500	3,751,501	3,751,500	2,250,899	-	-	21,008,400
-	-	-	36,700,000	-	-	-	36,700,000
5,835,300	5,835,300	5,835,301	1,167,059	-	-	-	24,508,260
-	-	-	-	59,316,953	-	-	59,316,953
8,408,180	8,408,180	8,408,181	8,408,180	6,866,668	-	-	48,907,569
-	-	-	23,670,049	-	-	-	23,670,049
3,254,630	3,254,630	3,254,631	54,249	-	-	-	13,072,770
-	-	-	-	41,800,910	-	-	41,800,910
6,479,140	6,479,140	6,479,141	6,479,140	5,291,301	-	-	37,687,002
45,568,521	71,226,264	110,177,969	105,092,404	156,685,955	-	-	531,567,310
4,235,000	4,165,000	4,300,000	3,625,000	-	-	-	17,295,000
3,858,667	2,737,095	1,643,951	190,747	-	-	-	12,923,695
-	-	-	-	-	-	-	4,160,000
-	-	-	-	-	-	-	525,297
-	9,245,000	13,525,000	8,895,000	-	-	-	31,665,000
4,551,840	4,067,116	2,385,028	425,434	-	-	-	15,981,258
-	-	13,650,000	11,720,000	-	-	-	25,370,000
3,145,880	3,145,880	2,477,520	565,320	-	-	-	12,480,480
6,820,000	765,000	-	-	-	-	-	14,475,000
1,025,282	25,748	-	-	-	-	-	3,871,860
10,755,000	8,135,000	735,000	-	-	-	-	28,305,000
3,231,113	1,028,524	15,620	-	-	-	-	9,348,979
37,622,782	33,314,363	38,732,119	25,421,501	-	-	-	176,401,569
300,000	-	-	-	-	-	-	300,000
17,695	-	-	-	-	-	-	120,905
317,695	-	-	-	-	-	-	420,905
8,075,000	-	-	-	-	-	-	8,075,000
1,339,245	-	-	-	-	-	-	3,849,980
1,991,000	1,107,000	-	-	-	-	-	4,838,000
307,066	46,332	-	-	-	-	-	915,644
-	4,960,000	-	-	-	-	-	4,960,000
382,007	318,267	-	-	-	-	-	1,082,223

DESCRIPTION		2019	2020	2021	2022	2023
2000 MF Series A (Timber Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Timber Point Apts)	Interest	90,432	90,502	90,294	90,398	90,398
2000 MF Series A-C (Collingham Park)	Principal	392,000	417,000	444,000	471,000	502,000
2000 MF Series A-C (Collingham Park)	Interest	658,930	632,184	603,691	573,418	541,262
2000 MF Series A-C (Highland Meadow Apts)	Principal	253,000	271,000	290,000	311,000	331,000
2000 MF Series A-C (Highland Meadow Apts)	Interest	445,062	427,681	409,085	389,172	367,842
2001 MF Series A (Bluffview Senior Apts)	Principal	136,549	147,296	158,889	171,394	184,883
2001 MF Series A (Bluffview Senior Apts)	Interest	717,919	707,172	695,579	683,074	669,584
2001 MF Series A (Knollwood Villas Apts)	Principal	175,472	189,282	204,180	220,249	237,584
2001 MF Series A (Knollwood Villas Apts)	Interest	922,558	908,747	893,850	877,780	860,446
2001 MF Series A (Skyway Villas)	Principal	215,000	225,000	245,000	255,000	270,000
2001 MF Series A (Skyway Villas)	Interest	325,777	313,719	300,942	287,198	272,773
2001 MF Series A/B (Hillside Apts.)	Principal	96,875	103,878	111,387	119,440	128,074
2001 MF Series A/B (Hillside Apts.)	Interest	828,763	821,760	814,251	806,199	797,564
2001 MF Series A/B (Meridian Apts.)	Principal	123,000	132,000	147,000	160,000	169,000
2001 MF Series A/B (Meridian Apts.)	Interest	455,565	447,870	439,695	430,440	420,540
2001 MF Series A/B (Wildwood Apts.)	Principal	100,000	108,000	114,000	120,000	129,000
2001 MF Series A/B (Wildwood Apts.)	Interest	350,790	344,490	337,935	330,840	323,460
2002 MF Series A (Clarkridge Villas Apts)	Principal	174,556	187,175	200,706	215,215	230,773
2002 MF Series A (Clarkridge Villas Apts)	Interest	869,204	856,585	843,054	828,545	812,987
2002 MF Series A (Green Crest Apts)	Principal	102,518	108,301	114,410	120,864	127,682
2002 MF Series A (Green Crest Apts)	Interest	570,417	564,634	558,525	552,071	545,254
2002 MF Series A/B (Ironwood Crossing)	Principal	186,713	201,208	225,179	229,059	239,105
2002 MF Series A/B (Ironwood Crossing)	Interest	680,470	665,975	650,345	638,123	628,077
2003 MF Series A/B (Ash Creek Apts)	Principal	191,406	204,713	218,945	234,166	250,445
2003 MF Series A/B (Ash Creek Apts)	Interest	979,262	966,231	952,295	937,390	921,448
2003 MF Series A/B (Peninsula Apts)	Principal	295,000	315,000	335,000	345,000	355,000
2003 MF Series A/B (Peninsula Apts)	Interest	511,848	495,948	478,988	461,100	442,683
2003 MF Series A/B (Primrose Houston School)	Principal	192,023	207,856	222,182	237,391	253,642
2003 MF Series A/B (Primrose Houston School)	Interest	984,762	969,992	956,036	941,147	925,238
2003 MF Series A/B (Reading Road)	Principal	50,000	50,000	50,000	60,000	60,000
2003 MF Series A/B (Reading Road)	Interest	229,639	226,544	222,885	219,483	215,433
2003 MF Series A/B (Timber Oaks Apts)	Principal	120,621	126,477	132,617	139,055	145,806
2003 MF Series A/B (Timber Oaks Apts)	Interest	839,870	829,083	817,773	805,913	793,477
2003 MF Series A/B (West Virginia Apts)	Principal	245,000	255,000	275,000	290,000	305,000
2003 MF Series A/B (West Virginia Apts)	Interest	368,581	356,001	342,921	328,685	313,689
2003 MF Series A/B (Parkview Twnhms)	Principal	133,697	140,188	146,994	154,130	161,613
2003 MF Series A/B (Parkview Twnhms)	Interest	841,929	832,910	823,453	813,538	803,141
2003 MF Series A/B (Arlington Villas)	Principal	179,553	194,552	210,803	228,427	246,156
2003 MF Series A/B (Arlington Villas)	Interest	1,069,498	1,054,592	1,038,441	1,020,940	1,003,646
2004 MF Series A (Bristol)	Principal	-	-	-	-	-
2004 MF Series A (Bristol)	Interest	169,912	169,576	169,224	169,400	169,400
2004 MF Series A (Chisholm Trail)	Principal	-	-	-	-	-
2004 MF Series A (Chisholm Trail)	Interest	151,376	151,077	150,763	150,920	150,920
2004 MF Series A (Churchill @ Pinnacle)	Principal	137,717	147,014	156,938	167,531	178,840
2004 MF Series A (Churchill @ Pinnacle)	Interest	588,619	579,323	569,399	558,805	547,496
2004 MF Series A (Evergreen @ Plano)	Principal	163,385	174,414	186,188	198,756	212,172
2004 MF Series A (Evergreen @ Plano)	Interest	879,185	868,156	856,383	843,815	830,398
2004 MF Series A (Humble Park)	Principal	205,000	215,000	235,000	245,000	265,000
2004 MF Series A (Humble Park)	Interest	661,320	647,625	633,105	617,430	600,930
2004 MF Series A (Montgomery Pines)	Principal	-	-	-	-	-
2004 MF Series A (Montgomery Pines)	Interest	159,100	158,785	158,455	158,620	158,620
2004 MF Series A (Pinnacle)	Principal	-	-	-	-	-
2004 MF Series A (Pinnacle)	Interest	197,176	196,786	196,376	196,581	196,581

