NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017 AND INDEPENDENT AUDITOR'S REPORT

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Texas Higher Education Authority, Inc.

Report on the Financial Statements

We have audited the accompanying statements of net position of North Texas Higher Education Authority, Inc. (the Authority) as of August 31, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Authority's 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 an opinion on these financial statements based on our audits. We conducted our audits 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, we control. Accordingly express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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The Board of Directors
North Texas Higher Education Authority, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of August 31, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information on pages 38-41 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Board of Directors
North Texas Higher Education Authority, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering's the Authority's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 28, 2018

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

North Texas Higher Education Authority, Inc. (the "Authority") is a nonprofit corporation originally acting on behalf of the Cities of Arlington and Denton, Texas. In September 2015, following the passage of HB 3245 during the 84th Texas legislative session and upon the Authority's request to simplify its organizational structure, the City of Denton passed a resolution to rescind its "on behalf of" support of the Authority, and the City of Arlington reaffirmed the Authority to "act on its behalf in the exercise of the powers enumerated under Section 53B.47 of the Texas Education Code to further educational opportunities."

The Authority is authorized to provide funds for the acquisition of eligible loans made to students at post-secondary educational institutions and provide procedures for the servicing of such loans. The Authority currently owns student loans established by the Higher Education Act under the Federal Family Education Loan Program ("FFELP"). Loans provided under FFELP include Subsidized and Unsubsidized Stafford ("Stafford"), Supplemental Loans for Students ("SLS"), Parent Loans for Undergraduate Students and Graduate / Professional Student Loans ("PLUS"), and Consolidation Loans ("Consolidation").

This report includes three financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as defined by the Governmental Accounting Standards Board. The statement of net position presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities of the Authority. The statement of revenues, expenses, and changes in net position presents the Authority's results of operations. The statement of cash flows provides a view of the sources and uses of the Authority's cash resources.

The Authority has a borrower incentive program for which a portion of eligible borrowers' principal balance of their student loan(s) is written-off when the borrower meets stipulated payment requirements. See Note 5 to the basic financial statements for further discussion of the Authority's borrower incentive program.

AUTHORITY ACTIVITY AND HIGHLIGHTS

The Authority has purchased student loans from a variety of financial institutions over the years. However, due to changes in the Higher Education Reconciliation Act ("HERA") of 2005 and the elimination of the FFELP in 2010, student loan purchases have dramatically declined. The year ended August 31, 2018, was unusual in that two student loan lenders released their FFELP portfolios for sale and were acquired by the Authority. Further information on these acquisitions will be discussed in Note 3 to the basic financial statements.

	2018	2017	2016	2015	2014	2013
Student Loan Purchases	$460.1M	$3.1 mil.	$36.7 mil.	$3.1 mil.	$9.2 mil.	$9.8 mil.

See discussion of "**Turbulence in the Financial Markets**" and "**Elimination of the FFEL Program**" under **ECONOMIC FACTORS AND OUTLOOK** below. For further discussion of the Authority's loan acquisition program see Note 3 to the basic financial statements.

Financing for the program is provided through the issuance of tax-exempt and taxable debt and the recycling of funds. However, due to the decline in student loan purchases the Authority has not issued any debt since 2012. With the acquisitions of 2018, two existing bond portfolios were acquired from one lender and the Authority incurred a direct placement note in order to acquire the portfolio of the other lender.

CONDENSED NET POSITION	2018	2017	2016
Cash, cash equivalents and investments	$ 72,514,446	$ 74,101,075	$ 70,871,025
Accrued interest receivable	23,463,075	12,947,283	14,766,142
Student loans receivable	985,963,175	643,499,870	743,218,034
Other	78,612	58,363	61,612
TOTAL ASSETS	$ 1,082,019,308	$ 730,606,591	$ 828,916,813
Current liabilities	$ 127,769,743	$ 93,565,908	$ 100,230,902
Long-term liabilities	756,104,925	448,501,391	542,613,131
TOTAL LIABILITIES	$ 883,874,668	$ 542,067,299	$ 642,844,033
DEFERRED INFLOWS OF RESOURCES			
Related to discount on loans purchased	$ 8,530,111	$ 0	$ 0
Unrestricted	$ 26,341,931	$ 72,151,699	$ 69,242,049
Restricted	163,272,598	116,387,593	116,830,731
TOTAL NET POSITION	$ 189,614,529	$ 188,539,292	$ 186,072,780

CONDENSED REVENUES, EXPENSES AND CHANGE IN NET POSITION	2018	2017	2016
Operating Revenues:			
Interest on student loans	$ 37,027,725	$ 28,770,117	$ 31,413,656
Interest on investments	1,090,705	513,472	343,124
Unrealized (loss) gain on investments	(333,929)	(146,676)	155,095
	$ 37,784,501	$ 29,136,912	$ 31,911,875
Nonoperating revenues:			
Government interest and special allowance	(4,962,153)	(8,671,062)	(11,566,998)
TOTAL REVENUE	$ 32,822,348	$ 20,465,851	$ 20,344,877
Operating Expenses:			
Interest on bonds	$ 19,797,565	$ 9,956,418	$ 8,414,895
Loan servicing fees paid to Higher Education Servicing Corp.	3,768,502	2,103,468	2,405,030
Payments for administrative and operating costs to Higher Education Servicing Corporation	4,983,849	4,185,384	2,586,397
Trustee fees	144,862	127,644	132,365
Borrower incentive loan write-offs	1,101,180	1,203,393	1,154,897
Miscellaneous expense	1,951,153	423,032	396,031
Total Operating Expenses:	31,747,111	17,999,338	15,089,615
CHANGE IN NET POSITION	$ 1,075,237	$ 2,466,512	$ 5,255,262

AUTHORITY FINANCIAL HIGHLIGHTS

Total assets and liabilities increased (decreased) for the fiscal years 2018 and 2017 as follows:

	2018	Percent Change from 2017	2017	Percent Change from 2016
Change in assets:	$ 351.4 mil.	48.1%	($ 98.3 mil.)	(11.9%)
Change in liabilities:	$ 341.8 mil.	63.1%	($100.8 mil.)	(15.7%)
Increase in net position:	$ 1.1 mil.	0.6%	$ 2.5 mil.	1.3%

The above increases are mostly due to increased student loans, increased income due on student loans, and increased Authority debt. All of these can be directly attributed to the two acquisitions undertaken by the Authority in January and February 2018. In 2018, investments decreased $1.6 million which mitigated the increase in assets somewhat. In 2017, investments decreased $3.2 million which contributed to the decrease in assets.

The increase in net position was due to increased operating and non-operating revenue, partially offset by higher operating expenses. The Authority paid higher loan servicing fees due to its increased student loan portfolio as well as paying $1.5 million in one-time fees and closing costs for the portfolio acquisitions completed in 2018 but also recognized higher interest income on student loans and investments which contributed to the increase in net position. The Authority paid $2.5 million and $9.8 million more in servicing/administration fees and bond interest, respectively, which significantly reduced the increase to net position. The Authority paid $112 million of bonds, but bond interest increased due to a substantial increase to bond rates as well as higher overall debt balances due to the student loan portfolio acquisitions. Loan servicing and administration fees are paid to Higher Education Servicing Corporation ("HESC"). See Note 1 for further discussion of the Authority's servicing and administration fees.

In 2017, the increase in net position was mostly due to increased non-operating revenue. The Authority paid less loan servicing fees and administrative fees due to its decreasing student loan portfolio which contributed to the increase in net position. The Authority paid $100 million of bonds, but bond interest increased $1.5 million due to a substantial increase to bond rates. The increase in bond interest mitigated somewhat the increase in net position. Non-operating revenue is discussed below.

The majority of net position is restricted for debt service or for the purchase of student loans, but as of August 31, 2018, approximately $26 million is available for unrestricted purposes.

Further evaluation of some of the Authority's major asset and liability categories is as follows:

	2018	Percent Change from 2017	2017	Percent Change from 2016
Increase (decrease) in cash, cash equivalents, investments:	($ 1.6 mil.)	(2.1%)	$ 3.2 mil.	4.5%
Increase (decrease) in student loans:	$ 342.5 mil.	3.2%	($ 99.7 mil.)	(13.4%)
Increase (decrease) in net short term liabilities:	$ 34.2 mil.	36.6%	($ 6.7 mil.)	(6.6%)
Increase (decrease) in net long term liabilities:	$ 307.6 mil.	68.6%	($ 94.1 mil.)	(17.3%)

AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

The elimination of the FFELP has impacted the Authority's ability to acquire loans (see "**Turbulence in the Financial Markets"** below). In 2018, the Authority acquired $460.1 million of loans ($457M of portfolios from two lenders and $3.1M of claim repurchases) with net reductions (payoffs less capitalized interest) of student loans were $118 million. In 2017, the Authority acquired $3.1 million of claim repurchased loans, but net reductions (payoffs less capitalized interest) of student loans were $102.8 million.

Collections from borrowers are held in "Redemption Funds" and used to pay down bonds. Bond indenture covenants require excess funds (amounts remaining after debt service payments) not used to acquire loans to be used to pay down bonds at specified redemption dates. The Authority has not issued new debt since 2012, although it assumed existing debt and borrowed on a bank direct placement note in 2018 to fund its acquisitions. In 2018, 2017, and 2016, the Authority used excess funds to pay $111.9 million, $100 million, and $107.7 million, respectively, of bonds. In 2018, increases in net short term liabilities were mostly due to the aforementioned assumption of debt from two lenders. Conversely in 2017, the decreases in net short term liabilities over the prior year were mostly due to decreases in short term bonds payable of $5.9 million. Reductions in special allowance payable (paid to the Education Department) also contributed to the decreases, but higher interest due on bonds (discussed above) and higher debt balances mitigated the decreases somewhat. See discussion of special allowance income in Note 1 to the basic financial statements. In 2018, the increases in net long term liabilities are due to increases in long term bonds payable of $307.6 million due to the assumption of existing bonds and new borrowing versus in 2017, the decreases in net long term liabilities were due to decreases in long term bonds payable of $94.1 million. See further discussions of "Bonds Payable" in Note 4 to the basic financial statements.

In 2018, the decrease in cash and investments of $1.6 million was mostly in the Authority's unrestricted funds, partially offset by an increase in investments in the restricted portfolio funds. Unrestricted funds are not used to pay bonds. The Authority acquired several loan portfolios from its unrestricted funds. In 2017, the increase in cash and investments of $3.2 million was mostly in the Authority's unrestricted funds.

OPERATING ACTIVITIES

Revenues:

	2018	Percent Change from 2017	2017	Percent Change from 2016
Increase (decrease) in Operating Revenue:	$8.65 mil.	29.7%	($2.8 mil.)	(8.7%)

Operating revenues for the Authority are derived entirely from interest earned on student loans, cash equivalents, and investments.

