

# Texas Department of Housing & Community Affairs

## Basic Financial Statements

For the Year Ended August 31, 2013

*(With Independent Auditor's Report Thereon)*



*Bootstrap Loan Program, Mission*



*Neighborhood Stabilization Program, San Benito*



*HOME Program, Lometa*



*Amy Young Barrier Removal Program, Austin*





**TEXAS DEPARTMENT OF  
HOUSING & COMMUNITY AFFAIRS**

*Building Homes. Strengthening Communities.*



**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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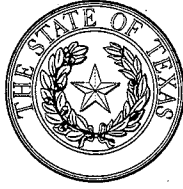
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**Basic Financial Statements**  
for the year ended August 31, 2013

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

[www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

Rick Perry  
GOVERNOR

BOARD MEMBERS  
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Tom H. Gann  
J. Mark McWatters  
Robert D. Thomas

December 20, 2013

Writer's direct phone # (512) 475-3296  
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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, 2013, 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". The signature is stylized and written over a horizontal line.

Timothy K. Irvine  
Executive Director

TKI/tt



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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  
Ms. Leslie Bingham Escareño  
Mr. Tom H. Gann  
Mr. J. Mark McWatters  
Mr. Robert D. Thomas

### 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, 2013, 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.

SAO Report No. 14-316



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, 2013, 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 of Housing and Community Affairs of the State of Texas are intended to present the financial position of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2013, 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.



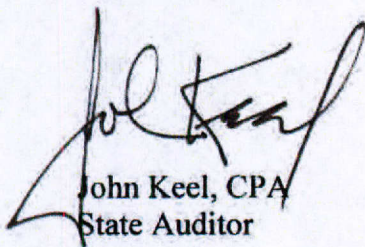
### *Other Information*

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 20, 2013, 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 20, 2013





**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, 2013. Please read it in conjunction with the Department's financial statements, which follow this section.

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

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

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

### **Financial Highlights**

- The Department's business-type activities net position decreased \$36.2 million and governmental activities net position increased \$39.4 million.
- The Department's proprietary fund experienced a decrease in operating income in the amount of \$56.1 million to an operating loss of \$39.9 million. This impact on operating income resulted primarily from a decrease in the change in the fair value of investments in the amount of \$50.2 million, a decrease of \$10.7 million in interest expense, and an increase of \$863 thousand in expenses related to professional fees and services.
- The Department administered several significant programs under the Housing and Economic Recovery Act of 2008 (HERA) and the American Recovery and Reinvestment Act of 2009 (ARRA). There was significant revenue reduction in fiscal year 2013 due to the phasing out of ARRA grants that expired in 2012.
- Net position in the Department's Governmental Activities increased from \$437.8 million to \$477.3 million. The change is mainly due to an increase of \$38.2 million in Net Revenue.

- The Bond Program's debt outstanding of \$1.9 billion as of August 31, 2013, decreased \$444.4 million. Debt issuances and debt retirements totaled \$42.5 million and \$485.1 million, respectively.
- Loan originations in the Department's proprietary and governmental funds for the year totaled \$18.3 million and \$51.6 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 balance sheet. As of August 31, 2013, the Department's five interest rate swaps had a total notional amount of \$260.2 million and a negative \$25.1 million fair value which was recorded in the deferred outflow of resources account and as a derivative swap liability.

### **Overview of the Financial Statements**

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

- The first set of statements 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 fund's activities are funded primarily from federal funds that include 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.

| <b>Texas Department of Housing and Community Affairs<br/>Governmental Activities - Condensed Statement of Net Position<br/>As of August 31, 2013</b> |                                    |                       |                              |               |
|--|------------------------------------|-----------------------|------------------------------|---------------|
|  | <b>Governmental<br/>Activities</b> |                       | <b>Increase / (Decrease)</b> |               |
|  | <b>2013</b>                        | <b>2012</b>           | <b>Amount</b>                | <b>%</b>      |
| <b>Assets</b>  |                                    |                       |                              |               |
| Cash in State Treasury   | \$ 10,941,765                      | \$ 5,781,623          | \$ 5,160,142                 | 89.3          |
| Federal Receivables  | 6,519,356                          | 4,928,543             | 1,590,813                    | 32.3          |
| Internal Balances  | (103,431)                          | (260,244)             | 156,813                      | (60.3)        |
| Current Loans and Contracts  | 18,423,923                         | 15,847,186            | 2,576,737                    | 16.3          |
| Other Current Assets   | 3,621,769                          | 3,588,984             | 32,785                       | 0.9           |
| Non-Current Loans and Contracts  | 447,150,261                        | 420,642,791           | 26,507,470                   | 6.3           |
| Capital Assets   | 219,848                            | 180,194               | 39,654                       | 22.0          |
| <b>Total Assets</b>  | <b>486,773,491</b>                 | <b>450,709,077</b>    | <b>36,064,414</b>            | <b>8.0</b>    |
| <b>Liabilities</b>   |                                    |                       |                              |               |
| Accounts Payable   | 6,930,334                          | 7,091,029             | (160,695)                    | (2.3)         |
| Deferred Revenues  | 448,908                            | 3,651,052             | (3,202,144)                  | (87.7)        |
| Other Current Liabilities  | 1,697,638                          | 1,721,306             | (23,668)                     | (1.4)         |
| Other Non-current Liabilities  | 420,030                            | 402,657               | 17,373                       | 4.3           |
| <b>Total Liabilities</b>   | <b>9,496,910</b>                   | <b>12,866,044</b>     | <b>(3,369,134)</b>           | <b>(26.2)</b> |
| <b>Net Position</b>  |                                    |                       |                              |               |
| Invested in Capital Assets   | 219,848                            | 180,194               | 39,654                       | 22.0          |
| Restricted   | 475,514,793                        | 436,489,977           | 39,024,816                   | 8.9           |
| Unrestricted   | 1,541,940                          | 1,172,862             | 369,078                      | 31.5          |
| <b>Total Net Position</b>  | <b>\$ 477,276,581</b>              | <b>\$ 437,843,033</b> | <b>\$ 39,433,548</b>         | <b>9.0</b>    |

Net position of the Department's governmental activities increased by \$39.4 million. The change was a result of an increase in Restricted Net position, which primarily consists of loans associated with HOME (HOME Investment Partnerships Program), TCAP (Tax Credit Assistance Program) and NSP (Neighborhood Stabilization Program).

Cash in State Treasury increased by \$5.2 million. The increase primarily represents unspent program income collected from TCAP.

The Department experienced an increase in Federal Receivables of \$1.6 million. This change occurred primarily because of the substantial increase in activities related to HOME. There were also increased activities for LIHEAP (Low-Income Home Energy Assistance Program) and decreased activities for CSBG (Community Services Block Grant).

Loans and Contracts increased by \$29.1 million. The variance represents the receipt, disbursement and adjustment of the portfolio for the year. HOME and NSP loans increased \$20.4 million and \$13.7 million, respectively. TCAP loans decreased by approximately \$5.0 million due to loan repayments.

Deferred Revenues decreased by \$3.2 million due to recognition of loan repayments.

Included in Other Current Liabilities is primarily Payroll Payable. Also, included in Other Non-Current Liabilities is the Employees' Compensable Leave, which represents unpaid balances of employees' accumulated annual leave.

### **Business Type Activities**

| <b>Texas Department of Housing and Community Affairs</b> |                       |                       |                              |               |
|--|-----------------------|-----------------------|------------------------------|---------------|
| <b>Business-Type Activities</b>                          |                       |                       |                              |               |
| <b>Condensed Statement of Net Position</b>               |                       |                       |                              |               |
|  | <b>Business-Type</b>  |                       | <b>Increase / (Decrease)</b> |               |
|  | <b>Activities</b>     |                       |                              |               |
| <b>Assets</b>  | <b>2013</b>           | <b>2012</b>           | <b>Amount</b>                | <b>%</b>      |
| <b>Current Assets:</b>                                   |                       |                       |                              |               |
| Cash & Investments                                       | \$ 130,534,180        | \$ 216,889,370        | \$ (86,355,190)              | (39.8)        |
| Loans and Contracts                                      | 14,850,513            | 22,965,121            | (8,114,608)                  | (35.3)        |
| Interest Receivable                                      | 11,576,276            | 13,466,690            | (1,890,414)                  | (14.0)        |
| Other Current Assets                                     | 1,025,769             | 1,316,626             | (290,857)                    | (22.1)        |
| <b>Non-current Assets:</b>                               |                       |                       |                              |               |
| Investments  | 1,005,554,656         | 1,351,615,865         | (346,061,209)                | (25.6)        |
| Loans and Contracts                                      | 1,103,161,607         | 1,148,368,454         | (45,206,847)                 | (3.9)         |
| Capital Assets   | 154,799               | 126,508               | 28,291                       | 22.4          |
| Other Non-Current Assets                                 | 5,992,621             | 9,298,283             | (3,305,662)                  | (35.6)        |
| <b>Total Assets</b>                                      | <b>2,272,850,421</b>  | <b>2,764,046,917</b>  | <b>(491,196,496)</b>         | <b>(17.8)</b> |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                     | <b>25,144,123</b>     | <b>46,906,789</b>     | <b>(21,762,666)</b>          | <b>(46.4)</b> |
| <b>Liabilities</b>                                       |                       |                       |                              |               |
| <b>Current</b>   |                       |                       |                              |               |
| Interest Payable   | 21,848,815            | 27,799,612            | (5,950,797)                  | (21.4)        |
| Bonds Payable  | 24,849,568            | 117,013,054           | (92,163,486)                 | (78.8)        |
| Other Liabilities  | 18,581,141            | 19,066,514            | (485,373)                    | (2.5)         |
| <b>Non-current</b>                                       |                       |                       |                              |               |
| Bonds Payable  | 1,891,171,055         | 2,243,400,303         | (352,229,248)                | (15.7)        |
| Derivative Hedging Instrument                            | 25,144,123            | 46,906,789            | (21,762,666)                 | (46.4)        |
| Other Non-current Liabilities                            | 67,821,752            | 72,008,984            | (4,187,232)                  | (5.8)         |
| <b>Total Liabilities</b>                                 | <b>2,049,416,454</b>  | <b>2,526,195,256</b>  | <b>(476,778,802)</b>         | <b>(18.9)</b> |
| <b>DEFERRED INFLOW OF RESOURCES</b>                      | <b>-</b>              | <b>-</b>              | <b>-</b>                     | <b>-</b>      |
| <b>Net Position</b>                                      |                       |                       |                              |               |
| Invested in Capital Assets                               | 154,799               | 126,508               | 28,291                       | 22.4          |
| Restricted   | 169,151,068           | 201,984,440           | (32,833,372)                 | (16.3)        |
| Unrestricted   | 79,272,221            | 82,647,502            | (3,375,281)                  | (4.1)         |
| <b>Total Net Position</b>                                | <b>\$ 248,578,088</b> | <b>\$ 284,758,450</b> | <b>\$ (36,180,362)</b>       | <b>(12.7)</b> |



## Business Type Activities Cont'd

Net position of the Department's Business-Type Activities decreased \$36.2 million, or 12.7%, to \$248.6 million. Restricted net position of the Department's proprietary fund decreased \$32.8 million or 16.3%. These restrictions are related to bond covenants and do not significantly affect the availability of resources for future use. The unrestricted net position decreased \$3.4 million or 4.1%.

Cash and investments decreased \$432.4 million, or 0.28%, to \$1.1 billion, 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 \$53.3 million, or .05%, 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.

The Department has \$1.9 billion in bonds outstanding related to its revenue bonds. It has issued \$42.5 million in revenue bonds. The Department's bonds have been rated AA+ by Standard & Poor's. Total bonds payable (current and non-current) decreased by \$444.4 million, or 18.8%, due to the Department's monthly retirement of existing debt being greater than bond issuance. The \$6.0 million decrease in total interest payable to \$21.8 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, 2012 and 2013 is shown in the table below.

| Texas Department of Housing and Community Affairs<br>Condensed Statement of Activities<br>(In Thousands) |                            |                   |                             |                   |                   |                   |             |
|--|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|-------------|
|  | Governmental<br>Activities |                   | Business-Type<br>Activities |                   | Total             |                   | %<br>Change |
|  | 2013                       | 2012              | 2013                        | 2012              | 2013              | 2012              |             |
| <b>Program Revenues:</b>   |                            |                   |                             |                   |                   |                   |             |
| Charge for Services  | \$ 5,878                   | \$ 5,777          | \$ 124,629                  | \$ 133,138        | \$ 130,507        | \$ 138,915        | (6.1)       |
| Operating Grants and Contributions   | 283,802                    | 436,515           | -                           | -                 | 283,802           | 436,515           | (35.0)      |
| Total Revenue  | 289,680                    | 442,292           | 124,629                     | 133,138           | 414,309           | 575,430           | (28.0)      |
| <b>Total Expenses:</b>   | 251,464                    | 386,398           | 121,149                     | 123,623           | 372,613           | 510,021           | (26.9)      |
| Net Revenue  | 38,216                     | 55,894            | 3,480                       | 9,515             | 41,696            | 65,409            | (36.3)      |
| General Revenues   | 8,190                      | 7,492             | (43,343)                    | 6,761             | (35,153)          | 14,253            | (346.6)     |
| Transfers  | (6,972)                    | (122,144)         | 3,683                       | 2,566             | (3,289)           | (119,578)         | (97.2)      |
| Change in Net Position   | 39,434                     | (58,758)          | (36,180)                    | 18,842            | 3,254             | (39,916)          | (108.2)     |
| Beginning Net Position   | 437,843                    | 496,601           | 284,758                     | 265,916           | 722,601           | 762,517           | (5.2)       |
| <b>Ending Net Position</b>   | <b>\$ 477,277</b>          | <b>\$ 437,843</b> | <b>\$ 248,578</b>           | <b>\$ 284,758</b> | <b>\$ 725,855</b> | <b>\$ 722,601</b> | <b>0.5</b>  |

## **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 \$152.6 million. This change consisted primarily of decreases in Operating Grants and Contributions as a result of expired federal programs associated with the American Recovery and Reinvestment Act (ARRA).

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. The net impact to expenses is primarily due to decreased activities in the ARRA programs.

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 for the amount collected in excess of spending authority.

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 \$124.6 million and a decrease in fair value of investments of \$43.6 million. Charges for Services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs, the investments and the income which are restricted to those programs by a pledge to the respective bond indentures. Total charges for services decreased \$8.5 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 \$88.9 million which decreased \$10.7 million; professional fees and services of \$3.5 million which decreased \$863 thousand; and salaries and wages/payroll related expense of \$9.3 million. The decrease in interest expense is a result of an increase of the frequency in the retirement of the Department's bonds and lower interest rates related to the Department's variable rate debt. The direct expenses also include Administrative Funds and overhead 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 \$124.6 million exceeded expenses of \$121.1 million by \$3.5 million. Charges for Services, primarily interest income on loans and investment income, are intended to cover bond principal and interest expense as required by the bond indenture covenants. The Charges for Services also cover other direct expenses.

The Department's Business-Type Activities also generated \$279.9 thousand of unrestricted investment income, which was used primarily to pay administrative costs.

## **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 represent accumulated earnings since their inception and are generally restricted for program purposes or debt service. The Condensed Balance Sheet – 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<br>Governmental Fund<br>Condensed Statements of Revenues, Expenditures and Changes in Fund Balances |                       |                       |                       |               |
|---|-----------------------|-----------------------|-----------------------|---------------|
|   |                       |                       | Increase / (Decrease) |               |
|   | 2013                  | 2012                  | Amount                | %             |
| <b>OPERATING REVENUES</b>   |                       |                       |                       |               |
| Federal Revenues  | \$ 283,715,905        | \$ 435,777,996        | \$ (152,062,091)      | (34.9)        |
| Federal Grant Pass-Through  | 82,183                | 730,723               | (648,540)             | (88.8)        |
| Other Revenue   | 14,079,291            | 14,040,748            | 38,543                | 0.3           |
| Total Operating Revenues  | <u>297,877,379</u>    | <u>450,549,467</u>    | <u>(152,672,088)</u>  | <u>(33.9)</u> |
| <b>OPERATING EXPENDITURES</b>   |                       |                       |                       |               |
| Salaries and Wages  | 10,207,465            | 11,114,988            | (907,523)             | (8.2)         |
| Professional Fees and Services  | 396,050               | 1,626,084             | (1,230,034)           | (75.6)        |
| Intergovernmental Payments  | 55,969,480            | 104,431,453           | (48,461,973)          | (46.4)        |
| Public Assistance Payments  | 180,001,509           | 264,507,473           | (84,505,964)          | (31.9)        |
| Other Operating Expenditures  | 4,912,230             | 5,354,030             | (441,800)             | (8.3)         |
| Total Operating Expenditures  | <u>251,486,734</u>    | <u>387,034,028</u>    | <u>(135,547,294)</u>  | <u>(35.0)</u> |
| Excess of Revenues over Expenditures  | 46,390,645            | 63,515,439            | (17,124,794)          | (27.0)        |
| Other Financing Sources (Uses)  | <u>(6,972,250)</u>    | <u>(122,144,066)</u>  | <u>115,171,816</u>    | <u>(94.3)</u> |
| <b>CHANGE IN FUND BALANCE</b>   | 39,418,395            | (58,628,627)          | 98,047,022            | (167.2)       |
| Beginning Fund Balance  | 438,628,334           | 498,021,742           | (59,393,408)          | (11.9)        |
| Appropriations (Lapsed)   | <u>(7,731)</u>        | <u>(764,781)</u>      | <u>757,050</u>        | <u>(99.0)</u> |
| Ending Fund Balance   | <u>\$ 478,038,998</u> | <u>\$ 438,628,334</u> | <u>\$ 39,410,664</u>  | <u>9.0</u>    |

Revenues of the Department's governmental fund totaled \$297.9 million. These revenues were generated primarily from federal grants related to LIHEAP, HOME and CSBG programs. Expenditures of \$251.5 million consisted primarily of Intergovernmental and Public Assistance Payments.

Total revenues of the governmental fund decreased by \$152.7 million in 2013. There was a significant reduction in federal revenues related to ARRA grants. Three ARRA grants, HPRP, TCAP and Exchange, were closed during fiscal year 2012. The ARRA grant awarded by the Department of Energy is phasing out in 2013 and the activities were at lower levels. In addition there was a decrease of LIHEAP 2013 activities, approximately \$28.0 million, as the result of funding returning to pre ARRA levels. HOME revenues increased by \$11.8 million in fiscal year 2013 offsetting the reduction.

The Department experienced similar changes in expenditures. Decreases in Salaries and Wages and Payroll Related Costs were primarily due to workforce reduction as a result of expired ARRA grants.

The decrease of Professional Fees and Services was primarily attributed to the expiration of several service contracts funded by the Department of Energy ARRA grant.



**Governmental Fund Cont'd**

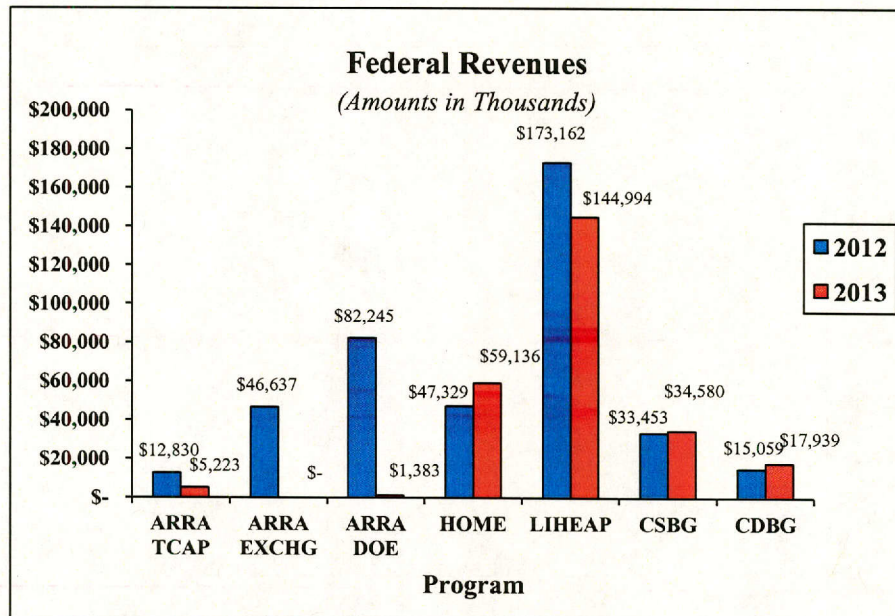
Due to the phasing out of ARRA grants, the Intergovernmental Payments and Public Assistance Payments decreased by \$48.5 and \$84.5 million respectively.

The variance in Other Financing Sources (Uses) consisted primarily of the transfer of CDBG loans to the General Land Office of approximately \$115.3 million in fiscal year 2012. TDHCA is no longer responsible for the administration of the Community Development Disaster Recovery funding related to Hurricanes Rita, Katrina, Ike and Dolly.

The following graphs illustrate a comparison between fiscal year 2012 and 2013 for Federal Revenues, Intergovernmental and Public Assistance Payments related to the major grants of the Department. The acronyms used in the graphs are defined as follows:

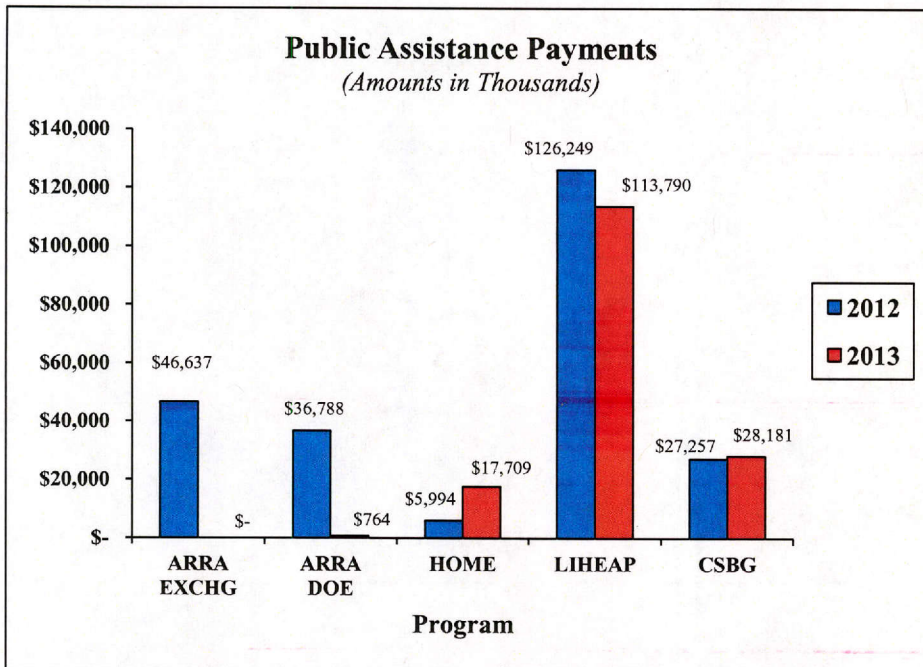
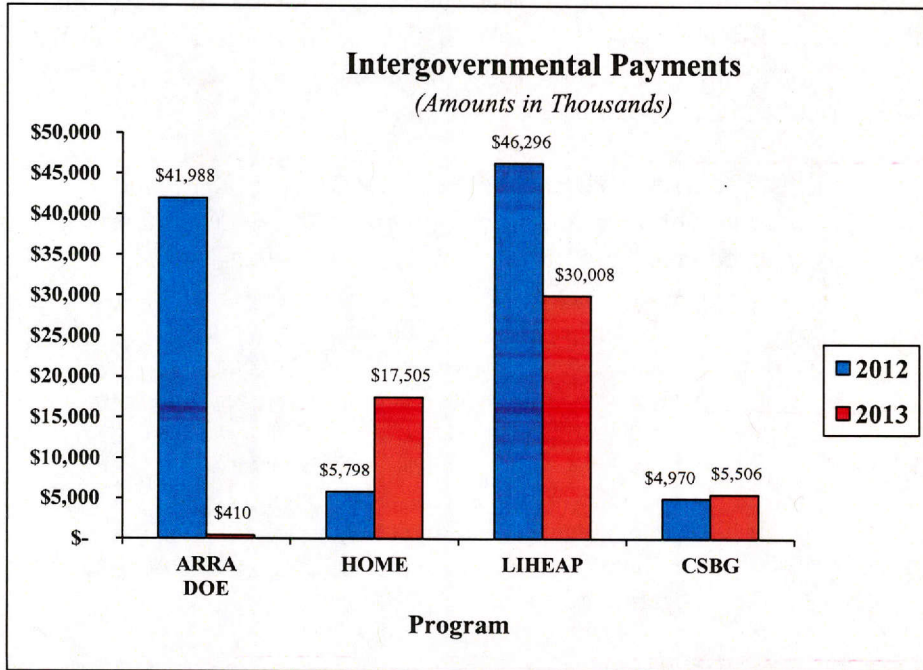
- ARRA TCAP     Tax Credit Assistance Program – Recovery Act
- ARRA EXCHG     Housing Tax Credit Exchange – Recovery Act
- ARRA DOE     Department of Energy, Weatherization Assistance for Low-Income Persons – Recovery Act
- HOME     HOME Investment Partnerships Program
- LIHEAP     Low-Income Home Energy Assistance 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 Net position of the Department's proprietary fund for the fiscal years ended August 31, 2013 and August 31, 2012.

| Texas Department of Housing and Community Affairs<br>Proprietary Fund<br>Condensed Statement of Revenues, Expenses and Changes in Net Position |                |                |                       |          |
|--|----------------|----------------|-----------------------|----------|
|  |                |                | Increase / (Decrease) |          |
|  | 2013           | 2012           | Amount                | %        |
| <b>OPERATING REVENUES</b>  |                |                |                       |          |
| Interest and Investment Income   | \$ 98,929,820  | \$ 111,751,451 | \$ (12,821,631)       | (11.47)  |
| Net Increase (Decrease) in Fair Value  | (43,623,321)   | 6,556,694      | (50,180,015)          | (765.32) |
| Other Operating Revenues   | 25,979,101     | 21,590,954     | 4,388,147             | 20.32    |
| Total Operating Revenues   | 81,285,600     | 139,899,099    | (58,613,499)          | (41.90)  |
| <b>OPERATING EXPENSES</b>  |                |                |                       |          |
| Professional Fees and Services   | 3,549,763      | 2,686,508      | 863,255               | 32.13    |
| Depreciation Expense   | 2,222,631      | 662,320        | 1,560,311             | 235.58   |
| Interest   | 88,877,460     | 99,621,702     | (10,744,242)          | (10.79)  |
| Bad Debt Expense   | 1,355,446      | 2,412,304      | (1,056,858)           | (43.81)  |
| Other Operating Expenses   | 25,143,422     | 18,239,918     | 6,903,504             | 37.85    |
| Total Operating Expenses   | 121,148,722    | 123,622,752    | (2,474,030)           | (2.00)   |
| Operating Income (Loss)  | (39,863,122)   | 16,276,347     | (56,139,469)          | (344.91) |
| TRANSFERS  | 3,682,759      | 2,565,638      | 1,117,121             | 43.54    |
| <b>CHANGE IN NET POSITION</b>  | (36,180,363)   | 18,841,985     | (55,022,348)          | (292.02) |
| Beginning Net Position   | 284,758,450    | 265,916,465    | 18,841,985            | 7.09     |
| <b>Ending Net Position</b>   | \$ 248,578,087 | \$ 284,758,450 | \$ (36,180,363)       | (12.71)  |

Net position of the Department's proprietary fund decreased by \$36.2 million, or 12.7 %, to \$248.6 million.