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2018

2024-28	2029-33	2034-38	2039-43	2044-48	2049-53	2054-58	TOTAL REQUIRED
-	5,870,000	-	-	-	-	-	5,870,000
452,094	369,248	-	-	-	-	-	1,273,366
3,037,000	4,161,000	478,000	-	-	-	-	9,902,000
2,146,435	965,732	16,060	-	-	-	-	6,137,712
2,030,000	2,831,000	339,000	-	-	-	-	6,656,000
1,465,394	665,922	11,441	-	-	-	-	4,181,599
1,166,982	1,704,417	2,489,358	3,348,251	-	-	-	9,508,019
3,105,357	2,567,921	1,782,977	521,103	-	-	-	11,450,686
1,499,627	2,190,255	3,198,941	4,302,658	-	-	-	12,218,248
3,990,522	3,299,896	2,291,210	669,642	-	-	-	14,714,651
1,640,000	2,200,000	800,000	-	-	-	-	5,850,000
1,110,413	581,739	45,354	-	-	-	-	3,237,915
793,380	1,124,715	1,594,425	7,811,133	-	-	-	11,883,307
3,834,810	3,503,473	3,033,763	1,667,738	-	-	-	16,108,321
1,008,000	5,899,000	10,000	-	-	-	-	7,648,000
1,933,405	628,910	775	-	-	-	-	4,757,200
770,000	4,545,000	5,000	-	-	-	-	5,891,000
1,488,395	225,375	400	-	-	-	-	3,401,685
1,429,568	2,026,592	2,872,950	5,158,652	-	-	-	12,496,187
3,789,229	3,192,204	2,345,849	1,046,074	-	-	-	14,583,731
754,918	993,249	8,095,804	-	-	-	-	10,417,746
2,609,760	2,371,429	1,378,893	-	-	-	-	9,150,983
1,362,330	1,688,452	2,092,645	9,332,663	-	-	-	15,557,354
2,973,582	2,647,462	2,243,270	99,908	-	-	-	11,227,212
1,538,902	2,153,568	10,131,823	-	-	-	-	14,923,968
4,326,520	3,724,623	1,660,821	-	-	-	-	14,468,590
8,085,000	-	-	-	-	-	-	9,730,000
628,049	-	-	-	-	-	-	3,018,616
1,553,698	2,163,492	10,378,459	-	-	-	-	15,208,743
4,346,722	3,749,786	1,821,980	-	-	-	-	14,695,663
375,000	525,000	8,460,000	-	-	-	-	9,630,000
1,008,796	860,346	411,167	-	-	-	-	3,394,293
580,187	-	-	10,900,000	-	-	-	12,144,763
3,773,964	3,678,749	3,678,750	183,939	-	-	-	15,401,518
1,805,000	2,375,000	1,765,000	-	-	-	-	7,315,000
1,313,979	793,356	160,987	-	-	-	-	3,978,199
933,654	1,183,387	1,499,920	8,463,671	-	-	-	12,817,254
3,841,199	3,494,202	3,054,388	1,344,253	-	-	-	15,849,013
1,520,119	2,144,267	11,069,699	-	-	-	-	15,793,576
4,735,186	4,124,600	2,290,550	-	-	-	-	16,337,453
-	-	11,000,000	-	-	-	-	11,000,000
847,176	846,824	649,288	-	-	-	-	3,190,800
-	-	9,800,000	-	-	-	-	9,800,000
754,757	754,443	553,236	-	-	-	-	2,817,492
1,092,428	1,514,391	2,099,339	2,910,228	644,508	-	-	9,048,934
2,539,254	2,117,294	1,532,345	721,457	21,299	-	-	9,775,291
1,296,037	1,796,643	2,490,616	3,452,639	3,525,814	-	-	13,496,664
3,916,816	3,416,208	2,722,237	1,760,212	159,743	-	-	16,253,153
1,625,000	2,225,000	3,085,000	1,970,000	-	-	-	10,070,000
2,710,950	2,091,705	1,237,005	200,145	-	-	-	9,400,215
-	-	10,300,000	-	-	-	-	10,300,000
793,265	792,935	607,970	-	-	-	-	2,987,750
-	-	12,765,000	-	-	-	-	12,765,000
983,110	982,700	753,470	-	-	-	-	3,702,780