Net increase (decrease) to yield on student loans:	2018	Percent Change from 2017	2017	Percent Change from 2016
Increase (decrease) in interest earned from student loans:	$ 8,818,357		($ 2,636,809)	
Net decrease in amortization of deferred premium and discount:	($ 560,749)		($ 6,730)	
Net increase (decrease) to yield on student loans:	$ 8,257,608	28.7%	($ 2,643,539)	(8.4%)

OPERATING ACTIVITIES – CONTINUED
Revenues – Continued:

Since 2011, variable rates on student loans issued before July 1, 2006 ("older loans") had changed by only a few basis points however rates have had greater increases in recent years. In 2018, rates increased 0.63% over 2017. Likewise, in 2017, these rates increased 0.33% over 2016. Variable rates on the majority of loans issued after June 30, 2006 ("newer loans") have remained the same since 2007. Interest earned by the Authority on student loans increased in 2018 due to higher interest rates and new portfolio acquisitions after decreasing in 2017 and 2016 mostly due to the decrease of the Authority's student loan portfolio.

The variable student loan interest rates are set annually on July 1 based on the 91-day T-Bill rate. Interest rates on Consolidation loans are fixed at time of disbursement. Student loan rates are outlined as follows:

	2018	2017	2016
Variable rates on student loans:	2.68% to 8.50%	2.05% to 8.50%	1.72% to 8.50%

In the past, the Authority paid a loan acquisition premium when acquiring loans from financial institutions. These premiums were capitalized and amortized over the life of the related loans. The amortization expense is recorded as an adjustment to the yield of the loans purchased (see further discussion of "Deferred Loan Acquisition Premiums" in Note 1 to the basic financial statements). Changes in law have decreased yields on student loans, thus since 2010, the Authority had not paid any premium on loans purchased and had acquired some loan portfolios at a discount. However, with the Bank of North Dakota acquisition in 2018, a $4.6M premium was paid for the loans and is being amortized on a predetermined schedule. From 2014 until early 2018, the amortization of discount exceeded the amortization of premiums resulting in slight increases to the yield on student loans, however with the 2018 acquisitions, the amortization of premium and discount have both increased non-cash expenses and reduced the excess revenues for the fiscal year.

Since 2010, investment rates had not changed much, but in 2016 rates increased substantially and the upward trend continued through 2018. Rates on the Authority's money market investments increased 200%. Also in 2018, the Authority increased its investment in certificates of deposit (CDs) by $0.5 million. Rates on the CDs are higher than rates on its money market funds. Interest earned on investments and cash equivalents increased $577,233 (112.4%) in 2018 due to the higher rates and increased investments in CDs. See Note 2 to the basic financial statements for further discussion of the Authority's investments.

Revenues:

Investment yields are outlined as follows:

	2018	2017	2016
Average yield on investments for year:	1.27%	0.71%	0.37%

Non-operating revenue is discussed below.

OPERATING ACTIVITIES – CONTINUED

Expenses:

	2018	Percent Change from 2017	2017	Percent Change from 2016
Increase (decrease) in Operating Expenses:	$13.75 million	76.4%	$2.9 million	19.3%

The major categories of the Authority's operating expenses are interest on debt, loan servicing fees, program administration fees, and borrower incentive loan write-offs. In 2018, the increase in operating expenses is due to substantial increases to interest on debt, loan servicing and program administration fees, which increased $9.8 million (98.8%), $1.7 million (79.2%) and $0.8 million (19.1%), respectively. Borrower incentive loan write-offs decreased 8.5%. The Authority paid $112 million of bonds, but as noted above, the increased interest is due to a substantial increase to bond rates and debt balances due to the aforementioned student loan portfolio acquisitions.

In 2017, the increase in operating expenses was due to substantial increases to interest on debt and program administration fees, which increased $1.5 million (18.3%) and $1.6 million (61.8%), respectively over the prior year. Borrower incentive loan write-offs increased 4.2%. Loan servicing fees decreased 12.6% which mitigated somewhat the increase in operating expenses. The Authority paid $100 million of bonds, but as noted above, the increased interest is due to a substantial increase to bond rates. See Note 4 to the financial statements for further discussion of the Authority's bonds. Program administration fees are discussed below.

The pay down of bonds is helping to mitigate increased interest due to rising bond rates. Average rates are as follows:

	2018	2017	2016
Average tax-exempt bond rate:	2.74%	1.96%	1.47%
Average taxable bond rate:	2.36%	1.62%	1.15%

The Authority has engaged Higher Education Servicing Corporation ("HESC") to provide servicing for the student loan portfolio. HESC maintains contracts with two student loan servicing bureaus who service some of the Authority's loans as sub-servicers. In 2006, HESC also began providing full life-of-loan servicing to the Authority and rates charged by HESC are slightly lower than rates charged by the other two bureaus. In 2018 and 2017, loan servicing fees increased $1,665,034 (+79.2%) and decreased $301,562 (-12.6%), respectively, over the prior years. The increase is due to the additional student loan portfolios acquired in 2018 whereas the prior decreases were mostly due to the Authority's declining student loan portfolio. As of August 31, 2018, 40% of the Authority's loans were being serviced by HESC while as of August 31, 2017, 31% of the Authority's loans were being serviced by HESC. See "Related Entities" under Note 1 to the basic financial statements for further discussion of HESC's loan servicing functions for the Authority.

In addition to providing student loan servicing, HESC is the program administrator for the Authority. In general, administration fees paid to HESC are based on rates stipulated by the Authority's bond covenants and applied to the student loan balances for each bond series, therefore the computed fees directly correlate with the portfolio balances. The stipulated rates for the Authority's existing bonds are substantially lower than rates used to compute fees from the Authority's retired (older) bonds. Due to the lower rates from current bonds and the declining portfolio, administration fees had substantially decreased over the past six years until new portfolios were acquired in 2018. In 2016 and 2015, the fees were deemed to be substantially below fair value for compensation of program administration. As such,

OPERATING ACTIVITIES – CONTINUED
Expenses – Continued

in the last quarter of 2016, the NTHEA Board approved a resolution to increase the rates stipulated by the bonds to a level that would be more in line with industry standard rates, and the additional program fees resulting from the increased rates would be paid from the Authority's unrestricted funds. In 2017, NTHEA began paying administration fees based on the higher rates. As a result, administration fees increased $1.6 million over 2016. The fees increased by an additional $798,465 in 2018 over 2017 due to the portfolios acquired. See "**Related Entities**" under Note 1 to the basic financial statements for further discussion of HESC's administrative support functions for the Authority.

The Authority has a borrower incentive program in which, for certain eligible borrowers who meet stipulated payment requirements, a portion of their student loan balance is written off. In 2018 and 2017, borrower incentive write offs decreased $102,213 and increased $48,496, respectively. The decrease in 2018 is mostly due to the decreasing eligible loans in the Authority's student loan portfolio. In 2017, the increase was due to an aging portfolio in which more borrowers were meeting the stipulated loan payments to receive the benefits of reductions to their loan balances. See further discussion of the Authority's borrower incentive program in Note 5 to the basic financial statements.

The Authority's tax exempt financings are subject to federal government arbitrage and excess earnings liabilities. Decreasing bond rates increase the likelihood for higher arbitrage and excess earnings liabilities for tax-exempt financings. However, decreasing yields on investments and decreasing non-operating revenue decreases the likelihood for higher arbitrage and excess earning liabilities. As discussed above, in 2018 and 2017, investment rates and non-operating revenue have increased which increases the likelihood of higher arbitrage liabilities. However the higher bond rates in 2018 and 2017 decreases the likelihood for higher arbitrage liability. The Authority did not incur a liability in 2018, 2017, or 2016. See Note 6 to the financial statements for further discussion of the Authority's excess earnings and arbitrage rebate liabilities.

Non-operating Revenue

Non-operating revenue for the Authority is derived entirely from interest subsidy and special allowance paid by the U.S. Government. The program of subsidized interest and special allowance is further discussed in Note 1 to the financial statements.

	2018	Percent Change from 2017	2017	Percent Change from 2016
Increase in non-operating revenue:	$3,708,908	42.8%	$2,895,936	25%

Since 2007, special allowance income had been decreasing substantially due to declining Commercial Paper, Treasury Bill, and one-month LIBOR rates and due to a major provision in 2005's HERA. Since January 2010, while low, these rates remained relatively unchanged through 2014 but began an upward trend in 2015 that has continued into 2017 and 2018. See discussion of the effect of these rates on special allowance income under "**Turbulence in the Financial Market**" under Economic Factors and Outlook below.

Due to the provision in HERA, loans disbursed after April 1, 2006 ("post 4/1/06" loans) are subject to a rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the

OPERATING ACTIVITIES – CONTINUED
Non-operating Revenue – Continued

loans earn at rates above the federally established special allowance lender rates referred to as "special allowance rates". The majority of the Authority's decreasing portfolio are the post 4/1/06 loans that are subject to the excess interest payments. As such, in 2018 and 2017, the Authority paid substantially less excess interest which in turn increases special allowance income. In 2018 and 2017, special allowance income increased $3.4 million and $3.4 million, respectively. In 2018, the increases to the variable rates on student loans (mostly on older loans as noted in the discussion of Operating Revenue above) decreases special allowance income somewhat for the Authority.

In 2018 and 2017, interest subsidy increased $353,524 (+16.9%) and decreased $540,333 (-20.6%), respectively. The prior year decreases were due to the declining balances of subsidized loans in school, grace, or deferment status which changed to increases in 2018 due to the acquired loan portfolios. In 2018 and 2017, the balance of these loans increased $8.8 million and decreased $10.1 million, respectively, from 2017 and 2016 (respectively). See further discussion of "***Interest Subsidy and Special Allowance"*** payments on student loans in Note 1 to the financial statements.

ECONOMIC FACTORS AND OUTLOOK
Turbulence in the Financial Market

Due to the decline in the financial and bond markets in the latter half of fiscal year 2008 and in fiscal year 2009, Treasury Bills (T-Bill), and one-month LIBOR rates decreased from September 30, 2008 through December 31, 2009. Since January 2010, the downward spiral ended and the rates, while low, remained relatively unchanged through 2014. In 2015, the rates began an upward trend, which continued through 2018. In 2018, T-Bill and one-month LIBOR rates increased 96% and 71% respectively from rates in 2017. In 2017, T-Bill and one-month LIBOR rates increased 241% and 140% respectively from rates in 2016. The average bond equivalent rates of the 91-day T-Bill and the average bond equivalent rates of the one-month LIBOR are shown:

	T-Bill Rates	One-Month LIBOR
Qtr. Ending 9/30/15:	0.06%	0.20%
Qtr. Ending 12/31/15:	0.14%	0.26%
Qtr. Ending 3/31/16:	0.30%	0.44%
Qtr. Ending 6/30/16:	0.27%	0.45%
Qtr. Ending 9/30/16:	0.31%	0.52%
Qtr. Ending 12/31/16:	0.44%	0.61%
Qtr. Ending 3/31/17:	0.61%	0.84%
Qtr. Ending 6/30/17:	0.92%	1.07%
Qtr. Ending 9/30/17:	1.06%	1.25%
Qtr. Ending 12/31/17:	1.24%	1.36%
Qtr. Ending 3/31/18:	1.59%	1.68%
Qtr. Ending 6/30/18:	1.88%	2.00%
Qtr. Ending 9/30/18:	2.08%	2.14%

ECONOMIC FACTORS AND OUTLOOK - CONTINUED
Turbulence in the Financial Market - Continued

The above rates directly affect the amount of Special Allowance income earned on the Authority's student loans. Since 2007, the declining rates had resulted in substantially reduced special allowance income for the Authority, but increases to the rates from 2015 to present have resulted in increased special allowance income.

