TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

# Basic Financial Statements

For the Year Ended August 31, 2020

(With Independent Auditor's Report Thereon)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
221 E. 11th St., Austin, TX 78701 Main Phone: 512-475-3800 Email: info@tdhca.state.tx.us
PO Box 13941, Austin, TX 78711 Toll Free: 1-800-525-0657 Web: www.tdhca.state.tx.us


********************

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR



December 18, 2020

*Writer's direct dial: (512) 475-3296*
*Email: bobby.wilkinson@tdhca.state.tx.us*

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Texas Comptroller
Jerry McGinty, Director, Legislative Budget Board
Lisa Collier, First Assistant State Auditor

RE: ANNUAL FINANCIAL REPORT

Dear Governor Abbott, Comptroller Hegar, Mr. McGinty, and Ms. Collier:

We are pleased to submit the Annual Financial Report of the Texas Department of Housing and Community Affairs for the fiscal year ended August 31, 2020, in compliance with TEX. GOV'T CODE §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 GAAP reporting requirements. The financial report has been audited by an independent auditor as required by statute.

If you have any questions, please contact Joe Guevara, Director of Financial Administration, at (512) 475-3352. Jose Rios may be contacted at (512) 475-4702 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Robert Wilkinson
Executive Director

RW/jg

*This Page Intentionally Left Blank*

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**Basic Financial Statements**
for the year ended August 31, 2020

## T A B L E  O F  C O N T E N T S

*This Page Intentionally Left Blank*

State Auditor's Office

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

## Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors
Mr. Leo Vasquez III, Chair
Ms. Leslie Bingham, Vice-Chair
Mr. Paul A. Braden
Mr. Ajay Thomas
Ms. Sharon Thomason

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department of Housing and Community Affairs (Department), an agency of the State of Texas, as of and for the year ended August 31, 2020, 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

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

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

Phone:
(512) 936-9500

Fax:
(512) 936-9400

Internet:
www.sao.texas.gov

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Department, an agency of the State of Texas, as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

*Department Financial Statements*

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the governmental fund, the proprietary fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Changes in Department's Net Pension Liability, the Schedule of Changes in the Department's Net OPEB liability, the Schedules of Employer Contributions, and the Notes to the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated December 18, 2020, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Lisa R. Collier

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

December 18, 2020

*This Page Intentionally Left Blank*

# MANAGEMENT'S DISCUSSION

# AND ANALYSIS

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, 2020. Please read it in conjunction with the Department's financial statements, which follow this section.

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

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

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

## Financial Highlights

- The Department's business-type activities net position increased $73.2 million and governmental activities net position decreased $317.2 thousand.

- The Department's business-type activities increase of $73.2 million in Net Position can be attributed to a decrease in Unrestricted Net Position of $15.4 million primarily related from the Department's recognition of its proportionate share of the Pension liability reported by the Employees Retirement System of Texas (ERS) plan offset by an increase of $88.7 million in Restricted Net Position primarily as a result of activity within the Single Family and Residential Mortgage Revenue Bond indentures.

- Net Position in the Department's governmental activities decreased $317.2 thousand to $435.8 million. The impact on net position resulted primarily from the Department's recognition of its change in proportionate share of the OPEB and pension liability reported by the ERS plan.

- The Bond Program's debt outstanding of $2.0 billion as of August 31, 2020, increased $215.9 million due to $391.4 million in new bond issuances offset by debt retirements of $175.6 million.

- The Bond Program's short-term debt of $140.8 million increased $6.5 million due to advances due to the Federal Home Loan Bank of Dallas as of the end of the fiscal year. Advances are drawn to purchase mortgage loans prior to pooling the loans into a mortgage-back security (MBS). With each MBS settlement, the advances are repaid related to the loans underlying the MBS. For additional information, see Note 4, Short-term debt.

- Loan originations in the Department's proprietary and governmental funds for the year totaled $2.1 billion and $28.5 million, respectively.

- In accordance with Governmental Accounting Standards Board Statement (GASB) No. 53*, Accounting and Financial Reporting for Derivative Instruments*, the Department identified its derivative instruments, measured their effectiveness, and reported the derivative instruments at fair value. The Department's interest rate swaps, which were primarily used to hedge changes in interest rates, are considered to be derivative instruments under GASB 53. It requires the fair value of a derivative to be reported at the end of the fiscal year in the balance sheet and GASB No. 72, *Fair Value Measurement and Application*, requires the fair value of a derivative to be computed taking into account nonperformance risk. As of August 31, 2020, the Department's four interest rate swaps had a total notional amount of $57.9 million and a negative $4.8 million fair value which was recorded in the deferred outflow of resources account and as a derivative swap liability.

- In accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions,* the Department has recorded a net pension liability. It has relied on reports issued by ERS who is the administrator of the plan. The Department has reported its proportionate share of the pension liability according to their reports in the amount of $83.7 million of which $42.8 million is reported in business-type activities and $40.9 million in governmental activities.

- In accordance with GASB No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the Department has recorded a net OPEB liability. It has relied on reports issued by ERS who is the administrator of the plan. The Department has reported its proportionate share of the OPEB liability according to their reports in the amount of $47.0 million of which $23.5 million is reported in business-type activities and $23.5 million in governmental activities.

**Overview of the Financial Statements**

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

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

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

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

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

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

**Government-Wide Financial Statements**

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

## Statement of Net Position

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

## Governmental Activities

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

| | Governmental Activities | | Increase / (Decrease) | |
|---|---|---|---|---|
| **Assets** | **2020** | **2019** | **Amount** | **%** |
| Current Assets: | | | | |
| Cash and Cash Equivalents | $ 57,437,709 | $ 54,356,683 | $ 3,081,026 | 5.7 |
| Federal Receivables | 28,561,331 | 25,275,351 | 3,285,980 | 13.0 |
| Legislative Appropriations | 9,067,262 | 8,956,030 | 111,232 | 1.2 |
| Internal Balances | - | 37,642 | (37,642) | (100.0) |
| Current Loans and Contracts | 24,071,533 | 18,646,008 | 5,425,525 | 29.1 |
| Other Current Assets | 145,795 | 215,136 | (69,341) | (32.2) |
| Non-current Assets: | | | | |
| Loans and Contracts | 440,286,513 | 439,710,920 | 575,593 | 0.1 |
| Capital Assets | 85,075 | 87,084 | (2,009) | (2.3) |
| Total Assets | 559,655,218 | 547,284,854 | 12,370,364 | 2.3 |
| DEFERRED OUTFLOWS OF RESOURCES | 13,544,866 | 4,406,698 | 9,138,168 | 207.4 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 34,346,498 | 28,689,299 | 5,657,199 | 19.7 |
| Unearned Revenues | 29,534,150 | 28,258,160 | 1,275,990 | 4.5 |
| Net OPEB Liability | 612,651 | 291,536 | 321,115 | 110.1 |
| Other Current Liabilities | 884,956 | 756,772 | 128,184 | 16.9 |
| Non-Current Liabilities: | | | | |
| Net Pension Liability | 40,905,346 | 27,238,914 | 13,666,432 | 50.2 |
| Net OPEB Liabilities | 22,860,936 | 19,527,600 | 3,333,336 | 17.1 |
| Other Non-current Liabilities | 500,313 | 446,920 | 53,393 | 11.9 |
| Total Liabilities | 129,644,850 | 105,209,201 | 24,435,649 | 23.2 |
| DEFERRED INFLOWS OF RESOURCES | 7,803,495 | 10,413,425 | (2,609,930) | (25.1) |
| **Net Position** | | | | |
| Invested in Capital Assets | 85,075 | 87,084 | (2,009) | (2.3) |
| Restricted | 488,865,466 | 482,698,376 | 6,167,090 | 1.3 |
| Unrestricted | (53,198,802) | (46,716,534) | (6,482,268) | 13.9 |
| Total Net Position | $ 435,751,739 | $ 436,068,926 | $ (317,187) | (0.1) |

Net position of the Department's governmental activities decreased $317.2 thousand, or .1% to $435.8 million. The change is due to the net sum of an increase of $6.2 million in Restricted Net Position and a decrease of $6.5 million in Unrestricted Net Position. The decrease in Unrestricted Net Position is primarily from recording the impact of the net pension liability and OPEB liability as required by GASB 68 and GASB 75.

Cash and Cash Equivalents increased by $3.1 million or 5.7%. The increase is primarily due to additional program income collected and unspent from the HOME Programs.

Internal balances represent expenditure transfers after year end. Included in the 2020 transactions were payroll transfers and benefits allocations according to Accounting Policy Statements.

**Governmental Activities Cont'd**

Loans and contracts increased $6.0 million. The variance primarily represents the receipts of loan repayments, disbursements for funding of loans and an adjustment of $3.2 million for estimated losses of the portfolio for the year. During the fiscal year, HOME loans increased approximately $3.6 million and TCAP increased $.7 million primarily due to more loan funding. The Neighborhood Stabilization Program (NSP) decreased $4.7 million primarily due more loan repayments. The National Housing Trust Fund (NHTF) had an increase of $3.1 million in loans in its third year of funding with no repayments received in fiscal year 2020.

Accounts payable increased by $5.7 million or 19.7% primarily due to new funding from the CARES Act. Federal receivables had an increase of $3.3 million in relation to these accruals as funds are due from federal grants.

The balance in unearned revenues increased by $1.3 million or 4.5%. The change is primarily associated with additional cash in state treasury related to unspent program income received from loan repayments of the NSP and HOME Programs.

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

A net pension liability was recognized in accordance to GASB 68 and a net OPEB liability was recognized in accordance to GASB 75 in which the Department was required to recognize its proportionate share of the amount reported by the Employees Retirement System, the administrator of the plan. The decrease of $6.5 million in unrestricted net position is primarily as a result of the recognition of the change in pension and OPEB liability. The net pension and OPEB liability also impacted the $9.1 million increase in Deferred Outflows of Resources and the $2.6 million decrease in Deferred Inflows of Resources.

## Business-Type Activities

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

| | Business-Type Activities | | Increase / (Decrease) | |
|---|---|---|---|---|
| **Assets** | **2020** | **2019** | **Amount** | **%** |
| Current Assets: | | | | |
| Cash & Investments | $ 438,504,767 | $ 394,758,275 | $ 43,746,492 | 11.1 |
| Loans and Contracts | 187,990,951 | 143,429,674 | 44,561,277 | 31.1 |
| Interest Receivable | 7,427,007 | 7,565,908 | (138,901) | (1.8) |
| Other Current Assets | 367,297 | 9,537,468 | (9,170,171) | (96.1) |
| Non-current Assets: | | | | |
| Investments | 1,203,606,668 | 974,004,235 | 229,602,433 | 23.6 |
| Loans and Contracts | 1,027,423,562 | 956,190,319 | 71,233,243 | 7.4 |
| Capital Assets | 104,987 | 99,047 | 5,940 | 6.0 |
| Other Non-current Assets | 42,959 | 42,960 | (1) | (0.0) |
| Total Assets | 2,865,468,198 | 2,485,627,886 | 379,840,312 | 15.3 |
| DEFERRED OUTFLOWS OF RESOURCES | 19,280,962 | 10,662,334 | 8,618,628 | 80.8 |
| **Liabilites** | | | | |
| Current Liabilities: | | | | |
| Interest Payable | 14,658,285 | 12,329,723 | 2,328,562 | 18.9 |
| Bonds Payable | 48,898,287 | 16,536,683 | 32,361,604 | 195.7 |
| Notes and Loans Payable | 986,498 | 223,965 | 762,533 | 340.5 |
| Short-Term Debt | 140,800,960 | 134,330,280 | 6,470,680 | 4.8 |
| Net OPEB Liability | 875,311 | 554,197 | 321,114 | 57.9 |
| Other Current Liabilities | 8,850,967 | 9,986,075 | (1,135,108) | (11.4) |
| Non-current Liabilities: | | | | |
| Net Pension Liability | 42,779,194 | 29,112,762 | 13,666,432 | 46.9 |
| Net OPEB Liability | 22,598,275 | 19,264,940 | 3,333,335 | 17.3 |
| Bonds Payable | 1,836,254,207 | 1,711,919,800 | 124,334,407 | 7.3 |
| Notes and Loans Payable | 175,247,583 | 108,242,300 | 67,005,283 | 61.9 |
| Derivative Hedging Instrument | 4,783,092 | 5,599,045 | (815,953) | (14.6) |
| Other Non-current Liabilities | 206,553,496 | 137,361,308 | 69,192,188 | 50.4 |
| Total Liabilities | 2,503,286,155 | 2,185,461,078 | 317,825,077 | 14.5 |
| DEFERRED INFLOWS OF RESOURCES | 7,381,433 | 9,991,363 | (2,609,930) | (26.1) |
| **Net Position** | | | | |
| Invested in Capital Assets | 104,987 | 99,047 | 5,940 | 6.0 |
| Restricted | 352,756,283 | 264,090,143 | 88,666,140 | 33.6 |
| Unrestricted | 21,220,302 | 36,648,589 | (15,428,287) | (42.1) |
| Total Net Position | $ 374,081,572 | $ 300,837,779 | $ 73,243,793 | 24.3 |

Net position of the Department's business-type activities increased $73.2 million, or 24.3%, to $374.1 million. Restricted net position of the Department's proprietary fund increased $88.7 million or 33.6%. These restrictions are related to bond covenants and do not significantly affect the availability of resources for future use. The unrestricted net position decreased $15.4 million or 42.1% primarily due the impact of the Department's proportionate share of OPEB and pension liability as part of the ERS Plan.

Cash and investments increased $273.3 million, or 20.0%, to 1.6 billion, which is reflective of proceeds from bond issuances, fee collections, and interest earnings offset by the liquidation of investments to pay down bonds and the change in fair value of investments. Program loans

## Business Type Activities Cont'd

receivable (current and non-current) increased $115.8 million, or 10.5%, to $1.2 billion, primarily as a result of loan originations related to the Department's Multifamily Bond Program, Housing Trust Fund and Homeownership Programs down payment assistance offset by loan repayments and payoffs related to these programs.

The Department has $1.9 billion in bonds outstanding related to its revenue bonds. The Department's Single Family and Residential Mortgage Revenue Bonds have been rated AA+ by Standard & Poor's. Multifamily ratings vary. Total bonds payable (current and non-current) increased by $156.7 million, or 9.1%, due to the Department's bond issuance being greater than monthly retirement of existing debt. For more information on the Department's debt, refer to Note 6.

## Statement of Activities

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

A condensed Statement of Activities for the fiscal years ended August 31, 2020 and 2019 is shown in the table below.

**Texas Department of Housing and Community Affairs**
**Condensed Statement of Activities**
**(In Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | | % Change |
|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | |
| **Program Revenues:** | | | | | | | |
| Charges for Services | $ 7,337 | $ 7,246 | $ 197,388 | $ 155,410 | $ 204,725 | $ 162,656 | 25.9 |
| Operating Grants and Contributions | 269,825 | 243,119 | - | - | 269,825 | 243,119 | 11.0 |
| Total Revenue | 277,162 | 250,365 | 197,388 | 155,410 | 474,550 | 405,775 | 16.9 |
| **Total Expenses:** | 287,678 | 262,921 | 153,256 | 136,867 | 440,934 | 399,788 | 10.3 |
| Net Revenue | (10,516) | (12,556) | 44,132 | 18,543 | 33,616 | 5,987 | 461.5 |
| General Revenues | 11,085 | 14,138 | 26,846 | 27,582 | 37,931 | 41,720 | (9.1) |
| Transfers | (887) | (4,583) | 2,266 | 2,539 | 1,379 | (2,044) | (167.5) |
| Change in Net Position | (318) | (3,001) | 73,244 | 48,664 | 72,926 | 45,663 | 59.7 |
| Beginning Net Position | 436,069 | 439,070 | 300,838 | 252,174 | 736,907 | 691,244 | 6.6 |
| **Ending Net Position** | $ 435,751 | $ 436,069 | $ 374,082 | $ 300,838 | $ 809,833 | $ 736,907 | 9.9 |

## Governmental Activities

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

Total program revenues increased $26.8 million. This change consisted primarily of increases in operating grants and contributions primarily as a result of an increase of $14.0 million in HOME Programs and $14.9 million in CARES funding; offset by decreases of $1.5 million in CSBG grant activities and $1 million in NSP activities.

Expenses of the Department's governmental activities consisted primarily of intergovernmental payments and public assistance payments. The Department distributes program funds to local providers, including local governments, nonprofit and for-profit organizations, community based organizations and real estate developers. Total expenses for LIHEAP and Section 811 increased in relation to the increase in grant revenue but were offset by decreased expenditures in CSBG.

Transfers include Manufactured Housing's surplus of revenues transferred to the Comptroller's Office and the transfer for the State Housing Trust Fund from General Revenue to the Texas Treasury Safekeeping Trust Company. There were also transfers of earned federal funds to the State Comptroller's Office.

Net position is primarily composed of restricted net position of non-operational grants. These restrictions, commitments or limitations will not significantly affect the availability of fund resources for future use.

## Business-Type Activities

Revenues of the Department's business-type activities were primarily from charges for services of $197.4 million and an increase in fair value of investments of $26.5 million. Charges for services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs; the investments and the income which are restricted to those programs by a pledge to the respective bond indentures. Total charges for services increased $42.0 million which is primarily attributed to activity within the single family indentures.

Expenses of the Department's business-type activities consist primarily of interest expense of $63.1 million which decreased $1.5 million and other operating expenses of $84.4 million which increased $15.6 million. The decrease in interest expense is a result of new bond issuance offset by the impact of an increase of the frequency in the retirement of the Department's bonds and lower interest rates related to the Department's variable rate debt. The increase in other operating expenses is primarily related to an increase in servicer related expenses and costs related to the issuance of bonds. Other operating expenses also include general and

## <u>Business-Type Activities Cont'd</u>

administrative expenses, allocations involving production or monitoring activities of the Department, as well as internal and external costs.

The Department's business-type activities charges for services of $197.4 million exceeded expenses of $153.3 million by $44.1 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.

## <u>Fund Financial Statements</u>

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

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

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

- Fiduciary Fund – The Department has implemented GASB 84, *Fiduciary Activities,* in order to identify and properly report any activities that are classified as Fiduciary. 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 which are in an escrow account.

## Governmental Fund

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

| | | | Increase / (Decrease) | |
|---|---|---|---|---|
| **OPERATING REVENUES** | **2020** | **2019** | **Amount** | **%** |
| Legislative Appropriations | $ 9,376,499 | $ 13,516,830 | $ (4,140,331) | (30.6) |
| Federal Revenues | 269,785,118 | 243,028,564 | 26,756,554 | 11.0 |
| Other Revenue | 8,484,014 | 8,996,321 | (512,307) | (5.7) |
| Total Operating Revenues | 287,645,631 | 265,541,715 | 22,103,916 | 8.3 |
| **OPERATING EXPENDITURES** | | | | |
| Salaries and Wages | 10,181,337 | 9,695,592 | 485,745 | 5.0 |
| Professional Fees and Services | 422,457 | 286,184 | 136,273 | 47.6 |
| Intergovernmental Payments | 64,899,134 | 75,383,227 | (10,484,093) | (13.9) |
| Public Assistance Payments | 201,225,540 | 165,786,566 | 35,438,974 | 21.4 |
| Other Operating Expenditures | 5,192,417 | 9,058,013 | (3,865,596) | (42.7) |
| Total Operating Expenditures | 281,920,885 | 260,209,582 | 21,711,303 | 8.3 |
| Excess of Revenues over Expenditures | 5,724,746 | 5,332,133 | 392,613 | 7.4 |
| Other Financing Sources (Uses) | (886,717) | (4,582,538) | 3,695,821 | (80.7) |
| **CHANGE IN FUND BALANCE** | 4,838,029 | 749,595 | 4,088,434 | 545.4 |
| Beginning Fund Balance | 490,250,311 | 490,537,842 | (287,531) | (0.1) |
| Appropriations (Lapsed) | 601,155 | (1,037,126) | 1,638,281 | (158.0) |
| Ending Fund Balance | $ 495,689,495 | $ 490,250,311 | $ 5,439,184 | 1.1 |

Revenues of the Department's governmental fund totaled $287.6 million. These revenues were primarily federal grants related to LIHEAP, HOME and CSBG programs. Expenditures of $281.9 million primarily consisted of intergovernmental and public assistance payments.

Total revenues of the governmental fund increased by $22.1 million primarily due to CARES Act and HOME grant activities.

**Governmental Fund Cont'd**

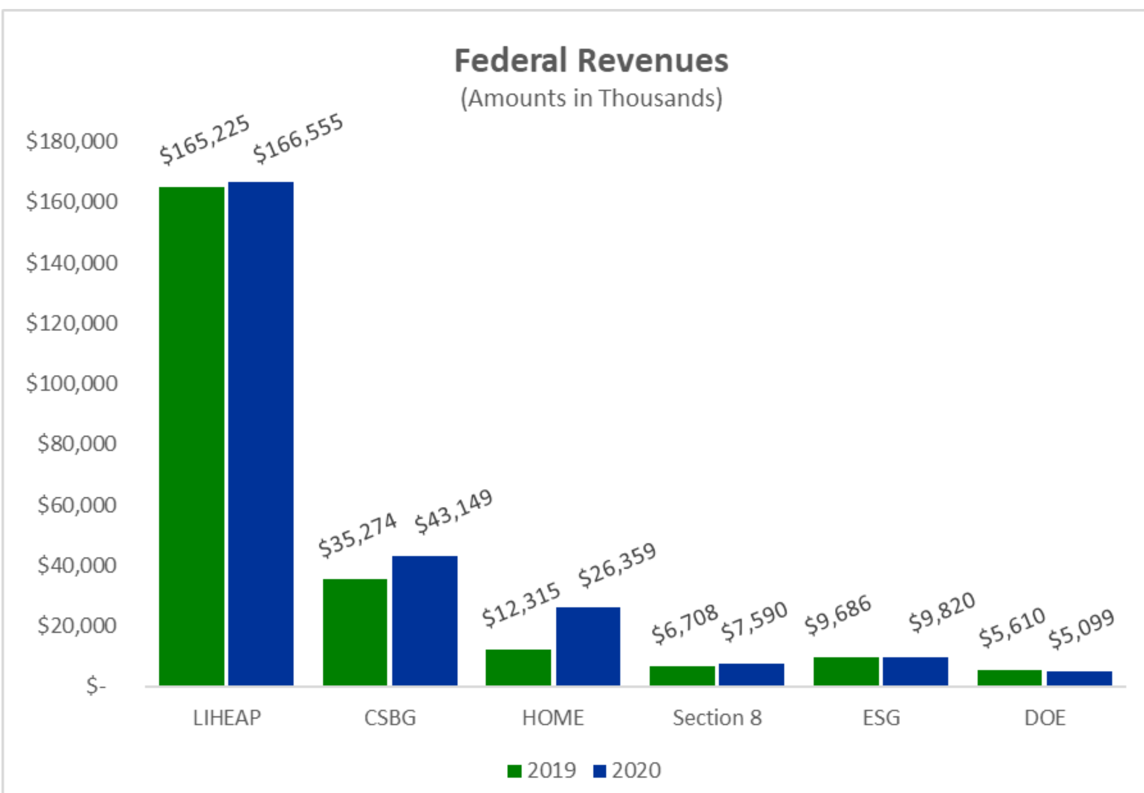
The Department experienced a decrease in Intergovernmental Payments of $10.5 million and an increase in Public Assistance Payments of $35.4 million. These changes were primarily in the HOME, LIHEAP, CSBG, and Emergency Solutions Grant (ESG) programs.

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

The following graphs illustrate a comparison between fiscal year 2019 and 2020 for federal revenues, intergovernmental and public assistance payments related to the grants of the Department. The acronyms used in the graphs are defined as follows:

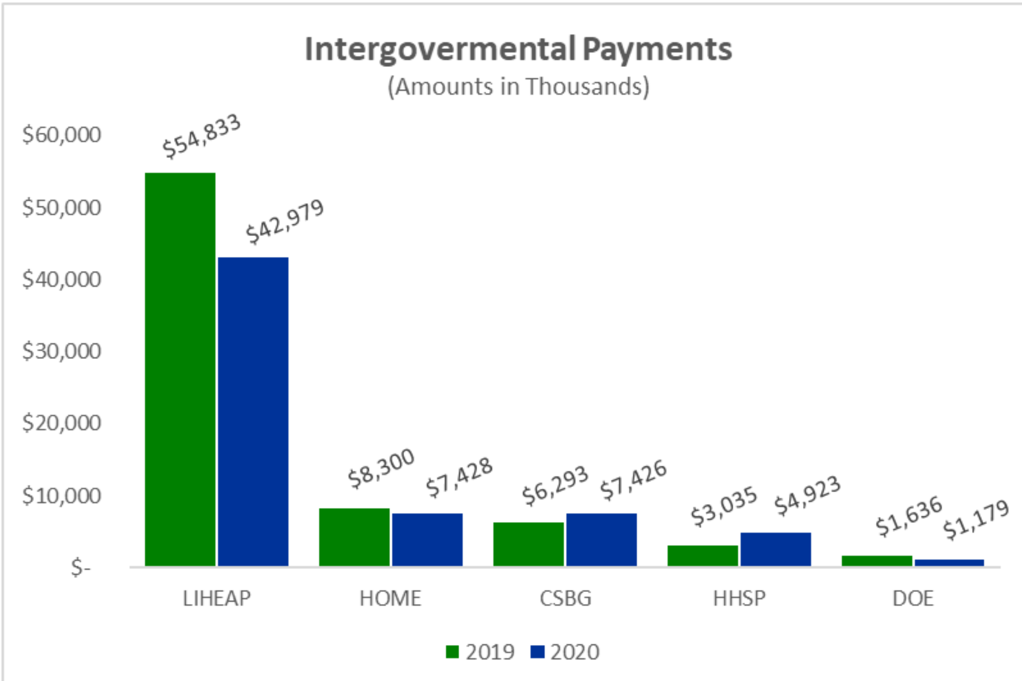
| | |
|---|---|
| ESG | Emergency Solutions Grants Program |
| SEC 8 | Section 8 Housing Assistance Program |
| HOME | HOME Investment Partnerships Program |
| DOE | Department of Energy |
| LIHEAP | Low-Income Home Energy Assistance Program |
| HHSP | Homeless Housing and Services Program |
| CSBG |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

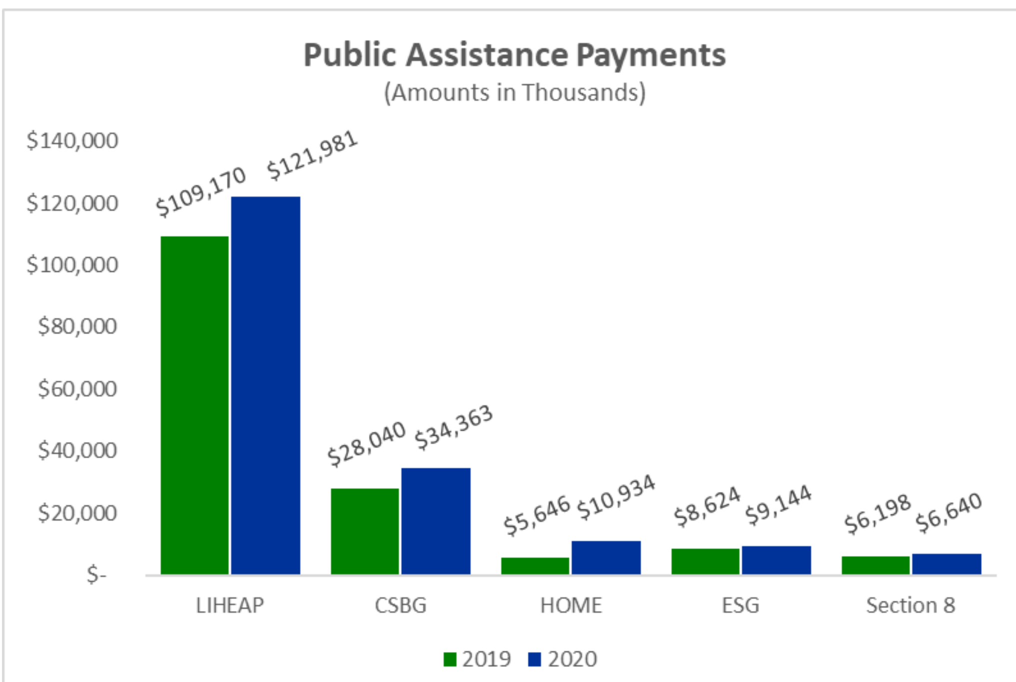
Federal Revenues: Receipts from the State's participation in programs financed with federal funds.



**Governmental Fund Cont'd**

Intergovernmental and public assistance payments: payment of grants to cities, counties, councils of government, community action groups and organizations for community service programs.



## Proprietary Fund

The following table summarizes the Statement of Revenues, Expenses and Changes in Fund Net Position of the Department's proprietary fund for the fiscal years ended August 31, 2020 and August 31, 2019.