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2018

DESCRIPTION		2019	2020	2021	2022	2023
2004 MF Series A (Rush Creek)	Principal	101,949	108,993	116,524	124,575	133,183
2004 MF Series A (Rush Creek)	Interest	536,394	529,350	521,819	513,767	505,160
2004 MF Series A/B (Timber Ridge)	Principal	73,439	78,722	84,391	90,464	96,973
2004 MF Series A/B (Timber Ridge)	Interest	411,045	405,927	400,440	394,558	388,253
2004 MF Series A/B (Veterans Memorial)	Principal	68,940	72,287	75,796	79,476	83,335
2004 MF Series A/B (Veterans Memorial)	Interest	427,489	422,839	417,963	412,850	407,488
2005 MF Series A (Port Royal)	Principal	139,206	148,527	158,475	169,088	180,412
2005 MF Series A (Port Royal)	Interest	717,904	708,581	698,634	688,021	676,696
2005 MF Series A (Del Rio)	Principal	68,842	73,452	78,372	83,620	89,220
2005 MF Series A (Del Rio)	Interest	563,341	558,730	553,811	548,563	542,962
2005 MF Series A (Atascocita Pines)	Principal	-	-	-	-	-
2005 MF Series A (Atascocita Pines)	Interest	160,490	160,172	159,840	160,006	160,006
2005 MF Series A (Tower Ridge)	Principal	-	-	-	-	-
2005 MF Series A (Tower Ridge)	Interest	242,174	241,751	241,249	241,500	241,500
2005 MF Series A (St Augustine)	Principal	-	-	-	-	-
2005 MF Series A (St Augustine)	Interest	86,192	86,021	85,843	85,932	85,932
2005 MF Series A (Mockingbird)	Principal	109,201	115,246	121,625	128,358	135,464
2005 MF Series A (Mockingbird)	Interest	562,113	556,068	549,688	542,955	535,850
2005 MF Series A (Chase Oaks)	Principal	361,477	380,160	399,809	420,473	442,205
2005 MF Series A (Chase Oaks)	Interest	561,720	543,037	523,388	502,724	480,992
2005 MF Series A (Coral Hills)	Principal	120,000	125,000	135,000	145,000	150,000
2005 MF Series A (Coral Hills)	Interest	208,817	202,757	196,319	189,375	181,926
2006 MF Series A (Bella Vista)	Principal	80,000	80,000	85,000	95,000	100,000
2006 MF Series A (Bella Vista)	Interest	382,837	377,917	372,997	367,770	361,927
2006 MF Series A (Village Park)	Principal	235,000	245,000	265,000	270,000	295,000
2006 MF Series A (Village Park)	Interest	453,675	442,394	430,638	417,688	403,466
2006 MF Series A (Oakmoor)	Principal	161,731	171,707	182,297	193,541	205,478
2006 MF Series A (Oakmoor)	Interest	795,310	785,335	774,745	763,501	751,564
2006 MF Series A (Sunset Pointe)	Principal	-	-	-	-	-
2006 MF Series A (Sunset Pointe)	Interest	242,174	241,751	241,249	241,500	241,500
2006 MF Series A (Hillcrest)	Principal	220,000	230,000	240,000	250,000	260,000
2006 MF Series A (Hillcrest)	Interest	499,538	487,856	475,650	462,919	449,663
2006 MF Series A (Meadowlands)	Principal	132,389	140,555	149,224	158,428	168,199
2006 MF Series A (Meadowlands)	Interest	686,990	678,824	670,155	660,951	651,179
2006 MF Series A (East Tex Pines)	Principal	145,000	155,000	160,000	170,000	180,000
2006 MF Series A (East Tex Pines)	Interest	727,465	718,765	709,630	700,060	689,910
2006 MF Series A (Aspen Park Apts)	Principal	150,000	160,000	165,000	180,000	190,000
2006 MF Series A (Aspen Park Apts)	Interest	433,875	426,250	418,250	409,750	400,625
2006 MF Series A (Idlewilde Apts)	Principal	-	-	-	-	-
2006 MF Series A (Idlewilde Apts)	Interest	202,615	202,292	201,872	202,082	202,082
2007 MF Series A (Lancaster Apts)	Principal	-	-	-	-	-
2007 MF Series A (Lancaster Apts)	Interest	197,407	197,017	196,607	196,812	196,812
2007 MF Series A (Park Place)	Principal	130,165	137,918	146,133	154,838	164,061
2007 MF Series A (Park Place)	Interest	780,536	772,782	764,567	755,862	746,639
2007 MF Series A (Terrace at Cibolo)	Principal	-	-	-	-	-
2007 MF Series A (Terrace at Cibolo)	Interest	72,362	72,463	72,297	72,380	72,380

