

Texas Department of Housing & Community Affairs

Basic Financial Statements

For the Year Ended August 31, 2014

(With Independent Auditor's Report Thereon)



San Gabriel Apartments, Georgetown
Housing Tax Credit Program/HOME Program



TEXAS DEPARTMENT OF
HOUSING & COMMUNITY AFFAIRS

Building Homes. Strengthening Communities.





**TEXAS DEPARTMENT OF
HOUSING & COMMUNITY AFFAIRS**

Building Homes. Strengthening Communities.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

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T. Tolbert Chisum
Tom H. Gann
J.B. Goodwin

December 19, 2014

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

The Honorable Rick Perry, Governor
The Honorable Susan Combs, Texas Comptroller
Ms. Ursula Parks, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

RE: AUDITED ANNUAL FINANCIAL REPORT

Dear Governor Perry, Comptroller Combs, Ms. Parks, and Mr. Keel:

We are pleased to submit the Annual Financial Report of the Texas Department of Housing and Community Affairs for the year ended August 31, 2014, in compliance with TEX. GOV'T CODE ANN. §2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

The accompanying annual financial report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) reporting requirements. The financial report has been audited by an independent auditor as required by statute.

If you have any questions, please contact David Cervantes, Chief Financial Officer, at (512) 475-3875. Esther Ku may be contacted at (512) 475-3871 for questions related to the Schedule of Expenditures of Federal Awards.

Respectfully,

A handwritten signature in black ink, appearing to read "Timothy K. Irvine", written over a horizontal line.

Timothy K. Irvine
Executive Director

TKI/tt



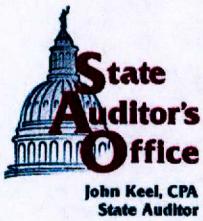
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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2014

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Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors

Mr. J. Paul Oxer, P.E., Chair
Dr. Juan Sanchez Muñoz, Vice Chair
Mr. T. Tolbert Chisum
Ms. Leslie Bingham Escareño
Mr. Tom H. Gann
Mr. J. B. Goodwin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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SAO Report No. 15-308

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department, as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Agency Financial Statements

As discussed in Note 1, the financial statements of the Department are intended to present the financial position of the governmental activities, business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity 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 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.

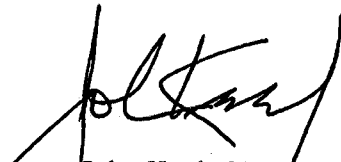
Other Information

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

The supplementary bond schedules are the responsibility of management and were derived from and relates 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 19, 2014, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



John Keel, CPA
State Auditor

December 19, 2014

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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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, 2014. Please read it in conjunction with the Department's financial statements, which follow this section.

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

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

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

Financial Highlights

- The Department's business-type activities net position increased \$29.2 million and governmental activities net position increased \$15.9 million.
- The Department's proprietary fund had an operating income of \$21.7 million, an increase of \$61.6 million from the prior year. This impact on operating income resulted primarily from an increase in the change in fair value of investments in the amount of \$47.4 million, an increase of \$4.1 million in other operating revenue and a decrease of \$18.0 million in interest expense offset by a \$15.1 million decrease in interest and investment income.
- Net position in the Department's Governmental Activities increased from \$477.3 million to \$493.2 million. The change represents an increase in revenues larger than an increase in expenditures.
- The Bond Program's debt outstanding of \$1.7 billion as of August 31, 2014, decreased \$219.9 million. Debt issuances and debt retirements totaled \$43.1 million and \$262.2 million, respectively.
- Loan originations in the Department's proprietary and governmental funds for the year totaled \$59.5 million and \$34.7 million, respectively.

- In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Department identified its derivative instruments, measured their effectiveness, and reported the derivative instruments at fair value. The Department’s interest rate swaps, which were primarily used to hedge changes in interest rates, are considered to be derivative instruments under GASB 53. GASB 53 requires the fair value of a derivative to be reported at the end of the fiscal year in the Statement of Net Position. As of August 31, 2014, the Department’s five interest rate swaps had a total notional amount of \$217.0 million and a negative \$22.4 million fair value which was recorded in the deferred outflows of resources account and as a derivative swap liability.
- In accordance with GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*, the Department identified and reclassified certain Statement of Net Position items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and recognized certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflow of resources (revenue). The implementation of GASB 65 resulted in a reclassification of beginning net position of \$4.3 million from the recognition of deferred issuance costs as expenses and deferred commitments as revenues.

Overview of the Financial Statements

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

- The first set of statements is 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 “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 – Governmental Activities

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

Texas Department of Housing and Community Affairs Governmental Activities - Condensed Statement of Net Position As of August 31, 2014				
	Governmental Activities		Increase / (Decrease)	
	2014	2013	Amount	%
Assets				
Cash in State Treasury	\$ 17,191,270	\$ 10,941,765	\$ 6,249,505	57.1
Federal Receivables	6,105,741	6,519,356	(413,615)	(6.3)
Legislative Appropriations	4,834,624	3,324,021	1,510,603	45.4
Internal Balances	261,862	(103,431)	365,293	(353.2)
Current Loans and Contracts	23,315,774	18,423,923	4,891,851	26.6
Other Current Assets	53,983	297,748	(243,765)	(81.9)
Non-Current Loans and Contracts	451,294,374	447,150,261	4,144,113	0.9
Capital Assets	214,681	219,848	(5,167)	(2.4)
Total Assets	503,272,309	486,773,491	16,498,818	3.4
Liabilities				
Accounts Payable	6,855,715	6,930,334	(74,619)	(1.1)
Unearned Revenues	1,016,291	448,908	567,383	126.4
Other Current Liabilities	1,792,838	1,697,638	95,200	5.6
Other Non-current Liabilities	421,109	420,030	1,079	0.3
Total Liabilities	10,085,953	9,496,910	589,043	6.2
Net Position				
Invested in Capital Assets	214,681	219,848	(5,167)	(2.4)
Restricted	491,739,878	475,514,793	16,225,085	3.4
Unrestricted	1,231,797	1,541,940	(310,143)	(20.1)
Total Net Position	\$ 493,186,356	\$ 477,276,581	\$ 15,909,775	3.3

Net position of the Department's governmental activities increased \$15.9 million, or 3.3% to \$493.2 million. The change is primarily a result of an increase in Restricted Net position, which primarily consists of loans associated with HOME Investment Partnerships Program ("HOME"), Tax Credit Assistance Program ("TCAP") and Neighborhood Stabilization Program ("NSP").

Cash in State Treasury increased by \$6.2 million or 57.1%. The increase primarily represents unspent program income collected from TCAP.

Legislative Appropriations increased by \$1.5 million or 45.4%. It represents an increased balance in the Homeless Housing and Services Program (HHSP), which was appropriated during the 83rd Legislative Session to be administered by TDHCA to fund the state's eight largest urban areas in Texas.

Internal Balances represent expenditure transfers after year end. Included in the 2014 transactions were payroll transfers and benefits allocation according to Accounting Policy Statements.

Loans and Contracts increased \$9.0 million. The variance represents the receipt, disbursement and adjustment of the portfolio for the year. During the fiscal year, HOME loans increased approximately \$14.6 million while TCAP loans decreased by approximately \$5.0 million due to loan repayments.

The term Deferred Revenue has been changed to Unearned Revenues as prescribed by GASB 65 as of August 31, 2014. The balance in Unearned Revenues increased by \$567.4 thousand or 126.4%. The change is primarily associated with Cash in State Treasury related to NSP, Section 8 and the Weatherization Assistance Program-ARRA ("WAP ARRA"). The increase to NSP occurred due to unspent program income received from loan repayments. The increase related to Section 8 is a result of decreased grant activities during the fiscal year. Increases were offset by a decrease of WAP-ARRA.

Included in 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.

Business Type Activities

Texas Department of Housing and Community Affairs				
Business-Type Activities				
Condensed Statement of Net Position				
	Business-Type Activities		Increase / (Decrease)	
	2014	2013	Amount	%
Assets				
Current Assets:				
Cash & Investments	\$ 152,661,971	\$ 130,534,180	\$ 22,127,791	17.0
Loans and Contracts	13,683,428	14,850,513	(1,167,085)	(7.9)
Interest Receivable	12,064,491	11,576,276	488,215	4.2
Other Current Assets	789,678	1,025,769	(236,091)	(23.0)
Non-current Assets:				
Investments	826,977,157	1,005,554,656	(178,577,499)	(17.8)
Loans and Contracts	1,100,327,546	1,103,161,607	(2,834,061)	(0.3)
Capital Assets	163,465	154,799	8,666	5.6
Other Non-Current Assets	227,370	5,992,618	(5,765,248)	(96.2)
Total Assets	2,106,895,106	2,272,850,418	(165,955,312)	(7.3)
DEFERRED OUTFLOWS OF RESOURCES	22,441,099	25,144,123	(2,703,024)	(10.8)
Liabilities				
Current				
Interest Payable	19,262,561	21,848,815	(2,586,254)	(11.8)
Bonds Payable	21,806,680	24,849,568	(3,042,888)	(12.2)
Other Liabilities	8,512,453	18,581,141	(10,068,688)	(54.2)
Non-current				
Bonds Payable	1,674,310,169	1,891,171,055	(216,860,886)	(11.5)
Derivative Hedging Instrument	22,441,099	25,144,123	(2,703,024)	(10.8)
Other Non-current Liabilities	105,179,526	67,821,752	37,357,774	55.1
Total Liabilities	1,851,512,488	2,049,416,454	(197,903,966)	(9.7)
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
Net Position				
Invested in Capital Assets	163,465	154,799	8,666	5.6
Restricted	198,730,753	169,151,068	29,579,685	17.5
Unrestricted	78,929,499	79,272,220	(342,721)	(0.4)
Total Net Position	\$ 277,823,717	\$ 248,578,087	\$ 29,245,630	11.8

Net position of the Department's Business-Type Activities increased \$29.2 million, or 11.8%, to \$277.8 million. Restricted net position of the Department's proprietary fund increased \$29.6 million or 17.5%. These restrictions are related to bond covenants and do not significantly affect the availability of resources for future use. The unrestricted net position decreased \$342.7 thousand or 0.4%.

Cash and investments decreased \$156.4 million, or 13.8%, to \$979.6 million, which is reflective of the change in fair value of investments, interest earnings, fees and funds received related to the Housing Trust Fund. Program loans receivable (current and non-current) decreased \$4.0 million, or 0.4%, to \$1.1 billion, primarily as a result of loan payoffs related to the Department's Multifamily Bond Program and repayment of loans in the Housing Trust Fund Program offset by loan originations related to these programs.

Business Type Activities Cont'd

The Department has \$1.7 billion in bonds outstanding related to its revenue bonds. It has issued \$43.1 million in revenue bonds. The Department's Single Family, Residential Mortgage Revenue Bonds and Collateralized Home Mortgage Revenue Bonds have been rated AA+ by Standard & Poor's. Multifamily ratings vary. Total bonds payable (current and non-current) decreased by \$219.9 million, or 11.5%, due to the Department's monthly retirement of existing debt being greater than bond issuance. The \$2.6 million decrease in total interest payable to \$19.3 million is reflective of the decrease of the Department's debt. For more information on the Department's debt, refer to Note 5.

Statement of Activities

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

A condensed Statement of Activities for the fiscal years ended August 31, 2013 and 2014 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
	2014	2013	2014	2013	2014	2013	
Program Revenues:							
Charges for Services	\$ 6,248	\$ 5,878	\$ 113,792	\$ 124,629	\$ 120,040	\$ 130,507	(8.0)
Operating Grants and Contributions	255,984	283,802	-	-	255,984	283,802	(9.8)
Total Revenue	262,232	289,680	113,792	124,629	376,024	414,309	(9.2)
Total Expenses:	252,422	251,464	96,025	121,149	348,447	372,613	(6.5)
Net Revenue	9,810	38,216	17,767	3,480	27,577	41,696	(33.9)
General Revenues	12,520	8,190	3,932	(43,343)	16,452	(35,153)	(146.8)
Transfers	(6,679)	(6,972)	3,281	3,683	(3,398)	(3,289)	3.3
Change in Net Position	15,651	39,434	24,980	(36,180)	40,631	3,254	1,148.6
Beginning Net Position	477,277	437,843	248,578	284,758	725,855	722,601	0.5
Restatement	258	-	4,266	-	4,524	-	-
Beginning Net Position, Restated	477,535	437,843	252,844	284,758	730,379	722,601	1.1
Ending Net Position	\$ 493,186	\$ 477,277	\$ 277,824	\$ 248,578	\$ 771,010	\$ 725,855	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 decreased \$27.4 million. This change consisted primarily of decreases in Operating Grants and Contributions as a result of reduced NSP grant activities.

Expenses of the Department's Governmental Activities consisted primarily of Intergovernmental Payments and Public Assistance Payments. The Department distributes program funds to local providers, including local governments, nonprofit and for-profit organizations, community based organizations and real estate developers.

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 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 \$113.8 million and an increase in fair value of investments of \$3.8 million. Charges for Services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs, the investments and the income which are restricted to those programs by a pledge to the respective bond indentures. Total charges for services decreased \$10.8 million which is primarily a decrease in interest income on investments and a decrease in interest income on mortgage loans.

Expenses of the Department's Business-Type Activities consist primarily of interest expense of \$70.9 million which decreased \$18.0 million; professional fees and services of \$3.2 million which decreased \$371.4 thousand; and salaries and wages/payroll related expense of \$9.5 million. The decrease in interest expense is a result of an increase of the frequency in the retirement of the Department's bonds and lower interest rates related to the Department's variable rate debt. Other operating expenses include general and administrative expenses, allocations involving production or monitoring activities of the Department, as well as internal and external costs.

Business-Type Activities Cont'd

The Department's Business-Type Activities, Charges for Services of \$113.8 million exceeded expenses of \$96.0 million by \$17.8 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 are 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)	
	2014	2013	Amount	%
OPERATING REVENUES				
Legislative Appropriations	\$ 12,507,906	\$ 7,987,365	\$ 4,520,541	56.6
Federal Revenues	255,935,474	283,715,905	(27,780,431)	(9.8)
Other Revenue	6,572,925	6,174,109	398,816	6.5
Total Operating Revenues	<u>275,016,305</u>	<u>297,877,379</u>	<u>(22,861,074)</u>	<u>(7.7)</u>
OPERATING EXPENDITURES				
Salaries and Wages	9,778,381	10,207,465	(429,084)	(4.2)
Professional Fees and Services	274,060	396,050	(121,990)	(30.8)
Intergovernmental Payments	64,130,390	55,969,480	8,160,910	14.6
Public Assistance Payments	173,557,049	180,001,509	(6,444,460)	(3.6)
Other Operating Expenditures	4,699,233	4,912,230	(212,997)	(4.3)
Total Operating Expenditures	<u>252,439,113</u>	<u>251,486,734</u>	<u>952,379</u>	<u>0.4</u>
Excess of Revenues over Expenditures	22,577,192	46,390,645	(23,813,453)	(51.3)
Other Financing Sources (Uses)	<u>(6,678,528)</u>	<u>(6,972,250)</u>	<u>293,722</u>	<u>(4.2)</u>
CHANGE IN FUND BALANCE	15,898,664	39,418,395	(23,519,731)	(59.7)
Beginning Fund Balance	478,038,998	438,628,334	39,410,664	9.0
Restatement	256,770	-	256,770	-
Beginning Fund Balance Restated	<u>478,295,768</u>	<u>438,628,334</u>	<u>39,667,434</u>	<u>9.0</u>
Appropriations (Lapsed)	(264,276)	(7,731)	(256,545)	3318.4
Ending Fund Balance	<u>\$ 493,930,156</u>	<u>\$ 478,038,998</u>	<u>\$ 15,891,158</u>	<u>3.3</u>

Revenues of the Department's governmental fund totaled \$275.0 million. These revenues were primarily federal grants related to LIHEAP, HOME and CSBG programs. Expenditures of \$252.4 million primarily consisted of Intergovernmental and Public Assistance Payments.

Total revenues of the governmental fund decreased by \$22.9 million. HOME grant activity declined in fiscal year 2014 due to a significant reduction to the grant award in past years. The Department is adjusting its operations under the reduced funding level. NSP activities decreased significantly due to grant expiration and is currently operating on program income. LIHEAP has experienced an increase of funds in the past program year due to significant unspent balances that were carried forward and expensed in fiscal year 2014. This resulted in an increase of revenues. The CSBG program expenditures decreased in fiscal year 2014 to normal levels while 2013 expenditures were unusually higher due to unspent grant balance carried forward in 2012.

Governmental Fund Cont'd

The Department experienced decreases in Intergovernmental and Public Assistance Payments for NSP and CSBG but increases in LIHEAP. The HOME grant had an increase in the Intergovernmental activity and a decrease in the Public Assistance Payments.

The Department experienced decreases in Salaries and Wages/Payroll Related Costs due to workforce adjustments from the phasing out of the NSP grant. In addition, there was a shift in FTEs previously funded by federal funds to other methods of finance.

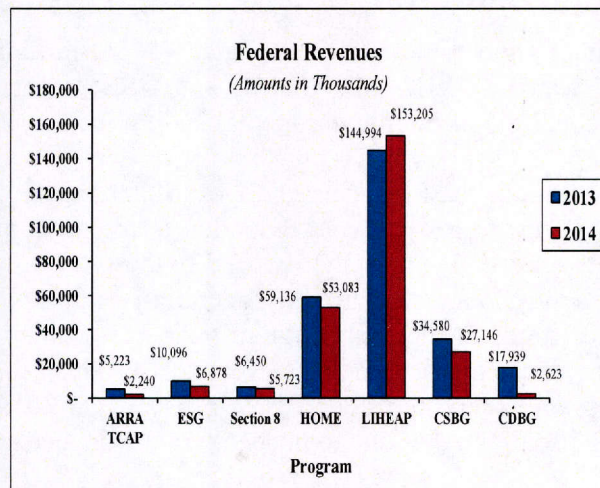
Other Financing Sources (Uses) consisted primarily of the transfer of HTF, including interest earnings and loan repayments from General Revenue to Texas Treasury Safekeeping Trust Company. There were also transfers of Earned Federal Funds and Manufactured Housing revenues.

The restatement to Governmental Funds was to correct prior years' accrued expenditures related to the depreciation of an asset which should have been reported as construction in progress, and Federal Receivables not recognized in previous years.

The following graphs illustrate a comparison between fiscal year 2013 and 2014 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:

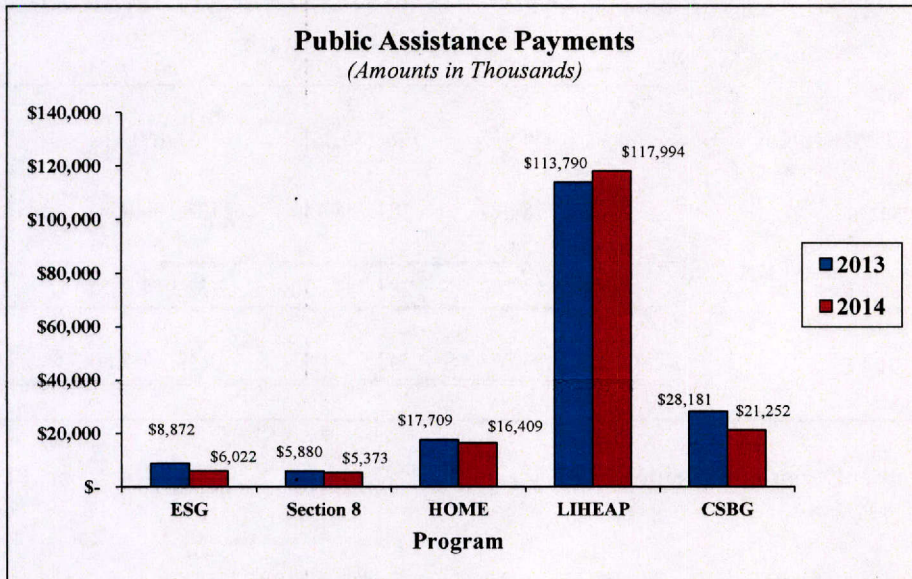
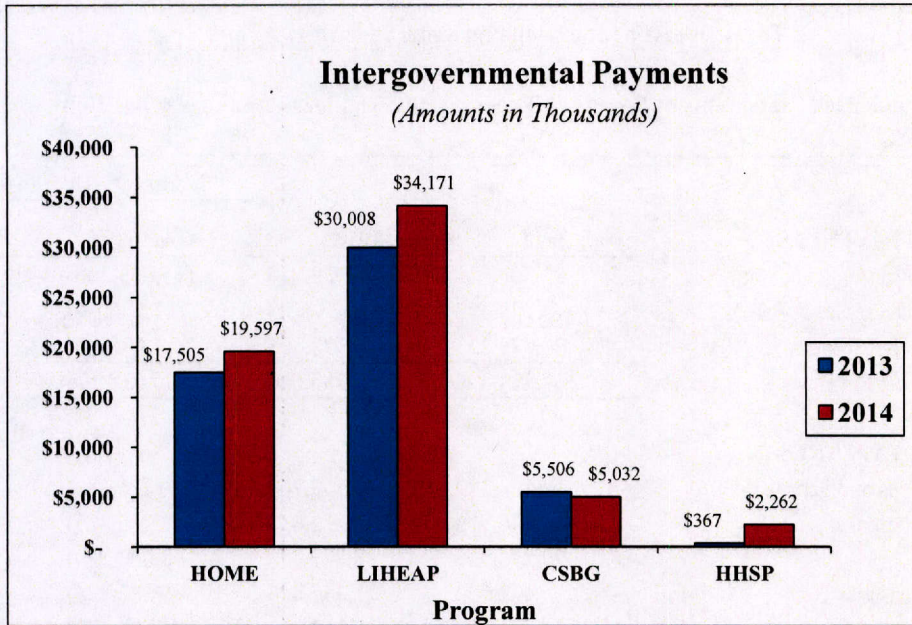
ARRA TCAP	Tax Credit Assistance Program – Recovery Act
ESG	Emergency Solutions Grants Program
SEC 8	Section 8 Housing Assistance Program
HOME	HOME Investment Partnerships Program
LIHEAP	Low-Income Home Energy Assistance Program
HHSP	Homeless Housing and Services Program
CSBG	Community Services Block Grant
CDBG/NSP	Community Development Block Grant/Neighborhood Stabilization Program

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, 2014 and August 31, 2013.

