

# Texas General Land Office and Texas Veterans' Land Board



## Unaudited Annual Financial Report

Year Ended  
**August 31, 2015**



**George P. Bush**  
Commissioner & Chairman



# TEXAS GENERAL LAND OFFICE VETERANS' LAND BOARD

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UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2015



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TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

# INTRODUCTION

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TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

November 20, 2015

The Honorable Greg Abbott, Governor  
The Honorable Glenn Hegar, State Comptroller  
Ursula Parks, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Dear Governor Abbott, Comptroller Hegar, Ms. Parks and Mr. Keel:

I am pleased to submit the Annual Financial Report of the Texas General Land Office and Veterans Land Board (305) for the fiscal year ended August 31, 2015, in compliance with Texas Government Code Ann. §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Viktoriya Jensen at (512) 936-7531. Teri Merkel may be contacted at (512) 475-1599 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

GEORGE P. BUSH  
Commissioner, General Land Office

GB/ VJ

Enclosure

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TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

GENERAL PURPOSE  
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2015



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Texas General Land Office and Veterans' Land Board (305)

EXHIBIT I

COMBINED BALANCE SHEET/STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|  | GOVERNMENTAL FUND TYPES                   |   |   |
|--|---|---|---|
|  | GENERAL<br>REVENUE<br>FUNDS<br>(EXH. A-1) | SPECIAL<br>REVENUE<br>FUNDS<br>(EXH. B-1) | PERMANENT<br>FUNDS<br>FUND (0044)<br>U/F (0007)(0010)(0013) |
|  | \$  | \$  | \$  |
| <b>ASSETS</b>  |   |   |   |
| <b>Current Assets:</b>                                 |   |   |   |
| Cash:  |   |   |   |
| Cash on Hand   | 200.00                                    |   |   |
| Cash in Bank (Note 3)                                  | 10,000.00                                 | 996,128.00                                | 473,508.99  |
| Cash in State Treasury                                 | 27,543,832.59                             | 1,311,278.83                              | 2,595,251,678.49  |
| Legislative Appropriation                              | 26,980,266.93                             |   |   |
| Receivables:   |   |   |   |
| Federal  | 51,602,553.63                             | 432,768.93                                |   |
| Interest and Dividends                                 | 615.50                                    | 562.64                                    | 908,968.85  |
| Accounts   | 363,016.65                                | 255,000.00                                | 102,205,110.76  |
| Due From:  |   |   |   |
| Other Funds  | 1,095,562.60                              | 13,400.00                                 | 325,429.47  |
| Other Agencies   | 15,872.44                                 |   |   |
| Consumable Inventories                                 | 33,642.13                                 | 1,500.00                                  |   |
| Prepaid Items  | 817,671.59                                |   |   |
| Notes Receivable                                       |   |   | 28,699.02   |
| <b>Total Current Assets</b>                            | <b>108,463,234.06</b>                     | <b>3,010,638.40</b>                       | <b>2,699,193,395.58</b>                                     |
| <b>Noncurrent Assets:</b>                              |   |   |   |
| Notes Receivable                                       |   |   | 2,901,806.29  |
| Investments in Real Assets at Historical Cost (Note 3) |   |   | 14,270,685.00   |
| Investments in Real Assets at Fair Value (Note 3)      |   |   | 2,247,795,869.50  |
| <b>Capital Assets (Note 2):</b>                        |   |   |   |
| Depreciable Capital Assets:                            |   |   |   |
| Vehicles, Boats, and Aircraft                          |   |   |   |
| Less Accumulated Depreciation                          |   |   |   |
| Furniture and Equipment                                |   |   |   |
| Less Accumulated Depreciation                          |   |   |   |
| Buildings  |   |   |   |
| Less Accumulated Depreciation                          |   |   |   |
| Non-Depreciable Capital Assets:                        |   |   |   |
| Construction in Progress                               |   |   |   |
| Other Capital Assets                                   |   |   |   |
| Land and Land Improvements                             |   |   |   |
| Amortizable Intangible Assets:                         |   |   |   |
| Computer Software                                      |   |   |   |
| Less Accumulated Amortization                          |   |   |   |
| <b>Total Noncurrent Assets</b>                         | <b>0.00</b>                               | <b>0.00</b>                               | <b>2,264,968,360.79</b>                                     |
| <b>TOTAL ASSETS</b>                                    | <b>108,463,234.06</b>                     | <b>3,010,638.40</b>                       | <b>4,964,161,756.37</b>                                     |

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| GOVERNMENTAL FUNDS TOTALS<br>(Memorandum Only)<br>2015 |                         |                      |             | GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS) ADJUSTMENTS<br>CAPITAL ASSETS      LONG-TERM LIABILITIES      OTHER |    |    |    | STATEMENT OF NET POSITION TOTALS<br>(Memorandum Only)<br>2015      2014 |                         |
|--|-------------------------|----------------------|-------------|--|----|----|----|---|-------------------------|
| \$   | \$                      | \$                   | \$          | \$   | \$ | \$ | \$ | \$  | \$                      |
|  | 200.00                  |                      |             |  |    |    |    | 200.00  | 200.00                  |
|  | 1,479,636.99            |                      |             |  |    |    |    | 1,479,636.99  | 895,076.00              |
|  | 2,624,106,789.91        |                      |             |  |    |    |    | 2,624,106,789.91  | 1,980,261,014.56        |
|  | 26,980,266.93           |                      |             |  |    |    |    | 26,980,266.93   | 39,872,622.67           |
|  | 52,035,322.56           |                      |             |  |    |    |    | 52,035,322.56   | 59,515,902.11           |
|  | 910,146.99              |                      |             |  |    |    |    | 910,146.99  | 593,300.91              |
|  | 102,823,127.41          |                      |             |  |    |    |    | 102,823,127.41  | 113,099,560.70          |
|  | 1,434,392.07            |                      |             |  |    |    |    | 1,434,392.07  | 1,957,268.71            |
|  | 15,872.44               |                      |             |  |    |    |    | 15,872.44   | 187,901.24              |
|  | 35,142.13               |                      |             |  |    |    |    | 35,142.13   | 52,059.30               |
|  | 817,671.59              |                      |             |  |    |    |    | 817,671.59  | 806,000.00              |
|  | 28,699.02               |                      |             |  |    |    |    | 28,699.02   | 29,248.58               |
|  | <u>2,810,667,268.04</u> | 0.00                 | 0.00        | 0.00   |    |    |    | <u>2,810,667,268.04</u>   | <u>2,197,270,154.78</u> |
|  | 2,901,806.29            |                      |             |  |    |    |    | 2,901,806.29  | 2,913,311.73            |
|  | 14,270,685.00           |                      |             |  |    |    |    | 14,270,685.00   | 13,898,877.69           |
|  | 2,247,795,869.50        |                      |             |  |    |    |    | 2,247,795,869.50  | 2,249,717,293.66        |
|  |                         | 4,726,124.53         |             |  |    |    |    | 4,726,124.53  | 4,576,479.21            |
|  |                         | (3,512,806.17)       |             |  |    |    |    | (3,512,806.17)  | (3,377,084.96)          |
|  |                         | 5,939,570.99         |             |  |    |    |    | 5,939,570.99  | 5,761,298.93            |
|  |                         | (4,586,676.35)       |             |  |    |    |    | (4,586,676.35)  | (4,320,301.18)          |
|  |                         | 45,766,136.90        |             |  |    |    |    | 45,766,136.90   | 45,095,238.22           |
|  |                         | (24,513,762.05)      |             |  |    |    |    | (24,513,762.05)   | (22,412,601.65)         |
|  |                         | 6,118,016.87         |             |  |    |    |    | 6,118,016.87  | 3,607,630.70            |
|  |                         | 15,810,624.53        |             |  |    |    |    | 15,810,624.53   | 139,983.40              |
|  |                         | 2,867,958.00         |             |  |    |    |    | 2,867,958.00  | 2,867,958.00            |
|  |                         | 988,393.78           |             |  |    |    |    | 988,393.78  | 988,393.78              |
|  |                         | (633,157.59)         |             |  |    |    |    | (633,157.59)  | (507,609.39)            |
|  | <u>2,264,968,360.79</u> | <u>48,970,423.44</u> | <u>0.00</u> | <u>0.00</u>  |    |    |    | <u>2,313,938,784.23</u>   | <u>2,298,948,868.14</u> |
|  | <u>5,075,635,628.83</u> | <u>48,970,423.44</u> | <u>0.00</u> | <u>0.00</u>  |    |    |    | <u>5,124,606,052.27</u>   | <u>4,496,219,022.92</u> |

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Texas General Land Office and Veterans' Land Board (305)

EXHIBIT I (concluded)