2024-28	2029-33	2034-38	2039-43	2044-48	2049-53	2054-58	TOTAL REQUIRED
817,345	1,141,536	1,594,312	2,226,678	1,686,947	-	-	8,052,042
2,374,367	2,050,175	1,597,399	965,036	44,632	-	-	9,638,099
600,169	849,544	4,249,070	-	-	-	-	6,122,772
1,829,608	1,588,098	796,749	-	-	-	-	6,214,678
481,433	610,208	773,425	4,263,531	-	-	-	6,508,431
1,947,461	1,768,533	1,541,743	611,519	-	-	-	7,957,885
1,100,319	1,521,544	2,104,017	2,909,469	2,676,670	-	-	11,107,727
3,185,224	2,764,000	2,181,528	1,376,073	212,409	-	-	13,209,070
544,147	752,456	7,007,859	-	-	-	-	8,697,968
2,616,765	2,408,456	1,924,184	-	-	-	-	9,716,812
-	-	10,390,000	-	-	-	-	10,390,000
800,196	799,864	746,549	-	-	-	-	3,147,123
-	-	15,000,000	-	-	-	-	15,000,000
1,207,751	1,207,249	1,117,516	-	-	-	-	4,740,690
-	-	-	5,580,000	-	-	-	5,580,000
429,749	429,571	429,660	7,298	-	-	-	1,726,198
798,456	1,045,314	1,368,497	6,636,877	-	-	-	10,459,038
2,558,111	2,311,250	1,988,066	683,300	-	-	-	10,287,401
2,578,422	3,317,289	3,387,511	-	-	-	-	11,287,346
2,037,564	1,298,701	267,042	-	-	-	-	6,215,168
3,490,000	-	-	-	-	-	-	4,165,000
497,551	-	-	-	-	-	-	1,476,745
590,000	810,000	1,095,000	1,495,000	1,795,000	-	-	6,225,000
1,710,314	1,503,674	1,221,696	839,166	264,147	-	-	7,402,445
7,650,000	-	-	-	-	-	-	8,960,000
1,285,092	-	-	-	-	-	-	3,432,953
1,233,864	1,664,299	2,244,891	3,028,022	4,242,666	-	-	13,328,496
3,551,341	3,120,906	2,540,314	1,757,185	514,694	-	-	15,354,895
-	-	-	15,000,000	-	-	-	15,000,000
1,207,751	1,207,249	1,207,500	220,988	-	-	-	5,051,662
8,370,000	-	-	-	-	-	-	9,570,000
1,655,586	-	-	-	-	-	-	4,031,212
1,010,012	1,362,356	1,837,615	2,478,665	4,072,392	-	-	11,509,835
3,086,880	2,734,539	2,259,280	1,618,228	584,105	-	-	13,631,131
1,065,000	1,420,000	1,875,000	2,490,000	4,955,000	-	-	12,615,000
3,275,695	2,917,690	2,443,105	1,813,950	793,005	-	-	14,789,275
7,870,000	-	-	-	-	-	-	8,715,000
1,500,624	-	-	-	-	-	-	3,589,374
-	-	-	12,790,000	-	-	-	12,790,000
1,010,620	1,010,200	1,010,410	370,694	-	-	-	4,412,867
-	-	-	12,780,000	-	-	-	12,780,000
984,265	983,855	984,060	377,159	-	-	-	4,313,994
979,071	1,307,544	1,746,218	2,332,064	6,418,518	-	-	13,516,530
3,574,430	3,245,955	2,807,279	2,221,432	1,103,614	-	-	16,773,096
-	-	-	4,700,000	-	-	-	4,700,000
361,983	361,817	361,900	126,649	-	-	-	1,574,231