As referenced above, legislative changes enacted in 2007 require that some student loans (loans disbursed after April 1, 2006) are subject to a rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the special allowance rates. Increasing One-Month LIBOR rates (shown above) raises the special allowance rates, which in turn decreases excess interest. In 2018, 2017, and 2016, the Authority paid $7.8 million, $11.8 million, and $15 million of excess interest, respectively, to the Education Department which offsets Special Allowance Income on the Authority's books. (See further discussion of excess interest payments in Note 1 to the basic financial statements).

Since 2008, low T-Bill and money market rates had also resulted in substantially reduced investment income but upward trends to these rates beginning in 2016 have resulted in substantial increases to investment income.

OUTLOOK
Elimination of FFEL Program

In March 2010, President Obama signed into law H.R. 4872 (the "Health Care & Education Affordability Reconciliation Act of 2010" or "HCEARA") which terminated origination of student loans under the Federal Family Education Loan Program ("FFELP") in favor of the government-run Federal Direct Loan Program beginning July 1, 2010. After June 30, 2010, no new FFELP loans (including Consolidation Loans) may be made or insured under FFELP and no funds may be expended under the Higher Education Act to make or insure loans under FFELP for which the first disbursement is after June 30, 2010. FFELP loans originated under the Higher Education Act prior to July 1, 2010, which had been purchased or could be purchased by the Authority, continue to be subject to the provisions of FFELP. The elimination of FFELP has impacted the Authority and FFELP lenders. Lenders could still add to or make additional disbursements to FFELP loans that were initially made prior to July 1, 2010 and the Authority can continue to acquire these loans. Many of the Authority's lender partners have historically originated student loans which the Authority would purchase, but due to the elimination of FFELP, the volume of loans available to acquire from its lender partners has declined dramatically since 2008. In 2014, the Authority acquired substantially all of the remaining FFELP Loans that were held by its lender partners.

The Authority had not anticipated purchasing any substantial loan portfolios when preparing the financial reports for the fiscal year ended August 31, 2017, but on January 2, 2018, the Authority consummated the acquisition of a $241.7 million portfolio from one lender. The Authority went on to acquire the remaining FFELP loans of $4.0 million from that same lender in April 2018. The Authority obtained a short-term line of credit to acquire this portfolio which was refinanced into a five-year direct placement note in July 2018. Additionally, the Authority acquired three portfolios with student loan balances of $206.6 million from another lender in February 2018. These three other portfolios were part of trust indentures with existing debt that the Authority assumed at the February acquisition date.

OUTLOOK - CONTINUED

Elimination of FFEL Program - Continued

Should the Authority find other available portfolios, it will analyze and consider acquiring such portfolios and may use unrestricted funds and/or borrow funds for these acquisitions. See "***Net Position***" under Note 1 to the basic financial statements for further discussion of the Authority's unrestricted funds. The Authority has regularly financed its eligible loan purchases on a long-term basis through the issuance of revenue bonds secured by the eligible loans it has purchased with the proceeds of such bonds. Due to the elimination of the FFELP, other than obtaining the short-term line of credit which was then refinanced into a direct placement note as noted above, the Authority has not issued any debt since 2012 (which was used to refund older bonds). The Authority does not anticipate issuing any debt in 2019. The Authority has been substantially paying down debt since 2009 and anticipates continuing this trend in 2019.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF NET POSITION
AUGUST 31, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents--restricted (Note 2)	$ 163,642	$ 36,501
Investments (Note 2)	20,496,003	29,883,048
Investments--restricted (Note 2)	38,371,425	30,507,910
Accrued interest and other accounts receivable	483,679	789,696
Accrued interest and other accounts receivable--restricted	22,745,273	12,014,513
Prepaid expenses--restricted	78,613	58,364
Student loan notes receivable (Note 3)	307,292	6,367,423
Student loan notes receivable--restricted (Note 3)	232,357,826	110,549,881
Total current assets	315,003,753	190,207,336
LONG-TERM ASSETS:		
Investments--(Note 2)	13,483,376	13,673,616
Accrued interest and other accounts receivable	3,709	21,268
Accrued Interest and other accounts receivable--restricted	230,413	121,806
Student loan notes receivable (Note 3)	111,629	21,589,650
Student loan notes receivable--restricted (Note 3)	753,186,428	504,992,915
Total long-term assets	767,015,555	540,399,255
TOTAL ASSETS	$ 1,082,019,308	$ 730,606,591
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES - Payable from non-restricted assets:		
Accounts payable	$ 13,826	$ 13,100
Accrued special allowance payable	0	159,814
Total current liabilities payable from non-restricted assets	13,826	172,914
CURRENT LIABILITIES--Payable from restricted assets:		
Accounts payable	1,023,776	488,060
Accrued interest payable	3,219,523	1,197,557
Accrued special allowance payable	1,063,728	1,240,404
Accrued other liabilities	2,967	4,973
Bonds payable (Note 4)	122,445,923	90,462,000
Total current liabilities payable from restricted assets	127,755,917	93,392,994
Total current liabilities	127,769,743	93,565,908
LONG-TERM LIABILITIES--Payable from restricted assets:		
Bonds payable, less unamortized original issue discounts of $1,453,731 and $901,609, respectively (Note 4)	756,104,925	448,501,391
Total long-term liabilities payable from restricted assets	756,104,925	448,501,391
Total liabilities	883,874,668	542,067,299
DEFERRED INFLOWS OF RESOURCES		
Related to discount on loans purchased	8,530,111	0
NET POSITION:		
Restricted	163,272,598	116,387,593
Unrestricted	26,341,931	72,151,699
Total net position	189,614,529	188,539,292
Total Liabilities and net position	$ 1,082,019,308	$ 730,606,591

The Notes to Basic Financial Statements are an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES:		
Interest on student loans	$ 37,027,725	$ 28,770,116
Interest on cash equivalents and investments	1,090,705	513,472
Unrealized gain (loss) on investments (Note 2)	(333,929)	(146,676)
Total operating revenues	37,784,501	29,136,912
OPERATING EXPENSES:		
Interest on bonds	19,797,565	9,956,418
Loan servicing fees paid to Higher Education Servicing Corporation (Note 1)	3,768,502	2,103,468
Payments for administrative and operating costs to Higher Education Servicing Corporation (Note 1)	4,983,849	4,185,384
Trustee fees	144,862	127,643
Borrower incentive loan write-offs (Note 5)	1,101,180	1,203,393
Miscellaneous expense	1,951,153	423,032
Total operating expenses	31,747,111	17,999,338
OPERATING INCOME	6,037,390	11,137,574
NONOPERATING REVENUES AND EXPENSES:		
Government subsidy on student loans	2,440,597	2,087,073
Special allowance income	(7,402,750)	(10,758,135)
Total nonoperating revenues and expenses	(4,962,153)	(8,671,062)
CHANGE IN NET POSITION	1,075,237	2,466,512
NET POSITION—Beginning of year	188,539,292	186,072,780
NET POSITION—End of year	$ 189,614,529	$ 188,539,292

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student loan and interest purchases	$ (268,647,602)	$ (3,083,267)
Student loan repayments	133,578,981	115,076,714
Payment to vendors	(15,681,263)	(11,142,191)
Interest paid on bonds and lines of credit	(18,038,284)	(9,696,602)
Cash received for student loan and investment interest	26,675,615	21,737,292
Deferred loan acquisition discounts received	(4,616,547)	189
Net cash provided by / (used in) operating activities	(146,729,100)	112,892,135
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for purchase of South Texas Higher Education trusts, net of cash received	(15,058,058)	-
Proceeds from maturities of investments held by Trustee	1,201,529,410	296,559,435
Purchases of Investments	(1,199,815,641)	(300,175,236)
Net cash used in investing activities	(13,344,289)	(3,615,801)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayment of Bonds / payments on lines of credit	(111,915,749)	(100,046,000)
Proceeds from issuances of bonds/lines of credit	269,450,000	-
Cash release from indentures/lines of credit	9,200,000	-
Payment of closing costs & issue costs from proceeds	(1,003,818)	-
Proceeds from government subsidy on student loans	2,281,866	2,172,846
Payments of special allowance	(7,811,769)	(11,642,255)
Net cash provided by / (used in) noncapital financing activities	160,200,530	(109,515,409)
CHANGE IN CASH AND CASH EQUIVALENTS	127,141	(239,075)
CASH & CASH EQUIVALENTS---Beginning of year	36,501	275,576
CASH & CASH EQUIVALENTS---End of year	$ 163,642	$ 36,501
Noncash investing and noncapital financing activities		
from purchase of South Texas Higher Education Authority trusts		
Student loan and interest purchases	$ 191,628,874	
Accrued interest purchased	5,813,980	
Accrued interest payable assumed	(396,683)	
Accounts payable assumed	(30,616)	
Prepaid expenses acquired	34,239	
Bonds payable assumed	(181,919,207)	
Special allowance payable assumed	(72,529)	

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income:	$ 6,037,390	$ 11,137,574
Adjustments to reconcile operating income to net cash provided by operating activities:		
Unrealized (gain) loss on investments	333,929	146,676
Amortization of original issue discounts	133,999	52,260
Change in assets and liabilities:		
Decrease (increase) in accrued interest and other accounts receivable	(4,543,081)	1,733,085
Decrease in student loan notes receivable--net	(150,834,430)	99,718,165
Decrease in prepaid expenses	13,991	3,249
(Decrease) in accounts payable	505,826	(105,314)
Increase (decrease) in accrued and other liabilities	(2,005)	(1,116)
Increase (decrease) in accrued interest payable	1,625,281	207,556
Net cash provided by / (used in) operating activities	$ (146,729,100)	$ 112,892,135

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity— The North Texas Higher Education Authority, Inc. (the "Authority") is a nonprofit corporation organized on September 28, 1978 under the laws of the State of Texas and reports as a governmental entity. The Authority's Board of Directors is composed of six members appointed by the City of Arlington, Texas. The Authority's present purpose is to promote student access to higher education. The Authority provides funds for the purchase of student loans from participating lenders at the post-secondary educational level and provides procedures for the servicing of such loans as required for continued participation in the Federal Family Education Loan Program (FFELP) under the Higher Education Act of 1965, as amended. Funding for the Authority has been provided by the sale of bonds and through other forms of indebtedness. Proceeds of the bonds are used to purchase student loans, originated by eligible lenders under FFELP made to eligible students for attendance at eligible institutions.