Earnings within the Department's proprietary fund were \$81.3 million of which \$56.3 million is classified as restricted and \$25.0 million is unrestricted.

Restricted earnings are composed of \$98.5 million in interest and investment income, \$43.6 million net decrease in fair value of investments, and \$4.3 million in other revenue. Interest and investment income are restricted per bond covenants for debt service. The net decrease in fair value of investments is a combination of unrealized and realized gains and

## **Proprietary Fund Cont'd**

losses. Other revenue is predominately an accounting recognition of fees received in previous years that are deferred and are being amortized over a period of time.

Interest earned on program loans decreased by \$10.7 million, or 10.8%, 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 \$8.5 million or 13.9% due to lower investment yields. The primary changes in investment income were in the Single Family Revenue Bond Program funds that decreased \$5.6 million, or 14.5%. The Residential Mortgage Revenue Bond Program decreased \$3.4 million or 18.2%.

The net change in fair value of investments decreased by \$50.2 million primarily due to the decreasing fair value of the Department's mortgage backed securities and the sale of such securities during the fiscal year.

Other Operating Revenues increased \$4.4 million primarily due to an increase in collected fees related to the Department's various Housing Programs.

Interest expense decreased \$10.7 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.

Unrestricted earnings are composed of \$709.9 thousand in interest and investment income, \$79.4 thousand related to the decrease in fair value of investments and \$25.0 million in other operating revenue.

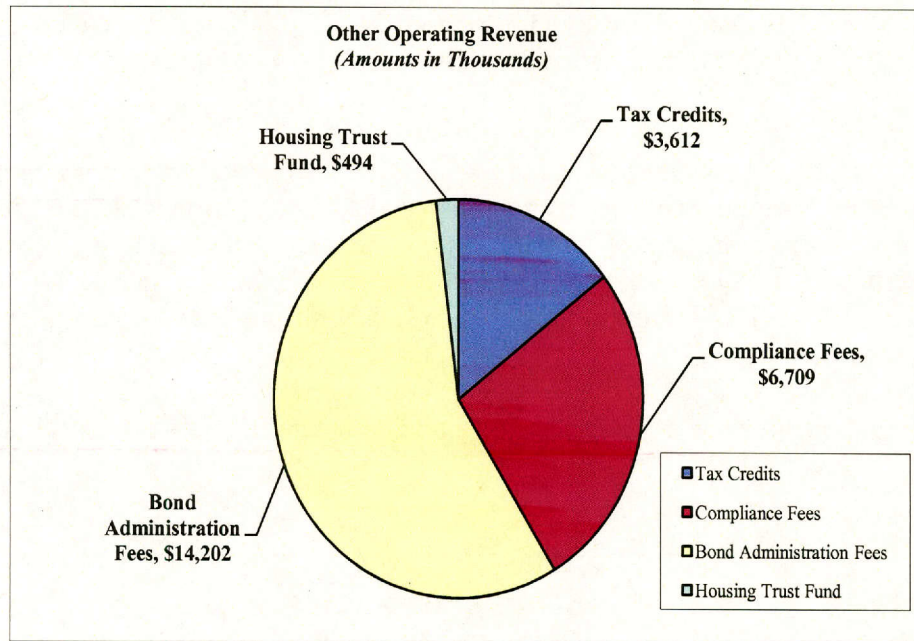
Interest and investment income earned from unrestricted investments are used to support various housing initiatives such as those related to the Housing Trust Fund. Sources for other operating revenues are fees from the Tax Credit Program, compliance fees, bond administrative fees, asset management fees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

Fees earned under the Tax Credit Program are application fees, commitment fees and inspection 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 the \$25.0 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 2013 and 2012.

| Texas Department of Housing and Community Affairs<br>Proprietary Fund<br>Changes in Net Position by Program<br>(Amounts in Thousands) |                   |                   |                       |               |  |
|---|-------------------|-------------------|-----------------------|---------------|--|
| Program   | 2013              | 2012              | Increase / (Decrease) |               |  |
|   |                   |                   | Amount                | %             |  |
| Single Family   | \$ 87,761         | \$ 120,785        | \$ (33,024)           | (27.3)        |  |
| RMRB  | 74,490            | 78,151            | (3,661)               | (4.7)         |  |
| CHMRB   | 1,800             | 2,019             | (219)                 | (10.8)        |  |
| Multifamily   | (2,001)           | (1,086)           | (915)                 | 84.3          |  |
| General Funds   | 8,476             | 13,204            | (4,728)               | (35.8)        |  |
| TMP   | 10,347            | -                 | 10,347                | -             |  |
| Housing Trust Fund  | 58,850            | 63,404            | (4,554)               | (7.2)         |  |
| Administration Fund   | (627)             | (194)             | (433)                 | 223.2         |  |
| Housing Initiatives & Compliance  | 9,482             | 8,475             | 1,007                 | 11.9          |  |
| <b>Total</b>  | <b>\$ 248,578</b> | <b>\$ 284,758</b> | <b>\$ (36,180)</b>    | <b>(12.7)</b> |  |

## Proprietary Fund Cont'd

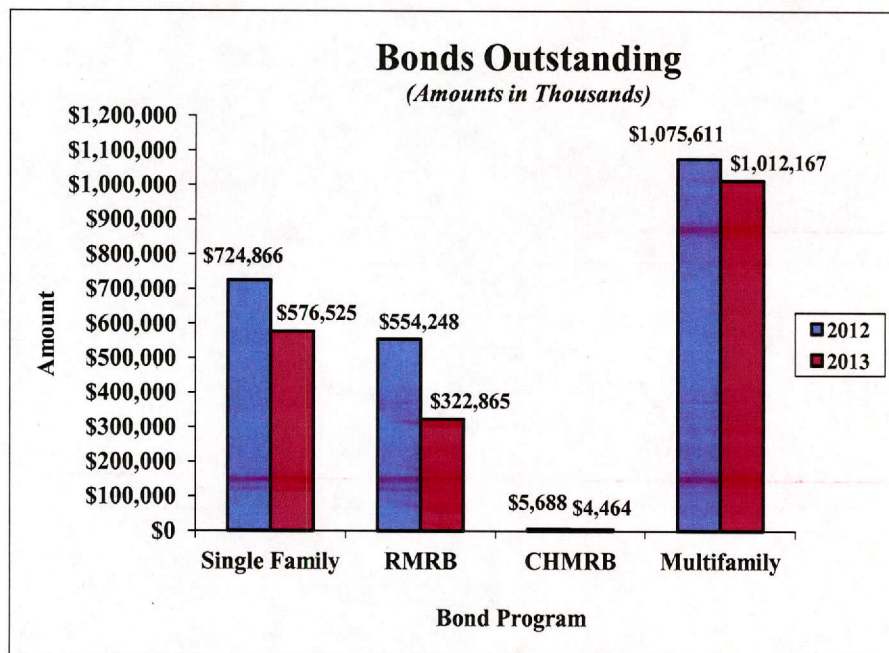
The net position of the Single Family Bond Program decreased by \$33.0 million or 27.3%, and the RMRB Bond Program decreased \$3.7 million or 4.7%, primarily due to a decrease in fair value in investments and interest income on investments.

The net position of the Housing Trust Fund decreased \$4.6 million or 7.2% which is reflective of \$7.0 million in grants funded during the year offset by transfers and interest income.

## Department Debt

The Department's new debt issuances during fiscal year 2013 totaled \$42.5 million related to the Single Family Bond Program. The Department also had \$485.1 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 \$444.4 million to \$1.9 billion of which \$24.9 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 2012 and 2013 per bond program.



## **Request for Information**

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



**BASIC**  
**FINANCIAL STATEMENTS**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I  
STATEMENT OF NET POSITION - GOVERNMENT WIDE  
As of August 31, 2013

|  | Primary Government         |                             |                         |
|--|----------------------------|-----------------------------|-------------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total                   |
| <b>ASSETS</b>  |                            |                             |                         |
| Current Assets:  |                            |                             |                         |
| Cash and Cash Equivalents (Note 3):                                |                            |                             |                         |
| Cash on Hand   | \$ 200                     | \$ 200                      | \$ 400                  |
| Cash in Bank   | 20,000                     | 98,461                      | 118,461                 |
| Cash in State Treasury   | -                          | 1,310,502                   | 1,310,502               |
| Cash Equivalents   | -                          | 28,603,030                  | 28,603,030              |
| Restricted:  |                            |                             |                         |
| Cash and Cash Equivalents (Note 3):                                |                            |                             |                         |
| Cash in Bank   | -                          | 152,279                     | 152,279                 |
| Cash in State Treasury   | 10,941,765                 | -                           | 10,941,765              |
| Cash Equivalents   | -                          | 100,369,708                 | 100,369,708             |
| Loans and Contracts  | 18,423,923                 | 12,184,554                  | 30,608,477              |
| Interest Receivable  | -                          | 11,476,671                  | 11,476,671              |
| Federal Receivable   | 6,519,356                  | -                           | 6,519,356               |
| Legislative Appropriations   | 3,324,021                  | -                           | 3,324,021               |
| Receivables From:  |                            |                             |                         |
| Interest Receivable  | 50,875                     | 99,605                      | 150,480                 |
| Accounts Receivable  | 21,869                     | 550,770                     | 572,639                 |
| Other Intergovernmental  | 193,730                    | -                           | 193,730                 |
| Internal Balances (Note 8)   | (103,431)                  | 103,431                     | -                       |
| Due From Other Agencies (Note 8)                                   | 379                        | -                           | 379                     |
| Consumable Inventories   | 10,695                     | 10,695                      | 21,390                  |
| Loans and Contracts  | -                          | 2,665,959                   | 2,665,959               |
| Other Current Assets   | -                          | 360,873                     | 360,873                 |
| Total Current Assets   | <u>39,403,382</u>          | <u>157,986,738</u>          | <u>197,390,120</u>      |
| Non-Current Assets:  |                            |                             |                         |
| Investments (Note 3)   | -                          | 6,311,061                   | 6,311,061               |
| Loans and Contracts  | -                          | 49,008,714                  | 49,008,714              |
| Capital Assets (Note 2):   |                            |                             |                         |
| Non-Depreciable:   |                            |                             |                         |
| Other Capital Assets   | 44,954                     | 26,345                      | 71,299                  |
| Depreciable or Amortizable, Net                                    |                            |                             |                         |
|  | 174,894                    | 128,454                     | 303,348                 |
| Restricted Assets:   |                            |                             |                         |
| Investments (Note 3)   | -                          | 999,243,595                 | 999,243,595             |
| Loans and Contracts  | 447,150,261                | 1,054,152,893               | 1,501,303,154           |
| Other Non-Current Assets:  |                            |                             |                         |
| Deferred Issuance Cost, net (Note 5)                               | -                          | 5,604,382                   | 5,604,382               |
| Real Estate Owned, net   | -                          | 388,236                     | 388,236                 |
| Total Non-Current Assets   | <u>447,370,109</u>         | <u>2,114,863,680</u>        | <u>2,562,233,789</u>    |
| Total Assets   | <u>\$ 486,773,491</u>      | <u>\$ 2,272,850,418</u>     | <u>\$ 2,759,623,909</u> |
| <b>Deferred Outflow of Resources</b>                               |                            |                             |                         |
| Accumulated decrease in fair value of hedging derivatives (Note 6) | \$ -                       | \$ 25,144,123               | \$ 25,144,123           |
| Total Deferred Outflow of Resources                                | <u>\$ -</u>                | <u>\$ 25,144,123</u>        | <u>\$ 25,144,123</u>    |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I (Continued)

STATEMENT OF NET POSITION - GOVERNMENT WIDE

As of August 31, 2013

|  | Primary Government      |                          | Total                 |
|--|-------------------------|--------------------------|-----------------------|
|  | Governmental Activities | Business-Type Activities |                       |
| <b>LIABILITIES</b>                     |                         |                          |                       |
| Current Liabilities:                   |                         |                          |                       |
| Payables:                              |                         |                          |                       |
| Accounts Payable                       | \$ 6,930,334            | \$ 1,607,765             | \$ 8,538,099          |
| Accrued Bond Interest Payable          | -                       | 21,848,815               | 21,848,815            |
| Payroll Payable                        | 1,135,403               | -                        | 1,135,403             |
| Deferred Revenues                      | 448,908                 | 16,147,006               | 16,595,914            |
| Employees' Compensable Leave (Note 4)  | 562,235                 | 547,710                  | 1,109,945             |
| Revenue Bonds Payable (Notes 4 & 5)    | -                       | 24,849,568               | 24,849,568            |
| Other Current Liabilities              | -                       | 278,660                  | 278,660               |
| Total Current Liabilities              | <u>9,076,880</u>        | <u>65,279,524</u>        | <u>74,356,404</u>     |
| Non-Current Liabilities:               |                         |                          |                       |
| Employees' Compensable Leave (Note 4)  | 420,030                 | 445,838                  | 865,868               |
| Revenue Bonds Payable (Notes 4 & 5)    | -                       | 1,891,171,055            | 1,891,171,055         |
| Derivative Hedging Instrument (Note 6) | -                       | 25,144,123               | 25,144,123            |
| Other Non-Current Liabilities (Note 4) | -                       | 67,375,914               | 67,375,914            |
| Total Non-Current Liabilities          | <u>420,030</u>          | <u>1,984,136,930</u>     | <u>1,984,556,960</u>  |
| Total Liabilities                      | <u>9,496,910</u>        | <u>2,049,416,454</u>     | <u>2,058,913,364</u>  |
| <b>Deferred Inflow of Resources</b>    |                         |                          |                       |
| Total Deferred Inflow of Resources     | <u>\$ -</u>             | <u>\$ -</u>              | <u>\$ -</u>           |
| <b>NET POSITION</b>                    |                         |                          |                       |
| Invested in Capital Assets             | 219,848                 | 154,799                  | 374,647               |
| Restricted                             | 475,514,793             | 169,151,068              | 644,665,861           |
| Unrestricted                           | 1,541,940               | 79,272,220               | 80,814,160            |
| Total Net Position                     | <u>\$ 477,276,581</u>   | <u>\$ 248,578,087</u>    | <u>\$ 725,854,668</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, 2013

| 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 | 2013 Total        |
| <b>Primary Government</b>                   |                       |                       |                                    |  |                          |                   |
| Governmental Activities:                    |                       |                       |                                    |  |                          |                   |
| Manufactured Housing                        | \$ 5,116,771          | \$ 5,733,268          | -                                  | \$ 616,497   | \$ -                     | \$ 616,497        |
| HOME Investment in Affordable Housing       | 37,671,605            |                       | 59,136,335                         | 21,464,730   | -                        | 21,464,730        |
| Energy Assistance                           | 146,582,548           |                       | 146,585,613                        | 3,065  | -                        | 3,065             |
| Community Services                          | 44,673,254            |                       | 44,676,677                         | 3,423  | -                        | 3,423             |
| Community Development                       | 62,107                |                       | 86,508                             | 24,401   | -                        | 24,401            |
| Hurricane Ike                               | 23,062                | 24,029                | -                                  | 967  | -                        | 967               |
| Section 8                                   | 6,466,543             |                       | 6,449,569                          | (16,974)   | -                        | (16,974)          |
| National Foreclosure Mitigation Counseling  | 356,198               |                       | 356,198                            | -  | -                        | -                 |
| Neighborhood Stabilization Program          | 4,214,661             |                       | 17,939,271                         | 13,724,610   | -                        | 13,724,610        |
| Real Choice Systems Change Grant            | (164,632)             |                       | -                                  | 164,632  | -                        | 164,632           |
| Community Services Block Grant - ARRA       | (2,092)               |                       | (2,092)                            | -  | -                        | -                 |
| Homeless Prevention & Rapid Re-Housing-ARRA | (956)                 |                       | (956)                              | -  | -                        | -                 |
| DOE Weatherization Assistance - ARRA        | 1,344,149             |                       | 1,382,770                          | 38,621   | -                        | 38,621            |
| Tax Credit Assistance Program - ARRA        | 906,249               |                       | 5,222,600                          | 4,316,351  | -                        | 4,316,351         |
| Money Follows the Person                    | 114,801               | 95,777                | -                                  | (19,024)   | -                        | (19,024)          |
| Homeless Housing & Services Program         | 449,024               |                       | -                                  | (449,024)  | -                        | (449,024)         |
| Housing Trust Fund                          | 669,616               |                       | -                                  | (669,616)  | -                        | (669,616)         |
| Administration                              | 2,980,943             | 24,850                | 1,969,921                          | (986,172)  | -                        | (986,172)         |
| <b>Total Governmental Activities</b>        | <b>251,463,851</b>    | <b>5,877,924</b>      | <b>283,802,414</b>                 | <b>38,216,487</b>                                  | <b>-</b>                 | <b>38,216,487</b> |
| Business-type Activities:                   |                       |                       |                                    |  |                          |                   |
| Single Family Bonds                         | 49,716,725            | 63,488,054            | -                                  | -  | 13,771,329               | 13,771,329        |
| Multifamily Bonds                           | 45,427,462            | 45,171,855            | -                                  | -  | (255,607)                | (255,607)         |
| Housing Trust Fund Program                  | 8,983,789             | 747,568               | -                                  | -  | (8,236,221)              | (8,236,221)       |
| Administration                              | 17,020,745            | 15,221,533            | -                                  | -  | (1,799,212)              | (1,799,212)       |
| <b>Total Business-type Activities</b>       | <b>121,148,721</b>    | <b>124,629,010</b>    | <b>-</b>                           | <b>-</b>   | <b>3,480,289</b>         | <b>3,480,289</b>  |
| <b>Total Primary Government</b>             | <b>\$ 372,612,572</b> | <b>\$ 130,506,934</b> | <b>\$ 283,802,414</b>              | <b>38,216,487</b>                                  | <b>3,480,289</b>         | <b>41,696,776</b> |

General Revenues:

|   |                   |                     |                     |
|---|-------------------|---------------------|---------------------|
| Original Appropriations                     | 6,608,025         | -                   | 6,608,025           |
| Additional Appropriations                   | 1,379,340         | -                   | 1,379,340           |
| Interest & Other Investment Income          | 48,532            | 279,910             | 328,442             |
| Appropriations Lapsed                       | (7,731)           | -                   | (7,731)             |
| Other Revenues                              | 161,145           | -                   | 161,145             |
| Net (Decrease) in Fair Value of Investments | -                 | (43,623,321)        | (43,623,321)        |
| Transfers In (Out) (Note 8)                 | (6,972,250)       | 3,682,759           | (3,289,491)         |
| <b>Total General Revenues and Transfers</b> | <b>1,217,061</b>  | <b>(39,660,652)</b> | <b>(38,443,591)</b> |
| <b>Change in Net Position</b>               | <b>39,433,548</b> | <b>(36,180,363)</b> | <b>3,253,185</b>    |
| Net Position, September 1, 2012             | 437,843,033       | 284,758,450         | 722,601,483         |
| Net Position - August 31, 2013              | \$ 477,276,581    | \$ 248,578,087      | \$ 725,854,668      |

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

**EXHIBIT III  
BALANCE SHEET - GOVERNMENTAL FUND**

As of August 31, 2013

|   | <u>Total</u>          |
|---|-----------------------|
| <b>ASSETS</b>   |                       |
| 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  | 10,941,765            |
| Federal Receivable  | 6,519,356             |
| Legislative Appropriations  | 3,324,021             |
| Accounts Receivable   | 21,869                |
| Receivables From:   |                       |
| Other Intergovernmental   | 193,730               |
| Interest  | 50,875                |
| Due From Other Agencies (Note 8)  | 379                   |
| Consumable Inventories  | 10,695                |
| Restricted - Loans and Contracts  | 18,423,923            |
| Total Current Assets  | <u>39,506,813</u>     |
| Non-Current Assets:   |                       |
| Restricted - Loans and Contracts  | 447,150,261           |
| Total Non-Current Assets  | <u>447,150,261</u>    |
| Total Assets  | <u>486,657,074</u>    |
| <br><b>LIABILITIES</b>  |                       |
| Current Liabilities:  |                       |
| Payables:   |                       |
| Accounts Payable  | 6,930,334             |
| Payroll Payable   | 1,135,403             |
| Interfund Payable (Note 8)  | 103,431               |
| Deferred Revenues   | 448,908               |
| Total Liabilities   | <u>8,618,076</u>      |
| <br><b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>   |                       |
| Fund Balances:  |                       |
| Nonspendable for Inventory  | 10,695                |
| Restricted  | 474,785,904           |
| Committed   | 379                   |
| Assigned  | 738,720               |
| Unassigned  | 2,503,300             |
| Total Fund Balances as of August 31   | <u>478,038,998</u>    |
| <br>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. | 219,848               |
| Long term liabilities relating to employees' compensable leave are not due and payable in the current year therefore are not reported in the funds.     | (982,265)             |
| <b>NET POSITION AS OF AUGUST 31</b>   | <u>\$ 477,276,581</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, 2013

|   | <u>Total</u>          |
|---|-----------------------|
| <b>REVENUES</b>                                     |                       |
| Legislative Appropriations:                         |                       |
| Original Appropriations (GR)                        | \$ 6,608,025          |
| Additional Appropriations (GR)                      | 1,379,340             |
| Federal Revenue (PR-OP G/C)                         | 283,715,905           |
| Federal Revenue Grant Pass-Thru Revenue (PR-OP G/C) | 82,183                |
| State Grant Pass-Through Revenue (PR-OP G/C)        | 4,325                 |
| Licenses, Fees & Permits (PR-C/S)                   | 5,291,267             |
| Interest and Other Investment Income (GR)           | 48,532                |
| Sales of Goods and Services (PR-C/S)                | 586,657               |
| Other (GR)  | 161,145               |
| <b>Total Revenues</b>                               | <u>297,877,379</u>    |
| <b>EXPENDITURES</b>                                 |                       |
| Salaries and Wages                                  | 10,207,465            |
| Payroll Related Costs                               | 3,092,837             |
| Professional Fees and Services                      | 396,050               |
| Travel  | 522,364               |
| Materials and Supplies                              | 155,985               |
| Communication and Utilities                         | 175,543               |
| Repairs and Maintenance                             | 215,784               |
| Rentals & Leases                                    | 219,112               |
| Printing and Reproduction                           | 15,675                |
| Claims and Judgments                                | 160,664               |
| Intergovernmental Payments                          | 55,969,480            |
| Public Assistance Payments                          | 180,001,509           |
| Other Expenditures                                  | 268,728               |
| Capital Outlay                                      | 85,538                |
| <b>Total Expenditures</b>                           | <u>251,486,734</u>    |
| Excess of Revenues                                  |                       |
| Over Expenditures                                   | <u>46,390,645</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>               |                       |
| Transfers Out (Note 8)                              | <u>(6,972,250)</u>    |
| <b>Total Other Financing (Uses)</b>                 | <u>(6,972,250)</u>    |
| Net Change in Fund Balances                         | 39,418,395            |
| <b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>       |                       |
| Fund Balances--Beginning                            | 438,628,334           |
| Appropriations (Lapsed)                             | (7,731)               |
| <b>Fund Balances - August 31</b>                    | <u>\$ 478,038,998</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, 2013

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)  | \$ 39,418,395        |
| Appropriations (Lapsed)   | (7,731)              |
| Changes in Fund Balances  | <u>39,410,664</u>    |
| Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to: |                      |
| - capital outlay expense  | 85,538               |
| - depreciation expense  | (45,885)             |
| - payroll expense due to Compensable Leave  | (16,769)             |
| Change in Net Position, August 31 (Exhibit II)  | <u>\$ 39,433,548</u> |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

**EXHIBIT V**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
 August 31, 2013

|  | Total                          |
|--|--------------------------------|
| <b>ASSETS</b>  |                                |
| Current Assets:  |                                |
| Cash and Cash Equivalents (Note 3)                                 |                                |
| Cash on Hand   | \$ 200                         |
| Cash in Bank   | 98,461                         |
| Cash in State Treasury   | 1,310,502                      |
| Cash Equivalents   | 28,603,030                     |
| Restricted Assets:   |                                |
| Cash and Cash Equivalents (Note 3)                                 |                                |
| Cash in Bank   | 152,279                        |
| Cash Equivalents   | 100,369,708                    |
| Loans and Contracts  | 12,184,554                     |
| Interest Receivable  | 11,476,671                     |
| Receivable:  |                                |
| Interest Receivable  | 99,605                         |
| Accounts Receivable  | 550,770                        |
| Interfund Receivable (Note 8)                                      | 103,431                        |
| Consumable Inventories   | 10,695                         |
| Loans and Contracts  | 2,665,959                      |
| Other Current Assets   | 360,873                        |
| Total Current Assets   | <u>157,986,738</u>             |
| Non-Current Assets:  |                                |
| Investments (Note 3)   | 6,311,061                      |
| Loans and Contracts  | 49,008,714                     |
| Capital Assets: (Note 2)   |                                |
| Non-Depreciable  |                                |
| Other Capital Assets   | 26,345                         |
| Depreciable or Amortizable, Net                                    | 128,454                        |
| Restricted Assets:   |                                |
| Investments (Note 3)   | 999,243,595                    |
| Loans and Contracts  | 1,054,152,893                  |
| Deferred Issuance Cost, net (Note 5)                               | 5,604,382                      |
| Real Estate Owned, net   | 388,236                        |
| Total Non-Current Assets   | <u>2,114,863,680</u>           |
| <b>Total Assets</b>  | <b>\$ <u>2,272,850,418</u></b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                              |                                |
| Accumulated decrease in fair value of hedging derivatives (Note 6) | <u>25,144,123</u>              |
| <b>Total Deferred Outflows</b>                                     | <b>\$ <u>25,144,123</u></b>    |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V (Continued)

STATEMENT OF NET POSITION - PROPRIETARY FUND

August 31, 2013

|  | Total                 |
|--|-----------------------|
| <b>LIABILITIES</b>                         |                       |
| Current Liabilities                        |                       |
| Payables:                                  |                       |
| Accounts Payable                           | \$ 1,607,765          |
| Accrued Bond Interest Payable              | 21,848,815            |
| Deferred Revenues                          | 16,147,006            |
| Employees' Compensable Leave (Note 4)      | 547,710               |
| Revenue Bonds Payable (Notes 4 & 5)        | 24,849,568            |
| Other Current Liabilities                  | <u>278,660</u>        |
| Total Current Liabilities                  | <u>65,279,524</u>     |
| Non-Current Liabilities                    |                       |
| Employees' Compensable Leave (Note 4)      | 445,838               |
| Revenue Bonds Payable (Note 4 & 5)         | 1,891,171,055         |
| Derivative Hedging Instrument (Note 6)     | 25,144,123            |
| Other Non-Current Liabilities (Note 4)     | <u>67,375,914</u>     |
| Total Non-Current Liabilities              | <u>1,984,136,930</u>  |
| <b>Total Liabilities</b>                   | <u>2,049,416,454</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                       |
| <b>Total Deferred Inflows of Resources</b> | <u>-</u>              |
| <b>NET POSITION</b>                        |                       |
| Invested in Capital Assets                 | 154,799               |
| Restricted                                 | 169,151,068           |
| Unrestricted                               | <u>79,272,220</u>     |
| <b>Total Net Position</b>                  | <u>\$ 248,578,087</u> |