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2018

DESCRIPTION		2019	2020	2021	2022	2023
2007 MF Series A (Santora Villas)	Principal	115,416	122,291	129,576	137,294	145,473
2007 MF Series A (Santora Villas)	Interest	661,543	654,668	647,384	639,665	631,487
2007 MF Series A (Costa Rialto)	Principal	110,691	116,761	123,163	129,916	137,040
2007 MF Series A (Costa Rialto)	Interest	532,205	526,135	519,733	512,979	505,856
2007 MF Series A (Windshire)	Principal	-	-	-	-	-
2007 MF Series A (Windshire)	Interest	200,245	199,888	199,472	199,680	199,680
2007 MF Series A (Residences @ Onion Creek)	Principal	-	-	-	-	-
2007 MF Series A (Residences @ Onion Creek)	Interest	242,174	241,751	241,249	241,500	241,500
2008 MF Series A (Addison Park)	Principal	-	-	-	-	-
2008 MF Series A (Addison Park)	Interest	196,156	196,564	196,115	196,339	196,339
2008 MF Series A (Costa Ibiza)	Principal	-	-	-	-	-
2008 MF Series A (Costa Ibiza)	Interest	204,645	205,942	205,470	205,706	205,706
2008 MF Series A (West Oaks)	Principal	-	-	-	-	-
2008 MF Series A (West Oaks)	Interest	181,810	182,339	181,921	182,130	182,130
2008 MF Series A (Alta Cullen Apartments)	Principal	-	-	-	-	-
2008 MF Series A (Alta Cullen Apartments)	Interest	185,333	186,513	186,087	186,300	186,300
2009 MF Series A (Costa Mariposa Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Costa Mariposa Apartments)	Interest	198,216	199,518	199,062	199,290	199,290
2009 MF Series A (Woodmont Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Woodmont Apartments)	Interest	226,212	227,645	227,125	227,385	227,385
2014 MF Series A (Decatur Angle Apartments)	Principal	171,167	181,453	192,357	203,917	216,171
2014 MF Series A (Decatur Angle Apartments)	Interest	1,299,995	1,289,884	1,279,166	1,267,804	1,255,760
2015 MF Series A (Williamsburg Apts)	Principal	286,332	296,738	313,252	327,714	342,844
2015 MF Series A (Williamsburg Apts)	Interest	790,175	782,126	769,352	758,165	746,461
2016 MF Series A (Skyline Place Apartments)	Principal	276,354	284,558	296,644	307,375	318,494
2016 MF Series A (Skyline Place Apartments)	Interest	485,077	479,000	470,047	462,098	453,862
2017 MF Series A (Casa Inc Apartments)	Principal	309,421	319,856	336,150	350,428	365,313
2017 MF Series A (Casa Inc Apartments)	Interest	754,806	746,808	734,320	723,377	711,969
2017 MF Series A (Casa Brendan Apartments)	Principal	64,463	66,637	70,031	73,006	76,107
2017 MF Series A (Casa Brendan Apartments)	Interest	157,250	155,584	152,983	150,703	148,326
2017 MF Series A (Nuestro Hogar)	Principal	73,487	75,966	79,836	83,227	86,762
2017 MF Series A (Nuestro Hogar)	Interest	179,266	177,367	174,401	171,802	169,093
2017 MF Series A (Emli Liberty Crossing Apartments)	Principal	-	-	17,600,000	-	-
2017 MF Series A (Emli Liberty Crossing Apartments)	Interest	316,800	316,800	158,400	-	-
2018 MF Series A (Vista on Gessner Apartments)	Principal	-	231,533	587,543	614,607	642,917
2018 MF Series A (Vista on Gessner Apartments)	Interest	1,723,611	1,727,000	1,706,454	1,685,776	1,664,145
2018 MF Series A (Springs Apartments)	Principal	-	-	20,000,000	-	-
2018 MF Series A (Springs Apartments)	Interest	427,417	446,000	446,000	-	-
2018 MF Series A (Crosby Plaza Apartments)	Principal	-	-	7,000,000	-	-
2018 MF Series A (Crosby Plaza Apartments)	Interest	153,222	140,000	140,000	-	-
2018 MF Series A (Oaks on Lamar Apartments)	Principal	176,214	197,319	208,645	218,388	228,586
2018 MF Series A (Oaks on Lamar Apartments)	Interest	602,409	597,112	588,197	580,527	572,500
2018 MF Series A (Riverside Townhomes)	Principal	201,268	225,373	238,310	249,438	261,086
2018 MF Series A (Riverside Townhomes)	Interest	688,058	682,007	671,825	663,065	653,896
TOTAL MULTIFAMILY BONDS		44,896,836	45,165,713	89,976,596	44,636,000	44,645,957
Total		61,698,344	62,163,850	106,882,592	61,481,155	61,325,372
Less Interest		49,588,107	49,068,444	48,198,021	46,733,307	45,970,275
Total Principal		12,110,237	13,095,406	58,684,571	14,747,848	15,355,097