Related Entities— Higher Education Servicing Corporation (HESC) is a tax-exempt nonprofit Texas Corporation that services the student loans for the Authority. HESC is responsible for student loan processing, collecting, accounting and reporting, as well as providing corporate office space and administrative support functions for the Authority under the terms of a servicing agreement. The Authority has no employees. HESC and the Authority have separate Boards of Directors.

Under the terms of the servicing agreement, HESC uses an in-house student loan servicing system to perform duties involving student loan processing and collection services on some of the Authority's student loans. HESC contracts with two third-party student loan servicers as sub-servicers who also perform student loan processing and collection services on some of the Authority's student loans for HESC under the terms of servicing agreements. The Authority remits to HESC stipulated amounts for services rendered in the administration of the agreements and for providing services as described above. Total paid to HESC was $8,752,351 and $6,288,852 for the years ended August 31, 2018 and 2017, respectively.

Measurement Focus, Basis of Accounting and Basis of Presentation— The Authority applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements for enterprise funds. Enterprise funds are accounted for using the flow of economic resources measurement focus and uses the accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when incurred. Enterprise funds are used to account for the operations and financial position of a governmental entity that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the expenses of providing goods and services on a continuing basis be financed or recovered primarily through user charges.

Description of Funds— The accounts of the Authority are organized on the basis of funds, which are set up in accordance with the related bond indentures. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. These requirements do not result in any restrictions on the use of assets for the general purpose of the respective bond issues. Accordingly, separate funds are not considered necessary for financial reporting purposes. At the time that a bond series has been fully repaid or when permitted by the bond indenture, assets can be transferred to another series with outstanding debt or to a "surplus" fund. A clearing fund is used to process student loan collections among debt issues.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents— The Authority considers all highly liquid non-interest bearing investments purchased with an original maturity of three months or less to be cash equivalents.

Investment Policy— In accordance with the Authority's investment policy and its bond indentures, funds not invested in student loans are generally invested in one of the following investment types:

- Money market funds which are registered with and regulated by the Securities and Exchange Commission ("SEC") and are rated AAAm or an equivalent rating by at least one nationally recognized rating service and include in their investment objectives to have a dollar weighted average stated maturity of 90 days or fewer and seek to maintain a stable net asset value of $1 per share.

- FDIC insured interest-bearing time deposits with maturities of five years or less in banks located within the State of Texas or invested through a broker that has its main office or a branch office in the State of Texas, is selected by the Authority, and arranges for the deposits in one or more FDIC insured depository institutions, wherever located, for the account of the Authority.

The Authority records money market investments at cost, and records interest bearing time deposits at fair value on its statement of net position. Changes in fair value are reported in the statement of revenues, expenses and change in net position. The Authority continually monitors the fair value of its investments.

Allowance for Doubtful Accounts— The guarantee of student loans is contingent upon the loans being serviced within the due diligence requirements of the guarantors. The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. The allowance for doubtful accounts is a provision for the loans for which cure and recovery are expected to be unsuccessful and is based on historical analysis and management review of accounts.

Deferred Loan Acquisition Premiums and Discounts— Before 2011, the Authority normally paid loan acquisition premiums and transfer fees when acquiring loans from financial institutions. Due to declining non-operating revenues on student loans, in 2011 the Authority stopped paying premiums on loans acquired and acquired some loan portfolios at a discount (paid less than par value). These premiums, discounts, and fees are capitalized and amortized using the sum of the months' digits method which approximates the interest method over the estimated life of the related loans. The amortization expense has been recorded as an adjustment to the yield of the loans purchased. These premiums, discounts, and fees are included with student loan notes receivable in the accompanying statement of net position.

Bond Issue Costs and Original Issue Discounts— Original issue discounts are capitalized and amortized over the term of the bonds using the straight-line method, which approximates the interest method. The amortization expense has been recorded as an adjustment to interest expense on the bonds payable. Losses incurred on advance refundings are deferred and amortized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter. Bond issue costs are expensed as incurred.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Trustees— The Authority contracts with two Banks to serve as Trustees. Wells Fargo Bank, National Association, and BOKF, National Association, dba Bank of Texas, as trustees perform the duties involving the acquisition and holding of student loans in the Authority's name, the investment and disbursement of funds as directed by the Authority, and the servicing and redemption of the bonds under each of the trust indentures.

Excess Income— All income of the Authority after payment of expenses, debt service, and the creation of reserves will be utilized for the purchase of additional student loan notes, the purpose permitted by Section 148 of the Internal Revenue Code ("IRC") or, upon dissolution or liquidation of the Authority, will be transferred to the U.S. Treasury. The Authority has no plans to liquidate or dissolve.

Income Taxes— As an organization described in IRC Section 501c(3), the Authority is exempt from federal income taxes under IRC Section 501(a). However, income generated by activities unrelated to the purposes for which the Authority was created will be subject to tax. The Authority had no unrelated business income in 2018 and 2017.

Capitalization of Interest— Students have the option of deferring the interest payments on unsubsidized loans during in-school, grace or deferment periods. Therefore, the Authority capitalizes interest on some student loan notes receivable.

Interest Subsidy and Special Allowance— During the in-school, grace, and deferment periods, the U.S. government pays the Authority interest on subsidized Stafford student loans on behalf of the borrower. Additionally, some consolidation loans are eligible for subsidy during periods of deferment. When the repayment period begins, the borrower is responsible for interest payments. No interest is paid on behalf of the borrower for the unsubsidized Stafford and PLUS programs. In addition, for certain eligible loans, the U.S. government pays a special allowance to lenders participating in FFELP at the end of each quarter, representing supplemental interest on the average outstanding principal balance of insured loans (for the quarter) at an annual rate that is determined periodically and is based on certain current interest rates exceeding a predetermined rate. Treasury bill and one-month LIBOR rates directly affect the amount of special allowance earned. These rates decreased substantially from 2007 through 2009 but remained somewhat steady through 2014. In 2015, the rates began an upward trend that continued in 2016 through 2018. In 2018, Treasury bill rates increased 96% and one-month LIBOR rates increased 71%. In 2017, Treasury bill rates increased 242% and one-month LIBOR rates increased 140%. The higher rates contributed to increased special allowance income.

Legislative changes in fiscal 2007 require that some student loans (loans disbursed after April 1, 2006) are subject to rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the special allowance rates. Decreasing one-month LIBOR rates decreases the special allowance rates, which in turn, increases excess interest. Increasing one-month LIBOR rates increases the special allowance rates, which in turn, decreases excess interest.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interest Subsidy and Special Allowance— continued

In 2018 and 2017, the Authority's student loan portfolio had a net increase of $342.5 million and decrease of $99.7 million, respectively. A substantial amount of the student loans paid (much of which was due to being consolidated by the Education Department) are the loans that were subject to the excess interest payments. Since the balance of these loans have decreased, less excess interest was paid which in turn increases special allowance income. In 2018 and 2017, the Department of Education withheld $7,739,240 and $11,845,390, respectively, of excess interest from the Authority's quarterly interest benefits and special allowance billings. This excess interest offsets Special Allowance Income in the Authority's Statement of Revenues, Expenses, and Changes in Net Position.

In addition to interest on student loans, interest subsidy and special allowance earned on student loans in the accompanying financial statements (non-operating revenues) are as follows:

	2018	2017
Interest Subsidy	$ 2,440,597	$ 2,087,073
Special Allowance	($ 7,402,750)	($10,758,135)
Total non–operating revenue	($ 4,962,153)	($ 8,671,062)

The interest subsidy and special allowance are accrued as earned.

The Federal Family Education Loan program in which the Authority participates is subject to audit in accordance with the provisions of the U.S. Office of Management and Budget *Compliance Supplement*. Pursuant to the provisions of the Compliance Supplement, the major federal financial assistance programs were tested for compliance with applicable grant requirements through August 31, 2018 and 2017. The provisions of the Compliance Supplement do not limit the Authority or other federal agencies or audit officials from making or contracting for audits and evaluations of federal financial assistance programs. As a result, final expenditure reports of grants and contracts submitted to granting agencies in current and prior years are subject to audit and adjustment by such agencies. The effect of such adjustments, if any, is not determinable at this time.

Net Position— The net position of the Authority is classified into two categories: unrestricted and restricted. Unrestricted net position includes net positions available for the operations of the Authority and activities not accounted for in the bond funds. Restricted net position consists of the bond funds and the clearing account.

Operating Revenues and Expenses— Bond and note issuance is the principal source of the funds necessary to carry out the purposes of the Authority, which are to acquire and service student loans. The Authority's revenue is derived primarily from income on student loans and secondarily from investment income. The primary costs of the program are interest expense on bonds, program administration fees, and loan servicing fees. Therefore loan income, net investment income, interest expense, administrative fees, and loan servicing fees are shown as operating revenues and expenses in the statement of revenue, expenses and changes in net position. Federal funds received consisting of interest subsidies and special allowance income are considered non-operating revenue.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Risk Management— The Authority is exposed to various risks of loss related to errors and omissions. Coverage for these various risks of loss is obtained through commercial insurance. Commercial insurance is purchased in an amount that is sufficient to cover the Authority's risk of loss. There have been no claims filed against the Authority in the past three years, and there has been no significant reduction in insurance coverage from coverage in the prior year for all categories of risk.

2. CASH AND INVESTMENTS

Certificates of deposit and money market mutual funds are presented as investments for disclosure purposes. At August 31, 2018 and 2017, the carrying amount and bank balances of the Authority's cash and deposits was $17,126,467 and $26,879,427, respectively. All of the bank balances were covered by federal depository insurance or collateralized with securities held by the Authority's agent in the Authority's name.

The Authority may purchase investments as authorized by its indentures, the investment policy approved annually by the Board of Directors, and the Public Funds Investment Act. These investments include but are not limited to direct obligations of the United States and certain U.S. government agencies, obligations guaranteed by the United States and certain U.S. government agencies, bank demand deposits and interest-bearing bank time deposits with a maturity of ten years or less that are secured by pledges of government securities or are issued by banks rated Aa or AA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively. Money market mutual funds are authorized investments if they are regulated by the SEC, have a dollar-weighted average stated maturity of 90 days or less, and include in their investment objective the maintenance of a stable net asset value of $1 for each share. The Authority may also invest in a state government investment pool – "Texas Local Government Investment Pool" (aka TexPool), which is a pool managed by the State of Texas and is an approved investment type under the Public Funds Investment Act. The Authority does not invest in investments other than those authorized by its investment policy.

Interest rate risk— Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer to maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Authority has no specific limitations with respect to this metric.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS – CONTINUED

The Authority's investments as of August 31, 2018 and 2017 are classified as follows:

Investment Type	2018 Amount	Weighted Average Maturity
Money Market Mutual Funds	$ 37,991,311	25 days
Certificates of deposit	17,396,668	955 days
Total investments	$ 55,387,979	

Investment Type	2017 Amount	Weighted Average Maturity
Money Market Mutual Funds	$ 30,363,031	19 days
Certificates of deposit	16,858,617	933 days
Total investments	$ 47,221,648	

Credit risk— Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Authority's investment policy or debt agreements, and the actual rating for each investment type as of August 31, 2018 and 2017.