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

| | | | Increase / (Decrease) | |
|---|---|---|---|---|
| **OPERATING REVENUES** | **2020** | **2019** | **Amount** | **%** |
| Interest and Investment Income | $ 76,508,938 | $ 77,277,539 | $ (768,601) | (1.0) |
| Net Increase in Fair Value | 26,495,604 | 26,827,893 | (332,289) | (1.2) |
| Other Operating Revenues | 121,227,933 | 78,888,402 | 42,339,531 | 53.7 |
| Total Operating Revenues | 224,232,475 | 182,993,834 | 41,238,641 | 22.5 |
| | | | | |
| **OPERATING EXPENSES** | | | | |
| Professional Fees and Services | 1,532,727 | 1,865,900 | (333,173) | (17.9) |
| Depreciation Expense | 39,247 | 36,542 | 2,705 | 7.4 |
| Interest | 63,069,211 | 64,531,718 | (1,462,507) | (2.3) |
| Bad Debt Expense | 4,194,672 | 1,662,582 | 2,532,090 | 152.3 |
| Other Operating Expenses | 84,419,835 | 68,770,215 | 15,649,620 | 22.8 |
| Total Operating Expenses | 153,255,692 | 136,866,957 | 16,388,735 | 12.0 |
| | | | | |
| Operating Income (Loss) | 70,976,783 | 46,126,877 | 24,849,906 | 53.9 |
| | | | | |
| NONOPERATING EXPENSES | 1,004 | (2,803) | 3,807 | |
| TRANSFERS | 2,266,006 | 2,539,253 | (273,247) | (10.8) |
| | | | | |
| **CHANGE IN NET POSITION** | 73,243,793 | 48,663,327 | 24,580,466 | 50.5 |
| | | | | |
| Beginning Net Position | 300,837,779 | 252,174,452 | 48,663,327 | 19.3 |
| | | | | |
| **Ending Net Position** | $ 374,081,572 | $ 300,837,779 | $ 73,243,793 | 24.3 |

Net position of the Department's proprietary fund increased by $73.2 million, or 24.3%, to $374.1 million.

Earnings within the Department's proprietary fund were $224.2 million of which $205.6 million is classified as restricted and $18.6 million is unrestricted. Restricted earnings are composed of

**Proprietary Fund Cont'd**

$75.3 million in interest and investment income, $26.5 million net increase in fair value of investments, and $103.8 million in other operating revenues primarily related to single family activity. Interest and investment income are restricted per bond covenants for debt service. The net increase in fair value of investments is considered to be an unrealized gain due to changes in interest rates. Unrestricted earnings are composed of $1.2 million in interest and investment income and $17.4 million in other operating revenue.

Interest earned on program loans decreased by $8.0 million, or 22.9%, primarily due to a decrease in the Department's Multifamily Bond Program, resulting from various bond issuances having securitized loans in the form of mortgage-back securities and recognizing investment income instead of interest earned on program loans.

Investment income increased $7.3 million or 17.2% due to higher investment balances and rising interest rates. The change was primarily due to increases of $2.7 million, or 11.2%, in the Single Family Revenue Bond Program funds, $7.2 million or 87.1% in the Residential Mortgage Revenue Bond Program funds, $825.3 thousand in the Multifamily Bond Program, offset by $2.8 million, or 82.1% decrease in the Taxable Mortgage Program.

Other operating revenues increased $42.3 million primarily related to activity within the single family indentures resulting from an increase of settlement fees due to an increase in mortgage volume.

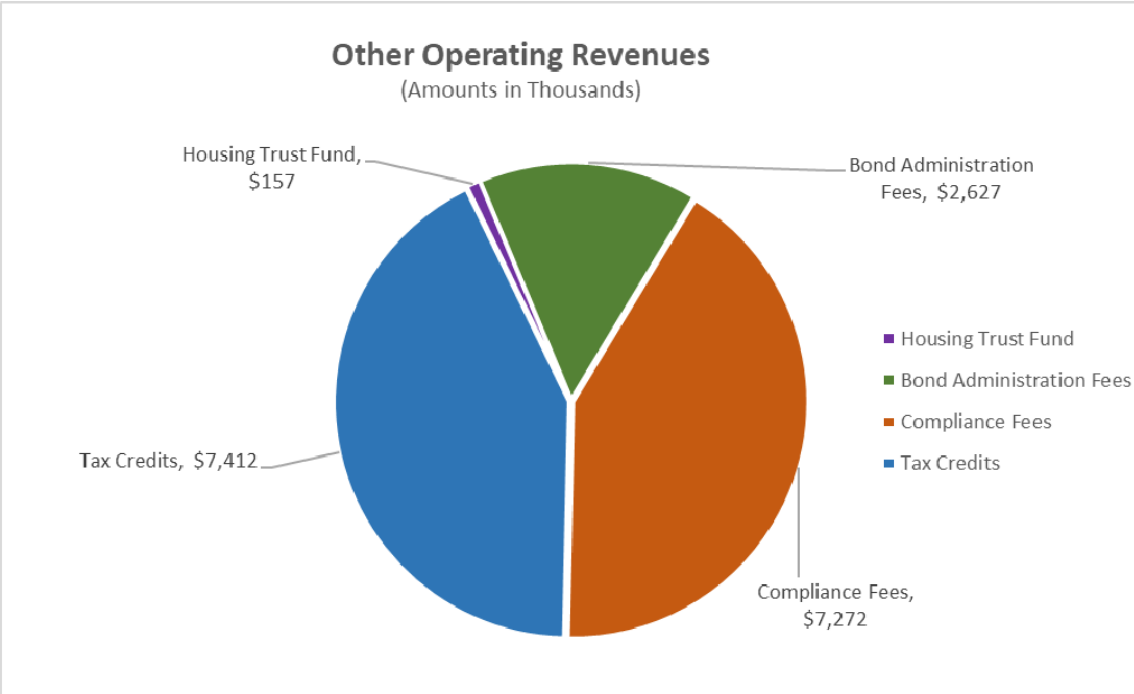
Interest expense decreased $1.5 million related to the Department's increase in debt due to the issuance of bonds in the Single Family Mortgage Revenue Bond Program and Multifamily Bond Program at lower interest rates.

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

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

**Proprietary Fund Cont'd**

administrative fees are generated yearly from the various bond issuances to support the Department's administrative expenses. The graph below illustrates the primary composition of $17.5 million in other operating revenues, classified as unrestricted earnings, according to the different housing programs.




The following table illustrates the changes in net position by program of the Department's proprietary fund for fiscal years 2020 and 2019.

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

| Program | 2020 | 2019 | Increase / (Decrease) Amount | Increase / (Decrease) % |
|---|---|---|---|---|
| Single Family | $ 165,847 | $ 142,836 | $ 23,011 | 16.1 |
| RMRB | 159,346 | 102,402 | 56,944 | 55.6 |
| Multifamily | (547) | (547) | 0 | 0.0 |
| General Funds | 5,786 | 6,238 | (452) | (7.2) |
| TMP | 27,818 | 28,700 | (882) | (3.1) |
| State Housing Trust Fund | 56,442 | 58,254 | (1,812) | (3.1) |
| Administration Fund | (60,174) | (54,562) | (5,612) | 10.3 |
| Housing Initiatives & Compliance | 19,564 | 17,517 | 2,047 | 11.7 |
| Total | $ 374,082 | $ 300,838 | $ 73,244 | 24.3 |

**Proprietary Fund Cont'd**

The Net Position of the Single Family Mortgage Revenue Bond Program increased by $23.0 million, or 16.1%, primarily due to a positive change in fair value of investments of $21.0 million, a positive difference between interest income and interest expense of $6.6 million, offset by $1.5 million in bad debt expenses, a negative difference of $2.4 million between other operating revenue and expenses primarily related to TMP activity, and professional fees and services of $682 thousand.

The Net Position of the Residential Mortgage Revenue Bond Program increased by $56.9 million, or 55.6%, primarily due to a positive change in fair value of investments of $5.5 million, a positive difference of $5.6 million between interest income and interest expense, positive difference of $48.5 million between other operating revenue and expenses primarily related to TMP activity, offset by $2.6 million in bad debt expenses, and professional fees and services of $262 thousand.

The Net Position of the Taxable Mortgage Program decreased by $882 thousand, primarily due to a positive difference of $566 thousand between interest income and other operating expenses and a transfer out of $1.4 million.

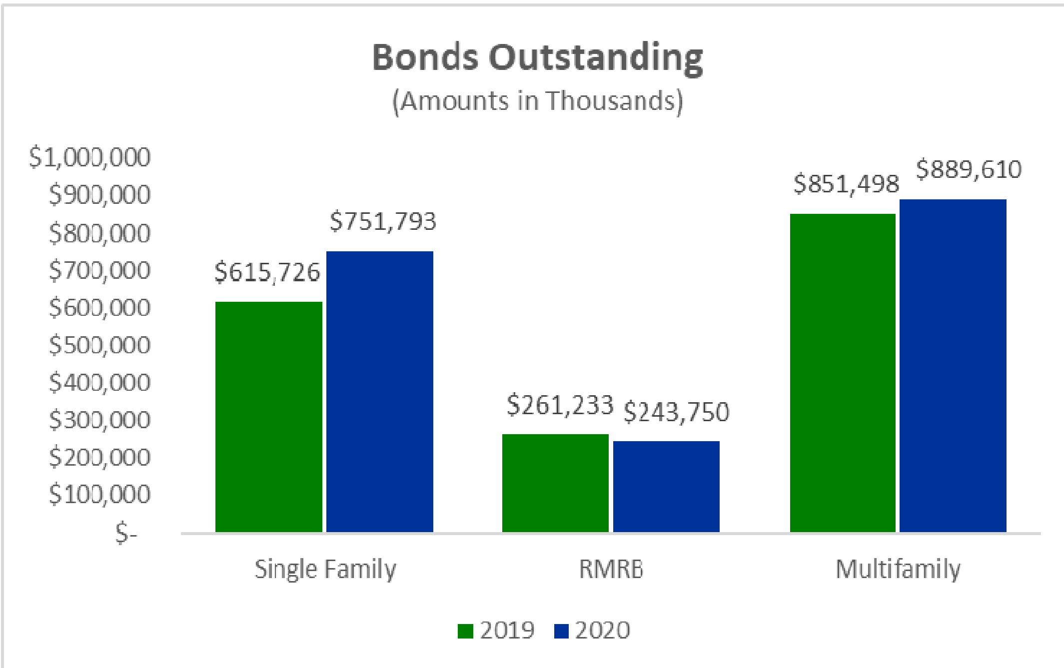
The Net Position of the Housing Initiatives & Compliance Programs increased $2.0 million or 11.7% which is reflective of a positive difference of $1.9 million between fees collected of $14.7 million and $12.8 million of transfers made to fund the operating budget.

The Net Position of the Administration Fund decreased by $5.6 million primarily due to the change in pension and OPEB expense reflective of the Department's proportionate share of the pension and OPEB liability reported by ERS Plan.

## Department Bond Debt

The Department had an increase in bonds payable of $156.7 million to $1.9 billion of which $48.9 million is due within one year. It issued $322.3 million in bonds during the year and had $174.3 million in bond debt retirements (See Schedule I-B) during the year primarily due to consumer refinancing and paying off of original loans. For additional information, see Note 6, Bonded Indebtedness, and supplementary bond information schedules.

The following graph illustrates a comparison of bonds outstanding between fiscal year 2019 and 2020 per bond program.




## Request for Information

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

# BASIC

# FINANCIAL STATEMENTS

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

**EXHIBIT I**
**STATEMENT OF NET POSITION - GOVERNMENT-WIDE**
As of August 31, 2020

| | Primary Government | | |
|---|---|---|---|
| | **Governmental Activities** | **Business-Type Activities** | **Total** |
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents (Note 3): | | | |
| Cash on Hand | $ 200.00 | $ 200.00 | $ 400.00 |
| Cash in Bank | 20,000.00 | 302,050.91 | 322,050.91 |
| Cash in State Treasury | | 1,870,168.35 | 1,870,168.35 |
| Cash Equivalents | | 38,603,948.80 | 38,603,948.80 |
| Restricted: | | | |
| Cash and Cash Equivalents (Note 3): | | | |
| Cash in Bank | | 53,454,286.47 | 53,454,286.47 |
| Cash in State Treasury | 57,041,958.61 | | 57,041,958.61 |
| Cash Equivalents | 375,550.02 | 324,257,745.26 | 324,633,295.28 |
| Short-term Investments (Note 3) | | 20,016,366.79 | 20,016,366.79 |
| Loans and Contracts | 24,071,533.04 | 185,156,068.64 | 209,227,601.68 |
| Interest Receivable | | 6,552,119.42 | 6,552,119.42 |
| Federal Receivable | 28,561,330.74 | | 28,561,330.74 |
| Legislative Appropriations | 9,067,261.93 | | 9,067,261.93 |
| Receivables From: | | | |
| Interest Receivable | 97,790.52 | 874,887.26 | 972,677.78 |
| Accounts Receivable | | 358,769.50 | 358,769.50 |
| Internal Balances (Note 11) | 30,269.14 | (30,269.14) | - |
| Consumable Inventories | 17,735.83 | 17,735.83 | 35,471.66 |
| Loans and Contracts | | 2,834,881.94 | 2,834,881.94 |
| Other Current Assets | | 21,061.04 | 21,061.04 |
| Total Current Assets | 119,283,629.83 | 634,290,021.07 | 753,573,650.90 |
| Non-Current Assets: | | | |
| Loans and Contracts | | 45,162,958.44 | 45,162,958.44 |
| Capital Assets (Note 2): | | | |
| Depreciable or Amortizable, Net | 85,074.80 | 104,986.68 | 190,061.48 |
| Restricted Assets: | | | |
| Investments (Note 3) | | 1,203,606,668.48 | 1,203,606,668.48 |
| Loans and Contracts | 440,286,513.23 | 982,260,603.99 | 1,422,547,117.22 |
| Other Non-Current Assets: | | | |
| Real Estate Owned, Net | | 42,959.50 | 42,959.50 |
| Total Non-Current Assets | 440,371,588.03 | 2,231,178,177.09 | 2,671,549,765.12 |
| Total Assets | $ 559,655,217.86 | $ 2,865,468,198.16 | $ 3,425,123,416.02 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred Outflows of Resources (Note 19) | $ 13,544,866.02 | $ 19,280,961.93 | $ 32,825,827.95 |
| Total Deferred Outflows of Resources | $ 13,544,866.02 | $ 19,280,961.93 | $ 32,825,827.95 |

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

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

**EXHIBIT I (Continued)**
**STATEMENT OF NET POSITION - GOVERNMENT-WIDE**
As of August 31, 2020

| | Primary Government | | |
|---|---|---|---|
| | **Governmental Activities** | **Business-Type Activities** | **Total** |
| **LIABILITIES** | | | |
| Current Liabilities: | | | |
| Payables: | | | |
| Accounts Payable | $ 32,820,982.22 | $ 1,274,276.48 | $ 34,095,258.70 |
| Accrued Bond Interest Payable | | 14,658,285.35 | 14,658,285.35 |
| Payroll Payable | 1,525,515.61 | 147,495.52 | 1,673,011.13 |
| Unearned Revenues | 29,534,149.75 | 5,913,443.55 | 35,447,593.30 |
| Employees' Compensable Leave (Note 5) | 884,956.18 | 1,082,106.88 | 1,967,063.06 |
| Net OPEB Liability (Note 10) | 612,650.75 | 875,311.25 | 1,487,962.00 |
| Notes Payable (Note 5) | | 986,497.54 | 986,497.54 |
| Revenue Bonds Payable (Notes 5 & 6) | | 48,898,287.21 | 48,898,287.21 |
| Restricted Short-Term Debt (Note 4) | | 140,800,959.83 | 140,800,959.83 |
| Other Current Liabilities | | 433,644.98 | 433,644.98 |
| Total Current Liabilities | 65,378,254.51 | 215,070,308.59 | 280,448,563.10 |
| Non-Current Liabilities: | | | |
| Employees' Compensable Leave (Note 5) | 500,313.80 | 567,227.47 | 1,067,541.27 |
| Notes Payable (Note 5) | | 175,247,582.92 | 175,247,582.92 |
| Net Pension Liability (Note 9) | 40,905,345.80 | 42,779,193.57 | 83,684,539.37 |
| Net OPEB Liability (Note 10) | 22,860,935.75 | 22,598,275.25 | 45,459,211.00 |
| Revenue Bonds Payable (Notes 5 & 6) | | 1,836,254,207.25 | 1,836,254,207.25 |
| Derivative Hedging Instrument (Note 7) | | 4,783,092.00 | 4,783,092.00 |
| Other Non-Current Liabilities (Note 5) | | 205,986,267.90 | 205,986,267.90 |
| Total Non-Current Liabilities | 64,266,595.35 | 2,288,215,846.36 | 2,352,482,441.71 |
| Total Liabilities | $ 129,644,849.86 | $ 2,503,286,154.95 | $ 2,632,931,004.81 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred Inflows of Resources (Note 19) | 7,803,495.00 | $ 7,381,432.69 | $ 15,184,927.69 |
| Total Deferred Inflows of Resources | $ 7,803,495.00 | $ 7,381,432.69 | $ 15,184,927.69 |
| **NET POSITION** | | | |
| Invested in Capital Assets | 85,074.80 | 104,986.68 | 190,061.48 |
| Restricted | 488,865,466.41 | 352,756,282.53 | 841,621,748.94 |
| Unrestricted | (53,198,802.19) | 21,220,303.24 | (31,978,498.95) |
| Total Net Position | 435,751,739.02 | 374,081,572.45 | 809,833,311.47 |

*This Page Intentionally Left Blank*

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

**EXHIBIT II**

**STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE**

For the Year Ended August 31, 2020

| | | Program Revenues | | Net (Expenses) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|
| | | | | Primary Government | | |
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Governmental Activities** | **Business-type Activities** | **2020 Total** |
| **Primary Government** | | | | | | |
| Governmental Activities: | | | | | | |
| Manufactured Housing | $ 5,368,263.87 | $ 6,960,490.41 | $ - | $ 1,592,226.54 | $ - | $ 1,592,226.54 |
| HOME Investment in Affordable Housing | 20,317,771.92 | | 26,358,756.04 | 6,040,984.12 | | 6,040,984.12 |
| Energy Assistance | 171,347,752.17 | | 171,653,718.48 | 305,966.31 | | 305,966.31 |
| Community Services | 52,715,290.13 | | 52,991,851.43 | 276,561.30 | | 276,561.30 |
| Community Development | 5,154,366.57 | | 454,269.10 | (4,700,097.47) | | (4,700,097.47) |
| Ending Homelessness | 87,138.24 | | | (87,138.24) | | (87,138.24) |
| Section 8 | 7,657,133.95 | | 7,590,448.59 | (66,685.36) | | (66,685.36) |
| Section 811 | 3,673,815.72 | | 3,673,765.21 | (50.51) | | (50.51) |
| Temporary Assistance for Needy Families | 10,000.00 | | 10,000.00 | - | | - |
| Tax Credit Assistance Program - ARRA | 1,303,926.33 | | 2,868,798.68 | 1,564,872.35 | | 1,564,872.35 |
| Money Follows the Person | 176,722.35 | 135,474.68 | | (41,247.67) | | (41,247.67) |
| Homeless Housing & Services Program | 5,623,608.78 | | | (5,623,608.78) | | (5,623,608.78) |
| Housing Trust Fund | 331,313.92 | | | (331,313.92) | | (331,313.92) |
| National Housing Trust Fund | 190,692.80 | | 3,293,471.08 | 3,102,778.28 | | 3,102,778.28 |
| Administration | 13,719,458.82 | 240,679.24 | 930,384.71 | (12,548,394.87) | | (12,548,394.87) |
| Total Governmental Activities | 287,677,255.57 | 7,336,644.33 | 269,825,463.32 | (10,515,147.92) | | (10,515,147.92) |
| Business-type Activities: | | | | | | |
| Single Family Bonds | 92,696,511.00 | 146,456,325.96 | | | 53,759,814.96 | 53,759,814.96 |
| Multifamily Bonds | 33,243,319.12 | 33,243,319.12 | | | - | - |
| Housing Trust Fund Program | 4,455,493.11 | 377,571.84 | | | (4,077,921.27) | (4,077,921.27) |
| Administration | 22,860,368.17 | 17,310,553.31 | | | (5,549,814.86) | (5,549,814.86) |
| Total Business-type Activities | 153,255,691.40 | 197,387,770.23 | | | 44,132,078.83 | 44,132,078.83 |
| **Total Primary Government** | $ 440,932,946.97 | $ 204,724,414.56 | $ 269,825,463.32 | $ (10,515,147.92) | $ 44,132,078.83 | $ 33,616,930.91 |

| | Governmental Activities | Business-type Activities | 2020 Total |
|---|---|---|---|
| **General Revenues:** | | | |
| Original Appropriations | 8,993,290.00 | | 8,993,290.00 |
| Additional Appropriations | 383,208.81 | | 383,208.81 |
| Interest & Other Investment Income | 982,639.21 | 349,101.18 | 1,331,740.39 |
| Appropriations Lapsed | 601,155.30 | | 601,155.30 |
| Other Revenues | 124,385.56 | 1,004.00 | 125,389.56 |
| Net Increase in Fair Value of Investments | | 26,495,603.55 | 26,495,603.55 |
| Transfers In (Out) (Note 11) | (886,717.80) | 2,266,006.00 | 1,379,288.20 |
| Total General Revenues and Transfers | 10,197,961.08 | 29,111,714.73 | 39,309,675.81 |
| Change in Net Position | (317,186.84) | 73,243,793.56 | 72,926,606.72 |
| Net Position, September 1, 2019 | 436,068,925.86 | 300,837,778.89 | 736,906,704.75 |
| Net Position - August 31, 2020 | $ 435,751,739.02 | $ 374,081,572.45 | $ 809,833,311.47 |

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

*This Page Intentionally Left Blank*

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

**EXHIBIT III**
**BALANCE SHEET - GOVERNMENTAL FUND**
As of August 31, 2020

| | Total |
|---|---|
| **ASSETS** | |
| Current Assets: | |
| Cash and Cash Equivalents (Note 3): | |
| Cash on Hand | 200.00 |
| Cash in Bank | 20,000.00 |
| Restricted: | |
| Cash and Cash Equivalents (Note 3): | |
| Cash in State Treasury | 57,041,958.61 |
| Cash Equivalents | 375,550.02 |
| Federal Receivable | 28,561,330.74 |
| Legislative Appropriations | 9,067,261.93 |
| Receivables From: | |
| Interest | 97,790.52 |
| Interfund Receivable (Note 11) | 80,524.69 |
| Due From Other Funds (Note 11) | 1,442.29 |
| Consumable Inventories | 17,735.83 |
| Restricted - Loans and Contracts | 24,071,533.04 |
| Total Current Assets | 119,335,327.67 |
| Non-Current Assets: | |
| Restricted - Loans and Contracts | 440,286,513.23 |
| Total Non-Current Assets | 440,286,513.23 |
| Total Assets | 559,621,840.90 |
| **LIABILITIES** | |
| Current Liabilities: | |
| Payables: | |
| Accounts Payable | 32,820,982.22 |
| Payroll Payable | 1,525,515.61 |
| Interfund Payable (Note 11) | 51,697.84 |
| Unearned Revenues | 29,534,149.75 |
| Total Liabilities | 63,932,345.42 |
| **FUND FINANCIAL STATEMENT-FUND BALANCES** | |
| Fund Balances: | |
| Reserved for: | |
| Nonspendable | 17,735.83 |
| Restricted | 488,816,830.71 |
| Assigned | 30,899.87 |
| Unassigned | 6,824,029.07 |
| Total Fund Balances as of August 31 | 495,689,495.48 |
| NOTE: Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore not reported in the funds. | 85,074.80 |
| Long term liabilities relating to employees' compensable leave, pensions, and OPEB are not due and payable in the current year therefore are not reported in the funds. | (60,022,831.26) |
| **NET POSITION AS OF AUGUST 31** | 435,751,739.02 |

**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, 2020

| | | Total |
|---|---|---|
| **REVENUES** | | |
| Legislative Appropriations: | | |
| Original Appropriations (GR) | $ | 8,993,290.00 |
| Additional Appropriations (GR) | | 383,208.81 |
| Federal Revenue (PR-OP G/C) | | 269,785,118.22 |
| Federal Revenue Grant Pass-Thru Revenue (PR-OP G/C) | | 10,000.00 |
| State Grant Pass-Through Revenue (PR-OP G/C) | | 30,345.10 |
| Licenses, Fees & Permits (PR-C/S) | | 6,550,359.65 |
| Interest and Other Investment Income (GR) | | 982,639.21 |
| Sales of Goods and Services (PR-C/S) | | 786,284.68 |
| Other (GR) | | 124,385.56 |
| Total Revenues | | 287,645,631.23 |
| **EXPENDITURES** | | |
| Salaries and Wages | | 10,181,336.97 |
| Payroll Related Costs | | 3,565,925.21 |
| Professional Fees and Services | | 422,457.17 |
| Travel | | 419,908.67 |
| Materials and Supplies | | 191,757.50 |
| Communication and Utilities | | 181,402.07 |
| Repairs and Maintenance | | 313,605.86 |
| Rentals & Leases | | 163,610.78 |
| Printing and Reproduction | | 32,329.22 |
| Claims and Judgments | | 112,061.50 |
| Intergovernmental Payments | | 64,899,134.17 |
| Public Assistance Payments | | 201,225,540.42 |
| Other Expenditures | | 180,350.32 |
| Capital Outlay | | 31,464.76 |
| Total Expenditures | | 281,920,884.62 |
| Excess of Revenues Over Expenditures | | 5,724,746.61 |
| **OTHER FINANCING SOURCES (USES)** | | |
| Other Operating Grant Revenue | | |
| Transfers In (Note 11) | | 4,000,397.12 |
| Transfers Out (Note 11) | | (4,887,114.92) |
| Total Other Financing (Uses) | | (886,717.80) |
| Net Change in Fund Balances | | 4,838,028.81 |
| **FUND FINANCIAL STATEMENT-FUND BALANCES** | | |
| Fund Balances--Beginning | | 490,250,311.37 |
| Appropriations (Lapsed) | | 601,155.30 |
| Fund Balances - August 31 | $ | 495,689,495.48 |

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

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

**EXHIBIT IV (Continued)**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**- GOVERNMENTAL FUND**
Year Ended August 31, 2020

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

| | | Total |
|---|---|---|
| Net Change in Fund Balances (Exhibit IV) | $ | 4,838,028.81 |
| Appropriations (Lapsed) | | 601,155.30 |
| Changes in Fund Balances | | 5,439,184.11 |
| Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to: | | |
| - capital outlay expense | | 31,464.76 |
| - depreciation expense | | (33,473.88) |
| - payroll expense due to Compensable Leave | | (181,578.22) |
| - additional pension/OPEB expense related to GASB 68/71/75 | | (5,573,787.61) |
| - Other Operating Revenue from OPEB related to GASB 75 | | 1,004.00 |
| Change in Net Position, August 31 (Exhibit II) | $ | (317,186.84) |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V
STATEMENT OF NET POSITION - PROPRIETARY FUND
August 31, 2020

| | Total |
|---|---|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents (Note 3) | |
| Cash on Hand | $ 200.00 |
| Cash in Bank | 302,050.91 |
| Cash in State Treasury | 1,870,168.35 |
| Cash Equivalents | 38,603,948.80 |
| Restricted Assets: | |
| Cash and Cash Equivalents (Note 3) | |
| Cash in Bank | 53,454,286.47 |
| Cash Equivalents | 324,257,745.26 |
| Short-term Investments (Note 3) | 20,016,366.79 |
| Loans and Contracts | 185,156,068.64 |
| Interest Receivable | 6,552,119.42 |
| Receivable: | |
| Interest Receivable | 874,887.26 |
| Accounts Receivable | 358,769.50 |
| Consumable Inventories | 17,735.83 |
| Loans and Contracts | 2,834,881.94 |
| Other Current Assets | 21,061.04 |
| Total Current Assets | 634,320,290.21 |
| Non-Current Assets: | |
| Loans and Contracts | 45,162,958.44 |
| Capital Assets: (Note 2) | |
| Depreciable or Amortizable, Net | 104,986.68 |
| Restricted Assets: | |
| Investments (Note 3) | 1,203,606,668.48 |
| Loans and Contracts | 982,260,603.99 |
| Real Estate Owned, net | 42,959.50 |
| Total Non-Current Assets | 2,231,178,177.09 |
| Total Assets | $ 2,865,498,467.30 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows of Resources (Note 19) | $ 19,280,961.93 |
| Total Deferred Outflows of Resources | $ 19,280,961.93 |