COMBINED BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|   | GOVERNMENTAL FUND TYPES                   |   |   |
|---|---|---|---|
|   | GENERAL<br>REVENUE<br>FUNDS<br>(EXH. A-1) | SPECIAL<br>REVENUE<br>FUNDS<br>(EXH. B-1) | PERMANENT<br>FUNDS<br>FUND (0044)<br>U/F (0007)(0010)(0013) |
|   | \$  | \$  | \$  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |   |   |   |
| Deferred Outflows of Resources                  |   |   |   |
| <b>TOTAL DEFERRED OUTFLOWS</b>                  |   | 0.00                                      | 0.00  |
| <b>LIABILITIES</b>                              |   |   |   |
| Current Liabilities:                            |   |   |   |
| Payables:                                       |   |   |   |
| Accounts  | 48,397,162.37                             | 256,848.90                                | 15,407,174.53   |
| Payroll   | 3,346,170.34                              | 9,106.83                                  | 1,391,072.97  |
| Retainage                                       |   | 505,121.20                                |   |
| Due To:   |   |   |   |
| Other Funds                                     | 1,010,154.94                              | 61,649.27                                 | 428,136.43  |
| Other Agencies                                  | 2,871,725.52                              |   |   |
| Unearned Revenues                               | 757,244.60                                |   | 53,026,429.00   |
| Employees' Compensable Leave (Note 5)           |   |   |   |
| Funds Held for Others                           | 1,544,602.04                              |   |   |
| <b>Total Current Liabilities</b>                | <b>57,927,059.81</b>                      | <b>832,726.20</b>                         | <b>70,252,812.93</b>  |
| Noncurrent Liabilities:                         |   |   |   |
| Employees' Compensable Leave (Note 5)           |   |   |   |
| <b>Total Noncurrent Liabilities</b>             | <b>0.00</b>                               | <b>0.00</b>                               | <b>0.00</b>   |
| <b>TOTAL LIABILITIES</b>                        | <b>57,927,059.81</b>                      | <b>832,726.20</b>                         | <b>70,252,812.93</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |   |   |   |
| Deferred Inflows of Resources                   | 12,428.25                                 |   | 6,133,320.01  |
| <b>TOTAL DEFERRED INFLOWS</b>                   | <b>12,428.25</b>                          | <b>0.00</b>                               | <b>6,133,320.01</b>   |
| <b>FUND FINANCIAL STATEMENT - FUND BALANCES</b> |   |   |   |
| Fund Balances (Note 1):                         |   |   |   |
| Nonspendable for Permanent Fund Corpus          |   |   | 3,925,130,558.00  |
| Nonspendable for Inventory                      | 33,642.13                                 |   |   |
| Nonspendable for Prepaid                        | 814,519.01                                |   |   |
| Restricted                                      | 779,419.61                                | 2,177,912.20                              | 962,645,065.43  |
| Committed                                       | 7,191,229.99                              |   |   |
| Unassigned                                      | 41,704,935.26                             |   |   |
| <b>TOTAL FUND BALANCES (Exhibit II)</b>         | <b>50,523,746.00</b>                      | <b>2,177,912.20</b>                       | <b>4,887,775,623.43</b>                                     |
| <b>GOVERNMENT-WIDE STATEMENT</b>                |   |   |   |
| <b>NET POSITION</b>                             |   |   |   |
| Invested in Capital Assets, Net of Related Debt |   |   |   |
| Restricted                                      |   |   |   |
| Unrestricted                                    |   |   |   |
| <b>TOTAL NET POSITION (Exhibit II)</b>          |   |   |   |

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

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| GOVERNMENTAL FUNDS TOTALS                  |                |                       |                    |      | STATEMENT OF NET POSITION TOTALS |                    |
|--|----------------|-----------------------|--------------------|------|----------------------------------|--------------------|
| GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS) |                |                       |                    |      | (Memorandum Only)                |                    |
| (Memorandum Only)                          | CAPITAL ASSETS | ADJUSTMENTS           |                    |      | 2015                             | 2014               |
| 2015                                       |                | LONG-TERM LIABILITIES | OTHER              |      |                                  |                    |
| \$   | \$             | \$                    | \$                 |      | \$                               | \$                 |
| 0.00                                       |                |                       |                    |      | 0.00                             | 0.00               |
| 0.00                                       | 0.00           | 0.00                  | 0.00               | 0.00 | 0.00                             | 0.00               |
| 64,061,185.80                              |                |                       |                    |      | 64,061,185.80                    | 58,687,670.52      |
| 4,746,350.14                               |                |                       |                    |      | 4,746,350.14                     | 4,810,753.14       |
| 505,121.20                                 |                |                       |                    |      | 505,121.20                       | 200,523.97         |
| 1,499,940.64                               |                |                       |                    |      | 1,499,940.64                     | 2,248,365.98       |
| 2,871,725.52                               |                |                       |                    |      | 2,871,725.52                     | 3,834,108.12       |
| 53,783,673.60                              |                |                       |                    |      | 53,783,673.60                    | 59,638,642.28      |
| 0.00                                       |                | 3,106,046.89          |                    |      | 3,106,046.89                     | 3,302,372.65       |
| 1,544,602.04                               |                |                       |                    |      | 1,544,602.04                     | 0.00               |
| 129,012,598.94                             | 0.00           | 3,106,046.89          | 0.00               |      | 132,118,645.83                   | 132,722,436.66     |
| 0.00                                       |                | 2,763,651.69          |                    |      | 2,763,651.69                     | 2,742,938.21       |
| 0.00                                       | 0.00           | 2,763,651.69          | 0.00               |      | 2,763,651.69                     | 2,742,938.21       |
| 129,012,598.94                             | 0.00           | 5,869,698.58          | 0.00               |      | 134,882,297.52                   | 135,465,374.87     |
| 6,145,748.26                               |                |                       | (6,145,748.26)     |      | 0.00                             | 0.00               |
| 6,145,748.26                               | 0.00           | 0.00                  | (6,145,748.26)     |      | 0.00                             | 0.00               |
| 3,925,130,558.00                           |                |                       |                    |      | 3,925,130,558.00                 | 0.00               |
| 33,642.13                                  |                |                       |                    |      | 33,642.13                        | 52,059.30          |
| 814,519.01                                 |                |                       |                    |      | 814,519.01                       | 806,000.00         |
| 965,602,397.24                             |                |                       |                    |      | 965,602,397.24                   | 4,277,081,446.44   |
| 7,191,229.99                               |                |                       |                    |      | 7,191,229.99                     | 14,996,084.79      |
| 41,704,935.26                              |                |                       |                    |      | 41,704,935.26                    | 30,722,514.25      |
| 4,940,477,281.63                           |                |                       |                    |      | 4,940,477,281.63                 | 4,323,658,104.78   |
|  | 48,970,423.44  |                       |                    |      | 48,970,423.44                    | 32,419,385.06      |
|  |                |                       | 4,887,775,623.43   |      | 4,887,775,623.43                 | 4,272,649,902.26   |
|  |                | (5,869,698.58)        | (4,881,629,875.17) |      | (4,887,499,573.75)               | (4,267,973,744.05) |
|  | 48,970,423.44  | (5,869,698.58)        | 6,145,748.26       |      | 4,989,723,754.75                 | 4,360,753,648.05   |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT II

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|   | GOVERNMENTAL FUND TYPES                   |   |   |
|---|---|---|---|
|   | GENERAL<br>REVENUE<br>FUNDS<br>(EXH. A-2) | SPECIAL<br>REVENUE<br>FUNDS<br>(EXH. B-2) | PERMANENT<br>FUNDS<br>FUND (0044)<br>U/F (0007)(0010)(0013) |
|   | \$  | \$  | \$  |
| <b>REVENUES</b>   |   |   |   |
| Legislative Appropriations:   |   |   |   |
| Original Appropriations   | 3,140,062.00                              |   |   |
| Additional Appropriations   | 3,182,393.21                              |   |   |
| Federal Revenues  | 564,241,484.49                            | 4,520,479.15                              |   |
| Federal Grant Pass-Through Revenues                                   | 1,047,995.07                              |   |   |
| State Grant Pass-Through Revenues                                     | 48,294.33                                 |   |   |
| Licenses, Fees, and Permits   | 18,171,480.86                             |   | 5,174,016.00  |
| Interest and Other Investment Income                                  | 11,295.19                                 | 5,550.14                                  | 94,019,450.99   |
| Gain (Loss) on Sale of Sovereign/Other Land                           |   |   | 2,720,115.42  |
| Net Increase (Decrease) in Fair Value of Investments                  |   |   | 124,028,307.29  |
| Land Income   | 22,680.01                                 |   | 580,298,673.81  |
| Settlement of Claims  |   |   | 10,000.00   |
| Sales of Goods and Services   | 3,059,205.70                              | 267,772.00                                | 83,889,868.14   |
| Other Revenues  | 8,318,042.51                              | 1,166,992.00                              | 3,546.20  |
| <b>TOTAL REVENUES</b>   | <b>601,242,933.37</b>                     | <b>5,960,793.29</b>                       | <b>890,143,977.85</b>                                       |
| <b>EXPENDITURES/EXPENSES</b>  |   |   |   |
| Salaries and Wages  | 31,818,377.47                             | 116,650.31                                | 14,943,197.66   |
| Payroll Related Costs   | 9,818,356.77                              | 404,404.92                                | 3,454,171.42  |
| Professional Fees and Services  | 131,878,197.93                            | 2,625,246.96                              | 4,634,901.57  |
| Travel  | 563,811.08                                | 14,864.63                                 | 113,497.23  |
| Materials and Supplies  | 2,754,468.82                              | 101,579.22                                | 78,685,808.36   |
| Communication and Utilities   | 714,821.23                                | 128,860.70                                | 341,358.13  |
| Repairs and Maintenance   | 3,024,397.92                              | 12,642.06                                 | 503,697.32  |
| Rentals and Leases (Note 8)   | 1,085,003.98                              |   | 271,188.81  |
| Printing and Reproduction   | 164,481.42                                | 2,003.00                                  | 3,538.42  |
| Claims and Judgments (Note 17)  | 4,480.00                                  |   | 24,436.07   |
| Federal Grant Pass-Through Expenditures                               | 5,892,657.46                              |   |   |
| State Grant Pass-Through Expenditures                                 | 51,660.36                                 |   |   |
| Intergovernmental Payments  | 420,495,532.24                            |   |   |
| Public Assistance Payments  | 24,077,078.98                             |   |   |
| Other Expenditures  | 6,653,739.01                              | 28,516.39                                 | 7,821,414.47  |
| Interest  |   |   | 235.91  |
| Capital Outlay  | 1,287,044.40                              | 2,550,535.17                              | 155,284.85  |
| Depreciation Expense  |   |   |   |
| <b>TOTAL EXPENDITURES/EXPENSES</b>                                    | <b>640,284,109.07</b>                     | <b>5,985,303.36</b>                       | <b>110,952,730.22</b>                                       |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES/EXPENSES</b> | <b>(39,041,175.70)</b>                    | <b>(24,510.07)</b>                        | <b>779,191,247.63</b>                                       |