Investment Type	Balance August 31, 2018	Balance August 31, 2017	Minimum Legal Rating	Rating as of August 31, 2018	Rating as of August 31, 2017
Certificates of Deposit	$17,396,668	$16,858,617	N/A	Not rated	Not rated
Money market mutual funds	$37,991,311	$30,363,031	AAAm	AAAm, Aaa-mf	AAAm, Aaa-mf

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS – CONTINUED

Concentration of Credit Risk— The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer. As of August 31, 2018 and 2017, the majority of the Authority's funds were invested in two money market funds, an Insured Cash Sweep (ICS) Account which is a FDIC insured interest-bearing bank deposit account, and certificates of deposit. The majority of the certificates of deposit are invested with two brokers that have offices in the State of Texas, arranges the deposits in various FDIC insured depository institutions, wherever located, for the account of the Authority, and with maturities of five years or less. As of August 31, 2018 and 2017, Authority investments which totaled more than 5% of its total investments are:

	2018	2017
Morgan Stanley Institutional Money Market Fund	14,085,525	8,495,169
Invesco Government & Agency Money Market Fund	23,444,125	21,518,826
Southwest Bank ICS deposit account (FDIC insured)	15,928,237	26,080,013

Fair Value— In accordance with GASB 72 – Fair Value Measurement and Application ("GASB 72") NTHEA defines fair value as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. GASB 72 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1, the highest on the hierarchy, indicates assets/liabilities with the most transparent and tangible valuation techniques. A Level 1 financial instrument typically has quoted prices and active markets. This type of instrument has the most verifiable and reliable fair value measurement.

- Level 2 instruments require more involvement in valuing than Level 1 instruments. Level 2 inputs are inputs that, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or indirectly. For example, an interest rate swap uses known, public data, such as interest rates and the contract terms can be used to calculate a value of the interest rate swap. The instrument can be valued indirectly using observable data. Another example would be using quoted prices for similar assets or liabilities in active markets. The investments held by NTHEA are categorized as Level 2 and fair value is based on quoted prices in inactive markets.

- Level 3 uses unobservable inputs for an asset or liability and indicates use of valuation techniques and data that may not be verifiable. These types of instruments involve a great deal of assumptions and estimates. Examples may include infrequently traded asset backed securities or investments in privately owned companies.

Investments— Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in net position. The Authority recorded an unrealized loss of ($333,929) and ($146,676) on investments, representing the decreases in fair value of its certificates of deposit for the years ended August 31, 2018 and 2017, respectively.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

2. FAIR VALUE ASSET CLASSIFICATION

The following table presents the classification of the assets by level at August 31, 2018 and 2017:

	Quoted Prices Level 1	Significant Other Inputs: Level 2	Significant Non-Observable Inputs: Level 3	Total
Investments:				
2018				
Money Market Funds August 31, 2018	$ -	$ 37,991,311	$ -	$ 37,991,311
FDIC Insured Deposit Accounts August 31, 2017	-	$ 16,962,825	-	$ 16,962,825
FDIC Insured Certificates of Deposit August 31, 2017	-	$ 17,396,668	-	$ 17,396,668
2017				
Money Market Funds August 31, 2017	$ -	$ 30,363,031	$ -	$ 30,363,031
FDIC Insured Deposit Accounts August 31, 2017	-	$ 26,842,926	-	$ 26,842,926
FDIC Insured Certificates of Deposit August 31, 2017	-	$ 16,858,617	-	$ 16,858,617

All assets have been valued using a market approach. There were no changes in the valuation techniques used during the current year. The money market funds bear interest at variable rates. As of August 31, 2018 and 2017, the rates paid ranged from 0.63% to 1.85% and 0.09% to 0.95%, respectively. The rates on the FDIC insured deposit accounts are set by the depository banks and are subject to change from time to time. As of August 31, 2018 and 2017, the rates ranged from 0.55% to 2.10% and 0.55% to 0.90%, respectively.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

3. STUDENT LOAN NOTES RECEIVABLES

Student loan notes receivable consist of the following at August 31, 2018 and 2017:

	2018				
Series	Student Loan Notes Receivable Receivable	Collections Not Yet Applied	Deferred Loan Acquisition Premiums Less: Accumulated Amortization	Allowance For Doubtful Accounts	Net Receivable
2012-1	$ 187,888,742	$ -	$ -	$ (142,771)	$ 187,745,971
2011-1	87,404,726	-	-	(66,416)	87,338,310
2010-2	44,851,133	-	-	(34,081)	44,817,052
2010-1	50,152,715	-	-	(38,109)	50,114,606
2003-2	73,304,786	-	-	(55,702)	73,249,084
2003	16,148,933	-	-	(12,271)	16,136,662
2002	83,120,587	-	-	(63,161)	83,057,426
ST 2012-1	131,813,086	-	-	(100,161)	131,712,925
ST 2013-1	55,830,140	-	-	(42,424)	55,787,716
2018A BOA	251,835,988	-	4,080,933	(191,362)	255,725,559
Surplus Fund	418,816	-	424	(320)	418,920
Unallocated Collections	-	(141,056)	-	-	(141,056)
Total	$ 982,769,652	$ (141,056)	$ 4,081,357	$ (746,778)	$ 985,963,175

	2017				
Series	Student Loan Notes Receivable Receivable	Collections Not Yet Applied	Deferred Loan Acquisition Premiums Less: Accumulated Amortization	Allowance For Doubtful Accounts	Net Receivable
2012-1	$ 213,617,650	$ -	$ -	$ (139,723)	$ 213,477,927
2011-1	98,627,129	-	-	(64,510)	98,562,619
2010-2	51,040,140	-	-	(33,384)	51,006,756
2010-1	59,583,166	-	-	(38,972)	59,544,194
2003-2	81,577,939	-	(79)	(53,358)	81,524,502
2003	18,467,057	-	-	(12,079)	18,454,978
2002	93,455,409	-	-	(61,127)	93,394,282
Surplus Fund	27,996,817	-	(21,432)	(18,312)	27,957,073
Unallocated Collections	-	(422,461)	-	-	(422,461)
Total	$ 644,365,307	$ (422,461)	$ (21,511)	$ (421,465)	$ 643,499,870

All student loans currently held were made in accordance with Title IV, Part B of the Higher Education Act of 1965, as amended. The Authority purchases five types of loans: Subsidized Stafford, Unsubsidized Stafford, SLS, PLUS and Consolidation. PLUS loans are made to parents of dependent undergraduate students and effective July 1, 2006, PLUS loans can also be made to graduate and professional students. SLS loans (no longer available, effective July 1, 1994) were made to graduate and professional students. Consolidation loans are made to borrowers for the purpose of consolidating their repayment obligations. The Authority originated Consolidation loans until the second quarter of 2008, but changes in law decreased yields on these loans made after July 1, 2008, and the Authority stopped making them as they would have no longer been financially feasible.

3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED

The student loan notes receivable represent loans to students who, when the loans were originated by lending institutions, were enrolled in post-secondary institutions. In general, the notes bear interest at fixed and variable rates ranging from 1.625% to 12% depending upon the type and date of origination of the individual loan and are payable by the student following a specified grace period after graduation or termination from the institution. The repayment period is generally 10 years for all FFELP loans (excluding Consolidation loans), however the terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over an average period of 5 to 10 years. Consolidation loans may be repaid up to a maximum of 30 years.

Installment repayment of Subsidized and Unsubsidized Stafford loans begins after a grace period of six months following the date that the student completes his or her course of study, leaves school, or ceases to carry at least one-half the normal full-time academic load as determined by the participating institution. Repayment of PLUS loans begins within 60 days of disbursement (no grace period). Repayment of Consolidation loans begins within 60 days after the borrower’s liability on all loans being consolidated has been discharged.

Student loan notes receivable purchased by the Authority have been primarily insured or reinsured by the U.S. government or guaranteed by the Texas Guaranteed Student Loan Corporation (formerly known as TG but now known as the Trellis Corporation) and United Student Aid Funds, Inc. Student loan notes that do not conform to the terms of the purchase agreement between the Authority and the original lender may be returned to the lending institution for reimbursement of principal, interest and costs incurred while held by the Authority. The guarantors are protected by federal reinsurance from the Federal Guaranteed Student Loan Program under the Department of Education. Generally, the Department of Education pays the guarantor 97% of the balance of the defaulted student loans. The loans are guaranteed provided that the original lender with respect to such loans has met applicable program requirements. Owned loans that have lost their U.S. Department of Education guarantee due to the failure of the original lender, the Authority, or their servicer to follow prescribed collection (due diligence) procedures can reacquire their guaranteed status if they are subsequently returned to a repayment status. Original lenders have warranted to the Authority that the student loan notes have met these requirements and are valid obligations of the student borrowers.

The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. The allowance for doubtful accounts is a provision for the loans for which cure and recovery are expected to be unsuccessful and is based on historical analysis and management review of accounts. Also, as discussed above, generally guarantors pay 97% of the balances of defaulted student loans. As such, the Authority includes in its computation of the allowance for doubtful accounts an estimated amount of the 3% write-off of balances of defaulted loans that are not paid by the guarantors. For the years ended August 31, 2018 and 2017, the allowance for doubtful accounts is $746,778 and $421,465, respectively. In the opinion of management, this allowance is considered adequate.

Net student loan notes receivable approximate fair value as the loans are guaranteed payment at the carrying value and a special allowance payment is received for loans below the current market rate of interest.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED

A summary of the Authority's student loan activity for the years ended August 31, 2018 and 2017 is as follows:

		2018		2017
Loans purchased	$	460,067,072	$	3,082,894
Amounts collected		(133,578,981)		(115,076,714)
Adjustments (capitalized interest\writeoff)		15,975,214		12,275,656
Total change in Student Loan Notes Receivable - net	$	342,463,305	$	(99,718,164)

As discussed in "**Outlook**" in the **MANAGEMENT'S DISCUSSION AND ANALYSIS** earlier, due to the elimination of FFELP, the Authority had not anticipated purchasing any substantial loan portfolios when preparing the financial reports for the fiscal year ended August 31, 2017, but on January 2, 2018, the Authority consummated the acquisition of a $241.7 million portfolio from one lender. The Authority went on to acquire the remaining FFELP loans of $4.0 million from that same lender in April 2018. The Authority obtained a short-term line of credit to acquire this portfolio which was refinanced into a five-year direct placement note in July 2018. Additionally, the Authority acquired three portfolios with student loan balances of $206.6 million from another lender in February 2018. These other portfolios were part of trust indentures with existing debt that the Authority assumed at the February acquisition date.

Student Loan Purchase Commitments— In addition to the student loans already purchased, the Authority was contractually committed to its participating lending institutions to purchase student loans under commitment agreements. These agreements require the lending institution to offer student loans to the Authority. In 2014, the Authority acquired substantially all of the remaining FFELP loans that were held by its participating lending institutions. Since the last quarter of 2014, the Authority has not been contractually committed to acquire any student loans under commitment agreements.