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

EXHIBIT V (Continued)
STATEMENT OF NET POSITION - PROPRIETARY FUND
August 31, 2020

| | |
|---|---|
| LIABILITIES | |
| Current Liabilities | |
| Payables: | |
| Accounts Payable | $ 1,274,276.48 |
| Payroll Payable | 147,495.52 |
| Accrued Bond Interest Payable | 14,658,285.35 |
| Interfund Payable (Note 11) | 28,826.85 |
| Due to Other Funds (Note 11) | 1,442.29 |
| Unearned Revenues | 5,913,443.55 |
| Employees' Compensable Leave (Note 5) | 1,082,106.88 |
| Net OPEB Liability (Note 10) | 875,311.25 |
| Notes and Loans Payable (Note 5) | 986,497.54 |
| Revenue Bonds Payable (Notes 5 & 6) | 48,898,287.21 |
| Restricted Short-Term Debt (Note 4) | 140,800,959.83 |
| Other Current Liabilities | 433,644.98 |
| Total Current Liabilities | 215,100,577.73 |
| | |
| Non-Current Liabilities | |
| Employees' Compensable Leave (Note 5) | 567,227.47 |
| Notes and Loans Payable (Note 5) | 175,247,582.92 |
| Net Pension Liability (Note 9) | 42,779,193.57 |
| Net OPEB Liability (Note 10) | 22,598,275.25 |
| Revenue Bonds Payable (Note 5 & 6) | 1,836,254,207.25 |
| Derivative Hedging Instrument (Note 7) | 4,783,092.00 |
| Other Non-Current Liabilities (Note 5) | 205,986,267.90 |
| Total Non-Current Liabilities | 2,288,215,846.36 |
| Total Liabilities | $ 2,503,316,424.09 |
| | |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows of Resources (Note 19) | $ 7,381,432.69 |
| Total Deferred Inflows of Resources | $ 7,381,432.69 |
| | |
| NET POSITION | |
| Invested in Capital Assets | 104,986.68 |
| Restricted | 352,756,282.53 |
| Unrestricted | 21,220,303.24 |
| Total Net Position | 374,081,572.45 |

*This Page Intentionally Left Blank*

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

**EXHIBIT VI**

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

For the fiscal year ended August 31, 2020

| | Total |
|---|---|
| **OPERATING REVENUES** | |
| Interest and Investment Income | $ 76,508,937.92 |
| Net Increase in Fair Value | 26,495,603.55 |
| Other Operating Revenues | 121,227,933.49 |
| Total Operating Revenues | 224,232,474.96 |
| | |
| **OPERATING EXPENSES** | |
| Salaries and Wages | 11,443,039.39 |
| Payroll Related Costs | 8,993,538.72 |
| Professional Fees and Services | 1,532,726.93 |
| Travel | 173,785.37 |
| Materials and Supplies | 212,400.11 |
| Communications and Utilities | 313,467.08 |
| Repairs and Maintenance | 429,247.60 |
| Rentals and Leases | 125,005.35 |
| Printing and Reproduction | 14,098.96 |
| Depreciation and Amortization | 39,246.76 |
| Interest | 63,069,210.71 |
| Bad Debt Expense | 4,194,671.62 |
| Down Payment Assistance | 3,849,940.54 |
| Other Operating Expenses | 58,865,312.26 |
| Total Operating Expenses | 153,255,691.40 |
| | |
| Operating Income | 70,976,783.56 |
| | |
| **NONOPERATING REVENUES (EXPENSES)** | |
| Other Nonoperating Revenues | 1,004.00 |
| Total Non-Operating Revenues (Expenses) | 1,004.00 |
| | |
| Income before Other Revenues, Expenses, Gains, Losses and Transfers | 70,977,787.56 |
| | |
| **OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS** | |
| Transfers In (Note 11) | 2,266,006.00 |
| Total Other Revenues, Expenses, Gains, Losses and Transfers | 2,266,006.00 |
| | |
| **CHANGE IN NET POSITION** | 73,243,793.56 |
| | |
| Net Position, September 1, 2019 | 300,837,778.89 |
| | |
| **NET POSITION, AUGUST 31, 2020** | $ 374,081,572.45 |

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2020

| | Total |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Proceeds from Loan Programs | $ 2,101,541,446.13 |
| Proceeds from Other Revenues | 126,732,847.98 |
| Payments to Suppliers for Goods/Services | (149,069,412.93) |
| Payments to Employees | (14,898,123.80) |
| Payments for Loans Provided | (2,066,597,172.04) |
| Net Cash (Used For) Operating Activities | (2,290,414.66) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Proceeds from Debt Issuance | 6,609,719,809.84 |
| Proceeds from Note Payable | 69,100,000.00 |
| Proceeds of Transfers from Other Funds | 2,266,006.00 |
| Payments of Principal on Debt Issuance | (6,436,860,545.65) |
| Payments of Interest | (62,197,043.29) |
| Payments for Other Cost of Debt | (1,879,587.72) |
| Net Cash Provided By Noncapital Financing Activities | 180,148,639.18 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Payments for Additions to Capital Assets | (45,186.08) |
| Net Cash (Used for) Capital Activities | (45,186.08) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from Sales of Investments | 360,640,787.46 |
| Proceeds from Interest/Investment Income | 50,416,992.78 |
| Payments to Acquire Investments | (314,733,562.27) |
| Net (Used for) Investing Activities | 96,324,217.97 |
| Net Decrease in Cash and Cash Equivalents | 274,137,256.41 |
| Cash and Cash Equivalents, September 1, 2019 | 144,351,143.38 |
| Cash and Cash Equivalents, August 31, 2020 | $ 418,488,399.79 |

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

EXHIBIT VII (Continued)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2020

| | Total |
|---|---|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income | $ 70,976,783.56 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 39,246.76 |
| Pension Expense | 6,612,948.60 |
| OPEB Expense | 363,262.50 |
| Provision for Uncollectibles | 4,194,671.62 |
| Operating Income and Cash Flow Categories Classification Differences | (48,389,316.79) |
| Changes in Assets and Liabilities: | |
| (Increase) in Receivables | (137,544.50) |
| Decrease in Accrued Interest Receivable | 138,901.01 |
| (Increase) in Loans / Contracts | (115,794,519.66) |
| Decrease in Other Assets | 9,328,319.98 |
| Increase in Payables | 46,581.69 |
| (Decrease) in Unearned Revenues | (830,415.06) |
| Increase in Accrued Interest Payable | 2,328,562.48 |
| Increase in Other Liabilities | 68,832,103.15 |
| Total Adjustments | (73,267,198.22) |
| Net Cash (Used For) Operating Activities | $ (2,290,414.66) |

NON CASH TRANSACTIONS
Net Change in Fair Value of Investments for 2020 was $26,495,603.55

**EXHIBIT VIII**
**STATEMENT OF FIDUCIARY NET POSITION**
As of August 31, 2020

| CUSTODIAL FUNDS | Total |
|---|---|
| **ASSETS** | |
| Current Assets: | |
| Restricted: | |
| Cash in State Treasury (Note 3) | $ 406,553.76 |
| Total Current Assets | 406,553.76 |
| **Total Assets** | $ 406,553.76 |
| **LIABILITIES** | |
| Current Liabilities | $ - |
| **Total Liabilities** | $ - |
| **Total Net Position** | $ 406,553.76 |

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

**EXHIBIT IX**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
As of August 31, 2020

| | CUSTODIAL FUND |
|---|---|
| **ADDITIONS** | |
| Escrow payments collected for other governments | $ 1,269,824.54 |
| **Total Additions** | 1,269,824.54 |
| **DEDUCTIONS** | |
| Escrow payments distributed to other governments | 1,244,545.68 |
| **Total Deductions** | 1,244,545.68 |
| Net increase (decrease) in Fiduciary Net Position | 25,278.86 |
| Net Position, September 1, 2019 | - |
| Restatement (Note 18 ) | 381,274.90 |
| Net position, September 1, 2019, as Restated | 381,274.90 |
| **Net position -- ending** | $ 406,553.76 |

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

*This Page Intentionally Left Blank*

# NOTES TO THE FINANCIAL

# STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ENTITY

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

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

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

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

In response to the COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Department was allocated $382,133,493 in funding for various grants.

The accompanying financial statements of the Department have been prepared to conform to Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). These financial statements represent the financial status of the Department, and are not intended to present the financial position of the State of Texas or its results of operations or cash flows.

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

### FUND STRUCTURE

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

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

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

**Proprietary Fund Types**

Enterprise Funds (Business-Type Activity)

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

**Fiduciary Fund Types**

Custodial Fund

The Department has implemented GASB 84, *Fiduciary Activities*, by identifying activity related to Custodial Funds. Custodial funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Custodial funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The fiduciary activity is not included in the government-wide financial statements.

**Basis of Accounting**

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

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

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

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

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

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

**BUDGET AND BUDGETARY ACCOUNTING**

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

**ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS 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* and Statement No. 72, *Fair Value of Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair Value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

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

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

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

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

The Department has reported all investment securities at fair value as of August 31, 2020 with exception of some short-term money market investments and nonparticipating interest-earning investment contracts which are reported at amortized cost provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

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

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

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

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

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

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

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

**Deferred Outflows of Resources**

Deferred Outflows of Resources
The Department identified its derivative instruments and measured their effectiveness in accordance with GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The Department contracted a service provider to measure its derivative effectiveness. Since the derivative instruments were deemed to be effective, the Department will be deferring the changes in fair value for these derivatives and reporting them as deferred outflows of resources. The Department has also implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The Department will be reporting its allocated contributions as of the measurement date of August 31, 2019, contributions after the measurement date for fiscal year 2020, and the effect of changes in actuarial assumptions as deferred outflows of resources.

**Liabilities**

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

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

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

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

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

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

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

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

Notes Payable
The Department issues notes to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing payable solely from the payments received from the assets and guarantors, which secure the notes. The Department has also issued four notes which are subordinate lien obligations. The 2016 Issuer Note has a loan agreement with Woodforest National Bank and the 2018 Issuer Notes have loan agreements with Woodforest National Bank, Tolleson Private Bank, and Hancock Whitney Bank to provide funding for down payment assistance in connection with Texas Homeownership Programs.

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

Derivative Hedging Instruments
Per GASB Statement No. 72, the Department is to recognize its interest rate swaps at fair value taking into account non-performance risk on the Statement of Net Position. As of August 31, 2020, the fair value of the Department's four swaps is considered to be negative indicating the Department would be obligated to pay the counterparty the fair value as of the termination date. The Department has the option to terminate prior to the maturity date.

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

**Deferred Inflows of Resources**

The Department has implemented GASB No. 68 and GASB No. 75. It will be reporting the difference between expected and actual experience and the difference between projected and actual investment return as deferred inflows of resources.

**Fund Balance/Net Position**

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

**Fund Balance Components**

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

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

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

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

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

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

**Net Position Components**

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

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

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

**Interfund Transactions and Balances**

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

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

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

## NOTE 2: CAPITAL ASSETS –

A summary of changes in Capital Assets for year ended August 31, 2020 is below:

| | PRIMARY GOVERNMENT | | | | |
|---|---|---|---|---|---|
| | Balance 09/01/19 | Adjustments | Additions | Deletions | Balance 08/31/20 |
| **GOVERNMENTAL ACTIVITIES** | | | | | |
| **Depreciable Assets** | | | | | |
| Furniture and Equipment | $ 499,491.90 | $ | $ 31,464.76 | $ | $ 530,956.66 |
| Other Capital Assets | 130,964.13 | | | | 130,964.13 |
| Total Depreciable Assets | $ 630,456.03 | $ - | $ 31,464.76 | $ - | $ 661,920.79 |
| Less Accumulated Depreciation for: | | | | | |
| Furniture and Equipment | $ (412,407.98) | $ | $ (33,473.88) | $ | $ (445,881.86) |
| Other Capital Assets | (130,964.13) | | | | (130,964.13) |
| Total Accumulated Depreciation | (543,372.11) | - | (33,473.88) | - | (576,845.99) |
| Depreciable Assets, Net | $ 87,083.92 | $ - | $ (2,009.12) | $ - | $ 85,074.80 |
| **Amortizable Assets - Intangible** | | | | | |
| Computer Software | $ 1,307,012.36 | $ | $ | $ | $ 1,307,012.36 |
| Total Amortizable Assets - Intangible | $ 1,307,012.36 | $ - | $ - | $ - | $ 1,307,012.36 |
| Less Accumulated Amortization for: | | | | | |
| Computer Software | $ (1,307,012.36) | $ | $ | $ | $ (1,307,012.36) |
| Total Accumulated Amortization | (1,307,012.36) | - | - | - | (1,307,012.36) |
| Amortizable Assets - Intangible, Net | $ - | $ - | $ - | $ - | $ - |
| **Governmental Activities Capital Assets, Net** | $ 87,083.92 | $ - | $ (2,009.12) | $ - | $ 85,074.80 |

| | PRIMARY GOVERNMENT | | | | |
|---|---|---|---|---|---|
| | Balance 09/01/19 | Adjustments | Additions | Deletions | Balance 08/31/20 |
| **BUSINESS-TYPE ACTIVITIES** | | | | | |
| **Depreciable Assets** | | | | | |
| Furniture and Equipment | $ 451,796.63 | $ | $ 45,186.08 | $ | $ 496,982.71 |
| Other Capital Assets | 132,278.87 | | | | 132,278.87 |
| Total Depreciable Assets | $ 584,075.50 | $ - | $ 45,186.08 | $ - | $ 629,261.58 |
| Less Accumulated Depreciation for: | | | | | |
| Furniture and Equipment | $ (352,749.27) | $ | $ (39,246.76) | $ | $ (391,996.03) |
| Other Capital Assets | (132,278.87) | | | | (132,278.87) |
| Total Accumulated Depreciation | (485,028.14) | - | (39,246.76) | - | (524,274.90) |
| Depreciable Assets, Net | $ 99,047.36 | $ - | $ 5,939.32 | $ - | $ 104,986.68 |
| **Amortizable Assets - Intangible** | | | | | |
| Computer Software | $ 679,784.59 | $ | $ | $ | $ 679,784.59 |
| Total Amortizable Assets - Intangible | $ 679,784.59 | $ - | $ - | $ - | $ 679,784.59 |
| Less Accumulated Amortization for: | | | | | |
| Computer Software | $ (679,784.59) | $ | $ | $ | $ (679,784.59) |
| Total Accumulated Amortization | (679,784.59) | - | - | - | (679,784.59) |
| Amortizable Assets - Intangible, Net | $ - | $ - | $ - | $ - | $ - |
| **Business-Type Activities Capital Assets, Net** | $ 99,047.36 | $ - | $ 5,939.32 | $ - | $ 104,986.68 |

## NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

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

**Deposits of Cash in Bank**
As of August 31, 2020, the carrying amount of deposits was $53,776,337.38.

| | |
|---|---|
| **Governmental and Business-Type Activities** | |
| CASH IN BANK - CARRYING VALUE | $ 53,776,337.38 |

| | |
|---|---|
| Governmental Funds Current Assets Cash in Bank | $ 20,000.00 |
| Texas Treasury Safekeeping Trust | 302,050.91 |
| Texas Treasury Safekeeping Trust - Restricted | 217,641.86 |
| Demand Deposits | 53,236,644.61 |
| Cash in Bank | $ 53,776,337.38 |

At August 31, 2020, the Department's cash and deposits in the State Treasury amounted to $58,912,126.96 which included $406,553.76 in Fiduciary Funds. The total amount was fully collateralized by securities held with a trustee in the State's name, as reported to the Department by the Comptroller of Public Accounts of the State of Texas.

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

The Department holds $269,445,109.57 in overnight repurchase agreements maturing on the following business day, September 1, 2020, at a rate of 0.04%.

At August 31, 2020, the fair value of investments (including both short-term and long-term) and cash equivalents are shown below.

| | Fair Value Hierarchy | | | | |
|---|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Amortized Cost | Total |
| **Governmental Activities** | | | | | |
| Repurchase Agreements (TTSTC) | $ - | $ - | $ - | $ 375,550.02 | $ 375,550.02 |
| **Total Governmental Activities** | | | | | **$ 375,550.02** |
| | | | | | |
| **Business Type Activities** | | | | | |
| U.S. Government | | | | | |
| U.S. Treasury Notes | $ 25,078,520.23 | $ - | $ - | $ - | $ 25,078,520.23 |
| U.S. Government Agency Obligations | | 1,161,676,946.09 | | | 1,161,676,946.09 |
| Repurchase Agreements (TTSTC) | | | | 269,069,559.55 | 269,069,559.55 |
| Fixed Income Money Markets | | | | 93,792,134.51 | 93,792,134.51 |
| Misc (Investment Agreements/GICs) | | | | 36,867,568.95 | 36,867,568.95 |
| **Total Business-Type Activities** | | | | | **$ 1,586,484,729.33** |

**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, 2020, the Department's credit quality distribution for securities with credit risk exposure was as follows.

*Standard & Poor's*

| Investment Type | Not Rated | AAA | AA+ | AA- |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Repurchase Agreements (TTSTC) | $375,550.02 | | | |
| Business-Type Activities | | | | |
| U.S. Government Agency Obligations | | | $335,730,360.65 | |
| U.S. Treasury Notes | | $25,078,520.23 | | |
| Repurchase Agreements (TTSTC) | $269,069,559.55 | | | |
| Misc (Investment Agreements/GICs) | $23,688,018.37 | | | $13,179,550.58 |
| | | | | |
| | **Not Rated** | **AAA-M** | **AA-M** | **A-M** |
| Fixed Income Money Market | | $93,792,134.51 | | |

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

A total of $825,946,585.44 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, 2020, the Department's concentration of credit risk is as follows.

| Issuer | Carrying Value | % of Total Portfolio |
|---|---|---|
| Natwest | $269,069,559.55 | 16.96% |

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

**Interest Rate Risk**
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. The longer the maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities.

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

**Remaining Maturity (in months)**

| Governmental Activities | Fair Value | 12 months or less | 13 to 24 months | 25 to 60 months | More than 60 months |
|---|---|---|---|---|---|
| Repurchase Agreements (TTSTC) | $ 375,550.02 | $ 375,550.02 | $ - | $ - | $ - |
| **Total Governmental Activities** | $ 375,550.02 | $ 375,550.02 | $ - | $ - | $ - |
| | | | | | |
| **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 | $ 1,161,676,946.09 | $ 1,530.49 | $ - | $ 1,379,961.47 | $ 1,160,295,454.13 |
| U.S. Treasury Notes | 25,078,520.23 | 19,957,588.23 | 1,952,679.00 | $ 3,168,253.00 | |
| Repurchase Agreements (TTSTC) | 269,069,559.55 | 269,069,559.55 | | | |
| Fixed Income Money Markets | 93,792,134.51 | 93,792,134.51 | | | |
| Misc (Investment Agreements/GICs) | 36,867,568.95 | 57,248.07 | $ 2,037,828.73 | $ 11,084,473.78 | 23,688,018.37 |
| **Total Business-Type Activities** | $ 1,586,484,729.33 | $ 382,878,060.85 | $ 3,990,507.73 | $ 15,632,688.25 | $ 1,183,983,472.50 |

**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 changes in interest rates. The Department does not make it a common practice to sell these investments. However, in recent years the Department has sold some of these investments at a premium and used the realized gain to fund Down Payment Assistance loans in connection with the Single Family My First Texas Home Program. Any other fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2020, the Department holds $1,161,676,946.09 in mortgage-backed securities.

## NOTE 4: SHORT-TERM DEBT

| Business-Type Activities | Balance 09/01/19 | Additions | Reductions | Balance 08/31/20 |
|---|---|---|---|---|
| Short -Term Debt (Direct Borrowing) | $ 134,330,279.55 | 6,276,627,511.94 | 6,270,156,831.66 | $ 140,800,959.83 |
| **Total Business-Type Activities** | $ 134,330,279.55 | 6,276,627,511.94 | 6,270,156,831.66 | $ 140,800,959.83 |

**Short-Term Debt**

Short-term debt in the Enterprise Fund is comprised of funds due to the Federal Home Loan Bank of Dallas (FHLB) in the amount of $140,800,959.83.

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

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

It contains the following events of default:

- A default in the payment of any principal or interest of the loan when such payments become due and payable;
- The failure of the Department to perform any promise or obligation or satisfy any condition or liability:
- Evidence coming to the attention of FHLB that any representation, statement or warranty made or furnished by the FHLB in connection with any advance, any specification of qualifying collateral or any certification of fair value market value was false in any material respect;
- The issuance of any tax, levy, seizure, attachment, garnishment, levy of execution, or other legal process with respect to the collateral;
- A suspension of payment made by Department to any creditor or any event that results in the acceleration of any of its indebtedness.
- The appointment of a conservator or receiver for the Department under the federal bankruptcy laws.
- The sale by the Department of all or material part of its assets
- The cessation of the Department to be a type of institution that is eligible to become a borrower of FHLB.
- The merger, or consolation or other combination by the Department with any other non-eligible entity.
- FHLB reasonably and in good faith determines that a material adverse change has occurred in the financial condition of the Department
- FHLB deems itself insecure even though the Department is not otherwise in default

The occurrence of or during the continuation any event of default, FHLB may at its own option declare all indebtedness and accrued interest to be immediately due and payable without presentment, demand, protest, or any further notice

As of August 31, 2020, the maximum aggregate principal amount available for advances under the Advances Agreement was $250,000,000 resulting in $109,199,040.17 available in the line of credit at August 31, 2020.

## NOTE 5: SUMMARY LONG-TERM LIABILITIES

### Changes in Long-Term Liabilities

During the year ended August 31, 2020, the following changes occurred in liabilities.

| Governmental Activities | Balance 09/01/19 | Additions | Reductions | Balance 08/31/20 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Compensable Leave | $ 1,203,691.76 | 1,385,269.98 | 1,203,691.76 | $ 1,385,269.98 | $ 884,956.18 |
| **Total Governmental Activities** | $ 1,203,691.76 | 1,385,269.98 | 1,203,691.76 | $ 1,385,269.98 | $ 884,956.18 |

| Business-Type Activities | Balance 09/01/19 | Additions | Reductions | Balance 08/31/20 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Revenue Bonds Payable | $ 1,432,365,193.13 | 313,092,297.90 | 143,055,634.42 | $ 1,602,401,856.61 | $ 44,234,872.83 |
| Revenue Bonds Payable - Direct Placements | 296,091,289.45 | 20,000,000.00 | 33,340,651.60 | 282,750,637.85 | 4,663,414.38 |
| Notes Payable - Direct Placements | 86,466,264.86 | 69,100,000.00 | 1,332,184.40 | 154,234,080.46 | 986,497.54 |
| Notes Payable - Direct Borrowing | 22,000,000.00 | - | - | 22,000,000.00 | - |
| Compensable Leave | 1,377,118.07 | 1,649,334.35 | 1,377,118.07 | 1,649,334.35 | 1,082,106.88 |
| **Total Business-Type Activities** | $ 1,838,299,865.51 | 403,841,632.25 | 179,105,588.49 | $ 2,063,035,909.27 | $ 50,966,891.63 |

### Employees' Compensable Leave

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

### Revenue Bonds Payable

The Department issues bonds to assist in financing the purchase of homes or the construction or rehabilitation of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (See Note 6 for more information.) The $333,092,297.90 in additions is inclusive of $10,747,154.90 in bond premium related to the issuance of the 2020 Single Family Series A. The $176,396,286.02 in reductions is inclusive of $2,137,250.80 in amortization of bond premium/discount.

The Department has $282,750,637.85 of revenue bonds outstanding from direct placements as of August 31, 2020. They were primarily issued to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing and are secured by these assets and their respective revenue. These bonds are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the bonds.

**NOTE 5: SUMMARY OF LONG-TERM LIABILITIES Cont'd**

They contain the following events of default:

- A default in the payment of any interest of the loan when such interests becomes due and payable;
- A default in the payment of principal of the loan when such principal becomes due and payable.

The occurrence of any event of default would trigger remedies ranging from demand of immediate payment to the acceleration of the bonds causing it to be immediately due and payable.

The following are debt service requirements for bonds payable in the business-type activities:

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

| | Revenue Bonds Payable | | | Revenue Bonds Payable - Direct Placement | | |
|---|---|---|---|---|---|---|
| **Year** | **Principal** | **Interest** | **Total** | **Principal** | **Interest** | **Total** |
| 2021 | $ 42,253,429.59 | $ 43,305,481.68 | $ 85,558,911.27 | $ 4,663,414.38 | $ 14,125,769.96 | $ 18,789,184.34 |
| 2022 | 25,255,518.05 | 43,795,498.61 | 69,051,016.66 | 4,928,117.39 | 13,880,331.43 | 18,808,448.82 |
| 2023 | 20,502,930.14 | 43,120,739.45 | 63,623,669.59 | 5,180,506.29 | 13,620,759.14 | 18,801,265.43 |
| 2024 | 21,174,739.56 | 42,457,463.60 | 63,632,203.16 | 5,478,130.67 | 13,349,441.90 | 18,827,572.57 |
| 2025 | 29,015,646.38 | 41,514,512.44 | 70,530,158.82 | 5,756,569.59 | 13,056,901.45 | 18,813,471.04 |
| 2026-30 | 134,484,285.07 | 191,398,251.19 | 325,882,536.26 | 53,518,356.63 | 57,099,450.40 | 110,617,807.03 |
| 2031-35 | 282,360,303.45 | 161,464,464.41 | 443,824,767.86 | 38,115,053.53 | 45,025,786.67 | 83,140,840.20 |
| 2036-40 | 457,151,308.76 | 109,490,992.31 | 566,642,301.07 | 92,970,883.89 | 28,041,487.91 | 121,012,371.80 |
| 2041-45 | 235,625,000.00 | 69,064,246.07 | 304,689,246.07 | 30,051,600.45 | 16,636,613.89 | 46,688,214.34 |
| 2046-50 | 271,725,529.00 | 26,930,112.12 | 298,655,641.12 | 29,222,078.09 | 6,114,696.82 | 35,336,774.91 |
| 2051-55 | 3,660,000.00 | 5,076,189.12 | 8,736,189.12 | 10,020,926.94 | 2,093,363.91 | 12,114,290.85 |
| 2056-60 | 46,000,000.00 | 4,189,660.57 | 50,189,660.57 | 2,845,000.00 | 286,180.14 | 3,131,180.14 |
| **Totals** | **$ 1,569,208,690.00** | **$ 781,807,611.57** | **$ 2,351,016,301.57** | **$ 282,750,637.85** | **$ 223,330,783.62** | **$ 506,081,421.47** |

**Notes Payable**

The Department has notes and loans payable from direct borrowings and direct placements related to business-type activities in the amount of $176,234,080.46 as of August 31, 2020 and they have no unused lines of credit. It has four Issuer Notes from direct borrowings and six Multifamily Notes from direct placements.

The Department's four Issuer notes from direct borrowings are subordinate lien obligations to provide funding for down payment assistance in connection with Texas Homeownership Programs. The 2016 Issuer Note has a loan agreement with Woodforest National Bank secured by the RMRB Indenture and the 2018 Issuer Notes with Woodforest National Bank, Tolleson Private Bank, and Hancock Whitney Bank secured by the Single Family Indenture. They contain the following events of default:

- A default in payment of any interest upon the loan when such interest becomes due and payable;
- A default in payment of principal of the loan when such principal becomes due and payable;
- A default in the Asset Test if the amount calculated pursuant to such test equals an amount less than 102% for the 2016 Note and 105% for the 2018 Note, plus the current outstanding amount of the loan.

**NOTE 5: SUMMARY OF LONG-TERM LIABILITIES Cont'd**

The occurrence of any event of default would trigger remedies ranging from demand of immediate payment to the acceleration of the loan causing it to be immediately due and payable.

The Department's six notes from direct placements were primarily issued to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing and are secured by these assets and their respective revenue. These notes are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the notes. They contain the following events of default:

- A default in payment of any interest upon the loan when such interests become due and payable;
- A default in payment of principal of the loan when such principal becomes due and payable.

The occurrence of any event of default would trigger remedies ranging from demand of immediate payment to the acceleration of the loan causing it to be immediately due and payable.

The following are debt service requirements for notes payable in the business-type activities:

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

| | Notes Payable - Direct Borrowing | | | Notes Payable - Direct Placement | | |
|---|---|---|---|---|---|---|
| **Year** | **Principal** | **Interest** | **Total** | **Principal** | **Interest** | **Total** |
| 2021 | $ - | $ 419,421.51 | $ 419,421.51 | $ 986,497.54 | $ 5,087,398.07 | $ 6,073,895.61 |
| 2022 | - | 419,999.99 | 419,999.99 | 1,180,801.40 | 5,192,319.67 | 6,373,121.07 |
| 2023 | - | 419,999.99 | 419,999.99 | 29,331,740.98 | 4,837,701.30 | 34,169,442.28 |
| 2024 | - | 420,578.48 | 420,578.48 | 1,283,049.38 | 4,570,617.36 | 5,853,666.74 |
| 2025 | 12,000,000.00 | 455,092.74 | 12,455,092.74 | 1,340,258.18 | 4,511,146.82 | 5,851,405.00 |
| 2026-30 | 10,000,000.00 | 824,383.62 | 10,824,383.62 | 7,619,403.76 | 21,655,144.48 | 29,274,548.24 |
| 2031-35 | - | - | - | 41,214,281.83 | 18,189,807.12 | 59,404,088.95 |
| 2036-40 | - | - | - | 71,278,047.39 | 4,793,991.43 | 76,072,038.82 |
| **Totals** | **$ 22,000,000.00** | **$ 2,959,476.33** | **$ 24,959,476.33** | **$ 154,234,080.46** | **$ 68,838,126.25** | **$ 223,072,206.71** |

**Other Non-Current Liabilities**

Other non-current liabilities in the Enterprise Fund are comprised primarily of funds due to developers as a result of Multifamily bond proceeds which have corresponding investment balances not adjusted to market value in the amount of $205,986,263.23. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

## NOTE 6: BONDED INDEBTEDNESS

The Department has 81 bond issues outstanding at August 31, 2020. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by, or the construction of rental housing for, families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 1-A, 1-B, 1-C, 1-D, 1-E and 1-F.)

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

Interest on bonds and collateralized mortgage obligations is payable periodically.