UNAUDITED

| GOVERNMENTAL FUNDS                         |                     |                       |                       | STATEMENT OF ACTIVITIES |                         |
|--|---------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS) |                     |                       |                       |                         |                         |
| TOTALS                                     | ADJUSTMENTS         |                       |                       | TOTALS                  |                         |
| (Memorandum Only)                          | CAPITAL ASSETS      | LONG-TERM LIABILITIES | OTHER                 | (Memorandum Only)       |                         |
| 2015                                       |                     |                       |                       | 2015                    | 2014                    |
| \$   | \$                  | \$                    | \$                    | \$                      | \$                      |
| 3,140,062.00                               |                     |                       |                       | 3,140,062.00            | 3,140,062.00            |
| 3,182,393.21                               |                     |                       |                       | 3,182,393.21            | 2,422,957.63            |
| 568,761,963.64                             |                     |                       |                       | 568,761,963.64          | 420,801,960.39          |
| 1,047,995.07                               |                     |                       |                       | 1,047,995.07            | 593,354.03              |
| 48,294.33                                  |                     |                       |                       | 48,294.33               | 232,589.37              |
| 23,345,496.86                              |                     |                       | (226,519.67)          | 23,118,977.19           | 9,525,254.34            |
| 94,036,296.32                              |                     |                       | 433,501.50            | 94,469,797.82           | 90,564,707.88           |
| 2,720,115.42                               |                     |                       |                       | 2,720,115.42            | 6,948,902.91            |
| 124,028,307.29                             |                     |                       | 910.67                | 124,029,217.96          | 215,223,855.45          |
| 580,321,353.82                             |                     |                       | (5,065,428.90)        | 575,255,924.92          | 683,139,898.31          |
| 10,000.00                                  |                     |                       |                       | 10,000.00               | 0.00                    |
| 87,216,845.84                              |                     |                       | 281,815.59            | 87,498,661.43           | 70,710,897.70           |
| 9,488,580.71                               |                     |                       |                       | 9,488,580.71            | 3,943,230.09            |
| <u>1,497,347,704.51</u>                    | <u>0.00</u>         | <u>0.00</u>           | <u>(4,575,720.81)</u> | <u>1,492,771,983.70</u> | <u>1,507,247,670.10</u> |
| 46,878,225.44                              |                     | (175,612.28)          |                       | 46,702,613.16           | 46,479,257.20           |
| 13,676,933.11                              |                     |                       |                       | 13,676,933.11           | 13,035,011.08           |
| 139,138,346.46                             |                     |                       |                       | 139,138,346.46          | 106,068,274.11          |
| 692,172.94                                 |                     |                       |                       | 692,172.94              | 737,732.93              |
| 81,541,856.40                              |                     |                       |                       | 81,541,856.40           | 56,831,909.87           |
| 1,185,040.06                               |                     |                       |                       | 1,185,040.06            | 1,314,449.30            |
| 3,540,737.30                               |                     |                       |                       | 3,540,737.30            | 1,995,320.51            |
| 1,356,192.79                               |                     |                       |                       | 1,356,192.79            | 1,258,264.92            |
| 170,022.84                                 |                     |                       |                       | 170,022.84              | 125,432.72              |
| 28,916.07                                  |                     |                       |                       | 28,916.07               | 20,017.75               |
| 5,892,657.46                               |                     |                       |                       | 5,892,657.46            | 5,886,251.96            |
| 51,660.36                                  |                     |                       |                       | 51,660.36               | 35,258.11               |
| 420,495,532.24                             |                     |                       |                       | 420,495,532.24          | 274,380,175.74          |
| 24,077,078.98                              |                     |                       |                       | 24,077,078.98           | 28,261,158.85           |
| 14,503,669.87                              |                     |                       |                       | 14,503,669.87           | 8,680,298.03            |
| 235.91                                     |                     |                       |                       | 235.91                  | 0.00                    |
| 3,992,864.42                               | (3,992,864.42)      |                       |                       | 0.00                    | 0.00                    |
| 0.00                                       | 3,110,480.65        |                       |                       | 3,110,480.65            | 2,938,810.34            |
| <u>757,222,142.65</u>                      | <u>(882,383.77)</u> | <u>(175,612.28)</u>   | <u>0.00</u>           | <u>756,164,146.60</u>   | <u>548,047,623.42</u>   |
| <u>740,125,561.86</u>                      | <u>882,383.77</u>   | <u>175,612.28</u>     | <u>(4,575,720.81)</u> | <u>736,607,837.10</u>   | <u>959,200,046.68</u>   |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT II (concluded)**

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | GOVERNMENTAL FUND TYPES                   |   |   |
|--|---|---|---|
|  | GENERAL<br>REVENUE<br>FUNDS<br>(EXH. A-2) | SPECIAL<br>REVENUE<br>FUNDS<br>(EXH. B-2) | PERMANENT<br>FUNDS<br>FUND (0044)<br>U/F (0007)(0010)(0013) |
| <b>OTHER FINANCING SOURCES (USES)</b>  | \$  | \$  | \$  |
| Transfers In   | 34,378,301.03                             | 4,962,485.29                              |   |
| Transfers Out  | (3,390,063.18)                            | (3,257,323.76)                            | (150,000,000.00)  |
| Sale of Capital Assets   | 790,057.98                                |   |   |
| Gain (Loss) on Sale of Capital Assets  |   |   |   |
| Increase (Decrease) in Net Assets - Due to<br>Interagency Transfer of Capital Assets |   |   |   |
| Capital Contributions  |   |   |   |
| Appropriations Lapsed  | (3,346,863.61)                            |   |   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>  | <b>28,431,432.22</b>                      | <b>1,705,161.53</b>                       | <b>(150,000,000.00)</b>                                     |
| <b>NET CHANGE IN FUND BALANCES/NET POSITION</b>                                      | <b>(10,609,743.48)</b>                    | <b>1,680,651.46</b>                       | <b>629,191,247.63</b>                                       |
| <b>FUND FINANCIAL STATEMENT -<br/>FUND BALANCES</b>                                  |   |   |   |
| <b>FUND BALANCES - August 31, 2014</b>   | 61,374,170.48                             | 345,113.19                                | 4,261,938,821.11  |
| Restatements (Note 14)   | (240,681.00)                              | 152,147.55                                | (3,354,445.31)  |
| <b>FUND BALANCES - August 31, 2014, as restated</b>                                  | <b>61,133,489.48</b>                      | <b>497,260.74</b>                         | <b>4,258,584,375.80</b>                                     |
| <b>FUND BALANCES - August 31, 2015 (Exhibit I)</b>                                   | <b>50,523,746.00</b>                      | <b>2,177,912.20</b>                       | <b>4,887,775,623.43</b>                                     |

GOVERNMENT-WIDE STATEMENT OF NET POSITION

NET POSITION/NET CHANGE IN NET POSITION

NET POSITION - August 31, 2014

Restatements (Note 14)

NET POSITION - August 31, 2014, as restated

NET POSITION - August 31, 2015 (Exhibit I)

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



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| GOVERNMENTAL FUNDS                         |                |                       |                | STATEMENT OF ACTIVITIES |                  |
|--|----------------|-----------------------|----------------|-------------------------|------------------|
| GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS) |                |                       |                |                         |                  |
| TOTALS                                     | ADJUSTMENTS    |                       |                | TOTALS                  |                  |
| (Memorandum Only)                          | CAPITAL ASSETS | LONG-TERM LIABILITIES | OTHER          | (Memorandum Only)       |                  |
| 2015                                       |                |                       |                | 2015                    | 2014             |
| \$   | \$             | \$                    | \$             | \$                      | \$               |
| 39,340,786.32                              |                |                       |                | 39,340,786.32           | 39,638,810.38    |
| (156,647,386.94)                           |                |                       |                | (156,647,386.94)        | (146,844,073.17) |
| 790,057.98                                 | (235,709.62)   |                       |                | 554,348.36              | 0.00             |
| 0.00                                       | 107,610.20     |                       |                | 107,610.20              | 862,391.62       |
| 0.00                                       |                |                       |                | 0.00                    | 468,661.46       |
| 0.00                                       | 15,784,341.13  |                       |                | 15,784,341.13           | 14,404.00        |
| (3,346,863.61)                             |                |                       |                | (3,346,863.61)          | (4,107.44)       |
| (119,863,406.25)                           | 15,656,241.71  | 0.00                  | 0.00           | (104,207,164.54)        | (105,863,913.15) |
| 620,262,155.61                             |                |                       |                | 632,400,672.56          | 853,336,133.53   |
| 4,323,658,104.78                           |                |                       |                | 4,323,658,104.78        | 3,563,713,978.26 |
| (3,442,978.76)                             |                |                       |                | (3,442,978.76)          | (85,533,088.63)  |
| 4,320,215,126.02                           |                |                       |                | 4,320,215,126.02        | 3,478,180,889.63 |
| 4,940,477,281.63                           |                |                       |                | 4,952,615,798.58        | 4,331,517,023.16 |
| 620,262,155.61                             | 16,538,625.48  | 175,612.28            | (4,575,720.81) | 632,400,672.56          | 853,336,133.53   |
| 4,323,658,104.78                           | 32,419,385.06  | (6,045,310.86)        | 10,721,469.07  | 4,360,753,648.05        | 3,592,525,853.15 |
| (3,442,978.76)                             | 12,412.90      |                       |                | (3,430,565.86)          | (85,108,338.63)  |
| 4,320,215,126.02                           | 32,431,797.96  | (6,045,310.86)        | 10,721,469.07  | 4,357,323,082.19        | 3,507,417,514.52 |
| 4,940,477,281.63                           | 48,970,423.44  | (5,869,698.58)        | 6,145,748.26   | 4,989,723,754.75        | 4,360,753,648.05 |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT III