Texas Department of Housing and Community Affairs Proprietary Fund Condensed Statements of Revenues, Expenses and Changes in Fund Net Position				
			Increase / (Decrease)	
	2014	2013	Amount	%
OPERATING REVENUES				
Interest and Investment Income	\$ 83,866,624	\$ 98,929,820	\$ (15,063,196)	(15.23)
Net Increase (Decrease) in Fair Value	3,783,495	(43,623,321)	47,406,816	(108.67)
Other Operating Revenues	30,074,277	25,979,101	4,095,176	15.76
Total Operating Revenues	<u>117,724,396</u>	<u>81,285,600</u>	<u>36,438,796</u>	<u>44.83</u>
OPERATING EXPENSES				
Professional Fees and Services	3,178,380	3,549,763	(371,383)	(10.46)
Depreciation Expense	36,916	2,222,631	(2,185,715)	(98.34)
Interest	70,876,931	88,877,460	(18,000,529)	(20.25)
Bad Debt Expense	472,020	1,355,446	(883,426)	(65.18)
Other Operating Expenses	21,461,000	25,143,422	(3,682,422)	(14.65)
Total Operating Expenses	<u>96,025,247</u>	<u>121,148,722</u>	<u>(25,123,475)</u>	<u>(20.74)</u>
Operating Income (Loss)	21,699,149	(39,863,122)	61,562,271	(154.43)
TRANSFERS	3,280,806	3,682,759	(401,953)	(10.91)
CHANGE IN NET POSITION	24,979,955	(36,180,363)	61,160,318	(169.04)
Beginning Net Position	248,578,087	284,758,450	(36,180,363)	(12.71)
Restatement	4,265,675		4,265,675	
Beginning Net Assets Restated	<u>252,843,762</u>	<u>284,758,450</u>	<u>(31,914,688)</u>	<u>(11.2)</u>
Ending Net Position	<u>\$ 277,823,717</u>	<u>\$ 248,578,087</u>	<u>\$ 29,245,630</u>	<u>11.77</u>

Net position of the Department's proprietary fund increased by \$29.2 million, or 11.8%, to \$277.8 million.

Proprietary Fund Cont'd

Earnings within the Department's proprietary fund were \$117.7 million of which \$87.3 million is classified as restricted and \$30.4 million is unrestricted. Restricted earnings are composed of \$83.3 million in interest and investment income, \$3.9 million net increase in fair value of investments, and \$106.0 thousand in other revenues. Interest and investment income are restricted per bond covenants for debt service. The net increase in fair value of investments is a combination of unrealized and realized gains and losses. Unrestricted earnings are composed of \$551.3 thousand in interest and investment income, \$105.7 thousand related to the decrease in fair value of investments and \$30.0 million in other operating revenue.

Interest earned on program loans decreased by \$2.5 million, or 5.6%, primarily due to a decrease in the Department's Multifamily Bond Program, resulting from lower interest rates related to variable rate debt and the corresponding mortgage loans.

Investment income decreased \$12.4 million or 23.4% due to lower investment yields. The primary changes in investment income were in the Single Family Revenue Bond Program funds that decreased \$8.4 million, or 24.4%. The Residential Mortgage Revenue Bond Program decreased \$3.1 million or 18.3%.

The net change in fair value of investments increased by \$47.4 million primarily due to the increasing fair value of the Department's mortgage backed securities reflective of improving market conditions.

Other Operating Revenues increased \$4.1 million primarily due to an increase in collected fees related to the Department's various Housing Programs.

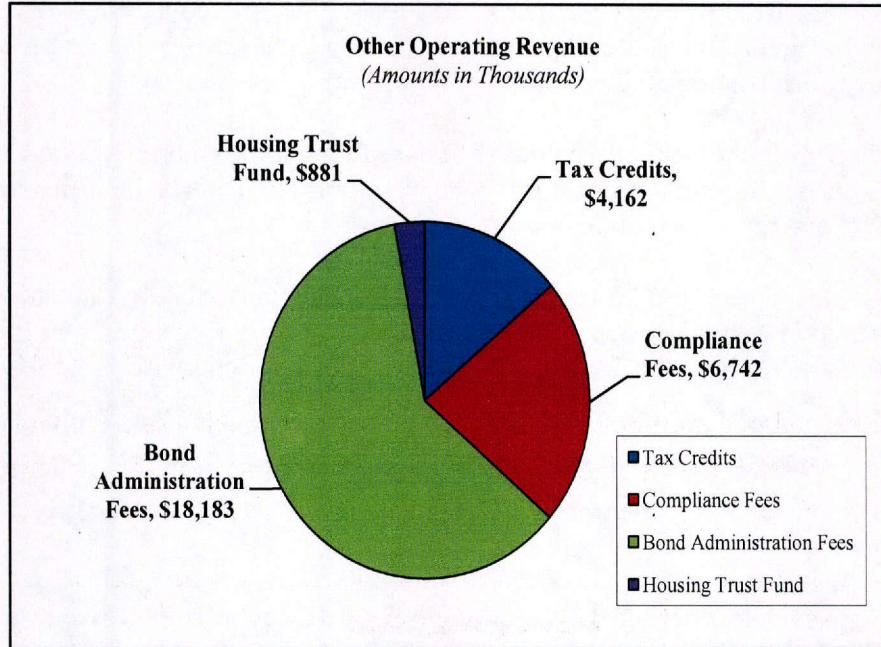
Interest expense decreased \$18.0 million related to the Department's debt. One of the factors in this decrease is the Department's decision to pay down its bonds on a monthly basis as opposed to every six months. Another factor is a decrease in interest rates related to variable rate debt.

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

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

Proprietary Fund Cont'd

The graph below illustrates the primary composition of \$30.0 million in other operating revenue, 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 2014 and 2013.

Texas Department of Housing and Community Affairs Proprietary Fund Changes in Net Position by Program <i>(Amounts in Thousands)</i>					
Program	2014	2013	Increase / (Decrease)		
			Amount	%	
Single Family	\$ 100,010	\$ 87,761	\$ 12,249	14.0	
RMRB	91,668	74,490	17,178	23.1	
CHMRB	1,753	1,800	(47)	(2.6)	
Multifamily	(2,171)	(2,001)	(170)	8.5	
General Funds	7,566	8,476	(910)	(10.7)	
TMP	10,966	10,347	619	6.0	
Housing Trust Fund	58,106	58,850	(744)	(1.3)	
Administration Fund	(826)	(627)	(199)	31.7	
Housing Initiatives & Compliance	10,751	9,482	1,269	13.4	
Total	\$ 277,823	\$ 248,578	\$ 29,245	11.8	

Proprietary Fund Cont'd

The net position of the Single Family Bond Program increased by \$12.2 million or 14.0%, primarily due to a positive difference between interest income and bond interest expense of \$8.8 million and \$4.9 million positive restatement due to the implementation of GASB 65 offset by \$948.5 thousand in professional fees.

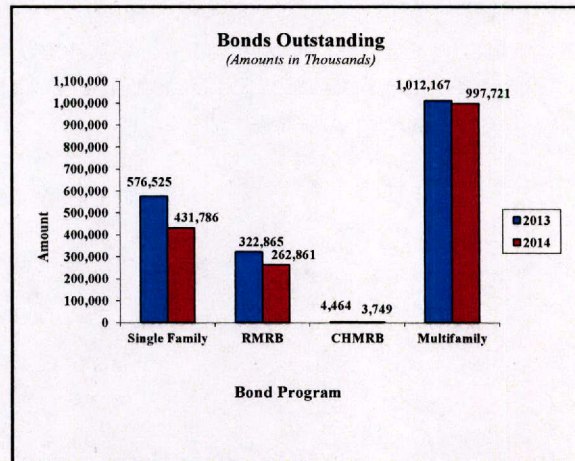
The net position of the Residential Mortgage Revenue Bond Program increased by \$17.2 million or 23.1%, primarily due to a positive difference between interest income and bond interest expense of \$4.0 million, a \$4.0 million increase in fair value of investments, and \$10.9 million in transfers made to fund down payment assistance loans offset by a \$1.0 million negative restatement of net position due to the implementation of GASB 65.

The net position of the Housing Initiatives & Compliance Programs increased \$1.3 million or 13.4% which is reflective of a positive difference of \$1.3 million between fees collected of \$10.9 million and \$9.6 million of transfers made to fund the operating budget

Department Debt

The Department's new debt issuances during fiscal year 2014 totaled \$43.1 million related to the Multifamily Bond Program. The Department also had \$262.2 million in debt retirement during the year primarily due to consumer refinancing and prepayments of original loans. The net result was a decrease in bonds payable of \$219.9 million to \$1.7 billion of which \$21.8 million is due within one year. For additional information, see Note 5, Bond Indebtedness, and supplementary bond information schedules.

The following graph illustrates a comparison of bonds outstanding between fiscal year 2013 and 2014 per bond program.



Request for Information

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

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BASIC
FINANCIAL STATEMENTS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I
STATEMENT OF NET POSITION - GOVERNMENT WIDE
 As of August 31, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand	\$ 200	\$ 200	\$ 400
Cash in Bank	20,000	140,975	160,975
Cash in State Treasury		1,239,304	1,239,304
Cash Equivalents		31,480,209	31,480,209
Restricted:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank		18,929,203	18,929,203
Cash in State Treasury	17,191,270		17,191,270
Cash Equivalents		100,748,789	100,748,789
Short-term Investments (Note 3)		123,291	123,291
Loans and Contracts	23,315,774	10,958,061	34,273,835
Interest Receivable		12,023,626	12,023,626
Federal Receivable	6,105,741		6,105,741
Legislative Appropriations	4,834,624		4,834,624
Receivables From:			
Interest Receivable	15,164	40,865	56,029
Accounts Receivable	11,072	587,535	598,607
Other Intergovernmental	2,089		2,089
Internal Balances (Note 8)	261,862	(261,862)	
Due From Other Agencies (Note 8)	535		535
Consumable Inventories	4,923	4,924	9,847
Loans and Contracts		2,725,367	2,725,367
Other Current Assets		197,219	197,219
Total Current Assets	51,763,254	178,937,706	230,700,960
Non-Current Assets:			
Investments (Note 3)		2,774,806	2,774,806
Loans and Contracts		50,294,453	50,294,453
Capital Assets (Note 2):			
Non-Depreciable:			
Depreciable or Amortizable, Net	52,823	31,476	84,299
Restricted Assets:			
Investments (Note 3)		824,202,351	824,202,351
Loans and Contracts	451,294,374	1,050,033,093	1,501,327,467
Real Estate Owned, net		227,370	227,370
Total Non-Current Assets	451,509,055	1,927,695,538	2,379,204,593
Total Assets	\$ 503,272,309	\$ 2,106,633,244	\$ 2,609,905,553
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of hedging derivatives (Note 6)	\$	\$ 22,441,099	\$ 22,441,099
Total Deferred Outflows of Resources	\$	\$ 22,441,099	\$ 22,441,099

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I (Continued)

STATEMENT OF NET POSITION - GOVERNMENT WIDE

As of August 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	\$ 6,855,715	\$ 1,447,679	\$ 8,303,394
Accrued Bond Interest Payable		19,262,561	19,262,561
Payroll Payable	1,210,790		1,210,790
Due To Other Agencies (Note 8)	44,676		44,676
Unearned Revenues	1,016,291	5,958,694	6,974,985
Employees' Compensable Leave (Note 4)	537,372	554,611	1,091,983
Revenue Bonds Payable (Notes 4 & 5)		21,806,680	21,806,680
Other Current Liabilities		289,607	289,607
Total Current Liabilities	<u>9,664,844</u>	<u>49,319,832</u>	<u>58,984,676</u>
Non-Current Liabilities:			
Employees' Compensable Leave (Note 4)	421,109	432,796	853,905
Revenue Bonds Payable (Notes 4 & 5)		1,674,310,169	1,674,310,169
Derivative Hedging Instrument (Note 6)		22,441,099	22,441,099
Other Non-Current Liabilities (Note 4)		104,746,730	104,746,730
Total Non-Current Liabilities	<u>421,109</u>	<u>1,801,930,794</u>	<u>1,802,351,903</u>
Total Liabilities	<u>10,085,953</u>	<u>1,851,250,626</u>	<u>1,861,336,579</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>\$</u>	<u>\$</u>	<u>\$</u>
NET POSITION			
Invested in Capital Assets	214,681	163,465	378,146
Restricted	491,739,878	198,730,752	690,470,630
Unrestricted	1,231,797	78,929,500	80,161,297
Total Net Position	<u>\$ 493,186,356</u>	<u>\$ 277,823,717</u>	<u>\$ 771,010,073</u>

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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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	2014 Total
Primary Government						
Governmental Activities:						
Manufactured Housing	\$ 5,445,916	\$ 6,070,423	\$	\$ 624,507	\$	\$ 624,507
HOME Investment in Affordable Housing	38,470,712		53,082,802	14,612,090		14,612,090
Energy Assistance	155,736,771		155,742,173	5,402		5,402
Community Services	34,020,773		34,024,239	3,466		3,466
Community Development	3,266,601	11,279	2,721,480	(533,842)		(533,842)
Section 8	5,808,170		5,722,727	(85,443)		(85,443)
National Foreclosure Mitigation Counseling	186,180		186,180	0		-
Real Choice Systems Change Grant	114,911		(49,721)	(164,632)		(164,632)
DOE Weatherization Assistance - ARRA	500,701		497,746	(2,955)		(2,955)
Tax Credit Assistance Program - ARRA	1,877,141		2,239,676	362,535		362,535
Money Follows the Person	147,254	140,343		(6,911)		(6,911)
Homeless Housing & Services Program	3,094,972			(3,094,972)		(3,094,972)
Housing Trust Fund	1,099,763	100		(1,099,663)		(1,099,663)
Administration	2,652,346	25,398	1,817,183	(809,765)		(809,765)
Total Governmental Activities	252,422,211	6,247,543	255,984,485	9,809,817		9,809,817
Business-type Activities:						
Single Family Bonds	30,621,396	56,160,528			25,539,132	25,539,132
Multifamily Bonds	43,182,321	42,769,284			(413,037)	(413,037)
Housing Trust Fund Program	5,110,600	1,085,450			(4,025,150)	(4,025,150)
Administration	17,110,930	13,777,111			(3,333,819)	(3,333,819)
Total Business-type Activities	96,025,247	113,792,373			17,767,126	17,767,126
Total Primary Government	\$ 348,447,458	\$ 120,039,916	\$ 255,984,485	9,809,817	17,767,126	27,576,943
General Revenues:						
Original Appropriations				11,313,864		11,313,864
Additional Appropriations				1,194,042		1,194,042
Interest & Other Investment Income				63,432	148,528	211,960
Appropriations Lapsed				(264,276)		(264,276)
Other Revenues				212,938		212,938
Net Increase in Fair Value of Investments					3,783,495	3,783,495
Transfers In (Out) (Note 8)				(6,678,528)	3,280,806	(3,397,722)
Total General Revenues and Transfers				5,841,472	7,212,829	13,054,301
Change in Net Position				15,651,289	24,979,955	40,631,244
Net Position, September 1, 2013				477,276,581	248,578,087	725,854,668
Restatement (Note 10)				258,486	4,265,675	4,524,161
Net Assets, September 1, 2013, as Restated				477,535,067	252,843,762	730,378,829
Net Position - August 31, 2014				\$ 493,186,356	\$ 277,823,717	\$ 771,010,073

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, 2014

	<u>Total</u>
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	17,191,270
Federal Receivable	6,105,741
Legislative Appropriations	4,834,624
Accounts Receivable	11,072
Receivables From:	
Other Intergovernmental	2,089
Interest	15,164
Interfund Receivable (Note 8)	401,660
Due From Other Agencies (Note 8)	535
Consumable Inventories	4,923
Restricted - Loans and Contracts	23,315,774
Total Current Assets	<u>51,903,052</u>
Non-Current Assets:	
Restricted - Loans and Contracts	<u>451,294,374</u>
Total Non-Current Assets	<u>451,294,374</u>
Total Assets	<u>503,197,426</u>
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	6,855,715
Payroll Payable	1,210,790
Interfund Payable (Note 8)	139,798
Due To Other Agencies (Note 8)	44,676
Unearned Revenues	1,016,291
Total Liabilities	<u>9,267,270</u>
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances:	
Nonspendable	4,923
Restricted	489,283,584
Committed	535
Assigned	718,521
Unassigned	3,922,593
Total Fund Balances as of August 31	<u>493,930,156</u>
NOTE: Amounts reported for governmental activities in the statement of net position are different because:	
Capital net assets net of accumulated depreciation used in governmental activities are not financial resources and therefore not reported in the funds.	214,681
Long term liabilities relating to employees' compensable leave are not due and payable in the current year therefore are not reported in the funds.	(958,481)
NET POSITION AS OF AUGUST 31	<u>\$ 493,186,356</u>

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, 2014

	<u>Total</u>
REVENUES	
Legislative Appropriations:	
Original Appropriations (GR)	\$ 11,313,864
Additional Appropriations (GR)	1,194,042
Federal Revenue (PR-OP G/C)	255,935,474
Federal Revenue Grant Pass-Thru Revenue (PR-OP G/C)	41,806
State Grant Pass-Through Revenue (PR-OP G/C)	7,204
Licenses, Fees & Permits (PR-C/S)	5,533,254
Interest and Other Investment Income (GR)	63,432
Sales of Goods and Services (PR-C/S)	714,291
Other (GR)	212,938
Total Revenues	<u>275,016,305</u>
EXPENDITURES	
Salaries and Wages	9,778,381
Payroll Related Costs	2,746,437
Professional Fees and Services	274,060
Travel	480,555
Materials and Supplies	254,479
Communication and Utilities	158,207
Repairs and Maintenance	271,349
Rentals & Leases	209,871
Printing and Reproduction	90,458
Claims and Judgments	77,613
State Grant Pass-Through Expenditures	109,685
Intergovernmental Payments	64,130,390
Public Assistance Payments	173,557,049
Other Expenditures	259,489
Capital Outlay	41,090
Total Expenditures	<u>252,439,113</u>
Excess of Revenues	
Over Expenditures	<u>22,577,192</u>
OTHER FINANCING SOURCES (USES)	
Transfers Out (Note 8)	<u>(6,678,528)</u>
Total Other Financing (Uses)	<u>(6,678,528)</u>
Net Change in Fund Balances	15,898,664
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances--Beginning	478,038,998
Restatement (Note 10)	256,770
Fund Balances--Beginning, as Revised	<u>478,295,768</u>
Appropriations (Lapsed)	<u>(264,276)</u>
Fund Balances - August 31	<u>\$ 493,930,156</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT IV (Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- GOVERNMENTAL FUND

Year Ended August 31, 2014

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

	<u>Total</u>
Net Change in Fund Balances (Exhibit IV)	\$ 15,898,664
Restatement (Note 10)	256,770
Appropriations (Lapsed)	<u>(264,276)</u>
Changes in Fund Balances	15,891,158
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to:	
- capital outlay expense	41,090
- restatement of capital asset (Note 10)	1,716
- depreciation expense	(47,973)
- payroll expense due to Compensable Leave	<u>23,784</u>
Change in Net Position, August 31 (Exhibit II)	<u>\$ 15,909,775</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V