4. BONDS PAYABLE

The following table summarizes the balances due, interest mode, interest rate, and date of maturity on the bonds and notes payable as of August 31, 2018 and 2017:

Bond Series	2018	2017	Interest Mode	Average Interest Rate % (2018)	Date of maturity or defeasement
2002A	$ 52,800,000	$ 62,700,000	Variable	1.85	April 1, 2041
2002B	7,200,000	8,750,000	Variable	2.00	April 1, 2041
2003A-3	10,750,000	12,500,000	Variable	1.88	October 1, 2042
2003-2A	53,300,000	63,000,000	Variable	1.88	October 1, 2043
2003-2B	6,200,000	7,600,000	Variable	2.03	October 1, 2043
2010-1 A-2	46,265,000	54,765,000	Variable	2.69	July 1, 2030
2010-2 A-1	36,335,000	42,845,000	Variable	2.79	April 1, 2037
2011-1	75,252,000	86,665,000	Variable	2.89	April 1, 2040
2012-1	170,317,000	201,040,000	Variable	2.65	December 1, 2034
ST 2012-1 (A-2)	39,168,216	-	Variable	2.92	October 1, 2024
ST 2012-1 (A-3)	81,820,000	-	Variable	2.92	October 1, 2045
ST 2013-1	50,237,363	-	Variable	2.47	December 1, 2029
2018A BOA	250,360,000	-	Variable	2.50	July 10, 2023
Total	$ 880,004,579	$ 539,865,000			
Unamortized original issue discounts	(1,453,731)	(901,609)			
	$ 878,550,848	$ 538,963,391			

2002 Debt Issue— On March 4, 2002, the Authority issued $155,000,000 of Student Loan Revenue Bonds, consisting of Series 2002 A-1, A-2, A-3 ($138,000,000) and Series 2002B ($17,000,000). The Series 2002 Bonds were issued as Auction Rate Certificates and interest on the Series 2002 Bonds is not exempt from gross income of the certificate owners for federal income tax purposes. In April 2006, all of the Series 2002 Bonds were converted to variable rate demand obligations. The Authority has paid 2002 Bonds:

Year	Bond	Amount paid	Bond	Amount paid
2015	A	$15,750,000	B	$ 1,500,000
2016	A	$12,600,000	B	$ 1,100,000
2017	A	$12,750,000	B	$ 1,550,000
2018	A	$ 9,900,000	B	$ 1,550,000

Interest from the 2002 Bonds is payable monthly and at stated maturity dates. Interest rates for the years ended August 31, 2018 and 2017 are:

Year	Bond	Range	Average	Bond	Range	Average
2018	A	0.712% to 1.431%	1.03%	B	0.862% to 1.581%	1.18%
2017	A	1.431% to 2.263%	1.85%	B	1.581% to 2.413%	2.00%

The Series 2002 A-1, A-2, and A-3 Bonds were rated “Aaa” by Moody’s Investors Service. The Series 2002B Bonds were rated “A2” by Moody’s. Moody’s is expected to review its rating on an ongoing basis.

4. BONDS PAYABLE – CONTINUED

2003 Debt Issue— On January 16, 2003, the Authority issued $103,400,000 of Student Loan Revenue Bonds, of which $73,400,000 (A-1 & A-2) was used in refunding $35,000,000 from the 2000A Series Bonds, $18,900,000 from the 1993B Series Bonds, and $19,500,000 from the 1993CD Series Bonds. The refunding portion of the 2003 Bonds were issued as Auction Rate Certificates and interest on the refunding bonds was tax exempt from gross income of the certificate owners for federal income tax purposes. The 2003 Issue also included $30,000,000 in new proceeds (A-3) issued as Auction Rate Certificates and interest on these bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. $18,900,000 of the refunding bonds matured October 1, 2005. In April 2006, the remaining Series 2003 Bonds were converted to variable rate demand obligations. The Authority has paid 2003 A-3 Bonds:

Year	Amount paid
2015	$ 3,750,000
2016	$ 3,850,000
2017	$ 2,450,000
2018	$ 1,750,000

Interest from the 2003 A-3 Bonds is payable monthly and at stated maturity dates. Interest rates for the years ended August 31, 2018 and 2017 are:

Year	Range	Average
2018	1.431% to 2.277%	1.88%
2017	0.712% to 1.431%	1.05%

The Series 2003 A-3 Bonds were rated "Aaa" by Moody's Investors Service. Moody's is expected to review its rating on an ongoing basis.

2003-2 Debt Issue— On December 3, 2003, the Authority issued $150,000,000 of Student Loan Revenue Bonds consisting of Series 2003-2 A-1 and A-2: ($135,000,000) and Series 2003-2 B: ($15,000,000). The 2003-2 Bonds were issued as Auction Rate Certificates and interest on the Bonds is not exempt from gross income of the certificate owners for federal income tax purposes. In April 2006, all of the Series 2003-2 Bonds were converted to variable rate demand obligations. The Authority has paid 2003-2 Bonds:

Year	Bond	Amount paid	Bond	Amount paid
2015	A	$14,800,000	B	$ 1,250,000
2016	A	$11,700,000	B	$ 1,250,000
2017	A	$11,800,000	B	$ 1,250,000
2018	A	$ 9,700,000	B	$ 1,400,000

Interest from the 2003-2 Bonds is payable monthly and at stated maturity dates. Interest rates for the years ended August 31, 2018 and 2017 are:

Year	Bond	Range	Average	Bond	Range	Average
2018	A	1.431% to 2.277%	1.88%	B	1.581% to 2.427%	2.03%
2017	A	0.712% to 1.431%	1.05%	B	0.862% to 1.581%	1.20%

The Series 2003-2 A-1 and A-2 Bonds were rated "Aaa" by Moody's Investors Service. The Series 2003-2B Bonds were rated "A2" by Moody's. Moody's is expected to review its rating on an ongoing basis.

4. BONDS PAYABLE – CONTINUED

2010-1 Debt Issue— On May 25, 2010, the Authority issued $207,200,000 of Student Loan Revenue Bonds, consisting of Series 2010-1 A-1 ($113,960,000) and 2010-1 A-2 ($93,240,000) of which $168,315,000 was used to pay off the Authority's lines of credit with Bank of America and Frost Bank and $38,885,000 is "new money" used to acquire loans. Interest on the Series 2010-1 Bonds is tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2010-1 Bonds:

Year	Bond	Amount paid
2015	A-1	$ 6,420,000 (final A-1 bonds)
2015	A-2	$13,150,000
2016	A-2	$13,940,000
2017	A-2	$11,385,000
2018	A-2	$ 8,500,000

Interest from the 2010-1 A-2 Bonds is payable on January 1, April 1, July 1, October 1, and at stated maturity dates. Interest rates for the years ended August 31, 2018 and 2017 are:

Year	Bond	Range	Average
2018	A-2	2.199% to 3.237%	2.69%
2017	A-2	1.546% to 2.199%	1.92%

The Series 2010-1 A-2 Bonds were rated "AAAsf" by Standard and Poor's and "AAAsf" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

2010-2 Debt Issue— On October 28, 2010, the Authority issued $125,050,000 of Student Loan Revenue Bonds (Series 2010-2 (A-1)), which was used to advance refund the remaining balance of the Series 2008A bonds. Interest on the Series 2010-2 Bonds is tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2010-2 Bonds:

Year	Amount paid
2015	$ 9,990,000
2016	$ 8,980,000
2017	$ 8,495,000
2018	$ 6,510,000

Interest from the 2010-2 Bonds is payable on January 1, April 1, July 1, October 1, and at stated maturity dates. Interest rates for the years ended August 31, 2018 and 2017 are:

Year	Range	Average
2018	2.299% to 3.337%	2.79%
2017	1.646% to 2.299%	2.02%

The Series 2010-2 Bonds were rated "AAAsf" by Standard and Poor's and "AAAsf" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

2011-1 Debt Issue— On February 24, 2011, the Authority issued $210,200,000 of Student Loan Revenue Bonds (Series 2011-1), which was used to advance refund the 1991 C and F bonds, 1996 A and C bonds, 2006A bonds, and the remaining balances of the 2006B and C bonds. Interest on the Series 2011-1 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2011-1 Bonds:

4. BONDS PAYABLE – CONTINUED

Year	Amount paid
2015	$17,545,000
2016	$13,705,000
2017	$15,200,000
2018	$11,413,000

Interest from the 2011-1 Bonds is payable on January 1, April 1, July 1, October 1, and at stated maturity dates. Interest rates for the years ended August 31, 2018 and 2017 are:

Year	Range	Average
2018	2.399% to 3.437%	2.89%
2017	1.746% to 2.399%	2.12%

The Series 2011-1 Bonds were rated "AAAsf" by Standard and Poor's and "AAAsf" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

2012-1 Debt Issue— On July 24, 2012, the Authority issued $463,200,000 of Student Loan Revenue Bonds (Series 2012-1), which was used to advance refund the remaining balances of the 1998A, 2000B, 2001, 2004, 2005CD, 2007AB, and 2010E bonds. Interest on the Series 2012-1 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2012-1 Bonds:

Year	Amount paid
2015	$50,904,000
2016	$40,556,000
2017	$35,166,000
2018	$30,723,000

Interest from the Bonds is payable on the first of each month and at stated maturity dates. Interest rates for the years ended August 31, 2018 and 2017 are:

Year	Range	Average
2018	2.232% to 3.082%	2.65%
2017	1.523% to 2.232%	1.83%

The Series 2012-1 Bonds were rated "AA+sf" by Standard and Poor's and "AAAsf" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

STHEA 2012-1 Debt Issue— On February 9, 2018, the Authority assumed the remaining balance of Student Loan Revenue Bonds (Series 2012-1) originally issued by the South Texas Higher Education Authority ("STHEA"), the original issue was for $276 million but had a balance of $128,375,237 (A-2 $46,555,237 and A-3 $81,820,000) at the time of acquisition. Interest on the Series STHEA 2012-1 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid STHEA 2012-1 Bonds:

Year	Amount paid
2018	$ 7,387,021

Interest from the Bonds is payable on January 1, April 1, July 1, October 1, and at stated maturity dates. Interest rates for the years ended August 31, 2018 and 2017 are:

4. BONDS PAYABLE – CONTINUED

Year	Range	Average
2018	2.545% to 3.187%	2.919%

The Series STHEA 2012-1 Bonds were rated "AA+sf" by Standard and Poor's and "AAAsf" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

STHEA 2013-1 Debt Issue— On February 9, 2018, the Authority assumed the remaining balance of Student Loan Revenue Bonds (Series 2013-1) originally issued by the South Texas Higher Education Authority ("STHEA"), the original issue was for $104.3 million but had a balance of $54,230,091 at the time of acquisition. Interest on the Series STHEA 2013-1 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid STHEA 2013-1 Bonds:

Year	Amount paid
2018	$ 3,992,728

Interest from the Bonds is payable on the first of each month and at stated maturity dates. Interest rates for the years ended August 31, 2018 and 2017 are:

Year	Range	Average
2018	2.264% to 2.681%	2.468%

The Series STHEA 2013-1 Bonds were rated "AA+sf" by Standard and Poor's and "AAAsf" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