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

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

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage-backed securities mature or prepay. Bond contractual maturities (principal only) at August 31, 2020, are as follows (in thousands):

| Description | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 to 2030 | 2031 to 2035 |
|---|---|---|---|---|---|---|---|
| Single-family | $ 5,760 | $ 9,350 | $ 9,630 | $ 9,940 | $ 10,215 | $ 58,490 | $ 102,105 |
| RMRB | 5,410 | 5,615 | 6,235 | 6,385 | 6,525 | 31,380 | 38,345 |
| Multifamily | 35,747 | 15,219 | 9,818 | 10,328 | 18,032 | 98,133 | 180,025 |
| Total | $ 46,917 | $ 30,184 | $ 25,683 | $ 26,653 | $ 34,772 | $ 188,003 | $ 320,475 |

| Description | 2036 to 2040 | 2041 to 2045 | 2046 to 2050 | 2051 to 2055 | 2056 to 2060 | 2061 to 2065 | Total |
|---|---|---|---|---|---|---|---|
| Single-family | $ 180,537 | $ 103,605 | $ 233,140 | $ 3,660 | $ | $ | $ 726,432 |
| RMRB | 53,880 | 43,715 | 38,585 | | | | 236,075 |
| Multifamily | 315,706 | 118,356 | 29,222 | 10,021 | 48,845 | | 889,452 |
| Total | $ 550,123 | $ 265,676 | $ 300,947 | $ 13,681 | $ 48,845 | $ | $ 1,851,959 |

**NOTE 6: BONDED INDEBTEDNESS Cont'd**

The interest payment requirements at August 31, 2020, are as follows (in thousands):

| Description | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 to 2030 | 2031 to 2035 |
|---|---|---|---|---|---|---|---|
| Single-family | $ 20,565 | $ 22,065 | $ 21,858 | $ 21,635 | $ 21,392 | $ 101,892 | $ 91,826 |
| RMRB | 9,224 | 9,014 | 8,781 | 8,514 | 8,240 | 37,166 | 30,347 |
| Multifamily | 27,642 | 26,597 | 26,102 | 25,658 | 24,939 | 109,439 | 84,317 |
| Total | $ 57,431 | $ 57,676 | $ 56,741 | $ 55,807 | $ 54,571 | $ 248,497 | $ 206,490 |

| Description | 2036 to 2040 | 2041 to 2045 | 2046 to 2050 | 2051 to 2055 | 2056 to 2060 | 2061 to 2065 | Total |
|---|---|---|---|---|---|---|---|
| Single-family | $ 75,549 | $ 51,123 | $ 18,115 | $ 87 | $ | $ | $ 446,107 |
| RMRB | 22,164 | 12,747 | 3,826 | | | | 150,023 |
| Multifamily | 39,820 | 21,831 | 11,104 | 7,083 | 4,476 | | 409,008 |
| Total | $ 137,533 | $ 85,701 | $ 33,045 | $ 7,170 | $ 4,476 | $ | $ 1,005,138 |

**Changes in Bonds Payable**

| Description | Bonds Outstanding 09/01/19 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 08/31/20 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| Single Family | $ 599,923,691.00 | $ 186,645,143.00 | $ 2,480,000.00 | $ 57,656,802.00 | $ 726,432,032.00 | $ 7,111,319.46 |
| RMRB | 252,625,000.00 | - | 4,325,000.00 | 12,225,000.00 | 236,075,000.00 | 6,024,882.54 |
| Multifamily | 851,324,529.07 | 135,700,000.00 | 8,030,790.76 | 89,541,442.46 | 889,452,295.85 | 35,762,085.21 |
| **Total** | $ 1,703,873,220.07 | $ 322,345,143.00 | $ 14,835,790.76 | $ 159,423,244.46 | $ 1,851,959,327.85 | $ 48,898,287.21 |
| Unamortized Premium | 24,583,262.51 | | | | 33,193,166.61 | |
| **Total** | $ 1,728,456,482.58 | | | | $ 1,885,152,494.46 | |

**Demand Bonds**

The Department currently holds four single family bond series in the amount $60,420,000 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 backed by pools of first time homebuyer loans. These bond series have the following terms.

**Demand Bonds - Standby Purchase Agreements**

| Single Family Bond Series | Remarketing Agent | Liquidity Provider | Commitment Fee Rate | Outstanding Variable Rate Demand Bonds as of 08/31/20 | Liquidity Facility Expiration Date |
|---|---|---|---|---|---|
| 2007A | JP Morgan | Comptroller of Public Accounts | 0.12% | $ 15,835,000.00 | 08/31/20 |
| 2005A | JP Morgan | Comptroller of Public Accounts | 0.12% | 16,285,000.00 | 08/31/20 |
| 2004D | Piper Jaffray | Comptroller of Public Accounts | 0.12% | 11,645,000.00 | 08/31/20 |
| 2004B | JP Morgan | Comptroller of Public Accounts | 0.12% | 16,655,000.00 | 08/31/20 |
| **Total Demand Bonds** | | | | **$ 60,420,000.00** | |

**NOTE 6: BONDED INDEBTEDNESS Cont'd**

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). The liquidity agreement is subject to renewal on an ongoing basis and effective September 1, 2019 the expiration date will be extended to August 31, 2021. The Department shall use its best effort to cause the bonds to be purchased from the liquidity facility as soon as possible. The purchased bonds are not subject to term out provisions. For fiscal year 2020, the Trustee did not draw from the liquidity provider, Comptroller of Public Accounts, related to the Department's demand bonds.

### Federal Arbitrage Regulations

In accordance with Federal law, the Department is required to rebate to the Internal Revenue Service (IRS) the excess of the amount derived from investing the bond proceeds over the amount that would have been earned if those investments had a rate equal to the yield on the bond issue. As of August 31, 2020, the Bond Program had no liabilities to the IRS or reported in the Statement of Net Position.

### Pledged and Other Sources

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

**Pledged and Other Sources and Related Expenditures for FY 2020**

| | Net Available for Debt Service | | Debt Service | | | | |
|---|---|---|---|---|---|---|---|
| Description of Issue | Total Pledged and Other Sources | Operating Expenses/ Expenditures and Capital Outlay | Principal | Interest | Pledged Revenue for Future Debt Service | Terms of Commitment Year Ending August 31, | Percentage of Revenue Pledged |
| Total Single Family Bonds | $ 81,766,191.21 | $ 2,384,871.36 | $ 2,480,000.00 | $ 20,645,228.70 | $ 1,172,538,865.95 | 2051 | 100% |
| Total Residential Mtg Revenue Bonds | 22,533,877.56 | 79,461.10 | 4,325,000.00 | 9,597,076.14 | 386,098,180.20 | 2050 | 100% |
| Total Multifamily Bonds | 115,328,435.75 | | 8,030,790.76 | 28,778,181.82 | 1,298,460,676.89 | 2060 | 100% |
| **Total** | **$ 219,628,504.52** | **$ 2,464,332.46** | **$ 14,835,790.76** | **$ 59,020,486.66** | **$ 2,857,097,723.04** | | |

### Defeased Bonds

In July 2004, the Department issued Series 2004 A Multifamily Revenue Bonds (Churchill at Pinnacle Park). The primary purpose is financing the acquisition, construction and equipping of a multifamily project. On October 22, 2019, the Borrower sold the project and used a portion of the sale proceeds to purchase U.S. Treasury Securities in the amount of $9,668,857. The securities were placed in an escrow account for the purpose of debt service requirements of these bonds and the redemption of these bonds on October 1, 2021. There is no possibility that the Department will be required to make future payments. These bonds are considered to be defeased in substance and will no longer be reported as a liability in the financial statements. Refer to Schedule 1-E – Defeased Bonds Outstanding for more information.

## NOTE 6: BONDED INDEBTEDNESS Cont'd

### Current Refunding Bonds

On July 8, 2020, the Department issued the 2020 Single Family Mortgage Revenue Bonds (Series AB) in the amount of $186,645,143. The proceeds for Series B ($12,395,143) issued at a rate of 2.00% were used to refund outstanding bonds. The proceeds refunded the 2013A Single Family Mortgage Revenue Bonds ($12,560,000) with a rate of 2.80%. The 2020B bond proceeds were deposited with an escrow agent to provide for all future debt service on the 2013A bonds on September 1, 2020. As a result, the 2013A bonds are considered to be defeased and the liability for those bonds has been removed from the Department's financial statements.

The Department refunded the 2013A Single Family Mortgage Revenue Bond to reduce its total debt service payments over the next 16 years by $1,551,596.46 and to obtain an economic gain of $1,317,881.34.

## NOTE 7: DERIVATIVE INSTRUMENTS

### Variable to Fixed Interest Rate Swap

**Objective**

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

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

**Summary**

The fair value balances and notional amounts of derivative instruments outstanding as of August 31, 2020, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2020 financial statements are as follows.

| Business Type Activities | | Changes in Fair Value | | Fair Value at August 31, 2020 | | |
|---|---|---|---|---|---|---|
| **Cash Flow Hedges** | **Bond Issue** | **Classification** | **Amount** | **Classification** | **Amount** | **Notional** |
| Pay-fixed, receive-variable interest rate swap | 2004B | Deferred outflow of resources | $ 264,856.00 | Debt | $ (507,822.00) | $ 14,895,000.00 |
| Pay-fixed, receive-variable interest rate swap | 2004D | Deferred outflow of resources | 108,115.00 | Debt | (316,366.00) | 10,885,000.00 |
| Pay-fixed, receive-variable interest rate swap | 2005A | Deferred outflow of resources | 106,594.00 | Debt | (2,249,695.00) | 16,285,000.00 |
| Pay-fixed, receive-variable interest rate swap | 2007A | Deferred outflow of resources | 336,388.00 | Debt | (1,709,209.00) | 15,835,000.00 |
| **Total** | | | $ 815,953.00 | | $ (4,783,092.00) | $ 57,900,000.00 |

**NOTE 7: DERIVATIVE INSTRUMENTS Cont'd**

**Terms and Fair Value**

The terms, including the fair value of the outstanding swaps as of August 31, 2020 are as follows. The notional amounts of the swaps match the principal amount of the associated debt except for the 2004B issue which has $16,655,000 bonds outstanding, $1,760,000 more than the notional amount of the swap; and the 2004D issue which has $11,645,000 bonds outstanding, $760,000 more than the notional amount of the swap.

| Counterparty | Notional Amount | Fair Value | Effective Date | Fixed Rate | Variable Rate | Swap Termination Date |
|---|---|---|---|---|---|---|
| Bank of New York Mellon | $ 14,895,000.00 | $ (507,822.00) | 03/01/14 | 3.67% | 65.5% of LIBOR + .20% | 09/01/34 (a) |
| Goldman Sachs Bank USA | 10,885,000.00 | (316,366.00) | 01/01/05 | 3.08% | Formula*, currently 100% of 1M LIBOR | 03/01/35 (b) |
| JP Morgan Chase Bank | 16,285,000.00 | (2,249,695.00) | 08/01/05 | 4.01% | Formula*, currently 100% of 1M LIBOR | 09/01/36 (c) |
| JP Morgan Chase Bank | 15,835,000.00 | (1,709,209.00) | 06/05/07 | 4.01% | Formula*, currently 100% of 1M LIBOR | 09/01/38 (c) |
| **Total** | $ 57,900,000.00 | $ (4,783,092.00) | | | | |

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

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

| Derivative Instruments | Total | Input Level 1 | Input Level 2 | Input Level 3 |
|---|---|---|---|---|
| Pay-fixed, receive-variable interest rate swap | $ (4,783,092.00) | | $ (4,783,092.00) | |
| **Total** | $ (4,783,092.00) | | $ (4,783,092.00) | |

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

## NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

**Credit Risk**

As of August 31, 2020, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps currently have a negative fair value indicating an obligation for the Department to pay the counterparty as opposed to receive payments should the Department exercise it's optional right to terminate. If interest rates change and the fair value of the swaps become positive, the Department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral provisions. The scheduled payments under the 2004 Series B Swap Agreement are insured by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.). The credit ratings for the counterparties are as follows.

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

* Guaranteed by Goldman Sachs Group, Inc.

**Basis Risk**

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

**Rollover Risk**

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

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

## NOTE 7: DERIVATIVE INSTRUMENTS Cont'd

### Swap Payments and Associated Debt

Using rates as of August 31, 2020, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

| Fiscal Year Ending August 31 | Variable-Rate Bonds Principal | Variable-Rate Bonds Interest | Interest Rate Swaps, Net | Total |
|---|---|---|---|---|
| 2021 | $ - | $ 251,056.63 | $ 1,925,032.09 | $ 2,176,088.72 |
| 2022 | - | 63,913.36 | 1,925,032.09 | 1,988,945.45 |
| 2023 | - | 63,913.36 | 1,925,032.09 | 1,988,945.45 |
| 2024 | - | 64,059.79 | 1,925,032.09 | 1,989,091.88 |
| 2025 | - | 63,767.04 | 1,925,032.09 | 1,988,799.13 |
| 2026-2030 | 1,855,000.00 | 319,566.91 | 9,625,160.43 | 11,799,727.34 |
| 2031-2035 | 34,480,000.00 | 236,740.83 | 7,214,255.16 | 41,930,995.99 |
| 2036-2040 | 24,085,000.00 | 39,699.13 | 1,524,386.72 | 25,649,085.85 |
| | **$ 60,420,000.00** | **$ 1,102,717.05** | **$ 27,988,962.76** | **$ 89,511,679.81** |

### Netting Arrangements

The Department's swap agreements allow for netting arrangements. On each payment date, September 1 and March 1, the party with the lesser obligation will be automatically satisfied and discharged and, the obligation of the party with the greater obligation will become the netted amount. As of August 31, 2020, the Department has an aggregate liability related to the interest rate swaps in the amount of $940,199.41 payable on September 1, 2020.

## NOTE 8: LEASES

### Operating Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations: $145,966.47 for Governmental activities and $47,418.21 for Business-Type Activities.

The Department's operating lease for office space located at 1106 Clayton Lane, Austin, Texas expires on September 30, 2023. The Department's operating leases for Toshiba copiers expires on August 31, 2021 and August 31, 2023. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are:

| Year Ended August 31 | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| 2021 (Future Year 1) | $ 196,695.18 | $ 73,647.46 | $ 270,342.64 |
| 2022 (Future Year 2) | 199,559.69 | 59,559.22 | 259,118.91 |
| 2023 (Future Year 3) | 204,951.13 | 59,363.21 | 264,314.34 |
| 2024 (Future Year 4) | 16,771.74 | 4,207.56 | 20,979.30 |
| 2025 (Future Year 5) | - | - | - |
| **Total Minimum Future Lease Rental Payments** | $ 617,977.74 | $ 196,777.45 | $ 814,755.19 |

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

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

- ERS – the Employees Retirement System of Texas Plan (ERS Plan), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS Plan), the Judicial Retirement System of Texas Plan One (JRS1 Plan) and Judicial Retirement System of Texas Plan Two (JRS2 Plan).
- TRS – the Teacher Retirement System of Texas Plan (TRS Plan).
- TESRS – the Texas Emergency Services Retirement System Plan (TESRS Plan).

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

**ERS Plan**

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

The ERS plan covers members in employee and elected classes. Employee class includes employees and appointed officers of the agencies of the State of Texas except those who are included in the coverage of TRS, JRS1 and JRS2 Plans. Elected class includes elected state officials not included in the coverage of JRS1 and JRS2 Plans, and members of the Legislature and district and criminal district attorneys.

The benefit and contribution provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. The monthly benefit may vary by membership class.

The monthly standard annuity of the employee class is determined by a statutory percentage of 2.3 percent of a member's average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the employee class may vary depending on the hire date. For members hired on or before August 31, 2009, the average monthly compensation is the average of the highest 36 months of compensation. For members hired on or after September 1, 2009 and before September 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation. For members hired on or after September 1, 2013, the average monthly compensation is the average of highest 60 months of compensation.

The monthly standard annuity of the elected class equals the statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change.

The ERS plan's membership as of the measurement date of August 31, 2019 is presented in the table below:

| Employees Retirement System's Membership | |
|---|---|
| Retirees and Beneficiaries Currently Receiving Benefits | 115,155 |
| Terminated Employees Entitled to Benefits But Not Yet Receiving Them | 125,935 |
| Current Employees Vested and Non-Vested | 141,865 |
| Total Members | 382,955 |

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

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2019 are presented in the table below:

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

The amount of Department's contributions recognized in the ERS plan during the fiscal 2019 measurement period was $1,988,903.54. It is the proportionate share of the collective amounts in the ERS Plan.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an annual actuarial valuation performed as of August 31, 2019.

The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2019:

| Actuarial Methods and Assumptions | |
|---|---|
| Actuarial Valuation Date | August 31, 2019 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent of Payroll, Open |
| Remaining Amortization Period | 31 Years |
| Asset Valuation Method | Marked to market. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses. |
| Actuarial Assumptions: | |
| Discount Rate | 4.42% |
| Investment Rate of Return | 7.50% |
| Inflation | 2.50% |
| Last Experience Study | 5-year period from September 1, 2011 to August 31, 2016 |
| Salary Increase | 0% to 9.5% |
| Mortality | 2017 State Retirees of Texas (SRT) Mortality Tables. Generational mortality improvements in accordance with the ultimate rates from the scale most recently published by Retirement Plans Experience Committee of the Society of Actuaries ("Scale U-MP") and projected from the year 2017. Rates for male LECO members are set forward one year. |
| Cost-of-living Adjustments | None - Employee<br>2.50% - Elected |

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

A single discount rate of 4.42% was applied to measure the total pension liability. The 4.42% discount rate incorporated a 7.5% long-term expected rate of return on pension plan investments and 2.63% 20-year municipal bond rate based on the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index". The long-term expected investment rate of return was applied to projected benefit payments through fiscal 2047 and the municipal bond rate was applied to all benefit payments thereafter.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projected cash flows from the employers are based on contributions for the most recent five year period as of the measurement date, adjusted on consideration of subsequent events. The Legislature passed House Bill No. 9 in the 84th legislative session during fiscal 2015 to increase the state contributions for fiscal 2016 and 2017 and maintained the changes made by the 83rd legislative session in Senate Bill 1459, which established proportional decreases to the employee contribution if the state contribution was decreased. The passage of this bill is an indicator that the Legislature is committed to increase the funding levels for the pension funds. Projected employer contributions are based on fiscal year 2019 funding levels.

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

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

| Asset Class | Target Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
|---|---|---|---|
| Global Equity | 50.00% | 7.82% | 3.91% |
| Global Credit | 11.00% | 5.20% | 0.57% |
| Opportunistic Credit | 3.00% | 6.50% | 0.20% |
| Intermediate Treasuries | 11.00% | 2.60% | 0.29% |
| Real Estate | 12.00% | 7.50% | 0.90% |
| Infrastructure | 7.00% | 7.00% | 0.49% |
| Hedge Funds | 5.00% | 6.20% | 0.31% |
| Cash | 1.00% | 2.40% | 0.02% |
| **Totals** | 100.00% | | 6.69% |
| Inflation | | | 2.50% |
| **Expected Arithmetic Nominal Rate of Return** | | | 9.19% |

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

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

| Sensitivity of Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate | | |
|---|---|---|
| **1% Decrease 3.42%** | **Current Discount Rate 4.42%** | **1% Increase 5.42%** |
| $107,152,034.92 | $83,684,539.37 | $64,563,611.57 |

Note: The amounts in this schedule are for the Department's proportionate share (.27908653%) of the collective amounts for ERS. They are reported in the Business Type and Governmental Activities.

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Employees Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the pension trust fund are reported at fair value in accordance with GASB Statement No. 72. Employees Retirement System issues a stand-alone audited Comprehensive Annual Financial Report (CAFR) which may be obtained from their website at www.ers.texas.gov and searching for reports and studies.

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

The Department's total pension liability is based on an actuarial valuation performed as of August 31, 2019. For fiscal 2020 reporting, the measurement date of the net pension liability is August 31, 2019. The schedule of changes in the Department's net pension liability for the fiscal year ending August 31, 2020 is presented below:

**Schedule of Changes in Department's Net Pension Liability**
**For Fiscal Year Ending August 31, 2020**

| | | Department's |
|---|---|---|
| **Total Pension Liability-For Department** | | **Pension Liability** |
| Service Cost | $ | 3,759,257.18 |
| Interest on the Total Pension Liability | | 7,518,821.97 |
| Benefit Changes | | |
| Difference between Expected and Actual | | |
| Experience of the Total Pension Liability | | (1,613,664.54) |
| Assumption Changes | | 23,637,116.51 |
| Benefit Payments and Refunds | | (7,089,528.95) |
| **Net Change in Total Pension Liability** | | 26,212,002.17 |
| | | |
| **Total Pension Liability - Beginning** | | 133,806,119.61 |
| **Total Pension Liability - Ending** | $ | 160,018,121.78 |
| | | |
| **Plan Fiduciary Net Position** | | |
| Contributions - Employer | $ | 1,988,903.57 |
| Contributions - Member | | 1,939,061.39 |
| Pension Plan Net Investment Income | | 2,116,778.42 |
| Benefit Payments and Refunds | | (7,089,528.95) |
| Pension Plan Administrative Expense | | (76,075.63) |
| **Net Change in Plan Fiduciary Net Position** | | (1,120,861.20) |
| | | |
| **Plan Fiduciary Net Position - Beginning** | | 77,455,819.01 |
| **Plan Fiduciary Net Position - Ending** | $ | 76,333,582.41 |
| | | |
| **Net Pension Liability - Beginning** | $ | 56,351,676.00 |
| **Net Pension Liability - Ending** | $ | 83,684,539.37 |

**Notes to schedule:**

1. The change in the total pension liability is due to the change in the single discount rate and included as an assumption change.
2. The covered payroll is the actual annual payroll for the fiscal year as reported by ERS.

Note: The amounts in this schedule are for the Department's proportionate share (.27908653%) of the collective amounts for ERS. They are reported in the Business Type and Governmental Activities.

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

The change of discount rate is the assumption change during the current measurement period. There have been no changes to the benefit terms of the plan since the prior measurement date. Agency's proportion of the entire ERS plan is .27908653% in fiscal year 2020 as compared with the .27909334% in the prior measurement period.

For the fiscal year ending August 31, 2020, the Department recognized pension expense of $13,225,897.19. At August 31, 2020, the Department reported deferred outflows of resources and deferred inflows of resources from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 131,183.08 | $ 1,136,249.00 |
| Changes of assumptions | 17,528,458.48 | 2,336,161.69 |
| Net difference between projected and actual investment return | 1,357,570.62 | |
| Contributions subsequent to the measurement date | 2,036,923.35 | |
| **Total** | **$ 21,054,135.53** | **$ 3,472,410.69** |

The $2,036,923.35 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2021.

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

| Year ended August 31: | |
|---|---|
| **2021** | $ 6,027,522.55 |
| **2022** | $ 5,887,524.86 |
| **2023** | $ 2,915,565.09 |
| **2024** | $ 714,188.99 |
| **2025** | - |
| **Thereafter** | - |
| | 15,544,801.49 |

Note: The amounts in this schedule are for the Department's proportionate share (.27908653%) of the collective amounts for ERS. They are reported in the Business Type and Governmental Activities.

## NOTE 10: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

### ERS Plan

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

ERS issued a stand-alone audited Comprehensive Annual Financial Report (CAFR). The ERS CAFR may be obtained from their website at www.ers.texas.gov and searching for reports and studies.

During the measurement period of 2019 for fiscal 2020 reporting, the amount of the Department's contributions recognized by the plan was $4,025,020.12. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

| Employer Contribution Rates - Retiree Health and Basic Life Premium | |
|---|---|
| Retiree Only | $ 624.82 |
| Retiree and Spouse | 1,340.82 |
| Retiree and Children | 1,104.22 |
| Retiree and Family | 1,820.22 |

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

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2019 measurement date.

| Actuarial Methods and Assumptions | |
|---|---|
| Actuarial Valuation Date | August 31, 2019 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Payroll, Open |
| Remaining Amortization Period | 30 Years |
| Actuarial Assumptions: | |
| Discount Rate | 2.97%* |
| Inflation | 2.50% |
| Salary Increase | 2.5% to 9.5%, including inflation |
| Health Cost and Trend Rate | |
| HealthSelect | 7.30% for FY 2021, 7.40% for FY 2022, 7.00% for FY 2023, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2028 and later years |
| HealthSelect Medicare Advantage | 10.80% for FY 2021, 7.40% for FY 2022, 7.00% for FY 2023, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2028 and later years |
| Aggregate Payroll Growth | 3.00% |
| Retirement Age | Experience-based tables of rates that are specific to the class of employee |
| Mortality: | |
| Service Retirees, Survivors, and other Inactive Members | 2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017 |
| Disable Retirees | RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014 |
| Active Members | RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale projected from the year 2014 |
| Ad Hoc Post-Employment Benefit Changes | None |

** The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.*

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

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

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

a. Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;
b. Percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
c. Percentage of future male retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends;
d. Percentage of future retirees and their spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends; and,
e. Discount rate assumption was decreased from 3.96% to 2.97% to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The only benefit revisions that have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect plans in order to remain consistent with Internal Revenue Service maximums.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 2.97% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.96%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.96%.

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

| Sensitivity of Department's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate ($ thousands) | | |
|---|---|---|
| **1% Decrease (1.97%)** | **Current Discount Rate (2.97%)** | **1% Increase (3.97%)** |
| $56,022.58 | $46,947.17 | $39,963.98 |

Note: The amounts in this schedule are for the Department's proportionate share (.13583200%) of the collective amounts for ERS. They are reported in the Business Type and Governmental Activities.

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

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

| **Sensitivity of Department's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate ($ thousands)** | | |
|---|---|---|
| *HealthSelect (HS) or HealthSelect Medicare Advantage (HSMA)* | | |
| **1% Decrease HS/HSMA (6.30%/9.8% decreasing to 3.50%)** | **Current Healthcare Cost Trend Rates HS/HSMA (7.30%/10.8% decreasing to 4.50%)** | **1% Increase HS/HSMA (8.30%/11.80% decreasing to 5.50%)** |
| $39,421.13 | $46,947.17 | $56,781.99 |

Note: The amounts in this schedule are for the Department's proportionate share (.13583200%) of the collective amounts for ERS. They are reported in the Business Type and Governmental Activities.

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2019 CAFR.

At August 31, 2020, the Department reported a liability of $46,947,173.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of August 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Department's proportion at August 31, 2019 was .13583200%. The Department's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2018 through August 31, 2019.

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

For the year ending August 31, 2020, the Department recognized OPEB expense of $726,525. At August 31, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Difference between expected and actual experience | $ - | $ 1,221,607.00 |
| Changes of assumptions | 3,340,978.42 | 10,490,910.00 |
| Net difference between projected and actual investment return | 19,301.00 | |
| Effect of change in proportion and contribution difference | 2,563,985.00 | |
| Contributions subsequent to the measurement date | 1,064,336.00 | |
| **Total** | **$ 6,988,600.42** | **$ 11,712,517.00** |

The $1,064,336.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2021.

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

| **Year ended August 31:** | | |
|---|---|---|
| **2021** | $ | (2,567,763.40) |
| **2022** | $ | (2,567,763.40) |
| **2023** | $ | (1,280,517.18) |
| **2024** | $ | 189,805.23 |
| **2025** | $ | 437,985.17 |
| **Thereafter** | | - |
| **Total** | **$** | **(5,788,253.58)** |

Note: The amounts in this schedule are for the Department's proportionate share (.13583200%) of the collective amounts for ERS. They are reported in the Business Type and Governmental Activities.

## NOTE 11: INTERFUND ACTIVITY AND TRANSACTIONS

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

- Interfund Receivables or Interfund Payables
- 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, 2020, follows:

| Fund | Current Interfund Receivable | Current Interfund Payable | Purpose |
|---|---|---|---|
| Governmental Fund (01) | | | |
| General Revenue (0001) | $ 1,542.29 | $ 14,913.93 | Expenditure Transfer |
| Consolidated Federal (0127, 0369) | 80,424.69 | 36,784 | Expenditure Transfer |
| ***Subtotal Governmental Fund (01)*** | ***$ 81,966.98*** | ***$ 51,697.84*** | |
| Governmental Fund (01) (Exhibit III) | 30,269.14 | | *Net Receivable/Payable above* |
| Enterprise Fund (05) | | | |
| Enterprise Fund (05, 0896) | $ - | $ 28,826.85 | Expenditure Transfer |
| Enterprise Fund (05, 3054) | | 1,442.29 | Expenditure Transfer |
| ***Subtotal Enterprise Fund (05)*** | ***$ -*** | ***$ 30,269.14*** | |
| Enterprise Fund (05) (Exhibit V) | | 30,269.14 | *Net Receivable/Payable above* |
| **Total Internal Balances (Exhibit I)** | **$ 30,269.14** | **$ 30,269.14** | |

| Governmental Fund | Transfers In | Transfers Out | Purpose |
|---|---|---|---|
| General Fund (01) | | | |
| Appd Fund 0001, D23 Fund 0001 | | $ 2,266,006.00 | Article VII-6, Rider 9 |
| Appd Fund 0001, D23 Fund 0001 | | 1,487,589.59 | Article IX, Sect. 13.11 |
| Appd Fund 0001, D23 Fund 0066 | | 667,135.94 | Gov't Code, Sect. 403.021 |
| Appd Fund 0127, D23 Fund 0369 | | 466,383.39 | Article IX, Sect. 13.11 |
| Appd Fund 0802, D23 Fund 0802 | 397.12 | | TEX. TRANSP. CODE ANN. Sec. 504.6012 |
| Appd Fund 0599, D23 Fund 0599 | 4,000,000.00 | | 86th RS, SB 500 Sec. 80 |
| **Total Transfers for Fund 01** | **$ 4,000,397.12** | **$ 4,887,114.92** | |
| Special Revenue (02) | | | |
| Appd Fund 0809, D23 Fund 0809 | | 216,136.12 | SB 1, RS 85th Leg , HB 4102 |
| Appd Fund 0809, D23 Fund 1809 | 216,136.12 | | SB 1, RS 85th Leg , HB 4102 |
| **Total Transfers for Fund 01 (Exhibit II & IV)** | **$ 216,136.12** | **$ 216,136.12** | |
| Enterprise Fund (05) | | | |
| Appd Fund 3054, D23 Fund 0999 | $ 2,266,006.00 | | Article VII-6, Rider 9 |
| **Total Transfers for Fund 3054 (Exhibit II & VI)** | **$ 2,266,006.00** | **$ -** | |
| **Total Transfers*** | **$ 6,482,539.24** | **$ 5,103,251.04** | |

*The difference between total transfers in and out represents transfers to the Comptroller's Office of $1,379,288.20.