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND  
For the fiscal year ended August 31, 2013

|  | Total                 |
|--|-----------------------|
| <b>OPERATING REVENUES</b>  |                       |
| Interest and Investment Income                                   | \$ 98,929,820         |
| Net Increase (Decrease) in Fair Value of Investments             | (43,623,321)          |
| Other Operating Revenues   | 25,979,101            |
| Total Operating Revenues   | <u>81,285,600</u>     |
| <b>OPERATING EXPENSES</b>  |                       |
| Salaries and Wages   | 9,312,157             |
| Payroll Related Costs  | 2,522,500             |
| Professional Fees and Services                                   | 3,549,763             |
| Travel   | 212,387               |
| Materials and Supplies   | 184,491               |
| Communications and Utilities                                     | 148,938               |
| Repairs and Maintenance  | 337,113               |
| Rentals and Leases   | 58,640                |
| Printing and Reproduction  | 29,802                |
| Depreciation and Amortization                                    | 2,222,631             |
| Interest   | 88,877,460            |
| Bad Debt Expense   | 1,355,446             |
| Down Payment Assistance  | 8,821,685             |
| Other Operating Expenses   | 3,515,709             |
| Total Operating Expenses   | <u>121,148,722</u>    |
| Operating (Loss)   | <u>(39,863,122)</u>   |
| <b>OTHER REVENUES, EXPENSES, GAINS,<br/>LOSSES AND TRANSFERS</b> |                       |
| Transfers In (Note 8)  | <u>3,682,759</u>      |
| Total Other Revenues, Expenses, Gains, Losses and Transfers      | <u>3,682,759</u>      |
| <b>CHANGE IN NET POSITION</b>                                    | (36,180,363)          |
| Net Position, September 1, 2012                                  | <u>284,758,450</u>    |
| <b>NET POSITION, AUGUST 31, 2013</b>                             | <u>\$ 248,578,087</u> |



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the fiscal year ended August 31, 2013

|   | Total                 |
|---|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                       |
| Proceeds from Loan Programs                                     | \$ 104,772,501        |
| Proceeds from Other Revenues                                    | 32,164,579            |
| Payments to Suppliers for Goods/Services                        | (27,693,377)          |
| Payments to Employees   | (11,491,767)          |
| Payments for Loans Provided                                     | <u>(18,309,942)</u>   |
| Net Cash Provided by Operating Activities                       | <u>79,441,994</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                       |
| Proceeds from Debt Issuance                                     | 122,640,000           |
| Proceeds from Transfers from Other Funds                        | 4,223,620             |
| Payments of Principal on Debt Issuance                          | (559,593,335)         |
| Payments of Interest  | (87,947,568)          |
| Payments for Other Cost of Debt                                 | <u>(2,079,176)</u>    |
| Net Cash (Used for) Noncapital Financing Activities             | <u>(522,756,459)</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                       |
| Payments for Additions to Capital Assets                        | <u>(61,832)</u>       |
| Net Cash (Used for) Capital Activities                          | <u>(61,832)</u>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                       |
| Proceeds from Sales of Investments                              | 569,718,382           |
| Proceeds from Interest/Invest. Income                           | 54,693,783            |
| Payments to Acquire Investments                                 | <u>(267,391,058)</u>  |
| Net Cash (Used for) Investing Activities                        | <u>357,021,107</u>    |
| Net (Decrease) in Cash and Cash Equivalents                     | (86,355,190)          |
| Cash and Cash Equivalents, September 1, 2012                    | <u>216,889,370</u>    |
| Cash and Cash Equivalents, August 31, 2013                      | <u>\$ 130,534,180</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, 2013

|   | Total                |
|---|----------------------|
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                      |
| Operating Income (Loss)   | \$ (39,863,122)      |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:       |                      |
| Amortization and Depreciation   | 2,222,631            |
| Provision for Uncollectibles  | 1,355,446            |
| Operating Income and Cash Flow Categories Classification Differences                          | 67,546,063           |
| Changes in Assets and Liabilities:  |                      |
| Decrease in Receivables   | 459,761              |
| Decrease in Accrued Interest Receivable   | 1,890,414            |
| Decrease in Loans / Contracts   | 53,321,454           |
| (Increase) in Property Owned  | (47,704)             |
| Decrease in Acquisition Costs   | 3,353,368            |
| (Increase) in Other Assets  | (173,021)            |
| Increase in Payables  | 330,488              |
| (Decrease) in Deferred Revenues   | (1,008,836)          |
| (Decrease) in Accrued Interest Payable  | (5,950,797)          |
| (Decrease) in Other Liabilities   | (3,994,150)          |
| Total Adjustments   | <u>119,305,117</u>   |
| Net Cash Provided by Operating Activities   | <u>\$ 79,441,995</u> |

NON CASH TRANSACTIONS

Decrease in Fair Value of Investments for 2013 was \$67,856,942

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VIII  
STATEMENT OF FIDUCIARY NET POSITION  
As of August 31, 2013

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| <b>AGENCY FUND</b>        | <b>Total</b>      |
|---------------------------|-------------------|
| <b>ASSETS</b>             |                   |
| Current Assets:           |                   |
| Restricted:               |                   |
| Cash in State Treasury    | \$ 240,417        |
|                           | <hr/>             |
| Total Current Assets      | 240,417           |
| <b>Total Assets</b>       | <b>\$ 240,417</b> |
|                           | <hr/>             |
| <b>LIABILITIES</b>        |                   |
| Current Liabilities:      |                   |
| Funds Held for Others     | \$ 240,417        |
|                           | <hr/>             |
| Total Current Liabilities | 240,417           |
| <b>Total Liabilities</b>  | <b>\$ 240,417</b> |
|                           | <hr/>             |

**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, 2013

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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.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

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**Proprietary Fund Types**

Enterprise Funds (Business-Type Activity)

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

**Fiduciary Fund Types**

Agency Funds

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

**Basis of Accounting**

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

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

The Government-wide Financial Statements are accounted for using the accrual method of accounting. This includes 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 2013, the Department implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Department's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

### NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

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#### BUDGET AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). The state monitors its statewide budget by establishing the legal level of control at the agency level to ensure that expenditures are not made in excess of budgetary authority. Within the Department, procedures are used to ensure that expenditures do not exceed their total budget at the division level, but the State Comptroller ultimately ensures that each total authorized agency budget is not exceeded.

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

#### ASSETS, LIABILITIES AND FUND BALANCES/NET POSITION

##### Assets

###### Cash and Cash Equivalents

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

###### Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement 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, 2013 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 Net Position-Proprietary Fund as "Net Increase/(Decrease) in the Fair Value of Investments." These investments are held and pledged per bond covenants and are intended to be held until maturity. The sale of these assets is considered to be incidental to the Department's course of business and any gain/loss on the sale is reported as "Net Increase/(Decrease) in the Fair Value of Investments."

###### 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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

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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.

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. Deferred commitment fees relating to the Single Family, Residential Mortgage Revenue Bonds (RMRB) Series 1987A and certain Multifamily programs are included as a reduction of loans receivable. 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. Deferred commitment fees are recognized using the interest method over the estimated lives of the loans.

Deferred Outflow 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 will be deferring the changes in fair value for these derivatives and reporting them as a deferred outflow 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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

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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.

Commitment Fees

Commitment fees received in connection with the origination of loans are deferred and recognized using the interest method over the estimated lives of the related loans and mortgage-backed securities, or if the commitment expires unexercised it is credited to income upon expiration of the commitment.

Deferred Issuance Costs

Deferred issuance costs on bonds are amortized using the interest method over the contractual life 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 related deferred issuance costs.

**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.

Deferred Revenues

Deferred Revenues in the proprietary fund represent fees such as commitment fees and compliance fees that are deferred upon receipt and amortized over a period of time. Deferred 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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

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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, 2013, 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.

**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.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

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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

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, 2013

**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 \$33,542 and \$45,885 for Governmental Activities. A summary of changes in Capital Assets for the year ended August 31, 2013, is presented below:

|   | PRIMARY GOVERNMENT  |             |                  |             | Balance<br>08/31/13 |
|---|---------------------|-------------|------------------|-------------|---------------------|
|   | Balance<br>09/01/12 | Adjustments | Additions        | Deletions   |                     |
| <b>GOVERNMENTAL ACTIVITIES</b>                      |                     |             |                  |             |                     |
| <b>Non-depreciable on Non-amortizable Assets</b>    |                     |             |                  |             |                     |
| Construction in Progress                            | \$ -                | \$ -        | \$ 44,954        | \$ -        | \$ 44,954           |
| Total Non-depreciable or Non-amortizable Assets     | \$ -                | \$ -        | \$ 44,954        | \$ -        | \$ 44,954           |
| <b>Depreciable Assets</b>                           |                     |             |                  |             |                     |
| Furniture and Equipment                             | \$ 623,077          | \$ -        | \$ 40,584        | \$ -        | \$ 663,661          |
| Other Capital Assets                                | 130,964             | -           | -                | -           | 130,964             |
| Total Depreciable Assets                            | \$ 754,041          | \$ -        | \$ 40,584        | \$ -        | \$ 794,625          |
| Less Accumulated Depreciation for:                  |                     |             |                  |             |                     |
| Furniture and Equipment                             | \$ (443,218)        | \$ -        | \$ (45,550)      | \$ -        | \$ (488,768)        |
| Other Capital Assets                                | (130,963)           | -           | -                | -           | (130,963)           |
| Total Accumulated Depreciation                      | (574,181)           | -           | (45,550)         | -           | (619,731)           |
| Depreciable Assets, Net                             | \$ 179,860          | \$ -        | \$ (4,966)       | \$ -        | \$ 174,894          |
| <b>Amortizable Assets - Intangible</b>              |                     |             |                  |             |                     |
| Computer Software                                   | \$ 1,307,012        | \$ -        | \$ -             | \$ -        | \$ 1,307,012        |
| Total Amortizable Assets - Intangible               | \$ 1,307,012        | \$ -        | \$ -             | \$ -        | \$ 1,307,012        |
| Less Accumulated Amortization for:                  |                     |             |                  |             |                     |
| Computer Software                                   | \$ (1,306,677)      | \$ -        | \$ (335)         | \$ -        | \$ (1,307,012)      |
| Total Accumulated Amortization                      | (1,306,677)         | -           | (335)            | -           | (1,307,012)         |
| Amortizable Assets - Intangible, Net                | \$ 335              | \$ -        | \$ (335)         | \$ -        | \$ -                |
| <b>Governmental Activities Capital Assets, Net</b>  | <b>\$ 180,195</b>   | <b>\$ -</b> | <b>\$ 39,653</b> | <b>\$ -</b> | <b>\$ 219,848</b>   |
| <b>BUSINESS-TYPE ACTIVITIES</b>                     |                     |             |                  |             |                     |
| <b>Non-depreciable or Non-amortizable Assets</b>    |                     |             |                  |             |                     |
| Construction in Progress                            | \$ -                | \$ -        | \$ 26,345        | \$ -        | \$ 26,345           |
| Total Non-depreciable or Non-amortizable Assets     | \$ -                | \$ -        | \$ 26,345        | \$ -        | \$ 26,345           |
| <b>Depreciable Assets</b>                           |                     |             |                  |             |                     |
| Furniture and Equipment                             | \$ 489,397          | \$ -        | \$ 35,488        | \$ -        | \$ 524,885          |
| Other Capital Assets                                | 132,279             | -           | -                | -           | 132,279             |
| Total Depreciable Assets                            | \$ 621,676          | \$ -        | \$ 35,488        | \$ -        | \$ 657,164          |
| Less Accumulated Depreciation for:                  |                     |             |                  |             |                     |
| Furniture and Equipment                             | \$ (363,248)        | \$ -        | \$ (33,183)      | \$ -        | \$ (396,431)        |
| Other Capital Assets                                | (132,279)           | -           | -                | -           | (132,279)           |
| Total Accumulated Depreciation                      | (495,527)           | -           | (33,183)         | -           | (528,710)           |
| Depreciable Assets, Net                             | \$ 126,149          | \$ -        | \$ 2,305         | \$ -        | \$ 128,454          |
| <b>Amortizable Assets - Intangible</b>              |                     |             |                  |             |                     |
| Computer Software                                   | \$ 679,785          | \$ -        | \$ -             | \$ -        | \$ 679,785          |
| Total Amortizable Assets - Intangible               | \$ 679,785          | \$ -        | \$ -             | \$ -        | \$ 679,785          |
| Less Accumulated Amortization for:                  |                     |             |                  |             |                     |
| Computer Software                                   | \$ (679,426)        | \$ -        | \$ (359)         | \$ -        | \$ (679,785)        |
| Total Accumulated Amortization                      | (679,426)           | -           | (359)            | -           | (679,785)           |
| Amortizable Assets - Intangible, Net                | \$ 359              | \$ -        | \$ (359)         | \$ -        | \$ -                |
| <b>Business-Type Activities Capital Assets, Net</b> | <b>\$ 126,508</b>   | <b>\$ -</b> | <b>\$ 28,291</b> | <b>\$ -</b> | <b>\$ 154,799</b>   |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

**NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS**

The Department is authorized by statute to make investments following the "prudent person rule" and its Investments 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, 2013, the carrying amount of deposits was \$270,740.

|  |            |
|--|------------|
| <b>Governmental and Business-Type Activities</b> |            |
| CASH IN BANK - CARRYING VALUE                    | \$ 270,740 |
| Governmental Funds Current Assets Cash in Bank   | \$ 20,000  |
| Governmental Funds - Cash in State Treasury      |            |
| Proprietary Funds - Cash in State Treasury       |            |
| Texas Treasury Safekeeping Trust                 | 98,461     |
| Texas Treasury Safekeeping Trust - Restricted    | 122,058    |
| Demand Deposits                                  | 30,221     |
| Cash in Bank                                     | \$ 270,740 |

In accordance with bond trust indentures and depository agreements, all cash is to be fully collateralized, with the collateral held by a third party in the name of the Department. At August 31, 2013 the Department's cash and deposits in the State Treasury amounted to \$12,252,267. Of that amount, \$12,252,267 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 \$102,527,375 in overnight repurchase agreements maturing on the following business day, September 3, 2013, at a rate of .02%.

At August 31, 2013, 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                    |                  |                  |
| U.S. Government Agency Obligations | \$ 907,531,971   | \$ 969,222,871   |
| Repurchase Agreements (TTSTC)      | 102,527,375      | 102,527,375      |
| Fixed Income Money Markets         | 26,445,363       | 26,445,363       |
| Misc (Investment Agreements/GICs)  | 36,331,785       | 36,331,785       |
| Total                              | \$ 1,072,836,494 | \$ 1,134,527,394 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

**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, 2013, 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 |               |              | \$111,703,693 |     |
| Repurchase Agreements (TTSTC)      | \$102,527,375 |              |               |     |
| Misc (Investment Agreements/GICs)  | \$36,331,785  |              |               |     |
|                                    | Not Rated     | AAA-M        | AA-M          | A-M |
| Fixed Income Money Market          |               | \$26,445,363 |               |     |

A total of \$857,519,178 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, 2013, the Department's concentration of credit risk is as follows.

| Issuer  | Carrying Value | % of Total Portfolio |
|---------|----------------|----------------------|
| Warburg | \$102,527,375  | 9.04%                |

**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, 2013

**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)**

| Government and 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      | 969,222,871             | \$ -                  | \$ 617,556        | \$ 699,995        | \$967,905,320          |
| Repurchase Agreements (TTSTC)           | 102,527,375             | 102,527,375           |                   |                   |                        |
| Fixed Income Money Markets              | 26,445,363              | 26,445,363            |                   |                   |                        |
| Misc (Investment Agreements/GICs)       | 36,331,785              | -                     |                   |                   | 36,331,785             |
| <b>Total</b>                            | <b>\$ 1,134,527,394</b> | <b>\$ 128,972,738</b> | <b>\$ 617,556</b> | <b>\$ 699,995</b> | <b>\$1,004,237,105</b> |

**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, 2013, the Department holds \$969,222,871 in mortgage backed securities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal year ended August 31, 2013

**NOTE 4: SUMMARY OF LONG TERM LIABILITIES**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2013, the following changes occurred in liabilities.

| Governmental Activities              | Balance 09/01/2012 | Additions         | Reductions        | Balance 08/31/2013 | Amounts Due Within One Year |
|--------------------------------------|--------------------|-------------------|-------------------|--------------------|-----------------------------|
| Compensable Leave                    | \$ 965,495         | \$ 716,616        | \$ 699,846        | \$ 982,265         | \$ 562,235                  |
| <b>Total Governmental Activities</b> | <b>\$ 965,495</b>  | <b>\$ 716,616</b> | <b>\$ 699,846</b> | <b>\$ 982,265</b>  | <b>\$ 562,235</b>           |

| Business-Type Activities              | Balance 09/01/2012      | Additions            | Reductions            | Balance 08/31/2013      | Amounts Due Within One Year |
|---------------------------------------|-------------------------|----------------------|-----------------------|-------------------------|-----------------------------|
| Revenue Bonds Payable                 | \$ 2,360,413,357        | \$ 42,272,563        | \$ 486,665,297        | \$ 1,916,020,623        | \$ 24,849,568               |
| Compensable Leave                     | 920,647                 | 653,164              | 580,263               | 993,548                 | 547,710                     |
| <b>Total Business-Type Activities</b> | <b>\$ 2,361,334,004</b> | <b>\$ 42,925,727</b> | <b>\$ 487,245,559</b> | <b>\$ 1,917,014,171</b> | <b>\$ 25,397,278</b>        |

**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 \$67,375,914 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.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

**NOTE 5: BOND INDEBTEDNESS**

The Department has 121 bond series outstanding at August 31, 2013. 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.

Bond contractual maturities (principal only) at August 31, 2013, are as follows (in thousands):

| Description   | 2014             | 2015             | 2016             | 2017             | 2018             | 2019 to<br>2023   |
|---------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Single-family | \$ 7,920         | \$ 9,435         | \$ 10,860        | \$ 11,630        | \$ 16,855        | \$ 63,375         |
| RMRB          | 6,445            | 6,620            | 6,760            | 7,040            | 7,445            | 41,115            |
| CHMRB         |                  |                  |                  |                  |                  |                   |
| Multifamily   | 10,250           | 9,718            | 10,350           | 11,121           | 11,822           | 80,210            |
| Total         | <u>\$ 24,615</u> | <u>\$ 25,773</u> | <u>\$ 27,970</u> | <u>\$ 29,791</u> | <u>\$ 36,122</u> | <u>\$ 184,700</u> |

| Description   | 2024 to<br>2028   | 2029 to<br>2033  | 2034 to<br>2038   | 2039 to<br>2043   | 2044 to<br>2048  | Total               |
|---------------|-------------------|------------------|-------------------|-------------------|------------------|---------------------|
| Single-family | \$ 114,990        | \$142,460        | \$ 185,605        | \$ 10,970         | \$               | \$ 574,100          |
| RMRB          | 49,865            | 61,045           | 77,825            | 56,320            |                  | 320,480             |
| CHMRB         | 4,400             |                  |                   |                   |                  | 4,400               |
| Multifamily   | 144,848           | 137,790          | 217,219           | 283,458           | 95,567           | 1,012,353           |
| Total         | <u>\$ 314,103</u> | <u>\$341,295</u> | <u>\$ 480,649</u> | <u>\$ 350,748</u> | <u>\$ 95,567</u> | <u>\$ 1,911,333</u> |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

**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.

The interest payment requirements at August 31, 2013, are as follows (in thousands):

| Description   | 2014             | 2015             | 2016             | 2017             | 2018             | 2019 to<br>2023   |
|---------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Single-family | \$ 14,263        | \$ 14,130        | \$ 13,786        | \$ 13,432        | \$ 13,062        | \$ 59,628         |
| RMRB          | 11,488           | 11,352           | 11,187           | 10,995           | 10,770           | 49,375            |
| CHMRB         | 320              | 291              | 320              | 291              | 320              | 1,514             |
| Multifamily   | 44,359           | 43,537           | 42,958           | 42,336           | 41,673           | 196,695           |
| Total         | <u>\$ 70,430</u> | <u>\$ 69,310</u> | <u>\$ 68,251</u> | <u>\$ 67,054</u> | <u>\$ 65,825</u> | <u>\$ 307,212</u> |

| Description   | 2024 to<br>2028  | 2029 to<br>2033  | 2034 to<br>2038  | 2039 to<br>2043  | 2044 to<br>2048 | Total               |
|---------------|------------------|------------------|------------------|------------------|-----------------|---------------------|
| Single-family | \$ 48,633        | \$ 34,993        | \$ 15,834        | \$ 567           | \$              | \$ 228,328          |
| RMRB          | 39,352           | 27,178           | 15,280           | 2,715            |                 | 189,692             |
| CHMRB         | 260              |                  |                  |                  |                 | 3,316               |
| Multifamily   | 166,120          | 126,084          | 87,565           | 41,823           | 8,254           | 841,404             |
| Total         | <u>\$254,365</u> | <u>\$188,255</u> | <u>\$118,679</u> | <u>\$ 45,105</u> | <u>\$ 8,254</u> | <u>\$ 1,262,740</u> |

Interest requirements on variable rate debt are calculated using the interest rate in effect at August 31, 2013. Interest rates on variable rate debt reset on a weekly basis by the remarketing agent.

Deferred issuance costs at August 31, 2013, consist of the following:

|  | Amount              |
|--|---------------------|
| Deferred Issuance Costs at August 31, 2013 | \$ 46,502,362       |
| Less Accumulated Amortization              | (40,897,980)        |
| Deferred Issuance Costs, net               | <u>\$ 5,604,382</u> |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

**NOTE 5: BOND INDEBTEDNESS Cont'd**

**CHANGES IN BONDS PAYABLE**

| Description                     | Bonds Outstanding<br>09/01/12 | Bonds Issued         | Bonds Matured or<br>Retired | Bonds Refunded or<br>Extinguished | Bonds Outstanding<br>08/31/13 | Amounts Due Within<br>One Year |
|---------------------------------|-------------------------------|----------------------|-----------------------------|-----------------------------------|-------------------------------|--------------------------------|
| Single Family                   | \$ 720,900,000                | \$ 42,500,000        | \$ 11,445,000               | \$ 177,855,000                    | \$ 574,100,000                | \$ 8,026,173                   |
| RMRB                            | 551,605,000                   | -                    | 7,110,000                   | 224,015,000                       | 320,480,000                   | 6,576,696                      |
| CHMRB                           | 5,600,000                     | -                    | -                           | 1,200,000                         | 4,400,000                     | 5,876                          |
| Multifamily                     | 1,075,805,305                 | -                    | 8,885,946                   | 54,566,619                        | 1,012,352,740                 | 10,240,824                     |
| <b>Total Principal</b>          | <b>\$ 2,353,910,305</b>       | <b>\$ 42,500,000</b> | <b>\$ 27,440,946</b>        | <b>\$ 457,636,619</b>             | <b>\$ 1,911,332,740</b>       | <b>\$ 24,849,568</b>           |
| Unamortized<br>Premium          | 8,494,019                     |                      |                             |                                   | 6,005,956                     |                                |
| Unamortized<br>(Discount)       | (194,651)                     |                      |                             |                                   | (185,307)                     |                                |
| Unamortized<br>Refunding (Loss) | (1,796,316)                   |                      |                             |                                   | (1,132,766)                   |                                |
| <b>Total</b>                    | <b>\$ 2,360,413,357</b>       |                      |                             |                                   | <b>\$ 1,916,020,623</b>       |                                |

**Demand Bonds**

The Department currently holds seven single family bond series in the amount \$267,880,000 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 mortgage-backed securities which are pools of first time homebuyer loans. These bond series have the following terms.

| Single Family<br>Bond Series | Remarketing<br>Agent | Liquidity Provider             | Commitment<br>Fee Rate | Outstanding<br>Variable Rate<br>Demand Bonds as<br>of 8/31/14 | Liquidity<br>Facility<br>Expiration<br>Date |
|------------------------------|----------------------|--------------------------------|------------------------|---|---|
| 2004A Jr. Lien               | JP Morgan            | Comptroller of Public Accounts | 0.12%                  | \$ 3,855,000  | 8/31/2014                                   |
| 2004B                        | JP Morgan            | Comptroller of Public Accounts | 0.12%                  | 53,000,000  | 8/31/2014                                   |
| 2004D                        | Piper Jaffray        | Comptroller of Public Accounts | 0.12%                  | 35,000,000  | 8/31/2014                                   |
| 2005A                        | JP Morgan            | Comptroller of Public Accounts | 0.12%                  | 57,500,000  | 8/31/2014                                   |
| 2005C                        | JP Morgan            | Comptroller of Public Accounts | 0.12%                  | 3,825,000   | 8/31/2014                                   |
| 2006H                        | JP Morgan            | Comptroller of Public Accounts | 0.12%                  | 36,000,000  | 8/31/2014                                   |
| 2007A                        | JP Morgan            | Comptroller of Public Accounts | 0.12%                  | 78,700,000  | 8/31/2014                                   |
| <b>Total Demand Bonds</b>    |                      |                                |                        | <b>\$ 267,880,000</b>   |   |

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 2013, 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, 2013**

**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, 2013, the Bond Program had liabilities to the IRS totaling \$102,673 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 I-D.

| Description of Issue                | Pledged and Other Sources and Related Expenditures for FY 2013 |   |                      |                      |                         |      | Pledged Revenue for Future Debt Service | Terms of Commitment Year Ending August 31, | Percentage of Revenue Pledged |
|-------------------------------------|--|---|----------------------|----------------------|-------------------------|------|---|--|-------------------------------|
|                                     | Net Available for Debt Service                                 |   | Debt Service         |                      |                         |      |   |  |                               |
|                                     | Total Pledged and Other Sources                                | Operating Expenses/ Expenditures and Capital Outlay | Principal            | Interest             |                         |      |   |  |                               |
| Total Single Family Bonds           | \$ 211,417,334   | \$ 1,951,371  | \$ 11,445,000        | \$ 27,955,869        | \$ 802,427,988          | 2040 | 100%                                    |  |                               |
| Total Residential Mtg Revenue Bonds | \$ 239,288,989   | \$ 1,911,675  | \$ 7,110,000         | \$ 13,750,924        | \$ 510,171,221          | 2041 | 100%                                    |  |                               |
| Total 1992 CHMRB                    | \$ 1,663,390   | \$ 193  | \$ -                 | \$ 355,740           | \$ 7,716,153            | 2024 | 100%                                    |  |                               |
| Total Multifamily Bonds             | \$ 99,738,475  | \$ 6,126  | \$ 8,885,946         | \$ 45,202,646        | \$ 1,853,758,460        | 2047 | 100%                                    |  |                               |
| <b>Total</b>                        | <b>\$ 552,108,188</b>  | <b>\$ 3,869,365</b>                                 | <b>\$ 27,440,946</b> | <b>\$ 87,265,179</b> | <b>\$ 3,174,073,822</b> |      |   |  |                               |

**Current Refunding**

On May 28, 2013, the Department issued the 2013 Single Family Mortgage Revenue Bonds (Series A) in the amount of \$42,500,000. The purpose of the bond proceeds were to provide funds to refund the 2002 Series A Single Family Mortgage Revenue Bonds (\$26,615,000) with average rates of 5.479%, 2002 Series B Single Family Revenue Refunding Bonds (\$12,310,000) with average rates of 5.353%, and 2002 Series C Single Family Revenue Refunding Bonds (\$4,990,000) with average rates of 4.34%.