STATEMENT OF NET POSITION - PROPRIETARY FUND

August 31, 2014

	<u>Total</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3)	
Cash on Hand	\$ 200
Cash in Bank	140,975
Cash in State Treasury	1,239,304
Cash Equivalents	31,480,209
Restricted Assets:	
Cash and Cash Equivalents (Note 3)	
Cash in Bank	18,929,203
Cash Equivalents	100,748,789
Short-term Investments (Note 3)	123,291
Loans and Contracts	10,958,061
Interest Receivable	12,023,626
Receivable:	
Interest Receivable	40,865
Accounts Receivable	587,535
Consumable Inventories	4,924
Loans and Contracts	2,725,367
Other Current Assets	197,219
Total Current Assets	<u>179,199,568</u>
Non-Current Assets:	
Investments (Note 3)	2,774,806
Loans and Contracts	50,294,453
Capital Assets: (Note 2)	
Non-Depreciable	31,476
Depreciable or Amortizable, Net	131,989
Restricted Assets:	
Investments (Note 3)	824,202,351
Loans and Contracts	1,050,033,093
Real Estate Owned, net	227,370
Total Non-Current Assets	<u>1,927,695,538</u>
Total Assets	\$ 2,106,895,106
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated decrease in fair value of hedging derivatives (Note 6)	<u>22,441,099</u>
Total Deferred Outflows of Resources	\$ 22,441,099

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V (Continued)

STATEMENT OF NET POSITION - PROPRIETARY FUND

August 31, 2014

	Total
LIABILITIES	
Current Liabilities	
Payables:	
Accounts Payable	\$ 1,447,679
Accrued Bond Interest Payable	19,262,561
Interfund Payable (Note 8)	261,862
Unearned Revenue	5,958,694
Employees' Compensable Leave (Note 4)	554,611
Revenue Bonds Payable (Notes 4 & 5)	21,806,680
Other Current Liabilities	289,607
Total Current Liabilities	<u>49,581,694</u>
Non-Current Liabilities	
Employees' Compensable Leave (Note 4)	432,796
Revenue Bonds Payable (Note 4 & 5)	1,674,310,169
Derivative Hedging Instrument	22,441,099
Other Non-Current Liabilities (Note 4)	104,746,730
Total Non-Current Liabilities	<u>1,801,930,794</u>
Total Liabilities	<u>1,851,512,488</u>
DEFERRED INFLOWS OF RESOURCES	-
Total Deferred Inflows of Resources	-
NET POSITION	
Invested in Capital Assets	163,465
Restricted for Bonds	198,730,752
Unrestricted	78,929,500
Total Net Position	<u>\$ 277,823,717</u>

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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, 2014

	Total
OPERATING REVENUES	
Interest and Investment Income	\$ 83,866,624
Net Increase (Decrease) in Fair Value	3,783,495
Other Operating Revenues	<u>30,074,277</u>
Total Operating Revenues	<u>117,724,396</u>
OPERATING EXPENSES	
Salaries and Wages	9,531,010
Payroll Related Costs	2,731,322
Professional Fees and Services	3,178,380
Travel	223,260
Materials and Supplies	301,560
Communications and Utilities	145,350
Repairs and Maintenance	300,069
Rentals and Leases	66,406
Printing and Reproduction	68,090
Depreciation and Amortization	36,916
Interest	70,876,931
Bad Debt Expense	472,020
Down Payment Assistance	5,722,291
Other Operating Expenses	<u>2,371,642</u>
Total Operating Expenses	<u>96,025,247</u>
Operating Income	<u>21,699,149</u>
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Transfers In (Note 8)	<u>3,280,806</u>
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>3,280,806</u>
CHANGE IN NET POSITION	24,979,955
Net Position, September 1, 2013	248,578,087
Restatement (Note 10)	<u>4,265,675</u>
Net Position, September 1, 2013, as Restated	252,843,762
NET POSITION, AUGUST 31, 2014	<u>\$ 277,823,717</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the fiscal year ended August 31, 2014

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	\$ 107,284,763
Proceeds from Other Revenues	74,430,649
Payments to Suppliers for Goods/Services	(21,396,457)
Payments to Employees	(12,194,550)
Payments for Loans Provided	<u>(59,543,431)</u>
Net Cash Provided by Operating Activities	<u>88,580,974</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Debt Issuance	43,100,000
Proceeds from Transfers from Other Funds	3,247,148
Payments of Principal on Debt Issuance	(262,083,735)
Payments of Interest	(75,764,455)
Payments for Other Cost of Debt	<u>(406,537)</u>
Net Cash (Used for) Noncapital Financing Activities	<u>(291,907,579)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Capital Assets	<u>(61,832)</u>
Net Cash (Used for) Capital Activities	<u>(61,832)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	275,077,272
Proceeds from Interest/Invest. Income	42,447,148
Payments to Acquire Investments	<u>(92,131,483)</u>
Net Cash Provided By Investing Activities	<u>225,392,937</u>
Net Increase in Cash and Cash Equivalents	22,004,500
Cash and Cash Equivalents, September 1, 2013	<u>130,534,180</u>
Cash and Cash Equivalents, August 31, 2014	<u>\$ 152,538,680</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII (Continued)

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the fiscal year ended August 31, 2014

	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 21,699,149
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Amortization and Depreciation	36,916
Provision for Uncollectibles	472,020
Operating Income and Cash Flow Categories Classification Differences	32,161,658
Changes in Assets and Liabilities:	
(Increase) in Receivables	(36,765)
(Increase) in Accrued Interest Receivable	(488,214)
Decrease in Loans / Contracts	4,001,146
Decrease in Property Owned	160,863
Decrease in Acquisition Costs	5,604,382
Decrease in Other Assets	267,086
Increase in Payables	95,635
(Decrease) in Unearned Revenues	(10,188,312)
(Decrease) in Accrued Interest Payable	(2,586,254)
Increase in Other Liabilities	<u>37,381,664</u>
Total Adjustments	<u>66,881,825</u>
Net Cash Provided by Operating Activities	<u>\$ 88,580,974</u>

NON CASH TRANSACTIONS

Increase in Fair Value of Investments for 2014 was \$2,424,377

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VIII

STATEMENT OF FIDUCIARY NET POSITION

As of August 31, 2014

AGENCY FUND	Total
ASSETS	
Current Assets:	
Restricted:	
Cash in State Treasury (Note 3)	\$ 327,741
Total Current Assets	<u>327,741</u>
Total Assets	<u><u>\$ 327,741</u></u>
LIABILITIES	
Current Liabilities:	
Funds Held for Others	\$ 327,741
Total Current Liabilities	<u>327,741</u>
Total Liabilities	<u><u>\$ 327,741</u></u>

**NOTES TO THE
FINANCIAL STATEMENTS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

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

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

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

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

The accompanying financial statements of the Department have been prepared to conform to Generally Accepted Accounting Principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

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

FUND STRUCTURE

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

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

Governmental Fund

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

Proprietary Fund Types

Enterprise Funds (Business-Type Activity)

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

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 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.

For 2014, the Department implemented Governmental Accounting Standards Board Statement ("GASB") No. 65, *Items Previously Reported as Assets and Liabilities*. The Department identified and reclassified certain balance sheet items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and recognized certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflow of resources (revenue). The implementation of GASB 65 resulted in a reclassification of beginning net position of \$4.3 million from the recognition of deferred issuance costs as expenses and deferred commitments as revenues.

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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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

ASSETS, LIABILITIES AND FUND BALANCES/NET POSITION

Assets

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, ("GASB Statement 31"). The Department utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. Fair value of the Department's securitized mortgage loans Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") has been established by each bond issue's trustee using a pricing service.

The Department has reported all investment securities at fair value as of August 31, 2014 with exception of some short-term money market investments, and nonparticipating interest-earning investments contracts which are reported at amortized cost provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

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

Restricted Assets

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

Consumable Inventories

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

Capital Assets

Assets with an initial, individual cost meeting the thresholds established by the Comptroller's Office and an estimated useful life in excess of one year are capitalized. The capitalization threshold for furniture and equipment is \$5,000. Other Capital Assets which are lease-hold improvements have a capitalization threshold of \$100,000 and the threshold for computer software is \$100,000. The assets are capitalized at cost or, if donated, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset (5 years for both Furniture & Equipment and Other Capital Assets) using the straight-line method.

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Loans and Contracts

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

Restricted loans and contracts in proprietary funds consist of mortgage loans made from Single Family and Multifamily bond proceeds. Unrestricted loans and contracts consist of Single Family loans and Multifamily development loans from the Housing Trust Fund and other Housing Initiative Programs. Loans receivable are carried at the unpaid principal balance outstanding, net of the allowance for estimated losses. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when they are past due 90 days as to either principal or interest or when payment in full of principal and interest is not expected. All deferred commitment fees were recognized in fiscal year 2014 due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65").

Deferred Outflows of Resources

The Department identified its derivative instruments and measured their effectiveness in accordance with Government Accountant Standards Board ("GASB") Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Department contracted a service provider to measure its derivative effectiveness. Since the derivative instruments were deemed to be effective, the Department defers the changes in fair value for these derivatives and reports them as deferred outflows of resources.

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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Liabilities

Accounts Payable

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

Other Current Liabilities

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

Unearned Revenues

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

Employees' Compensable Leave Balances

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

Bonds Payable – Revenue Bonds

Revenue bonds are accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the Statement of Net Position.

Discounts and Premiums on Debt

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

Derivative Hedging Instrument

Per GASB Statement No. 53, the Department is to recognize its interest rate swaps at fair value on the Statement of Net Position. For the year ended August 31, 2014, the fair value of the Department's five swaps is considered to be negative indicating the Department would be obligated to pay the counterparty the fair value as of the termination date. The Department has the option to terminate prior to the maturity date.

Other Non-current Liabilities

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

Fund Balance/Net Position

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Fund Balance Components

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

Net Position Components

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

Includes amounts restricted through 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/Internal Balances

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

Transfers

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

Legislative Sources/Uses

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 2: CAPITAL ASSETS

Capital Assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Depreciation and amortization was reported in the Statement of Activities in the Administration Function for Business-Type Activities in the amount of \$36,916 and \$47,973 for Governmental Activities. A summary of changes in Capital Assets for the year ended August 31, 2014, is presented below:

	PRIMARY GOVERNMENT				Balance 08/31/14
	Balance 09/01/13	Adjustments	Additions	Deletions	
GOVERNMENTAL ACTIVITIES					
Non-depreciable on Non-amortizable Assets					
Construction in Progress	\$ 44,954	\$ 4,413	\$ 3,456	\$ -	\$ 52,823
Total Non-depreciable or Non-amortizable Assets	\$ 44,954	\$ 4,413	\$ 3,456	\$ -	\$ 52,823
Depreciable Assets					
Furniture and Equipment	\$ 663,661	\$ (4,413)	\$ 37,634	\$ (104,937)	\$ 591,945
Other Capital Assets	130,964	-	-	-	130,964
Total Depreciable Assets	\$ 794,625	\$ (4,413)	\$ 37,634	\$ (104,937)	\$ 722,909
Less Accumulated Depreciation for:					
Furniture and Equipment	\$ (488,768)	\$ 1,716	\$ (47,973)	\$ 104,937	\$ (430,088)
Other Capital Assets	(130,963)	-	-	-	(130,963)
Total Accumulated Depreciation	(619,731)	1,716	(47,973)	104,937	(561,051)
Depreciable Assets, Net	\$ 174,894	\$ (2,697)	\$ (10,339)	\$ -	\$ 161,858
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	\$ 219,848	\$ 1,716	\$ (6,883)	\$ -	\$ 214,681
BUSINESS-TYPE ACTIVITIES					
Non-depreciable or Non-amortizable Assets					
Construction in Progress	\$ 26,345	\$ 2,587	\$ 2,544	\$ -	\$ 31,476
Total Non-depreciable or Non-amortizable Assets	\$ 26,345	\$ 2,587	\$ 2,544	\$ -	\$ 31,476
Depreciable Assets					
Furniture and Equipment	\$ 524,885	\$ (2,587)	\$ 42,032	\$ (46,324)	\$ 518,006
Other Capital Assets	132,279	-	-	-	132,279
Total Depreciable Assets	\$ 657,164	\$ (2,587)	\$ 42,032	\$ (46,324)	\$ 650,285
Less Accumulated Depreciation for:					
Furniture and Equipment	\$ (396,431)	\$ 1,006	\$ (36,916)	\$ 46,324	\$ (386,017)
Other Capital Assets	(132,279)	-	-	-	(132,279)
Total Accumulated Depreciation	(528,710)	1,006	(36,916)	46,324	(518,296)
Depreciable Assets, Net	\$ 128,454	\$ (1,581)	\$ 5,116	\$ -	\$ 131,989
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	\$ 154,799	\$ 1,006	\$ 7,660	\$ -	\$ 163,465

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

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

Deposits of Cash in Bank

As of August 31, 2014, the carrying amount of deposits was \$19,090,178.

Governmental and Business-Type Activities	
CASH IN BANK - CARRYING VALUE	\$ 19,090,178
Governmental Funds Current Assets Cash in Bank	\$ 20,000
Texas Treasury Safekeeping Trust	140,975
Texas Treasury Safekeeping Trust - Restricted	147,599
Demand Deposits	18,781,604
Cash in Bank	\$ 19,090,178

At August 31, 2014, the Department's cash and deposits in the State Treasury amounted to \$18,758,315 which included \$327,741 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. 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 \$86,908,675 in overnight repurchase agreements maturing on the following business day, September 2, 2014, at a rate of .03%.

At August 31, 2014, the fair value of investments (including both short-term and long-term) and cash equivalents are shown below.

Business Type Activities	Carrying Value	Fair Value
U.S. Government Agency Obligations	\$ 734,027,169	\$ 798,102,830
Repurchase Agreements (TTSTC)	86,908,675	86,908,675
Fixed Income Money Markets	45,320,323	45,320,323
Misc (Investment Agreements/GICs)	28,997,618	28,997,618
Total	\$ 895,253,785	\$ 959,329,446

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

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, 2014, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Investment Type	Not Rated	AAA	AA+	A
U.S. Government Agency Obligations			\$ 86,350,207	
Repurchase Agreements (TTSTC)	\$ 86,908,675			
Misc (Investment Agreements/GICs)	\$ 28,997,618			

	Not Rated	AAA-M	AA-M	A-M
Fixed Income Money Market		\$ 45,320,323		

A total of \$711,752,623 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, 2014, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value	% of Total Portfolio
Greenwich	\$ 86,908,675	9.06%

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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

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

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

Remaining Maturity (in months)

Business Type Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
U.S. Government Agency Obligations	\$ 798,102,830	\$ 123,291	\$ 146,303	\$ 1,557,978	\$ 796,275,258
Repurchase Agreements (TTSTC)	86,908,675	86,908,675			
Fixed Income Money Markets	45,320,323	45,320,323			
Misc (Investment Agreements/GICs)	28,997,618				28,997,618
Total	\$ 959,329,446	\$ 132,352,289	\$ 146,303	\$ 1,557,978	\$ 825,272,876

Highly Sensitive Investments

Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. However, in recent years the Department has sold some of these investments at a premium and used the realized gain to fund Down Payment Assistance loans in connection with the Single Family, First-Time Homebuyer Program. Any other fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2014, the Department holds \$798,102,830 in mortgage backed securities.

NOTE 4: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2014, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/2013	Additions	Reductions	Balance 08/31/2014	Amounts Due Within One Year
Compensable Leave	\$ 982,265	\$ 673,931	\$ 697,715	\$ 958,481	\$ 537,372
Total Governmental Activities	\$ 982,265	\$ 673,931	\$ 697,715	\$ 958,481	\$ 537,372

Business-Type Activities	Balance 09/01/2013	Additions	Reductions	Balance 08/31/2014	Amounts Due Within One Year
Revenue Bonds Payable	\$ 1,916,020,623	\$ 43,100,000	\$ 263,003,774	\$ 1,696,116,849	\$ 21,806,680
Compensable Leave	993,548	674,822	680,963	987,407	554,611
Total Business-Type Activities	\$ 1,917,014,171	\$ 43,774,822	\$ 263,684,737	\$ 1,697,104,256	\$ 22,361,291

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 4: SUMMARY OF LONG TERM LIABILITIES Cont'd

Employees' Compensable Leave

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

Revenue Bonds Payable

The Department issues bonds to assist in financing the purchase of homes or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (See Note 5 for more information.)

Other Non-current Liabilities

Other non-current liabilities in the Proprietary Fund totaling \$104,746,730 primarily account for funds due to Developers as a result of Multifamily unexpended bond proceeds and Developer deposits which have corresponding investment balances adjusted to market value. These proceeds are conduit debt issued on behalf of the Developers for the purpose of Multifamily developments and are held by the trustees. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

NOTE 5: BOND INDEBTEDNESS

The Department has 118 bond series outstanding at August 31, 2014. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 1-A, 1-B, 1-C, 1-D and 1-E.)

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

Interest on bonds and collateralized mortgage obligations is payable periodically.

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

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 5: BOND INDEBTEDNESS Cont'd

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, 2014, are as follows (in thousands):

Description	2015	2016	2017	2018	2019	2020 to 2024	2025 to 2029
Single-family	\$ 6,500	\$ 8,150	\$ 8,910	\$ 13,425	\$ 8,380	\$ 48,345	\$ 77,155
RMRB	5,625	5,700	5,935	6,305	6,245	35,650	43,555
CHMRB						3,700	
Multifamily	9,423	8,933	29,843	10,353	11,010	80,949	126,226
Total	<u>\$ 21,548</u>	<u>\$ 22,783</u>	<u>\$ 44,688</u>	<u>\$ 30,083</u>	<u>\$ 25,635</u>	<u>\$168,644</u>	<u>\$ 246,936</u>
Description	2030 to 2034	2035 to 2039	2040 to 2044	2045 to 2049	2050 to 2054	2055 to 2059	Total
Single-family	\$121,940	\$133,330	\$ 3,755	\$	\$	\$	\$ 429,890
RMRB	52,185	71,385	28,190				260,775
CHMRB							3,700
Multifamily	135,397	283,900	228,951	64,765	8,147		997,897
Total	<u>\$309,522</u>	<u>\$488,615</u>	<u>\$260,896</u>	<u>\$ 64,765</u>	<u>\$ 8,147</u>	<u>\$</u>	<u>\$ 1,692,262</u>

Interest requirements on variable rate debt are calculated using the interest rate in effect at August 31, 2014. Interest rates on variable rate debt reset on a weekly basis by the remarketing agent.

The interest payment requirements at August 31, 2014, are as follows (in thousands):

Description	2015	2016	2017	2018	2019	2020 to 2024	2025 to 2029
Single-family	\$ 9,061	\$ 8,827	\$ 8,599	\$ 8,359	\$ 8,118	\$ 37,331	\$ 30,736
RMRB	9,435	9,295	9,132	8,941	8,722	39,500	30,666
CHMRB	245	269	245	269	245	1,246	
Multifamily	42,383	40,986	40,395	39,747	39,109	183,802	153,752
Total	<u>\$ 61,124</u>	<u>\$ 59,377</u>	<u>\$ 58,371</u>	<u>\$ 57,316</u>	<u>\$ 56,194</u>	<u>\$261,879</u>	<u>\$ 215,154</u>
Description	2030 to 2034	2035 to 2039	2040 to 2044	2045 to 2049	2050 to 2054	2055 to 2059	Total
Single-family	\$ 22,601	\$ 8,604	\$ 97	\$	\$	\$	\$ 142,333
RMRB	20,508	10,672	961				147,832
CHMRB							2,519
Multifamily	119,210	78,577	32,314	7,337	1,459		779,071
Total	<u>\$162,319</u>	<u>\$ 97,853</u>	<u>\$ 33,372</u>	<u>\$ 7,337</u>	<u>\$ 1,459</u>	<u>\$</u>	<u>\$ 1,071,755</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 5: BOND INDEBTEDNESS Cont'd

CHANGES IN BONDS PAYABLE

Description	Bonds Outstanding 09/01/13	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/14	Amounts Due Within One Year
Single Family	\$ 574,100,000	\$	\$ 6,685,000	\$ 137,525,000	\$ 429,890,000	\$ 6,634,683
RMRB	320,480,000		5,830,000	53,875,000	260,775,000	5,752,923
CHMRB	4,400,000			700,000	3,700,000	4,945
Multifamily	1,012,352,740	43,100,000	8,413,651	49,141,351	997,897,738	9,414,129
Total Principal	\$ 1,911,332,740	\$ 43,100,000	\$ 20,928,651	\$ 241,241,351	\$ 1,692,262,738	\$ 21,806,680
Unamortized Premium	6,005,956				4,030,074	
Unamortized (Discount)	(185,307)				(175,963)	
Unamortized Refunding (Loss)	(1,132,766)					
Total	\$ 1,916,020,623				\$ 1,696,116,849	

Demand Bonds

The Department currently holds seven single family bond series in the amount \$237,255,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities which are pools of first time homebuyer loans. These bond series have the following terms.