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2018

2024-28	2029-33	2034-38	2039-43	2044-48	2049-53	2054-58	TOTAL REQUIRED
868,140	1,159,395	1,548,365	2,067,832	5,164,461	-	-	11,458,243
3,016,659	2,725,402	2,336,428	1,816,960	919,013	-	-	14,049,209
806,497	1,053,218	1,375,415	1,796,178	4,349,083	-	-	9,997,962
2,407,980	2,161,259	1,839,059	1,418,295	734,980	-	-	11,158,481
-	-	-	12,800,000	-	-	-	12,800,000
998,608	998,192	998,400	483,061	-	-	-	4,477,226
-	-	-	15,000,000	-	-	-	15,000,000
1,207,751	1,207,249	1,207,500	563,751	-	-	-	5,394,425
-	-	-	-	12,195,000	-	-	12,195,000
981,921	981,472	981,696	981,696	82,307	-	-	4,990,605
-	-	-	12,620,000	-	-	-	12,620,000
1,028,766	1,028,294	1,028,530	617,118	-	-	-	4,730,177
-	-	-	11,675,000	-	-	-	11,675,000
910,859	910,441	910,650	530,922	-	-	-	4,173,202
-	-	-	-	11,500,000	-	-	11,500,000
931,713	931,287	931,500	931,500	294,507	-	-	4,951,040
-	-	-	12,775,000	-	-	-	12,775,000
996,678	996,222	996,450	746,927	-	-	-	4,731,653
-	-	-	13,950,000	-	-	-	13,950,000
1,137,185	1,136,665	1,136,925	871,538	-	-	-	5,418,065
1,292,049	1,729,822	2,315,922	3,100,604	4,151,154	5,565,240	3,566,370	22,686,226
6,071,213	5,640,924	5,064,845	4,293,573	3,260,983	1,878,436	80,230	32,682,813
1,961,158	19,191,574	-	-	-	-	-	22,719,612
3,541,288	2,203,147	-	-	-	-	-	9,590,714
1,770,394	15,272,963	-	-	-	-	-	18,526,782
2,137,514	1,587,561	-	-	-	-	-	6,075,159
2,067,570	2,548,744	17,476,693	-	-	-	-	23,774,175
3,375,138	3,006,353	140,311	-	-	-	-	10,193,082
430,743	530,988	3,640,978	-	-	-	-	4,952,953
703,150	626,322	29,232	-	-	-	-	2,123,550
491,048	605,327	4,150,714	-	-	-	-	5,646,367
801,596	714,010	33,322	-	-	-	-	2,420,857
-	-	-	-	-	-	-	17,600,000
-	-	-	-	-	-	-	792,000
3,674,242	4,609,490	39,639,668	-	-	-	-	50,000,000
7,969,529	7,254,959	2,117,227	-	-	-	-	25,848,701
-	-	-	-	-	-	-	20,000,000
-	-	-	-	-	-	-	1,319,417
-	-	-	-	-	-	-	7,000,000
-	-	-	-	-	-	-	433,222
1,309,103	1,647,150	12,824,595	-	-	-	-	16,810,000
2,731,701	2,465,610	493,484	-	-	-	-	8,631,540
1,495,228	1,881,339	14,647,958	-	-	-	-	19,200,000
3,120,086	2,816,162	563,647	-	-	-	-	9,858,746
255,512,960	249,328,522	351,634,074	256,603,304	76,366,651	7,443,676	3,646,600	1,469,856,889
339,021,958	353,869,149	500,544,162	387,117,209	233,052,606	7,443,676	3,646,600	2,178,246,673
212,924,718	178,695,621	126,149,460	58,817,345	24,782,530	1,878,436	80,230	842,886,494
126,097,240	175,173,528	374,394,702	328,299,864	208,270,076	5,565,240	3,566,370	1,335,360,179