2018A Direct Placement Note— On January 2, 2018, the Authority entered a short-term line of credit arrangement with Bank of America and then refinanced it on July 10, 2018, to a five-year direct placement note in order to acquire the FFELP portfolio held by the Bank of North Dakota as well as a small portfolio of unencumbered FFELP student loans that was part of the South Texas Higher Education Authority acquisition. The original line of credit was funded with $269,450,000 but had a balance of $250,360,000 at the time of refinancing. Interest on the Series 2018A note is not tax exempt from gross income for federal income tax purposes. The Authority has paid 2018A note payments:

Year	Amount paid
2018	$19,090,000

Interest from the Bonds is payable on the first business day of each month. Interest rates for the year ended August 31, 2018 are:

Year	Range	Average
2018	2.268% to 2.612%	2.501%

4. BONDS PAYABLE – CONTINUED

The following is a summary of all debt service requirements at August 31, 2018:

Fiscal Year	Principal	Interest	Total
2019	$ 122,445,921	$ 24,451,616	$ 146,897,537
2020	119,997,004	25,167,416	$ 145,164,421
2021	117,597,064	22,338,361	$ 139,935,425
2022	115,245,123	19,312,043	$ 134,557,166
2023	112,940,220	16,183,691	$ 129,123,912
2024 thru 2028	290,257,347	27,760,903	$ 318,018,250
2029 thru 2033	1,521,900	28,312	$ 1,550,212
2034 thru 2038	-	-	$ -
	$ 880,004,579	$ 135,242,342	$ 1,015,246,921

Rates for all the Authority's bonds are indexed to either the three-month or one-month LIBOR rate and are re-set monthly or quarterly (depending on the bond) by the Trustee.

The following is a summary of changes in revenue bonds payable by the Authority for the years ended August 31, 2018 and 2017:

	Balance at beginning of year	Issued	Repaid or Defeased	Balance at end of year
2018	$ 539,865,000	$ 452,055,328	$ (111,915,749)	$ 880,004,579
2017	$ 639,911,000	$ 0	$ (100,046,000)	$ 539,865,000

The bonds may be redeemed prior to their stated maturity only in authorized denominations. Upon proper notice, bonds may be redeemed in whole or part by lot, at par plus accrued interest to the date of redemption, without premium, at the option of the Authority and with the permission of the credit provider. There are no defeased bonds outstanding as of August 31, 2018.

The Authority is subject to financial covenants imposed by the various bond indentures requiring such conditions as compliance with certain ratios. Management believes that the Authority was in compliance with all significant financial covenants and bond indentures during 2018 and 2017.

The Bonds are limited obligations of the Authority payable solely from revenue received by the Authority from the assets contained in each trust estate created under an indenture including payments on student loans and investment earnings. Neither the faith and credit nor the taxing power or any revenue of the State of Texas or any political subdivision thereof are pledged to the payment of the bond principal and interest thereon. The bonds are not a general obligation of the Authority, and the individual board members are not liable.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

5. BORROWER INCENTIVE PROGRAM

The Authority has a borrower incentive program in place in which eligible borrowers, after making a stipulated number of on-time payments, will have a portion of the principal balance of their student loan(s) written-off and such portion reported as “paid.” Also, for certain eligible borrowers who pay the balance of their student loans(s) to below $600 (total balance of all the borrower’s loans must be below $600), the remaining balance of the borrower’s loan(s) is written-off and reported as “paid in full.” In 2018 and 2017, borrower incentive write-offs that went to this program were $1,101,180 and $1,203,393, respectively.

6. EXCESS EARNINGS AND ARBITRAGE LIABILITIES

All of the Authority’s outstanding tax exempt bonds (interest on the bonds being tax exempt from gross income of the certificate owners for federal income tax purposes) are subject to federal government excess interest rebate laws. These laws limit the earnings on the loans (loan yield) by an organization that issues tax exempt bonds for the purpose of acquiring FFELP student loans. For the years ended August 31, 2018 and 2017, the Authority made no provision for excess interest. The indentures require such excess earnings to be placed in an “excess earnings account” and held until the amount is due to the U.S. Treasury. Federal government excess earnings laws allow for loan forgiveness programs to be employed to reduce the excess earnings amounts that must be remitted to the U.S. Treasury when the bonds are redeemed. The Authority has a loan forgiveness program in which borrowers’ debt is forgiven when the debt is reduced to a threshold amount and the borrowers meet all other requirements of the program. The excess earnings liability (for each bond series) is calculated annually on a date set by the Authority and on the bond maturity date. The excess earnings are periodically adjusted when the calculations reveal the current amount of student loans to be forgiven if the bonds were redeemed.

All of the Authority’s outstanding tax exempt bonds are subject to federal government arbitrage rebate laws. These laws limit the earnings rate on funds received by an organization that issues tax exempt bonds. Arbitrage provisions recognize revenues above the rebate limit, which must be remitted to the federal government. The indentures require such arbitrage earnings to be placed in an arbitrage rebate account and held until the amount is paid to the U.S. Treasury. The arbitrage liability (for each bond series) is calculated annually on a date set by the Authority and on the bond maturity date. The arbitrage earnings are periodically adjusted when the calculations reveal the current amount of liability if the bonds were redeemed. The arbitrage rebate laws require that generally on every 5th anniversary of the bond issue, payment of 90% of the amount of the liability (if any) must be remitted to the U.S. Treasury. For the years ended August 31, 2018 and 2017, the Authority made no provision for arbitrage rebate and no payment was required.

A liability for excess earnings over the allowable spread between the loan yield and bond yield and for excess earnings over the allowable spread between the earnings rate on funds and bond yield has been included in the financial statements when such liability is incurred. Mostly due to substantially decreasing yields on student loans and investment rates since 2007, as of 2013, the Authority’s excess earnings liabilities have been eliminated. In 2018 and 2017, the higher non-operating revenues and higher investment rates increase the likelihood of excess earning liabilities. However, increasing bond rates in 2018 and 2017 decrease the likelihood of the liabilities. Also, loan write-offs from the Authority’s borrower incentive program (see Note 5 above) contribute somewhat to the decrease in likelihood of an excess interest liability. The Authority has not incurred any excess earnings liability since these liabilities were eliminated in 2013.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

7. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The Authority has one segment that meets the reporting requirements of GASB Statement No. 34.

The outstanding debt payable by the Authority consists mostly of Student Loan Revenue Bonds. Related debt covenants provide that the outstanding debt is payable from the eligible loans pledged under the debt covenants, amounts deposited in the accounts pledged under the debt covenants, and all other revenues and recoveries of principal from the loans purchased with the bond proceeds.

Summary financial information for the Student Loan Revenue Bonds as of August 31, 2018 and 2017 is as follows:

	Surplus Fund		Bond Funds		Total	
	2018	2017	2018	2017	2018	2017
Condensed Statements of Net Position						
Assets:						
Current assets	$ 21,287,599	$ 37,040,792	$ 293,716,154	$ 153,166,544	$ 315,003,753	$ 190,207,336
Noncurrent assets	13,598,716	35,284,534	753,416,839	505,114,721	767,015,555	540,399,255
Total assets	34,886,315	72,325,326	1,047,132,993	658,281,265	1,082,019,308	730,606,591
Liabilities:						
Current liabilities	14,273	173,627	127,755,470	93,392,281	127,769,743	93,565,908
Noncurrent liabilities	-	-	756,104,925	448,501,391	756,104,925	448,501,391
Total liabilities	14,273	173,627	883,860,395	541,893,672	883,874,668	542,067,299
Deferred Inflows of Resources	8,530,111	-	-	-	8,530,111	-
Net position:						
Restricted	-	-	163,272,598	116,387,593	163,272,598	116,387,593
Unrestricted	26,341,931	72,151,699	-	-	26,341,931	72,151,699
Total net position	26,341,931	72,151,699	163,272,598	116,387,593	189,614,529	188,539,292
Total liabilities and net position	$ 34,886,315	$ 72,325,326	$ 1,047,132,993	$ 658,281,265	$ 1,082,019,308	$ 730,606,591

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

7. SEGMENT INFORMATION – CONTINUED

	Surplus Fund		Bond Funds		Total	
	2018	2017	2018	2017	2018	2017
Condensed Statements of Revenues, Expenses and Changes in Net Position						
Operating revenues	$ 858,665	$ 2,075,722	$ 36,925,836	$ 27,061,190	$ 37,784,501	$ 29,136,912
Operating expenses	1,998,305	2,284,803	29,748,806	15,714,535	31,747,111	17,999,338
Total operating income (loss)	(1,139,639)	(209,081)	7,177,030	11,346,655	6,037,390	11,137,574
Nonoperating revenue	(268,664)	(1,029,569)	(4,693,489)	(7,641,492)	(4,962,153)	(8,671,062)
Change in net position	(1,408,304)	(1,238,650)	2,483,541	3,705,163	1,075,237	2,466,512
Net position—beginning of year	72,151,699	69,242,049	116,387,593	116,830,731	188,539,292	186,072,780
Transfer from Bonds to Surplus	(44,401,464)	4,148,301	44,401,464	(4,148,301)	-	-
Net position—end of year	$ 26,341,931	$ 72,151,699	$ 163,272,598	$ 116,387,593	$ 189,614,529	$ 188,539,292
Condensed Statements of Cash Flows						
Net cash provided (used) by:						
Operating activities	$ (8,832,228)	$ 10,475,972	$ (137,896,872)	$ 102,416,163	$ (146,729,100)	$ 112,892,135
Noncapital financing activities	(411,129)	(1,123,999)	160,611,659	(108,391,410)	160,200,530	(109,515,409)
Investing activities	9,577,285	(9,351,973)	(22,921,574)	5,736,172	(13,344,289)	(3,615,801)
Change in cash and cash equivalents	333,928	(0)	(206,787)	(239,075)	127,141	(239,075)
Cash and cash equivalents - beginning of year	-	-	36,501	275,576	36,501	275,576
Cash and cash equivalents - end of year	$ 333,928	$ (0)	$ (170,286)	$ 36,501	$ 163,642	$ 36,501