## NOTE 12: CONTINUANCE SUBJECT TO REVIEW

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

## NOTE 13: CONTINGENCIES AND COMMITMENTS

**Derivative Instruments**

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

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

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

As of August 31, 2020, the credit rating related to the Single Family Trust Indenture was AA+ issued by Standard & Poor's and Aaa by Moody's, therefore no collateral was posted. The Department's aggregate fair value of all hedging derivative instruments with these collateral provisions is a negative ($4,783,092.00). If the collateral posting requirements had been triggered at August 31, 2020, the Department would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments.

**Taxable Mortgage Program**

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

## NOTE 13: CONTINGENCIES AND COMMITMENTS Con't

The Department has entered into a Warehouse Agreement with Hilltop Securities, as Warehouse Provider, and The Bank of New York Mellon Trust Company, as trustee under the bond indentures and as Custodian. The purpose is to warehouse MBS relating to various series of bonds issued or to be issued and delivered under the Department's Trust Indentures, including MBS retained by the Department under its TMP Program. The Department has deposited $750,000 into a Warehouse Escrow Account for the benefit of the Warehouse Provider. As of August 31, 2020, there was $10,393,243 in MBS held under the Warehouse Agreement.

The Department has established the TDHCA Liquid Yield Certificate of Deposit Account with Federal Home Loan Bank to secure the Department's obligations under the Advances and Security Agreement. The amount on deposit as of August 31, 2020 is $15,000,000.

## NOTE 14 RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. The Department carries Public Official Liability Insurance coverage in the amount of $10,000,000; Automobile Liability Insurance in the amount of $1,000,000; Errors and Omissions Insurance in the amount of $500,000 related to loan servicing for others; Crime Insurance in the amount of $350,000; Commercial General Lability Insurance in the amount of $1,000,000; General Aggregate Insurance in the amount of $2,000,000; Commercial Property, Equipment Breakdown and Terrorism Insurance in the amount of $6,580,953 for the Alpine Retirement Center, the Insurance Annex Building, the Twin Towers Office Center and leased field office located in Lubbock, Texas; and Forced Placed Insurance in the amount of $3,000,000 for Rincon Point Apartments.

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 re-evaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years.

Changes in the balances of the Department's claims liabilities during fiscal year 2020 and 2019 were:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **2020** | $ - | $112,061.50 | ($112,061.50) | $ - |
| **2019** | $ - | $29,416.77 | ($29,416.77) | $ - |

## NOTE 15: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund 0896 within the Department's Enterprise Fund reported a negative change in Net Position of ($5,613,202.91) primarily from the recognition of its proportionate share of the Net Pension/OPEB Liability and Pension/OPEB Expense resulting in a negative Net Position balance of ($60,174,273.56) at August 31, 2020.

## NOTE 16: SEGMENT INFORMATION FOR ENTERPRISE FUND

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

**CONDENSED STATEMENT OF NET POSITION**

| | Single Family Program Funds | Residential Mortgage Revenue Bond Funds |
|---|---|---|
| **Restricted Assets:** | | |
| Current Assets | $ 215,170,058.06 | $ 15,230,076.18 |
| Non-Current Assets | 723,813,990.35 | 399,727,588.70 |
| Total Assets | 938,984,048.41 | 414,957,664.88 |
| **Deferred Outflows of Resources:** | 4,783,092.00 | - |
| **Liabilities:** | | |
| Current Liabilities | 16,455,730.14 | 7,886,940.80 |
| Non-Current Liabilities | 761,464,347.54 | 247,725,004.21 |
| Total Liabilities | 777,920,077.68 | 255,611,945.01 |
| **Deferred Inflows of Resources:** | - | - |
| **Net Position:** | | |
| Restricted Net Position | $ 165,847,062.73 | $ 159,345,719.87 |
| **Net Position** | $ 165,847,062.73 | $ 159,345,719.87 |

## NOTE 16: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

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

| | Single Family Program Funds | Residential Mortgage Revenue Bond Funds |
|---|---|---|
| **Operating Revenues (Expenses):** | | |
| Interest and Investment Income | $ 26,624,462.56 | $ 15,452,727.22 |
| Net Increase (Decrease) in Fair Value | 21,030,672.53 | 5,464,931.02 |
| Other Operating Revenues | 5,085,827.59 | 98,674,832.63 |
| Operating Expenses | (29,735,389.35) | (62,906,681.98) |
| Operating Income (Loss) | 23,005,573.33 | 56,685,808.89 |
| **Nonoperating Revenues (Expenses):** | | |
| Transfers In (Out) | 5,529.45 | 258,037.27 |
| Changes in Net Position | 23,011,102.78 | 56,943,846.16 |
| Net Position, September 1, 2019 | 142,835,959.95 | 102,401,873.71 |
| Net Position, August 31, 2020 | $ 165,847,062.73 | $ 159,345,719.87 |

### CONDENSED STATEMENT OF CASH FLOWS

| | Single Family Program Funds | Residential Mortgage Revenue Bond Funds |
|---|---|---|
| Net Cash Provided (Used) By: | | |
| Operating Activities | $ (4,319,629.32) | $ (16,541,739.57) |
| Noncapital Financing Activities | 117,077,089.01 | (26,978,921.63) |
| Investing Activities | 74,130,736.62 | 38,958,396.16 |
| Net Increase (Decrease) | 186,888,196.31 | (4,562,265.04) |
| Beginning Cash and Cash Equivalents | 26,100,123.61 | 18,767,231.93 |
| Ending Cash and Cash Equivalents | $ 212,988,319.92 | $ 14,204,966.89 |

## NOTE 17: SUBSEQUENT EVENTS

| Debt Issuance | Series | Amount | Date of Issuance | Purpose |
|---|---|---|---|---|
| Revenue and Refunding Bonds | Junior Lien Single Family Revenue and Refunding Bonds Series 2020 | $30,000,000.00 | 09/16/20 | The Single Family Junior Lien Taxable bonds are issued for the primary purpose of refunding the Department's Series 2018 Issuer Notes in the amount of $12,000,000 and making and acquiring second lien mortgage loans. |
| Revenue Notes | Multifamily Notes MF Series 2020 Vermillion Apartments | $28,000,000.00 | 09/03/20 | The multifamily notes are issued for the primary purpose to finance the acquisition, rehabilitation, and equipping of multifamily rental housing developments. The Vermillion Apartments is located in Houston, Texas. |
| Revenue Notes | Multifamily Revenue Bonds MF Series 2020 Granada Terrace Apartments | $16,000,000.00 | 10/07/20 | The multifamily notes are issued for the primary purpose to finance the acquisition, rehabilitation, and equipping of multifamily rental housing developments. The Granada Terrace Apartments is located in Houston, Texas. |
| Revenue Bonds | Multifamily Revenue Bonds MF Series 2020 Fish Pond at Corpus Christi Apartments | $10,000,000.00 | 11/04/20 | The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Fish Pond at Corpus Christi Apartments is located in Corpus Christi, Texas. |

## NOTE 18: ADJUSTMENTS TO NET POSITION

During fiscal year 2020, an accounting change and adjustment was made that required the restatement of net position. The restatement is presented below.

| | Fiduciary Activities |
|---|---|
| Net Position, September 1, 2019 | $ - |
| Restatement | 381,274.90 |
| **Net Position, September 1, 2019, as Restated** | $ 381,274.90 |

The restatement of $381,274.90 in the Department's Fiduciary Activities is due to the implementation of GASB Statement No. 84, *Fiduciary Activities.* Pursuant to the requirement in GASB 84, a restatement was required to retroactively reflect Department funds identified as fiduciary in nature.

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

| Governmental Type Activities | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension Plans (Note 9): | | |
| To record the effect of changes of assumptions on total pension liability less the amortization related to the current period. | $ 8,602,594.56 | $ 1,379,112.00 |
| To record contribution to the plan in fiscal year 2019 after the measurement date of August 31, 2018. | 1,018,461.68 | - |
| To record effect on total pension liability between expected and actual experience less the amortization related to the current period. | 65,591.54 | 568,124.50 |
| To record difference between projected and actual investment return less the amortization related to the current period. | 678,785.31 | - |
| OPEB Plans (Note 10): | | |
| To record the effect of changes of assumptions on total OPEB liability less the amortization related to the current period. | 1,670,489.21 | 5,245,455.00 |
| To record the effect of change in proportion and contribution difference. | 1,115,331.42 | - |
| To record contribution to the plan in fiscal year 2019 after the measurement date of August 31, 2018. | 383,961.80 | - |
| To record effect on total OPEB liability between expected and actual experience less the amortization related to the current period. | - | 610,803.50 |
| To record difference between projected and actual investment return less the amortization related to the current period. | 9,650.50 | - |
| **Total Governmental Activities (Exhibit I):** | **$ 13,544,866.02** | **$ 7,803,495.00** |

Due to the implementation of GASB 68 and GASB 75 by the State of Texas and recognition of its pension and OPEB liability, TDHCA recorded total deferred outflows of resources of $13,544,866.02 and total deferred inflows of $7,803,495.00 for Governmental-Type Activities.

These accounts reflect the unamortized balances of changes in net pension liability and OPEB liability related to the changes of assumptions, difference between expected and actual experience, and difference between projected and actual investment return based on the August 31, 2019 actuarial valuation performed for the ERS plan, and contributions made after the measurement date of August 31, 2019. Details of the deferred outflows and deferred inflows of resources related to the agency employees' pension are disclosed in Note 9 and OPEB in Note 10.

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

| Business-Type Activities | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Derivatives (Note 7) | $ 4,783,092.00 | $ - |
| Pension Plans (Note 9): | | |
| To record the effect of changes of assumptions on total pension liability less the amortization related to the current period. | 8,925,863.92 | 957,049.69 |
| To record contribution to the plan in fiscal year 2019 after the measurement date of August 31, 2018. | 1,018,461.67 | - |
| To record effect on total pension liability between expected and actual experience less the amortization related to the current period. | 65,591.54 | 568,124.50 |
| To record difference between projected and actual investment return less the amortization related to the current period. | 678,785.31 | - |
| OPEB Plans (Note 10): | | |
| To record the effect of changes of assumptions on total OPEB liability less the amortization related to the current period. | 1,670,489.21 | 5,245,455.00 |
| To record the effect of change in proportion and contribution difference. | 1,448,653.56 | - |
| To record contribution to the plan in fiscal year 2019 after the measurement date of August 31, 2018. | 680,374.22 | - |
| To record effect on total OPEB liability between expected and actual experience less the amortization related to the current period. | - | 610,803.50 |
| To record difference between projected and actual investment return less the amortization related to the current period. | 9,650.50 | - |
| **Total Business-Type Activities (Exhibit I) :** | **$ 19,280,961.93** | **$ 7,381,432.69** |

Deferred outflows of resources in the amount of $4,783,092.00 reported in Business-Type Activities is due to the implementation of GASB 63, requiring to recognize interest rate swaps hedging interest rate risk on variable rate debt which is in a liability position. Details on the Department's derivative instruments are disclosed in Note 7.

Due to the implementation of GASB 68 and GASB 75 by the State of Texas and recognition of its pension and OPEB liability, TDHCA recorded additional deferred outflows of resources of $14,497,869.93 and total deferred inflows of $7,381,432.69 for Business-Type activities.

These accounts reflect the unamortized balances of changes in net pension liability and OPEB liability related to the changes of assumptions, difference between expected and actual experience, and difference between projected and actual investment return based on the August 31, 2019 actuarial valuation performed for the ERS plan, and contributions made after the measurement date of August 31, 2019. Details of the deferred outflows and deferred inflows of resources related to the agency employees' pension are disclosed in Note 9 and OPEB in Note 10.

* * * * * * * * * * * * *

# REQUIRED SUPPLEMENTARY

# INFORMATION

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Required Supplementary Information**
**Schedule of Changes in Department's Net Pension Liability (Unaudited)**
**For the fiscal year ended August 31, 2020**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| **Total Pension Liability-For Department** | **Pension Liability** | **Pension Liability** | **Pension Liability** | **Pension Liability** | **Pension Liability** | **Pension Liability** |
| **Proportionate Share** | 0.27908653% | 0.27909334% | 0.27302363% | 0.27406237% | 0.29237245% | 0.30593152% |
| **Net Pension Liability** | $ 83,684,539.37 | $56,351,676.00 | $ 59,695,525.00 | $ 54,146,438.00 | $ 38,787,429.43 | $ 44,240,145.43 |
| **Covered-Employee Payroll** | $ 34,183,840.29 | $30,497,388.53 | $ 30,090,760.48 | $ 27,848,706.01 | $ 25,728,026.97 | $ 26,724,094.91 |
| **Net Pension Liability as a Percentage of Covered-Employee Payroll** | 244.81% | 184.78% | 198.38% | 194.43% | 150.76% | 165.54% |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 47.70% | 57.89% | 54.67% | 55.32% | 64.40% | 63.40% |

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

**Notes to Schedule:**

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

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Required Supplementary Information**
**Schedule of Employer Contributions (Unaudited)**
**For the fiscal year ended August 31, 2020**

**Schedule of Employer Contributions**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| Required Employer Contributions | $ 2,036,923.35 | $ 1,988,903.54 | $ 1,945,911.07 | $ 1,911,553.65 | $ 1,882,372.32 | $ 1,463,345.34 | $ 1,475,596.49 |
| Contributions Made to the Plan | 2,036,923.35 | 1,988,903.54 | 1,945,911.07 | 1,911,553.65 | 1,882,372.32 | 1,463,345.34 | 1,475,596.49 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 34,183,840.29 | $ 30,497,388.53 | $ 30,090,760.48 | $ 27,848,706.01 | $ 25,728,026.97 | $ 26,724,094.91 | $ 24,787,150 |
| Contributions as a percentage of covered-employee payroll | 5.96% | 6.52% | 6.47% | 6.86% | 7.32% | 8.14% | 8.10% |

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

| **Summary of Actuarial Assumptions** | |
|---|---|
| **Valuation Date** | Actuarially determined contribution rates are calculated as of August 31, 2019. Members and employers contribute based on statutorily fixed rates.<br><br>A new set of assumptions were adopted for the August 31, 2017, actuarial valuation and was first reflected for the ADEC determined for the fiscal year ending 2018. |
| **Methods and Assumptions Used to Determine Contribution Rates** | |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Open |
| Remaining Amortization Period | 31 years |
| Asset Valuation Method | Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses. |
| Inflation | 2.5% |
| Salary Increases | 0% to 9.5% |
| Investment Rate of Return | 7.5% |
| Retirement Age | Experience-based table of rates that are specific to the class of employee. Updated for the 2017 valuation pursuant to an experience study of the 5-year period from September 1, 2011 through August 31, 2016. |
| Mortality | 2017 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scale most recently published by Retirement Plans Experience Committee of the Society of Actuaries (Scale U-MP) and projected from the year 2017. Rates for male LECO members are set forward one year. |

**Other Information:**
1. Actuarially determined contributions are adjusted for actual payroll and administrative expenses.
2. The covered payroll is the actual annual payroll for the fiscal year as reported by ERS.
3. This schedule is intended to present 10 years of information. Currently only seven years of information is available. Information for future years will be added when it becomes available.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Required Supplementary Information**
**Schedule of Changes in Department's Net OPEB Liability (Unaudited)**
**For the fiscal year ended August 31, 2020**

| Total OPEB Liability-For Department | 2020 OPEB Liability | 2019 OPEB Liability | 2018 OPEB Liability |
|---|---|---|---|
| **Proportionate Share** | 0.13583200% | 0.13374255% | 0.12784394% |
| **Net OPEB Liability** | $ 46,947,173.00 | $ 39,638,272.00 | $ 43,560,281.00 |
| **Covered-Employee Payroll** | $ 34,183,840.29 | $ 30,497,388.53 | $ 30,090,760.48 |
| **Net OPEB Liability as a Percentage of Covered-Employee Payroll** | 137.34% | 129.97% | 144.76% |
| **Plan Fiduciary Net Position as a Percentage of Total OPEB Liability** | 0.17% | 1.27% | 2.04% |

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

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Required Supplementary Information (Continued)**
**Schedule of Employer Contributions (Unaudited)**
**For the fiscal year ended August 31, 2020**

| Schedule of Employer Contributions | | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Required Employer Contributions | $ 4,025,020.12 | $ 3,885,166.30 | $ 1,198,204.92 |
| Contributions Made to the Plan | 4,025,020.12 | 3,885,166.30 | 1,198,204.92 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered-employee payroll | $ 34,183,840.29 | $ 30,497,388.53 | $ 30,090,760.48 |
| Contributions as a percentage of covered-employee payroll | 11.77% | 12.74% | 3.98% |

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

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

**Notes to the Required Supplementary Information**

**Summary of Actuarial Assumptions (Unaudited)**

**For the fiscal year ended August 31, 2020**

| **Actuarial Methods and Assumptions** | |
|---|---|
| Actuarial Valuation Date | August 31, 2019 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Payroll, Open |
| Remaining Amortization Period | 30 Years |
| Actuarial Assumptions: | |
| Discount Rate | 2.97% |
| Inflation | 2.50% |
| Salary Increase | 2.5% to 9.5%, including inflation |
| Health Cost and Trend Rate | 7.30% for Fiscal Year 2021, 7.40% for Fiscal Year 2022, 7.00% for Fiscal Year 2023, decreasing 0.50% per year to 4.50% for Fiscal Year 2028 and later years |
| Aggregate Payroll Growth | 3.00% |
| Retirement Age | Experience-based tables of rates that are specific to the class of employess |
| Mortality: | |
| Service Retirees, Survivors, and other Inactive Members | 2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017 |
| Disable Retirees | RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014 |
| Active Members | RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale projected from the year 2014 |
| Ad Hoc Post-Employment Benefit Changes | None |

*This Page Intentionally Left Blank*

# 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, 2020

| Description of Issue | | Bonds Issued To Date | Range Of Interest Rates | | Scheduled Maturity First Year | Final Maturity Date | First Call Date | |
|---|---|---|---|---|---|---|---|---|
| 2004 Single Family Series B | $ | 53,000,000 | VAR - Weekly | | 2015 | 09/01/2034 | 03/01/2015 | (c) |
| 2004 Single Family Series A (Jr. Lien) | | 4,140,000 | VAR - Weekly | | 2036 | 09/01/2036 | 09/01/2036 | (c) |
| 2004 Single Family Series D | | 35,000,000 | VAR - Weekly | | 2035 | 03/01/2035 | (d) | |
| 2005 Single Family Series A | | 100,000,000 | VAR - Weekly | | 2007 | 09/01/2036 | 03/01/2006 | |
| 2007 Single Family Series A | | 143,005,000 | VAR - Weekly | | 2008 | 09/01/2038 | 03/01/2008 | (c) |
| 2013 Single Family Series A | | 42,500,000 | 2.80% | 2.80% | 2013 | 03/01/2036 | 09/01/2020 | |
| 2015 Single Family Series A | | 33,825,000 | 3.20% | 3.20% | 2039 | 09/01/2039 | 09/01/2024 | |
| 2015 Single Family Series B | | 19,870,000 | 3.13% | 3.13% | 2046 | 03/01/2046 | 09/01/2024 | |
| 2016 Single Family Series A | | 31,510,000 | 3.00% | 3.00% | 2046 | 03/01/2046 | 03/01/2025 | |
| 2016 Single Family Series B | | 59,735,000 | 3.18% | 3.18% | 2039 | 03/01/2039 | 03/01/2025 | |
| 2017 Single Family Series A | | 61,303,867 | 2.84% | 2.84% | 2017 | 09/01/2047 | (l) | |
| 2017 Single Family Series B | | 29,610,000 | 2.75% | 2.75% | 2017 | 09/01/2038 | (l) | |
| 2017 Single Family Series C | | 42,787,085 | 3.10% | 3.10% | 2017 | 09/01/2047 | (l) | |
| 2018 Single Family Series A | | 143,995,000 | 1.65% | 4.75% | 2019 | 03/01/2049 | N/A | |
| 2019 Single Family Series A | | 165,325,000 | 1.25% | 4.00% | 2019 | 03/01/2050 | 09/01/2028 | |
| 2020 Single Family Series A | | 174,250,000 | 0.35% | 5.00% | 2020 | 03/01/2051 | (n) | |
| 2020 Single Family Series B | | 12,395,143 | 2.00% | 2.00% | 2020 | 03/01/2036 | N/A | |
| 2009 RMRB Series C-1 | | 89,030,000 | 0.70% | 3.57% | 2029 | 07/01/2041 | 04/01/2011 | |
| 2009 RMRB Series C-2 | | 60,080,000 | 0.60% | 2.48% | 2034 | 07/01/2041 | 11/01/2011 | |
| 2011 RMRB Series A | | 60,000,000 | 0.70% | 5.05% | 2012 | 07/01/2029 | 01/01/2021 | |
| 2011 RMRB Series B | | 87,955,000 | 0.30% | 4.45% | 2012 | 01/01/2034 | 01/01/2021 | |
| 2019 RMRB Series A | | 166,350,000 | 1.85% | 5.00% | 2020 | 01/01/2050 | 07/01/2028 | |
| TOTAL SINGLE FAMILY & RMRB BONDS | $ | 1,615,666,095 | | | | | | |
| 1996 MF Series A/B (Brighton's Mark Development) | $ | 10,174,000 | 6.13% | 6.13% | 2026 | 04/01/2026 | 01/01/2003 | |
| 1998 MF Series A-C (Residence at the Oaks Projects) | | 8,200,000 | 5.98% | 7.18% | 2001 | 11/01/2030 | 05/01/2001 | |
| 2000 MF Series A (Timber Point Apartments) | | 8,100,000 | VAR - Weekly | | 2003 | 09/01/2032 | 07/01/2000 | (a) |
| 2000 MF Series A (Creek Point Apartments) | | 7,200,000 | VAR - Weekly | | 2004 | 10/01/2032 | 07/01/2000 | (a) |
| 2000 MF Series A-C (Highland Meadow Village Apartments) | | 13,500,000 | 6.75% | 8.00% | 2004 | 11/01/2033 | 05/01/2019 | |
| 2000 MF Series A-C (Collingham Park Apartments) | | 13,500,000 | 6.72% | 7.72% | 2004 | 11/01/2033 | 05/01/2019 | |
| 2001 MF Series A (Skyway Villas Apartments) | | 13,250,000 | 6.00% | 6.50% | 2005 | 12/01/2034 | 12/01/2011 | |
| 2001 MF Series A/B (Meridian Apartments) | | 14,310,000 | 5.45% | 6.85% | 2004 | 12/01/2034 | 12/01/2011 | |
| 2001 MF Series A/B (Wildwood Apartments) | | 14,365,000 | 5.45% | 6.75% | 2004 | 12/01/2034 | 12/01/2011 | |
| 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 (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 (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) |
| 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 (Providence at Rush Creek II) | | 10,000,000 | 5.38% | 6.70% | 2006 | 01/01/2044 | 03/01/2021 | |
| 2004 MF Series A (Humble Parkway Townhomes) | | 11,700,000 | 6.60% | 6.60% | 2007 | 01/01/2041 | 07/01/2021 | |
| 2004 MF Series A (Chisholm Trail Apartments) | | 12,000,000 | VAR - Weekly (b) | | 2006 | 04/15/2037 | 10/15/2006 | (a) |
| 2004 MF Series A (Evergreen at Plano Parkway) | | 14,750,000 | 5.25% | 6.55% | 2007 | 05/01/2044 | 06/01/2021 | |
| 2004 MF Series A (Montgomery Pines Apartments) | | 12,300,000 | VAR - Weekly | | 2006 | 06/15/2037 | 12/15/2006 | (a) |
| 2004 MF Series A (Bristol Apartments) | | 12,625,000 | VAR - Weekly | | 2007 | 06/15/2037 | 06/15/2007 | (a) |
| 2004 MF Series A (Pinnacle Apartments) | | 14,500,000 | VAR - Weekly (c) | | 2007 | 06/15/2037 | 09/01/2007 | (a) |
| 2004 MF Series A (Churchill at Pinnacle Park) | | 10,750,000 | 5.25% | 6.55% | 2007 | 07/01/2044 | 09/01/2021 | (b) |
| 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 | (c) | |
| 2005 MF Series A (Tower Ridge Apartments) | | 15,000,000 | VAR - Weekly (b) | | 2009 | 04/01/2038 | (c) | |
| 2005 MF Series A (St Augustine Estate Apartments) | | 7,650,000 | VAR - Weekly | | 2009 | 09/15/2038 | N/A | |
| 2005 MF Series A (Providence at Mockingbird Apartments) | | 14,360,000 | 6.40% | 6.40% | 2007 | 08/01/2040 | 08/01/2022 | |
| 2005 MF Series A (Plaza at Chase Oaks Apartments) | | 14,250,000 | 5.05% | 5.05% | 2007 | 08/01/2035 | (e) | |
| 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 (Village Park Apartments) | | 13,660,000 | 4.75% | 5.13% | 2009 | 12/01/2026 | 06/01/2021 | |
| 2006 MF Series A (Oakmoor Apartments) | | 14,635,000 | 5.50% | 6.00% | 2008 | 03/01/2046 | 03/01/2023 | |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Supplementary Bond Schedules**
**SCHEDULE 1-A (Continued)**
## MISCELLANEOUS BOND INFORMATION (Continued)
For the fiscal year ended August 31, 2020

| Description of Issue | Bonds Issued To Date | Range Of Interest Rates | | Scheduled Maturity First Year | Scheduled Maturity Final Maturity Date | First Call Date | |
|---|---|---|---|---|---|---|---|
| 2006 MF Series A (The Residences at Sunset Pointe) | 15,000,000 | VAR - Weekly | | 2039 | 07/15/2039 | (f) | |
| 2006 MF Series A (Hillcrest Apartments) | 12,435,000 | 5.25% | 5.25% | 2009 | 04/01/2027 | 04/01/2021 | |
| 2006 MF Series A (Meadowlands Apartments) | 13,500,000 | 6.00% | 6.00% | 2009 | 09/01/2046 | 09/01/2023 | |
| 2006 MF Series A (East Tex Pines) | 13,500,000 | 4.95% | 4.95% | 2010 | 10/01/2046 | (h) | |
| 2006 MF Series A (Aspen Park) | 9,800,000 | 5.00% | 5.00% | 2010 | 07/01/2027 | 07/01/2021 | |
| 2006 MF Series A (Idlewilde) | 14,250,000 | VAR - Weekly | | 2010 | 06/15/2040 | (g) | |
| 2007 MF Series A (Lancaster) | 14,250,000 | VAR - Weekly | | 2010 | 07/15/2040 | (g) | |
| 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 | (i) | |
| 2007 MF Series A (Santora Villas) | 13,072,000 | 5.80% | 5.80% | 2010 | 05/01/2047 | 06/01/2024 | |
| 2007 MF Series A (Costa Rialto) | 12,385,000 | 5.35% | 5.35% | 2010 | 07/01/2047 | 08/01/2025 | |
| 2007 MF Series A (Windshire) | 14,000,000 | VAR - Weekly | | 2010 | 01/15/2041 | (g) | |
| 2007 MF Series A (Residences at Onion Creek) | 15,000,000 | VAR - Weekly | | 2011 | 12/15/2040 | (g) | |
| 2008 MF Series A (West Oaks Apartments) | 13,125,000 | VAR - Weekly | | 2011 | 07/01/2041 | (j) | |
| 2008 MF Series A (Costa Ibiza Apartments) | 13,900,000 | VAR - Weekly | | 2011 | 08/01/2041 | (c) | |
| 2008 MF Series A (Alta Cullen Apartments Refunding) | 14,000,000 | VAR - Weekly | | 2011 | 03/01/2045 | (j) | |
| 2009 MF Series A (Costa Mariposa Apartments) | 13,690,000 | VAR - Weekly | | 2012 | 05/01/2042 | (j) | |
| 2009 MF Series A (Woodmont Apartments) | 15,000,000 | VAR - Weekly | | 2012 | 06/01/2042 | (j) | |
| 2014 MF Series A (Decatur-Angle Apartments) | 23,000,000 | 5.75% | 5.75% | 2016 | 01/01/2054 | 09/01/2016 | |
| 2015 MF Series A (Williamsburg Apartments) | 23,150,000 | 3.45% | 3.45% | 2016 | 01/01/2032 | 01/26/2016 | (k) |
| 2016 MF Series A (Skyline Place Apartments) | 18,750,000 | 2.60% | 2.60% | 2016 | 10/01/2032 | 10/26/2016 | (k) |
| 2017 MF Series A (Casa Inc Apartments) | 24,000,000 | 3.15% | 3.15% | 2017 | 11/01/2033 | N/A | |
| 2017 MF Series A (Casa Brendan Apartments) | 5,000,000 | 3.15% | 3.15% | 2017 | 11/01/2033 | N/A | |
| 2017 MF Series A (Nuestro Hogar Apartments) | 5,700,000 | 3.15% | 3.15% | 2017 | 11/01/2033 | N/A | |
| 2017 MF Series A (Emli at Liberty Crossing) | 17,600,000 | 1.80% | 1.80% | 2019 | 12/01/2020 | (m) | |
| 2018 MF Series A (Vista on Gessner) | 50,000,000 | 3.40% | 3.40% | 2018 | 03/01/2035 | N/A | |
| 2018 MF Series A (Springs Apartments) | 20,000,000 | 2.23% | 2.23% | 2020 | 05/01/2021 | 05/01/2020 | |
| 2018 MF Series A (Crosby Plaza Apartments) | 7,000,000 | 2.00% | 2.00% | 2020 | 08/01/2021 | 02/01/2020 | |
| 2018 MF Series A (Oaks on Lamar) | 16,810,000 | 3.55% | 3.55% | 2018 | 09/01/2034 | N/A | |
| 2018 MF Series A (Riverside Townhomes) | 19,200,000 | 3.55% | 3.55% | 2018 | 09/01/2034 | N/A | |
| 2018 MF Series A/B (Forestwood) | 23,000,000 | VAR - Monthly | | 2021 | 10/01/2058 | 04/01/2031 | |
| 2018 MF Series A (Related Rd Portfolio) | 20,000,000 | 2.20% | 2.20% | 2020 | 05/01/2021 | N/A | |
| 2018 MF Series A/B (Park Yellowstone) | 15,380,000 | 2.11% | 3.50% | 2018 | 08/01/2036 | N/A | |
| 2019 MF Series A (Lago de Plata) | 14,000,000 | 4.90% | 4.90% | 2019 | 04/01/2059 | 06/01/2030 | |
| 2019 MF Series A (McMullen Square) | 10,000,000 | 3.59% | 3.59% | 2019 | 01/09/2036 | 06/20/2020 | |
| 2019 MF Series A (Northgate Village) | 19,000,000 | 2.95% | 2.95% | 2019 | 07/01/2036 | N/A | |
| 2020 MF Series A (Oaks on Clark) | 10,000,000 | 2.30% | 2.30% | 2020 | 06/01/2036 | N/A | |
| 2020 MF Series A (Pines) | 22,000,000 | 2.30% | 2.30% | 2020 | 07/01/2037 | N/A | |
| 2020 MF Series A (333 Holly) | 36,800,000 | 2.30% | 2.30% | 2020 | 07/01/2037 | N/A | |
| 2020 MF Series A (Scott Street Lofts) | 18,000,000 | VAR - Monthly | | 2020 | 02/01/2040 | (o) | |
| 2020 MF Series A (The Walzem) | 20,000,000 | VAR - Monthly | | 2020 | 07/09/2039 | N/A | |
| 2020 MF Series A (Pecan Grove) | 26,000,000 | VAR - Monthly | | 2020 | 08/01/2060 | 09/01/2033 | |
| TOTAL MULTIFAMILY BONDS | $ 1,117,911,000 | | | | | | |
| **TOTAL BONDS ISSUED** | **$ 2,733,577,095** | | | | | | |

***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) 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.

(c) 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.