COMBINED STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|  | VETERANS'<br>HOUSING ASSISTANCE<br>PROGRAM<br>(EXH. C-1a) | VETERANS'<br>LAND<br>PROGRAM<br>(EXH. C-1b) | VETERANS FINANCIAL<br>ASSISTANCE PROGRAM<br>FUND 0374<br>(EXH. C-1c) |
|--|---|---|--|
| ASSETS   | \$  | \$  | \$   |
| <b>Current Assets:</b>                                       |   |   |  |
| Cash and Cash Equivalents (Note 3):                          |   |   |  |
| Cash on Hand   |   | 200.00                                      |  |
| Cash in State Treasury                                       | 102,549,475.23  | 2,630,145.93                                | 24,211,727.23  |
| Cash Equivalents   | 215,479,894.10  | 31,822,209.10                               | 1,234,062.15   |
| Securities Lending Collateral (Note 3)                       | 26,908,510.00   | 8,321,562.50                                |  |
| Derivative Instruments                                       |   |   |  |
| Investments - Securities at Market Value (Note 3)            | 43,985,910.00   | 6,997,760.00                                |  |
| Loans and Contracts Receivables:                             |   |   |  |
| Land Contracts   |   | 8,547,907.46                                |  |
| Mortgages  | 59,627,234.12   | 3,256,602.18                                |  |
| Home Improvement Loans                                       | 1,388,670.86  |   |  |
| Receivables:   |   |   |  |
| Federal  |   |   | 11,049,043.80  |
| Interest and Dividends Receivables:                          |   |   |  |
| Investment Interest  | 702,128.35  | 769,042.83                                  | 12,416.13  |
| Land Contracts   |   | 1,287,957.59                                |  |
| Mortgages  | 8,121,297.20  | 1,020,790.68                                |  |
| Home Improvement Loans                                       | 342,134.47  |   |  |
| Accounts Receivable<br>(Net of Allowance for Uncollectibles) | 5,351.88  | 166,662.21                                  | 3,194,628.95<br>(892,801.42)   |
| Interfund Receivable   |   |   |  |
| Due from Other Funds   | 102,699,937.22  | 34,102,334.50                               | 424,122.82   |
| Consumable Inventories                                       |   |   |  |
| Prepaid Items  |   |   |  |
| <b>Total Current Assets</b>                                  | <b>561,810,543.43</b>                                     | <b>98,923,174.98</b>                        | <b>39,233,199.66</b>   |
| <b>Noncurrent Assets:</b>                                    |   |   |  |
| Investments:   |   |   |  |
| Securities at Market Value (Note 3)                          | 260,583,652.85  | 218,633,606.97                              | 11,019,580.00  |
| Derivative Instruments                                       | 1,216,549.20  | (276,993.41)                                |  |
| Hedging Derivative Instruments                               | (1,828,238.78)  |   |  |
| Loans and Contracts Receivables:                             |   |   |  |
| Land Contracts   |   | 8,264,468.59                                |  |
| Mortgages  | 2,026,293,914.48  | 310,665,053.95                              |  |
| Home Improvement Loans                                       | 23,371,563.30   |   |  |
| Property Acquired Through Foreclosure (Note 31):             |   |   |  |
| Land Contracts   |   | 1,786,244.00                                |  |
| Mortgages  | 590,087.00  |   |  |
| Capital Assets (Note 2):                                     |   |   |  |
| Depreciable Capital Assets:                                  |   |   |  |
| Vehicles, Boats, and Aircraft                                |   |   | 46,501.14  |
| Less Accumulated Depreciation                                |   |   | (46,501.14)  |
| Furniture and Equipment                                      |   |   | 646,521.76   |
| Less Accumulated Depreciation                                |   |   | (412,309.40)   |
| Buildings  |   |   | 94,335,128.82  |
| Less Accumulated Depreciation                                |   |   | (46,663,932.65)  |
| Facilities and Other Improvements                            |   |   | 22,963.00  |
| Less Accumulated Depreciation                                |   |   | (4,400.82)   |

UNAUDITED

| PROPRIETARY FUNDS     |                       |
|-----------------------|-----------------------|
| TOTALS                |                       |
| (Memorandum Only)     |                       |
| 2015                  | 2014                  |
| \$                    | \$                    |
| 200.00                | 200.00                |
| 129,391,348.39        | 142,469,963.69        |
| 248,536,165.35        | 102,927,189.55        |
| 35,230,072.50         | 83,055,242.60         |
| 50,983,670.00         | 63,977,640.00         |
| 8,547,907.46          | 9,768,054.33          |
| 62,883,836.30         | 191,733,107.75        |
| 1,388,670.86          | 11,849,332.72         |
| 11,049,043.80         | 8,653,245.61          |
| 1,483,587.31          | 1,674,799.17          |
| 1,287,957.59          | 3,118,798.23          |
| 9,142,087.88          | 15,975,113.79         |
| 342,134.47            | 247,495.05            |
| 3,194,628.95          | 3,209,011.47          |
| (720,787.33)          |                       |
| 137,226,394.54        | 129,084,556.61        |
| 0.00                  | 1,174.98              |
| <u>699,966,918.07</u> | <u>767,744,925.55</u> |
| 490,236,839.82        | 537,858,232.37        |
| 939,555.79            | 136,779.47            |
| (1,828,238.78)        | 5,933,819.63          |
| 8,264,468.59          | 127,089,213.49        |
| 2,336,958,968.43      | 1,922,373,950.57      |
| 23,371,563.30         | 8,752,036.43          |
| 1,786,244.00          | 2,705,556.00          |
| 590,087.00            | 441,163.00            |
| 46,501.14             | 46,501.14             |
| (46,501.14)           | (46,501.14)           |
| 646,521.76            | 618,166.28            |
| (412,309.40)          | (350,711.71)          |
| 94,335,128.82         | 94,335,128.82         |
| (46,663,932.65)       | (42,215,052.08)       |
| 22,963.00             | 22,963.00             |
| (4,400.82)            | (3,252.78)            |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT III (concluded)**

COMBINED STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|  | VETERANS'<br>HOUSING ASSISTANCE<br>PROGRAM<br>(EXH. C-1a) | VETERANS'<br>LAND<br>PROGRAM<br>(EXH. C-1b) | VETERANS FINANCIAL<br>ASSISTANCE PROGRAM<br>FUND 0374<br>(EXH. C-1c) |
|--|---|---|--|
|  | \$  | \$  | \$   |
| <b>ASSETS (continued)</b>  |   |   |  |
| Non-Depreciable Capital Assets:  |   |   |  |
| Construction in Progress   |   |   | 18,988,902.79  |
| Land   |   |   | 3,499,500.00   |
| Amortizable Intangible Assets:   |   |   |  |
| Computer Software  |   | 162,578.15                                  | 146,555.00   |
| Less Accumulated Amortization  |   | (162,578.15)                                | (146,555.00)   |
| Total Noncurrent Assets  | 2,310,227,528.05  | 539,072,380.10                              | 81,431,953.50  |
| <b>TOTAL ASSETS</b>  | <b>2,872,038,071.48</b>                                   | <b>637,995,555.08</b>                       | <b>120,665,153.16</b>  |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>   |   |   |  |
| Hedging Derivative Instruments   | 220,033,412.40  | 47,552,163.79                               |  |
| <b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>   | <b>220,033,412.40</b>                                     | <b>47,552,163.79</b>                        | <b>0.00</b>  |
| <b>LIABILITIES</b>   |   |   |  |
| Current Liabilities:   |   |   |  |
| Accounts Payable   | 2,477,903.64  | 936,802.28                                  | 9,695,406.32   |
| Debt Service-Interest Payable  | 1,896,761.04  | 234,617.88                                  |  |
| Retainage Payable  |   |   | 268,439.87   |
| Due to Other Funds   | 10,937.22   | 122,689,000.00                              | 14,478,937.80  |
| Deferred Revenues  |   | 250,194.43                                  | 525,896.02   |
| Bonds Payable (Net of Unamortized<br>Discounts and Premiums) (Note 6):                     |   |   |  |
| General Obligation   | 117,694,810.16  | 18,448,329.50                               |  |
| Accretion  |   | 448,670.50                                  |  |
| Pollution Remediation Obligation   |   | 1,530,000.00                                |  |
| Obligations Under Securities Lending (Note 3)  | 26,908,510.00   | 8,321,562.50                                |  |
| Total Current Liabilities  | 148,988,922.06  | 152,859,177.09                              | 24,968,680.01  |
| Noncurrent Liabilities:  |   |   |  |
| Bonds Payable (Net of Unamortized<br>Discounts and Premiums) (Note 6):                     |   |   |  |
| General Obligation   | 2,315,431,068.83  | 230,535,000.00                              |  |
| Accretion  |   | (27,260.54)                                 |  |
| Hedging Derivative Instruments   | 220,033,412.40  | 47,552,163.79                               |  |
| Total Noncurrent Liabilities   | 2,535,464,481.23  | 278,059,903.25                              | 0.00   |
| <b>TOTAL LIABILITIES</b>   | <b>2,684,453,403.29</b>                                   | <b>430,919,080.34</b>                       | <b>24,968,680.01</b>   |
| <b>DEFERRED INFLOW OF RESOURCES</b>  |   |   |  |
| Hedging Derivative Instruments   | (1,828,238.78)  |   |  |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>  | <b>(1,828,238.78)</b>                                     | <b>0.00</b>                                 | <b>0.00</b>  |
| <b>NET POSITION</b>  |   |   |  |
| Invested in Capital Assets, Net of Related Debt<br>Restricted for the Veterans' Land Board | 409,446,319.37  | 254,628,638.53                              | 70,412,373.50<br>25,284,099.65                                       |
| <b>TOTAL NET POSITION (Exhibit IV)</b>   | <b>409,446,319.37</b>                                     | <b>254,628,638.53</b>                       | <b>95,696,473.15</b>   |