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE – STATEMENTS OF NET POSITION INFORMATION
AUGUST 31, 2018

ASSETS		Debt Issue 2012-1	2011-1	2010-2	2010-1	2003-2	2003	2002	ST 2012-1	ST 2013-1	2018A BOA	Surplus Fund	Clearing Fund	Total Issues and Other Funds
Cash and cash equivalents	$					7,574	669	17,479	81,206	56,715				163,642
Investments - nonrestricted -- current												20,496,003		20,496,003
Investments - nonrestricted -- long-term												13,483,376		13,483,376
Investments - restricted -- current		4,110,166	4,309,694	2,718,832	4,233,265	3,074,244	1,187,765	2,591,322	5,562,697	1,821,039	7,925,099		837,302	38,371,425
Accrued interest and other accounts receivable		3,948,881	1,850,645	1,111,398	1,809,849	1,446,835	350,110	1,632,189	3,507,398	1,495,678	5,628,962	109,434	571,696	23,463,075
Unremitted student loan principal and interest														—
collections due (to) from Clearing Fund		193,089	93,626	28,643	18,120	290,912	95,866	306,394	80,845	27,551	103,259	23,206	(1,261,513)	—
Amounts due (to) from other funds									(83,768)	(132,221)	(138,761)	354,750		—
Student loan notes receivable - net		187,745,971	87,338,310	44,817,052	50,114,606	73,249,084	16,136,662	83,057,426	131,712,925	55,787,716	255,725,559	418,920	(141,056)	985,963,175
Prepaid expenses		15,785	5,000	1,667	7,500	5,625	6,204	12,600	12,356	9,375	1,875	625		78,612
Total assets	$	196,013,891	93,597,276	48,677,592	56,183,340	78,074,273	17,777,276	87,617,411	140,873,658	59,065,854	269,245,994	34,886,315	6,429	**1,082,019,308**
LIABILITIES AND NET POSITION														
LIABILITIES:														
Accounts payable	$	128,676	78,604	40,320	21,516	66,476	14,073	73,665	234,545	99,364	260,109	13,826	6,429	1,037,602
Accrued interest payable		451,939	438,301	205,475	253,789	45,478	8,161	83,653	653,438	116,002	963,288			3,219,523
Accrued Special Allowance payable		239,679	32,048	25,988	172,437	41,663	17,673	4,321	85,682	32,465	411,773			1,063,728
Accrued other liabilities		360	360	360	360	360	360	360				446		2,968
Bonds payable, less unamortized original														—
issue discount of $953,869		169,467,651	75,252,000	36,335,000	46,265,000	59,500,000	10,750,000	60,000,000	120,041,992	50,579,205	250,360,000			878,550,847
Total liabilities		170,288,304	75,801,313	36,607,142	46,713,103	59,653,978	10,790,267	60,161,999	121,015,656	50,827,035	251,995,170	14,271	6,429	883,874,668
Deferred Inflows of Resources		—	—	—	—	—	—	—	—	—	—	8,530,111	—	8,530,111
Net position		25,725,587	17,795,963	12,070,449	9,470,237	18,420,296	6,987,009	27,455,412	19,858,003	8,238,818	17,250,824	26,341,932	—	189,614,529
TOTAL LIABILITIES AND NET POSITION	$	196,013,891	93,597,276	48,677,592	56,183,340	78,074,273	17,777,276	87,617,411	140,873,658	59,065,854	269,245,994	34,886,315	6,429	**1,082,019,308**

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE – STATEMENTS OF NET POSITION INFORMATION
AUGUST 31, 2017

		Debt Issue									Total Issues
ASSETS		**2012-1**	**2011-1**	**2010-2**	**2010-1**	**2003-2**	**2003**	**2002**	**Surplus Fund**	**Clearing Fund**	**and Other Funds**
Cash and cash equivalents	$					17,766	2,140	16,595			36,501
Investments - nonrestricted -- current									29,883,048		29,883,048
Investments - nonrestricted -- long-term									13,673,616		13,673,616
Investments - restricted -- current		8,513,046	4,507,288	2,646,316	5,391,358	3,503,974	1,302,795	3,531,380		1,111,753	30,507,910
Accrued interest and other accounts receivable		4,077,518	1,636,749	1,015,723	1,838,534	1,360,572	379,847	1,531,094	782,297	324,949	12,947,283
Unremitted student loan principal and interest collections due (to) from Clearing Fund		168,864	45,487	24,717	80,363	277,518	71,602	316,569	28,667	**(1,013,787)**	—
Amounts due (to) from other funds		—	—	—	—	—	—	—	—	—	—
Student loan notes receivable - net		213,477,927	98,562,619	51,006,756	59,544,194	81,524,502	18,454,978	93,394,282	27,957,073	**(422,461)**	643,499,870
Prepaid expenses		19,142	5,000	1,667	7,500	5,625	6,204	12,600	625		58,363
Total assets	$	226,256,497	104,757,143	54,695,179	66,861,949	86,689,957	20,217,566	98,802,520	72,325,326	454	730,606,591
LIABILITIES AND NET POSITION											
LIABILITIES:											
Accounts payable	$	147,355	89,759	47,526	27,012	75,638	16,796	83,520	13,100	454	501,160
Accrued interest payable		386,341	346,459	164,140	200,678	31,209	5,464	63,266			1,197,557
Accrued Special Allowance payable		494,447	131,644	66,834	280,997	128,392	36,273	101,817	159,814		1,400,218
Accrued other liabilities		607	609	609	609	609	609	609	712		4,973
Bonds payable, less unamortized original											—
issue discount of $901,609		200,138,391	86,665,000	42,845,000	54,765,000	70,600,000	12,500,000	71,450,000			538,963,391
Total liabilities		201,167,141	87,233,471	43,124,109	55,274,296	70,835,848	12,559,142	71,699,212	173,626	454	542,067,299
Net position		25,089,356	17,523,672	11,571,070	11,587,653	15,854,109	7,658,424	27,103,308	72,151,700	—	188,539,292
TOTAL LIABILITIES AND NET POSITION	$	226,256,497	104,757,143	54,695,179	66,861,949	86,689,957	20,217,566	98,802,520	72,325,326	454	730,606,591

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE – STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION
FOR THE YEAR ENDING AUGUST 31, 2018

	Debt Issue 2012-1	2011-1	2010-2	2010-1	2003-2	2003	2002	ST 2012-1	ST 2013-1	2018A BOA	Non Restricted Surplus Fund	Total Funds
REVENUES												
Interest on student loans	$ 8,622,917	3,460,142	1,866,710	3,208,567	3,028,760	737,027	3,032,188	3,319,992	1,474,408	7,718,106	558,907	37,027,725
Interest on investments	60,602	50,555	32,814	53,084	46,204	16,652	38,327	34,812	13,699	110,269	633,687	1,090,705
Unrealized gain on investments											(333,929)	(333,929)
Government Subsidy on Student Loans	569,575	192,552	127,157	261,924	211,135	42,932	172,426	285,008	121,363	421,877	34,648	2,440,597
Special allowance income	(1,997,731)	(449,953)	(190,033)	(1,303,842)	(448,113)	(147,431)	(256,316)	(323,205)	(112,167)	(1,870,648)	(303,312)	(7,402,750)
Total revenues	7,255,363	3,253,296	1,836,648	2,219,734	2,837,987	649,180	2,986,625	3,316,608	1,497,303	6,379,604	590,001	32,822,348
OPERATING EXPENSES												
Interest on bonds	4,957,615	2,374,140	1,122,057	1,375,474	1,219,261	215,367	1,223,112	2,164,362	746,064	4,400,113	—	19,797,565
Loan servicing fees	572,167	204,654	167,859	228,050	235,547	50,825	201,949	731,320	367,832	962,668	45,632	3,768,502
Administrative & operating costs paid to Higher Education Servicing Corporation	498,000	325,008	168,000	54,000	378,000	87,998	438,000	396,797	193,052	661,100	1,783,893	4,983,849
Trustee fees	21,392	10,814	10,814	10,814	23,314	19,426	26,014	12,856	7,292	625	1,500	144,862
Borrower incentive loan write-offs	399,352	122,268	108,072	224,820	113,979	25,568	102,577	—	—	2,522	2,021	1,101,180
Cost of issuance of new debt	—	—	—	—	—	—	—	—	—	1,435,831	62,500	1,498,331
Miscellaneous expense	48,105	42,124	44,465	43,992	13,739	10,410	14,368	33,739	53,665	45,455	102,760	452,822
Total Operating expenses	6,496,631	3,079,008	1,621,267	1,937,150	1,983,841	409,595	2,006,020	3,339,074	1,367,905	7,508,313	1,998,306	31,747,111
CHANGE IN NET POSITION	758,731	174,288	215,380	282,584	854,146	239,584	980,605	(22,466)	129,398	(1,128,709)	(1,408,305)	1,075,237
NET POSITION--Beginning of year	25,089,356	17,523,675	11,571,069	11,587,653	15,854,109	7,658,424	27,103,308	—	—	—	72,151,699	188,539,292
Assets transferred to (from) other Bond Series	(122,500)	98,000	284,000	(2,400,000)	1,712,041	(911,000)	(628,500)	19,880,469	8,109,421	18,379,532	(44,401,463)	—
NET POSITION--End of year	$ 25,725,587	17,795,963	12,070,449	9,470,237	18,420,296	6,987,009	27,455,412	19,858,003	8,238,818	17,250,824	26,341,932	189,614,529

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE – STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION
FOR THE YEAR ENDING AUGUST 31, 2017

	Debt Issue							Non Restricted	Total
	2012-1	2011-1	2010-2	2010-1	2003-2	2003	2002	Surplus Fund	Funds
REVENUES									
Interest on student loans	$ $ 9,602,777	3,789,872	2,063,371	3,759,133	3,501,817	849,545	3,325,940	1,877,662	28,770,117
Interest on investments	39,710	26,734	16,524	29,132	25,194	9,780	21,661	344,737	513,472
								(146,676)	(146,676)
Government Subsidy on Student Loans	717,213	237,216	142,689	337,317	234,993	59,401	229,638	128,606	2,087,073
Special allowance income	(3,764,411)	(1,089,939)	(468,827)	(2,071,794)	(1,002,757)	(277,581)	(924,651)	(1,158,175)	(10,758,135)
Total revenues	6,595,289	2,963,883	1,753,757	2,053,788	2,759,247	641,145	2,652,588	1,046,154	20,465,851
OPERATING EXPENSES									
Interest on bonds	4,056,514	1,993,189	949,514	1,171,004	819,830	143,437	822,930	-	9,956,418
Loan servicing fees	683,276	236,975	203,291	282,612	271,344	58,910	227,682	139,378	2,103,468
Administrative & operating costs paid to Higher Education Servicing Corporation	584,700	320,004	190,008	66,504	433,800	101,796	500,004	1,988,568	4,185,384
Trustee fees	24,540	11,222	10,814	10,814	23,314	19,426	26,014	1,500	127,644
Borrower incentive loan write-offs	466,801	126,815	126,132	217,406	146,818	24,987	91,145	3,289	1,203,393
Miscellaneous expense	49,265	49,265	54,159	52,907	21,789	21,789	21,789	152,069	423,032
Total Operating expenses	5,865,096	2,737,470	1,533,918	1,801,247	1,716,895	370,345	1,689,564	2,284,804	17,999,339
CHANGE IN NET POSITION	730,193	226,413	219,839	252,541	1,042,352	270,800	963,024	(1,238,650)	2,466,512
NET POSITION--Beginning of year	24,359,163	17,297,259	11,351,231	13,835,112	14,937,962	8,766,128	26,283,876	69,242,049	186,072,780
Assets transferred to (from) other Bond Series	-	-	-	(2,500,000)	(126,205)	(1,378,504)	(143,592)	4,148,301	-
NET POSITION--End of year	$ $ 25,089,356	17,523,672	11,571,070	11,587,653	15,854,109	7,658,424	27,103,308	72,151,700	188,539,292