(d) The Series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indendure, as follows: During a daily interest rate period or weekly interest rate period for the Series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(e) 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.

(f) 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.

(g) The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower.

(h) 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.

(i) 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.

(j) 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.

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

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

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

(n) The Series 2020A Bonds are subject to redemption prior to maturity, in whole or in part, at any time from time to time, on and after March 1, 2029, at the option of the Department after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the principal amount of such Series 2020A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date. The Premium PAC Term Bonds are subject to redemption prior to maturity, in whole or in part at any time and from time to time, on and after March 1, 2029, at the option of the Department after giving notice as provided in the Trust Indenture, at the Redemption Prices set forth, in each case together with interest accrued thereon to the redemption date.

(o) The Bonds are subject to optional redemption prior to maturity from Preference Proof Moneys, at the direction of an Authorized Officer of the Borrower in part in a principal amount not to exceed $6,000,000 on any Business Day on or after February 1, 2022, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest, but without premium, to the date fixed for redemption.

*This Page Intentionally Left Blank*

**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, 2020**

| Description of Issue | Bonds Outstanding 09/01/19 | Bonds Issued and Accretions | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 08/31/20 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| 2004 Single Family Series A (Jr. Lien) | $ 3,855,000.00 | $ | $ | $ 3,855,000.00 | $ - | $ |
| 2004 Single Family Series B | 19,910,000.00 | | | 3,255,000.00 | 16,655,000.00 | |
| 2004 Single Family Series D | 13,290,000.00 | | | 1,645,000.00 | 11,645,000.00 | |
| 2005 Single Family Series A | 19,095,000.00 | | | 2,810,000.00 | 16,285,000.00 | |
| 2007 Single Family Series A | 20,155,000.00 | | | 4,320,000.00 | 15,835,000.00 | |
| 2013 Single Family Series A | 14,360,000.00 | | | 14,360,000.00 | - | |
| 2015 Single Family Series A | 18,880,000.00 | | | 2,495,000.00 | 16,385,000.00 | |
| 2015 Single Family Series B | 13,215,000.00 | | | 2,065,000.00 | 11,150,000.00 | |
| 2016 Single Family Series A | 21,835,000.00 | | | 3,155,000.00 | 18,680,000.00 | |
| 2016 Single Family Series B | 31,185,000.00 | | | 5,260,000.00 | 25,925,000.00 | |
| 2017 Single Family Series A | 56,189,437.00 | | | 5,066,170.00 | 51,123,267.00 | 16,932.96 |
| 2017 Single Family Series B | 20,295,958.00 | | | 2,793,830.00 | 17,502,128.00 | |
| 2017 Single Family Series C | 39,103,296.00 | | | 2,976,034.00 | 36,127,262.00 | |
| 2018 Single Family Series A | 143,230,000.00 | | 2,480,000.00 | 3,055,000.00 | 137,695,000.00 | 2,833,349.46 |
| 2019 Single Family Series A | 165,325,000.00 | | | 380,000.00 | 164,945,000.00 | 3,473,766.40 |
| 2020 Single Family Series A | | 174,250,000.00 | | | 174,250,000.00 | 787,270.64 |
| 2020 Single Family Series B | | 12,395,143.00 | | 165,768.00 | 12,229,375.00 | |
| 2009 RMRB Series C-1 | 28,685,000.00 | | | 3,195,000.00 | 25,490,000.00 | |
| 2009 RMRB Series C-2 | 22,380,000.00 | | | 2,900,000.00 | 19,480,000.00 | |
| 2011 RMRB Series A | 11,880,000.00 | | 1,265,000.00 | 1,270,000.00 | 9,345,000.00 | 1,263,628.56 |
| 2011 RMRB Series B | 23,400,000.00 | | 1,515,000.00 | 3,025,000.00 | 18,860,000.00 | 1,483,789.88 |
| 2019 RMRB Series A | 166,280,000.00 | | 1,545,000.00 | 1,835,000.00 | 162,900,000.00 | 3,277,464.10 |
| Total Single Family Bonds | $ 852,548,691.00 | $ 186,645,143.00 | $ 6,805,000.00 | $ 69,881,802.00 | $ 962,507,032.00 | $ 13,136,202.00 |
| | | | | | | |
| 1996 MF Series A/B (Brighton's Mark Development) | $ 8,075,000.00 | $ | $ | $ | $ 8,075,000.00 | $ |
| 1998 MF Series A-C (Residence at the Oaks Projects) | 4,509,000.00 | | 339,000.00 | | 4,170,000.00 | 347,000.00 |
| 2000 MF Series A (Timber Point Apartments) | 5,570,000.00 | | | 5,570,000.00 | - | |
| 2000 MF Series A (Creek Point Apartments) | 4,760,000.00 | | | 4,760,000.00 | - | |
| 2000 MF Series A-C (Highland Meadow Village Apts) | 6,363,000.00 | | 345,000.00 | | 6,018,000.00 | 357,000.00 |
| 2000 MF Series A-C (Collingham Park Apartments) | 9,462,000.00 | | 505,000.00 | | 8,957,000.00 | 525,000.00 |
| 2001 MF Series A (Skyway Villas Apartments) | 5,635,000.00 | | 225,000.00 | | 5,410,000.00 | 245,000.00 |
| 2001 MF Series A/B (Meridian Apartments) | 7,525,000.00 | | 132,000.00 | | 7,393,000.00 | 147,000.00 |
| 2001 MF Series A/B (Wildwood Apartments) | 5,791,000.00 | | 108,000.00 | | 5,683,000.00 | 114,000.00 |
| 2003 MF Series A/B (Reading Road) | 9,280,000.00 | | 50,000.00 | 300,000.00 | 8,930,000.00 | 50,000.00 |
| 2003 MF Series A/B (West Virginia Apartments) | 7,070,000.00 | | 255,000.00 | | 6,815,000.00 | 275,000.00 |
| 2003 MF Series A/B (Primrose Houston School) | 15,016,720.00 | | 207,856.00 | | 14,808,864.00 | 222,182.00 |
| 2003 MF Series A/B (Ash Creek Apartments) | 14,732,562.00 | | 204,713.00 | | 14,527,849.00 | 218,945.00 |
| 2003 MF Series A/B (Peninsula Apartments) | 9,415,000.00 | | 325,000.00 | 10,000.00 | 9,080,000.00 | 340,000.00 |
| 2003 MF Series A/B (Arlington Villas) | 15,614,023.00 | | 194,552.00 | | 15,419,471.00 | 210,803.00 |
| 2004 MF Series A/B (Timber Ridge II Apartments) | 6,049,333.00 | | 78,722.00 | | 5,970,611.00 | 84,391.00 |
| 2004 MF Series A (Providence at Rush Creek II) | 7,950,092.97 | | 108,992.78 | | 7,841,100.19 | 116,523.77 |
| 2004 MF Series A (Humble Parkway Townhomes) | 9,865,000.00 | | 215,000.00 | | 9,650,000.00 | 235,000.00 |
| 2004 MF Series A (Chisholm Trail Apartments) | 9,500,000.00 | | | 300,000.00 | 9,200,000.00 | |
| 2004 MF Series A (Evergreen at Plano Parkway) | 13,333,278.63 | | 174,414.24 | | 13,158,864.39 | 186,187.76 |
| 2004 MF Series A (Montgomery Pines Apartments) | 10,100,000.00 | | | 10,100,000.00 | - | |
| 2004 MF Series A (Bristol Apartments) | 10,800,000.00 | | | 200,000.00 | 10,600,000.00 | |
| 2004 MF Series A (Pinnacle Apartments) | 12,465,000.00 | | | 200,000.00 | 12,265,000.00 | |
| 2004 MF Series A (Churchill at Pinnacle Park) | 8,911,214.84 | | 23,839.61 | 8,887,375.23 | - | |
| 2005 MF Series A (Port Royal Homes) | 10,968,521.90 | | 48,443.90 | 10,920,078.00 | - | |
| 2005 MF Series A (Mission Del Rio Homes) | 8,629,126.29 | | 23,956.97 | 8,605,169.32 | - | |
| 2005 MF Series A (Atascocita Pines Apartments) | 10,190,000.00 | | | 200,000.00 | 9,990,000.00 | |
| 2005 MF Series A (Tower Ridge Apartments) | 15,000,000.00 | | | | 15,000,000.00 | |
| 2005 MF Series A (St Augustine Estate Apartments) | 5,480,000.00 | | | 200,000.00 | 5,280,000.00 | |
| 2005 MF Series A (Providence at Mockingbird Apts) | 10,349,836.94 | | 115,245.79 | | 10,234,591.15 | 121,625.43 |
| 2005 MF Series A (Plaza at Chase Oaks Apartments) | 10,925,869.29 | | 380,160.15 | | 10,545,709.14 | 399,808.85 |
| 2005 MF Series A (Coral Hills Apartments) | 4,045,000.00 | | 125,000.00 | | 3,920,000.00 | 135,000.00 |
| 2006 MF Series A (Village Park Apartments) | 8,725,000.00 | | 240,000.00 | | 8,485,000.00 | 265,000.00 |
| 2006 MF Series A (Oakmoor Apartments) | 13,166,765.68 | | 171,706.59 | | 12,995,059.09 | 182,297.04 |
| 2006 MF Series A (The Residences at Sunset Pointe) | 15,000,000.00 | | | | 15,000,000.00 | |
| 2006 MF Series A (Hillcrest Apartments) | 9,350,000.00 | | 230,000.00 | | 9,120,000.00 | 240,000.00 |
| 2006 MF Series A (Meadowlands Apartments) | 11,377,446.25 | | 140,554.85 | | 11,236,891.40 | 149,223.99 |
| 2006 MF Series A (East Tex Pines) | 12,470,000.00 | | 155,000.00 | | 12,315,000.00 | 160,000.00 |
| 2006 MF Series A (Aspen Park) | 8,565,000.00 | | 160,000.00 | | 8,405,000.00 | 165,000.00 |
| 2006 MF Series A (Idlewilde) | 12,590,000.00 | | | 200,000.00 | 12,390,000.00 | |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Supplementary Bond Schedules**
**SCHEDULE 1-B**
**CHANGES IN BOND INDEBTEDNESS (Continued)**
**For the fiscal year ended August 31, 2020**

| Description of Issue | Bonds Outstanding 09/01/19 | Bonds Issued and Accretions | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 08/31/20 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| 2007 MF Series A (Lancaster) | $ 12,580,000.00 | $ | $ | $ 200,000.00 | $ 12,380,000.00 | $ |
| 2007 MF Series A (Park Place at Loyola) | 13,386,366.51 | | 137,918.01 | | 13,248,448.50 | 146,133.40 |
| 2007 MF Series A (Terrace at Cibolo) | 4,600,000.00 | | | 105,000.00 | 4,495,000.00 | |
| 2007 MF Series A (Santora Villas) | 11,342,826.15 | | 122,291.46 | | 11,220,534.69 | 129,575.97 |
| 2007 MF Series A (Costa Rialto) | 9,887,270.26 | | 116,760.81 | | 9,770,509.45 | 123,162.98 |
| 2007 MF Series A (Windshire) | 12,600,000.00 | | | 200,000.00 | 12,400,000.00 | |
| 2007 MF Series A (Residences at Onion Creek) | 15,000,000.00 | | | | 15,000,000.00 | |
| 2008 MF Series A (West Oaks Apartments) | 11,475,000.00 | | | 200,000.00 | 11,275,000.00 | |
| 2008 MF Series A (Costa Ibiza Apartments) | 12,420,000.00 | | | 200,000.00 | 12,220,000.00 | |
| 2008 MF Series A (Alta Cullen Apartments Refunding) | 11,300,000.00 | | 100,000.00 | 100,000.00 | 11,100,000.00 | |
| 2009 MF Series A (Costa Mariposa Apartments) | 12,550,000.00 | | | 215,000.00 | 12,335,000.00 | |
| 2009 MF Series A (Woodmont Apartments) | 13,745,000.00 | | | 200,000.00 | 13,545,000.00 | |
| 2014 MF Series A (Decatur Angle Apartments) | 22,515,058.74 | | 181,452.89 | | 22,333,605.85 | 192,357.19 |
| 2015 MF Series A (Williamsburg Apartments) | 22,433,279.96 | | 296,737.78 | | 22,136,542.18 | 328,493.10 |
| 2016 MF Series A (Skyline Place Apartments) | 18,250,427.62 | | 284,558.30 | | 17,965,869.32 | 296,644.25 |
| 2017 MF Series A (Casa Inc Apartments) | 23,464,753.91 | | 319,855.83 | | 23,144,898.08 | 336,149.91 |
| 2017 MF Series A (Casa Brendan Apartments) | 4,888,490.41 | | 66,636.61 | | 4,821,853.80 | 70,031.21 |
| 2017 MF Series A (Nuestro Hogar Apartments) | 5,572,879.16 | | 75,965.74 | | 5,496,913.42 | 79,835.61 |
| 2017 MF Series A (Emli Liberty Crossing Apartments) | 17,600,000.00 | | | 17,600,000.00 | - | |
| 2018 MF Series A (Vista on Gessnar Apartments) | 50,000,000.00 | | 231,533.00 | | 49,768,467.00 | 587,542.86 |
| 2018 MF Series A (Springs Apartments) | 20,000,000.00 | | | | 20,000,000.00 | 20,000,000.00 |
| 2018 MF Series A (Crosby Plaza Apartments) | 7,000,000.00 | | | | 7,000,000.00 | 7,000,000.00 |
| 2018 MF Series A (Oaks on Lamar) | 16,633,785.91 | | 197,319.21 | | 16,436,466.70 | 208,645.19 |
| 2018 MF Series A (Riverside Townhomes) | 18,998,732.30 | | 225,373.32 | | 18,773,358.98 | 238,309.77 |
| 2018 MF Series A/B (Forestwood) | 20,100,000.00 | 2,900,000.00 | | | 23,000,000.00 | |
| 2018 MF Series A (Related RD Portfolio) | 20,000,000.00 | | | 20,000,000.00 | - | |
| 2018 MF Series A/B (Park Yellowstone) | 15,380,000.00 | | | | 15,380,000.00 | |
| 2019 MF Series A (Lago de Plata) | 13,995,000.00 | | 120,000.00 | | 13,875,000.00 | 120,000.00 |
| 2019 MF Series A (McMullen Square) | 10,000,000.00 | | | | 10,000,000.00 | |
| 2019 MF Series A (Northgate Village) | 18,980,867.35 | | 247,196.77 | | 18,733,670.58 | 259,259.17 |
| 2020 MF Series A (Oaks on Clark) | | 10,000,000.00 | 25,033.15 | | 9,974,966.85 | 153,956.76 |
| 2020 MF Series A (Pines) | | 22,000,000.00 | | 25,748.94 | 21,974,251.06 | |
| 2020 MF Series A (333 Holly) | | 36,800,000.00 | | 43,070.97 | 36,756,929.03 | |
| 2020 MF Series A (Scott Street Lofts) | | 18,000,000.00 | | | 18,000,000.00 | |
| 2020 MF Series A (The Walzem) | | 20,000,000.00 | | | 20,000,000.00 | |
| 2020 MF Series A (Pecan Grove) | | 26,000,000.00 | | | 26,000,000.00 | |
| Total Multifamily Bonds | $ 851,324,529.07 | $ 135,700,000.00 | $ 8,030,790.76 | $ 89,541,442.46 | $ 889,452,295.85 | $ 35,762,085.21 |
| | **$ 1,703,873,220.07** | **$ 322,345,143.00** | **$ 14,835,790.76** | **$ 159,423,244.46** | **$ 1,851,959,327.85** | **$ 48,898,287.21** |

FOOTNOTES:
(a) Bonds Outstanding balance at 08/31/20 does not include unamortized premium or discounts.

| | |
|---|---|
| Bonds Outstanding per schedule | $ 1,851,959,327.85 |
| Unamortized (Discount)/Premium: | |
| Single Family | 25,360,543.00 |
| RMRB | 7,674,886.75 |
| Multi-Family | 157,736.86 |
| Bonds Outstanding per Exhibit III | **$ 1,885,152,494.46** |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Supplementary Bond Schedules**
**SCHEDULE 1-C**
**DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)**
**August 31, 2020**

| DESCRIPTION | | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| 2004 Single Family, Series B | Principal | - | - | - | - | - |
| 2004 Single Family, Series B | Interest | 68,866.28 | 16,654.89 | 16,654.89 | 16,693.04 | 16,616.87 |
| 2004 Single Family, Series D | Principal | - | - | - | - | - |
| 2004 Single Family, Series D | Interest | 51,317.88 | 15,138.45 | 15,138.45 | 15,173.16 | 15,103.81 |
| 2005 Single Family, Series A | Principal | - | - | - | - | - |
| 2005 Single Family, Series A | Interest | 66,352.98 | 16,285.00 | 16,285.00 | 16,322.31 | 16,247.66 |
| 2007 Single Family, Series A | Principal | - | - | - | - | - |
| 2007 Single Family, Series A | Interest | 64,519.49 | 15,835.02 | 15,835.02 | 15,871.28 | 15,798.70 |
| 2015 Single Family, Series A | Principal | - | - | - | - | - |
| 2015 Single Family, Series A | Interest | 524,319.96 | 524,319.96 | 524,319.96 | 524,319.96 | 524,319.96 |
| 2015 Single Family, Series B | Principal | - | - | - | - | - |
| 2015 Single Family, Series B | Interest | 348,437.51 | 348,437.52 | 348,437.52 | 348,437.52 | 348,437.52 |
| 2016 Single Family, Series A | Principal | - | - | - | - | - |
| 2016 Single Family, Series A | Interest | 560,400.00 | 560,400.00 | 560,400.00 | 560,400.00 | 560,400.00 |
| 2016 Single Family, Series B | Principal | - | - | - | - | - |
| 2016 Single Family, Series B | Interest | 824,415.00 | 824,415.00 | 824,415.00 | 824,415.00 | 824,415.00 |
| 2017 Single Family, Series A | Principal | - | - | - | - | - |
| 2017 Single Family, Series A | Interest | 1,449,344.64 | 1,449,344.64 | 1,449,344.64 | 1,449,344.64 | 1,449,344.64 |
| 2017 Single Family, Series B | Principal | - | - | - | - | - |
| 2017 Single Family, Series B | Interest | 481,308.48 | 481,308.48 | 481,308.48 | 481,308.48 | 481,308.48 |
| 2017 Single Family, Series C | Principal | - | - | - | - | - |
| 2017 Single Family, Series C | Interest | 1,119,945.12 | 1,119,945.12 | 1,119,945.12 | 1,119,945.12 | 1,119,945.12 |
| 2018 Single Family, Series A | Principal | 2,550,000.00 | 2,645,000.00 | 2,735,000.00 | 2,845,000.00 | 2,930,000.00 |
| 2018 Single Family, Series A | Interest | 5,637,764.46 | 5,567,645.58 | 5,491,475.52 | 5,409,496.68 | 5,320,534.20 |
| 2019 Single Family, Series A | Principal | 2,980,000.00 | 3,195,000.00 | 3,295,000.00 | 3,395,000.00 | 3,510,000.00 |
| 2019 Single Family, Series A | Interest | 5,743,551.54 | 5,671,326.60 | 5,592,246.60 | 5,508,196.50 | 5,419,760.22 |
| 2020 Single Family, Series A | Principal | 230,000.00 | 3,510,000.00 | 3,600,000.00 | 3,700,000.00 | 3,775,000.00 |
| 2020 Single Family, Series A | Interest | 3,379,474.26 | 5,209,005.36 | 5,158,080.42 | 5,100,175.44 | 5,035,803.00 |
| 2020 Single Family, Series B | Principal | - | - | - | - | - |
| 2020 Single Family, Series B | Interest | 244,587.48 | 244,587.48 | 244,587.48 | 244,587.48 | 244,587.48 |
| **TOTAL SINGLE FAMILY BONDS** | | **26,324,605.08** | **31,414,649.10** | **31,488,474.10** | **31,574,686.61** | **31,607,622.66** |
| 2009 Residential Mtg Revenue Bonds, Series C-1 | Principal | - | - | - | - | - |
| 2009 Residential Mtg Revenue Bonds, Series C-1 | Interest | 732,837.34 | 732,837.36 | 732,837.36 | 732,837.36 | 732,837.36 |
| 2009 Residential Mtg Revenue Bonds, Series C-2 | Principal | - | - | - | - | - |
| 2009 Residential Mtg Revenue Bonds, Series C-2 | Interest | 483,104.05 | 483,104.04 | 483,104.04 | 483,104.04 | 483,104.04 |
| 2011 Residential Mtg Revenue Bonds, Series A | Principal | 1,260,000.00 | 1,280,000.00 | 1,550,000.00 | 1,565,000.00 | 1,570,000.00 |
| 2011 Residential Mtg Revenue Bonds, Series A | Interest | 442,761.20 | 386,857.38 | 323,608.56 | 245,207.28 | 166,048.56 |
| 2011 Residential Mtg Revenue Bonds, Series B | Principal | 1,475,000.00 | 1,540,000.00 | 1,760,000.00 | 1,760,000.00 | 1,760,000.00 |
| 2011 Residential Mtg Revenue Bonds, Series B | Interest | 762,930.30 | 712,995.30 | 654,662.76 | 583,382.76 | 512,102.76 |
| 2019 Residential Mtg Revenue Bonds, Series A | Principal | 2,675,000.00 | 2,795,000.00 | 2,925,000.00 | 3,060,000.00 | 3,195,000.00 |
| 2019 Residential Mtg Revenue Bonds, Series A | Interest | 6,802,941.93 | 6,697,916.82 | 6,587,113.08 | 6,469,904.34 | 6,345,644.28 |
| **TOTAL RESIDENTIAL MTG REVENUE BONDS** | | **14,634,574.82** | **14,628,710.90** | **15,016,325.80** | **14,899,435.78** | **14,764,737.00** |

**DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued**
**August 31, 2020**

| 2026-30 | 2031-2035 | 2036-2040 | 2041-2045 | 2046-2050 | 2051-2055 | 2056-2060 | REQUIRED |
|---|---|---|---|---|---|---|---|
| 950,000.00 | 15,705,000.00 | - | - | - | - | - | 16,655,000.00 |
| 83,274.58 | 40,326.12 | - | - | - | - | - | 259,086.67 |
| 905,000.00 | 10,740,000.00 | - | - | - | - | - | 11,645,000.00 |
| 75,692.32 | 40,020.51 | - | - | - | - | - | 227,584.58 |
| - | 8,035,000.00 | 8,250,000.00 | - | - | - | - | 16,285,000.00 |
| 81,424.97 | 77,219.16 | 8,336.45 | - | - | - | - | 298,473.53 |
| - | - | 15,835,000.00 | - | - | - | - | 15,835,000.00 |
| 79,175.04 | 79,175.04 | 31,362.68 | - | - | - | - | 317,572.27 |
| - | - | 16,385,000.00 | - | - | - | - | 16,385,000.00 |
| 2,621,599.80 | 2,621,599.80 | 2,359,439.82 | - | - | - | - | 10,224,239.22 |
| - | - | - | - | 11,150,000.00 | - | - | 11,150,000.00 |
| 1,742,187.60 | 1,742,187.60 | 1,742,187.60 | 1,742,187.60 | 348,437.52 | - | - | 9,059,375.51 |
| - | - | - | - | 18,680,000.00 | - | - | 18,680,000.00 |
| 2,802,000.00 | 2,802,000.00 | 2,802,000.00 | 2,802,000.00 | 560,400.00 | - | - | 14,570,400.00 |
| - | - | 25,925,000.00 | - | - | - | - | 25,925,000.00 |
| 4,122,075.00 | 4,122,075.00 | 3,297,660.00 | - | - | - | - | 15,663,885.00 |
| - | - | - | - | 51,123,267.00 | - | - | 51,123,267.00 |
| 7,246,723.20 | 7,246,723.20 | 7,246,723.20 | 7,246,723.20 | 3,019,468.00 | - | - | 39,253,084.00 |
| - | - | 17,502,128.00 | - | - | - | - | 17,502,128.00 |
| 2,406,542.40 | 2,406,542.40 | 1,484,034.48 | - | - | - | - | 8,703,661.68 |
| - | - | - | - | 36,127,262.00 | - | - | 36,127,262.00 |
| 5,599,725.60 | 5,599,725.60 | 5,599,725.60 | 5,599,725.60 | 2,333,219.00 | - | - | 30,331,847.00 |
| 16,360,000.00 | 19,415,000.00 | 25,710,000.00 | 32,520,000.00 | 29,985,000.00 | - | - | 137,695,000.00 |
| 25,012,160.28 | 21,752,551.32 | 17,042,683.98 | 10,759,555.62 | 2,913,443.28 | - | - | 104,907,310.92 |
| 19,305,000.00 | 23,155,000.00 | 28,375,000.00 | 35,400,000.00 | 42,335,000.00 | - | - | 164,945,000.00 |
| 25,557,952.80 | 22,305,205.50 | 17,862,776.46 | 12,016,553.04 | 4,286,793.36 | - | - | 109,964,362.62 |
| 20,970,000.00 | 25,055,000.00 | 30,325,000.00 | 35,685,000.00 | 43,740,000.00 | 3,660,000.00 | - | 174,250,000.00 |
| 23,238,560.22 | 19,767,522.18 | 15,929,178.72 | 10,956,613.02 | 4,653,162.60 | 86,887.50 | - | 98,514,462.72 |
| - | - | 12,229,375.00 | - | - | - | - | 12,229,375.00 |
| 1,222,937.40 | 1,222,937.40 | 142,676.03 | - | - | - | - | 3,811,488.23 |
| **160,382,031.21** | **193,930,810.83** | **256,085,288.02** | **154,728,358.08** | **251,255,452.76** | **3,746,887.50** | **-** | **1,172,538,865.95** |
| | | | | | | | |
| 2,090,000.00 | 9,405,000.00 | 11,970,000.00 | 2,025,000.00 | - | - | - | 25,490,000.00 |
| 3,640,108.68 | 2,784,580.62 | 1,268,736.96 | 39,603.12 | - | - | - | 11,397,216.16 |
| - | 3,580,000.00 | 12,010,000.00 | 3,890,000.00 | - | - | - | 19,480,000.00 |
| 2,415,520.20 | 2,368,648.20 | 1,313,656.56 | 80,724.06 | - | - | - | 8,594,069.23 |
| 2,120,000.00 | - | - | - | - | - | - | 9,345,000.00 |
| 157,385.94 | - | - | - | - | - | - | 1,721,868.92 |
| 8,760,000.00 | 1,805,000.00 | - | - | - | - | - | 18,860,000.00 |
| 1,358,281.74 | 153,212.64 | - | - | - | - | - | 4,737,568.26 |
| 18,410,000.00 | 23,555,000.00 | 29,900,000.00 | 37,800,000.00 | 38,585,000.00 | - | - | 162,900,000.00 |
| 29,594,739.96 | 25,040,401.26 | 19,581,475.32 | 12,626,433.90 | 3,825,886.74 | - | - | 123,572,457.63 |
| **68,546,036.52** | **68,691,842.72** | **76,043,868.84** | **56,461,761.08** | **42,410,886.74** | **-** | **-** | **386,098,180.20** |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Supplementary Bond Schedules**
**SCHEDULE 1-C**
**DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)**
**August 31, 2020**

| DESCRIPTION | | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| 1996 MF Series A/B (Brighton's Mark Development) | Principal | - | - | - | - | - |
| 1996 MF Series A/B (Brighton's Mark Development) | Interest | 501,872.43 | 501,872.43 | 501,872.43 | 503,247.42 | 501,872.43 |
| 1998 MF Series A-C (Residence at the Oaks Projects) | Principal | 347,000.00 | 357,000.00 | 368,000.00 | 376,000.00 | 387,000.00 |
| 1998 MF Series A-C (Residence at the Oaks Projects) | Interest | 112,698.90 | 103,053.60 | 93,119.82 | 82,911.60 | 72,469.92 |
| 2000 MF Series A-C (Collingham Park Apartments) | Principal | 525,000.00 | 545,000.00 | 565,000.00 | 587,000.00 | 608,000.00 |
| 2000 MF Series A-C (Collingham Park Apartments) | Interest | 322,627.20 | 303,255.66 | 283,153.14 | 262,301.40 | 240,663.72 |
| 2000 MF Series A-C (Highland Meadow Village Apts) | Principal | 357,000.00 | 369,000.00 | 383,000.00 | 397,000.00 | 411,000.00 |
| 2000 MF Series A-C (Highland Meadow Village Apts) | Interest | 209,524.62 | 196,803.66 | 183,640.98 | 169,983.60 | 155,831.58 |
| 2001 MF Series A (Skyway Villas Apartments) | Principal | 245,000.00 | 255,000.00 | 270,000.00 | 295,000.00 | 305,000.00 |
| 2001 MF Series A (Skyway Villas Apartments) | Interest | 300,941.94 | 287,198.04 | 272,773.02 | 257,350.20 | 240,592.92 |
| 2001 MF Series A/B (Meridian Apartments) | Principal | 147,000.00 | 160,000.00 | 169,000.00 | 180,000.00 | 190,000.00 |
| 2001 MF Series A/B (Meridian Apartments) | Interest | 439,695.00 | 430,440.00 | 420,540.00 | 410,070.00 | 399,045.00 |
| 2001 MF Series A/B (Wildwood Apartments) | Principal | 114,000.00 | 120,000.00 | 129,000.00 | 135,000.00 | 144,000.00 |
| 2001 MF Series A/B (Wildwood Apartments) | Interest | 337,935.00 | 330,840.00 | 323,460.00 | 315,555.00 | 307,140.00 |
| 2003 MF Series A/B (Ash Creek Apartments) | Principal | 218,945.00 | 234,166.00 | 250,445.00 | 267,856.00 | 286,478.00 |
| 2003 MF Series A/B (Ash Creek Apartments) | Interest | 952,295.08 | 937,389.93 | 921,448.31 | 904,398.61 | 886,163.60 |
| 2003 MF Series A/B (Peninsula Apartments) | Principal | 340,000.00 | 360,000.00 | 380,000.00 | 405,000.00 | 7,595,000.00 |
| 2003 MF Series A/B (Peninsula Apartments) | Interest | 476,867.46 | 458,582.40 | 439,237.44 | 418,567.44 | 201,267.48 |
| 2003 MF Series A/B (Primrose Houston School) | Principal | 222,182.00 | 237,391.00 | 253,642.00 | 271,006.00 | 289,559.00 |
| 2003 MF Series A/B (Primrose Houston School) | Interest | 956,036.36 | 941,146.71 | 925,237.91 | 908,240.10 | 890,078.66 |
| 2003 MF Series A/B (Reading Road) | Principal | 50,000.00 | 60,000.00 | 60,000.00 | 65,000.00 | 70,000.00 |
| 2003 MF Series A/B (Reading Road) | Interest | 107,316.04 | 103,708.31 | 99,658.31 | 95,617.70 | 91,042.59 |
| 2003 MF Series A/B (West Virginia Apartments) | Principal | 275,000.00 | 290,000.00 | 305,000.00 | 325,000.00 | 340,000.00 |
| 2003 MF Series A/B (West Virginia Apartments) | Interest | 342,920.64 | 328,684.92 | 313,688.88 | 298,067.88 | 281,291.10 |
| 2003 MF Series A/B (Arlington Villas) | Principal | 210,803.00 | 228,427.00 | 246,156.00 | 263,690.00 | 282,471.00 |
| 2003 MF Series A/B (Arlington Villas) | Interest | 1,038,440.81 | 1,020,940.32 | 1,003,646.07 | 986,494.80 | 968,122.02 |
| 2004 MF Series A (Bristol Apartments) | Principal | - | - | - | - | - |
| 2004 MF Series A (Bristol Apartments) | Interest | 11,662.32 | 11,659.96 | 11,659.96 | 11,672.10 | 11,647.83 |
| 2004 MF Series A (Chisholm Trail Apartments) | Principal | - | - | - | - | - |
| 2004 MF Series A (Chisholm Trail Apartments) | Interest | 10,121.96 | 10,119.94 | 10,119.94 | 10,130.45 | 10,109.39 |
| 2004 MF Series A (Evergreen at Plano Parkway) | Principal | 186,187.76 | 198,755.91 | 212,172.45 | 226,494.64 | 241,783.61 |
| 2004 MF Series A (Evergreen at Plano Parkway) | Interest | 856,382.54 | 843,814.52 | 830,397.91 | 816,075.83 | 800,786.68 |
| 2004 MF Series A (Humble Parkway Townhomes) | Principal | 235,000.00 | 245,000.00 | 265,000.00 | 285,000.00 | 305,000.00 |
| 2004 MF Series A (Humble Parkway Townhomes) | Interest | 633,105.00 | 617,430.00 | 600,930.00 | 583,110.00 | 563,970.00 |
| 2004 MF Series A (Pinnacle Apartments) | Principal | - | - | - | - | - |
| 2004 MF Series A (Pinnacle Apartments) | Interest | 13,494.19 | 13,491.47 | 13,491.47 | 13,505.52 | 13,477.43 |
| 2004 MF Series A (Providence at Rush Creek II) | Principal | 116,523.77 | 124,575.14 | 133,182.81 | 142,385.22 | 152,223.54 |
| 2004 MF Series A (Providence at Rush Creek II) | Interest | 521,818.62 | 513,767.27 | 505,159.71 | 495,957.29 | 486,118.94 |
| 2004 MF Series A/B (Timber Ridge II Apartments) | Principal | 84,391.00 | 90,464.00 | 96,973.00 | 103,953.00 | 111,436.00 |
| 2004 MF Series A/B (Timber Ridge II Apartments) | Interest | 400,439.84 | 394,557.80 | 388,252.55 | 381,493.53 | 374,248.07 |
| 2005 MF Series A (Atascocita Pines Apartments) | Principal | - | - | - | - | - |
| 2005 MF Series A (Atascocita Pines Apartments) | Interest | 10,991.25 | 10,989.08 | 10,989.08 | 11,000.43 | 10,977.60 |
| 2005 MF Series A (Tower Ridge Apartments) | Principal | - | - | - | - | - |
| 2005 MF Series A (Tower Ridge Apartments) | Interest | 28,540.01 | 28,500.03 | 28,500.03 | 28,529.63 | 28,470.34 |
| 2005 MF Series A (St Augustine Estate Apartments) | Principal | - | - | - | - | - |
| 2005 MF Series A (St Augustine Estate Apartments) | Interest | 5,809.14 | 5,807.98 | 5,807.98 | 5,814.00 | 5,801.92 |
| 2005 MF Series A (Providence at Mockingbird Apts) | Principal | 121,625.43 | 128,358.19 | 135,463.71 | 142,962.54 | 150,876.49 |
| 2005 MF Series A (Providence at Mockingbird Apts) | Interest | 549,688.06 | 542,955.30 | 535,849.79 | 528,350.83 | 520,436.95 |
| 2005 MF Series A (Plaza at Chase Oaks Apartments) | Principal | 399,808.85 | 420,473.12 | 442,205.43 | 465,061.02 | 489,097.89 |
| 2005 MF Series A (Plaza at Chase Oaks Apartments) | Interest | 523,388.32 | 502,724.07 | 480,991.78 | 458,136.23 | 434,099.25 |
| 2005 MF Series A (Coral Hills Apartments) | Principal | 135,000.00 | 145,000.00 | 150,000.00 | 160,000.00 | 170,000.00 |
| 2005 MF Series A (Coral Hills Apartments) | Interest | 196,318.56 | 189,374.88 | 181,926.24 | 174,225.06 | 166,018.74 |

**DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued**
**August 31, 2020**

| 2026-30 | 2031-2035 | 2036-2040 | 2041-2045 | 2046-2050 | 2051-2055 | 2056-2060 | REQUIRED |
|---|---|---|---|---|---|---|---|
| 8,075,000.00 | - | - | - | - | - | - | 8,075,000.00 |
| 334,123.29 | - | - | - | - | - | - | 2,844,860.43 |
| 2,106,000.00 | 229,000.00 | - | - | - | - | - | 4,170,000.00 |
| 194,855.28 | 3,162.12 | - | - | - | - | - | 662,271.24 |
| 3,393,000.00 | 2,734,000.00 | - | - | - | - | - | 8,957,000.00 |
| 849,952.98 | 201,646.50 | - | - | - | - | - | 2,463,600.60 |
| 2,284,000.00 | 1,817,000.00 | - | - | - | - | - | 6,018,000.00 |
| 548,802.78 | 128,729.22 | - | - | - | - | - | 1,593,316.44 |
| 1,840,000.00 | 2,200,000.00 | - | - | - | - | - | 5,410,000.00 |
| 917,552.76 | 322,010.10 | - | - | - | - | - | 2,598,418.98 |
| 6,537,000.00 | 10,000.00 | - | - | - | - | - | 7,393,000.00 |
| 1,751,400.00 | 2,575.00 | - | - | - | - | - | 3,853,765.00 |
| 5,036,000.00 | 5,000.00 | - | - | - | - | - | 5,683,000.00 |
| 1,090,175.00 | 1,300.00 | - | - | - | - | - | 2,706,405.00 |
| 1,760,315.00 | 2,463,416.00 | 9,046,228.00 | - | - | - | - | 14,527,849.00 |
| 4,109,707.29 | 3,421,210.52 | 390,484.19 | - | - | - | - | 12,523,097.53 |
| - | - | - | - | - | - | - | 9,080,000.00 |
| - | - | - | - | - | - | - | 1,994,522.22 |
| 1,773,707.00 | 2,469,850.00 | 9,291,527.00 | - | - | - | - | 14,808,864.00 |
| 4,131,350.59 | 3,449,886.85 | 538,932.31 | - | - | - | - | 12,740,909.49 |
| 430,000.00 | 600,000.00 | 7,595,000.00 | - | - | - | - | 8,930,000.00 |
| 376,452.62 | 206,857.40 | 14,935.31 | - | - | - | - | 1,095,588.28 |
| 2,015,000.00 | 2,640,000.00 | 625,000.00 | - | - | - | - | 6,815,000.00 |
| 1,122,779.88 | 542,170.32 | 24,014.46 | - | - | - | - | 3,253,618.08 |
| 1,744,364.00 | 2,460,599.00 | 9,982,961.00 | - | - | - | - | 15,419,471.00 |
| 4,515,809.94 | 3,815,149.52 | 864,759.87 | - | - | - | - | 14,213,363.35 |
| - | - | 10,600,000.00 | - | - | - | - | 10,600,000.00 |
| 58,299.81 | 58,299.81 | 21,371.28 | - | - | - | - | 196,273.07 |
| - | - | 9,200,000.00 | - | - | - | - | 9,200,000.00 |
| 50,599.66 | 50,599.66 | 16,857.28 | - | - | - | - | 168,658.28 |
| 1,476,913.59 | 2,047,386.14 | 2,838,209.43 | 5,730,960.86 | - | - | - | 13,158,864.39 |
| 3,735,937.68 | 3,165,465.72 | 2,374,642.45 | 1,082,308.33 | - | - | - | 14,505,811.66 |
| 1,840,000.00 | 2,540,000.00 | 3,505,000.00 | 430,000.00 | - | - | - | 9,650,000.00 |
| 2,486,055.00 | 1,782,990.00 | 809,490.00 | 14,190.00 | - | - | - | 8,091,270.00 |
| - | - | 12,265,000.00 | - | - | - | - | 12,265,000.00 |
| 67,457.36 | 67,457.36 | 24,728.21 | - | - | - | - | 227,103.01 |
| 934,199.13 | 1,304,737.09 | 1,822,245.98 | 3,111,027.51 | - | - | - | 7,841,100.19 |
| 2,257,512.44 | 1,886,972.61 | 1,369,465.74 | 535,583.12 | - | - | - | 8,572,355.74 |
| 689,668.00 | 976,226.00 | 3,817,500.00 | - | - | - | - | 5,970,611.00 |
| 1,742,933.36 | 1,465,411.43 | 250,369.26 | - | - | - | - | 5,397,705.84 |
| - | - | 9,990,000.00 | - | - | - | - | 9,990,000.00 |
| 54,945.27 | 54,945.27 | 29,294.05 | - | - | - | - | 194,132.03 |
| - | - | 15,000,000.00 | - | - | - | - | 15,000,000.00 |
| 142,500.06 | 142,500.06 | 74,880.81 | - | - | - | - | 502,420.97 |
| - | - | 5,280,000.00 | - | - | - | - | 5,280,000.00 |
| 29,039.86 | 29,039.86 | 17,917.18 | - | - | - | - | 105,037.92 |
| 889,302.17 | 1,164,248.84 | 7,501,753.78 | - | - | - | - | 10,234,591.15 |
| 2,467,263.24 | 2,192,314.98 | 1,832,361.71 | - | - | - | - | 9,169,220.86 |
| 2,851,843.36 | 5,477,219.47 | - | - | - | - | - | 10,545,709.14 |
| 1,764,143.57 | 946,927.59 | - | - | - | - | - | 5,110,410.81 |
| 3,160,000.00 | - | - | - | - | - | - | 3,920,000.00 |
| 157,307.46 | - | - | - | - | - | - | 1,065,170.94 |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Supplementary Bond Schedules**
**SCHEDULE 1-C**
**DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)**
**August 31, 2020**

| DESCRIPTION | | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| 2006 MF Series A (Village Park Apartments) | Principal | 265,000.00 | 270,000.00 | 295,000.00 | 315,000.00 | 330,000.00 |
| 2006 MF Series A (Village Park Apartments) | Interest | 430,893.78 | 417,943.74 | 403,721.82 | 388,346.76 | 372,074.94 |
| 2006 MF Series A (Oakmoor Apartments) | Principal | 182,297.04 | 193,540.72 | 205,477.91 | 218,151.36 | 231,606.43 |
| 2006 MF Series A (Oakmoor Apartments) | Interest | 774,744.73 | 763,501.00 | 751,563.81 | 738,890.22 | 725,434.98 |
| 2006 MF Series A (The Residences at Sunset Pointe) | Principal | - | - | - | - | - |
| 2006 MF Series A (The Residences at Sunset Pointe) | Interest | 28,540.01 | 28,500.03 | 28,500.03 | 28,529.63 | 28,470.34 |
| 2006 MF Series A (Hillcrest Apartments) | Principal | 240,000.00 | 250,000.00 | 260,000.00 | 270,000.00 | 280,000.00 |
| 2006 MF Series A (Hillcrest Apartments) | Interest | 475,650.12 | 462,918.84 | 449,662.50 | 435,881.22 | 421,574.88 |
| 2006 MF Series A (Meadowlands Apartments) | Principal | 149,223.99 | 158,427.80 | 168,199.28 | 178,573.46 | 189,587.48 |
| 2006 MF Series A (Meadowlands Apartments) | Interest | 670,154.79 | 660,950.91 | 651,179.33 | 640,805.24 | 629,791.33 |
| 2006 MF Series A (East Tex Pines) | Principal | 160,000.00 | 170,000.00 | 180,000.00 | 190,000.00 | 200,000.00 |
| 2006 MF Series A (East Tex Pines) | Interest | 709,630.02 | 700,060.02 | 689,910.00 | 679,180.02 | 667,870.02 |
| 2006 MF Series A (Aspen Park) | Principal | 165,000.00 | 180,000.00 | 190,000.00 | 200,000.00 | 215,000.00 |
| 2006 MF Series A (Aspen Park) | Interest | 418,249.86 | 409,749.84 | 400,624.86 | 390,999.90 | 380,874.84 |
| 2006 MF Series A (Idlewilde) | Principal | - | - | - | - | - |
| 2006 MF Series A (Idlewilde) | Interest | 13,631.80 | 13,629.10 | 13,629.10 | 13,643.23 | 13,614.88 |
| 2007 MF Series A (Lancaster) | Principal | - | - | - | - | - |
| 2007 MF Series A (Lancaster) | Interest | 13,620.69 | 13,617.91 | 13,617.91 | 13,632.15 | 13,603.78 |
| 2007 MF Series A (Park Place at Loyola) | Principal | 146,133.40 | 154,838.11 | 164,061.32 | 173,833.96 | 184,188.72 |
| 2007 MF Series A (Park Place at Loyola) | Interest | 764,566.80 | 755,862.18 | 746,639.04 | 736,866.41 | 726,511.50 |
| 2007 MF Series A (Terrace at Cibolo) | Principal | - | - | - | - | - |
| 2007 MF Series A (Terrace at Cibolo) | Interest | 5,909.30 | 5,843.53 | 5,843.53 | 5,850.21 | 5,836.83 |
| 2007 MF Series A (Santora Villas) | Principal | 129,575.97 | 137,294.42 | 145,472.62 | 154,137.98 | 163,319.52 |
| 2007 MF Series A (Santora Villas) | Interest | 647,383.52 | 639,665.06 | 631,487.05 | 622,821.65 | 613,640.14 |
| 2007 MF Series A (Costa Rialto) | Principal | 123,162.98 | 129,916.19 | 137,039.73 | 144,553.82 | 152,479.92 |
| 2007 MF Series A (Costa Rialto) | Interest | 519,732.80 | 512,979.47 | 505,855.89 | 498,341.64 | 490,415.47 |
| 2007 MF Series A (Windshire) | Principal | - | - | - | - | - |
| 2007 MF Series A (Windshire) | Interest | 13,642.77 | 13,640.05 | 13,640.05 | 13,654.21 | 13,625.83 |
| 2007 MF Series A (Residences at Onion Creek) | Principal | - | - | - | - | - |
| 2007 MF Series A (Residences at Onion Creek) | Interest | 28,540.01 | 28,500.03 | 28,500.03 | 28,529.63 | 28,470.34 |
| 2008 MF Series A (Costa Ibiza Apartments) | Principal | - | - | - | - | - |
| 2008 MF Series A (Costa Ibiza Apartments) | Interest | 18,606.16 | 18,329.99 | 18,329.99 | 18,350.99 | 18,309.00 |
| 2008 MF Series A (West Oaks Apartments) | Principal | - | - | - | - | - |
| 2008 MF Series A (West Oaks Apartments) | Interest | 12,462.20 | 12,402.46 | 12,402.46 | 12,416.67 | 12,388.26 |
| 2008 MF Series A (Alta Cullen Apartments Refunding) | Principal | - | - | - | - | - |
| 2008 MF Series A (Alta Cullen Apartments Refunding) | Interest | 16,900.84 | 16,649.99 | 16,649.99 | 16,669.07 | 16,630.93 |
| 2009 MF Series A (Costa Mariposa Apartments) | Principal | - | - | - | - | - |
| 2009 MF Series A (Costa Mariposa Apartments) | Interest | 18,781.28 | 18,502.52 | 18,502.52 | 18,523.70 | 18,481.32 |
| 2009 MF Series A (Woodmont Apartments) | Principal | - | - | - | - | - |
| 2009 MF Series A (Woodmont Apartments) | Interest | 20,623.61 | 20,317.52 | 20,317.52 | 20,340.78 | 20,294.24 |
| 2014 MF Series A (Decatur Angle Apartments) | Principal | 192,357.19 | 203,916.79 | 216,171.03 | 229,161.67 | 242,932.99 |
| 2014 MF Series A (Decatur Angle Apartments) | Interest | 1,279,166.38 | 1,267,804.39 | 1,255,759.62 | 1,242,990.81 | 1,229,454.88 |
| 2015 MF Series A (Williamsburg Apts) | Principal | 313,251.86 | 327,714.20 | 342,844.28 | 356,024.10 | 375,109.94 |
| 2015 MF Series A (Williamsburg Apts) | Interest | 769,351.70 | 758,164.53 | 746,460.89 | 736,265.68 | 721,501.86 |
| 2016 MF Series A (Skyline Place Apartments) | Principal | 296,644.25 | 307,374.99 | 318,493.88 | 328,344.27 | 341,892.41 |
| 2016 MF Series A (Skyline Place Apartments) | Interest | 470,047.15 | 462,098.37 | 453,862.06 | 446,565.46 | 436,529.63 |
| 2017 MF Series A (Casa Inc Apartments) | Principal | 336,149.91 | 350,428.17 | 365,312.95 | 378,284.77 | 396,897.94 |
| 2017 MF Series A (Casa Inc Apartments) | Interest | 734,320.05 | 723,376.89 | 711,968.76 | 702,026.79 | 687,761.27 |
| 2017 MF Series A (Casa Brendan Apartments) | Principal | 70,031.21 | 73,005.86 | 76,106.85 | 78,809.30 | 82,687.03 |
| 2017 MF Series A (Casa Brendan Apartments) | Interest | 152,982.70 | 150,702.75 | 148,326.03 | 146,254.87 | 143,282.84 |
| 2017 MF Series A (Nuestro Hogar) | Principal | 79,835.61 | 83,226.71 | 86,761.83 | 89,842.64 | 94,263.26 |
| 2017 MF Series A (Nuestro Hogar) | Interest | 174,401.11 | 171,802.04 | 169,092.60 | 166,731.61 | 163,343.59 |

| 2026-30 | 2031-2035 | 2036-2040 | 2041-2045 | 2046-2050 | 2051-2055 | 2056-2060 | REQUIRED |
|---|---|---|---|---|---|---|---|
| 7,010,000.00 | - | - | - | - | - | - | 8,485,000.00 |
| 525,568.74 | - | - | - | - | - | - | 2,538,549.78 |
| 1,390,763.65 | 1,875,931.71 | 2,530,350.74 | 3,413,063.05 | 2,753,876.48 | - | - | 12,995,059.09 |
| 3,394,442.48 | 2,909,273.73 | 2,254,855.51 | 1,372,143.56 | 89,399.31 | - | - | 13,774,249.33 |
| - | - | 15,000,000.00 | - | - | - | - | 15,000,000.00 |
| 142,500.06 | 142,500.06 | 111,579.48 | - | - | - | - | 539,119.64 |
| 7,820,000.00 | - | - | - | - | - | - | 9,120,000.00 |
| 798,131.16 | - | - | - | - | - | - | 3,043,818.72 |
| 1,138,445.70 | 1,535,592.66 | 2,071,284.39 | 2,793,852.31 | 2,853,704.33 | - | - | 11,236,891.40 |
| 2,958,448.63 | 2,561,302.08 | 2,025,610.45 | 1,303,040.03 | 164,034.75 | - | - | 12,265,317.54 |
| 1,195,000.00 | 1,585,000.00 | 2,105,000.00 | 2,785,000.00 | 3,745,000.00 | - | - | 12,315,000.00 |
| 3,144,614.94 | 2,743,545.12 | 2,212,555.08 | 1,508,145.12 | 287,534.94 | - | - | 13,343,045.28 |
| 7,455,000.00 | - | - | - | - | - | - | 8,405,000.00 |
| 728,749.86 | - | - | - | - | - | - | 2,729,249.16 |
| - | - | 12,390,000.00 | - | - | - | - | 12,390,000.00 |
| 68,145.41 | 68,145.41 | 65,888.04 | - | - | - | - | 270,326.97 |
| - | - | 12,380,000.00 | - | - | - | - | 12,380,000.00 |
| 68,089.66 | 68,089.66 | 66,950.46 | - | - | - | - | 271,222.22 |
| 1,099,185.88 | 1,467,956.34 | 1,960,447.21 | 2,618,165.90 | 5,279,637.66 | - | - | 13,248,448.50 |
| 3,454,313.58 | 3,085,541.52 | 2,593,048.81 | 1,935,328.55 | 421,099.34 | - | - | 15,219,777.73 |
| - | - | 4,495,000.00 | - | - | - | - | 4,495,000.00 |
| 29,217.63 | 29,217.63 | 27,755.45 | - | - | - | - | 115,474.11 |
| 974,644.37 | 1,301,631.98 | 1,738,321.91 | 2,321,518.84 | 4,154,617.08 | - | - | 11,220,534.69 |
| 2,910,152.58 | 2,583,163.36 | 2,146,471.30 | 1,563,273.98 | 374,939.35 | - | - | 12,732,997.99 |
| 897,364.34 | 1,171,883.25 | 1,530,382.30 | 1,998,552.18 | 3,485,174.74 | - | - | 9,770,509.45 |
| 2,317,111.36 | 2,042,591.80 | 1,684,090.06 | 1,215,920.00 | 313,102.82 | - | - | 10,100,141.31 |
| - | - | - | 12,400,000.00 | - | - | - | 12,400,000.00 |
| 68,200.19 | 68,200.19 | 68,214.35 | 5,703.39 | - | - | - | 278,521.03 |
| - | - | - | 15,000,000.00 | - | - | - | 15,000,000.00 |
| 142,500.06 | 142,500.06 | 142,529.66 | 9,499.98 | - | - | - | 579,569.80 |
| - | - | - | 12,220,000.00 | - | - | - | 12,220,000.00 |
| 91,649.96 | 91,649.96 | 91,670.96 | 18,309.00 | - | - | - | 385,206.01 |
| - | - | - | 11,275,000.00 | - | - | - | 11,275,000.00 |
| 62,012.31 | 62,012.31 | 62,026.52 | 11,334.90 | - | - | - | 259,458.09 |
| - | - | - | 11,100,000.00 | - | - | - | 11,100,000.00 |
| 83,249.97 | 83,249.97 | 83,269.05 | 76,251.60 | - | - | - | 409,521.41 |
| - | - | - | 12,335,000.00 | - | - | - | 12,335,000.00 |
| 92,512.58 | 92,512.58 | 92,533.76 | 32,320.19 | - | - | - | 402,670.45 |
| - | - | - | 13,545,000.00 | - | - | - | 13,545,000.00 |
| 101,587.58 | 101,587.58 | 101,610.84 | 37,216.23 | - | - | - | 443,895.90 |
| 1,452,004.44 | 1,943,974.05 | 2,602,633.15 | 3,484,459.80 | 4,665,067.80 | 7,100,926.94 | - | 22,333,605.85 |
| 5,913,992.11 | 5,430,434.49 | 4,783,033.91 | 3,916,280.50 | 2,755,854.95 | 1,018,161.57 | - | 30,092,933.61 |
| 2,149,196.33 | 18,272,401.47 | - | - | - | - | - | 22,136,542.18 |
| 3,395,831.75 | 890,836.77 | - | - | - | - | - | 8,018,413.18 |
| 1,902,525.32 | 14,470,594.20 | - | - | - | - | - | 17,965,869.32 |
| 2,039,638.70 | 802,340.27 | - | - | - | - | - | 5,111,081.64 |
| 2,249,597.64 | 19,068,226.70 | - | - | - | - | - | 23,144,898.08 |
| 3,235,631.69 | 1,896,382.48 | - | - | - | - | - | 8,691,467.93 |
| 468,665.97 | 3,972,547.58 | - | - | - | - | - | 4,821,853.80 |
| 674,086.05 | 395,079.34 | - | - | - | - | - | 1,810,714.58 |
| 534,279.45 | 4,528,703.92 | - | - | - | - | - | 5,496,913.42 |
| 768,461.68 | 450,391.10 | - | - | - | - | - | 2,064,223.73 |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Supplementary Bond Schedules**
**SCHEDULE 1-C**
**DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)**
**August 31, 2020**