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

UNAUDITED

| PROPRIETARY FUNDS       |                         |
|-------------------------|-------------------------|
| TOTALS                  |                         |
| (Memorandum Only)       |                         |
| 2015                    | 2014                    |
| \$                      | \$                      |
| 18,988,902.79           | 13,269,014.90           |
| 3,499,500.00            | 3,499,500.00            |
| 309,133.15              | 309,133.15              |
| (309,133.15)            | (309,133.15)            |
| <u>2,930,731,861.65</u> | <u>2,674,466,507.39</u> |
| <u>3,630,698,779.72</u> | <u>3,442,211,432.94</u> |
| <u>267,585,576.19</u>   | <u>257,875,867.94</u>   |
| <u>267,585,576.19</u>   | <u>257,875,867.94</u>   |
| 13,110,112.24           | 20,657,933.37           |
| 2,131,378.92            | 7,718,557.07            |
| 268,439.87              | 507,716.10              |
| 137,178,875.02          | 128,365,412.60          |
| 776,090.45              | 286,475.39              |
| 136,143,139.66          | 115,181,716.47          |
| 448,670.50              | 977,093.69              |
| 1,530,000.00            | 0.00                    |
| 35,230,072.50           | 83,055,242.60           |
| <u>326,816,779.16</u>   | <u>356,750,147.29</u>   |
| 2,545,966,068.83        | 2,333,184,208.49        |
| (27,260.54)             | 348,177.35              |
| <u>267,585,576.19</u>   | <u>257,875,867.94</u>   |
| <u>2,813,524,384.48</u> | <u>2,591,408,253.78</u> |
| <u>3,140,341,163.64</u> | <u>2,948,158,401.07</u> |
| (1,828,238.78)          | 5,933,819.63            |
| <u>(1,828,238.78)</u>   | <u>5,933,819.63</u>     |
| 70,412,373.50           | 69,175,756.43           |
| <u>689,359,057.55</u>   | <u>676,819,323.75</u>   |
| <u>759,771,431.05</u>   | <u>745,995,080.18</u>   |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT IV

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

PROPRIETARY FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | VETERANS'<br>HOUSING ASSISTANCE<br>PROGRAM<br>(EXH. C-2a) | VETERANS'<br>LAND<br>PROGRAM<br>(EXH. C-2b) | VETERANS FINANCIAL<br>ASSISTANCE PROGRAM<br>FUND 0374<br>(EXH. C-2c) |
|--|---|---|--|
|  | \$  | \$  | \$   |
| <b>OPERATING REVENUES</b>                                  |   |   |  |
| Other Sale of Goods and Services:                          |   |   |  |
| Payment from Residents                                     |   |   |  |
| Resident Payments (Net of Provisions for Bad Debt)         |   |   | 20,165,080.70  |
| Medicare Reimbursements                                    |   |   |  |
| Medicare Reimbursements (Net of Provisions for Bad Debt)   |   |   | 8,279,239.45   |
| Medicaid Revenues  |   |   |  |
| Medicaid Revenues (Net of Provisions for Bad Debt)         |   |   | 9,175,642.69   |
| Other Assistance Payments                                  |   |   |  |
| Other Assistance Payments (Net of Provisions for Bad Debt) |   |   | 641,330.80   |
| Interest & Investment Income:                              |   |   |  |
| Loan Programs  | 70,960,556.68   | 22,690,670.24                               |  |
| Gain (Loss) on Loan Programs                               |   |   |  |
| Operating Federal Revenues - VA Per Diem                   |   |   | 53,747,826.88  |
| Other Revenues:  |   |   |  |
| Third Party Reimbursements                                 |   |   | (2,193,668.25)   |
| Revenue Transfers Within Fund                              |   |   | 2,200,000.00   |
| Miscellaneous Income                                       |   | 575,848.20                                  | 13,119.73  |
| <b>TOTAL OPERATING REVENUES</b>                            | <b>70,960,556.68</b>                                      | <b>23,266,518.44</b>                        | <b>92,028,572.00</b>   |
| <b>OPERATING EXPENSES</b>                                  |   |   |  |
| Salaries and Wages   |   | 70,000.00                                   |  |
| Professional Fees and Services                             | 1,814,224.64  | 1,420,390.59                                | 74,725,076.53  |
| Travel   |   | (433.32)                                    | 153,885.03   |
| Materials and Supplies                                     |   | 53,690.83                                   | 4,105,115.47   |
| Communications and Utilities                               |   |   | 23,634.45  |
| Repairs and Maintenance                                    |   | 1,850.00                                    | 457,673.62   |
| Rentals and Leases (Note 8)                                |   |   | 775.00   |
| Printing and Reproduction                                  | 2,990.05  |   | 1,094.19   |
| Depreciation and Amortization                              |   |   | 4,511,626.30   |
| Debt Service Interest                                      | 61,372,688.57   | 13,430,559.65                               | 671.01   |
| Net Change in Pollution Remediation Obligation             |   | 1,530,000.00                                |  |
| Other Operating Expenses                                   | 7,439,308.30  | 452,914.18                                  | 119,012.35   |
| <b>TOTAL OPERATING EXPENSES</b>                            | <b>70,629,211.56</b>                                      | <b>16,958,971.93</b>                        | <b>84,098,563.95</b>   |
| <b>OPERATING INCOME (LOSS) (Exhibit V)</b>                 | <b>331,345.12</b>   | <b>6,307,546.51</b>                         | <b>7,930,008.05</b>  |

UNAUDITED

| PROPRIETARY FUNDS<br>TOTALS<br>(Memorandum Only) |                       |
|--|-----------------------|
| 2015   | 2014                  |
| \$   | \$                    |
| 20,165,080.70                                    | 20,854,702.78         |
| 8,279,239.45                                     | 7,739,936.50          |
| 9,175,642.69                                     | 10,315,145.00         |
| 641,330.80                                       | 725,241.15            |
| 93,651,226.92                                    | 89,526,874.09         |
| 0.00   | (4,748,950.54)        |
| 53,747,826.88                                    | 48,824,373.72         |
| (2,193,668.25)                                   | 4,733.46              |
| 2,200,000.00                                     | 0.00                  |
| 588,967.93                                       | 483,029.38            |
| <u>186,255,647.12</u>                            | <u>173,725,085.54</u> |
| 70,000.00  | 0.00                  |
| 77,959,691.76                                    | 74,403,224.62         |
| 153,451.71                                       | 152,010.19            |
| 4,158,806.30                                     | 3,107,892.72          |
| 23,634.45  | 20,627.89             |
| 459,523.62                                       | 152,544.02            |
| 775.00   | 0.00                  |
| 4,084.24   | 4,733.76              |
| 4,511,626.30                                     | 4,539,241.72          |
| 74,803,919.23                                    | 81,185,258.28         |
| 1,530,000.00                                     | 0.00                  |
| 8,011,234.83                                     | 10,768,588.12         |
| <u>171,686,747.44</u>                            | <u>174,334,121.32</u> |
| <u>14,568,899.68</u>                             | <u>(609,035.78)</u>   |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT IV (concluded)**

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|   | VETERANS'<br>HOUSING ASSISTANCE<br>PROGRAM<br>(EXH. C-2a) | VETERANS'<br>LAND<br>PROGRAM<br>(EXH. C-2b) | VETERANS FINANCIAL<br>ASSISTANCE PROGRAM<br>FUND 0374<br>(EXH. C-2c) |
|---|---|---|--|
| <b>NONOPERATING REVENUES (EXPENSES)</b>   | \$  | \$  | \$   |
| Federal Revenues  |   |   | 4,491,746.45   |
| Gifts/Pledges/Donations   |   |   | 38,373.56  |
| Investment Income   | 3,219,509.86  | 4,868,695.24                                | 157,997.08   |
| Net Increase (Decrease) in Fair Value of Investments                                      | 5,850,531.71  | 3,205,538.05                                | (15,724.73)  |
| Gain (Loss) on Land Loans, Housing Mortgage and<br>Home Improvement Loans                 | 21,898.90   | 67,377.34                                   |  |
| Settlement of Claims (Note 17)  |   |   | (5,810.00)   |
| Interest Expense  |   |   |  |
| Borrower Rebate/Agent Fees - Securities Lending   | (57,720.45)   | (3,305.17)                                  |  |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>   | <b>9,034,220.02</b>                                       | <b>8,138,305.46</b>                         | <b>4,666,582.36</b>  |
| <b>INCOME (LOSS) BEFORE OTHER REVENUES,<br/>(EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b> | <b>9,365,565.14</b>                                       | <b>14,445,851.97</b>                        | <b>12,596,590.41</b>   |
| <b>OTHER REVENUES, (EXPENSES),<br/>GAINS/(LOSSES), AND TRANSFERS</b>                      |   |   |  |
| Transfers In  | 43,752,332.76   | 31,544,475.66                               | 3,250,075.90   |
| Transfers Out   | 49,144,656.28   | (124,410,935.79)                            | (25,953,363.56)  |
| <b>TOTAL OTHER REVENUES, (EXPENSES),<br/>GAINS/(LOSSES), AND TRANSFERS</b>                | <b>92,896,989.04</b>                                      | <b>(92,866,460.13)</b>                      | <b>(22,703,287.66)</b>   |
| <b>CHANGE IN NET POSITION</b>   | <b>102,262,554.18</b>                                     | <b>(78,420,608.16)</b>                      | <b>(10,106,697.25)</b>   |
| <b>NET POSITION - August 31, 2014</b>   | <b>307,183,765.19</b>                                     | <b>333,049,246.69</b>                       | <b>105,762,068.30</b>  |
| Restatements (Note 14)  |   |   | 41,102.10  |
| <b>NET POSITION - August 31, 2014, as Restated</b>  | <b>307,183,765.19</b>                                     | <b>333,049,246.69</b>                       | <b>105,803,170.40</b>  |
| <b>NET POSITION - August 31, 2015 (Exhibit III)</b>                                       | <b>409,446,319.37</b>                                     | <b>254,628,638.53</b>                       | <b>95,696,473.15</b>   |