This refunding transaction resulted in a deferred loss of \$56,018, which will be amortized for recognition purposes over the life of the new debt. During the current year, \$2,413 of the deferral amount has been recognized as bond interest expense. This transaction also gave rise to a \$14,695,773 economic gain and a reduction in future debt service requirements of \$9,925,914.

**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, 2013

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

SUMMARY

The fair value balances and notional amounts of derivative instruments outstanding as of August 31 2013, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2013 financial statements are as follows.

| Business Type Activities                       |            | Changes in Fair Value         |               | Fair Value at August 31, 2013 |                 | Notional       |
|--|------------|-------------------------------|---------------|-------------------------------|-----------------|----------------|
| Cash Flow Hedges                               | Bond Issue | Classification                | Amount        | Classification                | Amount          |                |
| Pay-fixed, receive-variable interest rate swap | 2004B      | Deferred outflow of resources | \$ 3,336,742  | Debt                          | \$ (3,926,583)  | \$ 53,000,000  |
| Pay-fixed, receive-variable interest rate swap | 2004D      | Deferred outflow of resources | \$ 1,853,049  | Debt                          | \$ (2,587,322)  | \$ 35,000,000  |
| Pay-fixed, receive-variable interest rate swap | 2005A      | Deferred outflow of resources | \$ 6,487,845  | Debt                          | \$ (6,987,302)  | \$ 57,500,000  |
| Pay-fixed, receive-variable interest rate swap | 2006H      | Deferred outflow of resources | \$ 1,298,550  | Debt                          | \$ (2,718,168)  | \$ 36,000,000  |
| Pay-fixed, receive-variable interest rate swap | 2007A      | Deferred outflow of resources | \$ 8,786,481  | Debt                          | \$ (8,924,748)  | \$ 78,700,000  |
|  |            |                               | \$ 21,762,667 |                               | \$ (25,144,123) | \$ 260,200,000 |

TERMS AND FAIR VALUE

The terms, including the fair value of the outstanding swaps as of August 31, 2013 are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

| Counterparty           | Notional Amount       | Fair Value             | Effective Date | Variable Rate |   | Swap Termination Date |
|------------------------|-----------------------|------------------------|----------------|---------------|---|-----------------------|
|                        |                       |                        |                | Fixed Rate    |   |                       |
| UBS AG                 | \$ 53,000,000         | \$ (3,926,583)         | 9/1/2004       | 3.84%         | 63% of LIBOR + .30%   | 9/1/34 (a)            |
| Goldman Sachs Bank USA | 35,000,000            | (2,587,322)            | 1/1/2005       | 3.64%         | Lesser of (the greater of 65% of LIBOR and 53% of LIBOR + .45%) and LIBOR       | 3/1/35 (b)            |
| JP Morgan Chase Bank   | 57,500,000            | (6,987,302)            | 8/1/2005       | 4.01%         | Less of (the greater of 65% of LIBOR and 53% of LIBOR + .45%) and LIBOR         | 9/1/36 (c)            |
| UBS AG                 | 36,000,000            | (2,718,168)            | 11/15/2006     | 3.86%         | 63% of LIBOR +.30%  | 9/1/25 (d)            |
| JP Morgan Chase Bank   | 78,700,000            | (8,924,748)            | 6/5/2007       | 4.01%         | Less of (the greater of (a) 65% of LIBOR and (b) 53% of LIBOR + .45%) and LIBOR | 9/1/38 (c)            |
| <b>Total</b>           | <b>\$ 260,200,000</b> | <b>\$ (25,144,123)</b> |                |               |   |                       |

- Swap Agreement has an optional early termination date of March 1, 2014 and every March and September thereafter. The maximum notional amount subject to early termination is equal to 60% of the current notional amount.
- Swap Agreement has an optional early termination date of September 1, 2014 and every March and September thereafter.
- Swap Agreement is subject to an early termination date at any time from mortgage loan prepayments with a 10 business day notice.
- Swap Agreement has an optional early termination date of 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, 2013

**NOTE 6: DERIVATIVE INSTRUMENTS Cont'd**

**CREDIT RISK**

As of August 31, 2013, 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 and insurance policies with the counterparties. The credit ratings for the counterparties are as follows.

| Counterparty          | Standard & Poor's | Moody's |
|-----------------------|-------------------|---------|
| UBS AG                | A                 | A2      |
| Goldman Sachs Bank    | A                 | A2      |
| JP Morgan Chase & Co. | A+                | Aa3     |

**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     | 60% may terminate as early as March 2014   |
| 2004D Single Family      | March 2035         | 60% may terminate as early as September 2014,<br>100% may terminate after March 2023 |
| 2005A Single Family      | September 2036     | May terminate at anytime from mortgage loan<br>prepayments giving 10 day notice      |
| 2006H Single Family      | September 2037     | 100% may terminate as early as March 2016  |
| 2007A Single Family      | September 2038     | May terminate at anytime from mortgage loan<br>prepayments giving 10 day notice      |



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

**NOTE 6: DERIVATIVE INSTRUMENTS Cont'd**

**SWAP PAYMENTS AND ASSOCIATED DEBT**

Using rates as of August 31, 2013, 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<br>Ending August 31 | Variable-Rate Bonds   |                     | Interest Rate Swaps,  | Total                 |
|---------------------------------|-----------------------|---------------------|-----------------------|-----------------------|
|                                 | Principal             | Interest            | Net                   |                       |
| 2014                            | \$ -                  | \$ 273,442          | \$ 9,262,627          | \$ 9,536,069          |
| 2015                            | 2,020,000             | 209,187             | 9,253,038             | 11,482,225            |
| 2016                            | 3,435,000             | 207,921             | 9,167,368             | 12,810,289            |
| 2017                            | 4,010,000             | 204,404             | 9,040,802             | 13,255,206            |
| 2018                            | 4,205,000             | 202,033             | 8,901,242             | 13,308,275            |
| 2019-2023                       | 24,290,000            | 962,497             | 42,163,406            | 67,415,903            |
| 2024-2028                       | 65,580,000            | 817,817             | 35,381,767            | 101,779,584           |
| 2029-2033                       | 86,070,000            | 489,704             | 20,729,938            | 107,289,642           |
| 2034-2038                       | 69,990,000            | 139,097             | 5,665,454             | 75,794,551            |
| 2039-2043                       | 600,000               | 272                 | 11,479                | 611,751               |
|                                 | <b>\$ 260,200,000</b> | <b>\$ 3,506,374</b> | <b>\$ 149,577,121</b> | <b>\$ 413,283,495</b> |

**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, 2013, the Department has an aggregate liability related to the interest rate swaps in the amount of \$4,756,308 payable September 1, 2013.

**NOTE 7: LEASES**

**OPERATING LEASES**

The Department's five-year operating lease at office space located at 1106 Clayton Lane, Austin, Texas expires on September 30, 2015.

| Year Ended August 31                              | Governmental<br>Activities | Business-Type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| 2014 (Future Year 1)                              | \$ 134,543                 | \$ 13,716                   | \$ 148,259        |
| 2015 (Future Year 2)                              | 134,543                    | 13,716                      | 148,259           |
| 2016 (Future Year 3)                              | 11,212                     | 1,143                       | 12,355            |
| <b>Total Minimum Future Lease Rental Payments</b> | <b>\$ 280,298</b>          | <b>\$ 28,575</b>            | <b>\$ 308,873</b> |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal year ended August 31, 2013

**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, 2013, follows:

| Fund                                       | Current Interfund Receivable | Current Interfund Payable | Purpose                             |
|--|------------------------------|---------------------------|-------------------------------------|
| Governmental Fund (01)                     |                              |                           |                                     |
| General Revenue (0001)                     |                              | \$ 177,333                | Expenditure Transfer                |
| Consolidated Federal (0127, 0369)          | \$ 73,902                    | 0                         | Expenditure Transfer                |
| <b>Subtotal Governmental Fund (01)</b>     | <b>\$ 73,902</b>             | <b>\$ 177,333</b>         |                                     |
| Governmental Fund (01) (Exhibit III)       |                              | 103,431                   | <i>Net Receivable/Payable above</i> |
| Enterprise Fund (05, 0896) (Exhibit V)     | 103,431                      |                           | Expenditure Transfer                |
| <b>Total Internal Balances (Exhibit I)</b> | <b>\$ 103,431</b>            | <b>\$ 103,431</b>         |                                     |

| Governmental Fund (01)   | Due From Other Agencies | Due To Other Agencies | Source    |
|--|-------------------------|-----------------------|-----------|
| Appd Fund 5140, D23 Fund 5140<br>(Agency 608, D23 Fund 5140)           | \$ 379                  |                       | Transfers |
| <b>Total Due From Other Agencies/Due To Other Agencies (Exhibit I)</b> | <b>\$ 379</b>           |                       |           |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

**NOTE 8: INTERFUND ACTIVITY AND TRANSACTIONS Cont'd**

| Governmental Fund  | Transfers In        | Transfers Out       | Purpose                   |
|--|---------------------|---------------------|---------------------------|
| Governmental Fund (01)   |                     |                     |                           |
| Appd Fund 0001, D23 Fund 0001                                  |                     | \$ 3,682,759        | Article VII-6, Rider 9    |
| Appd Fund 0001, D23 Fund 0001                                  |                     | 1,996,248           | Article IX, Sect. 6.22    |
| Appd Fund 0001, D23 Fund 0066                                  |                     | 1,271,039           | Gov't Code, Sect. 403.021 |
| Appd Fund 0369, D23 Fund 0369                                  |                     | 22,204              | Article IX, Sect. 6.22    |
| <b>Total Transfers for Fund 0001<br/>(Exhibit II &amp; IV)</b> |                     | <b>\$ 6,972,250</b> |                           |
| Enterprise Fund (05)   |                     |                     |                           |
| Appd Fund 3054, D23 Fund 0999                                  | \$ 3,682,759        |                     | Article VII-6, Rider 9    |
| <b>Total Transfers for Fund 3054<br/>(Exhibit II &amp; VI)</b> | <b>\$ 3,682,759</b> |                     |                           |
| <b>Total Transfers*</b>  | <b>\$ 3,682,759</b> | <b>\$ 6,972,250</b> |                           |

\* The difference between total transfers in and out represents transfers to the Comptroller's Office of \$3,289,491.

**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: 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 that 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 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 the legal action known as Inclusive Communities Project, Inc. vs. Texas Department of Housing and Community Affairs, et al The court has issued its judgment in this case and has given the plaintiff leave to make a claim for its attorneys' fees. Although this litigation did not involve any claim or award for monetary damages, the plaintiff has sought recovery of its attorneys' fees in the amount of approximately \$1,870,250. Because the Department is contesting the plaintiff's request, management cannot estimate the amount of its liability for the plaintiff's attorneys' fees.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

**NOTE 10: CONTINGENCIES AND COMMITMENTS Cont'd**

**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 <sup>(1)</sup> | None   | A3/A- or below for FSA and TDHCA  | After downgrade of FSA and TDHCA, 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) FSA Swap Insurance still in effect. Collateral posting only required if FSA is downgraded to A3/A- or below and TDHCA is downgraded to A3/A- or below.

As of August 31, 2013 the Department's credit rating related to the Single Family Indenture was AA+ issued by Standard & Poor's and Aa1 by Moody's, therefore no collateral was posted. The Department's aggregate fair value of all hedging derivative instruments with these collateral provisions is \$25,144,123. If the collateral posting requirements had been triggered at August 31, 2013, the Department would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments.

**WAREHOUSING AGREEMENT**

The Department revised its Warehousing Agreement on January 1, 2011 between PlainsCapital Bank and First Southwest Company. The agreement allows for the temporary warehousing of mortgage backed securities by the provider until the Department purchases them with expected issued bond proceeds. The maximum dollar volume of mortgage backed securities to be held by the providers should not exceed \$200,000,000.00 (\$100,000,000.00 per provider) at any time with a cumulative purchased maximum of \$500,000,000.00 (\$250,000,000.00 per provider). The Department completed its purchase of the warehoused mortgage backed securities during fiscal year 2013.

**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 will be 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 will deliver the MBSs to the purchaser who will acquire the MBSs backed by the mortgage loans. The amount of the escrow will be up to \$4 million, which is funded from the Department's general funds. The TMP program commenced on October 1, 2012.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

**NOTE 11: SUBSEQUENT EVENTS**

| Bond Issuance | Series   | Amount        | Date of Issuance | Purpose   |
|---------------|--|---------------|------------------|---|
| Revenue Bonds | Multifamily Revenue Bonds MF Series<br>2013 The Waters at Willow Run | \$ 14,500,000 | 9/24/2013        | The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Waters at Willow Run will be located in Austin, Texas. |

**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 2012, but incurred a claim of \$22,950 related to the Alpine Retirement Center in fiscal year 2013.

**NOTE 13: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Department's Enterprise Fund 0896 reported a negative change in Net Position of \$432,484 resulting in a negative Net Position balance of (\$626,792) at August 31, 2013. 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, 2013

NOTE 14: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF NET POSITION

|  | Single Family<br>Program Funds | Residential<br>Mortgage Revenue<br>Bond Funds | Collateralized Home<br>Mortgage Revenue<br>Funds |
|--|--------------------------------|---|--|
| <b>Restricted Assets:</b>              |                                |   |  |
| Current Assets                         | \$ 54,035,466                  | \$ 24,519,493                                 | \$ 67,388  |
| Non-Current Assets                     | 631,283,707                    | 376,387,817                                   | 6,374,730  |
| Total Assets                           | 685,319,173                    | 400,907,310                                   | 6,442,118  |
| <b>Deferred Outflows of Resources:</b> | 25,144,123                     | -   | -  |
| <b>Liabilities:</b>                    |                                |   |  |
| Current Liabilities                    | 29,057,904                     | 10,129,687                                    | 184,458  |
| Non-Current Liabilities                | 593,644,855                    | 316,288,073                                   | 4,457,807  |
| Total Liabilities                      | 622,702,759                    | 326,417,760                                   | 4,642,265  |
| <b>Deferred Inflows of Resources:</b>  | -                              | -   | -  |
| <b>Net Position:</b>                   |                                |   |  |
| Restricted Net Position                | \$ 87,760,537                  | \$ 74,489,550                                 | \$ 1,799,853                                     |
| Total Restricted Net Position          | \$ 87,760,537                  | \$ 74,489,550                                 | \$ 1,799,853                                     |

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

|   | Single Family<br>Program Funds | Residential<br>Mortgage Revenue<br>Bond Funds | Collateralized Home<br>Mortgage Revenue<br>Funds |
|---|--------------------------------|---|--|
| <b>Operating Revenues:</b>                |                                |   |  |
| Interest and Investment Income            | \$ 35,048,767                  | \$ 17,572,354                                 | \$ 433,482                                       |
| Net Increase in Fair Value of Investments | (38,658,963)                   | (9,243,226)                                   | (345,580)  |
| Other Operating Revenues                  | 696,180                        | 228,812                                       | 29,908   |
| Operating Expenses                        | (29,166,938)                   | (17,530,151)                                  | (334,985)  |
| Depreciation and Amortization             | (954,414)                      | (1,226,152)                                   | (2,398)  |
| Operating Income                          | (33,035,368)                   | (10,198,363)                                  | (219,573)  |
| Transfers In (Out)                        | 10,975                         | 6,537,373                                     | 466  |
| Changes in Net Position                   | (33,024,393)                   | (3,660,990)                                   | (219,107)  |
| Net Position, September 1, 2012           | 120,784,930                    | 78,510,340                                    | 2,018,960  |
| Net Position, August 31, 2013             | \$ 87,760,537                  | \$ 74,849,350                                 | \$ 1,799,853                                     |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2013

NOTE 14: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF CASH FLOWS

|                                     | Single Family<br>Program Funds | Residential<br>Mortgage Revenue<br>Bond Funds | Collateralized Home<br>Mortgage Revenue<br>Funds |
|-------------------------------------|--------------------------------|---|--|
| Net Cash Provided (Used) By:        |                                |   |  |
| Operating Activities                | \$ 2,465,770                   | \$ (12,397,958)                               | \$ 2,450   |
| Noncapital Financing Activities     | (179,809,413)                  | (239,638,373)                                 | (1,546,893)                                      |
| Investing Activities                | <u>179,385,207</u>             | <u>176,656,712</u>                            | <u>1,539,601</u>                                 |
| Net Increase (Decrease)             | 2,041,564                      | (75,379,619)                                  | (4,842)  |
| Beginning Cash and Cash Equivalents | <u>47,927,822</u>              | <u>98,439,451</u>                             | <u>40,154</u>                                    |
| Ending Cash and Cash Equivalents    | <u>\$ 49,969,386</u>           | <u>\$ 23,059,832</u>                          | <u>\$ 35,312</u>                                 |

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**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, 2013

| Description of Issue                                      | Bonds Issued<br>To Date | Range Of<br>Interest Rates |        | Scheduled Mat. |                           |                       |
|---|-------------------------|----------------------------|--------|----------------|---------------------------|-----------------------|
|   |                         |                            |        | First<br>Year  | Final<br>Maturity<br>Date | First<br>Call<br>Date |
| 2002 Single Family Series A                               | \$ 38,750,000           | 5.45%                      | 5.55%  | 2023           | 03/01/2034                | 03/01/2012            |
| 2002 Single Family Series B                               | 52,695,000              | 5.35%                      | 5.55%  | 2033           | 09/01/2033                | 03/01/2012            |
| 2002 Single Family Series C                               | 12,950,000              | 2.80%                      | 5.20%  | 2004           | 09/01/2017                | 03/01/2012            |
| 2002 Single Family Series D                               | 13,605,000              | 2.00%                      | 4.50%  | 2003           | 09/01/2012                | 03/01/2012            |
| 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            |
| 2003 RMRB Series A  | 73,630,000              | 1.70%                      | 5.00%  | 2005           | 07/01/2034                | 01/01/2013            |
| 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  | 300,000,000             | VAR - Weekly               |        | 2010           | 07/01/2041                | 12/31/2011            |
| 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            |
| 2009 RMRB Series C-3                                      | 72,820,000              | 0.60%                      | 2.49%  | 2013           | 07/01/2041                | 02/01/2012            |
| 2009 RMRB Series C-4                                      | 78,070,000              | 0.69%                      | 2.63%  | 2013           | 07/01/2041                | 01/01/2013            |
| 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            |
| <b>TOTAL SINGLE FAMILY &amp; RMRB BONDS</b>               | <b>\$ 2,278,095,000</b> |                            |        |                |                           |                       |
| 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 Trial 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 (Greens Road Apartments)                 | 8,375,000               | 5.30%                      | 5.40%  | 2004           | 06/01/2034                | 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, 2013

| Description of Issue                                    | Bonds Issued<br>To Date | Range Of<br>Interest Rates |        | Scheduled Mat. |                           |                       |
|---|-------------------------|----------------------------|--------|----------------|---------------------------|-----------------------|
|   |                         |                            |        | First<br>Year  | Final<br>Maturity<br>Date | First<br>Call<br>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 (Millstone Apartments)                 | 12,700,000              | 5.35%                      | 5.86%  | 2005           | 06/01/2035                | 06/01/2012            |
| 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            |
| 2002 MF Series A (Woodway Village)                      | 9,100,000               | 4.95%                      | 5.20%  | 2006           | 07/01/2023                | 01/01/2013            |
| 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/B (Canal Place Apartments)             | 16,100,000              | 3.45%                      | 8.00%  | 2019           | 05/01/2039                | (h)                   |
| 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 (Center Ridge Apartments)              | 8,325,000               | 5.00%                      | 5.00%  | 2009           | 05/01/2039                | 05/01/2021            |
| 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, 2013

| Description of Issue                                | Bonds Issued<br>To Date | Range Of<br>Interest Rates | Scheduled Mat. |                           | First<br>Call<br>Date |
|---|-------------------------|----------------------------|----------------|---------------------------|-----------------------|
|   |                         |                            | First<br>Year  | Final<br>Maturity<br>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 (Idlewild)                         | 14,250,000              | VAR - Weekly               | 2010           | 06/15/2040                | (i)                   |
| 2007 MF Series A (Lancaster)                        | 14,250,000              | VAR - Weekly               | 2010           | 07/15/2040                | (i)                   |
| 2007 MF Series A (Park Place at Loyola)             | 15,000,000              | 5.80% 5.80%                | 2010           | 02/01/2047                | 03/01/2024            |
| 2007 MF Series A (Terrace at Cibolo)                | 8,000,000               | VAR - Weekly               | 2010           | 05/01/2040                | (l)                   |
| 2007 MF Series A (Santora Villas)                   | 13,072,000              | 5.80% 5.80%                | 2010           | 05/01/2047                | 06/01/2024            |
| 2007 MF Series A (Villas at Mesquite Creek)         | 16,860,000              | 5.00% 5.81%                | 2010           | 01/20/2047                | 01/20/2017            |
| 2007 MF Series A (Summit Point)                     | 11,700,000              | 4.80% 5.25%                | 2009           | 06/20/2047                | 06/20/2017            |
| 2007 MF Series A (Costa Rialto)                     | 12,385,000              | 5.35% 5.35%                | 2010           | 07/01/2047                | 08/01/2025            |
| 2007 MF Series A (Windshire)                        | 14,000,000              | VAR - Weekly               | 2010           | 01/15/2041                | (i)                   |
| 2007 MF Series A (Residences at Onion Creek)        | 15,000,000              | VAR - Weekly               | 2011           | 12/15/2040                | (i)                   |
| 2008 MF Series A (West Oaks Apartments)             | 13,125,000              | VAR - Weekly               | 2011           | 07/01/2041                | (m)                   |
| 2008 MF Series A (Costa Ibiza Apartments)           | 13,900,000              | VAR - Weekly               | 2011           | 08/01/2041                | (e)                   |
| 2008 MF Series A (Addison Park Apartments)          | 14,000,000              | VAR - Weekly               | 2008           | 01/01/2044                | (m)                   |
| 2008 MF Series A (Alta Cullen Apartments Refunding) | 14,000,000              | VAR - Weekly               | 2011           | 03/01/2045                | (m)                   |
| 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)                   |
| <b>TOTAL MULTIFAMILY BONDS</b>                      | <b>\$ 1,210,561,000</b> |                            |                |                           |                       |
| <b>TOTAL BONDS ISSUED</b>                           | <b>\$ 3,488,656,000</b> |                            |                |                           |                       |

**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, 2013

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*FOOTNOTES Continued:*

- (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.