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, 2018

	Pledged and Other Sources and Related Expenditures for FY 2018			
	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)	$ 1,623	$ 1,157	$	$ 61,834
2004 Single Family Series B	6,102,650	104,232		883,652
2004 Single Family Series D	3,965,486	64,610		481,978
2005 Single Family Series A	4,702,230	39,599		902,186
2005 Single Family Series B	84,342	3,361	5,000	19
2005 Single Family Series D	64,342	3,361		21
2007 Single Family Series A	7,131,595	45,758		1,034,055
2013 Single Family Series A	4,171,287	6,914		493,523
2015 Single Family Series A	5,572,323	8,626		735,067
2015 Single Family Series B	3,041,953	5,994		494,180
2016 Single Family Series A	3,758,024	9,767		778,413
2016 Single Family Series B	10,217,157	14,055		1,292,551
2017 Single Family Series A	4,443,411	19,082		1,722,982
2017 Single Family Series B	6,505,456	7,553		711,757
2017 Single Family Series C	2,644,168	13,118		1,320,807
Total Single Family Bonds	$ 62,406,047	$ 347,187	$ 5,000	$ 10,913,025
2009 RMRB Series A	$ 4,371,992	$ 126,303	$ 255,000	$ 977,578
2009 RMRB Series B	388,245	29,627	1,015,000	244,878
2009 RMRB Series C-1	7,437,580	10,792		982,076
2009 RMRB Series C-2	5,767,432	8,776		676,213
2011 RMRB Series A	3,562,608	4,849	1,305,000	772,019
2011 RMRB Series B	6,783,379	9,895	1,635,000	1,246,704
Total Residential Mtg Revenue Bonds	$ 28,311,236	$ 190,242	$ 4,210,000	$ 4,899,468
1992 CHMRB Series C	860,198	26,982		50,604
Total 1992 CHMRB	$ 860,198	$ 26,982	$	$ 50,604
1996 MF Series A/B (Brighton's Mark Development)	$ 501,872	$	$	$ 501,872
1998 MF Series A-C (Residence at the Oaks Projects)	137,211		321,000	137,211
2000 MF Series A (Creek Point Apartments)	263,988			63,988
2000 MF Series A (Deerwood Apartments)	4,866,264			51,264
2000 MF Series A (Timber Point Apartments)	275,670			75,670
2000 MF Series A/B (Oaks at Hampton Apartments)	8,733,918		25,762	96,813
2000 MF Series A/B (Parks at Westmoreland Apartments)	8,714,662		25,021	96,598
2000 MF Series A-C (Collingham Park Apartments)	675,875		370,000	675,875
2000 MF Series A-C (Highland Meadow Village Apartments)	455,996		237,000	455,996
2001 MF Series A (Bluffview Apartments)	727,079		126,586	727,079
2001 MF Series A (Knollwood Apartments)	934,331		162,669	934,331
2001 MF Series A (Oak Hollow Apartments)	5,887,345		19,534	83,624
2001 MF Series A (Skyway Villas Apartments)	334,247		205,000	334,247
2001 MF Series A/B (Hillside Apartments)	834,767		90,344	834,767
2001 MF Series A/B (Meridian Apartments)	462,180		119,000	462,180
2001 MF Series A/B (Wildwood Apartments)	356,100		96,000	356,100
2002 MF Series A (Clarkridge Villas Apartments)	880,022		162,788	880,022
2002 MF Series A (Park Meadows Apartments)	3,538,092			38,091
2002 MF Series A (Green Crest Apartments)	575,447		97,044	575,447
2002 MF Series A (Hickory Trace Apartments)	10,816,399		76,878	421,761
2002 MF Series A/B (Ironwood Crossing)	692,838		173,262	692,838
2003 MF Series A (NHP Foundation-Asmara Project) Refunding	16,908,283			378,283
2003 MF Series A/B (Reading Road)	411,232		40,000	211,232
2003 MF Series A/B (Arlington Villas)	1,082,150		165,710	1,082,150
2003 MF Series A/B (Ash Creek Apartments)	990,816		178,399	990,816
2003 MF Series A/B (North Vista Apartments)	10,363,381		160,000	136,766
2003 MF Series A/B (Parkview Townhomes)	849,828		127,507	849,828
2003 MF Series A/B (Peninsula Apartments)	525,769		275,000	520,769
2003 MF Series A/B (Primrose Houston School)	998,288		177,095	998,288
2003 MF Series A/B (Timber Oaks Apartments)	849,319		115,036	849,319
2003 MF Series A/B (West Virginia Apartments)	377,446		235,000	377,446
2004 MF Series A (Bristol Apartments)	339,575			139,575
2004 MF Series A (Chisholm Trail Apartments)	425,249			125,249
2004 MF Series A (Churchill at Pinnacle Park)	596,623		129,009	596,623

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, 2018

	Pledged and Other Sources and Related Expenditures for FY 2018			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2004 MF Series A (Evergreen at Plano Parkway)	$ 888,680	$	$ 153,054	$ 888,680
2004 MF Series A (Humble Parkway Townhomes)	671,935		190,000	671,935
2004 MF Series A (Montgomery Pines Apartments)	331,458			131,457
2004 MF Series A (Pinnacle Apartments)	361,960			161,961
2004 MF Series A (Providence at Rush Creek II)	542,450		95,360	542,450
2004 MF Series A/B (Timber Ridge II Apartments)	415,433		68,509	415,433
2004 MF Series A/B (Providence at Veterans Memorial)	431,563		65,748	431,563
2005 MF Series A (Atascocita Pines Apartments)	332,098			132,098
2005 MF Series A (Mission Del Rio Homes)	567,313		64,521	567,313
2005 MF Series A (Plaza at Chase Oaks Apartments)	578,039		343,712	578,039
2005 MF Series A (Port Royal Homes)	725,935		130,468	725,935
2005 MF Series A (Providence at Mockingbird Apartments)	567,374		103,473	567,374
2005 MF Series A (St Augustine Estate Apartments)	171,382			71,381
2005 MF Series A (Tower Ridge Apartments)	200,293			200,293
2005 MF Series A (Coral Hills Apartments)	214,036		110,000	214,036
2006 MF Series A (Aspen Park)	439,833		140,000	439,833
2006 MF Series A (Bella Vista Apartments)	385,349		70,000	385,349
2006 MF Series A (East Tex Pines)	732,323		135,000	732,323
2006 MF Series A (Hillcrest Apartments)	506,100		210,000	506,100
2006 MF Series A (Idlewilde)	362,643			162,642
2006 MF Series A (Meadowlands Apartments)	694,056		124,698	694,056
2006 MF Series A (Oakmoor Apartments)	803,944		152,336	803,944
2006 MF Series A (The Residences at Sunset Pointe)	200,293			200,293
2006 MF Series A (Village Park Apartments)	461,659		220,000	461,659
2007 MF Series A (Costa Rialto)	537,489		104,938	537,489
2007 MF Series A (Lancaster)	362,341			162,341
2007 MF Series A (Park Place at Loyola)	787,259		122,847	787,259
2007 MF Series A (Santora Villas)	667,504		108,928	667,504
2007 MF Series A (Terrace at Cibolo)	60,742			60,742
2007 MF Series A (Windshire)	363,207			163,207
2007 MF Series A (Residences at Onion Creek)	200,293			200,293
2008 MF Series A (West Oaks Apartments)	348,897			148,897
2008 MF Series A (Costa Ibiza Apartments)	356,852			156,852
2008 MF Series A (Addison Park Apartments)	364,082			164,082
2008 MF Series A (Alta Cullen Apartments Refunding)	347,880			147,880
2009 MF Series A (Costa Mariposa Apartments)	307,505			157,505
2009 MF Series A (Woodmont Apartments)	404,246			174,246
2014 MF Series A (Decatur Angle Apartments)	1,308,759		161,464	1,308,759
2015 MF Series A (Williamsburg Apartments)	799,137		273,696	799,137
2016 MF Series A (Skyline Apartments)	491,577		223,218	491,577
2017 MF Series A (Casa Inc Apartments)	666,875		225,825	666,875
2017 MF Series A (Casa Brendan Apartments)	138,932		47,047	138,932
2017 MF Series A (Nuestro Hogar Apartments)	158,383		53,633	158,383
2017 MF Series A (Emli at Liberty Crossing)	220,880			220,880
2018 MF Series A (Vista on Gessner)	1,001,111			1,001,111
2018 MF Series A (Springs Apartments)	130,083			130,083
2018 MF Series A (Crosby Plaza Apartments)	24,889			24,889
2018 MF Series A (Oaks on Lamar)	14,919			14,920
2018 MF Series A (Riverside Townhomes)	17,040			17,041
Total Multifamily Bonds	$ 107,049,293	$	$ 7,609,119	$ 34,939,149
Total	$ 198,626,774	$ 564,411	$ 11,824,119	$ 50,802,246