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



UNAUDITED

| PROPRIETARY FUNDS<br>TOTALS<br>(Memorandum Only) |                        |
|--|------------------------|
| 2015   | 2014                   |
| \$   | \$                     |
| 4,491,746.45                                     | 3,485,498.07           |
| 38,373.56  | 24,457.35              |
| 8,246,202.18                                     | 8,291,874.94           |
| 9,040,345.03                                     | 28,970,520.64          |
| 89,276.24  | 0.00                   |
| (5,810.00)                                       | 0.00                   |
| 0.00   | (29.02)                |
| (61,025.62)                                      | (58,368.04)            |
| <u>21,839,107.84</u>                             | <u>40,713,953.94</u>   |
| <u>36,408,007.52</u>                             | <u>40,104,918.16</u>   |
| 78,546,884.32                                    | 103,939,021.73         |
| (101,219,643.07)                                 | (130,223,416.67)       |
| <u>(22,672,758.75)</u>                           | <u>(26,284,394.94)</u> |
| 13,735,248.77                                    | 13,820,523.22          |
| 745,995,080.18                                   | 732,522,455.00         |
| 41,102.10  | (347,898.04)           |
| <u>746,036,182.28</u>                            | <u>732,174,556.96</u>  |
| <u>759,730,328.95</u>                            | <u>745,995,080.18</u>  |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT V

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|   | VETERANS'<br>HOUSING ASSISTANCE<br>PROGRAM<br>(EXH. C-3a) | VETERANS'<br>LAND<br>PROGRAM<br>(EXH. C-3b) | VETERANS FINANCIAL<br>ASSISTANCE PROGRAM<br>FUND 0374<br>(EXH. C-3c) |
|---|---|---|--|
|   | \$  | \$  | \$   |
| <b>INCREASE (DECREASE) IN<br/>CASH AND CASH EQUIVALENTS (Note 1)</b>            |   |   |  |
| <b>OPERATING ACTIVITIES</b>   |   |   |  |
| Receipts from Vet Homes Residents   |   |   | 19,330,981.58  |
| Receipts from Veterans Administration   |   |   | 55,447,569.74  |
| Receipts from Medicare  |   |   | 8,345,049.33   |
| Receipts from Medicaid  |   |   | 9,587,851.82   |
| Receipts from Gifts/Pledges/Donations   |   |   | 38,373.56  |
| Receipts from Loan Payments   | 328,069,258.58  | 77,466,529.74                               |  |
| Other Operating Cash Receipts   |   | (686,475.62)                                | 9,122,890.39   |
| Loan Fundings   | (406,414,982.37)  | (71,416,202.85)                             |  |
| Payments to Suppliers of Goods and Services                                     | (9,244,876.53)  | (1,916,378.57)                              | (81,835,365.87)  |
| Payments for Other Expenses   |   | (69,566.68)                                 | (158,385.19)   |
| <b>NET CASH PROVIDED (USED)<br/>BY OPERATING ACTIVITIES</b>                     | <b>(87,590,600.32)</b>                                    | <b>3,377,906.02</b>                         | <b>19,878,965.36</b>   |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>  |   |   |  |
| Proceeds from Debt Issuance   | 350,000,000.00  |   |  |
| Payments for Debt Service - Principal   | (98,470,000.00)   | (17,734,000.00)                             |  |
| Payments for Debt Service - Interest  | (67,812,609.92)   | (13,532,438.65)                             |  |
| Transfers from Other Funds  | 31,313,332.76   | 34,432,697.80                               | 2,841,612.63   |
| Transfers to Other Funds  | (41,455,343.72)   | (22,783,134.32)                             | (11,674,857.20)  |
| <b>NET CASH PROVIDED (USED) BY<br/>NONCAPITAL FINANCING ACTIVITIES</b>          | <b>173,575,379.12</b>                                     | <b>(19,616,875.17)</b>                      | <b>(8,833,244.57)</b>  |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                 |   |   |  |
| Receipts from Veterans Administration   |   |   | 743,073.62   |
| Payments for Additions to Capital Assets  |   |   | (3,549,626.72)   |
| Transfers to Other Funds  |   |   | (10,651,795.21)  |
| <b>NET CASH PROVIDED (USED) BY CAPITAL<br/>AND RELATED FINANCING ACTIVITIES</b> | <b>0.00</b>   | <b>0.00</b>                                 | <b>(13,458,348.31)</b>   |
| <b>INVESTING ACTIVITIES</b>   |   |   |  |
| Proceeds from Interest and Investment Income                                    | 5,052,761.26  | (12,569,238.64)                             | 157,547.80   |
| Proceeds from Sale of Investments   | 226,456,374.35  | 44,373,093.79                               |  |
| Payments to Acquire Investments   | (173,934,968.09)  | (13,302,728.04)                             | (11,035,664.06)  |
| <b>NET CASH PROVIDED (USED)<br/>BY INVESTING ACTIVITIES</b>                     | <b>57,574,167.52</b>                                      | <b>18,501,127.11</b>                        | <b>(10,878,116.26)</b>   |
| <b>INCREASE (DECREASE) IN CASH<br/>AND CASH EQUIVALENTS</b>                     | <b>143,558,946.32</b>                                     | <b>2,262,157.96</b>                         | <b>(13,290,743.78)</b>   |
| <b>CASH AND CASH EQUIVALENTS - August 31, 2014</b>                              | <b>174,470,423.01</b>                                     | <b>32,190,397.07</b>                        | <b>38,736,533.16</b>   |
| <b>CASH AND CASH EQUIVALENTS - August 31, 2015</b>                              | <b>318,029,369.33</b>                                     | <b>34,452,555.03</b>                        | <b>25,445,789.38</b>   |

UNAUDITED

| PROPRIETARY FUNDS      |                         |
|------------------------|-------------------------|
| TOTALS                 |                         |
| (Memorandum Only)      |                         |
| 2015                   | 2014                    |
| \$                     | \$                      |
| 19,330,981.58          | 20,673,126.62           |
| 55,447,569.74          | 50,812,305.56           |
| 8,345,049.33           | 7,943,932.05            |
| 9,587,851.82           | 10,354,699.85           |
| 38,373.56              | 1,068,689.92            |
| 405,535,788.32         | 404,938,674.35          |
| 8,436,414.77           | 2,115,679.25            |
| (477,831,185.22)       | (531,609,125.58)        |
| (92,996,620.97)        | (91,465,297.25)         |
| (227,951.87)           | (8,539,957.58)          |
| <u>(64,333,728.94)</u> | <u>(133,707,272.81)</u> |
| 350,000,000.00         | 1,064,990,000.00        |
| (116,204,000.00)       | (1,010,177,000.00)      |
| (81,345,048.57)        | (78,438,140.28)         |
| 68,587,643.19          | 62,701,904.78           |
| (75,913,335.24)        | (93,883,747.75)         |
| <u>145,125,259.38</u>  | <u>(54,806,983.25)</u>  |
| 743,073.62             | 3,646,510.05            |
| (3,549,626.72)         | (8,109,914.65)          |
| (10,651,795.21)        | 0.00                    |
| <u>(13,458,348.31)</u> | <u>(4,463,404.60)</u>   |
| (7,358,929.58)         | 29,221,861.44           |
| 270,829,468.14         | 305,346,640.52          |
| (198,273,360.19)       | (308,890,027.71)        |
| <u>65,197,178.37</u>   | <u>25,678,474.25</u>    |
| 132,530,360.50         | (167,299,186.41)        |
| 245,397,353.24         | 412,696,539.65          |
| <u>377,927,713.74</u>  | <u>245,397,353.24</u>   |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT V (concluded)**

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | VETERANS'<br>HOUSING ASSISTANCE<br>PROGRAM<br>(EXH. C-3a) | VETERANS'<br>LAND<br>PROGRAM<br>(EXH. C-3b) | VETERANS FINANCIAL<br>ASSISTANCE PROGRAM<br>FUND 0374<br>(EXH. C-3c) |
|--|---|---|--|
|  | \$  | \$  | \$   |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>        |   |   |  |
| <b>OPERATING INCOME (LOSS) (Exhibit IV)</b>  | 331,345.12  | 6,307,546.51                                | 7,930,008.05   |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |   |   |  |
| Depreciation and Amortization  |   |   | 4,511,626.30   |
| Classification Differences   | 61,370,629.68   | 14,960,530.02                               | 726,055.08   |
| (Increase) Decrease in Receivables   | 5,853,326.27  | 10,947,314.08                               | 1,292,664.15   |
| (Increase) Decrease in Loans and Contracts   | (149,191,482.12)  | (20,639,851.61)                             |  |
| (Increase) Decrease in Other Assets  | 187,172.57  | (7,476,970.95)                              | 309,817.39   |
| Increase (Decrease) in Payables  | (6,032,171.36)  | 640,067.50                                  | 4,891,678.47   |
| Increase (Decrease) in Other Liabilities   | (109,420.48)  | (1,360,729.53)                              | 217,115.92   |
| <b>TOTAL ADJUSTMENTS</b>   | <b>(87,921,945.44)</b>                                    | <b>(2,929,640.49)</b>                       | <b>11,948,957.31</b>   |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <b>(87,590,600.32)</b>                                    | <b>3,377,906.02</b>                         | <b>19,878,965.36</b>   |
| <b>NONCASH TRANSACTIONS</b>  |   |   |  |
| Capital Appreciation Bond Interest Accretion   |   |   |  |
| Change in Fair Value of Investments  | 5,850,531.71  | (12,968,070.71)                             | (15,724.73)  |
| <b>TOTAL NONCASH TRANSACTIONS</b>  | <b>5,850,531.71</b>                                       | <b>(12,968,070.71)</b>                      | <b>(15,724.73)</b>   |

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

UNAUDITED

| PROPRIETARY FUNDS      |                         |
|------------------------|-------------------------|
| TOTALS                 |                         |
| (Memorandum Only)      |                         |
| 2015                   | 2014                    |
| \$                     | \$                      |
| 14,568,899.68          | (609,035.78)            |
| 4,511,626.30           | 4,539,241.72            |
| 77,057,214.78          | 82,251,895.04           |
| 18,093,304.50          | (7,140,712.48)          |
| (169,831,333.73)       | (210,265,540.18)        |
| (6,979,980.99)         | 642,500.68              |
| (500,425.39)           | (3,394,782.91)          |
| (1,253,034.09)         | 269,161.10              |
| <u>(78,902,628.62)</u> | <u>(133,098,237.03)</u> |
| <u>(64,333,728.94)</u> | <u>(133,707,272.81)</u> |
| 0.00                   | (187,368.36)            |
| <u>(7,133,263.73)</u>  | <u>28,970,520.64</u>    |
| <u>(7,133,263.73)</u>  | <u>28,783,152.28</u>    |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT VI**