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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, 2013

| Description of Issue                         | Bonds Outstanding<br>09/01/12 | Bonds Issued and<br>Accretions | Bonds Matured or<br>Retired | Bonds Refunded or<br>Extinguished | Bonds Outstanding<br>8/31/13 | Amounts<br>Due Within<br>One Year |
|--|-------------------------------|--------------------------------|-----------------------------|-----------------------------------|------------------------------|-----------------------------------|
| 2002 Single Family Series A                  | \$ 29,670,000                 | \$ -                           | \$ -                        | \$ 29,670,000                     | \$ -                         | \$ -                              |
| 2002 Single Family Series B                  | 14,530,000                    | -                              | 15,000                      | 14,515,000                        | -                            | -                                 |
| 2002 Single Family Series C                  | 6,635,000                     | -                              | 1,035,000                   | 5,600,000                         | -                            | -                                 |
| 2002 Single Family Series D                  | 890,000                       | -                              | 890,000                     | -                                 | -                            | -                                 |
| 2004 Single Family Series A                  | 46,410,000                    | -                              | 1,815,000                   | 15,010,000                        | 29,585,000                   | 1,705,000                         |
| 2004 Single Family Series B                  | 53,000,000                    | -                              | -                           | -                                 | 53,000,000                   | -                                 |
| 2004 Single Family Series A (Jr. Lien)       | 3,855,000                     | -                              | -                           | -                                 | 3,855,000                    | -                                 |
| 2004 Single Family Series C                  | 13,005,000                    | -                              | -                           | 7,905,000                         | 5,100,000                    | -                                 |
| 2004 Single Family Series D                  | 35,000,000                    | -                              | -                           | -                                 | 35,000,000                   | -                                 |
| 2004 Single Family Series E                  | 1,870,000                     | -                              | 645,000                     | 780,000                           | 445,000                      | 269,163                           |
| 2005 Single Family Series A                  | 67,475,000                    | -                              | -                           | 9,975,000                         | 57,500,000                   | -                                 |
| 2005 Single Family Series B                  | 8,220,000                     | -                              | 450,000                     | 1,345,000                         | 6,425,000                    | 376,195                           |
| 2005 Single Family Series C                  | 4,290,000                     | -                              | -                           | 465,000                           | 3,825,000                    | -                                 |
| 2005 Single Family Series D                  | 3,040,000                     | -                              | -                           | 205,000                           | 2,835,000                    | -                                 |
| 2006 Single Family Series A                  | 34,935,000                    | -                              | 430,000                     | 7,985,000                         | 26,520,000                   | 386,763                           |
| 2006 Single Family Series B                  | 38,645,000                    | -                              | 1,055,000                   | 8,725,000                         | 28,865,000                   | 904,803                           |
| 2006 Single Family Series C                  | 59,820,000                    | -                              | 1,115,000                   | 13,605,000                        | 45,100,000                   | 1,050,460                         |
| 2006 Single Family Series D                  | 11,405,000                    | -                              | -                           | 1,895,000                         | 9,510,000                    | (25,259)                          |
| 2006 Single Family Series E                  | 9,890,000                     | -                              | 1,480,000                   | -                                 | 8,410,000                    | 1,494,717                         |
| 2006 Single Family Series F                  | 35,775,000                    | -                              | 210,000                     | 15,580,000                        | 19,985,000                   | 141,270                           |
| 2006 Single Family Series G                  | 5,035,000                     | -                              | 705,000                     | 1,705,000                         | 2,625,000                    | 520,000                           |
| 2006 Single Family Series H                  | 36,000,000                    | -                              | -                           | -                                 | 36,000,000                   | -                                 |
| 2007 Single Family Series A                  | 94,820,000                    | -                              | -                           | 16,120,000                        | 78,700,000                   | (7,893)                           |
| 2007 Single Family Series B                  | 106,685,000                   | -                              | 1,600,000                   | 25,935,000                        | 79,150,000                   | 1,213,366                         |
| 2013 Single Family Series A                  | -                             | 42,500,000                     | -                           | 835,000                           | 41,665,000                   | (2,413)                           |
| 2002 RMRB Series A                           | -                             | -                              | -                           | -                                 | -                            | -                                 |
| 2003 RMRB Series A                           | 39,840,000                    | -                              | 530,000                     | 39,310,000                        | -                            | -                                 |
| 2009 RMRB Series A                           | 53,670,000                    | -                              | 390,000                     | 12,480,000                        | 40,800,000                   | 401,272                           |
| 2009 RMRB Series B                           | 15,310,000                    | -                              | 1,015,000                   | 1,445,000                         | 12,850,000                   | 1,036,080                         |
| 2009 RMRB Series C                           | 78,070,000                    | (78,070,000)                   | -                           | -                                 | -                            | -                                 |
| 2009 RMRB Series C-1                         | 88,280,000                    | -                              | -                           | 8,910,000                         | 79,370,000                   | (7,236)                           |
| 2009 RMRB Series C-2                         | 59,760,000                    | -                              | -                           | 2,310,000                         | 57,450,000                   | (4,760)                           |
| 2009 RMRB Series C-3                         | 72,660,000                    | -                              | -                           | 72,660,000                        | -                            | -                                 |
| 2009 RMRB Series C-4                         | -                             | 78,070,000                     | 150,000                     | 77,920,000                        | -                            | -                                 |
| 2011 RMRB Series A                           | 57,195,000                    | -                              | 2,235,000                   | 5,675,000                         | 49,285,000                   | 2,256,274                         |
| 2011 RMRB Series B                           | 86,820,000                    | -                              | 2,790,000                   | 3,305,000                         | 80,725,000                   | 2,895,066                         |
| 1992 Coll Home Mtg Rev Bonds, Series C       | 5,600,000                     | -                              | -                           | 1,200,000                         | 4,400,000                    | 5,876                             |
| <b>Total Single Family Bonds</b>             | <b>\$ 1,278,105,000</b>       | <b>\$ 42,500,000</b>           | <b>\$ 18,555,000</b>        | <b>\$ 403,070,000</b>             | <b>\$ 898,980,000</b>        | <b>\$ 14,608,744</b>              |
| 1996 MF Series A/B (Brighton's Mark)         | \$ 8,075,000                  | \$ -                           | \$ -                        | \$ -                              | \$ 8,075,000                 | \$ -                              |
| 1998 MF Series A (Pebble Brook)              | 8,780,000                     | -                              | 255,000                     | -                                 | 8,525,000                    | 275,000                           |
| 1998 MF Series A-C (Residence Oaks)          | 6,560,000                     | -                              | 202,000                     | -                                 | 6,358,000                    | -                                 |
| 1998 MF Series A/B (Greens of Hickory Trail) | 10,965,000                    | -                              | 335,000                     | -                                 | 10,630,000                   | 355,000                           |
| 1999 MF Series A-C (Mayfield)                | 9,230,000                     | -                              | 279,000                     | -                                 | 8,951,000                    | 294,000                           |
| 2000 MF Series A (Timber Point Apts)         | 6,970,000                     | -                              | -                           | 100,000                           | 6,870,000                    | -                                 |
| 2000 MF Series A/B (Oaks at Hampton)         | 9,308,358                     | -                              | 111,258                     | -                                 | 9,197,100                    | 119,538                           |
| 2000 MF Series A (Deerwood Apts)             | 5,545,000                     | -                              | 125,000                     | -                                 | 5,420,000                    | 135,000                           |
| 2000 MF Series A (Creek Point Apts)          | 5,960,000                     | -                              | -                           | 100,000                           | 5,860,000                    | -                                 |
| 2000 MF Series A/B (Parks @ Westmoreland)    | 9,269,993                     | -                              | 108,055                     | -                                 | 9,161,938                    | 116,097                           |
| 2000 MF Series A-C (Highland Meadow Apts)    | 7,867,000                     | -                              | 170,000                     | -                                 | 7,697,000                    | 182,000                           |
| 2000 MF Series A/B (Greenbridge)             | 19,474,075                    | -                              | -                           | -                                 | 19,474,075                   | 853,490                           |
| 2000 MF Series A-C (Collingham Park)         | 11,820,000                    | -                              | 274,000                     | -                                 | 11,546,000                   | 291,000                           |
| 2000 MF Series A/B (Williams Run)            | 12,341,443                    | -                              | 219,419                     | -                                 | 12,122,024                   | 487,039                           |
| 2001 MF Series A (Bluffview Senior Apts)     | 10,141,758                    | -                              | 86,671                      | -                                 | 10,055,087                   | 93,493                            |
| 2001 MF Series A (Knollwood Villas Apts)     | 13,032,633                    | -                              | 111,377                     | -                                 | 12,921,256                   | 120,142                           |
| 2001 MF Series A (Skyway Villas)             | 6,910,000                     | -                              | 150,000                     | -                                 | 6,760,000                    | 160,000                           |
| 2001 MF Series A (Greens Road Apts.)         | 7,375,000                     | -                              | 80,000                      | 7,295,000                         | -                            | -                                 |
| 2001 MF Series A/B (Meridian Apts.)          | 8,254,000                     | -                              | 84,000                      | -                                 | 8,170,000                    | 94,000                            |
| 2001 MF Series A/B (Wildwood Apts.)          | 6,385,000                     | -                              | 72,000                      | -                                 | 6,313,000                    | 72,000                            |
| 2001 MF Series A-C (Fallbrook Apts.)         | 13,061,000                    | -                              | 283,000                     | -                                 | 12,778,000                   | 302,000                           |
| 2001 MF Series A (Oak Hollow Apts.)          | 6,150,181                     | -                              | 56,590                      | -                                 | 6,093,591                    | 60,681                            |
| 2001 MF Series A/B (Hillside Apts.)          | 12,341,818                    | -                              | 63,729                      | -                                 | 12,278,089                   | 68,336                            |
| 2002 MF Series A (Millstone Apts.)           | 9,640,000                     | -                              | 105,000                     | 9,535,000                         | -                            | -                                 |
| 2002 MF Series A (Park Meadows Apts)         | 3,980,000                     | -                              | 85,000                      | -                                 | 3,895,000                    | 90,000                            |
| 2002 MF Series A (Clarkridge Villas Apts)    | 13,322,367                    | -                              | 114,832                     | -                                 | 13,207,535                   | 123,133                           |
| 2002 MF Series A (Hickory Trace Apts)        | 11,016,530                    | -                              | 94,341                      | -                                 | 10,922,189                   | 101,161                           |
| 2002 MF Series A (Green Crest Apts)          | 10,968,568                    | -                              | 93,930                      | -                                 | 10,874,638                   | 100,720                           |



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS -  
 Supplementary Bond Schedules  
 Schedule 1-B (Continued)  
 Supplementary Bond Schedules  
 CHANGES IN BOND INDEBTEDNESS  
 For the fiscal year ended August 31, 2013

| Description of Issue                         | Bonds<br>Outstanding<br>09/01/12 | Bonds<br>Issued and<br>Accretions | Bonds<br>Matured or<br>Retired | Bonds<br>Refunded or<br>Extinguished | Bonds<br>Outstanding<br>8/31/2013 | Amounts<br>Due Within<br>One Year |
|--|----------------------------------|-----------------------------------|--------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| 2002 MF Series A/B (Ironwood Crossing)       | \$ 16,415,003                    | \$ -                              | \$ 112,639.00                  | \$ -                                 | \$ 16,302,364                     | \$ 122,900                        |
| 2002 MF Series A (Woodway Village Apts)      | 6,970,000                        | -                                 | 140,000                        | 6,830,000                            | -                                 | -                                 |
| 2003 MF Series A/B (Reading Road)            | 11,150,000                       | -                                 | 30,000                         | 200,000                              | 10,920,000                        | 30,000                            |
| 2003 MF Series A/B (North Vista Apts)        | 11,820,000                       | -                                 | 250,000                        | -                                    | 11,570,000                        | 260,000                           |
| 2003 MF Series A/B (West Virginia Apts)      | 8,535,000                        | -                                 | 180,000                        | -                                    | 8,355,000                         | 190,000                           |
| 2003 MF Series A/B (Primrose Houston School) | 16,084,998                       | -                                 | 118,161                        | -                                    | 15,966,837                        | 128,120                           |
| 2003 MF Series A/B (Timber Oaks Apts)        | 12,759,850                       | -                                 | 90,760                         | -                                    | 12,669,090                        | 95,166                            |
| 2003 MF Series A/B (Ash Creek Apts)          | 15,807,447                       | -                                 | 119,212                        | -                                    | 15,688,235                        | 129,237                           |
| 2003 MF Series A/B (Peninsula Apts)          | 11,220,000                       | -                                 | 200,000                        | 20,000                               | 11,000,000                        | 205,000                           |
| 2003 MF Series A/B (Arlington Villas)        | 16,614,793                       | -                                 | 110,951                        | -                                    | 16,503,842                        | 120,219                           |
| 2003 MF Series A/B (Parkview Twnhms)         | 13,499,022                       | -                                 | 100,599                        | -                                    | 13,398,423                        | 105,483                           |
| 2003 MF Series A (NHP-Asmara) Refunding      | 19,155,000                       | -                                 | 480,000                        | -                                    | 18,675,000                        | 500,657                           |
| 2004 MF Series A/B (Timber Ridge)            | 6,470,705                        | -                                 | 48,399                         | -                                    | 6,422,306                         | 51,881                            |
| 2004 MF Series A/B (Century Park)            | 11,710,000                       | -                                 | 210,000                        | -                                    | 11,500,000                        | 230,000                           |
| 2004 MF Series A/B (Veterans Memorial)       | 6,859,981                        | -                                 | 51,873                         | -                                    | 6,808,108                         | 54,391                            |
| 2004 MF Series A (Rush Creek)                | 8,539,342                        | -                                 | 68,278                         | -                                    | 8,471,064                         | 72,996                            |
| 2004 MF Series A (Humble Park)               | 11,040,000                       | -                                 | 135,000                        | -                                    | 10,905,000                        | 145,000                           |
| 2004 MF Series A (Chisholm Trail)            | 11,200,000                       | -                                 | -                              | 200,000                              | 11,000,000                        | -                                 |
| 2004 MF Series A (Evergreen @ Plano)         | 14,281,487                       | -                                 | 110,408                        | -                                    | 14,171,079                        | 117,861                           |
| 2004 MF Series A (Montgomery Pines)          | 11,700,000                       | -                                 | -                              | 200,000                              | 11,500,000                        | -                                 |
| 2004 MF Series A (Bristol)                   | 11,900,000                       | -                                 | -                              | 200,000                              | 11,700,000                        | -                                 |
| 2004 MF Series A (Pinnacle)                  | 13,765,000                       | -                                 | -                              | 100,000                              | 13,665,000                        | -                                 |
| 2004 MF Series A (Tranquility Bay)           | 13,770,491                       | -                                 | 116,505                        | -                                    | 13,653,986                        | 124,307                           |
| 2004 MF Series A (Churchill @ Pinnacle)      | 9,710,461                        | -                                 | 93,063                         | -                                    | 9,617,398                         | 99,345                            |
| 2004 MF Series A (Village Fair)              | 13,594,016                       | -                                 | 110,227                        | -                                    | 13,483,789                        | 117,609                           |
| 2005 MF Series A (Pecan Grove)               | 13,535,351                       | -                                 | 89,966                         | -                                    | 13,445,385                        | 135,518                           |
| 2005 MF Series A (Prairie Oaks)              | 10,660,419                       | -                                 | 85,918                         | -                                    | 10,574,501                        | 91,672                            |
| 2005 MF Series A (Port Royal)                | 11,777,503                       | -                                 | 94,349                         | -                                    | 11,683,154                        | 100,668                           |
| 2005 MF Series A (Del Rio)                   | 11,092,105                       | -                                 | 58,591                         | -                                    | 11,033,514                        | 125,093                           |
| 2005 MF Series A (Atascocita Pines)          | 11,400,000                       | -                                 | -                              | 210,000                              | 11,190,000                        | -                                 |
| 2005 MF Series A (Tower Ridge)               | 15,000,000                       | -                                 | -                              | -                                    | 15,000,000                        | -                                 |
| 2005 MF Series A (Prairie Ranch)             | 11,550,000                       | -                                 | 140,000                        | -                                    | 11,410,000                        | 150,000                           |
| 2005 MF Series A (St Augustine)              | 6,280,000                        | -                                 | -                              | 100,000                              | 6,180,000                         | -                                 |
| 2005 MF Series A (Park Manor)                | 10,400,000                       | -                                 | -                              | -                                    | 10,400,000                        | -                                 |
| 2005 MF Series A (Mockingbird)               | 13,904,337                       | -                                 | 83,994                         | 2,895,443                            | 10,924,900                        | 83,412                            |
| 2005 MF Series A (Chase Oaks)                | 13,112,244                       | -                                 | 267,156                        | -                                    | 12,845,088                        | 280,964                           |
| 2005 MF Series A/B (Canal Place)             | 15,582,950                       | -                                 | 31,274                         | 15,551,676                           | -                                 | -                                 |
| 2005 MF Series A (Coral Hills)               | 4,750,000                        | -                                 | 35,000                         | 50,000                               | 4,665,000                         | 65,000                            |
| 2006 MF Series A (Harris Branch)             | 14,290,000                       | -                                 | -                              | 300,000                              | 13,990,000                        | -                                 |
| 2006 MF Series A (Bella Vista)               | 6,600,000                        | -                                 | 55,000                         | -                                    | 6,545,000                         | 55,000                            |
| 2006 MF Series A (Village Park)              | 10,110,000                       | -                                 | 170,000                        | -                                    | 9,940,000                         | 175,000                           |
| 2006 MF Series A (Oakmoor)                   | 14,119,607                       | -                                 | 112,937                        | -                                    | 14,006,670                        | 119,903                           |
| 2006 MF Series A (Sunset Pointe)             | 15,000,000                       | -                                 | -                              | -                                    | 15,000,000                        | -                                 |
| 2006 MF Series A (Hillcrest)                 | 10,690,000                       | -                                 | 160,000                        | -                                    | 10,530,000                        | 170,000                           |
| 2006 MF Series A (Pleasant Village)          | 5,645,793                        | -                                 | 62,784                         | -                                    | 5,583,009                         | 132,523                           |
| 2006 MF Series A (Grove Village)             | 5,815,167                        | -                                 | 64,667                         | -                                    | 5,750,500                         | 136,498                           |
| 2006 MF Series A (Red Hills Villas)          | 4,815,000                        | -                                 | -                              | 100,000                              | 4,715,000                         | -                                 |
| 2006 MF Series A (Champion Crossing)         | 4,780,000                        | -                                 | -                              | 105,000                              | 4,675,000                         | -                                 |
| 2006 MF Series A (Stonehaven)                | 10,992,314                       | -                                 | 110,144                        | -                                    | 924,500                           | 9,957,670                         |
| 2006 MF Series A (Center Ridge)              | 8,325,000                        | -                                 | -                              | 8,325,000                            | -                                 | -                                 |
| 2006 MF Series A (Meadowlands)               | 12,157,419                       | -                                 | 92,448                         | -                                    | 12,064,971                        | 98,150                            |
| 2006 MF Series A (East Tex Pines)            | 13,325,000                       | -                                 | 105,000                        | -                                    | 13,220,000                        | 110,000                           |
| 2006 MF Series A (Villas at Henderson)       | 6,925,000                        | -                                 | -                              | 100,000                              | 6,825,000                         | -                                 |
| 2006 MF Series A (Aspen Park Apts)           | 9,455,000                        | -                                 | 110,000                        | -                                    | 9,345,000                         | 110,000                           |
| 2006 MF Series A (Idlewilde Apts)            | 13,830,000                       | -                                 | -                              | 105,000                              | 13,725,000                        | -                                 |
| 2007 MF Series A (Lancaster Apts)            | 13,830,000                       | -                                 | -                              | 120,000                              | 13,710,000                        | -                                 |
| 2007 MF Series A (Park Place)                | 14,150,000                       | -                                 | 84,522                         | -                                    | 14,065,478                        | 97,465                            |
| 2007 MF Series A (Terrace at Cibolo)         | 5,000,000                        | -                                 | -                              | -                                    | 5,000,000                         | -                                 |
| 2007 MF Series A (Santora Villas)            | 12,026,556                       | -                                 | 81,564                         | -                                    | 11,944,992                        | 86,422                            |
| 2007 MF Series A (Villas @ Mesquite Creek)   | 16,330,000                       | -                                 | 175,000                        | -                                    | 16,155,000                        | 185,000                           |
| 2007 MF Series A (Summit Point)              | 9,270,000                        | -                                 | 100,000                        | -                                    | 9,170,000                         | 100,000                           |
| 2007 MF Series A (Costa Rialto)              | 10,551,219                       | -                                 | 80,355                         | -                                    | 10,470,864                        | 84,761                            |
| 2007 MF Series A (Windshire)                 | 13,700,000                       | -                                 | -                              | 100,000                              | 13,600,000                        | -                                 |
| 2007 MF Series A (Residences @ Onion Creek)  | 15,000,000                       | -                                 | -                              | -                                    | 15,000,000                        | -                                 |
| 2008 MF Series A (West Oaks)                 | 12,635,000                       | -                                 | -                              | 110,000                              | 12,525,000                        | -                                 |
| 2008 MF Series A (Costa Ibiza)               | 13,450,000                       | -                                 | -                              | 130,000                              | 13,320,000                        | -                                 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS -

Supplementary Bond Schedules

Schedule 1-B (Continued)

Supplementary Bond Schedules

CHANGES IN BOND INDEBTEDNESS

For the fiscal year ended August 31, 2013

| Description of Issue                         | Bonds<br>Outstanding<br>09/01/12 | Bonds<br>Issued and<br>Accretions | Bonds<br>Matured or<br>Retired | Bonds<br>Refunded or<br>Extinguished | Bonds<br>Outstanding<br>8/31/2013 | Amounts<br>Due Within<br>One Year |
|--|----------------------------------|-----------------------------------|--------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| 2008 MF Series A (Addison Park)              | \$ 13,435,000                    | \$                                | \$                             | \$ 230,000                           | \$ 13,205,000                     | \$ -                              |
| 2008 MF Series A (Alta Cullen Apartments)    | 12,500,000                       |                                   | -                              | 100,000                              | 12,400,000                        | -                                 |
| 2009 MF Series A (Costa Mariposa Apartments) | 13,690,000                       |                                   | -                              | 110,000                              | 13,580,000                        | -                                 |
| 2009 MF Series A (Woodmont Apartments)       | 15,000,000                       |                                   |                                | 120,000                              | 14,880,000                        | -                                 |
| <b>Total Multifamily Bonds</b>               | <b>\$ 1,075,805,305</b>          | <b>\$</b>                         | <b>\$ 8,885,946</b>            | <b>\$ 54,566,619</b>                 | <b>\$ 1,012,352,740</b>           | <b>\$ 10,240,824</b>              |
|  | <b>\$ 2,353,910,305</b>          | <b>\$ 42,500,000</b>              | <b>\$ 27,440,946</b>           | <b>\$ 457,636,619</b>                | <b>\$ 1,911,332,740</b>           | <b>\$ 24,849,568</b>              |

FOOTNOTES:

(a) Bonds Outstanding balance at 8/31/13 does not include unamortized premium or discounts.

|  |                         |
|--|-------------------------|
| Bonds Outstanding per schedule                 | \$ 1,911,332,740        |
| Unamortized (Discount)/Premium:                |                         |
| Single Family                                  | 3,212,866               |
| RMRB   | 2,729,407               |
| CHMRB  | 63,683                  |
| Multi-Family                                   | (185,307)               |
| Unamortized Deferred Gain/(Loss) on Refunding: |                         |
| Single Family                                  | (788,127)               |
| RMRB   | (344,639)               |
| <b>Bonds Outstanding</b>                       | <b>\$ 1,916,020,623</b> |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)  
 Supplementary Bond Schedules  
 Schedule 1-C  
 DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)  
 August 31, 2013

| DESCRIPTION                                    |           | 2014       | 2015       | 2016       | 2017       | 2018       |
|--|-----------|------------|------------|------------|------------|------------|
| 2004 Single Family, Series A                   | Principal | 1,705,000  | 1,025,000  | 865,000    | 865,000    | 865,000    |
| 2004 Single Family, Series A                   | Interest  | 1,332,790  | 1,272,552  | 1,232,602  | 1,195,734  | 1,159,077  |
| 2004 Single Family, Series A (Junior Lien)     | Principal | -          | -          | -          | -          | -          |
| 2004 Single Family, Series A (Junior Lien)     | Interest  | 6,168      | 5,397      | 5,409      | 5,385      | 5,397      |
| 2004 Single Family, Series B                   | Principal | -          | 895,000    | 1,840,000  | 1,905,000  | 1,980,000  |
| 2004 Single Family, Series B                   | Interest  | 48,571     | 37,100     | 36,240     | 34,778     | 33,512     |
| 2004 Single Family, Series C                   | Principal | -          | 150,000    | 150,000    | 145,000    | 145,000    |
| 2004 Single Family, Series C                   | Interest  | 236,517    | 234,905    | 228,455    | 222,005    | 215,878    |
| 2004 Single Family, Series D                   | Principal | -          | 1,125,000  | 1,185,000  | 1,245,000  | 1,315,000  |
| 2004 Single Family, Series D                   | Interest  | 33,178     | 24,307     | 23,563     | 22,618     | 21,786     |
| 2004 Single Family, Series E                   | Principal | 270,000    | 30,000     | 30,000     | 35,000     | 40,000     |
| 2004 Single Family, Series E                   | Interest  | 15,985     | 7,203      | 5,913      | 4,623      | 3,010      |
| 2005 Single Family, Series A                   | Principal | -          | -          | -          | -          | -          |
| 2005 Single Family, Series A                   | Interest  | 66,999     | 51,750     | 51,868     | 51,631     | 51,750     |
| 2005 Single Family, Series B                   | Principal | 400,000    | 400,000    | 435,000    | 485,000    | 490,000    |
| 2005 Single Family, Series B                   | Interest  | 303,502    | 286,003    | 268,066    | 246,230    | 222,950    |
| 2005 Single Family, Series C                   | Principal | -          | -          | -          | -          | 3,825,000  |
| 2005 Single Family, Series C                   | Interest  | 6,294      | 5,355      | 5,367      | 5,343      | 2,700      |
| 2005 Single Family, Series D                   | Principal | -          | -          | -          | -          | -          |
| 2005 Single Family, Series D                   | Interest  | 141,750    | 141,750    | 141,750    | 141,750    | 141,750    |
| 2006 Single Family, Series A                   | Principal | 370,000    | 365,000    | 375,000    | 400,000    | 405,000    |
| 2006 Single Family, Series A                   | Interest  | 1,321,375  | 1,302,875  | 1,284,625  | 1,265,500  | 1,245,500  |
| 2006 Single Family, Series B                   | Principal | 880,000    | 910,000    | 940,000    | 985,000    | 1,045,000  |
| 2006 Single Family, Series B                   | Interest  | 1,432,250  | 1,388,000  | 1,342,000  | 1,294,750  | 1,244,625  |
| 2006 Single Family, Series C                   | Principal | 940,000    | 995,000    | 1,050,000  | 1,105,000  | 1,165,000  |
| 2006 Single Family, Series C                   | Interest  | 2,299,459  | 2,250,644  | 2,198,881  | 2,144,428  | 2,087,156  |
| 2006 Single Family, Series D                   | Principal | -          | -          | -          | -          | 315,000    |
| 2006 Single Family, Series D                   | Interest  | 446,860    | 446,860    | 446,860    | 446,860    | 446,860    |
| 2006 Single Family, Series E                   | Principal | 1,545,000  | 1,605,000  | 1,675,000  | 1,755,000  | 1,830,000  |
| 2006 Single Family, Series E                   | Interest  | 325,066    | 260,476    | 191,579    | 118,253    | 40,260     |
| 2006 Single Family, Series F                   | Principal | 120,000    | 135,000    | 140,000    | 140,000    | 145,000    |
| 2006 Single Family, Series F                   | Interest  | 1,020,263  | 1,013,219  | 1,005,312  | 997,262    | 989,212    |
| 2006 Single Family, Series G                   | Principal | 520,000    | 555,000    | 455,000    | 340,000    | 360,000    |
| 2006 Single Family, Series G                   | Interest  | 111,002    | 88,382     | 63,654     | 46,530     | 30,590     |
| 2006 Single Family, Series H                   | Principal | -          | -          | 410,000    | 860,000    | 910,000    |
| 2006 Single Family, Series H                   | Interest  | 32,992     | 25,200     | 25,258     | 24,709     | 24,155     |
| 2007 Single Family, Series A                   | Principal | -          | -          | -          | -          | -          |
| 2007 Single Family, Series A                   | Interest  | 91,702     | 70,830     | 70,992     | 70,668     | 70,830     |
| 2007 Single Family, Series B                   | Principal | 1,170,000  | 1,245,000  | 1,310,000  | 1,365,000  | 2,020,000  |
| 2007 Single Family, Series B                   | Interest  | 4,105,874  | 4,050,817  | 3,990,678  | 3,926,446  | 3,858,661  |
| 2013 Single Family, Series A                   | Principal | -          | -          | -          | -          | -          |
| 2013 Single Family, Series A                   | Interest  | 884,687    | 1,166,620  | 1,166,620  | 1,166,620  | 1,166,620  |
| TOTAL SINGLE FAMILY BONDS                      |           | 22,183,284 | 23,565,245 | 24,645,692 | 25,062,123 | 29,917,279 |
| 2009 Residential Mtg Revenue Bonds, Series A   | Principal | 375,000    | 380,000    | 380,000    | 380,000    | 390,000    |
| 2009 Residential Mtg Revenue Bonds, Series A   | Interest  | 2,117,514  | 2,106,824  | 2,094,830  | 2,081,459  | 2,066,826  |
| 2009 Residential Mtg Revenue Bonds, Series B   | Principal | 1,050,000  | 1,115,000  | 1,130,000  | 1,225,000  | 1,435,000  |
| 2009 Residential Mtg Revenue Bonds, Series B   | Interest  | 625,173    | 576,413    | 522,413    | 469,120    | 408,195    |
| 2009 Residential Mtg Revenue Bonds, Series C-1 | Principal | -          | -          | -          | -          | -          |
| 2009 Residential Mtg Revenue Bonds, Series C-1 | Interest  | 2,281,888  | 2,281,888  | 2,281,888  | 2,281,888  | 2,281,888  |
| 2009 Residential Mtg Revenue Bonds, Series C-2 | Principal | -          | -          | -          | -          | -          |
| 2009 Residential Mtg Revenue Bonds, Series C-2 | Interest  | 1,424,760  | 1,424,760  | 1,424,760  | 1,424,760  | 1,424,760  |
| 2011 Residential Mtg Revenue Bonds, Series A   | Principal | 2,210,000  | 2,260,000  | 2,330,000  | 2,435,000  | 2,555,000  |
| 2011 Residential Mtg Revenue Bonds, Series A   | Interest  | 2,113,652  | 2,069,393  | 2,012,196  | 1,943,274  | 1,863,186  |
| 2011 Residential Mtg Revenue Bonds, Series B   | Principal | 2,810,000  | 2,865,000  | 2,920,000  | 3,000,000  | 3,065,000  |
| 2011 Residential Mtg Revenue Bonds, Series B   | Interest  | 2,924,640  | 2,892,868  | 2,851,115  | 2,794,118  | 2,724,745  |
| TOTAL RESIDENTIAL MTG REVENUE BONDS            |           | 17,932,627 | 17,972,146 | 17,947,202 | 18,034,619 | 18,214,600 |