Single Family Bond Series	Remarketing Agent	Liquidity Provider	Commitment Fee Rate	Outstanding Variable Rate Demand Bonds as of 8/31/14	Liquidity Facility Expiration Date
2004A Jr. Lien	JP Morgan	Comptroller of Public Accounts	0.12%	\$ 3,855,000	1/31/2015
2004B	JP Morgan	Comptroller of Public Accounts	0.12%	53,000,000	1/31/2015
2004D	Piper Jaffray	Comptroller of Public Accounts	0.12%	35,000,000	1/31/2015
2005A	JP Morgan	Comptroller of Public Accounts	0.12%	45,070,000	1/31/2015
2005C	JP Morgan	Comptroller of Public Accounts	0.12%	3,430,000	1/31/2015
2006H	JP Morgan	Comptroller of Public Accounts	0.12%	36,000,000	1/31/2015
2007A	JP Morgan	Comptroller of Public Accounts	0.12%	60,900,000	1/31/2015
Total Demand Bonds				\$ 237,255,000	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). The liquidity agreement is subject to renewal yearly on an ongoing basis. The Department shall use its best effort to cause the bonds to be purchased from the liquidity facility as soon as possible. The purchased bonds are not subject to take out provisions. For fiscal year 2014, the bondholders did not draw from the liquidity provider, Comptroller of Public Accounts, related to the Department's demand bonds.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 5: BOND INDEBTEDNESS Cont'd

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, 2014, the Bond Program had liabilities to the IRS totaling \$39,448 reported in the Statement of Net Position as Other Current Liabilities. Any increase in this liability account has been recorded as a decrease to interest income.

Pledged and Other Sources

GASB Statement No. 48 requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 1-D.

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2014							Terms of Commitment Year Ending August 31, 2014	Percentage of Revenue Pledged
	Net Available for Debt Service		Debt Service			Pledged Revenue for Future Debt Service			
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest					
Total Single Family Bonds	\$ 161,950,393	\$ 684,920	\$ 6,685,000	\$ 19,037,471	\$ 572,224,228	2040	100%		
Total Residential Mtg Revenue Bonds	65,444,142	288,714	5,830,000	10,345,712	408,608,482	2041	100%		
Total 1992 CHMRB	1,070,982	64		287,310	6,219,307	2024	100%		
Total Multifamily Bonds	91,910,637		8,413,651	42,766,443	1,776,965,657	2054	100%		
Total	\$ 320,376,154	\$ 973,698	\$ 20,928,651	\$ 72,436,936	\$ 2,764,017,674				

NOTE 6: DERIVATIVE INSTRUMENTS

VARIABLE TO FIXED INTEREST RATE SWAP

OBJECTIVE

In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into five interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at a lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to loss in the event of nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments. Each swap agreement includes optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

SUMMARY

The fair value balances and notional amounts of derivative instruments outstanding as of August 31 2014, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2014 financial statements are as follows.

Business Type Activities		Changes in Fair Value		Fair Value at August 31, 2014		Notional
Cash Flow Hedges	Bond Issue	Classification	Amount	Classification	Amount	
Pay-fixed, receive-variable interest rate swap	2004B	Deferred outflow of resources	\$ 31,120	Debt	\$ (3,895,463)	\$ 40,000,000
Pay-fixed, receive-variable interest rate swap	2004D	Deferred outflow of resources	\$ 481,112	Debt	\$ (2,106,210)	\$ 35,000,000
Pay-fixed, receive-variable interest rate swap	2005A	Deferred outflow of resources	\$ 391,623	Debt	\$ (6,595,678)	\$ 45,070,000
Pay-fixed, receive-variable interest rate swap	2006H	Deferred outflow of resources	\$ 953,715	Debt	\$ (1,764,453)	\$ 36,000,000
Pay-fixed, receive-variable interest rate swap	2007A	Deferred outflow of resources	\$ 845,452	Debt	\$ (8,079,295)	\$ 60,900,000
			<u>\$ 2,703,022</u>		<u>\$ (22,441,099)</u>	<u>\$ 216,970,000</u>

TERMS AND FAIR VALUE

The terms, including the fair value of the outstanding swaps as of August 31, 2014 are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
Bank of New York Mellon	\$ 40,000,000	\$ (3,895,463)	9/1/2004	3.67%	65.5% of LIBOR + 20%	9/1/34 (a)
Goldman Sachs Bank USA	35,000,000	(2,106,210)	1/1/2005	3.08%	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/35 (b)
JP Morgan Chase Bank	45,070,000	(6,595,678)	8/1/2005	4.01%	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/36 (c)
Bank of New York Mellon	36,000,000	(1,764,453)	11/15/2006	3.86%	63% of LIBOR + 30%	9/1/25 (d)
JP Morgan Chase Bank	60,900,000	(8,079,295)	6/5/2007	4.01%	Less of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	9/1/38 (c)
Total	\$ 216,970,000	\$ (22,441,099)				

- Swap Agreement has an optional early par termination date of September 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
- Swap Agreement has an optional early par termination date of March 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
- Swap Agreement is subject to mandatory early termination date each March 1 and September 1 from mortgage loan repayments.
- The Swap Agreement has 100% optional par termination rights on or after March 1, 2016 and every March and September thereafter. The maximum notional amount subject to early termination is current notional amount per the amortization schedule.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

CREDIT RISK

As of August 31, 2014, 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 its optional right to terminate. If interest rates change and the fair value of the swaps become positive, the Department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral agreements. The 2004B swap contains swap termination insurance policies with Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) to mitigate a portion of any termination payment due by the Department. The credit ratings for the counterparties are as follows.

Counterparty	Standard & Poor's	Moody's
Bank of New York Mellon	AA-/Stable	Aa2/Stable
Goldman Sachs Bank USA*	A/Neg	A2/Stable
JP Morgan Chase & Co.	A+/Stable	Aa3/Stable

*Guaranteed by Goldman Sachs Group, Inc.

BASIS RISK

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

ROLLOVER RISK

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

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

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	Optional early par termination rights beginning September 2015, with 100% par termination rights in September 2021
2004D Single Family	March 2035	Optional early par termination rights beginning March 2015, with 100% par termination rights in September 2021
2005A Single Family	September 2036	Mandatory par termination each March 1 and September 1 from mortgage loan repayments
2006H Single Family	September 2037	100% par termination on or after March 2016
2007A Single Family	September 2038	Mandatory par termination each March 1 and September 1 from mortgage loan repayments

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

SWAP PAYMENTS AND ASSOCIATED DEBT

Using rates as of August 31, 2014, 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		Interest Rate Swaps, Net	Total
	Principal	Interest		
2015	\$ 2,020,000	\$ 172,838	\$ 7,918,867	\$ 10,111,705
2016	3,435,000	150,357	7,840,016	11,425,373
2017	4,010,000	146,978	7,720,782	11,877,760
2018	4,205,000	144,371	7,588,882	11,938,253
2019	4,410,000	141,285	7,450,593	12,001,878
2020-2024	25,470,000	655,039	34,932,749	61,057,788
2025-2029	47,385,000	549,293	30,063,748	77,998,041
2030-2034	87,360,000	318,362	17,420,706	105,099,068
2035-2039	51,675,000	59,107	3,457,400	55,191,507
	\$ 229,970,000	\$ 2,337,630	\$ 124,393,743	\$ 356,701,373

Netting Arrangements The Department's swap agreements allow for netting arrangements. On each payment date, September 1 and March 1, the party with the lesser obligation will be automatically satisfied and discharged and, the obligation of the party with the greater obligation will become the excess of the larger aggregate amount over the smaller aggregate amount. As of August 31, 2014, the Department has an aggregate liability related to the interest rate swaps in the amount of \$3,843,048 payable September 1, 2014.

NOTE 7: LEASES

OPERATING LEASES

Included in the Rental & Leases reported in the Statements of Revenues, Expenditures/Expenses and Changes in Fund Balances/Fund Net Position are the following amounts of rent paid or due under operating lease obligations: \$167,140 for Governmental Activities and \$33,836 for Business-Type Activities.

The Department's operating lease for office space located at 1106 Clayton Lane, Austin, Texas expires on September 30, 2015. The Department's operating lease for Toshiba copiers expires on August 31, 2017. 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
2015 (Future Year 1)	\$ 163,757	\$ 40,233	\$ 203,990
2016 (Future Year 2)	40,425	27,661	68,086
2017 (Future Year 3)	29,214	26,518	55,732
2018 (Future Year 4)			
2019 (Future Year 5)			
Total Minimum Future Lease Rental Payments	\$ 233,396	\$ 94,412	\$ 327,808

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended August 31, 2014

NOTE 8: 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, 2014, follows:

Fund	Current Interfund Receivable	Current Interfund Payable	Purpose
Governmental Fund (01)			
General Revenue (0001)	\$ 365,608	\$ 139,798	Expenditure Transfer
Consolidated Federal (0127, 0369)	\$ 36,052	0	Expenditure Transfer
Subtotal Governmental Fund (01)	\$ 401,660	\$ 139,798	
Governmental Fund (01) (Exhibit III)	261,862		<i>Net Receivable/Payable above</i>
Enterprise Fund (05, 0896) (Exhibit V)		261,862	Expenditure Transfer
Total Internal Balances (Exhibit I)	\$ 261,862	\$ 261,862	

Governmental Fund (01)	Due From Other Agencies	Due To Other Agencies	Source
Appd Fund 0001, D23 Fund 0001			
(Agency 730, D23 Fund 0001)		\$ 44,676	Transfers
Appd Fund 5140, D23 Fund 5140			
(Agency 608, D23 Fund 5140)	\$ 535		Transfers
Total Due From Other Agencies/Due To Other Agencies (Exhibit I)	\$ 535	\$ 44,676	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 8: INTERFUND ACTIVITY AND TRANSACTIONS Cont'd

Governmental Fund	Transfers In	Transfers Out	Purpose
Governmental Fund (01)			
Appd Fund 0001, D23 Fund 0001		\$ 3,280,806	Article VII-6, Rider 9
Appd Fund 0001, D23 Fund 0001		1,834,095	Article IX, Sect. 6.22
Appd Fund 0001, D23 Fund 0066		1,519,617	Gov't Code, Sect. 403.021
Appd Fund 0001, D23 Fund 0077		166	Gov't Code, Sect. 403.021
Appd Fund 0369, D23 Fund 0369		43,844	Article IX, Sect. 6.22
Total Transfers for Fund 0001 (Exhibit II & IV)		\$ 6,678,528	
Enterprise Fund (05)			
Appd Fund 3054, D23 Fund 0999	\$ 3,280,806		Article VII-6, Rider 9
Total Transfers for Fund 3054 (Exhibit II & VI)	\$ 3,280,806		
Total Transfers*	\$ 3,280,806	\$ 6,678,528	

* The difference between total transfers in and out represents transfers to the Comptroller's Office of \$3,397,722.

NOTE 9: 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 10: ADJUSTMENTS TO FUND BALANCE AND NET POSITION

During fiscal year 2014, 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, 2013	\$ 477,276,581	\$ 248,578,087	\$ 725,854,668
Restatement	258,486	4,265,675	4,524,161
Net Position/Fund Balance, Sept. 1, 2013, as Restated	\$ 477,535,067	\$ 252,843,762	\$ 730,378,829

The restatement of the \$258,486 to Governmental Funds is comprised of \$1,716 to correct prior years accrued expenditures related to the depreciation of an asset which should have been reported as construction in progress and \$256,770 related to Federal Receivables not recorded in previous years.

The restatement of \$4,265,675 related to Business Type Activities is comprised of \$1,006 to correct prior years accrued expenditures related to the depreciation of an asset which should have been reported as construction in progress and \$4,264,669 due to the implementation of GASB 65. Pursuant to the requirements in GASB 65, a restatement was required to properly expense cost of issuance related to debt and commitment fees that were previously deferred.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 11: CONTINGENCIES AND COMMITMENTS

The Department receives federal grants that are subject to review and audit by the grantor agencies. Such audits could result in request(s) for reimbursement to the grantor agency for expenditures disallowed under the terms of the applicable grants. The Department's management is working to resolve HOME compliance matters identified by the U. S. Department of Housing and Urban Development (HUD) in an audit. If the Department is unsuccessful in resolving these issues, it may be required to reimburse HUD. As an alternative to any direct reimbursement, it is possible the Department could request a reduction of a future grant, but HUD staff has indicated that any such request would have to be made with the approval of the state's chief elected official. If any such repayments are ultimately required and they are resolved through reduction of any future grant, this would have the effect of reducing services funded through such grants in future periods. Management is actively working on multiple alternative resolution strategies for several properties and therefore cannot reasonably estimate the final amount of repayment liability to HUD, if any, at this time.

The Department is a defendant in two legal actions known as Inclusive Communities Project, Inc. vs. Texas Department of Housing and Community Affairs ("TDHCA"), *et al* and Galveston Open Government Project vs. TDHCA, *et al*. In the first action, the Plaintiffs were awarded \$1.87 million in attorney's fees and injunctive relief but no monetary damages. The U.S. Fifth Circuit Court of Appeals ("Fifth Circuit") has reversed the trial court on several issues, including the attorney's fees, and remanded the matter to the district court judge for further action. TDHCA filed a writ of certiorari with the United States Supreme Court. The writ has been granted and oral arguments will probably occur in early 2015. The trial judge has stayed any additional proceedings in his court until the Supreme Court rules on the matter. Because the Department is contesting the plaintiff's request, management cannot estimate the amount of its liability for the plaintiff's attorneys' fees. In the second action, the Plaintiff is asking for injunctive relief and attorneys fees. The federal district court judge dismissed TDHCA from the lawsuit. GOPP has appealed that and other issues to the Fifth Circuit. The Department is waiting for a briefing order that would clarify whether the dismissal of the lawsuit stands.

DERIVATIVE INSTRUMENTS

All of the Department's derivative instruments include provisions that require posting collateral in the event its credit rating falls below a specified level as issued by Moody's Investor Service and Standard & Poor's. If the Department fails to post eligible collateral, the derivative instrument may be terminated by the counterparty. The 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
2004B ⁽¹⁾	None	A3/A- or below for AGM and TDHCA	After downgrade of AGM and TDHCA or counterparty, collateral exposure with no threshold
2004D	Yes, if MTM exceeds (\$7.5M)	A3/A- or below	After downgrade, collateral exposure with no threshold
2005A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds (\$7.5M); after downgrade to A3/A or below, collateral exposure with no threshold
2006H	None	Baa1/BBB+ or below	After downgrade, collateral exposure with no threshold
2007A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds (\$7.5M); after downgrade to A3/A or below, collateral exposure with no threshold

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

As of August 31, 2014, the Department's credit rating related to the Single Family Indenture was AA+ issued by

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 11: CONTINGENCIES AND COMMITMENTS Cont'd

Standard & Poor's and Aal by Moody's, therefore no collateral was posted. The Department's aggregate fair value of all hedging derivative instruments with these collateral provisions is \$22,441,099. If the collateral posting requirements had been triggered at August 31, 2014, the Department would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments.

TAXABLE MORTGAGE PROGRAM

On July 26, 2012, the Department approved the Taxable Mortgage Program ("TMP"). The TMP market facilitates the forward trading of Mortgage Backed Securities ("MBSs") issued by Ginnie Mae. In a TMP trade, the seller and buyer agree to the type of security, coupon, face value, price and settlement date at the time of trade but do not specify the actual pools to be traded. The securities are "to be announced" two business days prior to the trade settlement date. The TMP program was created to provide loans to low to moderate income homebuyers as a tool to fund the First Time Homebuyer Program in order to take advantage of this opportunity. The program is paid for from revenues generated by the packaging and sale of the TMP MBSs. An escrow will be negotiated and established to limit the recourse to the servicer, who delivers the MBSs to the purchaser who will acquire the MBSs backed by the mortgage loans. The amount of the escrow is \$4 million, which is funded from the Department's general funds. The TMP program commenced on October 1, 2012.

NOTE 12: 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. Currently there is no purchase of commercial insurance, nor is the Department involved in any risk pools with other government entities. The Department carries Public Official Liabilities Insurance coverage in the amount of \$10,000,000; automobile liability insurance in the amount of \$1,000,000, errors and omissions insurance of \$300,000 related to loan servicing for others and a \$350,000 Public Employee Fidelity Bond and Commercial Property, Equipment Breakdown Insurance for the Alpine Retirement Center in the amount of \$224,515.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The Department did not incur any claims in fiscal year 2014.

NOTE 13: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Department's Enterprise Fund 0896 reported a negative change in Net Position of (\$199,746) resulting in a negative Net Position balance of (\$825,532) at August 31, 2014. Balances are due to the accrual of expenditures with transfer of funds made in Fiscal Year 2014, therefore, offsetting the negative balance.

NOTE 14: 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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 14: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF NET POSITION			
	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Restricted Assets:			
Current Assets	\$ 42,886,462	\$ 16,247,512	\$ 164,473
Non-Current Assets	497,731,084	339,935,097	5,345,036
Total Assets	<u>540,617,546</u>	<u>356,182,609</u>	<u>5,509,509</u>
Deferred Outflows of Resources:	<u>22,441,099</u>	-	-
Liabilities:			
Current Liabilities	15,455,642	7,406,633	12,638
Non-Current Liabilities	<u>447,592,551</u>	<u>257,107,862</u>	<u>3,743,703</u>
Total Liabilities	<u>463,048,193</u>	<u>264,514,495</u>	<u>3,756,341</u>
Deferred Inflows of Resources:	-	-	-
Net Position:			
Restricted Net Position	<u>\$ 100,010,452</u>	<u>\$ 91,668,114</u>	<u>\$ 1,753,168</u>
Total Restricted Net Position	<u>\$ 100,010,452</u>	<u>\$ 91,668,114</u>	<u>\$ 1,753,168</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION			
	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Operating Revenues:			
Interest and Investment Income	\$ 26,477,908	\$ 13,697,178	\$ 370,982
Net Increase (Decrease) in Fair Value	(95,461)	3,984,022	(275,632)
Other Operating Revenues	106,062	1	-
Operating Expenses	<u>(19,099,743)</u>	<u>(10,358,127)</u>	<u>(272,338)</u>
Operating Income/Loss	7,388,766	7,323,074	(176,988)
Transfers In (Out)	<u>(78,579)</u>	<u>10,903,779</u>	-
Changes in Fund Net Position	<u>7,310,187</u>	<u>18,226,853</u>	<u>(176,988)</u>
Net Position, September 1, 2013	87,760,537	74,489,550	1,799,853
Restatements	<u>4,939,728</u>	<u>(1,048,289)</u>	<u>130,303</u>
Net Position, September 1, 2013, as restated	<u>\$ 92,700,265</u>	<u>\$ 73,441,261</u>	<u>\$ 1,930,156</u>
Net Position, August 31, 2014	<u>\$ 100,010,452</u>	<u>\$ 91,668,114</u>	<u>\$ 1,753,168</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2014

NOTE 14: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF CASH FLOWS			
	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Net Cash Provided (Used) By:			
Operating Activities	\$ 759,596	\$ (10,847,883)	\$ (309)
Noncapital Financing Activities	(166,740,521)	(61,191,376)	(1,005,400)
Investing Activities	<u>155,757,899</u>	<u>63,964,786</u>	<u>1,107,956</u>
Net Increase (Decrease)	(10,223,026)	(8,074,473)	102,247
Beginning Cash and Cash Equivalents	<u>49,969,386</u>	<u>23,059,832</u>	<u>35,312</u>
Ending Cash and Cash Equivalents	<u>\$ 39,746,360</u>	<u>\$ 14,985,359</u>	<u>\$ 137,559</u>