| DESCRIPTION | | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| 2018 MF Series A (Vista on Gessner Apartments) | Principal | 587,542.86 | 614,606.72 | 642,917.20 | 666,535.77 | 703,234.24 |
| 2018 MF Series A (Vista on Gessner Apartments) | Interest | 1,706,454.00 | 1,685,776.00 | 1,664,145.48 | 1,646,099.76 | 1,618,060.49 |
| 2018 MF Series A (Springs Apartments) | Principal | 20,000,000.00 | - | - | - | - |
| 2018 MF Series A (Springs Apartments) | Interest | 446,000.04 | - | - | - | - |
| 2018 MF Series A (Crosby Plaza Apartments) | Principal | 7,000,000.00 | - | - | - | - |
| 2018 MF Series A (Crosby Plaza Apartments) | Interest | 81,900.00 | - | - | - | - |
| 2018 MF Series A (Oaks on Lamar Apartments) | Principal | 208,645.19 | 218,388.29 | 228,586.32 | 237,260.16 | 250,339.93 |
| 2018 MF Series A (Oaks on Lamar Apartments) | Interest | 588,196.62 | 580,527.43 | 572,500.06 | 565,672.54 | 555,376.97 |
| 2018 MF Series A (Riverside Townhomes) | Principal | 238,309.77 | 249,438.10 | 261,086.11 | 270,993.15 | 285,932.57 |
| 2018 MF Series A (Riverside Townhomes) | Interest | 671,824.55 | 663,064.98 | 653,896.35 | 646,098.14 | 634,338.82 |
| 2018 MF Series A/B (Forestwood Apartments) | Principal | - | 3,000,000.00 | - | - | - |
| 2018 MF Series A/B (Forestwood Apartments) | Interest | 545,613.92 | 455,197.22 | 437,113.88 | 438,311.45 | 437,113.88 |
| 2018 MF Series A/B (Park Yellowstone) | Principal | - | 3,019,155.47 | 145,786.04 | 151,150.54 | 159,934.72 |
| 2018 MF Series A/B (Park Yellowstone) | Interest | 504,344.91 | 471,725.02 | 436,295.89 | 432,214.07 | 425,530.35 |
| 2019 MF Series A (Lago de Plata) | Principal | 120,000.00 | 130,000.00 | 130,000.00 | 145,000.00 | 145,000.00 |
| 2019 MF Series A (Lago de Plata) | Interest | 677,180.00 | 671,136.64 | 664,705.30 | 658,090.19 | 650,923.88 |
| 2019 MF Series A (McMullen Square) | Principal | - | - | - | - | - |
| 2019 MF Series A (McMullen Square) | Interest | 363,986.13 | 363,986.13 | 363,986.13 | 364,983.35 | 363,986.13 |
| 2019 MF Series A (Northgate Village) | Principal | 259,259.17 | 269,725.79 | 280,614.97 | 289,980.07 | 303,650.65 |
| 2019 MF Series A (Northgate Village) | Interest | 556,799.63 | 548,902.84 | 540,687.17 | 533,621.40 | 523,307.36 |
| 2020 MF Series A (Oaks on Clark) | Principal | 153,956.76 | 159,026.75 | 164,263.71 | 168,824.79 | 175,232.69 |
| 2020 MF Series A (Oaks on Clark) | Interest | 230,977.82 | 227,333.83 | 223,569.78 | 220,291.43 | 215,685.76 |
| 2020 MF Series A (Pines) | Principal | - | - | - | - | - |
| 2020 MF Series A (Pines) | Interest | 512,427.34 | 512,427.34 | 512,427.34 | 513,831.25 | 512,427.34 |
| 2020 MF Series A (333 Holly) | Principal | - | - | - | - | - |
| 2020 MF Series A (333 Holly) | Interest | 857,151.16 | 857,151.16 | 857,151.16 | 859,499.52 | 857,151.16 |
| 2020 MF Series A (Scott Street Lofts) | Principal | - | - | - | - | - |
| 2020 MF Series A (Scott Street Lofts) | Interest | 136,500.00 | 126,000.00 | 126,000.00 | 126,000.00 | 126,000.00 |
| 2020 MF Series A (The Walzem) | Principal | - | - | - | - | - |
| 2020 MF Series A (The Walzem) | Interest | 197,420.04 | 197,420.04 | 197,420.04 | 197,420.04 | 197,420.04 |
| 2020 MF Series A (Pecan Grove) | Principal | - | - | - | - | - |
| 2020 MF Series A (Pecan Grove) | Interest | 521,830.11 | 560,199.97 | 560,199.97 | 561,734.77 | 560,199.97 |
| **TOTAL MULTIFAMILY BONDS** | | **63,388,915.71** | **41,816,105.48** | **35,920,135.12** | **35,985,653.34** | **42,971,270.20** |
| **Total** | | **104,348,095.61** | **87,859,465.48** | **82,424,935.02** | **82,459,775.73** | **89,343,629.86** |
| **Less Interest** | | **57,431,251.64** | **57,675,830.04** | **56,741,498.59** | **55,806,905.50** | **54,571,413.89** |
| **Total Principal** | | **46,916,843.97** | **30,183,635.44** | **25,683,436.43** | **26,652,870.23** | **34,772,215.97** |

**DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued**
**August 31, 2020**

| 2026-30 | 2031-2035 | 2036-2040 | 2041-2045 | 2046-2050 | 2051-2055 | 2056-2060 | REQUIRED |
|---|---|---|---|---|---|---|---|
| 4,026,801.63 | 42,526,828.58 | - | - | - | - | - | 49,768,467.00 |
| 7,700,158.23 | 6,377,396.36 | - | - | - | - | - | 22,398,090.32 |
| - | - | - | - | - | - | - | 20,000,000.00 |
| - | - | - | - | - | - | - | 446,000.04 |
| - | - | - | - | - | - | - | 7,000,000.00 |
| - | - | - | - | - | - | - | 81,900.00 |
| 1,436,313.59 | 13,856,933.22 | - | - | - | - | - | 16,436,466.70 |
| 2,631,567.91 | 1,938,177.09 | - | - | - | - | - | 7,432,018.62 |
| 1,640,524.62 | 15,827,074.66 | - | - | - | - | - | 18,773,358.98 |
| 3,005,716.30 | 2,213,742.20 | - | - | - | - | - | 8,488,681.34 |
| - | - | - | - | - | - | 20,000,000.00 | 23,000,000.00 |
| 2,186,766.97 | 2,186,766.97 | 2,187,964.54 | 2,186,766.97 | 2,186,766.97 | 2,186,766.97 | 1,385,591.12 | 16,820,740.86 |
| 919,870.32 | 1,160,970.54 | 9,823,132.37 | - | - | - | - | 15,380,000.00 |
| 2,036,197.19 | 1,852,751.14 | 345,252.86 | - | - | - | - | 6,504,311.43 |
| 860,000.00 | 1,100,000.00 | 1,400,000.00 | 1,795,000.00 | 2,285,000.00 | 2,920,000.00 | 2,845,000.00 | 13,875,000.00 |
| 3,135,611.40 | 2,897,348.51 | 2,593,058.41 | 2,204,590.70 | 1,708,731.36 | 1,075,202.34 | 286,180.14 | 17,222,758.87 |
| - | - | 10,000,000.00 | - | - | - | - | 10,000,000.00 |
| 1,820,927.87 | 1,820,927.87 | 152,575.01 | - | - | - | - | 5,615,358.62 |
| 1,710,362.86 | 2,084,739.50 | 13,535,337.57 | - | - | - | - | 18,733,670.58 |
| 2,471,595.08 | 2,189,137.75 | 366,277.11 | - | - | - | - | 7,730,328.34 |
| 965,783.34 | 1,135,684.08 | 7,052,194.73 | - | - | - | - | 9,974,966.85 |
| 1,014,015.39 | 891,900.65 | 135,613.79 | - | - | - | - | 3,159,388.45 |
| - | - | 21,974,251.06 | - | - | - | - | 21,974,251.06 |
| 2,563,540.61 | 2,563,540.61 | 982,737.36 | - | - | - | - | 8,673,359.19 |
| - | - | 36,756,929.03 | - | - | - | - | 36,756,929.03 |
| 4,288,104.16 | 4,288,104.16 | 1,643,851.54 | - | - | - | - | 14,508,164.02 |
| - | - | 18,000,000.00 | - | - | - | - | 18,000,000.00 |
| 630,000.00 | 630,000.00 | 567,000.00 | - | - | - | - | 2,467,500.00 |
| - | - | 20,000,000.00 | - | - | - | - | 20,000,000.00 |
| 987,100.20 | 987,100.20 | 773,228.49 | - | - | - | - | 3,734,529.09 |
| - | - | - | - | - | - | 26,000,000.00 | 26,000,000.00 |
| 2,802,534.65 | 2,802,534.65 | 2,804,069.45 | 2,802,534.65 | 2,802,534.65 | 2,802,534.65 | 2,804,069.45 | 22,384,976.94 |
| **207,572,275.56** | **264,342,954.51** | **355,525,516.01** | **140,187,341.25** | **40,326,076.53** | **17,103,592.47** | **53,320,840.71** | **1,298,460,676.89** |
| **436,500,343.29** | **526,965,608.06** | **687,654,672.87** | **351,377,460.41** | **333,992,416.03** | **20,850,479.97** | **53,320,840.71** | **2,857,097,723.04** |
| **248,497,701.59** | **206,490,251.08** | **137,532,480.22** | **85,700,859.96** | **33,044,808.94** | **7,169,553.03** | **4,475,840.71** | **1,005,138,395.19** |
| **188,002,641.70** | **320,475,356.98** | **550,122,192.65** | **265,676,600.45** | **300,947,607.09** | **13,680,926.94** | **48,845,000.00** | **1,851,959,327.85** |

**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, 2020

| | **Pledged and Other Sources and Related Expenditures for FY 2020** | | | |
|---|---|---|---|---|
| | Net Available for Debt Service | | Debt Service | |
| Description of Issue | Total Pledged and Other Sources | Operating Expenses/Expenditures and Capital Outlay | Principal | Interest |
| 2004 Single Family Series A (Jr. Lien) | $ 3,856,035.18 | $ 578.25 | $ | $ 49,787.22 |
| 2004 Single Family Series B | 4,197,277.45 | 55,729.02 | | 590,200.29 |
| 2004 Single Family Series D | 2,247,020.87 | 22,284.54 | | 356,130.97 |
| 2005 Single Family Series A | 3,634,658.93 | 32,484.45 | | 677,756.03 |
| 2007 Single Family Series A | 5,398,304.59 | 36,763.92 | | 672,928.97 |
| 2013 Single Family Series A | 14,893,351.94 | 6,788.50 | | 371,151.66 |
| 2015 Single Family Series A | 3,279,622.99 | 7,244.76 | | 564,613.32 |
| 2015 Single Family Series B | 2,598,936.31 | 4,930.06 | | 378,138.02 |
| 2016 Single Family Series A | 4,047,912.74 | 7,407.29 | | 608,287.50 |
| 2016 Single Family Series B | 6,499,227.12 | 10,280.19 | | 894,335.25 |
| 2017 Single Family Series A | 7,291,189.95 | 18,324.98 | | 1,515,594.96 |
| 2017 Single Family Series B | 3,565,775.70 | 6,357.65 | | 508,656.77 |
| 2017 Single Family Series C | 4,519,925.40 | 12,715.29 | | 1,147,156.89 |
| 2018 Single Family Series A | 9,414,889.54 | 47,129.17 | 2,480,000.00 | 5,738,681.10 |
| 2019 Single Family Series A | 6,061,011.89 | 37,961.47 | | 5,766,867.60 |
| 2020 Single Family Series A | 89,033.95 | 1,941,623.03 | | 768,721.62 |
| 2020 Single Family Series B | 172,016.66 | 136,268.79 | | 36,220.53 |
| Total Single Family Bonds | $ 81,766,191.21 | $ 2,384,871.36 | $ 2,480,000.00 | $ 20,645,228.70 |
| | | | | |
| 2009 RMRB Series C-1 | $ 4,333,611.27 | $ 9,094.63 | $ | $ 780,826.04 |
| 2009 RMRB Series C-2 | 3,634,281.90 | 17,875.36 | | 516,398.07 |
| 2011 RMRB Series A | 1,735,066.58 | 3,714.71 | 1,265,000.00 | 519,412.72 |
| 2011 RMRB Series B | 3,789,252.58 | 18,604.97 | 1,515,000.00 | 860,064.58 |
| 2019 RMRB Series A | 9,041,665.23 | 30,171.43 | 1,545,000.00 | 6,920,374.73 |
| Total Residential Mtg Revenue Bonds | $ 22,533,877.56 | $ 79,461.10 | $ 4,325,000.00 | $ 9,597,076.14 |
| | | | | |
| 1996 MF Series A/B (Brighton's Mark Development) | $ 503,247.42 | $ | $ | $ 503,247.42 |
| 1998 MF Series A-C (Residence at the Oaks Projects) | 118,991.42 | | 339,000.00 | 118,991.50 |
| 2000 MF Series A (Creek Point Apartments) | 4,780,783.09 | | | 20,783.09 |
| 2000 MF Series A (Timber Point Apartments) | 5,594,823.29 | | | 24,823.29 |
| 2000 MF Series A-C (Collingham Park Apartments) | 335,114.81 | | 505,000.00 | 335,114.81 |
| 2000 MF Series A-C (Highland Meadow Village Apartments) | 217,758.10 | | 345,000.00 | 217,758.10 |
| 2001 MF Series A (Skyway Villas Apartments) | 310,372.50 | | 225,000.00 | 310,372.50 |
| 2001 MF Series A/B (Meridian Apartments) | 447,210.00 | | 132,000.00 | 447,210.00 |
| 2001 MF Series A/B (Wildwood Apartments) | 343,950.00 | | 108,000.00 | 343,950.00 |
| 2003 MF Series A/B (Reading Road) | 473,104.32 | | 50,000.00 | 173,104.32 |
| 2003 MF Series A/B (Arlington Villas) | 1,053,294.59 | | 194,552.00 | 1,053,294.59 |
| 2003 MF Series A/B (Ash Creek Apartments) | 965,105.77 | | 204,713.00 | 965,105.77 |
| 2003 MF Series A/B (Peninsula Apartments) | 497,092.05 | | 325,000.00 | 487,092.05 |
| 2003 MF Series A/B (Primrose Houston School) | 968,845.18 | | 207,856.00 | 968,845.18 |
| 2003 MF Series A/B (West Virginia Apartments) | 352,536.06 | | 255,000.00 | 352,536.06 |
| 2004 MF Series A (Bristol Apartments) | 299,105.82 | | | 99,105.81 |
| 2004 MF Series A (Chisholm Trail Apartments) | 387,011.48 | | | 87,011.48 |
| 2004 MF Series A (Churchill at Pinnacle Park) | 8,935,950.73 | | 23,839.61 | 48,575.50 |
| 2004 MF Series A (Evergreen at Plano Parkway) | 867,203.40 | | 174,414.24 | 867,203.40 |
| 2004 MF Series A (Humble Parkway Townhomes) | 645,260.00 | | 215,000.00 | 645,260.00 |
| 2004 MF Series A (Montgomery Pines Apartments) | 10,105,242.78 | | | 5,242.78 |
| 2004 MF Series A (Pinnacle Apartments) | 314,800.24 | | | 114,800.24 |
| 2004 MF Series A (Providence at Rush Creek II) | 528,741.09 | | 108,992.78 | 528,741.09 |
| 2004 MF Series A/B (Timber Ridge II Apartments) | 405,482.26 | | 78,722.00 | 405,482.26 |
| 2005 MF Series A (Atascocita Pines Apartments) | 293,607.32 | | | 93,607.32 |
| 2005 MF Series A (Mission Del Rio Homes) | 8,751,413.57 | | 23,956.97 | 146,244.25 |
| 2005 MF Series A (Plaza at Chase Oaks Apartments) | 541,437.45 | | 380,160.15 | 541,437.45 |
| 2005 MF Series A (Port Royal Homes) | 11,105,811.45 | | 48,443.90 | 185,733.45 |
| 2005 MF Series A (Providence at Mockingbird Apartments) | 555,548.00 | | 115,245.79 | 555,548.00 |
| 2005 MF Series A (St Augustine Estate Apartments) | 250,184.91 | | | 50,184.93 |

**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, 2020

| | **Pledged and Other Sources and Related Expenditures for FY 2020** | | | |
|---|---|---|---|---|
| | Net Available for Debt Service | | Debt Service | |
| Description of Issue | Total Pledged and Other Sources | Operating Expenses/Expenditures and Capital Outlay | Principal | Interest |
| 2005 MF Series A (Tower Ridge Apartments) | $ 164,982.58 | $ | $ | $ 164,982.57 |
| 2005 MF Series A (Coral Hills Apartments) | 202,231.46 | | 125,000.00 | 202,231.46 |
| 2006 MF Series A (Aspen Park) | 424,916.68 | | 160,000.00 | 424,916.68 |
| 2006 MF Series A (East Tex Pines) | 715,019.15 | | 155,000.00 | 715,019.15 |
| 2006 MF Series A (Hillcrest Apartments) | 482,825.05 | | 230,000.00 | 482,825.05 |
| 2006 MF Series A (Idlewilde) | 317,332.31 | | | 117,332.31 |
| 2006 MF Series A (Meadowlands Apartments) | 678,120.50 | | 140,554.85 | 678,120.50 |
| 2006 MF Series A (Oakmoor Apartments) | 784,476.49 | | 171,706.59 | 784,476.49 |
| 2006 MF Series A (The Residences at Sunset Pointe) | 164,982.57 | | | 164,982.56 |
| 2006 MF Series A (Village Park Apartments) | 439,548.44 | | 240,000.00 | 439,548.44 |
| 2007 MF Series A (Costa Rialto) | 525,612.92 | | 116,760.81 | 525,612.92 |
| 2007 MF Series A (Lancaster) | 316,876.89 | | | 116,876.89 |
| 2007 MF Series A (Park Place at Loyola) | 772,114.60 | | 137,918.01 | 772,114.60 |
| 2007 MF Series A (Santora Villas) | 654,075.89 | | 122,291.46 | 654,075.89 |
| 2007 MF Series A (Terrace at Cibolo) | 151,868.77 | | | 46,868.78 |
| 2007 MF Series A (Windshire) | 316,406.03 | | | 116,406.02 |
| 2007 MF Series A (Residences at Onion Creek) | 164,982.58 | | | 164,982.57 |
| 2008 MF Series A (West Oaks Apartments) | 305,797.54 | | | 105,797.56 |
| 2008 MF Series A (Costa Ibiza Apartments) | 331,355.59 | | | 131,355.59 |
| 2008 MF Series A (Alta Cullen Apartments Refunding) | 219,676.93 | | 100,000.00 | 119,676.92 |
| 2009 MF Series A (Costa Mariposa Apartments) | 346,114.04 | | | 131,114.07 |
| 2009 MF Series A (Woodmont Apartments) | 345,464.82 | | | 145,464.79 |
| 2014 MF Series A (Decatur Angle Apartments) | 1,289,014.75 | | 181,452.89 | 1,289,014.75 |
| 2015 MF Series A (Williamsburg Apartments) | 781,244.57 | | 296,737.78 | 781,244.58 |
| 2016 MF Series A (Skyline Place Apartments) | 478,362.51 | | 284,558.30 | 478,362.50 |
| 2017 MF Series A (Casa Inc Apartments) | 745,940.60 | | 319,855.83 | 745,940.59 |
| 2017 MF Series A (Casa Brendan Apartments) | 155,404.33 | | 66,636.61 | 155,404.32 |
| 2017 MF Series A (Nuestro Hogar Apartments) | 177,160.99 | | 75,965.74 | 177,160.98 |
| 2017 MF Series A (Emli at Liberty Crossing) | 17,679,200.00 | | | 79,200.00 |
| 2018 MF Series A (Vista on Gessner) | 1,726,322.12 | | 231,533.00 | 1,726,322.12 |
| 2018 MF Series A (Springs Apartments) | 446,000.00 | | | 446,000.00 |
| 2018 MF Series A (Crosby Plaza Apartments) | 106,108.33 | | | 106,108.33 |
| 2018 MF Series A (Oaks on Lamar) | 149,262.65 | | 197,319.21 | 596,508.29 |
| 2018 MF Series A (Riverside Townhomes) | 170,484.41 | | 225,373.32 | 681,318.25 |
| 2018 MF Series A/B (Forestwood) | 46,166.41 | | | 718,462.16 |
| 2018 MF Series A (Related RD Portfolio) | 20,293,333.32 | | | 293,333.32 |
| 2018 MF Series A/B (Park Yellowstone) | 104,729.70 | | | 505,559.77 |
| 2019 MF Series A (Lago De Plata) | 56,656.25 | | 120,000.00 | 682,570.00 |
| 2019 MF Series A (McMullen Square) | 30,913.89 | | | 364,983.34 |
| 2019 MF Series A (Northgate Village) | 565,272.78 | | 247,196.77 | 565,272.84 |
| 2020 MF Series A (Oaks on Clark) | 78,508.18 | | 25,033.15 | 78,508.10 |
| 2020 MF Series A (Pines) | 155,009.05 | | | 129,260.12 |
| 2020 MF Series A (333 Holly) | 259,287.88 | | | 216,216.91 |
| 2020 MF Series A (Scott Street Lofts) | 21,000.00 | | | 21,000.00 |
| 2020 MF Series A (The Walzem) | 30,033.33 | | | 30,033.33 |
| 2020 MF Series A (Pecan Grove) | 9,208.77 | | | 9,208.77 |
| Total Multifamily Bonds | $ 115,328,435.75 | $ - | $ 8,030,790.76 | $ 28,778,181.82 |
| Total | $ 219,628,504.52 | $ 2,464,332.46 | $ 14,835,790.76 | $ 59,020,486.66 |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**Supplementary Bond Schedules**
**SCHEDULE 1-E**
**MISCELLANEOUS BOND INFORMATION - DEFEASED BONDS OUTSTANDING**
For the fiscal year ended August 31, 2020

| Description of Issue | Year Defeased | Par Value Outstanding |
|---|---|---|
| **Business-Type Activities** | | |
| 2013 Single Family Series A | 2020 | 12,560,000.00 |
| 2002 MF Series A/B (Ironwood) | 2019 | 15,000,000.00 |
| 2003 MF Series A/B (Parkview Townhomes) | 2019 | 12,543,369.04 |
| 2004 MF Series A/B (Providence at Veterans Memorial) | 2019 | 6,367,203.98 |
| 2004 MF Series A (Churchill at Pinnacle Park) | 2020 | 8,764,201.80 |
| **Total Business-Type Activities** | | $ 55,234,774.82 |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)**
**Supplementary Bond Schedules**
**SCHEDULE 1-F**
**EARLY EXTINGUISHMENT AND REFUNDING**
For the fiscal year ended August 31, 2020

| | | | For Refunding Only | | |
|---|---|---|---|---|---|
| **Description of Issue** | **Category** | **Amount Extinguished or Refunded** | **Refunding Issue Par Value** | **Cash Flow Increase (Decrease)** | **Economic Gain/ (Loss)** |
| **Business-Type Activities** | | | | | |
| 2004 Single Family Series B | Early Extinguishment | $ 3,255,000.00 | $ | $ | $ |
| 2004 Series A (Jr Lien) | Early Extinguishment | 3,855,000.00 | | | |
| 2004 Single Family Series D | Early Extinguishment | 1,645,000.00 | | | |
| 2005 Single Family Series A | Early Extinguishment | 2,810,000.00 | | | |
| 2007 Single Family Series A | Early Extinguishment | 4,320,000.00 | | | |
| 2013 Single Family Series A | Early Extinguishment | 1,800,000.00 | | | |
| 2013 Single Family Series A | Current Refunding | 12,560,000.00 | 12,560,000.00 | 1,551,596.46 | 1,317,881.34 |
| 2015 Single Family Series A | Early Extinguishment | 2,495,000.00 | | | |
| 2015 Single Family Series B | Early Extinguishment | 2,065,000.00 | | | |
| 2016 Single Family Series A | Early Extinguishment | 3,155,000.00 | | | |
| 2016 Single Family Series B | Early Extinguishment | 5,260,000.00 | | | |
| 2017 Single Family Series A | Early Extinguishment | 5,066,170.00 | | | |
| 2017 Single Family Series B | Early Extinguishment | 2,793,830.00 | | | |
| 2017 Single Family Series C | Early Extinguishment | 2,976,034.00 | | | |
| 2018 Single Family Series A | Early Extinguishment | 3,055,000.00 | | | |
| 2019 Single Family Series A | Early Extinguishment | 380,000.00 | | | |
| 2020 Single Family Series B | Early Extinguishment | 165,768.00 | | | |
| 2009 RMRB Series C-1 | Early Extinguishment | 3,195,000.00 | | | |
| 2009 RMRB Series C-2 | Early Extinguishment | 2,900,000.00 | | | |
| 2011 RMRB Series A | Early Extinguishment | 1,270,000.00 | | | |
| 2011 RMRB Series B | Early Extinguishment | 3,025,000.00 | | | |
| 2019 RMRB Series A | Early Extinguishment | 1,835,000.00 | | | |
| 2000 MF Series A (Timber Point Apartments) | Early Extinguishment | 5,570,000.00 | | | |
| 2000 MF Series A (Creek Point Apartments) | Early Extinguishment | 4,760,000.00 | | | |
| 2003 MF Series A/B (Reading Road) | Early Extinguishment | 300,000.00 | | | |
| 2003 MF Series A/B (Peninsula Apartments) | Early Extinguishment | 10,000.00 | | | |
| 2004 MF Series A (Chisholm Trail Apartments) | Early Extinguishment | 300,000.00 | | | |
| 2004 MF Series A (Montgomery Pines Apartments) | Early Extinguishment | 10,100,000.00 | | | |
| 2004 MF Series A (Bristol Apartments) | Early Extinguishment | 200,000.00 | | | |
| 2004 MF Series A (Pinnacle Apartments) | Early Extinguishment | 200,000.00 | | | |
| 2004 MF Series A (Churchill @ Pinnacle) | Early Extinguishment | 8,887,375.23 | | | |
| 2005 MF Series A (Port Royal) | Early Extinguishment | 10,920,078.00 | | | |
| 2005 MF Series A (Mission Del Rio) | Early Extinguishment | 8,605,169.32 | | | |
| 2005 MF Series A (Atascocita Pines Apartments) | Early Extinguishment | 200,000.00 | | | |
| 2005 MF Series A (St Augustine Estate Apartments) | Early Extinguishment | 200,000.00 | | | |
| 2006 MF Series A (Idlewilde) | Early Extinguishment | 200,000.00 | | | |
| 2007 MF Series A (Lancaster) | Early Extinguishment | 200,000.00 | | | |
| 2007 MF Series A (Terraces at Cibolo) | Early Extinguishment | 105,000.00 | | | |
| 2007 MF Series A (Windshire) | Early Extinguishment | 200,000.00 | | | |
| 2008 MF Series A (West Oaks Apartments) | Early Extinguishment | 200,000.00 | | | |
| 2008 MF Series A (Costa Ibiza Apartments) | Early Extinguishment | 200,000.00 | | | |
| 2008 MF Series A (Alta Cullen Apartments Refunding) | Early Extinguishment | 100,000.00 | | | |
| 2009 MF Series A (Costa Mariposa Apartments) | Early Extinguishment | 215,000.00 | | | |
| 2009 MF Series A (Woodmont Apartments) | Early Extinguishment | 200,000.00 | | | |
| 2017 MF Series A (EMLI at Liberty Crossing) | Early Extinguishment | 17,600,000.00 | | | |
| 2018 MF Series A (Related RD Portfolio) | Early Extinguishment | 20,000,000.00 | | | |
| 2020 MF Series A (Pines) | Early Extinguishment | 25,748.94 | | | |
| 2020 MF Series A (333 Holly) | Early Extinguishment | 43,070.97 | | | |
| **Total Business-Type Activities** | | $ 159,423,244.46 | $ 12,560,000.00 | $ 1,551,596.46 | $ 1,317,881.34 |

*This Page Intentionally Left Blank*

State Auditor's Office

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

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors
- Mr. Leo Vasquez III, Chair
- Ms. Leslie Bingham, Vice-Chair
- Mr. Paul A. Braden
- Mr. Ajay Thomas
- Ms. Sharon Thomason

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, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 18, 2020.

In addition, we have audited the financial statements of the Revenue Bond Program of the Department, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Revenue Bond Program's basic financial statements. We also have audited the Computation of Unencumbered Fund Balances of the Department's Housing Finance Division, as of August 31, 2020, and the related notes to the Computation.

**Internal Control Over Financial Reporting**

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

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

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

Phone:
(512) 936-9500

Fax:
(512) 936-9400

Internet:
www.sao.texas.gov

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

**Purpose of this Report**

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

Lisa R. Collier

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

December 18, 2020