| 2019-23     | 2024-28     | 2029-33     | 2034-38     | 2039-43    | 2044-48 | TOTAL<br>REQUIRED |
|-------------|-------------|-------------|-------------|------------|---------|-------------------|
| 5,065,000   | 6,180,000   | 7,210,000   | 5,805,000   | -          | -       | 29,585,000        |
| 5,148,036   | 3,898,968   | 2,307,702   | 488,331     | -          | -       | 18,035,792        |
| -           | -           | -           | 3,855,000   | -          | -       | 3,855,000         |
| 26,985      | 26,997      | 26,973      | 18,917      | -          | -       | 127,628           |
| 11,110,000  | 13,420,000  | 16,305,000  | 5,545,000   | -          | -       | 53,000,000        |
| 145,448     | 103,118     | 51,702      | 3,912       | -          | -       | 494,381           |
| 1,085,000   | 1,175,000   | 1,350,000   | 900,000     | -          | -       | 5,100,000         |
| 955,538     | 690,839     | 405,167     | 73,321      | -          | -       | 3,262,625         |
| 7,730,000   | 8,130,000   | 9,615,000   | 4,655,000   | -          | -       | 35,000,000        |
| 93,892      | 65,245      | 35,564      | 4,137       | -          | -       | 324,290           |
| 40,000      | -           | -           | -           | -          | -       | 445,000           |
| 1,289       | -           | -           | -           | -          | -       | 38,023            |
| -           | 16,550,000  | 22,420,000  | 18,530,000  | -          | -       | 57,500,000        |
| 258,749     | 230,432     | 140,472     | 34,053      | -          | -       | 937,704           |
| 2,740,000   | 1,475,000   | -           | -           | -          | -       | 6,425,000         |
| 746,148     | 106,698     | -           | -           | -          | -       | 2,179,597         |
| -           | -           | -           | -           | -          | -       | 3,825,000         |
| -           | -           | -           | -           | -          | -       | 25,059            |
| -           | 1,660,000   | 775,000     | 400,000     | -          | -       | 2,835,000         |
| 708,750     | 600,125     | 208,125     | 29,993      | -          | -       | 2,255,743         |
| 2,600,000   | 3,365,000   | 4,535,000   | 14,105,000  | -          | -       | 26,520,000        |
| 5,872,750   | 5,142,500   | 4,180,875   | 1,963,375   | -          | -       | 23,579,375        |
| 5,845,000   | 7,435,000   | 9,150,000   | 1,675,000   | -          | -       | 28,865,000        |
| 5,397,500   | 3,766,125   | 1,708,000   | 71,125      | -          | -       | 17,644,375        |
| 6,820,000   | 8,835,000   | 11,280,000  | 12,910,000  | -          | -       | 45,100,000        |
| 9,463,183   | 7,488,393   | 4,960,102   | 1,709,703   | -          | -       | 34,601,949        |
| 3,435,000   | 4,155,000   | 1,605,000   | -           | -          | -       | 9,510,000         |
| 1,818,862   | 939,209     | 39,727      | -           | -          | -       | 5,032,098         |
| -           | -           | -           | -           | -          | -       | 8,410,000         |
| -           | -           | -           | -           | -          | -       | 935,634           |
| 2,570,000   | 4,045,000   | 5,355,000   | 7,335,000   | -          | -       | 19,985,000        |
| 4,677,330   | 3,825,275   | 2,654,819   | 1,074,276   | -          | -       | 17,256,968        |
| 395,000     | -           | -           | -           | -          | -       | 2,625,000         |
| 15,065      | -           | -           | -           | -          | -       | 355,223           |
| 5,450,000   | 7,290,000   | 9,750,000   | 11,330,000  | -          | -       | 36,000,000        |
| 110,258     | 88,472      | 59,217      | 20,300      | -          | -       | 410,561           |
| -           | 20,190,000  | 27,980,000  | 29,930,000  | 600,000    | -       | 78,700,000        |
| 354,150     | 330,550     | 202,749     | 76,695      | 272        | -       | 1,339,438         |
| 8,490,000   | 11,085,000  | 15,130,000  | 26,965,000  | 10,370,000 | -       | 79,150,000        |
| 18,000,906  | 15,496,979  | 12,178,352  | 6,766,256   | 566,230    | -       | 72,941,199        |
| -           | -           | -           | 41,665,000  | -          | -       | 41,665,000        |
| 5,833,100   | 5,833,100   | 5,833,100   | 3,499,859   | -          | -       | 26,550,326        |
| 123,002,939 | 163,623,025 | 177,452,646 | 201,439,253 | 11,536,502 | -       | 802,427,988       |
| 1,990,000   | 9,170,000   | 9,935,000   | 10,855,000  | 6,945,000  | -       | 40,800,000        |
| 10,188,873  | 8,802,426   | 6,222,897   | 3,576,076   | 345,495    | -       | 39,603,220        |
| 6,895,000   | -           | -           | -           | -          | -       | 12,850,000        |
| 860,809     | -           | -           | -           | -          | -       | 3,462,123         |
| -           | -           | 23,145,000  | 33,900,000  | 22,325,000 | -       | 79,370,000        |
| 11,409,440  | 11,409,440  | 10,198,417  | 5,984,673   | 1,068,271  | -       | 51,479,681        |
| -           | -           | -           | 30,400,000  | 27,050,000 | -       | 57,450,000        |
| 7,123,800   | 7,123,800   | 7,123,800   | 5,662,584   | 1,301,628  | -       | 35,459,412        |
| 15,080,000  | 19,270,000  | 3,145,000   | -           | -          | -       | 49,285,000        |
| 7,629,349   | 3,492,141   | 103,998     | -           | -          | -       | 21,227,189        |
| 17,150,000  | 21,425,000  | 24,820,000  | 2,670,000   | -          | -       | 80,725,000        |
| 12,162,695  | 8,523,841   | 3,528,835   | 56,739      | -          | -       | 38,459,396        |
| 90,489,966  | 89,216,648  | 88,222,947  | 93,105,072  | 59,035,394 | -       | 510,171,221       |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)  
**Supplementary Bond Schedules**  
**Schedule 1-C (Continued)**  
**DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)**  
**August 31, 2013**

| DESCRIPTION                                  |           | 2014       | 2015       | 2016       | 2017       | 2018       |
|--|-----------|------------|------------|------------|------------|------------|
| 1992 Coll Home Mtg Rev Bonds, Series C       | Principal | -          | -          | -          | -          | -          |
| 1992 Coll Home Mtg Rev Bonds, Series C       | Interest  | 320,220    | 291,109    | 320,220    | 291,109    | 320,220    |
| TOTAL COLL HOME MTG REV BONDS                |           | 320,220    | 291,109    | 320,220    | 291,109    | 320,220    |
| 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 (Pebble Brook)              | Principal | 275,000    | 295,000    | 315,000    | 335,000    | 350,000    |
| 1998 MF Series A (Pebble Brook)              | Interest  | 470,565    | 455,165    | 438,665    | 421,065    | 402,365    |
| 1998 MF Series A/B (Greens of Hickory Trial) | Principal | 355,000    | 370,000    | 395,000    | 425,000    | 455,000    |
| 1998 MF Series A/B (Greens of Hickory Trial) | Interest  | 552,540    | 533,820    | 514,190    | 493,260    | 470,900    |
| 1998 MF Series A-C (Residence Oaks)          | Principal | -          | -          | -          | -          | -          |
| 1998 MF Series A-C (Residence Oaks)          | Interest  | 381,108    | 381,108    | 381,108    | 381,108    | 381,108    |
| 1999 MF Series A-C (Mayfield)                | Principal | 294,000    | 312,000    | 329,000    | 349,000    | 369,000    |
| 1999 MF Series A-C (Mayfield)                | Interest  | 506,075    | 489,060    | 471,048    | 452,010    | 429,866    |
| 2000 MF Series A (Creek Point Apts)          | Principal | -          | -          | -          | -          | -          |
| 2000 MF Series A (Creek Point Apts)          | Interest  | 6,326      | 6,446      | 6,453      | 6,439      | 6,446      |
| 2000 MF Series A (Deerwood Apts)             | Principal | 135,000.00 | 145,000.00 | 155,000.00 | 170,000.00 | 180,000.00 |
| 2000 MF Series A (Deerwood Apts)             | Interest  | 314,687    | 334,833    | 325,540    | 315,618    | 304,750    |
| 2000 MF Series A/B (Oaks at Hampton)         | Principal | 119,538    | 128,436    | 137,994    | 148,265    | 159,298    |
| 2000 MF Series A/B (Oaks at Hampton)         | Interest  | 658,296    | 649,399    | 639,841    | 629,570    | 618,536    |
| 2000 MF Series A (Timber Point Apts)         | Principal | -          | -          | -          | -          | -          |
| 2000 MF Series A (Timber Point Apts)         | Interest  | 6,117      | 6,183      | 6,190      | 6,176      | 6,183      |
| 2000 MF Series A/B (Greenbridge)             | Principal | 853,490    | 198,368    | 213,555    | 229,906    | 247,508    |
| 2000 MF Series A/B (Greenbridge)             | Interest  | 1,449,925  | 1,371,284  | 1,356,097  | 1,339,747  | 1,322,145  |
| 2000 MF Series A/B (Parks @ Westmoreland)    | Principal | 116,097    | 124,738    | 134,023    | 143,995    | 154,715    |
| 2000 MF Series A/B (Parks @ Westmoreland)    | Interest  | 655,878    | 647,237    | 637,954    | 627,979    | 617,262    |
| 2000 MF Series A/B (Williams Run)            | Principal | 487,039    | 144,011    | 155,422    | 167,738    | 181,029    |
| 2000 MF Series A/B (Williams Run)            | Interest  | 895,670    | 885,096    | 873,685    | 861,369    | 848,078    |
| 2000 MF Series A-C (Collingham Park)         | Principal | 291,000    | 308,000    | 327,000    | 348,000    | 370,000    |
| 2000 MF Series A-C (Collingham Park)         | Interest  | 771,053    | 751,229    | 730,229    | 707,918    | 684,163    |
| 2000 MF Series A-C (Highland Meadow Apts)    | Principal | 182,000    | 194,000    | 207,000    | 221,000    | 237,000    |
| 2000 MF Series A-C (Highland Meadow Apts)    | Interest  | 516,511    | 504,024    | 490,726    | 476,517    | 461,330    |
| 2001 MF Series A (Bluffview Senior Apts)     | Principal | 93,493     | 100,851    | 108,788    | 117,350    | 126,586    |
| 2001 MF Series A (Bluffview Senior Apts)     | Interest  | 760,975    | 753,617    | 745,680    | 737,117    | 727,882    |
| 2001 MF Series A (Knollwood Villas Apts)     | Principal | 120,142    | 129,598    | 139,798    | 150,801    | 162,669    |
| 2001 MF Series A (Knollwood Villas Apts)     | Interest  | 977,887    | 968,432    | 958,232    | 947,229    | 935,361    |
| 2001 MF Series A (Oak Hollow Apts.)          | Principal | 60,681     | 65,068     | 69,771     | 74,815     | 80,224     |
| 2001 MF Series A (Oak Hollow Apts.)          | Interest  | 424,629    | 420,243    | 415,539    | 410,495    | 405,086    |
| 2001 MF Series A (Skyway Villas)             | Principal | 160,000    | 170,000    | 180,000    | 195,000    | 205,000    |
| 2001 MF Series A (Skyway Villas)             | Interest  | 376,933    | 367,924    | 358,369    | 348,257    | 337,290    |
| 2001 MF Series A/B (Hillside Apts.)          | Principal | 68,336     | 73,276     | 78,573     | 84,253     | 90,344     |
| 2001 MF Series A/B (Hillside Apts.)          | Interest  | 857,302    | 852,362    | 847,065    | 841,385    | 835,294    |
| 2001 MF Series A/B (Meridian Apts.)          | Principal | 94,000     | 96,000     | 105,000    | 108,000    | 119,000    |
| 2001 MF Series A/B (Meridian Apts.)          | Interest  | 487,665    | 481,920    | 475,980    | 469,530    | 462,775    |
| 2001 MF Series A/B (Wildwood Apts.)          | Principal | 72,000     | 81,000     | 84,000     | 89,000     | 96,000     |
| 2001 MF Series A/B (Wildwood Apts.)          | Interest  | 376,800    | 372,300    | 367,290    | 362,200    | 356,580    |
| 2001 MF Series A-C (Fallbrook Apts.)         | Principal | 302,000    | 320,000    | 339,000    | 360,000    | 383,000    |
| 2001 MF Series A-C (Fallbrook Apts.)         | Interest  | 769,832    | 751,289    | 731,594    | 710,717    | 688,568    |
| 2002 MF Series A (Clarkridge Villas Apts)    | Principal | 123,133    | 132,034    | 141,579    | 151,814    | 162,788    |
| 2002 MF Series A (Clarkridge Villas Apts)    | Interest  | 920,627    | 911,726    | 902,181    | 891,946    | 880,972    |
| 2002 MF Series A (Green Crest Apts)          | Principal | 100,720    | 108,001    | 115,809    | 124,180    | 133,157    |
| 2002 MF Series A (Green Crest Apts)          | Interest  | 758,033    | 750,752    | 742,945    | 734,573    | 725,596    |
| 2002 MF Series A (Hickory Trace Apts)        | Principal | 101,161    | 108,473    | 116,315    | 124,723    | 133,740    |
| 2002 MF Series A (Hickory Trace Apts)        | Interest  | 761,347    | 754,034    | 746,193    | 737,784    | 728,768    |
| 2002 MF Series A (Park Meadows Apts)         | Principal | 90,000     | 95,000     | 105,000    | 105,000    | 120,000    |
| 2002 MF Series A (Park Meadows Apts)         | Interest  | 252,874    | 246,997    | 240,631    | 233,611    | 226,591    |
| 2002 MF Series A/B (Ironwood Crossing)       | Principal | 122,900    | 134,096    | 146,311    | 159,639    | 174,182    |
| 2002 MF Series A/B (Ironwood Crossing)       | Interest  | 1,159,106  | 1,147,910  | 1,135,695  | 1,122,366  | 1,107,824  |
| 2003 MF Series A/B (Ash Creek Apts)          | Principal | 129,237    | 140,101    | 151,881    | 164,649    | 178,399    |
| 2003 MF Series A/B (Ash Creek Apts)          | Interest  | 1,040,389  | 1,029,693  | 1,018,024  | 1,005,412  | 991,916    |

| 2019-23   | 2024-28   | 2029-33   | 2034-38    | 2039-43   | 2044-48 | TOTAL<br>REQUIRED |
|-----------|-----------|-----------|------------|-----------|---------|-------------------|
| -         | 4,400,000 | -         | -          | -         | -       | 4,400,000         |
| 1,513,767 | 259,508   | -         | -          | -         | -       | 3,316,153         |
| 1,513,767 | 4,659,508 | -         | -          | -         | -       | 7,716,153         |
| -         | 8,075,000 | -         | -          | -         | -       | 8,075,000         |
| 2,474,990 | 1,484,987 | -         | -          | -         | -       | 6,434,967         |
| 2,145,000 | 2,950,000 | 1,860,000 | -          | -         | -       | 8,525,000         |
| 1,688,212 | 997,528   | 159,179   | -          | -         | -       | 5,032,744         |
| 2,710,000 | 3,650,000 | 2,270,000 | -          | -         | -       | 10,630,000        |
| 1,963,574 | 1,146,863 | 182,046   | -          | -         | -       | 5,857,193         |
| -         | -         | 6,358,000 | -          | -         | -       | 6,358,000         |
| 1,905,540 | 1,905,540 | 857,499   | -          | -         | -       | 6,574,119         |
| 2,196,000 | 2,914,000 | 2,188,000 | -          | -         | -       | 8,951,000         |
| 1,812,858 | 1,099,846 | 223,406   | -          | -         | -       | 5,484,169         |
| -         | -         | 5,860,000 | -          | -         | -       | 5,860,000         |
| 32,230    | 32,237    | 26,859    | -          | -         | -       | 123,436           |
| 1,105,000 | 1,565,000 | 1,965,000 | -          | -         | -       | 5,420,000         |
| 1,333,421 | 918,720   | 328,798   | -          | -         | -       | 4,176,367         |
| 992,987   | 1,421,750 | 2,035,643 | 2,914,605  | 1,138,584 | -       | 9,197,100         |
| 2,896,188 | 2,467,428 | 1,853,536 | 974,570    | 68,228    | -       | 11,455,592        |
| -         | -         | 6,870,000 | -          | -         | -       | 6,870,000         |
| 30,915    | 30,922    | 25,256    | -          | -         | -       | 117,942           |
| 1,552,518 | 2,245,084 | 3,246,594 | 4,694,870  | 5,992,182 | -       | 19,474,075        |
| 6,295,743 | 5,603,179 | 4,601,668 | 3,153,393  | 763,031   | -       | 27,256,212        |
| 964,404   | 1,380,825 | 1,977,049 | 2,829,710  | 1,336,382 | -       | 9,161,938         |
| 2,895,471 | 2,479,050 | 1,882,827 | 1,029,378  | 95,227    | -       | 11,568,263        |
| 1,144,447 | 1,675,662 | 2,453,447 | 3,592,253  | 2,120,976 | -       | 12,122,024        |
| 4,001,089 | 3,469,875 | 2,692,088 | 1,553,282  | 194,509   | -       | 16,274,741        |
| 2,226,000 | 3,037,000 | 4,161,000 | 478,000    | -         | -       | 11,546,000        |
| 3,009,485 | 2,146,435 | 965,732   | 16,060     | -         | -       | 9,782,304         |
| 1,456,000 | 2,030,000 | 2,831,000 | 339,000    | -         | -       | 7,697,000         |
| 2,038,842 | 1,465,394 | 665,922   | 11,441     | -         | -       | 6,630,707         |
| 799,011   | 1,166,982 | 1,704,417 | 2,489,358  | 3,348,251 | -       | 10,055,087        |
| 3,473,328 | 3,105,357 | 2,567,921 | 1,782,977  | 521,102   | -       | 15,175,956        |
| 1,026,767 | 1,499,627 | 2,190,255 | 3,198,941  | 4,302,658 | -       | 12,921,256        |
| 4,463,381 | 3,990,522 | 3,299,896 | 2,291,210  | 669,642   | -       | 19,501,792        |
| 496,962   | 704,504   | 998,724   | 1,415,818  | 2,127,024 | -       | 6,093,591         |
| 1,929,588 | 1,722,046 | 1,427,828 | 1,010,735  | 358,793   | -       | 8,524,982         |
| 1,210,000 | 1,640,000 | 2,200,000 | 800,000    | -         | -       | 6,760,000         |
| 1,500,409 | 1,110,413 | 581,739   | 45,354     | -         | -       | 5,026,688         |
| 559,654   | 793,380   | 1,124,715 | 1,594,425  | 7,811,133 | -       | 12,278,089        |
| 4,068,537 | 3,834,810 | 3,503,473 | 3,033,763  | 1,667,740 | -       | 20,341,731        |
| 776,000   | 993,000   | 5,879,000 | -          | -         | -       | 8,170,000         |
| 2,185,799 | 1,923,731 | 623,596   | 227        | -         | -       | 7,111,223         |
| 571,000   | 770,000   | 4,545,000 | 5,000      | -         | -       | 6,313,000         |
| 1,687,515 | 1,488,395 | 225,375   | 400        | -         | -       | 5,236,855         |
| 2,296,000 | 3,095,000 | 4,170,000 | 1,513,000  | -         | -       | 12,778,000        |
| 3,059,512 | 2,260,835 | 1,184,427 | 92,595     | -         | -       | 10,249,369        |
| 1,008,425 | 1,429,568 | 2,026,592 | 2,872,950  | 5,158,652 | -       | 13,207,535        |
| 4,210,375 | 3,789,229 | 3,192,204 | 2,345,849  | 1,046,073 | -       | 19,091,182        |
| 824,869   | 1,169,357 | 1,657,710 | 2,350,012  | 4,290,823 | -       | 10,874,638        |
| 3,468,900 | 3,124,414 | 2,636,060 | 1,943,758  | 895,013   | -       | 15,780,044        |
| 828,951   | 1,174,471 | 1,664,958 | 2,360,288  | 4,309,109 | -       | 10,922,189        |
| 3,484,041 | 3,137,907 | 2,647,418 | 1,952,090  | 898,787   | -       | 15,848,369        |
| 715,000   | 980,000   | 1,360,000 | 325,000    | -         | -       | 3,895,000         |
| 1,004,967 | 734,462   | 361,763   | 15,999     | -         | -       | 3,317,895         |
| 1,128,828 | 1,619,533 | 2,295,891 | 3,254,711  | 7,266,273 | -       | 16,302,364        |
| 5,281,198 | 4,790,495 | 4,114,139 | 3,155,317  | 1,633,338 | -       | 24,647,388        |
| 1,099,675 | 1,538,902 | 2,153,568 | 10,131,823 | -         | -       | 15,688,235        |
| 4,756,626 | 4,326,520 | 3,724,623 | 1,660,821  | -         | -       | 19,554,024        |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules

Schedule I-C (Continued)

DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)

August 31, 2013

| DESCRIPTION                                  |           | 2014      | 2015      | 2016      | 2017      | 2018      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| 2003 MF Series A/B (North Vista Apts)        | Principal | 260,000   | 275,000   | 290,000   | 310,000   | 325,000   |
| 2003 MF Series A/B (North Vista Apts)        | Interest  | 584,197   | 571,340   | 557,104   | 542,108   | 526,227   |
| 2003 MF Series A/B (Peninsula Apts)          | Principal | 205,000   | 210,000   | 235,000   | 250,000   | 265,000   |
| 2003 MF Series A/B (Peninsula Apts)          | Interest  | 578,190   | 568,126   | 557,699   | 545,237   | 531,855   |
| 2003 MF Series A/B (Primrose Houston School) | Principal | 128,120   | 138,921   | 150,631   | 163,327   | 177,095   |
| 2003 MF Series A/B (Primrose Houston School) | Interest  | 1,047,718 | 1,037,078 | 1,025,541 | 1,013,032 | 999,469   |
| 2003 MF Series A/B (Reading Road)            | Principal | 30,000    | 40,000    | 40,000    | 40,000    | 40,000    |
| 2003 MF Series A/B (Reading Road)            | Interest  | 125,410   | 123,181   | 120,489   | 117,774   | 115,081   |
| 2003 MF Series A/B (Timber Oaks Apts)        | Principal | 95,166    | 99,786    | 104,630   | 109,710   | 115,036   |
| 2003 MF Series A/B (Timber Oaks Apts)        | Interest  | 886,762   | 878,251   | 869,327   | 859,970   | 850,158   |
| 2003 MF Series A/B (West Virginia Apts)      | Principal | 190,000   | 195,000   | 205,000   | 215,000   | 235,000   |
| 2003 MF Series A/B (West Virginia Apts)      | Interest  | 421,884   | 412,413   | 402,374   | 391,835   | 380,661   |
| 2004 MF Series A (Bristol)                   | Principal | -         | -         | -         | -         | -         |
| 2004 MF Series A (Bristol)                   | Interest  | 8,235     | 8,190     | 8,199     | 8,181     | 8,190     |
| 2004 MF Series A (Chisholm Trail)            | Principal | -         | -         | -         | -         | -         |
| 2004 MF Series A (Chisholm Trail)            | Interest  | 7,742     | 7,700     | 7,708     | 7,692     | 7,700     |
| 2004 MF Series A (Churchill @ Pinnacle)      | Principal | 99,345    | 106,051   | 113,209   | 120,851   | 129,009   |
| 2004 MF Series A (Churchill @ Pinnacle)      | Interest  | 626,992   | 620,286   | 613,127   | 605,485   | 597,327   |
| 2004 MF Series A (Evergreen @ Plano)         | Principal | 117,861   | 125,816   | 134,309   | 143,376   | 153,054   |
| 2004 MF Series A (Evergreen @ Plano)         | Interest  | 924,710   | 916,754   | 908,261   | 899,195   | 889,516   |
| 2004 MF Series A (Humble Park)               | Principal | 145,000   | 155,000   | 165,000   | 180,000   | 190,000   |
| 2004 MF Series A (Humble Park)               | Interest  | 717,420   | 707,685   | 697,290   | 686,070   | 674,025   |
| 2004 MF Series A (Montgomery Pines)          | Principal | -         | -         | -         | -         | -         |
| 2004 MF Series A (Montgomery Pines)          | Interest  | 8,094     | 8,050     | 8,058     | 8,042     | 8,050     |
| 2004 MF Series A (Pinnacle)                  | Principal | -         | -         | -         | -         | -         |
| 2004 MF Series A (Pinnacle)                  | Interest  | 8,251     | 8,199     | 8,208     | 8,190     | 8,199     |
| 2004 MF Series A (Rush Creek)                | Principal | 72,996    | 78,039    | 83,432    | 89,196    | 95,360    |
| 2004 MF Series A (Rush Creek)                | Interest  | 565,346   | 560,303   | 554,911   | 549,146   | 542,983   |
| 2004 MF Series A (Tranquility Bay)           | Principal | 124,307   | 132,633   | 141,515   | 150,993   | 161,105   |
| 2004 MF Series A (Tranquility Bay)           | Interest  | 883,849   | 875,524   | 866,642   | 857,164   | 847,052   |
| 2004 MF Series A/B (Century Park)            | Principal | 230,000   | 245,000   | 255,000   | 275,000   | 290,000   |
| 2004 MF Series A/B (Century Park)            | Interest  | 616,913   | 604,244   | 590,902   | 576,885   | 561,775   |
| 2004 MF Series A/B (Timber Ridge)            | Principal | 51,881    | 55,616    | 59,619    | 63,909    | 68,509    |
| 2004 MF Series A/B (Timber Ridge)            | Interest  | 431,923   | 428,307   | 424,430   | 420,275   | 415,821   |
| 2004 MF Series A/B (Veterans Memorial)       | Principal | 54,391    | 57,032    | 59,801    | 62,704    | 65,748    |
| 2004 MF Series A/B (Veterans Memorial)       | Interest  | 447,704   | 444,035   | 440,188   | 436,154   | 431,924   |
| 2003 MF Series A/B (Parkview Twnhms)         | Principal | 105,483   | 110,604   | 115,973   | 121,603   | 127,507   |
| 2003 MF Series A/B (Parkview Twnhms)         | Interest  | 881,132   | 874,017   | 866,556   | 858,733   | 850,530   |
| 2003 MF Series A/B (Arlington Villas)        | Principal | 120,219   | 130,262   | 141,142   | 152,933   | 165,710   |
| 2003 MF Series A/B (Arlington Villas)        | Interest  | 1,128,464 | 1,118,483 | 1,107,669 | 1,095,952 | 1,083,255 |
| 2003 MF Series A (NHP-Asmara) Refunding      | Principal | 510,000   | 540,000   | 570,000   | 610,000   | 640,000   |
| 2003 MF Series A (NHP-Asmara) Refunding      | Interest  | 11,113    | 10,871    | 10,558    | 10,190    | 9,834     |
| 2004 MF Series A (Village Fair)              | Principal | 117,609   | 125,486   | 133,890   | 142,857   | 152,424   |
| 2004 MF Series A (Village Fair)              | Interest  | 872,984   | 865,108   | 856,704   | 847,737   | 838,169   |
| 2005 MF Series A (Pecan Grove)               | Principal | 135,518   | 124,190   | 132,508   | 141,382   | 150,850   |
| 2005 MF Series A (Pecan Grove)               | Interest  | 869,281   | 861,486   | 853,168   | 844,294   | 834,825   |
| 2005 MF Series A (Prairie Oaks)              | Principal | 91,672    | 97,812    | 104,364   | 111,353   | 118,810   |
| 2005 MF Series A (Prairie Oaks)              | Interest  | 684,644   | 678,505   | 671,954   | 664,965   | 657,507   |
| 2005 MF Series A (Port Royal)                | Principal | 100,668   | 107,408   | 114,604   | 122,279   | 130,468   |
| 2005 MF Series A (Port Royal)                | Interest  | 756,441   | 749,700   | 742,506   | 734,831   | 726,642   |
| 2005 MF Series A (Del Rio)                   | Principal | 125,093   | 101,159   | 107,933   | 115,161   | 122,874   |
| 2005 MF Series A (Del Rio)                   | Interest  | 735,537   | 706,068   | 699,293   | 692,065   | 684,352   |
| 2005 MF Series A (Atascocita Pines)          | Principal | -         | -         | -         | -         | -         |
| 2005 MF Series A (Atascocita Pines)          | Interest  | 7,876     | 7,833     | 7,841     | 7,825     | 7,833     |
| 2005 MF Series A (Tower Ridge)               | Principal | -         | -         | -         | -         | -         |
| 2005 MF Series A (Tower Ridge)               | Interest  | 16,500    | 16,500    | 16,517    | 16,483    | 16,500    |