SUPPLEMENTARY BOND

SCHEDULES

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-A

MISCELLANEOUS BOND INFORMATION

For the fiscal year ended August 31, 2014

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.		First Call Date
				First Year	Final Maturity Date	
2004 Single Family Series A	\$ 123,610,000	2.00%	4.70%	2006	09/01/2035	03/01/2013
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 C	41,245,000	4.30%	4.80%	2019	03/01/2036	09/01/2014
2004 Single Family Series D	35,000,000	VAR - Weekly		2035	03/01/2035	(f)
2004 Single Family Series E	10,825,000	2.45%	4.30%	2006	03/01/2019	09/01/2014
2005 Single Family Series A	100,000,000	VAR - Weekly		2007	09/01/2036	03/01/2006
2005 Single Family Series B	25,495,000	4.38%	4.38%	2006	09/01/2026	03/01/2006
2005 Single Family Series C	8,970,000	VAR - Weekly		2017	09/01/2017	03/01/2006
2005 Single Family Series D	3,730,000	5.00%	5.00%	2025	09/01/2035	03/01/2006
2006 Single Family Series A	59,555,000	5.00%	5.00%	2008	09/01/2037	09/01/2006
2006 Single Family Series B	70,485,000	5.00%	5.00%	2008	09/01/2034	09/02/2006
2006 Single Family Series C	105,410,000	5.13%	5.13%	2008	09/01/2037	09/03/2006
2006 Single Family Series D	29,685,000	4.50%	4.50%	2018	09/01/2028	09/04/2006
2006 Single Family Series E	17,295,000	4.06%	4.06%	2007	09/01/2017	09/05/2006
2006 Single Family Series F	81,195,000	4.65%	5.75%	2008	03/01/2038	03/01/2016
2006 Single Family Series G	15,000,000	3.75%	4.60%	2012	09/01/2019	03/01/2016
2006 Single Family Series H	36,000,000	VAR - Weekly		2016	09/01/2037	03/01/2016
2007 Single Family Series A	143,005,000	VAR - Weekly		2008	09/01/2038	03/01/2008 (e)
2007 Single Family Series B	157,060,000	3.90%	5.63%	2008	09/01/2039	03/01/2008
2013 Single Family Series A	42,500,000	2.80%	2.80%	2013	03/01/2036	09/01/2020
2009 RMRB Series A	80,000,000	5.13%	5.13%	2011	07/01/2039	01/01/2019
2009 RMRB Series B	22,605,000	4.72%	4.72%	2010	07/01/2022	01/01/2019
2009 RMRB Series C-1	89,030,000	0.70%	3.57%	2029	07/01/2041	04/01/2011
2009 RMRB Series C-2	60,080,000	0.60%	2.48%	2034	07/01/2041	11/01/2011
2011 RMRB Series A	60,000,000	0.70%	5.05%	2012	07/01/2029	01/01/2021
2011 RMRB Series B	87,955,000	0.30%	4.45%	2012	01/01/2034	01/01/2021
1992 Coll Home Mtg Rev Bonds, Series C	72,700,000	3.48%	10.27%	2024	07/01/2024	05/04/1995
TOTAL SINGLE FAMILY & RMRB BONDS	\$ 1,635,575,000					
1996 MF Series A/B (Brighton's Mark Development)	\$ 10,174,000	6.13%	6.13%	2026	04/01/2026	01/01/2003
1998 MF Series A (Pebble Brook Apartments Project)	10,900,000	4.95%	5.60%	2001	12/01/2030	06/01/2001
1998 MF Series A-C (Residence at the Oaks Projects)	8,200,000	5.98%	7.18%	2001	11/01/2030	05/01/2001
1998 MF Series A/B (Greens of Hickory Trail Apartments)	13,500,000	5.20%	6.03%	2001	09/01/2030	09/01/2008
1999 MF Series A-C (Mayfield Apartments)	11,445,000	5.70%	7.25%	2001	05/01/2031	05/01/2002
2000 MF Series A (Timber Point Apartments)	8,100,000	VAR - Weekly		2003	09/01/2032	07/01/2000 (a)
2000 MF Series A/B (Oaks at Hampton Apartments)	10,060,000	7.20%	9.00%	2002	03/01/2040	03/01/2017 (a)
2000 MF Series A (Deerwood Apartments)	6,435,000	5.25%	6.40%	2003	12/01/2032	06/01/2010
2000 MF Series A (Creek Point Apartments)	7,200,000	VAR - Weekly		2004	10/01/2032	07/01/2000 (a)
2000 MF Series A/B (Parks at Westmoreland Apartments)	9,990,000	7.20%	9.00%	2002	07/01/2040	07/01/2017 (a)
2000 MF Series A-C (Highland Meadow Village Apartments)	13,500,000	6.75%	8.00%	2004	11/01/2033	05/01/2019
2000 MF Series A/B (Greenbridge at Buckingham Apartments)	20,085,000	7.40%	10.00%	2003	10/01/2040	03/01/2014
2000 MF Series A-C (Collingham Park Apartments)	13,500,000	6.72%	7.72%	2004	11/01/2033	05/01/2019
2000 MF Series A/B (Williams Run Apartments)	12,850,000	7.65%	9.25%	2002	11/01/2040	01/01/2011
2001 MF Series A (Bluffview Apartments)	10,700,000	7.65%	7.65%	2003	05/01/2041	05/01/2018
2001 MF Series A (Knollwood Apartments)	13,750,000	7.65%	7.65%	2003	05/01/2041	05/01/2018
2001 MF Series A (Skyway Villas Apartments)	13,250,000	6.00%	6.50%	2005	12/01/2034	12/01/2011
2001 MF Series A/B (Meridian Apartments)	14,310,000	5.45%	6.85%	2004	12/01/2034	12/01/2011
2001 MF Series A/B (Wildwood Apartments)	14,365,000	5.45%	6.75%	2004	12/01/2034	12/01/2011
2001 MF Series A-C (Fallbrook Apartments)	14,700,000	6.06%	6.78%	2005	12/01/2034	01/01/2012

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-A (Continued)

MISCELLANEOUS BOND INFORMATION

For the fiscal year ended August 31, 2014

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.		
				First Year	Final Maturity Date	First Call Date
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)
2004 MF Series A/B (Century Park Townhomes)	13,000,000	5.75%	5.75%	2007	06/01/2037	05/01/2007 (a)
2004 MF Series A/B (Providence at Veterans Memorial)	16,300,000	6.60%	8.50%	2006	01/01/2041	03/01/2006 (a)
2004 MF Series A (Providence at Rush Creek II)	10,000,000	5.38%	6.70%	2006	01/01/2044	03/01/2021
2004 MF Series A (Humble Parkway Townhomes)	11,700,000	6.60%	6.60%	2007	01/01/2041	07/01/2021
2004 MF Series A (Chisholm Trail Apartments)	12,000,000	VAR - Weekly (b)		2006	04/15/2037	10/15/2006 (a)
2004 MF Series A (Evergreen at Plano Parkway)	14,750,000	5.25%	6.55%	2007	05/01/2044	06/01/2021
2004 MF Series A (Montgomery Pines Apartments)	12,300,000	VAR - Weekly		2006	06/15/2037	12/15/2006 (a)
2004 MF Series A (Bristol Apartments)	12,625,000	VAR - Weekly		2007	06/15/2037	06/15/2007 (a)
2004 MF Series A (Pinnacle Apartments)	14,500,000	VAR - Weekly (c)		2007	06/15/2037	09/01/2007 (a)
2004 MF Series A (Tranquility Bay Apartments)	14,350,000	6.50%	6.50%	2007	06/01/2044	06/01/2021 (d)
2004 MF Series A (Churchill at Pinnacle Park)	10,750,000	5.25%	6.55%	2007	07/01/2044	09/01/2021 (d)
2004 MF Series A (Providence at Village Fair)	14,100,000	5.00%	6.50%	2007	12/01/2044	12/01/2021
2005 MF Series A (Homes at Pecan Grove)	14,030,000	5.00%	6.50%	2007	01/01/2045	01/01/2022
2005 MF Series A (Providence at Prairie Oaks)	11,050,000	4.75%	6.50%	2007	01/01/2045	01/01/2022
2005 MF Series A (Port Royal Homes)	12,200,000	5.00%	6.50%	2007	02/01/2045	02/01/2022
2005 MF Series A (Mission Del Rio Homes)	11,490,000	5.00%	6.50%	2007	02/01/2045	02/01/2022
2005 MF Series A (Atascocita Pines Apartments)	11,900,000	VAR - Weekly (c)		2007	04/15/2038	(e)
2005 MF Series A (Tower Ridge Apartments)	15,000,000	VAR - Weekly (b)		2009	04/01/2038	(e)
2005 MF Series A (Prairie Ranch Apartments)	12,200,000	4.85%	4.85%	2007	06/20/2045	12/20/2015
2005 MF Series A (St Augustine Estate Apartments)	7,650,000	VAR - Weekly		2009	09/15/2038	n/a
2005 MF Series A (Park Manor Senior Community)	10,400,000	5.00%	6.40%	2008	07/01/2045	09/01/2022
2005 MF Series A (Providence at Mockingbird Apartments)	14,360,000	6.40%	6.40%	2007	08/01/2040	08/01/2022
2005 MF Series A (Plaza at Chase Oaks Apartments)	14,250,000	5.05%	5.05%	2007	08/01/2035	(g)
2005 MF Series A (Coral Hills Apartments)	5,320,000	5.05%	5.05%	2009	08/01/2026	08/01/2015
2006 MF Series A (Harris Branch Apartments)	15,000,000	VAR - Weekly		2009	03/15/2039	(i)
2006 MF Series A (Bella Vista Apartments)	6,800,000	6.15%	6.15%	2008	04/01/2046	04/01/2016
2006 MF Series A (Village Park Apartments)	13,660,000	4.75%	5.13%	2009	12/1/2026	06/01/2021
2006 MF Series A (Oakmoor Apartments)	14,635,000	5.50%	6.00%	2008	03/01/2046	03/01/2023
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000	VAR - Weekly		2039	07/15/2039	(h)
2006 MF Series A (Hillcrest Apartments)	12,435,000	5.25%	5.25%	2009	04/01/2027	04/01/2021
2006 MF Series A (Pleasant Village)	6,000,000	6.00%	6.00%	2008	03/01/2023	(j)
2006 MF Series A (Grove Village)	6,180,000	6.00%	6.00%	2008	02/28/2023	(j)
2006 MF Series A (Red Hills Villas)	5,015,000	VAR - Weekly		2036	09/15/2036	(i)
2006 MF Series A (Champion Crossing Apartments)	5,125,000	VAR - Weekly		2036	09/15/2036	(i)
2006 MF Series A (Stonehaven Apartments)	11,300,000	5.80%	5.80%	2008	10/01/2026	(g)
2006 MF Series A (Meadowlands Apartments)	13,500,000	6.00%	6.00%	2009	09/01/2046	09/01/2023

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-A (Continued)
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2014

Description of Issue	Bonds Issued To Date	Range Of Interest Rates	Scheduled Mat.		First Call Date
			First Year	Final Maturity Date	
2006 MF Series A (East Tex Pines)	\$ 13,500,000	4.95% 4.95%	2010	10/01/2046	(k)
2006 MF Series A (Villas at Henderson)	7,200,000	VAR - Weekly	2010	11/01/2023	(l)
2006 MF Series A (Aspen Park)	9,800,000	5.00% 5.00%	2010	07/01/2027	07/01/2021
2006 MF Series A (Idlewilde)	14,250,000	VAR - Weekly	2010	06/15/2040	(i)
2007 MF Series A (Lancaster)	14,250,000	VAR - Weekly	2010	07/15/2040	(i)
2007 MF Series A (Park Place at Loyola)	15,000,000	5.80% 5.80%	2010	02/01/2047	03/01/2024
2007 MF Series A (Terrace at Cibola)	8,000,000	VAR - Weekly	2010	05/01/2040	(l)
2007 MF Series A (Santora Villas)	13,072,000	5.80% 5.80%	2010	05/01/2047	06/01/2024
2007 MF Series A (Villas at Mesquite Creek)	16,860,000	5.00% 5.81%	2010	01/20/2047	01/20/2017
2007 MF Series A (Summit Point)	11,700,000	4.80% 5.25%	2009	06/20/2047	06/20/2017
2007 MF Series A (Costa Rialto)	12,385,000	5.35% 5.35%	2010	07/01/2047	08/01/2025
2007 MF Series A (Windshire)	14,000,000	VAR - Weekly	2010	01/15/2041	(i)
2007 MF Series A (Residences at Onion Creek)	15,000,000	VAR - Weekly	2011	12/15/2040	(i)
2008 MF Series A (West Oaks Apartments)	13,125,000	VAR - Weekly	2011	07/01/2041	(m)
2008 MF Series A (Costa Ibiza Apartments)	13,900,000	VAR - Weekly	2011	08/01/2041	(e)
2008 MF Series A (Addison Park Apartments)	14,000,000	VAR - Weekly	2008	01/01/2044	(m)
2008 MF Series A (Alta Cullen Apartments Refunding)	14,000,000	VAR - Weekly	2011	03/01/2045	(m)
2009 MF Series A (Costa Mariposa Apartments)	13,690,000	VAR - Weekly	2012	05/01/2042	(m)
2009 MF Series A (Woodmont Apartments)	15,000,000	VAR - Weekly	2012	06/01/2042	(m)
2013 MF Series A (Waters at Willow Run Apartments)	14,500,000	0.35% 0.35%	2014	10/01/2014	(n)
2014 MF Series A (Decatur-Angle Apartments)	23,000,000	5.75% 5.75%	2016	01/01/2054	09/01/2016
2014 MF Series A (Northcrest Apartments)	2,900,000	0.35% 0.35%	2014	06/01/2017	01/01/2015
2014 MF Series A (Pine Haven Apartments)	2,700,000	0.35% 0.35%	2014	06/01/2017	01/01/2015
TOTAL MULTIFAMILY BONDS	\$ 1,199,061,000				
TOTAL BONDS ISSUED	\$ 2,834,636,000				

FOOTNOTES:

- (a) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.
- (b) Variable rate not to exceed the maximum rate permitted by applicable law.
- (c) Variable rate could change to fixed rate provided the conversion option is exercised.
- (d) The bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds.
- (e) The Bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.
- (f) The Series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, 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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-A (Continued)

MISCELLANEOUS BOND INFORMATION

For the fiscal year ended August 31, 2014

- (i) The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower.
- (j) The Bonds are subject to optional redemption at the direction of the Borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the Exhibit H in the bond documents plus accrued and unpaid interest, redemption if any, to the date. Optional redemptions may be made only in denominations of \$100,000 plus integral multiples of \$5,000 or for the entire amount of the bonds outstanding.
- (k) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.
- (l) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant of the Loan Agreement, and with the prior written consent of the Bank, in whole or in part, at a redemption price equal to the principal amount, without premium, plus accrued interest to the date of redemptions.
- (m) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-B

CHANGES IN BOND INDEBTEDNESS

For the fiscal year ended August 31, 2014

Description of Issue	Bonds Outstanding 09/01/13	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/14	Amounts Due Within One Year
2004 Single Family Series A	\$ 29,585,000	\$	\$ 1,110,000	\$ 28,475,000	\$	\$
2004 Single Family Series B	53,000,000				53,000,000	895,000
2004 Single Family Series A (Jr. Lien)	3,855,000				3,855,000	
2004 Single Family Series C	5,100,000			5,100,000		
2004 Single Family Series D	35,000,000				35,000,000	1,125,000
2004 Single Family Series E	445,000		150,000	295,000		
2005 Single Family Series A	57,500,000			12,430,000	45,070,000	
2005 Single Family Series B	6,425,000		300,000	3,390,000	2,735,000	185,000
2005 Single Family Series C	3,825,000			395,000	3,430,000	
2005 Single Family Series D	2,835,000			1,540,000	1,295,000	
2006 Single Family Series A	26,520,000		340,000	6,460,000	19,720,000	297,459
2006 Single Family Series B	28,865,000		820,000	6,970,000	21,075,000	713,074
2006 Single Family Series C	45,100,000		870,000	10,950,000	33,280,000	826,419
2006 Single Family Series D	9,510,000			1,825,000	7,685,000	
2006 Single Family Series E	8,410,000		1,545,000		6,865,000	1,605,000
2006 Single Family Series F	19,985,000		60,000	14,825,000	5,100,000	6,522
2006 Single Family Series G	2,625,000		390,000	1,530,000	705,000	185,000
2006 Single Family Series H	36,000,000				36,000,000	
2007 Single Family Series A	78,700,000			17,800,000	60,900,000	
2007 Single Family Series B	79,150,000		1,100,000	18,300,000	59,750,000	796,210
2013 Single Family Series A	41,665,000			7,240,000	34,425,000	
2009 RMRB Series A	40,800,000		370,000	6,155,000	34,275,000	377,617
2009 RMRB Series B	12,850,000		1,005,000	1,265,000	10,580,000	1,005,000
2009 RMRB Series C-1	79,370,000			16,995,000	62,375,000	
2009 RMRB Series C-2	57,450,000			7,930,000	49,520,000	
2011 RMRB Series A	49,285,000		1,895,000	10,415,000	36,975,000	1,807,546
2011 RMRB Series B	80,725,000		2,560,000	11,115,000	67,050,000	2,562,761
1992 Coll Home Mtg Rev Bonds, Series C	4,400,000			700,000	3,700,000	4,945
Total Single Family Bonds	\$ 898,980,000	\$	\$ 12,515,000	\$ 192,100,000	\$ 694,365,000	\$ 12,392,551
1996 MF Series A/B (Brighton's Mark Development)	\$ 8,075,000	\$	\$	\$	\$ 8,075,000	\$
1998 MF Series A (Pebble Brook Apartments Project)	8,525,000		135,000	8,390,000		
1998 MF Series A-C (Residence at the Oaks Projects)	6,358,000		288,000		6,070,000	295,000
1998 MF Series A/B (Greens of Hickory Trail Apartments)	10,630,000		170,000	10,460,000		
1999 MF Series A-C (Mayfield Apartments)	8,951,000		294,000		8,657,000	312,000
2000 MF Series A (Timber Point Apartments)	6,870,000			200,000	6,670,000	
2000 MF Series A/B (Oaks at Hampton Apartments)	9,197,100		119,538		9,077,562	128,436
2000 MF Series A (Deerwood Apartments)	5,420,000		135,000		5,285,000	145,000
2000 MF Series A (Creek Point Apartments)	5,860,000			200,000	5,660,000	
2000 MF Series A/B (Parks at Westmoreland Apartments)	9,161,938		116,097		9,045,841	124,738
2000 MF Series A-C (Highland Meadow Village Apts)	7,697,000		182,000		7,515,000	194,000
2000 MF Series A/B (Greenbridge at Buckingham Apts)	19,474,075				19,474,075	1,051,858
2000 MF Series A-C (Collingham Park Apartments)	11,546,000		291,000		11,255,000	308,000
2000 MF Series A/B (Williams Run Apartments)	12,122,024		477,643		11,644,381	153,407
2001 MF Series A (Bluffview Apartments)	10,055,087		93,493		9,961,594	100,851
2001 MF Series A (Knollwood Apartments)	12,921,256		120,142		12,801,114	129,598
2001 MF Series A (Skyway Villas Apartments)	6,760,000		160,000		6,600,000	170,000
2001 MF Series A/B (Meridian Apartments)	8,170,000		94,000		8,076,000	96,000
2001 MF Series A/B (Wildwood Apartments)	6,313,000		72,000		6,241,000	81,000
2001 MF Series A-C (Fallbrook Apartments)	12,778,000		302,000		12,476,000	320,000
2001 MF Series A (Oak Hollow Apartments)	6,093,591		60,681		6,032,910	65,068
2001 MF Series A/B (Hillside Apartments)	12,278,089		68,336		12,209,753	73,276
2002 MF Series A (Park Meadows Apartments)	3,895,000		90,000		3,805,000	95,000
2002 MF Series A (Clarkridge Villas Apartments)	13,207,535		123,133		13,084,402	132,034
2002 MF Series A (Hickory Trace Apartments)	10,922,189		101,161		10,821,028	108,473
2002 MF Series A (Green Crest Apartments)	10,874,638		98,713		10,775,925	82,314
2002 MF Series A/B (Ironwood Crossing)	16,302,364		123,321		16,179,043	138,449
2003 MF Series A/B (Reading Road)	10,920,000		30,000	200,000	10,690,000	40,000
2003 MF Series A/B (North Vista Apartments)	11,570,000		260,000		11,310,000	275,000
2003 MF Series A/B (West Virginia Apartments)	8,355,000		190,000		8,165,000	195,000
2003 MF Series A/B (Primrose Houston School)	15,966,837		128,120		15,838,717	138,921
2003 MF Series A/B (Timber Oaks Apartments)	12,669,090		95,166		12,573,924	99,786
2003 MF Series A/B (Ash Creek Apartments)	15,688,235		129,237		15,558,998	140,101
2003 MF Series A/B (Peninsula Apartments)	11,000,000		210,000	15,000	10,775,000	210,000
2003 MF Series A/B (Arlington Villas)	16,503,842		120,219		16,383,623	130,262
2003 MF Series A/B (Parkview Townhomes)	13,398,423		105,483		13,292,940	110,604
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	18,675,000			475,000	18,200,000	(9,343)
2004 MF Series A/B (Timber Ridge II Apartments)	6,422,306		51,881		6,370,425	55,616
2004 MF Series A/B (Century Park Townhomes)	11,500,000		230,000		11,270,000	245,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-B (Continued)
CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2014