COMBINED STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

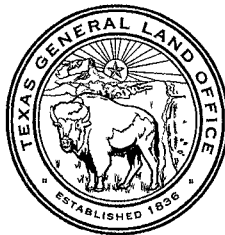
|   | AGENCY FUNDS<br>(EXH. D-1) | FIDUCIARY FUNDS<br>TOTALS |                   |
|---|----------------------------|---------------------------|-------------------|
|   |                            | (Memorandum Only)         |                   |
|   |                            | 2015                      | 2014              |
|   | \$                         | \$                        | \$                |
| <b>ASSETS</b>                                     |                            |                           |                   |
| Current Assets:                                   |                            |                           |                   |
| Cash and Cash Equivalents:                        |                            |                           |                   |
| Cash in State Treasury                            | 37,212.67                  | 37,212.67                 | 16,642.19         |
| Receivables:                                      |                            |                           |                   |
| Interest and Dividends                            | 9.94                       | 9.94                      | 3.78              |
| Accounts Receivable                               | 9,085.49                   | 9,085.49                  | 188,784.77        |
| Due From Other Funds                              | 18,029.05                  | 18,029.05                 | 44,528.46         |
| Total Current Assets                              | 64,337.15                  | 64,337.15                 | 249,959.20        |
| <b>TOTAL ASSETS</b>                               | <b>64,337.15</b>           | <b>64,337.15</b>          | <b>249,959.20</b> |
| <b>LIABILITIES</b>                                |                            |                           |                   |
| Current Liabilities:                              |                            |                           |                   |
| Funds Held for Others                             | 64,337.15                  | 64,337.15                 | 249,959.20        |
| Total Current Liabilities                         | 64,337.15                  | 64,337.15                 | 249,959.20        |
| <b>TOTAL LIABILITIES</b>                          | <b>64,337.15</b>           | <b>64,337.15</b>          | <b>249,959.20</b> |
| <b>NET POSITION</b>                               |                            |                           |                   |
| Funds Held in Trust for:                          |                            |                           |                   |
| Individuals, Organizations, and Other Governments | 0.00                       | 0.00                      | 0.00              |
| <b>TOTAL NET POSITION</b>                         | <b>0.00</b>                | <b>0.00</b>               | <b>0.00</b>       |

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

TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

NOTES TO THE  
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2015



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# Note 1

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ENTITY

The Texas General Land Office (GLO) and Veterans' Land Board (VLB) are agencies of the state of Texas. Their financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

The Tex. Const. Art. XIV, §1 created the Texas General Land Office, which is responsible for managing most state-owned lands and minerals. The Veterans' Land Board was created in 1946 by Tex. Const. Art. III, §49-b to provide loans to veterans for the purchase of land in the state of Texas. In 1983, §49-b was amended to include assistance to veterans buying homes in Texas. In 1997, Tex. Nat. Res. Code Ann., §164 was amended to include the construction and operation of veterans nursing homes. In 2001, Tex. Nat. Res. Code Ann., §164 was again amended to provide for the State Veterans Cemetery Program. Tex. Nat. Res. Code Ann., chs. 11, 31, 32, 33, 40, 51, 52, 53, and 61 establish the administrative provisions, powers, and duties of GLO and the land commissioner.

### BASIS OF PRESENTATION

Due to statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Texas Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the *State of Texas Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

### FUND STRUCTURE

The accounts of GLO and VLB are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a complete set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures or expenses.

### GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General and administrative operations of GLO and VLB are financed from general revenue, special revenue, and permanent funds. General revenue funds serve as the general operating funds of the agency. Special revenue funds are used to account for the proceeds of specific revenue sources (other than private-purpose trusts or for major capital projects) that are legally restricted to expenditures for specified purposes. Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's program.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance comprising the general revenue, special revenue, and permanent funds in the aggregate are presented in Exhibit I. Revenues, expenditures, and changes in fund balance and net position for the general revenue, special revenue, and permanent funds in the aggregate are presented in Exhibit II.

#### General Fund (GAAP Fund Type 01)

The General Revenue Fund (Fund 0001) is the principle operating fund used to account for all financial resources of the state except those required to be accounted for in another fund.

#### Coastal Protection Fund (GAAP Fund Type 01)

The coastal protection fund (Fund 0027) provides readily available monies for response cleanup and payment of damages from unauthorized discharges of oil and other substances.

#### Coastal Public Lands Management Fund (GAAP Fund Type 01)

The coastal public lands management fee fund (Fund 0450) receives monies for the grant of surface interest for the management of surface estate in coastal public lands.

#### Veterans' Land Program Administration Fund (GAAP Fund Type 01)

The veterans' land program administration fund (Fund 0522) pays administrative costs associated with VLB programs, including expenses of bond issue, investments, land purchases and resale, and the veterans' homes programs.

#### Capital Trust Fund (GAAP Fund Type 01)

The capital trust fund (Fund 0543) is used to finance the acquisition, construction, repair, improvement, or equipping of a building by a state agency, the acquisition of real or personal property for a state agency or, any other purpose for which funds may be appropriated from general revenue.

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#### Specialty License Plate Fund (GAAP Fund Type 01)

The specialty license plate general fund (Fund 5140) collects revenues from the sale of the specialty license plates. For every Adopt-A-Beach plate sold, the Adopt-A-Beach program will receive \$22.00 from the \$30.00 fee to aid in the volunteer effort to clean up Texas beaches. For every San Jacinto Texas Historic District plate sold, the San Jacinto Texas Historic District will receive \$22.00 from the \$30.00 fee to aid in the effort to revitalize the historical significance of the region. For every Buffalo Soldiers plate sold, the Buffalo Soldiers National Museum in Houston will receive \$22.00 from the \$30.00 fee to benefit and support the museum. For every Daughters of the American Revolution plate sold, the Texas Society of Daughters of the American Revolution will receive \$22.00 from the \$30.00 fee to support historic preservation, education and scholarships.

#### Alamo Complex Fund (GAAP Fund Type 01)

The Alamo complex fund (Fund 5152) consists of transfers, fees, and other revenue from the operation of the Alamo complex, grants, donations, and income earned. The fund includes appropriations to GLO for the preservation, operation, and maintenance of the Alamo complex. Funds are used for the preservation, repair, renovation, improvement, expansion, or equipment of the Alamo complex or to acquire historical items.

#### Veterans Financial Assistance Program Fund (GAAP Fund Type 02)

The veterans financial assistance program fund (Fund 0374) receives proceeds from gifts, grants, and other authorized sources to fund the veterans' cemetery program.

#### Permanent School Fund (GAAP Fund Type 19)

The permanent school fund (Fund 0044) consists of all land and all revenues derived from the land or other properties appropriated for the support of public free schools.

#### Capital Asset Adjustment Fund (GAAP Fund Type 11)

The capital asset adjustment fund (Fund 9998) is used to convert governmental fund capital assets from modified accrual to full accrual basis of accounting.

#### Long-Term Liability Adjustment Fund (GAAP Fund Type 12)

The long-term liability adjustment fund (Fund 9997) is used to convert governmental fund liabilities from modified accrual to full accrual basis of accounting.

#### Other Adjustment Fund (GAAP Fund Type 21)

The other adjustment fund (Fund 9996) is used to convert all other governmental fund activity from modified accrual to full accrual basis of accounting.

#### PROPRIETARY FUND TYPES

Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position comprising the proprietary

funds in aggregate are presented in Exhibit III. Revenues, expenses, and changes in net position comprising the proprietary funds in aggregate are presented in Exhibit IV. A combined statement of cash flows comprising the proprietary funds in aggregate is presented in Exhibit V.

*Enterprise funds* are used to account for any activity when a fee is charged to external users for goods and services. Activities must be reported in enterprise funds if any one of the following criteria is met:

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs including capital costs.

#### Veterans' Land Program Fund (GAAP Fund Type 05)

The veterans' land program funds (Funds 0381, 0385, 0571, and 0626) receive proceeds from the sale of general obligation bonds to fund land contracts and land mortgages for Texas veterans.

#### Veterans' Housing Assistance Program Fund (GAAP Fund Type 05)

The veterans' housing assistance program funds (Funds 0379, 0383, 0384, 0527, 0528, 0529, 0536, 0567, and 0590) receive proceeds from the sale of general obligation bonds to fund housing mortgages and home improvement loans for Texas veterans.

#### Veterans' Financial Assistance Program Fund (GAAP Fund Type 05)

The veterans' financial assistance program fund (Fund 0374) receives proceeds from the sale of bonds, gifts, grants, and other authorized sources to fund all veterans homes programs.

#### FIDUCIARY FUND TYPES

Assets, liabilities, and net position relating to agency funds are summarized in Exhibits VI and D-1. Schedule 3 summarizes additions and deductions applicable to the reporting period. Amounts collected for other agencies in connection with the GLO's custodial duties of the state's land resources are shown by fund in Schedule 4 and by source in Schedule 5.

*Agency funds* are used to account for assets held as an agent for individuals, other government entities, and/or other funds. These funds are custodial in nature and do not involve measurement of results of operations.

**Purchase/Lease Land Vacancy Trust Fund (GAAP Fund Type 09)**

The purchase/lease land vacancy trust fund (Fund 0873) holds fees and money deposited to cover costs of proceeding under an application to purchase or lease vacant land. After proceedings on application have concluded and all authorized expenditures have been paid, the agency shall remit the remaining balance back to the applicant.