| 2019-23   | 2024-28   | 2029-33   | 2034-38    | 2039-43    | 2044-48   | TOTAL<br>REQUIRED |
|-----------|-----------|-----------|------------|------------|-----------|-------------------|
| 1,900,000 | 2,500,000 | 3,265,000 | 2,445,000  | -          | -         | 11,570,000        |
| 2,361,552 | 1,813,681 | 1,095,620 | 222,190    | -          | -         | 8,274,019         |
| 1,665,000 | 8,170,000 | -         | -          | -          | -         | 11,000,000        |
| 2,417,198 | 633,879   | -         | -          | -          | -         | 5,832,184         |
| 1,113,094 | 1,553,698 | 2,163,492 | 10,378,459 | -          | -         | 15,966,837        |
| 4,777,175 | 4,346,722 | 3,749,786 | 1,821,981  | -          | -         | 19,818,502        |
| 270,000   | 375,000   | 525,000   | 9,560,000  | -          | -         | 10,920,000        |
| 526,298   | 420,837   | 272,656   | 68,294     | -          | -         | 1,890,020         |
| 664,576   | 580,187   | -         | -          | 10,900,000 | -         | 12,669,091        |
| 4,086,116 | 3,773,964 | 3,678,750 | 3,678,750  | 183,937    | -         | 19,745,985        |
| 1,370,000 | 1,805,000 | 2,375,000 | 1,765,000  | -          | -         | 8,355,000         |
| 1,709,877 | 1,313,979 | 793,356   | 160,987    | -          | -         | 5,987,366         |
| -         | -         | -         | 11,700,000 | -          | -         | 11,700,000        |
| 40,950    | 40,959    | 40,941    | 31,391     | -          | -         | 195,236           |
| -         | -         | -         | 11,000,000 | -          | -         | 11,000,000        |
| 38,500    | 38,508    | 38,492    | 28,226     | -          | -         | 182,268           |
| 788,040   | 1,092,428 | 1,514,391 | 2,099,339  | 2,910,228  | 644,507   | 9,617,398         |
| 2,843,642 | 2,539,254 | 2,117,294 | 1,532,345  | 721,457    | 21,300    | 12,838,509        |
| 934,915   | 1,296,037 | 1,796,643 | 2,490,616  | 3,452,639  | 3,525,814 | 14,171,080        |
| 4,277,937 | 3,916,816 | 3,416,208 | 2,722,237  | 1,760,212  | 159,743   | 20,791,589        |
| 1,165,000 | 1,625,000 | 2,225,000 | 3,085,000  | 1,970,000  | -         | 10,905,000        |
| 3,160,410 | 2,710,950 | 2,091,705 | 1,237,005  | 200,145    | -         | 12,882,705        |
| -         | -         | -         | 11,500,000 | -          | -         | 11,500,000        |
| 40,250    | 40,258    | 40,242    | 30,855     | -          | -         | 191,899           |
| -         | -         | -         | 13,665,000 | -          | -         | 13,665,000        |
| 40,995    | 41,004    | 40,986    | 31,426     | -          | -         | 195,458           |
| 585,224   | 817,345   | 1,141,536 | 1,594,312  | 2,226,678  | 1,686,946 | 8,471,064         |
| 2,606,490 | 2,374,367 | 2,050,175 | 1,597,399  | 965,036    | 44,631    | 12,410,787        |
| 982,566   | 1,358,708 | 1,878,845 | 2,598,100  | 3,592,697  | 2,532,517 | 13,653,986        |
| 4,058,218 | 3,682,073 | 3,161,938 | 2,442,685  | 1,448,086  | 119,789   | 19,243,020        |
| 1,715,000 | 2,290,000 | 3,050,000 | 3,150,000  | -          | -         | 11,500,000        |
| 2,552,630 | 2,024,519 | 1,319,753 | 394,483    | -          | -         | 9,242,104         |
| 423,989   | 600,169   | 849,544   | 4,249,070  | -          | -         | 6,422,306         |
| 2,000,223 | 1,829,608 | 1,588,098 | 796,748    | -          | -         | 8,335,433         |
| 379,834   | 481,433   | 610,208   | 773,425    | 4,263,532  | -         | 6,808,108         |
| 2,088,639 | 1,947,461 | 1,768,533 | 1,541,743  | 611,518    | -         | 10,157,899        |
| 736,622   | 933,654   | 1,183,387 | 1,499,920  | 8,463,671  | -         | 13,398,424        |
| 4,114,971 | 3,841,199 | 3,494,202 | 3,054,388  | 1,344,251  | -         | 20,179,979        |
| 1,059,491 | 1,520,119 | 2,144,267 | 11,069,699 | -          | -         | 16,503,842        |
| 5,187,117 | 4,735,186 | 4,124,600 | 2,290,550  | -          | -         | 21,871,276        |
| 3,850,000 | 5,155,000 | 6,800,000 | -          | -          | -         | 18,675,000        |
| 42,863    | 29,783    | 12,239    | -          | -          | -         | 137,451           |
| 929,621   | 1,285,496 | 1,777,607 | 2,458,107  | 3,399,112  | 2,961,580 | 13,483,789        |
| 4,023,346 | 3,667,473 | 3,175,361 | 2,494,861  | 1,553,854  | 212,328   | 19,407,925        |
| 920,023   | 1,272,225 | 1,759,253 | 2,432,725  | 3,364,014  | 3,012,697 | 13,445,385        |
| 4,008,356 | 3,656,155 | 3,169,126 | 2,495,651  | 1,564,362  | 227,590   | 19,384,294        |
| 724,610   | 1,002,000 | 1,385,584 | 1,916,008  | 2,649,489  | 2,372,799 | 10,574,501        |
| 3,156,973 | 2,879,577 | 2,495,993 | 1,965,568  | 1,232,087  | 179,251   | 15,267,024        |
| 795,708   | 1,100,319 | 1,521,544 | 2,104,017  | 2,909,469  | 2,676,670 | 11,683,154        |
| 3,489,836 | 3,185,224 | 2,764,000 | 2,181,528  | 1,376,073  | 212,409   | 16,919,190        |
| 749,406   | 1,036,285 | 1,432,997 | 1,981,569  | 2,740,148  | 2,520,889 | 11,033,514        |
| 3,286,734 | 2,999,849 | 2,603,143 | 2,054,568  | 1,295,990  | 200,043   | 15,957,642        |
| -         | -         | -         | 11,190,000 | -          | -         | 11,190,000        |
| 39,165    | 39,173    | 39,157    | 36,545     | -          | -         | 193,248           |
| -         | -         | -         | 15,000,000 | -          | -         | 15,000,000        |
| 82,500    | 82,517    | 82,483    | 76,353     | -          | -         | 406,353           |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)  
 Supplementary Bond Schedules  
 Schedule 1-C (Continued)  
 DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)  
 August 31, 2013

| DESCRIPTION                                |           | 2014      | 2015       | 2016       | 2017       | 2018       |
|--|-----------|-----------|------------|------------|------------|------------|
| 2005 MF Series A (Prairie Ranch)           | Principal | 150,000   | 160,000    | 165,000    | 175,000    | 180,000    |
| 2005 MF Series A (Prairie Ranch)           | Interest  | 551,566   | 544,170    | 536,289    | 528,165    | 519,677    |
| 2005 MF Series A (St Augustine)            | Principal | -         | -          | -          | -          | -          |
| 2005 MF Series A (St Augustine)            | Interest  | 4,350     | 4,326      | 4,331      | 4,321      | 4,326      |
| 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 | 83,412    | 88,030     | 92,903     | 98,045     | 103,473    |
| 2005 MF Series A (Mockingbird)             | Interest  | 587,902   | 583,284    | 578,411    | 573,268    | 567,841    |
| 2005 MF Series A (Chase Oaks)              | Principal | 280,964   | 295,486    | 310,759    | 326,820    | 343,712    |
| 2005 MF Series A (Chase Oaks)              | Interest  | 642,233   | 627,711    | 612,439    | 596,377    | 579,485    |
| 2005 MF Series A (Coral Hills)             | Principal | 65,000    | 90,000     | 100,000    | 100,000    | 100,000    |
| 2005 MF Series A (Coral Hills)             | Interest  | 235,078   | 231,164    | 226,493    | 221,442    | 216,392    |
| 2006 MF Series A (Harris Branch)           | Principal | -         | -          | -          | -          | -          |
| 2006 MF Series A (Harris Branch)           | Interest  | 9,847     | 9,793      | 9,803      | 9,783      | 9,793      |
| 2006 MF Series A (Bella Vista)             | Principal | 55,000    | 60,000     | 65,000     | 70,000     | 70,000     |
| 2006 MF Series A (Bella Vista)             | Interest  | 402,517   | 399,135    | 395,445    | 391,447    | 387,142    |
| 2006 MF Series A (Village Park)            | Principal | 175,000   | 185,000    | 195,000    | 205,000    | 220,000    |
| 2006 MF Series A (Village Park)            | Interest  | 500,938   | 492,506    | 483,600    | 474,219    | 464,244    |
| 2006 MF Series A (Oakmoor)                 | Principal | 119,903   | 127,299    | 135,150    | 143,486    | 152,336    |
| 2006 MF Series A (Oakmoor)                 | Interest  | 837,139   | 829,744    | 821,892    | 813,556    | 804,706    |
| 2006 MF Series A (Sunset Pointe)           | Principal | -         | -          | -          | -          | -          |
| 2006 MF Series A (Sunset Pointe)           | Interest  | 16,500    | 16,500     | 16,517     | 16,483     | 16,500     |
| 2006 MF Series A (Hillcrest)               | Principal | 170,000   | 185,000    | 195,000    | 210,000    | 225,000    |
| 2006 MF Series A (Hillcrest)               | Interest  | 550,594   | 541,538    | 531,694    | 521,194    | 510,038    |
| 2006 MF Series A (Pleasant Village)        | Principal | 132,523   | 106,910    | 112,693    | 120,648    | 128,195    |
| 2006 MF Series A (Pleasant Village)        | Interest  | 438,074   | 328,631    | 322,847    | 314,893    | 307,346    |
| 2006 MF Series A (Grove Village)           | Principal | 136,498   | 110,117    | 116,074    | 124,267    | 132,041    |
| 2006 MF Series A (Grove Village)           | Interest  | 461,519   | 338,491    | 332,533    | 324,341    | 316,567    |
| 2006 MF Series A (Red Hills Villas)        | Principal | -         | -          | -          | -          | -          |
| 2006 MF Series A (Red Hills Villas)        | Interest  | 6,129     | 6,129      | 6,136      | 6,123      | 6,129      |
| 2006 MF Series A (Champion Crossing)       | Principal | -         | -          | -          | 100,000    | 100,000    |
| 2006 MF Series A (Champion Crossing)       | Interest  | 6,078     | 6,078      | 6,084      | 5,952      | 5,829      |
| 2006 MF Series A (Stonehaven)              | Principal | 153,772   | 162,932    | 172,638    | 182,921    | 193,817    |
| 2006 MF Series A (Stonehaven)              | Interest  | 573,500   | 564,340    | 554,635    | 544,351    | 533,455    |
| 2006 MF Series A (Meadowlands)             | Principal | 98,150    | 104,203    | 110,631    | 117,454    | 124,698    |
| 2006 MF Series A (Meadowlands)             | Interest  | 721,229   | 715,176    | 708,748    | 701,925    | 694,681    |
| 2006 MF Series A (East Tex Pines)          | Principal | 110,000   | 110,000    | 125,000    | 125,000    | 135,000    |
| 2006 MF Series A (East Tex Pines)          | Interest  | 763,570   | 757,190    | 750,375    | 743,125    | 735,585    |
| 2006 MF Series A (Villas at Henderson)     | Principal | -         | -          | -          | -          | -          |
| 2006 MF Series A (Villas at Henderson)     | Interest  | 4,802     | 4,778      | 4,783      | 4,773      | 4,778      |
| 2006 MF Series A (Aspen Park Apts)         | Principal | 110,000   | 120,000    | 125,000    | 135,000    | 140,000    |
| 2006 MF Series A (Aspen Park Apts)         | Interest  | 465,875   | 460,250    | 454,250    | 447,875    | 441,000    |
| 2006 MF Series A (Idlewild Apts)           | Principal | -         | -          | -          | -          | -          |
| 2006 MF Series A (Idlewild Apts)           | Interest  | 9,660     | 9,608      | 9,618      | 9,598      | 9,608      |
| 2007 MF Series A (Lancaster Apts)          | Principal | -         | -          | -          | -          | -          |
| 2007 MF Series A (Lancaster Apts)          | Interest  | 9,650     | 9,597      | 9,607      | 9,587      | 9,597      |
| 2007 MF Series A (Park Place)              | Principal | 97,465.00 | 103,271.00 | 109,423.00 | 115,941.00 | 122,847.00 |
| 2007 MF Series A (Park Place)              | Interest  | 813,235   | 807,429    | 801,278    | 794,760    | 787,853    |
| 2007 MF Series A (Terrace at Cibolo)       | Principal | -         | -          | -          | -          | -          |
| 2007 MF Series A (Terrace at Cibolo)       | Interest  | 3,519     | 3,500      | 3,504      | 3,496      | 3,500      |
| 2007 MF Series A (Santora Villas)          | Principal | 86,422.00 | 91,570.00  | 97,025.00  | 102,804.00 | 108,928.00 |
| 2007 MF Series A (Santora Villas)          | Interest  | 690,537   | 685,389    | 679,935    | 674,155    | 668,031    |
| 2007 MF Series A (Villas @ Mesquite Creek) | Principal | 185,000   | 195,000    | 210,000    | 220,000    | 235,000    |
| 2007 MF Series A (Villas @ Mesquite Creek) | Interest  | 814,491   | 803,597    | 791,977    | 779,631    | 766,704    |
| 2007 MF Series A (Summit Point)            | Principal | 100,000   | 110,000    | 110,000    | 110,000    | 115,000    |
| 2007 MF Series A (Summit Point)            | Interest  | 472,538   | 467,618    | 462,338    | 457,058    | 451,778    |

| 2019-23   | 2024-28   | 2029-33   | 2034-38   | 2039-43    | 2044-48    | TOTAL<br>REQUIRED |
|-----------|-----------|-----------|-----------|------------|------------|-------------------|
| 1,070,000 | 1,400,000 | 1,760,000 | 2,220,000 | 2,810,000  | 1,320,000  | 11,410,000        |
| 2,454,463 | 2,159,462 | 1,781,769 | 1,307,924 | 708,221    | 80,873     | 11,172,579        |
| -         | -         | -         | -         | 6,180,000  | -          | 6,180,000         |
| 21,630    | 21,635    | 21,625    | 21,630    | 367        | -          | 108,541           |
| -         | -         | -         | -         | -          | 10,400,000 | 10,400,000        |
| 3,328,000 | 3,328,000 | 3,328,000 | 3,328,000 | 3,328,000  | 1,275,735  | 21,243,735        |
| 609,894   | 798,456   | 1,045,314 | 1,368,497 | 6,636,876  | -          | 10,924,900        |
| 2,746,674 | 2,558,111 | 2,311,250 | 1,988,066 | 683,300    | -          | 13,178,107        |
| 2,004,124 | 2,578,422 | 3,317,289 | 3,387,512 | -          | -          | 12,845,088        |
| 2,611,861 | 2,037,564 | 1,298,701 | 267,042   | -          | -          | 9,273,413         |
| 625,000   | 3,585,000 | -         | -         | -          | -          | 4,665,000         |
| 996,238   | 513,837   | -         | -         | -          | -          | 2,640,644         |
| -         | -         | -         | -         | 13,990,000 | -          | 13,990,000        |
| 48,965    | 48,975    | 48,955    | 48,965    | 5,687      | -          | 250,566           |
| 440,000   | 590,000   | 810,000   | 1,095,000 | 1,495,000  | 1,795,000  | 6,545,000         |
| 1,863,448 | 1,710,314 | 1,503,674 | 1,221,696 | 839,166    | 264,149    | 9,378,133         |
| 1,310,000 | 7,650,000 | -         | -         | -          | -          | 9,940,000         |
| 2,147,861 | 1,285,092 | -         | -         | -          | -          | 5,848,460         |
| 914,754   | 1,233,864 | 1,664,299 | 2,244,891 | 3,028,022  | 4,242,666  | 14,006,670        |
| 3,870,455 | 3,551,341 | 3,120,906 | 2,540,314 | 1,757,185  | 514,694    | 19,461,932        |
| -         | -         | -         | -         | 15,000,000 | -          | 15,000,000        |
| 82,500    | 82,517    | 82,483    | 82,500    | 15,099     | -          | 427,599           |
| 1,325,000 | 8,220,000 | -         | -         | -          | -          | 10,530,000        |
| 2,358,826 | 1,601,642 | -         | -         | -          | -          | 6,615,526         |
| 4,982,040 | -         | -         | -         | -          | -          | 5,583,009         |
| 1,298,392 | -         | -         | -         | -          | -          | 3,010,183         |
| 5,131,503 | -         | -         | -         | -          | -          | 5,750,500         |
| 1,336,607 | -         | -         | -         | -          | -          | 3,110,058         |
| 100,000   | 700,000   | 1,000,000 | 2,915,000 | -          | -          | 4,715,000         |
| 30,527    | 27,740    | 21,653    | 9,356     | -          | -          | 119,922           |
| 500,000   | 700,000   | 1,000,000 | 2,275,000 | -          | -          | 4,675,000         |
| 27,193    | 23,579    | 17,493    | 6,786     | -          | -          | 105,072           |
| 1,156,645 | 7,934,945 | -         | -         | -          | -          | 9,957,670         |
| 2,479,716 | 1,377,193 | -         | -         | -          | -          | 6,627,190         |
| 748,795   | 1,010,012 | 1,362,356 | 1,837,615 | 2,478,665  | 4,072,392  | 12,064,971        |
| 3,348,099 | 3,086,880 | 2,734,539 | 2,259,280 | 1,618,228  | 584,105    | 17,172,890        |
| 810,000   | 1,065,000 | 1,420,000 | 1,875,000 | 2,490,000  | 4,955,000  | 13,220,000        |
| 3,545,830 | 3,275,695 | 2,917,690 | 2,443,105 | 1,813,950  | 793,006    | 18,539,121        |
| -         | 6,825,000 | -         | -         | -          | -          | 6,825,000         |
| 23,890    | 1,016     | -         | -         | -          | -          | 48,820            |
| 845,000   | 7,870,000 | -         | -         | -          | -          | 9,345,000         |
| 2,088,750 | 1,500,623 | -         | -         | -          | -          | 5,858,623         |
| -         | -         | -         | -         | 13,725,000 | -          | 13,725,000        |
| 48,040    | 48,050    | 48,030    | 48,040    | 17,612     | -          | 257,864           |
| -         | -         | -         | -         | 13,710,000 | -          | 13,710,000        |
| 47,985    | 47,995    | 47,975    | 47,985    | 18,389     | -          | 258,367           |
| 733,115   | 979,071   | 1,307,544 | 1,746,218 | 2,332,064  | 6,418,519  | 14,065,478        |
| 3,820,386 | 3,574,430 | 3,245,955 | 2,807,279 | 2,221,432  | 1,103,614  | 20,777,651        |
| -         | -         | -         | -         | 5,000,000  | -          | 5,000,000         |
| 17,500    | 17,504    | 17,496    | 17,500    | 6,124      | -          | 93,643            |
| 650,050   | 868,140   | 1,159,395 | 1,548,365 | 2,067,832  | 5,164,461  | 11,944,992        |
| 3,234,747 | 3,016,659 | 2,725,402 | 2,336,428 | 1,816,960  | 919,014    | 17,447,257        |
| 1,370,000 | 1,755,000 | 2,245,000 | 2,880,000 | 3,680,000  | 3,180,000  | 16,155,000        |
| 3,631,321 | 3,246,375 | 2,755,500 | 2,125,875 | 1,319,500  | 326,000    | 17,360,971        |
| 710,000   | 910,000   | 1,200,000 | 1,585,000 | 2,090,000  | 2,130,000  | 9,170,000         |
| 2,161,265 | 1,962,815 | 1,698,520 | 1,345,231 | 872,683    | 259,088    | 10,610,932        |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)  
 Supplementary Bond Schedules  
 Schedule 1-C (Continued)  
 DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)  
 August 31, 2013

| DESCRIPTION                                  |           | 2014       | 2015       | 2016       | 2017       | 2018        |
|--|-----------|------------|------------|------------|------------|-------------|
| 2007 MF Series A (Costa Rialto)              | Principal | 84,761     | 89,409     | 94,312     | 99,483     | 104,938     |
| 2007 MF Series A (Costa Rialto)              | Interest  | 558,135    | 553,487    | 548,585    | 543,414    | 537,959     |
| 2007 MF Series A (Windshire)                 | Principal | -          | -          | -          | -          | -           |
| 2007 MF Series A (Windshire)                 | Interest  | 9,572      | 9,520      | 9,530      | 9,510      | 9,520       |
| 2007 MF Series A (Residences @ Onion Creek)  | Principal | -          | -          | -          | -          | -           |
| 2007 MF Series A (Residences @ Onion Creek)  | Interest  | 16,500     | 16,500     | 16,517     | 16,483     | 16,500      |
| 2008 MF Series A (Addison Park)              | Principal | -          | -          | -          | -          | -           |
| 2008 MF Series A (Addison Park)              | Interest  | 14,475     | 14,525     | 14,542     | 14,509     | 14,525      |
| 2008 MF Series A (Costa Ibiza)               | Principal | -          | -          | -          | -          | -           |
| 2008 MF Series A (Costa Ibiza)               | Interest  | 7,941      | 7,992      | 8,001      | 7,983      | 7,992       |
| 2008 MF Series A (West Oaks)                 | Principal | -          | -          | -          | -          | -           |
| 2008 MF Series A (West Oaks)                 | Interest  | 7,563      | 7,515      | 7,524      | 7,506      | 7,515       |
| 2009 MF Series A (Costa Mariposa Apartments) | Principal | -          | -          | -          | -          | -           |
| 2009 MF Series A (Costa Mariposa Apartments) | Interest  | 8,096      | 8,148      | 8,157      | 8,139      | 8,148       |
| 2009 MF Series A (Woodmont Apartments)       | Principal | -          | -          | -          | -          | -           |
| 2009 MF Series A (Woodmont Apartments)       | Interest  | 8,871      | 8,928      | 8,938      | 8,918      | 8,928       |
| 2008 MF Series A (Alta Cullen Apartments)    | Principal | -          | -          | -          | -          | -           |
| 2008 MF Series A (Alta Cullen Apartments)    | Interest  | 9,872      | 9,920      | 9,931      | 9,909      | 9,920       |
| TOTAL MULTI-FAMILY BONDS                     |           | 54,609,321 | 53,255,218 | 53,308,240 | 53,456,406 | 53,495,468  |
| Total  |           | 95,045,452 | 95,083,718 | 96,221,354 | 96,844,257 | 101,947,567 |
| Less Interest                                |           | 70,430,286 | 69,310,625 | 68,251,367 | 67,053,626 | 65,825,384  |
| Total Principal                              |           | 24,615,166 | 25,773,093 | 27,969,987 | 29,790,631 | 36,122,183  |

| 2019-23     | 2024-28     | 2029-33     | 2034-38     | 2039-43     | 2044-48     | TOTAL<br>REQUIRED |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| 617,571     | 806,497     | 1,053,218   | 1,375,415   | 1,796,178   | 4,349,082   | 10,470,864        |
| 2,596,908   | 2,407,980   | 2,161,259   | 1,839,059   | 1,418,295   | 734,979     | 13,900,060        |
| -           | -           | -           | -           | 13,600,000  | -           | 13,600,000        |
| 47,600      | 47,610      | 47,590      | 47,600      | 23,031      | -           | 261,083           |
| -           | -           | -           | -           | 15,000,000  | -           | 15,000,000        |
| 82,500      | 82,517      | 82,483      | 82,500      | 38,518      | -           | 451,018           |
| -           | -           | -           | -           | -           | 13,205,000  | 13,205,000        |
| 72,626      | 72,643      | 72,610      | 72,626      | 72,626      | 6,096       | 441,803           |
| -           | -           | -           | -           | 13,320,000  | -           | 13,320,000        |
| 39,960      | 39,969      | 39,951      | 39,960      | 23,976      | -           | 223,725           |
| -           | -           | -           | -           | 12,525,000  | -           | 12,525,000        |
| 37,575      | 37,584      | 37,566      | 37,575      | 21,907      | -           | 209,830           |
| -           | -           | -           | -           | 13,580,000  | -           | 13,580,000        |
| 40,740      | 40,749      | 40,731      | 40,740      | 30,538      | -           | 234,186           |
| -           | -           | -           | -           | 14,880,000  | -           | 14,880,000        |
| 44,640      | 44,650      | 44,630      | 44,640      | 34,220      | -           | 257,363           |
| -           | -           | -           | -           | -           | 12,400,000  | 12,400,000        |
| 49,600      | 49,611      | 49,589      | 49,600      | 49,600      | 15,682      | 313,234           |
| 276,904,721 | 310,968,627 | 263,874,416 | 304,783,921 | 325,281,466 | 103,820,656 | 1,853,758,460     |
| 491,911,393 | 568,467,808 | 529,550,009 | 599,328,246 | 395,853,362 | 103,820,656 | 3,174,073,822     |
| 307,211,685 | 254,364,653 | 188,254,733 | 118,679,603 | 45,105,001  | 8,254,119   | 1,262,741,082     |
| 184,699,708 | 314,103,155 | 341,295,276 | 480,648,643 | 350,748,361 | 95,566,537  | 1,911,332,740     |