Description of Issue	Bonds Outstanding 09/01/13	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2014	Amounts Due Within One Year
2004 MF Series A/B (Providence at Veterans Memorial)	\$ 6,808,108	\$	\$ 54,391.00	\$	\$ 6,753,717	\$ 57,032
2004 MF Series A (Providence at Rush Creek II)	8,471,064		72,996		8,398,068	78,039
2004 MF Series A (Humble Parkway Townhomes)	10,905,000		145,000		10,760,000	155,000
2004 MF Series A (Chisholm Trail Apartments)	11,000,000			200,000	10,800,000	
2004 MF Series A (Evergreen at Plano Parkway)	14,171,079		117,861		14,053,218	125,816
2004 MF Series A (Montgomery Pines Apartments)	11,500,000			200,000	11,300,000	
2004 MF Series A (Bristol Apartments)	11,700,000			100,000	11,600,000	
2004 MF Series A (Pinnacle Apartments)	13,665,000			200,000	13,465,000	
2004 MF Series A (Tranquility Bay Apartments)	13,653,986		81,973	13,572,013		
2004 MF Series A (Churchill at Pinnacle Park)	9,617,398		99,345		9,518,053	106,051
2004 MF Series A (Providence at Village Fair)	13,483,789		117,609		13,366,180	125,486
2005 MF Series A (Homes at Pecan Grove)	13,445,385		99,248	229,160	13,116,977	77,999
2005 MF Series A (Providence at Prairie Oaks)	10,574,501		83,804		10,490,697	105,684
2005 MF Series A (Port Royal Homes)	11,683,154		100,668		11,582,486	107,408
2005 MF Series A (Mission Del Rio Homes)	11,033,514		91,030	2,009,731	8,932,753	53,118
2005 MF Series A (Atascocita Pines Apartments)	11,190,000			100,000	11,090,000	
2005 MF Series A (Tower Ridge Apartments)	15,000,000				15,000,000	
2005 MF Series A (Prairie Ranch Apartments)	11,410,000		150,000		11,260,000	160,000
2005 MF Series A (St Augustine Estate Apartments)	6,180,000			100,000	6,080,000	
2005 MF Series A (Park Manor Senior Community)	10,400,000				10,400,000	
2005 MF Series A (Providence at Mockingbird Apts)	10,924,900		83,412		10,841,488	88,030
2005 MF Series A (Plaza at Chase Oaks Apartments)	12,845,088		280,964		12,564,124	295,486
2005 MF Series A (Coral Hills Apartments)	4,665,000		40,000	50,000	4,575,000	90,000
2006 MF Series A (Harris Branch Apartments)	13,990,000			200,000	13,790,000	
2006 MF Series A (Bella Vista Apartments)	6,545,000		55,000		6,490,000	60,000
2006 MF Series A (Village Park Apartments)	9,940,000		175,000		9,765,000	185,000
2006 MF Series A (Oakmoor Apartments)	14,006,670		119,903		13,886,767	127,299
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000				15,000,000	
2006 MF Series A (Hillcrest Apartments)	10,530,000		170,000		10,360,000	185,000
2006 MF Series A (Pleasant Village)	5,583,009		55,798	183,288	5,343,923	183,635
2006 MF Series A (Grove Village)	5,750,500		57,472	229,504	5,463,524	189,144
2006 MF Series A (Red Hills Villas)	4,715,000				4,715,000	
2006 MF Series A (Champion Crossing Apartments)	4,675,000			100,000	4,575,000	
2006 MF Series A (Stonehaven Apartments)	9,957,670		25,015	9,932,655		
2006 MF Series A (Meadowlands Apartments)	12,064,971		98,150		11,966,821	104,203
2006 MF Series A (East Tex Pines)	13,220,000		110,000		13,110,000	110,000
2006 MF Series A (Villas at Henderson)	6,825,000			105,000	6,720,000	
2006 MF Series A (Aspen Park)	9,345,000		110,000		9,235,000	120,000
2006 MF Series A (Idlewilde)	13,725,000			235,000	13,490,000	
2007 MF Series A (Lancaster)	13,710,000			230,000	13,480,000	
2007 MF Series A (Park Place at Loyola)	14,065,478		97,465		13,968,013	103,271
2007 MF Series A (Terrace at Cibolo)	5,000,000			100,000	4,900,000	
2007 MF Series A (Santora Villas)	11,944,992		86,422		11,858,570	91,570
2007 MF Series A (Villas at Mesquite Creek)	16,155,000		185,000		15,970,000	195,000
2007 MF Series A (Summit Point)	9,170,000		100,000		9,070,000	110,000
2007 MF Series A (Costa Rialto)	10,470,864		84,761		10,386,103	89,409
2007 MF Series A (Windshire)	13,600,000			100,000	13,500,000	
2007 MF Series A (Residences at Onion Creek)	15,000,000				15,000,000	
2008 MF Series A (West Oaks Apartments)	12,525,000			200,000	12,325,000	
2008 MF Series A (Costa Ibiza Apartments)	13,320,000			100,000	13,220,000	
2008 MF Series A (Addison Park Apartments)	13,205,000			200,000	13,005,000	
2008 MF Series A (Alta Cullen Apartments Refunding)	12,400,000			200,000	12,200,000	
2009 MF Series A (Costa Mariposa Apartments)	13,580,000			110,000	13,470,000	
2009 MF Series A (Woodmont Apartments)	14,880,000			215,000	14,665,000	
2013 MF Series A (Waters @ Willow Run)		14,500,000			14,500,000	
2014 MF Series A (Decatur Angle Apartments)		23,000,000			23,000,000	
2014 MF Series A (Northcrest Apartments)		2,900,000			2,900,000	
2014 MF Series A (Pine Haven Apartments)		2,700,000			2,700,000	
Total Multifamily Bonds	\$ 1,012,352,740	\$ 43,100,000	\$ 8,413,651	\$ 49,141,351	\$ 997,897,738	\$ 9,414,129
	\$ 1,911,332,740	\$ 43,100,000	\$ 20,928,651	\$ 241,241,351	\$ 1,692,262,738	\$ 21,806,680

FOOTNOTES:

(a) Bonds Outstanding balance at 8/31/14 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	\$ 1,692,262,738
Unamortized (Discount)/Premium:	
Single Family	1,895,641
RMRB	2,085,785
CHMRB	48,648
Multi-Family	(175,963)
Bonds Outstanding	<u>\$ 1,696,116,849</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)

August 31, 2014

DESCRIPTION		2015	2016	2017	2018	2019
2004 Single Family, Series A (Junior Lien)	Principal					
2004 Single Family, Series A (Junior Lien)	Interest	4,997	5,023	5,000	5,011	5,011
2004 Single Family, Series B	Principal	895,000	1,840,000	1,905,000	1,980,000	2,060,000
2004 Single Family, Series B	Interest	43,083	41,417	39,746	38,299	36,699
2004 Single Family, Series D	Principal	1,125,000	1,185,000	1,245,000	1,315,000	1,385,000
2004 Single Family, Series D	Interest	26,896	23,563	22,618	21,786	20,853
2005 Single Family, Series A	Principal					
2005 Single Family, Series A	Interest	32,920	27,104	26,980	27,042	27,042
2005 Single Family, Series B	Principal	185,000	200,000	220,000	220,000	220,000
2005 Single Family, Series B	Interest	129,720	121,488	111,520	100,960	90,400
2005 Single Family, Series C	Principal				3,430,000	
2005 Single Family, Series C	Interest	4,114	4,125	4,107	2,075	
2005 Single Family, Series D	Principal					
2005 Single Family, Series D	Interest	64,750	64,750	64,750	64,750	64,750
2006 Single Family, Series A	Principal	285,000	295,000	320,000	310,000	330,000
2006 Single Family, Series A	Interest	982,375	968,125	953,000	937,125	921,500
2006 Single Family, Series B	Principal	695,000	710,000	735,000	785,000	810,000
2006 Single Family, Series B	Interest	1,045,000	1,010,125	974,500	937,125	897,250
2006 Single Family, Series C	Principal	745,000	790,000	835,000	880,000	925,000
2006 Single Family, Series C	Interest	1,696,247	1,657,425	1,616,425	1,573,119	1,527,378
2006 Single Family, Series D	Principal				255,000	520,000
2006 Single Family, Series D	Interest	366,561	366,561	366,561	366,561	348,711
2006 Single Family, Series E	Principal	1,605,000	1,675,000	1,755,000	1,830,000	
2006 Single Family, Series E	Interest	260,476	191,579	118,253	40,259	
2006 Single Family, Series F	Principal	5,000	10,000	10,000	10,000	10,000
2006 Single Family, Series F	Interest	250,765	250,334	249,759	249,184	248,609
2006 Single Family, Series G	Principal	185,000	150,000	115,000	120,000	120,000
2006 Single Family, Series G	Interest	29,577	21,408	15,700	10,350	4,830
2006 Single Family, Series H	Principal		410,000	860,000	910,000	965,000
2006 Single Family, Series H	Interest	25,457	21,649	21,179	20,704	20,151
2007 Single Family, Series A	Principal					
2007 Single Family, Series A	Interest	44,482	36,624	36,456	36,540	36,540
2007 Single Family, Series B	Principal	775,000	885,000	910,000	1,380,000	1,035,000
2007 Single Family, Series B	Interest	3,089,860	3,051,672	3,008,954	2,964,165	2,904,027
2013 Single Family, Series A	Principal					
2013 Single Family, Series A	Interest	963,900	963,900	963,900	963,900	963,900
TOTAL SINGLE FAMILY BONDS		15,561,180	16,976,872	17,509,408	21,783,955	16,497,651
2009 Residential Mtg Revenue Bonds, Series A	Principal	360,000	360,000	355,000	350,000	350,000
2009 Residential Mtg Revenue Bonds, Series A	Interest	1,781,965	1,770,603	1,757,935	1,744,453	1,730,715
2009 Residential Mtg Revenue Bonds, Series B	Principal	1,005,000	1,005,000	1,080,000	1,330,000	1,085,000
2009 Residential Mtg Revenue Bonds, Series B	Interest	516,665	468,425	421,033	366,463	305,078
2009 Residential Mtg Revenue Bonds, Series C-1	Principal					
2009 Residential Mtg Revenue Bonds, Series C-1	Interest	1,793,281	1,793,281	1,793,281	1,793,281	1,793,281
2009 Residential Mtg Revenue Bonds, Series C-2	Principal					
2009 Residential Mtg Revenue Bonds, Series C-2	Interest	1,228,096	1,228,096	1,228,096	1,228,096	1,228,096
2011 Residential Mtg Revenue Bonds, Series A	Principal	1,770,000	1,810,000	1,905,000	1,985,000	2,085,000
2011 Residential Mtg Revenue Bonds, Series A	Interest	1,627,141	1,582,530	1,528,895	1,466,382	1,393,004
2011 Residential Mtg Revenue Bonds, Series B	Principal	2,490,000	2,525,000	2,595,000	2,640,000	2,725,000
2011 Residential Mtg Revenue Bonds, Series B	Interest	2,488,013	2,451,818	2,402,525	2,342,593	2,272,073
TOTAL RESIDENTIAL MTG REVENUE BONDS		15,060,161	14,994,753	15,066,765	15,246,268	14,967,247
1992 Coll Home Mtg Rev Bonds, Series C	Principal					
1992 Coll Home Mtg Rev Bonds, Series C	Interest	244,797	269,276	244,797	269,276	244,797
TOTAL COLL HOME MTG REV BONDS		244,797	269,276	244,797	269,276	244,797

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2014

2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	2050-54	TOTAL REQUIRED
			3,855,000				3,855,000
25,068	25,045	25,056	12,557				112,768
11,530,000	13,955,000	16,955,000	1,880,000				53,000,000
157,316	106,905	45,955	759				510,179
8,160,000	8,030,000	10,165,000	2,390,000				35,000,000
88,443	59,514	28,763	1,265				293,701
	8,260,000	23,320,000	13,490,000				45,070,000
135,272	131,400	80,120	12,322				500,202
1,285,000	405,000						2,735,000
278,236	19,844						852,168
							3,430,000
							14,421
	840,000	350,000	105,000				1,295,000
323,750	235,750	74,375	5,244				962,869
2,030,000	2,680,000	4,350,000	9,120,000				19,720,000
4,322,000	3,757,375	2,980,000	961,496				16,782,996
4,585,000	5,860,000	6,545,000	350,000				21,075,000
3,844,125	2,560,750	940,750	8,749				12,218,374
5,415,000	6,995,000	8,950,000	7,745,000				33,280,000
6,866,733	5,296,689	3,297,426	815,002				24,346,444
2,790,000	4,120,000						7,685,000
1,369,340	629,185						3,813,480
							6,865,000
							610,567
805,000	1,110,000	1,455,000	1,685,000				5,100,000
1,161,328	933,443	625,292	206,035				4,174,749
15,000							705,000
346							82,211
5,780,000	7,725,000	10,335,000	9,015,000				36,000,000
91,224	71,328	44,851	10,942				327,485
	9,415,000	26,585,000	24,900,000				60,900,000
182,784	180,145	118,674	33,818				706,063
5,950,000	7,760,000	12,930,000	24,370,000	3,755,000			59,750,000
13,665,848	11,909,112	9,520,536	4,608,292	97,285			54,819,751
			34,425,000				34,425,000
4,819,500	4,819,500	4,819,500	1,927,800				21,205,800
85,676,313	107,890,985	144,541,298	141,934,281	3,852,285			572,224,228
2,715,000	8,230,000	8,100,000	13,455,000				34,275,000
8,500,491	7,012,319	4,807,488	2,555,735				31,661,704
5,075,000							10,580,000
465,938							2,543,602
	1,025,000	21,980,000	27,960,000	11,410,000			62,375,000
8,966,405	8,966,405	7,459,044	3,929,405	378,857			38,666,521
		2,770,000	29,970,000	16,780,000			49,520,000
6,140,480	6,140,480	6,139,240	4,187,108	582,306			29,330,094
12,405,000	15,015,000						36,975,000
5,487,938	2,026,444						15,112,334
15,455,000	19,285,000	19,335,000					67,050,000
9,939,223	6,520,542	2,102,440					30,519,227
75,150,475	74,221,190	72,693,212	82,057,248	29,151,163			408,608,482
3,700,000							3,700,000
1,246,364							2,519,307
4,946,364							6,219,307

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2014

DESCRIPTION		2015	2016	2017	2018	2019
1996 MF Series A/B (Brighton's Mark)	Principal					
1996 MF Series A/B (Brighton's Mark)	Interest	494,998	494,998	494,998	494,998	494,998
1998 MF Series A-C (Residence Oaks)	Principal	295,000.00	304,000.00	312,000.00	321,000.00	329,000.00
1998 MF Series A-C (Residence Oaks)	Interest	165,518	157,301	148,850	140,166	131,262
1999 MF Series A-C (Mayfield)	Principal	312,000	329,000	349,000	369,000	391,000
1999 MF Series A-C (Mayfield)	Interest	489,060	471,048	452,010	429,866	410,486
2000 MF Series A (Creek Point Apts)	Principal					
2000 MF Series A (Creek Point Apts)	Interest	4,506	4,533	4,523	4,528	4,528
2000 MF Series A (Deerwood Apts)	Principal	145,000.00	155,000.00	170,000.00	180,000.00	190,000.00
2000 MF Series A (Deerwood Apts)	Interest	334,833	325,540	315,618	304,750	293,253
2000 MF Series A/B (Oaks at Hampton)	Principal	128,436	137,994	148,265	159,298	171,152
2000 MF Series A/B (Oaks at Hampton)	Interest	649,399	639,841	629,570	618,536	606,681
2000 MF Series A (Timber Point Apts)	Principal					
2000 MF Series A (Timber Point Apts)	Interest	5,310	5,342	5,330	5,336	5,336
2000 MF Series A/B (Greenbridge)	Principal	1,051,858	213,555	229,906	247,508	266,457
2000 MF Series A/B (Greenbridge)	Interest	1,293,396	1,356,097	1,339,747	1,322,145	1,303,195
2000 MF Series A/B (Parks @ Westmoreland)	Principal	124,738	134,023	143,995	154,715	166,227
2000 MF Series A/B (Parks @ Westmoreland)	Interest	647,237	637,954	627,979	617,262	605,748
2000 MF Series A/B (Williams Run)	Principal	153,407	155,422	167,738	181,029	195,374
2000 MF Series A/B (Williams Run)	Interest	885,096	873,685	861,369	848,078	833,733
2000 MF Series A-C (Collingham Park)	Principal	308,000	327,000	348,000	370,000	392,000
2000 MF Series A-C (Collingham Park)	Interest	751,229	730,229	707,918	684,163	658,930
2000 MF Series A-C (Highland Meadow Apts)	Principal	194,000	207,000	221,000	237,000	253,000
2000 MF Series A-C (Highland Meadow Apts)	Interest	504,024	490,726	476,517	461,330	445,062
2001 MF Series A (Bluffview Senior Apts)	Principal	100,851	108,788	117,350	126,586	136,549
2001 MF Series A (Bluffview Senior Apts)	Interest	753,617	745,680	737,117	727,882	717,919
2001 MF Series A (Knollwood Villas Apts)	Principal	129,598	139,798	150,801	162,669	175,472
2001 MF Series A (Knollwood Villas Apts)	Interest	968,432	958,232	947,229	935,361	922,558
2001 MF Series A (Oak Hollow Apts.)	Principal	65,068	69,771	74,815	80,224	86,023
2001 MF Series A (Oak Hollow Apts.)	Interest	420,243	415,539	410,495	405,086	399,287
2001 MF Series A (Skyway Villas)	Principal	170,000	180,000	195,000	205,000	215,000
2001 MF Series A (Skyway Villas)	Interest	367,924	358,369	348,257	337,290	325,777
2001 MF Series A/B (Hillside Apts.)	Principal	73,276	78,573	84,253	90,344	96,875
2001 MF Series A/B (Hillside Apts.)	Interest	852,362	847,065	841,385	835,294	828,763
2001 MF Series A/B (Meridian Apts.)	Principal	96,000	105,000	108,000	119,000	123,000
2001 MF Series A/B (Meridian Apts.)	Interest	481,920	475,980	469,530	462,775	455,565
2001 MF Series A/B (Wildwood Apts.)	Principal	81,000	84,000	89,000	96,000	100,000
2001 MF Series A/B (Wildwood Apts.)	Interest	372,300	367,290	362,200	356,580	350,790
2001 MF Series A-C (Fallbrook Apts.)	Principal	320,000	339,000	360,000	383,000	406,000
2001 MF Series A-C (Fallbrook Apts.)	Interest	751,289	731,594	710,717	688,568	665,024
2002 MF Series A (Clarkridge Villas Apts)	Principal	132,034	141,579	151,814	162,788	174,556
2002 MF Series A (Clarkridge Villas Apts)	Interest	911,726	902,181	891,946	880,972	869,204
2002 MF Series A (Green Crest Apts)	Principal	82,314	86,957	91,863	97,044	102,518
2002 MF Series A (Green Crest Apts)	Interest	590,621	585,978	581,073	575,891	570,417
2002 MF Series A (Hickory Trace Apts)	Principal	108,473	116,315	124,723	133,740	143,408
2002 MF Series A (Hickory Trace Apts)	Interest	754,034	746,193	737,784	728,768	719,100
2002 MF Series A (Park Meadows Apts)	Principal	95,000	105,000	105,000	120,000	125,000
2002 MF Series A (Park Meadows Apts)	Interest	246,997	240,631	233,611	226,591	218,592
2002 MF Series A/B (Ironwood Crossing)	Principal	138,449	149,198	160,780	173,262	186,713
2002 MF Series A/B (Ironwood Crossing)	Interest	728,733	717,985	706,402	693,921	680,470
2003 MF Series A/B (Ash Creek Apts)	Principal	140,101	151,881	164,649	178,399	191,406
2003 MF Series A/B (Ash Creek Apts)	Interest	1,029,693	1,018,024	1,005,412	991,916	979,262
2003 MF Series A/B (North Vista Apts)	Principal	275,000	290,000	310,000	325,000	340,000
2003 MF Series A/B (North Vista Apts)	Interest	571,340	557,104	542,108	526,227	509,440
2003 MF Series A/B (Peninsula Apts)	Principal	210,000	235,000	250,000	265,000	295,000
2003 MF Series A/B (Peninsula Apts)	Interest	567,066	556,639	544,178	530,795	516,485
2003 MF Series A/B (Primrose Houston School)	Principal	138,921	150,631	163,327	177,095	192,023
2003 MF Series A/B (Primrose Houston School)	Interest	1,037,078	1,025,541	1,013,032	999,469	984,762