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-E
EARLY EXTINGUISHMENT AND REFUNDING
For the fiscal year ended August 31, 2018

			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	4,840,000			
2004 Single Family Series D	Early Extinguishment	3,155,000			
2005 Single Family Series A	Early Extinguishment	3,615,000			
2005 Single Family Series B	Early Extinguishment	70,000			
2005 Single Family Series D	Early Extinguishment	50,000			
2007 Single Family Series A	Early Extinguishment	5,635,000			
2013 Single Family Series A	Early Extinguishment	3,330,000			
2015 Single Family Series A	Early Extinguishment	4,555,000			
2015 Single Family Series B	Early Extinguishment	2,335,000			
2016 Single Family Series A	Early Extinguishment	2,530,000			
2016 Single Family Series B	Early Extinguishment	8,450,000			
2017 Single Family Series A	Early Extinguishment	1,865,363			
2017 Single Family Series B	Early Extinguishment	5,484,979			
2017 Single Family Series C	Early Extinguishment	871,760			
2009 RMRB Series A	Early Extinguishment	3,335,000			
2009 RMRB Series B	Early Extinguishment	145,000			
2009 RMRB Series C-1	Early Extinguishment	5,985,000			
2009 RMRB Series C-2	Early Extinguishment	4,820,000			
2011 RMRB Series A	Early Extinguishment	2,910,000			
2011 RMRB Series B	Early Extinguishment	5,715,000			
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/B (Oaks at Hampton)	Early Extinguishment	8,637,105			
2000 MF Series A (Deerwood Apartments)	Early Extinguishment	4,815,000			
2000 MF Series A (Creek Point Apartments)	Early Extinguishment	200,000			
2000 MF Series A/B (Parks at Westmoreland)	Early Extinguishment	8,618,064			
2001 MF Series A (Oak Hollow Apartments)	Early Extinguishment	5,803,721			
2002 MF Series A (Park Meadows Apartments)	Early Extinguishment	3,500,000			
2002 MF Series A (Hickory Trace Apartments)	Early Extinguishment	10,394,638			
2003 MF Series A/B (Reading Road)	Early Extinguishment	200,000			
2003 MF Series A/B (North Vista)	Early Extinguishment	10,275,000			
2003 MF Series A/B (Peninsula Apartments)	Early Extinguishment	5,000			
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	Early Extinguishment	16,530,000			
2004 MF Series A (Chisholm Trail Apartments)	Early Extinguishment	300,000			
2004 MF Series A (Montgomery Pines Apartments)	Early Extinguishment	200,000			
2004 MF Series A (Bristol Apartments)	Early Extinguishment	200,000			
2004 MF Series A (Pinnacle Apartments)	Early Extinguishment	200,000			
2005 MF Series A (Atascocita Pines Apartments)	Early Extinguishment	200,000			
2005 MF Series A (St Augustine Estate Apartments)	Early Extinguishment	100,000			
2006 MF Series A (Idlewilde)	Early Extinguishment	200,000			
2007 MF Series A (Lancaster)	Early Extinguishment	200,000			
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	200,000			
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	150,000			
2009 MF Series A (Woodmont Apartments)	Early Extinguishment	230,000			
Total Business-Type Activities		$ 142,555,631	$ -	$ -	$ -

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 Vasquez

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, 2018, 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, 2018.

In addition, we have audited the financial statements of the Revenue Bond Program Enterprise Fund (Program) of the Department, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements. We also have audited the Computation of Unencumbered Fund Balances (Computation) of the Department's Housing Finance Division, as of August 31, 2018, 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*.

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

Purpose of this Report

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

Lisa R. Collier

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

December 20, 2018