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, 2013

| Description of Issue                                      | Pledged and Other Sources and Related Expenditures for FY 2013 |  |              |              |
|---|--|--|--------------|--------------|
|   | Net Available for Debt Service                                 |  | Debt Service |              |
|   | Total Pledged and Other Sources                                | Operating Expenses/Expenditures and Capital Outlay | Principal    | Interest     |
| 2002 Single Family Series A                               | \$ 30,822,440  | \$ 40,609  | \$ -         | \$ 1,159,046 |
| 2002 Single Family Series B                               | 15,048,154   | 18,787   | 15,000       | 547,173      |
| 2002 Single Family Series C                               | 5,816,190  | 7,618  | 1,035,000    | 219,180      |
| 2002 Single Family Series D                               |  |  | 890,000      |              |
| 2004 Single Family Series A                               | 16,586,607   | 82,216   | 1,815,000    | 1,677,235    |
| 2004 Single Family Series A (Jr. Lien)                    | 97   | 2,752  | -            | 7,871        |
| 2004 Single Family Series B                               | 2,824,410  | 147,286  | -            | 1,880,006    |
| 2004 Single Family Series C                               | 8,177,580  | 19,699   | -            | 425,124      |
| 2004 Single Family Series D                               | 1,870,647  | 135,188  | -            | 1,258,775    |
| 2004 Single Family Series E                               | 803,784  | 1,719  | 645,000      | 40,609       |
| 2005 Single Family Series A                               | 12,816,091   | 187,776  | -            | 2,426,399    |
| 2005 Single Family Series B                               | 1,664,394  | 27,623   | 450,000      | 340,071      |
| 2005 Single Family Series C                               | 655,145  | 16,445   | -            | 8,636        |
| 2005 Single Family Series D                               | 345,931  | 12,189   | -            | 147,708      |
| 2006 Single Family Series A                               | 9,740,195  | 23,668   | 430,000      | 1,526,500    |
| 2006 Single Family Series B                               | 10,635,396   | 25,761   | 1,055,000    | 1,668,667    |
| 2006 Single Family Series C                               | 16,589,890   | 40,250   | 1,115,000    | 2,665,554    |
| 2006 Single Family Series D                               | 2,524,408  | 8,487  | -            | 479,640      |
| 2006 Single Family Series E                               | 556,606  | 7,506  | 1,480,000    | 356,352      |
| 2006 Single Family Series F                               | 16,897,176   | 45,071   | 210,000      | 1,368,181    |
| 2006 Single Family Series G                               | 1,878,009  | 5,920  | 705,000      | 158,301      |
| 2006 Single Family Series H                               | 2,372,695  | 81,189   | -            | 1,282,844    |
| 2007 Single Family Series A                               | 20,388,610   | 255,112  | -            | 3,347,329    |
| 2007 Single Family Series B                               | 30,924,049   | 74,171   | 1,600,000    | 4,659,200    |
| 2013 Single Family Series A                               | 1,478,830  | 684,329  | -            | 305,468      |
| Total Single Family Bonds                                 | 211,417,334  | 1,951,371  | 11,445,000   | 27,955,869   |
| 2003 RMRB Series A  | 39,895,956   | 7,737  | 530,000      | 640,099      |
| 2009 RMRB Series A  | 14,814,728   | 281,457  | 390,000      | 2,264,181    |
| 2009 RMRB Series B  | 2,180,325  | 88,645   | 1,015,000    | 689,627      |
| 2009 RMRB Series C  | (31,931)   | -  | -            | 3,235        |
| 2009 RMRB Series C-1                                      | 12,361,464   | 697,431  | -            | 2,878,124    |
| 2011 RMRB Series A  | 7,818,195  | 433,071  | 2,235,000    | 2,281,777    |
| 2009 RMRB Series C-2                                      | 4,407,474  | 59,642   | -            | 1,457,269    |
| 2011 RMRB Series B  | 6,252,234  | 83,805   | 2,790,000    | 3,016,780    |
| 2009 RMRB Series C-3                                      | 72,867,351   | 251,819  | -            | 150,583      |
| 2009 RMRB Series C-4                                      | 78,723,193   | 8,068  | 150,000      | 369,249      |
| Total Residential Mtg Revenue Bonds                       | 239,288,989  | 1,911,675  | 7,110,000    | 13,750,924   |
| 1992 CHMRB Series C                                       | 1,663,390  | 193  | -            | 355,740      |
| Total 1992 CHMRB  | 1,663,390  | 193  | -            | 355,740      |
| 1996 MF Series A/B (Brighton's Mark Development)          | 508,437  | 6,126.00   | -            | 501,873      |
| 1998 MF Series A (Pebble Brook Apartments Project)        | 481,359  | -  | 255,000      | 481,359      |
| 1998 MF Series A-C (Residence at the Oaks Projects)       | 386,211  | -  | 202,000      | 386,211      |
| 1998 MF Series A/B (Greens of Hickory Trail Apartments)   | 561,380  | -  | 335,000      | 561,380      |
| 1999 MF Series A-C (Mayfield Apartments)                  | 516,905  | -  | 279,000      | 516,905      |
| 2000 MF Series A (Creek Point Apartments)                 | 109,028  | -  | -            | 9,029        |
| 2000 MF Series A (Deerwood Apartments)                    | 349,580  | -  | 125,000      | 349,580      |
| 2000 MF Series A (Timber Point Apartments)                | 110,562  | -  | -            | 10,564       |
| 2000 MF Series A/B (Greenbridge at Buckingham Apartments) | 1,441,082  | -  | -            | 1,441,082    |
| 2000 MF Series A/B (Oaks at Hampton Apartments)           | 665,910  | -  | 111,258      | 665,910      |
| 2000 MF Series A/B (Parks at Westmoreland Apartments)     | 663,272  | -  | 108,055      | 663,272      |
| 2000 MF Series A/B (Williams Run Apartments)              | 1,007,532  | -  | 219,419      | 1,007,532    |
| 2000 MF Series A-C (Collingham Park Apartments)           | 783,630  | -  | 274,000      | 783,630      |
| 2000 MF Series A-C (Highland Meadow Village Apartments)   | 524,363  | -  | 170,000      | 524,363      |
| 2001 MF Series A (Bluffview Apartments)                   | 767,247  | -  | 86,671       | 767,247      |
| 2001 MF Series A (Knollwood Apartments)                   | 985,948  | -  | 111,377      | 985,948      |
| 2001 MF Series A (Oak Hollow Apartments)                  | 428,390  | -  | 56,590       | 428,390      |
| 2001 MF Series A (Greens Road Apartments)                 | 7,392,803  | -  | 80,000       | 98,901       |
| 2001 MF Series A (Skyway Villas Apartments)               | 383,166  | -  | 150,000      | 383,166      |
| 2001 MF Series A/B (Hillside Apartments)                  | 861,537  | -  | 63,729       | 861,537      |
| 2001 MF Series A/B (Meridian Apartments)                  | 492,510  | -  | 84,000       | 492,510      |

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, 2013

| Description of Issue                                       | Pledged and Other Sources and Related Expenditures for FY 2013 |   |              |           |
|--|--|---|--------------|-----------|
|  | Net Available for Debt Service                                 |   | Debt Service |           |
|  | Total Pledged and<br>Other Sources                             | Operating Expenses/Expenditures<br>and Capital Outlay | Principal    | Interest  |
| 2001 MF Series A/B (Wildwood Apartments)                   | 380,760  | -   | 72,000       | 380,760   |
| 2001 MF Series A-C (Fallbrook Apartments)                  | 782,997  | -   | 283,000      | 782,997   |
| 2002 MF Series A (Clarkridge Villas Apartments)            | 928,258  | -   | 114,832      | 928,258   |
| 2002 MF Series A (Park Meadows Apartments)                 | 257,200  | -   | 85,000       | 257,200   |
| 2002 MF Series A (Green Crest Apartments)                  | 764,276  | -   | 93,930       | 764,276   |
| 2002 MF Series A (Hickory Trace Apartments)                | 767,618  | -   | 94,341       | 767,618   |
| 2002 MF Series A (Millstone Apartments)                    | 9,725,992  | -   | 105,000      | 190,992   |
| 2002 MF Series A (Woodway Village)                         | 7,082,923  | -   | 140,000      | 298,480   |
| 2002 MF Series A/B (Ironwood Crossing)                     | 1,168,545  | -   | 112,639      | 1,168,545 |
| 2003 MF Series A (NHP Foundation-Asmara Project) Refunding | 34,531   | -   | 480,000      | 25,189    |
| 2003 MF Series A/B (Reading Road)                          | 334,518  | -   | 30,000       | 134,524   |
| 2003 MF Series A/B (Arlington Villas)                      | 1,136,934  | -   | 110,951      | 1,136,934 |
| 2003 MF Series A/B (Ash Creek Apartments)                  | 1,049,494  | -   | 119,212      | 1,049,494 |
| 2003 MF Series A/B (North Vista Apartments)                | 592,253  | -   | 250,000      | 592,253   |
| 2003 MF Series A/B (Parkview Townhomes)                    | 638,634  | -   | 100,599      | 638,634   |
| 2003 MF Series A/B (Peninsula Apartments)                  | 604,410  | -   | 200,000      | 584,410   |
| 2003 MF Series A/B (Primrose Houston School)               | 1,056,743  | -   | 118,161      | 1,056,743 |
| 2003 MF Series A/B (Timber Oaks Apartments)                | 603,775  | -   | 90,760       | 603,775   |
| 2003 MF Series A/B (West Virginia Apartments)              | 427,793  | -   | 180,000      | 427,793   |
| 2004 MF Series A (Bristol Apartments)                      | 217,618  | -   | -            | 17,618    |
| 2004 MF Series A (Chisholm Trail Apartments)               | 216,568  | -   | -            | 16,571    |
| 2004 MF Series A (Churchill at Pinnacle Park)              | 632,766  | -   | 93,063       | 632,766   |
| 2004 MF Series A (Evergreen at Plano Parkway)              | 931,559  | -   | 110,408      | 931,559   |
| 2004 MF Series A (Humble Parkway Townhomes)                | 725,010  | -   | 135,000      | 725,010   |
| 2004 MF Series A (Montgomery Pines Apartments)             | 217,333  | -   | -            | 17,336    |
| 2004 MF Series A (Pinnacle Apartments)                     | 119,093  | -   | -            | 19,096    |
| 2004 MF Series A (Providence at Rush Creek II)             | 569,683  | -   | 68,278       | 569,683   |
| 2004 MF Series A (Tranquility Bay Apartments)              | 891,021  | -   | 116,505      | 891,021   |
| 2004 MF Series A (Providence at Village Fair)              | 879,769  | -   | 110,227      | 879,769   |
| 2004 MF Series A/B (Century Park Townhomes)                | 625,336  | -   | 210,000      | 625,336   |
| 2004 MF Series A/B (Timber Ridge II Apartments)            | 435,022  | -   | 48,399       | 435,022   |
| 2004 MF Series A/B (Providence at Veterans Memorial)       | 324,524  | -   | 51,873       | 324,524   |
| 2005 MF Series A (Atascocita Pines Apartments)             | 226,849  | -   | -            | 16,849    |
| 2005 MF Series A/B (Canal Place Apartments)                | 15,851,930   | -   | 31,274       | 300,254   |
| 2005 MF Series A (Mission Del Rio Homes)                   | 718,297  | -   | 58,591       | 718,297   |
| 2005 MF Series A (Park Manor Senior Community )            | 665,600  | -   | -            | 665,600   |
| 2005 MF Series A (Homes at Pecan Grove)                    | 875,995  | -   | 89,966       | 875,995   |
| 2005 MF Series A (Plaza at Chase Oaks Apartments)          | 654,917  | -   | 267,156      | 654,917   |
| 2005 MF Series A (Port Royal Homes)                        | 762,249  | -   | 94,349       | 762,249   |
| 2005 MF Series A (Providence at Prairie Oaks)              | 689,932  | -   | 85,918       | 689,932   |
| 2005 MF Series A (Prairie Ranch Apartments)                | 557,138  | -   | 140,000      | 557,138   |
| 2005 MF Series A (Providence at Mockingbird Apartments)    | 3,525,924  | -   | 83,994       | 630,482   |
| 2005 MF Series A (St Augustine Estate Apartments)          | 109,296  | -   | -            | 9,298     |
| 2005 MF Series A (Tower Ridge Apartments)                  | 26,563   | -   | -            | 26,563    |
| 2006 MF Series A (Aspen Park)                              | 470,458  | -   | 110,000      | 470,458   |
| 2006 MF Series A (Bella Vista Apartments)                  | 404,491  | -   | 55,000       | 404,491   |
| 2006 MF Series A (Center Ridge Apartments)                 | 8,351,439  | -   | -            | 26,439    |
| 2006 MF Series A (Champion Crossing Apartments)            | 114,317  | -   | -            | 9,318     |
| 2005 MF Series A (Coral Hills Apartments)                  | 288,381  | -   | 35,000       | 238,381   |
| 2006 MF Series A (East Tex Pines)                          | 767,268  | -   | 105,000      | 767,268   |
| 2006 MF Series A (Grove Village)                           | 348,122  | -   | 64,667       | 348,122   |
| 2006 MF Series A (Harris Branch Apartments)                | 319,622  | -   | -            | 19,622    |
| 2006 MF Series A (Hillcrest Apartments)                    | 555,625  | -   | 160,000      | 555,625   |
| 2006 MF Series A (Idlewilde)                               | 125,556  | -   | -            | 20,556    |
| 2006 MF Series A (Meadowlands Apartments)                  | 726,468  | -   | 92,448       | 726,468   |
| 2006 MF Series A (Oakmoor Apartments)                      | 843,540  | -   | 112,937      | 843,540   |
| 2006 MF Series A (Pleasant Village)                        | 337,982  | -   | 62,784       | 337,982   |
| 2006 MF Series A (Red Hills Villas)                        | 109,471  | -   | -            | 9,472     |
| 2006 MF Series A (Stonehaven Apartments)                   | 1,539,239  | -   | 110,144      | 614,739   |



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, 2013

| Description of Issue                                | Pledged and Other Sources and Related Expenditures for FY 2013 |  |                      |                      |
|---|--|--|----------------------|----------------------|
|   | Net Available for Debt Service                                 |  | Debt Service         |                      |
|   | Total Pledged and Other Sources                                | Operating Expenses/Expenditures and Capital Outlay | Principal            | Interest             |
| 2006 MF Series A (The Residences at Sunset Pointe)  | 26,563   | -  | -                    | 26,563               |
| 2006 MF Series A (Village Park Apartments)          | 507,022  | -  | 170,000              | 507,022              |
| 2006 MF Series A (Villas at Henderson)              | 110,327  | -  | -                    | 10,328               |
| 2007 MF Series A (Villas at Mesquite Creek)         | 823,646  | -  | 175,000              | 823,646              |
| 2007 MF Series A (Costa Rialto)                     | 562,181  | -  | 80,355               | 562,181              |
| 2007 MF Series A (Lancaster)                        | 141,226  | -  | -                    | 21,226               |
| 2007 MF Series A (Park Place at Loyola)             | 818,268  | -  | 84,522               | 818,268              |
| 2007 MF Series A (Santora Villas)                   | 695,000  | -  | 81,564               | 695,000              |
| 2007 MF Series A (Summit Point)                     | 476,391  | -  | 100,000              | 476,391              |
| 2007 MF Series A (Terrace at Cibolo)                | 7,499  | -  | -                    | 7,499                |
| 2007 MF Series A (Windshire)                        | 120,410  | -  | -                    | 20,410               |
| 2007 MF Series A (Residences at Onion Creek)        | 26,563   | -  | -                    | 26,563               |
| 2008 MF Series A (West Oaks Apartments)             | 127,527  | -  | -                    | 17,527               |
| 2008 MF Series A (Costa Ibiza Apartments)           | 147,084  | -  | -                    | 17,087               |
| 2008 MF Series A (Addison Park Apartments)          | 253,630  | -  | -                    | 23,630               |
| 2008 MF Series A (Alta Cullen Apartments Refunding) | 118,317  | -  | -                    | 18,325               |
| 2009 MF Series A (Costa Mariposa Apartments)        | 127,352  | -  | -                    | 17,355               |
| 2009 MF Series A (Woodmont Apartments)              | 138,992  | -  | -                    | 18,995               |
| <b>Total Multifamily Bonds</b>                      | <b>\$ 99,738,475</b>   | <b>\$ 6,126</b>                                    | <b>\$ 8,885,946</b>  | <b>\$ 45,202,646</b> |
| <b>Total</b>  | <b>\$ 552,108,188</b>  | <b>\$ 3,869,365</b>                                | <b>\$ 27,440,946</b> | <b>\$ 87,265,179</b> |

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, 2013

| Description of Issue                                    | Category              | Amount<br>Extinguished<br>or Refunded | For Refunding Only              |                                     |                             |
|---|-----------------------|---------------------------------------|---------------------------------|-------------------------------------|-----------------------------|
|   |                       |                                       | Refunding<br>Issue<br>Par Value | Cash Flow<br>Increase<br>(Decrease) | Economic<br>Gain/<br>(Loss) |
| <b>Business-Type Activities</b>                         |                       |                                       |                                 |                                     |                             |
| 2002 Single Family Series A                             | Early Extinguishment  | \$ 3,055,000                          | \$                              | \$                                  | \$                          |
| 2002 Single Family Series A                             | Refunding             | 26,615,000                            | 26,615,000                      | 6,014,729                           | 8,905,083                   |
| 2002 Single Family Series B                             | Early Extinguishment  | 2,205,000                             |                                 |                                     |                             |
| 2002 Single Family Series B                             | Refunding             | 12,310,000                            | 12,310,000                      | 2,782,848                           | 4,120,135                   |
| 2002 Single Family Series C                             | Early Extinguishment  | 610,000                               |                                 |                                     |                             |
| 2002 Single Family Series C                             | Refunding             | 4,990,000                             | 4,990,000                       | 1,128,337                           | 1,670,555                   |
| 2004 Single Family Series A                             | Early Extinguishment  | 15,010,000                            |                                 |                                     |                             |
| 2004 Single Family Series C                             | Early Extinguishment  | 7,905,000                             |                                 |                                     |                             |
| 2004 Single Family Series E                             | Early Extinguishment  | 780,000                               |                                 |                                     |                             |
| 2005 Single Family Series A                             | Early Extinguishment  | 9,975,000                             |                                 |                                     |                             |
| 2005 Single Family Series B                             | Early Extinguishment  | 1,345,000                             |                                 |                                     |                             |
| 2005 Single Family Series C                             | Early Extinguishment  | 465,000                               |                                 |                                     |                             |
| 2005 Single Family Series D                             | Early Extinguishment  | 205,000                               |                                 |                                     |                             |
| 2006 Single Family Series A                             | Early Extinguishment  | 7,985,000                             |                                 |                                     |                             |
| 2006 Single Family Series B                             | Early Extinguishment  | 8,725,000                             |                                 |                                     |                             |
| 2006 Single Family Series C                             | Early, Extinguishment | 13,605,000                            |                                 |                                     |                             |
| 2006 Single Family Series D                             | Early Extinguishment  | 1,895,000                             |                                 |                                     |                             |
| 2006 Single Family Series F                             | Early Extinguishment  | 15,580,000                            |                                 |                                     |                             |
| 2006 Single Family Series G                             | Early Extinguishment  | 1,705,000                             |                                 |                                     |                             |
| 2007 Single Family Series A                             | Early Extinguishment  | 16,120,000                            |                                 |                                     |                             |
| 2007 Single Family Series B                             | Early Extinguishment  | 25,935,000                            |                                 |                                     |                             |
| 2013 Single Family Series A                             | Early Extinguishment  | 835,000                               |                                 |                                     |                             |
| 2003 RMRB Series A                                      | Early Extinguishment  | 39,310,000                            |                                 |                                     |                             |
| 2009 RMRB Series A                                      | Early Extinguishment  | 12,480,000                            |                                 |                                     |                             |
| 2009 RMRB Series B                                      | Early Extinguishment  | 1,445,000                             |                                 |                                     |                             |
| 2009 RMRB Series C-1                                    | Early Extinguishment  | 8,910,000                             |                                 |                                     |                             |
| 2009 RMRB Series C-2                                    | Early Extinguishment  | 2,310,000                             |                                 |                                     |                             |
| 2009 RMRB Series C-3                                    | Early Extinguishment  | 72,660,000                            |                                 |                                     |                             |
| 2009 RMRB Series C-4                                    | Early Extinguishment  | 77,920,000                            |                                 |                                     |                             |
| 2011 RMRB Series A                                      | Early Extinguishment  | 5,675,000                             |                                 |                                     |                             |
| 2011 RMRB Series B                                      | Early Extinguishment  | 3,305,000                             |                                 |                                     |                             |
| 1992 Coll Home Mtg Rev Bonds, Series C                  | Early Extinguishment  | 1,200,000                             |                                 |                                     |                             |
| 2000 MF Series A (Timber Point Apartments)              | Early Extinguishment  | 100,000                               |                                 |                                     |                             |
| 2000 MF Series A (Creek Point Apartments)               | Early Extinguishment  | 100,000                               |                                 |                                     |                             |
| 2001 MF Series A (Greens Road Apartments)               | Early Extinguishment  | 7,295,000                             |                                 |                                     |                             |
| 2002 MF Series A (Millstone Apartments)                 | Early Extinguishment  | 9,535,000                             |                                 |                                     |                             |
| 2002 MF Series A (Woodway Village)                      | Early Extinguishment  | 6,830,000                             |                                 |                                     |                             |
| 2003 MF Series A/B (Reading Road)                       | Early Extinguishment  | 200,000                               |                                 |                                     |                             |
| 2003 MF Series A/B (Peninsula Apartments)               | Early Extinguishment  | 20,000                                |                                 |                                     |                             |
| 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  | 200,000                               |                                 |                                     |                             |
| 2004 MF Series A (Pinnacle Apartments)                  | Early Extinguishment  | 100,000                               |                                 |                                     |                             |
| 2005 MF Series A (Atascocita Pines Apartments)          | Early Extinguishment  | 210,000                               |                                 |                                     |                             |
| 2005 MF Series A (St Augustine Estate Apartments)       | Early Extinguishment  | 100,000                               |                                 |                                     |                             |
| 2005 MF Series A (Providence at Mockingbird Apartments) | Early Extinguishment  | 2,895,443                             |                                 |                                     |                             |
| 2005 MF Series A/B (Canal Place Apartments)             | Early Extinguishment  | 15,551,676                            |                                 |                                     |                             |
| 2005 MF Series A (Coral Hills Apartments)               | Early Extinguishment  | 50,000                                |                                 |                                     |                             |
| 2006 MF Series A (Harris Branch Apartments)             | Early Extinguishment  | 300,000                               |                                 |                                     |                             |
| 2006 MF Series A (Red Hills Villas)                     | Early Extinguishment  | 100,000                               |                                 |                                     |                             |
| 2006 MF Series A (Champion Crossing Apartments)         | Early Extinguishment  | 105,000                               |                                 |                                     |                             |
| 2006 MF Series A (Stonehaven Apartments)                | Early Extinguishment  | 924,500                               |                                 |                                     |                             |
| 2006 MF Series A (Center Ridge Apartments)              | Early Extinguishment  | 8,325,000                             |                                 |                                     |                             |
| 2006 MF Series A (Villas at Henderson)                  | Early Extinguishment  | 100,000                               |                                 |                                     |                             |
| 2006 MF Series A (Idlewilde)                            | Early Extinguishment  | 105,000                               |                                 |                                     |                             |
| 2007 MF Series A (Lancaster)                            | Early Extinguishment  | 120,000                               |                                 |                                     |                             |
| 2007 MF Series A (Windshire)                            | Early Extinguishment  | 100,000                               |                                 |                                     |                             |
| 2008 MF Series A (West Oaks Apartments)                 | Early Extinguishment  | 110,000                               |                                 |                                     |                             |
| 2008 MF Series A (Costa Ibiza Apartments)               | Early Extinguishment  | 130,000                               |                                 |                                     |                             |
| 2008 MF Series A (Addison Park Apts)                    | Early Extinguishment  | 230,000                               |                                 |                                     |                             |
| 2008 MF Series A (Alta Cullen Apartments Refunding)     | Early Extinguishment  | 100,000                               |                                 |                                     |                             |
| 2009 MF Series A (Costa Mariposa Apartments)            | Early Extinguishment  | 110,000                               |                                 |                                     |                             |
| 2009 MF Series A (Woodmont Apartments)                  | Early Extinguishment  | 120,000                               |                                 |                                     |                             |
| <b>Total Business-Type Activities</b>                   |                       | <b>\$ 457,636,619</b>                 | <b>\$ 43,915,000</b>            | <b>\$ 9,925,914</b>                 | <b>\$ 14,695,773</b>        |

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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  
Ms. Leslie Bingham Escareño  
Mr. Tom H. Gann  
Mr. J. Mark McWatters  
Mr. Robert D. Thomas

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, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 20, 2013.

**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.



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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

|                                   |
|-----------------------------------|
| Summary of Findings and Responses |
| Finding Number                    |
| 2013-1                            |

### **Compliance and Other Matters**

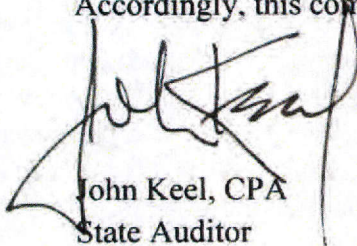
As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the Public Funds Investment Act (Texas Government 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*.

### **The Department's Response to Finding**

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 20, 2013

# Schedule of Findings and Responses

## Section 1

### **The Department Should Strengthen Information Technology Controls Over Upgrades to Its Servers**

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Reference No. 2013-1

#### **Type of finding: Significant Deficiency**

The Department of Housing and Community Affairs (Department) has an application on a server that uses an operating system that the vendor no longer supports. As a result, the Department can no longer update the operating system with software patches necessary to fix known vulnerabilities. Servers using unsupported operating systems do not receive any official patches from the vendor. Vulnerabilities from the lack of patches may leave the Department's server susceptible to internal or external attacks, which could lead to unauthorized access and compromise the Department's sensitive data.

Auditors communicated this weakness in the security over the Department's server to Department management in writing in fiscal years 2011 and 2012. However, as of December 2013, the Department had not corrected or mitigated the weakness.

#### **Recommendation**

The Department should update its server's operating system and install software patches to help ensure that its data is secure.

#### **Management's Response**

*The Department agrees with the recommendation and is currently in the final testing phase of upgrading to new servers with a supported operating system version. Completion of the upgrade is anticipated no later than January 31, 2014.*

*Person Responsible:*

*Director of Information Systems*