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2014

2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	2050-54	TOTAL REQUIRED
	8,075,000						8,075,000
2,474,990	989,990						5,939,970
1,787,000	2,048,000	674,000					6,070,000
513,896	251,762	18,724					1,527,479
2,323,000	3,084,000	1,500,000					8,657,000
1,685,919	931,354	108,352					4,978,095
		5,660,000					5,660,000
22,645	22,635	14,344					82,242
1,185,000	1,680,000	1,580,000					5,285,000
1,261,768	816,800	209,118					3,861,680
1,066,892	1,527,560	2,187,145	3,131,522	419,298			9,077,562
2,822,286	2,361,616	1,702,035	757,653	9,679			10,797,296
		6,670,000					6,670,000
26,686	26,674	16,467					96,481
1,671,383	2,416,972	3,495,160	5,054,320	4,826,956			19,474,075
6,176,879	5,431,290	4,353,102	2,793,944	358,604			25,728,399
1,036,180	1,483,590	2,124,191	3,040,383	637,799			9,045,841
2,823,696	2,376,283	1,735,687	818,777	21,762			10,912,385
1,235,133	1,808,442	2,647,858	3,876,904	1,223,074			11,644,381
3,910,403	3,337,095	2,497,677	1,268,631	63,304			15,379,071
2,368,000	3,234,000	3,908,000					11,255,000
2,857,545	1,939,090	682,147					9,011,251
1,557,000	2,170,000	2,676,000					7,515,000
1,938,908	1,326,040	471,589					6,114,196
861,896	1,258,829	1,838,561	2,685,281	2,726,903			9,961,594
3,410,442	3,013,511	2,433,776	1,587,054	287,983			14,414,981
1,107,578	1,617,653	2,362,637	3,450,711	3,504,197			12,801,114
4,382,570	3,872,496	3,127,514	2,039,441	370,071			18,523,904
532,887	755,433	1,070,922	1,518,168	1,779,599			6,032,910
1,893,663	1,671,117	1,355,630	908,386	220,907			8,100,353
1,290,000	1,735,000	2,340,000	270,000				6,600,000
1,431,982	1,016,730	455,821	7,605				4,649,755
600,111	850,734	1,206,021	1,709,686	7,419,880			12,209,753
4,028,080	3,777,456	3,422,167	2,918,502	1,133,354			19,484,428
788,000	1,065,000	5,662,000	10,000				8,076,000
2,148,615	1,871,425	281,420	175				6,647,405
606,000	5,180,000		5,000				6,241,000
1,652,280	1,397,015	1,500	100				4,860,055
2,437,000	3,285,000	4,427,000	519,000				12,476,000
2,918,254	2,070,460	927,907	15,724				9,479,537
1,081,324	1,532,912	2,173,095	3,080,635	4,453,665			13,084,402
4,137,475	3,685,885	3,045,702	2,138,163	707,301			18,170,555
606,141	797,501	1,049,276	7,862,311				10,775,925
2,758,536	2,567,176	2,315,402	939,451				11,484,545
888,841	1,259,374	1,785,318	2,530,913	3,729,924			10,821,029
3,424,118	3,053,005	2,527,057	1,781,465	615,498			15,087,022
760,000	1,050,000	1,445,000					3,805,000
957,788	669,162	271,648					3,065,020
1,144,143	1,422,078	1,762,504	11,041,916				16,179,043
3,200,111	2,913,834	2,573,410	1,859,387				14,074,253
1,176,125	1,645,890	2,303,289	9,607,258				15,558,998
4,681,763	4,221,755	3,578,014	1,007,796				18,513,635
2,010,000	2,635,000	3,450,000	1,675,000				11,310,000
2,263,598	1,684,996	927,279	107,730				7,689,822
1,755,000	7,765,000						10,775,000
2,322,197	205,771						5,243,131
1,192,077	1,660,063	2,311,600	9,852,980				15,838,717
4,700,653	4,242,601	3,604,799	1,162,849				18,770,784

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)

August 31, 2014

DESCRIPTION		2015	2016	2017	2018	2019
2003 MF Series A/B (Reading Road)	Principal	40,000	40,000	40,000	40,000	50,000
2003 MF Series A/B (Reading Road)	Interest	123,139	120,348	117,634	114,941	112,072
2003 MF Series A/B (Timber Oaks Apts)	Principal	99,786	104,630	109,710	115,036	120,621
2003 MF Series A/B (Timber Oaks Apts)	Interest	878,251	869,327	859,970	850,158	839,870
2003 MF Series A/B (West Virginia Apts)	Principal	195,000	205,000	215,000	235,000	245,000
2003 MF Series A/B (West Virginia Apts)	Interest	412,413	402,374	391,835	380,661	368,581
2004 MF Series A (Bristol)	Principal					
2004 MF Series A (Bristol)	Interest	8,184	8,128	8,112	8,120	8,120
2004 MF Series A (Chisholm Trail)	Principal					
2004 MF Series A (Chisholm Trail)	Interest	7,619	7,568	7,552	7,560	7,560
2004 MF Series A (Churchill @ Pinnacle)	Principal	106,051	113,209	120,851	129,009	137,717
2004 MF Series A (Churchill @ Pinnacle)	Interest	620,286	613,127	605,485	597,327	588,619
2004 MF Series A (Evergreen @ Plano)	Principal	125,816	134,309	143,376	153,054	163,385
2004 MF Series A (Evergreen @ Plano)	Interest	916,754	908,261	899,195	889,516	879,185
2004 MF Series A (Humble Park)	Principal	155,000	165,000	180,000	190,000	205,000
2004 MF Series A (Humble Park)	Interest	707,685	697,290	686,070	674,025	661,320
2004 MF Series A (Montgomery Pines)	Principal					
2004 MF Series A (Montgomery Pines)	Interest	7,972	7,918	7,902	7,910	7,910
2004 MF Series A (Pinnacle)	Principal					
2004 MF Series A (Pinnacle)	Interest	8,153	8,087	8,071	8,079	8,079
2004 MF Series A (Rush Creek)	Principal	78,039	83,432	89,196	95,360	101,949
2004 MF Series A (Rush Creek)	Interest	560,303	554,911	549,146	542,983	536,394
2004 MF Series A/B (Century Park)	Principal	245,000	255,000	275,000	290,000	305,000
2004 MF Series A/B (Century Park)	Interest	604,244	590,902	576,885	561,775	546,003
2004 MF Series A/B (Timber Ridge)	Principal	55,616	59,619	63,909	68,509	73,439
2004 MF Series A/B (Timber Ridge)	Interest	428,307	424,430	420,275	415,821	411,045
2004 MF Series A/B (Veterans Memorial)	Principal	57,032	59,801	62,704	65,748	68,940
2004 MF Series A/B (Veterans Memorial)	Interest	444,035	440,188	436,154	431,924	427,489
2003 MF Series A/B (Parkview Twnhms)	Principal	110,604	115,973	121,603	127,507	133,697
2003 MF Series A/B (Parkview Twnhms)	Interest	874,017	866,556	858,733	850,530	841,929
2003 MF Series A/B (Arlington Villas)	Principal	130,262	141,142	152,933	165,710	179,553
2003 MF Series A/B (Arlington Villas)	Interest	1,118,483	1,107,669	1,095,952	1,083,255	1,069,498
2003 MF Series A (NHP-Asmara) Refunding	Principal					
2003 MF Series A (NHP-Asmara) Refunding	Interest	7,435	7,288	7,272	7,280	7,280
2004 MF Series A (Village Fair)	Principal	125,486	133,890	142,857	152,424	162,632
2004 MF Series A (Village Fair)	Interest	865,108	856,704	847,737	838,169	827,961
2005 MF Series A (Pecan Grove)	Principal	77,999	83,223	88,796	94,743	101,088
2005 MF Series A (Pecan Grove)	Interest	850,307	845,083	839,510	833,563	827,218
2005 MF Series A (Prairie Oaks)	Principal	105,684	104,364	111,353	118,810	126,768
2005 MF Series A (Prairie Oaks)	Interest	735,289	671,954	664,965	657,507	649,550
2005 MF Series A (Port Royal)	Principal	107,408	114,604	122,279	130,468	139,206
2005 MF Series A (Port Royal)	Interest	749,700	742,506	734,831	726,642	717,904
2005 MF Series A (Del Rio)	Principal	53,118	56,675	60,471	64,521	68,842
2005 MF Series A (Del Rio)	Interest	579,065	575,507	571,712	567,662	563,341
2005 MF Series A (Atascocita Pines)	Principal					
2005 MF Series A (Atascocita Pines)	Interest	7,824	7,771	7,755	7,763	7,763
2005 MF Series A (Tower Ridge)	Principal					
2005 MF Series A (Tower Ridge)	Interest	12,000	12,013	11,987	12,000	12,000
2005 MF Series A (Prairie Ranch)	Principal	160,000	165,000	175,000	180,000	190,000
2005 MF Series A (Prairie Ranch)	Interest	544,170	536,289	528,165	519,677	510,826
2005 MF Series A (St Augustine)	Principal					
2005 MF Series A (St Augustine)	Interest	4,289	4,260	4,252	4,256	4,256
2005 MF Series A (Park Manor)	Principal					
2005 MF Series A (Park Manor)	Interest	665,600	665,600	665,600	665,600	665,600
2005 MF Series A (Mockingbird)	Principal	88,030	92,903	98,045	103,473	109,201
2005 MF Series A (Mockingbird)	Interest	583,284	578,411	573,268	567,841	562,113
2005 MF Series A (Chase Oaks)	Principal	295,486	310,759	326,820	343,712	361,477
2005 MF Series A (Chase Oaks)	Interest	627,711	612,439	596,377	579,485	561,720

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2014

2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	2050-54	TOTAL REQUIRED
285,000	400,000	565,000	9,230,000				10,690,000
507,211	394,303	235,850	36,141				1,761,639
696,840	427,302	-	10,900,000				12,573,925
4,026,683	3,729,276	3,678,750	3,126,938				18,859,223
1,450,000	1,905,000	2,500,000	1,215,000				8,165,000
1,639,364	1,220,982	671,003	78,270				5,565,483
			11,600,000				11,600,000
40,608	40,592	40,600	23,002				185,466
			10,800,000				10,800,000
37,808	37,792	37,800	20,153				171,412
841,235	1,166,170	1,616,616	2,241,050	3,046,145			9,518,053
2,790,447	2,465,513	2,015,068	1,390,635	525,010			12,211,517
998,025	1,383,522	1,917,922	2,658,738	6,375,072			14,053,219
4,214,828	3,829,330	3,294,930	2,554,114	1,480,766			19,866,879
1,245,000	1,730,000	2,375,000	3,290,000	1,225,000			10,760,000
3,082,200	2,602,050	1,942,380	1,030,095	82,170			12,165,285
			11,300,000				11,300,000
39,558	39,542	39,550	22,408				180,670
			13,465,000				13,465,000
40,403	40,387	40,395	22,886				184,540
625,660	873,822	1,220,410	1,704,473	3,525,727			8,398,068
2,566,053	2,317,891	1,971,299	1,487,239	759,222			11,845,441
1,815,000	2,430,000	3,230,000	2,425,000				11,270,000
2,458,835	1,899,190	1,153,072	234,285				8,625,191
454,503	643,366	910,684	4,040,780				6,370,425
1,970,672	1,787,776	1,528,885	516,299				7,903,510
398,274	504,806	639,832	810,973	4,085,606			6,753,716
2,063,007	1,914,986	1,727,370	1,489,571	335,462			9,710,186
772,384	978,980	1,240,838	1,572,738	8,118,617			13,292,941
4,065,281	3,778,219	3,414,375	2,953,210	795,997			19,298,847
1,143,628	1,628,386	2,296,993	10,545,016				16,383,623
5,104,114	4,629,270	3,975,195	1,559,377				20,742,813
		18,200,000					18,200,000
36,408	36,392	28,501					137,856
991,880	1,371,588	1,896,657	2,622,731	3,626,756	2,139,278		13,366,179
3,961,088	3,581,381	3,056,311	2,330,237	1,326,209	44,036		18,534,941
616,528	852,545	1,178,916	10,023,139				13,116,977
4,025,001	3,788,982	3,462,614	2,115,918				17,588,196
773,137	1,069,106	1,478,378	2,044,328	2,826,929	1,731,840		10,490,697
3,108,444	2,812,471	2,403,198	1,837,249	1,054,646	43,891		14,639,164
848,997	1,174,010	1,623,444	2,244,929	3,104,320	1,972,821		11,582,486
3,436,546	3,111,533	2,662,099	2,040,618	1,181,221	59,149		16,162,749
419,860	580,589	802,850	6,825,827				8,932,753
2,741,053	2,580,322	2,358,063	1,474,033				12,010,758
			11,090,000				11,090,000
38,823	38,807	38,815	28,458				183,779
			15,000,000				15,000,000
60,013	59,987	60,000	43,528				283,528
1,135,000	1,470,000	1,840,000	2,325,000	2,945,000	675,000		11,260,000
2,401,719	2,090,714	1,695,560	1,199,041	570,239	24,613		10,621,013
			6,080,000				6,080,000
21,284	21,276	21,280	17,384				102,537
					10,400,000		10,400,000
3,328,000	3,328,000	3,328,000	3,328,000	3,328,000	610,135		20,578,135
643,656	842,655	1,103,180	1,444,252	6,316,093			10,841,488
2,712,912	2,513,911	2,253,384	1,912,310	332,771			12,590,205
2,107,708	2,711,689	3,488,744	2,617,729				12,564,124
2,508,277	1,904,298	1,127,246	113,627				8,631,180

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2014

DESCRIPTION		2015	2016	2017	2018	2019
2005 MF Series A (Coral Hills)	Principal	90,000	100,000	100,000	100,000	110,000
2005 MF Series A (Coral Hills)	Interest	229,902	225,230	220,180	215,130	209,954
2006 MF Series A (Harris Branch)	Principal					
2006 MF Series A (Harris Branch)	Interest	9,653	9,663	9,643	9,653	9,653
2006 MF Series A (Bella Vista)	Principal	60,000	65,000	70,000	70,000	80,000
2006 MF Series A (Bella Vista)	Interest	399,135	395,445	391,447	387,142	382,837
2006 MF Series A (Village Park)	Principal	185,000	195,000	205,000	220,000	235,000
2006 MF Series A (Village Park)	Interest	492,506	483,600	474,219	464,244	453,675
2006 MF Series A (Oakmoor)	Principal	127,299	135,150	143,486	152,336	161,731
2006 MF Series A (Oakmoor)	Interest	829,744	821,892	813,556	804,706	795,310
2006 MF Series A (Sunset Pointe)	Principal					
2006 MF Series A (Sunset Pointe)	Interest	12,000	12,013	11,987	12,000	12,000
2006 MF Series A (Hillcrest)	Principal	185,000	195,000	210,000	225,000	230,000
2006 MF Series A (Hillcrest)	Interest	541,538	531,694	521,194	510,038	498,094
2006 MF Series A (Pleasant Village)	Principal	183,635	112,693	120,648	128,195	136,215
2006 MF Series A (Pleasant Village)	Interest	760,015	311,667	303,743	296,196	288,176
2006 MF Series A (Grove Village)	Principal	189,143	116,074	124,267	132,041	140,301
2006 MF Series A (Grove Village)	Interest	777,846	318,534	310,379	302,605	294,345
2006 MF Series A (Red Hills Villas)	Principal					
2006 MF Series A (Red Hills Villas)	Interest	4,716	4,720	4,710	4,716	4,716
2006 MF Series A (Champion Crossing)	Principal			100,000	100,000	100,000
2006 MF Series A (Champion Crossing)	Interest	4,576	4,580	4,479	4,384	4,284
2006 MF Series A (Meadowlands)	Principal	104,203	110,631	117,454	124,698	132,389
2006 MF Series A (Meadowlands)	Interest	715,176	708,748	701,925	694,681	686,990
2006 MF Series A (East Tex Pines)	Principal	110,000	125,000	125,000	135,000	145,000
2006 MF Series A (East Tex Pines)	Interest	757,190	750,375	743,125	735,585	727,465
2006 MF Series A (Villas at Henderson)	Principal					
2006 MF Series A (Villas at Henderson)	Interest	5,411	5,382	5,370	5,376	5,376
2006 MF Series A (Aspen Park Apts)	Principal	120,000	125,000	135,000	140,000	150,000
2006 MF Series A (Aspen Park Apts)	Interest	460,250	454,250	447,875	441,000	433,875
2006 MF Series A (Idlewild Apts)	Principal					
2006 MF Series A (Idlewild Apts)	Interest	9,517	9,453	9,433	9,443	9,443
2007 MF Series A (Lancaster Apts)	Principal					
2007 MF Series A (Lancaster Apts)	Interest	9,510	9,446	9,426	9,436	9,436
2007 MF Series A (Park Place)	Principal	103,271.00	109,423.00	115,941.00	122,847.00	130,165.00
2007 MF Series A (Park Place)	Interest	807,429	801,278	794,760	787,853	780,536
2007 MF Series A (Terrace at Cibolo)	Principal					
2007 MF Series A (Terrace at Cibolo)	Interest	3,481	3,434	3,426	3,430	3,430
2007 MF Series A (Santora Villas)	Principal	91,570.00	97,025.00	102,804.00	108,928.00	115,416.00
2007 MF Series A (Santora Villas)	Interest	685,389	679,935	674,155	668,031	661,543
2007 MF Series A (Villas @ Mesquite Creek)	Principal	195,000	210,000	220,000	235,000	245,000
2007 MF Series A (Villas @ Mesquite Creek)	Interest	803,597	791,977	779,631	766,704	752,946
2007 MF Series A (Summit Point)	Principal	110,000	110,000	110,000	115,000	130,000
2007 MF Series A (Summit Point)	Interest	467,618	462,338	457,058	451,778	445,953
2007 MF Series A (Costa Rialto)	Principal	89,409	94,312	99,483	104,938	110,691
2007 MF Series A (Costa Rialto)	Interest	553,487	548,585	543,414	537,959	532,205
2007 MF Series A (Windshire)	Principal					
2007 MF Series A (Windshire)	Interest	9,524	9,460	9,440	9,450	9,450
2007 MF Series A (Residences @ Onion Creek)	Principal					
2007 MF Series A (Residences @ Onion Creek)	Interest	12,000	12,013	11,987	12,000	12,000
2008 MF Series A (Addison Park)	Principal					
2008 MF Series A (Addison Park)	Interest	10,425	10,416	10,392	10,404	10,404
2008 MF Series A (Costa Ibiza)	Principal					
2008 MF Series A (Costa Ibiza)	Interest	6,632	6,618	6,602	6,610	6,610
2008 MF Series A (West Oaks)	Principal					
2008 MF Series A (West Oaks)	Interest	7,530	7,403	7,387	7,395	7,395
2009 MF Series A (Costa Mariposa Apartments)	Principal					
2009 MF Series A (Costa Mariposa Apartments)	Interest	6,757	6,743	6,727	6,735	6,735

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2014

2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	2050-54	TOTAL REQUIRED
665,000	3,410,000						4,575,000
957,858	332,164						2,390,418
			13,790,000				13,790,000
48,275	48,255	48,265	44,218				237,278
465,000	630,000	860,000	1,165,000	1,585,000	1,440,000		6,490,000
1,836,388	1,674,029	1,453,859	1,154,354	747,223	153,756		8,975,615
1,390,000	7,335,000						9,765,000
2,082,277	897,002						5,347,523
971,174	1,309,966	1,766,950	2,383,351	3,214,784	3,520,540		13,886,767
3,814,035	3,475,239	3,018,255	2,401,854	1,570,424	279,778		18,624,793
			15,000,000				15,000,000
60,013	59,987	60,000	58,980				298,980
1,420,000	7,895,000						10,360,000
2,288,082	1,174,292						6,064,932
4,662,537							5,343,923
959,108							2,918,905
4,761,698							5,463,524
978,307							2,982,016
200,000	800,000	1,100,000	2,615,000				4,715,000
23,298	20,539	15,569	4,554				87,538
500,000	800,000	1,100,000	1,875,000				4,575,000
19,923	16,840	11,868	3,011				73,945
794,979	1,072,308	1,446,383	1,950,955	2,631,544	3,481,278		11,966,822
3,301,914	3,024,585	2,650,512	2,145,940	1,465,349	355,840		16,451,660
855,000	1,130,000	1,500,000	1,985,000	2,635,000	4,365,000		13,110,000
3,497,545	3,212,040	2,833,010	2,331,165	1,665,325	522,726		17,775,551
6,720,000							6,720,000
22,653							49,568
895,000	7,670,000						9,235,000
2,045,875	1,109,623						5,392,748
47,225	47,205	47,215	47,215	13,490,000	7,880		13,490,000
							244,029
47,190	47,170	47,180	47,180	13,480,000	8,646		13,480,000
							244,620
776,784	1,037,391	1,385,431	1,850,235	2,470,977	5,865,547		13,968,012
3,776,716	3,516,110	3,168,068	2,703,262	2,082,518	745,886		19,964,416
				4,900,000			4,900,000
17,154	17,146	17,150	17,150	2,573			88,374
688,772	919,852	1,228,457	1,640,596	2,191,007	4,674,143		11,858,570
3,196,026	2,964,946	2,656,340	2,244,196	1,693,786	632,372		16,756,719
1,440,000	1,845,000	2,360,000	3,025,000	3,865,000	2,330,000		15,970,000
3,561,500	3,157,500	2,641,875	1,980,000	1,133,250	177,500		16,546,480
740,000	965,000	1,270,000	1,675,000	2,205,000	1,640,000		9,070,000
2,125,390	1,916,311	1,635,819	1,261,052	761,383	153,694		10,138,394
651,434	850,718	1,110,968	1,450,831	1,894,665	3,928,653		10,386,102
2,563,045	2,363,758	2,103,509	1,763,642	1,319,808	512,513		13,341,925
47,260	47,240	47,250	47,250	13,500,000	13,413		13,500,000
							249,737
60,013	59,987	60,000	60,000	15,000,000	16,012		15,000,000
							316,012
52,032	52,008	52,020	52,020	13,005,000	45,978		13,005,000
							306,099
33,058	33,042	33,050	33,050	13,220,000	13,220		13,220,000
							178,492
36,983	36,967	36,975	36,975	12,325,000	14,162		12,325,000
							199,172
33,683	33,667	33,675	33,675	13,470,000	18,507		13,470,000
							186,904

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

SCHEDULE 1-C

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)

August 31, 2014

DESCRIPTION		2015	2016	2017	2018	2019
2009 MF Series A (Woodmont Apartments)	Principal					
2009 MF Series A (Woodmont Apartments)	Interest	7,357	7,341	7,324	7,332	7,332
2008 MF Series A (Alta Cullen Apartments)	Principal					
2008 MF Series A (Alta Cullen Apartments)	Interest	8,560	8,550	8,530	8,540	8,540
2013 MF Series A (Waters @ Willow Run)	Principal			14,500,000.00		
2013 MF Series A (Waters @ Willow Run)	Interest	50,750	50,750	25,375		
2014 MF Series A (Decatur Angle Apartments)	Principal			152,311.00	161,464.00	171,167.00
2014 MF Series A (Decatur Angle Apartments)	Interest	1,322,500	1,322,500	1,318,528	1,309,532	1,299,995
2014 MF Series A (Northcrest Apartments)	Principal			2,900,000.00		
2014 MF Series A (Northcrest Apartments)	Interest	10,150	10,150	9,304		
2014 MF Series A (Pine Haven Apartments)	Principal			2,700,000.00		
2014 MF Series A (Pine Haven Apartments)	Interest	9,450	9,450	8,663		
TOTAL MULTI-FAMILY BONDS		51,806,400	49,919,187	70,237,277	50,099,894	50,118,879
Total		82,672,538	82,160,088	103,058,247	87,399,393	81,828,574
Less Interest		61,124,067	59,376,762	58,370,671	57,316,161	56,193,231
Total Principal		21,548,471	22,783,326	44,687,576	30,083,232	25,635,343

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2014

2020-24	2025-29	2030-34	2035-39	2040-44	2045-49	2050-54	TOTAL REQUIRED
				14,665,000			14,665,000
36,670	36,653	36,661	36,661	20,777			204,108
					12,200,000		12,200,000
42,710	42,690	42,700	42,700	42,710	4,951		261,181
							14,500,000
							126,875
1,023,060	1,369,693	1,833,775	2,455,096	3,286,932	4,400,615	8,145,887	23,000,000
6,335,605	5,994,895	5,538,749	4,928,050	4,110,430	3,015,787	1,459,301	37,955,872
							2,900,000
							29,604
							2,700,000
							27,563
264,751,661	279,978,582	254,606,460	362,475,768	261,265,019	72,101,342	9,605,188	1,776,965,657
430,524,813	462,090,757	471,840,970	586,467,297	294,268,467	72,101,342	9,605,188	2,764,017,674
261,880,349	215,154,262	162,318,965	97,852,542	33,371,998	7,336,627	1,459,301	1,071,754,936
168,644,464	246,936,495	309,522,005	488,614,755	260,896,469	64,764,715	8,145,887	1,692,262,738

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, 2014

Pledged and Other Sources and Related Expenditures for FY 2014

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2014		Debt Service	
	Net Available for Debt Service	Debt Service	Principal	Interest
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay		
2004 Single Family Series A	\$ 28,475,000	\$	\$ 1,110,000	\$ 141,629
2004 Single Family Series A (Jr. Lien)	34	30		5,244
2004 Single Family Series B	2,698,426	143,094		1,629,466
2004 Single Family Series C	5,100,000			48,560
2004 Single Family Series D	1,695,522	108,193		1,142,652
2004 Single Family Series E	295,000		150,000	2,688
2005 Single Family Series A	14,640,329	110,790		1,903,815
2005 Single Family Series B	3,572,652	10,787	300,000	150,312
2005 Single Family Series C	622,081	13,411		4,745
2005 Single Family Series D	1,623,921	4,956		72,375
2006 Single Family Series A	7,719,078	5,338	340,000	1,119,750
2006 Single Family Series B	8,343,539	5,823	820,000	1,202,833
2006 Single Family Series C	13,124,771	9,220	870,000	1,941,329
2006 Single Family Series D	2,340,077	2,184		397,452
2006 Single Family Series E	400,616	1,698	1,545,000	293,780
2006 Single Family Series F	15,165,588	11,486	60,000	544,157
2006 Single Family Series G	1,586,765	1,914	390,000	60,807
2006 Single Family Series H	2,440,884	82,316		1,270,366
2007 Single Family Series A	21,101,159	146,931		2,572,384
2007 Single Family Series B	22,031,694	14,756	1,100,000	3,490,290
2013 Single Family Series A	8,973,257	11,993		1,042,837
Total Single Family Bonds	\$ 161,950,393	\$ 684,920	\$ 6,685,000	\$ 19,037,471
2009 RMRB Series A	\$ 8,251,953	\$ 187,539	\$ 370,000	\$ 1,962,833
2009 RMRB Series B	1,927,196	59,223	1,005,000	581,037
2009 RMRB Series C-1	19,826,852	15,249		1,988,781
2011 RMRB Series A	12,093,681	8,956	1,895,000	1,839,146
2009 RMRB Series C-2	9,735,773	7,454		1,303,074
2011 RMRB Series B	13,608,687	10,293	2,560,000	2,670,841
Total Residential Mtg Revenue Bonds	\$ 65,444,142	\$ 288,714	\$ 5,830,000	\$ 10,345,712
1992 CHMRB Series C	\$ 1,070,982	\$ 64	\$	\$ 287,310
Total 1992 CHMRB	\$ 1,070,982	\$ 64	\$	\$ 287,310
1996 MF Series A/B (Brighton's Mark Development)	\$ 501,873	\$	\$	\$ 501,873.00
1998 MF Series A (Pebble Brook Apartments Project)	8,540,989		135,000	157,474
1998 MF Series A-C (Residence at the Oaks Projects)	170,864		288,000	170,864
1998 MF Series A/B (Greens of Hickory Trail Apartments)	10,542,210		170,000	82,209
1999 MF Series A-C (Mayfield Apartments)	500,489		294,000	500,489
2000 MF Series A (Creek Point Apartments)	205,784			5,781
2000 MF Series A (Deerwood Apartments)	341,369		135,000	341,369
2000 MF Series A (Timber Point Apartments)	205,671			5,674
2000 MF Series A/B (Greenbridge at Buckingham Apartments)	1,441,082			1,441,082
2000 MF Series A/B (Oaks at Hampton Apartments)	657,581		119,538	657,581
2000 MF Series A/B (Parks at Westmoreland Apartments)	655,181		116,097	655,181
2000 MF Series A/B (Williams Run Apartments)	908,308		477,643	908,308
2000 MF Series A-C (Collingham Park Apartments)	764,534		291,000	764,534
2000 MF Series A-C (Highland Meadow Village Apartments)	512,415		182,000	512,415
2001 MF Series A (Bluffview Apartments)	760,382		93,493	760,382
2001 MF Series A (Knollwood Apartments)	977,127		120,142	977,127
2001 MF Series A (Oak Hollow Apartments)	424,275		60,681	424,275
2001 MF Series A (Skyway Villas Apartments)	374,565		160,000	374,565
2001 MF Series A/B (Hillside Apartments)	856,903		68,336	856,903
2001 MF Series A/B (Meridian Apartments)	487,195		94,000	487,195
2001 MF Series A/B (Wildwood Apartments)	376,440		72,000	376,440
2001 MF Series A-C (Fallbrook Apartments)	765,257		302,000	765,257
2002 MF Series A (Clarkridge Villas Apartments)	919,908		123,133	919,908
2002 MF Series A (Park Meadows Apartments)	251,405		90,000	251,405
2002 MF Series A (Green Crest Apartments)	730,510		98,713	730,510
2002 MF Series A (Hickory Trace Apartments)	760,758		101,161	760,758
2002 MF Series A/B (Ironwood Crossing)	1,088,239		123,321	1,088,239
2003 MF Series A (NHP Foundation-Asmara Project) Refunding	495,172			10,834

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-D (Continued)
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2014

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2014			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2003 MF Series A/B (Reading Road)	\$ 326,306	\$	\$ 30,000.00	\$ 126,308
2003 MF Series A/B (Arlington Villas)	1,127,662		120,219	1,127,662
2003 MF Series A/B (Ash Creek Apartments)	1,039,528		129,237	1,039,528
2003 MF Series A/B (North Vista Apartments)	580,907		260,000	580,907
2003 MF Series A/B (Parkview Townhomes)	880,552		105,483	880,552
2003 MF Series A/B (Peninsula Apartments)	588,295		210,000	573,295
2003 MF Series A/B (Primrose Houston School)	1,046,864		128,120	1,046,864
2003 MF Series A/B (Timber Oaks Apartments)	886,068		95,166	886,068
2003 MF Series A/B (West Virginia Apartments)	419,446		190,000	419,446
2004 MF Series A (Bristol Apartments)	109,871			9,871
2004 MF Series A (Chisholm Trail Apartments)	209,203			9,203
2004 MF Series A (Churchill at Pinnacle Park)	626,450		99,345	626,450
2004 MF Series A (Evergreen at Plano Parkway)	924,066		117,861	924,066
2004 MF Series A (Humble Parkway Townhomes)	715,825		145,000	715,825
2004 MF Series A (Montgomery Pines Apartments)	209,627			9,627
2004 MF Series A (Pinnacle Apartments)	210,110			10,110
2004 MF Series A (Providence at Rush Creek II)	564,939		72,996	564,939
2004 MF Series A (Tranquility Bay Apartments)	14,127,390		81,973	555,379
2004 MF Series A (Providence at Village Fair)	872,346		117,609	872,346
2004 MF Series A/B (Century Park Townhomes)	613,599		230,000	613,599
2004 MF Series A/B (Timber Ridge II Apartments)	431,629		51,881	431,629
2004 MF Series A/B (Providence at Veterans Memorial)	447,405		54,391	447,405
2005 MF Series A (Atascocita Pines Apartments)	109,427			9,427
2005 MF Series A (Mission Del Rio Homes)	2,593,774		91,030	584,042
2005 MF Series A (Park Manor Senior Community)	665,600			665,600
2005 MF Series A (Homes at Pecan Grove)	1,085,618		99,248	856,458
2005 MF Series A (Plaza at Chase Oaks Apartments)	641,051		280,964	641,051
2005 MF Series A (Port Royal Homes)	755,896		100,668	755,896
2005 MF Series A (Providence at Prairie Oaks)	684,147		83,804	684,147
2005 MF Series A (Prairie Ranch Apartments)	550,131		150,000	550,131
2005 MF Series A (Providence at Mockingbird Apartments)	587,525		83,412	587,525
2005 MF Series A (St Augustine Estate Apartments)	105,179			5,179
2005 MF Series A (Tower Ridge Apartments)	15,956			15,962
2006 MF Series A (Aspen Park)	464,958		110,000	464,958
2006 MF Series A (Bella Vista Apartments)	401,108		55,000	401,108
2006 MF Series A (Champion Crossing Apartments)	105,372			5,372
2005 MF Series A (Coral Hills Apartments)	284,068		40,000	234,068
2006 MF Series A (East Tex Pines)	760,912		110,000	760,912
2006 MF Series A (Grove Village)	564,427		57,472	334,924
2006 MF Series A (Harris Branch Apartments)	210,369			10,370
2006 MF Series A (Hillcrest Apartments)	546,875		170,000	546,875
2006 MF Series A (Idlewilde)	246,516			11,516
2006 MF Series A (Meadowlands Apartments)	720,738		98,150	720,738
2006 MF Series A (Oakmoor Apartments)	836,539		119,903	836,539
2006 MF Series A (Pleasant Village)	510,657		55,798	327,369
2006 MF Series A (Red Hills Villas)	5,463			5,463
2006 MF Series A (Stonehaven Apartments)	10,025,531		25,015	92,876
2006 MF Series A (The Residences at Sunset Pointe)	15,962			15,962
2006 MF Series A (Village Park Apartments)	498,916		175,000	498,916
2006 MF Series A (Villas at Henderson)	110,901			5,901
2007 MF Series A (Villas at Mesquite Creek)	813,267		185,000	813,267
2007 MF Series A (Costa Rialto)	557,755		84,761	557,755
2007 MF Series A (Lancaster)	241,507			11,507
2007 MF Series A (Park Place at Loyola)	812,763		97,465	812,763
2007 MF Series A (Santora Villas)	690,118		86,422	690,118
2007 MF Series A (Summit Point)	471,591		100,000	471,591
2007 MF Series A (Terrace at Cibolo)	104,386			4,386
2007 MF Series A (Windshire)	111,463			11,463
2007 MF Series A (Residences at Onion Creek)	15,962			15,962

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-D (Continued)
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2014

Pledged and Other Sources and Related Expenditures for FY 2014

Description of Issue	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2008 MF Series A (West Oaks Apartments)	\$ 209,262	\$	\$	\$ 9,262
2008 MF Series A (Costa Ibiza Apartments)	107,957			7,957
2008 MF Series A (Addison Park Apartments)	213,987			13,987
2008 MF Series A (Alta Cullen Apartments Refunding)	209,830			9,830
2009 MF Series A (Costa Mariposa Apartments)	118,095			8,095
2009 MF Series A (Woodmont Apartments)	223,839			8,839
2013 MF Series A (Waters at Willow Run)	47,508			47,508
2014 MF Series A (Decatur Angle Apartments)	679,618			679,618
2014 MF Series A (Northcrest Apartments)	1,833			1,833
2014 MF Series A (Pine Haven Apartments)	1,706			1,706
Total Multifamily Bonds	\$ 91,910,637	\$	\$ 8,413,651	\$ 42,766,443
Total	\$ 320,376,154	\$ 973,698	\$ 20,928,651	\$ 72,436,936

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, 2014

Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only		
			Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities					
2004 Single Family Series A	Early Extinguishment	\$ 28,475,000	\$	\$	\$
2004 Single Family Series C	Early Extinguishment	5,100,000			
2004 Single Family Series E	Early Extinguishment	295,000			
2005 Single Family Series A	Early Extinguishment	12,430,000			
2005 Single Family Series B	Early Extinguishment	3,390,000			
2005 Single Family Series C	Early Extinguishment	395,000			
2005 Single Family Series D	Early Extinguishment	1,540,000			
2006 Single Family Series A	Early Extinguishment	6,460,000			
2006 Single Family Series B	Early Extinguishment	6,970,000			
2006 Single Family Series C	Early Extinguishment	10,950,000			
2006 Single Family Series D	Early Extinguishment	1,825,000			
2006 Single Family Series F	Early Extinguishment	14,825,000			
2006 Single Family Series G	Early Extinguishment	1,530,000			
2007 Single Family Series A	Early Extinguishment	17,800,000			
2007 Single Family Series B	Early Extinguishment	18,300,000			
2013 Single Family Series A	Early Extinguishment	7,240,000			
2009 RMRB Series A	Early Extinguishment	6,155,000			
2009 RMRB Series B	Early Extinguishment	1,265,000			
2009 RMRB Series C-1	Early Extinguishment	16,995,000			
2011 RMRB Series A	Early Extinguishment	10,415,000			
2009 RMRB Series C-2	Early Extinguishment	7,930,000			
2011 RMRB Series B	Early Extinguishment	11,115,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	700,000			
1998 MF Series A (Pebble Brook Apartments Project)	Early Extinguishment	8,390,000			
1998 MF Series A/B (Greens of Hickory Trail Apartments)	Early Extinguishment	10,460,000			
2000 MF Series A (Timber Point Apartments)	Early Extinguishment	200,000			
2000 MF Series A (Creek Point Apartments)	Early Extinguishment	200,000			
2003 MF Series A/B (Reading Road)	Early Extinguishment	200,000			
2003 MF Series A/B (Peninsula Apartments)	Early Extinguishment	15,000			
2003 MF Series (NHP Foundation-Asmara Proj Refunding)	Early Extinguishment	475,000			
2004 MF Series A (Chisholm Trail Apartments)	Early Extinguishment	200,000			
2004 MF Series A (Montgomery Pines Apartments)	Early Extinguishment	200,000			
2004 MF Series A (Bristol Apartments)	Early Extinguishment	100,000			
2004 MF Series A (Pinnacle Apartments)	Early Extinguishment	200,000			
2004 MF Series A (Tranquility Bay Apartments)	Early Extinguishment	13,572,013			
2005 MF Series A (Homes at Pecan Grove)	Early Extinguishment	229,160			
2005 MF Series A (Mission Del Rio Homes)	Early Extinguishment	2,009,731			
2005 MF Series A (Atascocita Pines Apartments)	Early Extinguishment	100,000			
2005 MF Series A (St Augustine Estate Apartments)	Early Extinguishment	100,000			
2005 MF Series A (Coral Hills Apartments)	Early Extinguishment	50,000			
2006 MF Series A (Harris Branch Apartments)	Early Extinguishment	200,000			
2006 MF Series A (Pleasant Village)	Early Extinguishment	183,288			
2006 MF Series A (Grove Village)	Early Extinguishment	229,504			
2006 MF Series A (Champion Crossing Apartments)	Early Extinguishment	100,000			
2006 MF Series A (Stonehaven Apartments)	Early Extinguishment	9,932,655			
2006 MF Series A (Villas at Henderson)	Early Extinguishment	105,000			
2006 MF Series A (Idlewild)	Early Extinguishment	235,000			
2007 MF Series A (Lancaster)	Early Extinguishment	230,000			
2007 MF Series A (Terraces at Cibolo)	Early Extinguishment	100,000			
2007 MF Series A (Windshire)	Early Extinguishment	100,000			
2008 MF Series A (West Oaks Apartments)	Early Extinguishment	200,000			
2008 MF Series A (Costa Ibiza Apartments)	Early Extinguishment	100,000			
2008 MF Series A (Addison Park Apartments)	Early Extinguishment	200,000			
2008 MF Series A (Alta Cullen Apartments Refunding)	Early Extinguishment	200,000			
2009 MF Series A (Costa Mariposa Apartments)	Early Extinguishment	110,000			
2009 MF Series A (Woodmont Apartments)	Early Extinguishment	215,000			
Total Business-Type Activities		\$ 241,241,351	\$ -	\$ -	\$ -

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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. Paul Oxer, P.E., Chair
Dr. Juan Sanchez Muñoz, Vice-Chair
Mr. T. Tolbert Chisum
Ms. Leslie Bingham Escareño
Mr. Tom H. Gann
Mr. J. B. Goodwin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department) as of and for the year ended August 31, 2014, 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 19, 2014.

Internal Control Over Financial Reporting

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

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

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SAO Report No. 15-311

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.

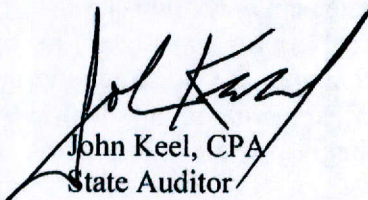
Compliance and Other Matters

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, including the Public Funds Investment Act (Texas Government Code, Section 2256), 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.



John Keel, CPA
State Auditor

December 19, 2014