**Child Support Employee Deductions Offset Account Fund (GAAP Fund Type 09)**

The child support employee deductions offset account (Fund 0807) accumulates money withheld from the salaries of state employees for child support deductions, and is distributed to the statewide disbursement unit through a single direct deposit.

**Veterans' Mortgage Revenue Bond Fund (GAAP Fund Type 09)**

The veterans' mortgage revenue bond fund (Fund 9999) receives proceeds from the sale of revenue bonds to purchase Government National Mortgage Association (GNMA) certificates backed by home mortgages issued to Texas veterans. There are currently no bonds outstanding in the veterans' mortgage revenue bond program.

**COMPONENT UNITS**

Component units are legally separate organizations for which the elected officials of the primary government are either financially accountable or the nature and significance of their relationship with the agency is such that exclusion would cause the agency's financial statements to be misleading or incomplete. Texas General Land Office has one blended component unit presented as a Special Revenue fund in the supplemental statements and in the notes.

**Alamo Endowment Component Unit Fund (GAAP Fund Type 02)**

The Alamo Endowment component unit fund (Fund 5001) presents the activities and balances of a blended component unit, the Alamo Endowment. Additional component unit information is presented in Note 19.

**MEMORANDUM TOTALS**

The total columns on the financial statements are captioned "Memorandum Only" to indicate that they are for informational purposes only. Data in these columns do not present the financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation.

**BASIS OF ACCOUNTING**

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

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. The State of Texas considers receivables collected within sixty days after year-end to be available, and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related fund liability is incurred.

Governmental adjustment fund types that build the government-wide financial statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid employee compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments, and full accrual revenues and expenses. The activity is recognized in these fund types.

Proprietary funds are accounted for on the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The VLB, from time to time, enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenses resulting from these agreements, no amounts are recorded in the financial statements.

**BUDGETS AND BUDGETARY ACCOUNTING**

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the governor (the General Appropriations Act). Encumbrance accounting is employed for budgetary control purposes. Unencumbered appropriations are subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

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

**ASSETS**

*Restricted assets* include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation or revenue bonds and revenues set aside for statutory or contractual requirements.

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*Cash and cash equivalents* includes cash on hand, cash in local banks, cash in the State Treasury, and short-term highly liquid investments with an original maturity of three months or less.

*Legislative appropriations* represent the general revenue fund (Fund 0001) amount in the State Treasury at fiscal year-end.

*Investments* are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the operating statement. These costs are reported at gross. Current investments have a maturity date of one year or less, while noncurrent investments have a maturity date of greater than one year.

*Investments in real assets* represent real property and shares of external investment funds held for the benefit of the permanent school fund, and are carried at fair value. Investments in sovereign lands and mineral interests are reported at cost.

*Receivables* consist mainly of intergovernmental federal, interest, and accounts receivable as of the balance sheet date.

The voluntary oil and gas royalty receivables are calculated from production reports or remittance advices; the payments and reporting of these royalties are not legally due until the second month after production occurs. The receivables for voluntary oil and gas royalties are established based on the information received in the remittance advices in September and October 2015 for the production months August 2015 and earlier.

*Allowance for uncollectibles* is a contra-asset account representing estimated accounts receivables determined not to be collectible. The change in allowance for uncollectibles is charged against its respective revenue source.

*Due from other funds and agencies* represents nonreciprocal interfund and interagency activities, or transfers of assets without equivalent flow of assets in return or a requirement for repayment.

*Notes, loans, and contracts* represent the receivable balance on all active housing assistance mortgages, home improvement loans, land loans, land mortgages, loans issued on the sale of permanent school fund internal real assets investments, and capital trust fund land sale loans. Because housing and land mortgages are insured, and land contracts, permanent school fund notes, and capital trust fund notes are collateralized by the land, losses on loans and contracts are minimal; therefore, an estimate for allowance for uncollectibles is unnecessary. Current loans and contracts represent the principal balances maturing within one year, while noncurrent loans and contracts represent the principal balances maturing after one year.

*Property acquired through foreclosure* represents the outstanding balance on foreclosed housing mortgages and land loans.

*Inventories and Prepaid items* include inventories valued using the consumption method; costs of inventories are expensed when they are consumed. Prepaid items reflect payments for costs applicable to future accounting periods.

*Capital assets* are capitalized at cost, or if not purchased, at appraised fair value as of the date of acquisition if the asset's individual cost or estimated fair value is greater than \$100,000.00 for buildings and \$5,000.00 for other capital assets, and estimated useful life is greater than one year. Depreciation is reported on all "exhaustible" assets. Capital assets are depreciated over the estimated useful life of the asset using the straight-line method. Capital assets of governmental funds are reported as expenditures. Adjustments are recorded in the capital asset adjustment fund type to convert these expenditures to capital assets for the government-wide financial statements.

*Intangible assets* are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Intangible assets are classified as capital assets and reported on the statement of net position only if they are identifiable. Purchased software is capitalized if the aggregate purchase exceeds \$100,000.00. Internally generated computer software is capitalized if it meets the \$1 million threshold. Other intangible capital assets include patents, trademarks and copyrights. Purchases of other intangible assets are capitalized if the cost meets or exceeds \$100,000.00. Intangible assets are depreciated over the estimated useful life of the asset using the straight-line method.

The disaggregation of other receivables as reported in the financial statements is shown in Note 24, Disaggregation of Receivables and Payables Balances.

## LIABILITIES

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

*Debt service interest payable* represents accrued interest expense on bond indebtedness for which payment is scheduled in the subsequent fiscal year.

The disaggregation of other payables as reported in the financial statements is shown in Note 24, Disaggregation of Receivables and Payables Balances.

*Unearned revenues* represents income for which payment has been received before it is earned. The recognition of these revenues is delayed and not available to liquidate liabilities of the current period.

*Due to other funds and agencies* represents nonreciprocal interfund and interagency activities, or transfers of assets without equivalent flow of assets in return or a requirement for repayment.

*Employees' compensable leave* represents the liability that becomes due upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net position. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

*Bonds payable* includes current interest and capital appreciation bonds. The outstanding principal amount of current interest bonds is accounted for as a liability in their respective funds for enterprise funds. Bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains or losses on bond refunding activities. Bonds Payable is reported net of unamortized discounts and premiums and separately as either current or noncurrent on the statement of net position. Current bonds payable represents bonds payable balances that will mature within one year, while noncurrent bonds payable represents bonds payable balances that will mature in greater than one year.

Deep discount bonds do not pay interest until the maturity of related principal. Bonds are initially reported at the discounted value. Accretion (the difference between the discounted value and the par [maturity] value of the bonds payable) is amortized over the life of the bond issue. At final maturity, accretion is fully amortized and the discounted bond value equals par value. Annual accretion amortized is recognized as an addition to bonds payable.

*Obligations under securities lending* are funds held in exchange for securities lending collateral and their earnings are recognized as revenues.

#### **FUND BALANCE/NET POSITION**

Fund balance is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the governmental fund statements. Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the government-wide, proprietary and fiduciary fund statements.

*Nonspendable fund balance* includes amounts not available to be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

*Restricted fund balance* includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.

*Committed fund balance* can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority.

*Assigned fund balance* includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the Texas Legislature or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

*Unassigned fund balance* is the residual classification for the general fund. The classification represents the fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

Net Position, *Invested in Capital Assets, Net of Related Debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted Net Position* results when constraints placed on assets use are either externally imposed by creditors, grantors, and the like, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted net position are available for use, restricted resources are used first, and then unrestricted resources are used as they are needed.

*Unrestricted Net Position* consists of assets that do not meet the definition of net position, invested in capital assets, net of related debt or restricted net position. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

#### **INTERFUND ACTIVITY AND TRANSACTIONS**

Transactions between the agency's funds have been analyzed and classified in accordance with the following criteria:

*Nonreciprocal interfund* activity is similar to non-exchange transactions or other events and includes transfers and reimbursements. *Interfund transfers* represent the flow of assets without the equivalent flow of assets in return or a requirement for repayment. Interfund transfers are reported as transfers in by the recipient fund and as transfers out by the disbursing fund, which are included as other financing sources or uses in governmental funds and after non-operating revenues and expenses in proprietary funds.

*Reimbursements* are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures or expenses made by one fund for another fund are recorded as expenditures or expenses in the reimbursing fund, and as a reduction of

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expenditures or expenses in the reimbursed funds. Reimbursements are not displayed in the financial statements.

Reciprocal interfund activity includes loans and interfund sales and purchases. Loans are reported as *interfund receivables and payables* on the balance sheet. If repayment is due during the current year or soon thereafter, the balance is classified as current. Balances for repayment due in two or more years are classified as noncurrent.

Table 1 below. Changes in capital assets for business-type activities are presented in Table 2 on page 35.

Not included in the aforementioned tables, the General Land Office maintains an historical archive collection held for public exhibition, education, and public service. The collection includes approximately 36 million records dating back to 1720, including approximately 45,000 maps, sketches and plat maps. Artifacts in the archives collection are not sold, but preserved and kept in the historical collection. As such, the archives collection is not required to be capitalized and is exempt under GASB Statement No. 34 requirements.

In fiscal 2015, musician Phil Collins donated his private collection of Alamo artifacts and historical treasures to the General Land Office. This collection is included in Table 1 and in the State Property Accounting system at a total cost of \$15,657,891.13.

## Note 2

### CAPITAL ASSETS

A summary of changes in capital assets for governmental activities for the year ended August 31, 2015, is presented in

Table 1

| CHANGES IN CAPITAL ASSETS   |                        |                  |                   |                           |                           |                       |                       |                        |
|---|------------------------|------------------|-------------------|---------------------------|---------------------------|-----------------------|-----------------------|------------------------|
| For the Year Ended August 31, 2015                                    |                        |                  |                   |                           |                           |                       |                       |                        |
| GOVERNMENTAL ACTIVITIES   | Balance<br>9/1/2014    | Adjustments      | Reclassifications |                           |                           | Additions             | Deletions             | Balance<br>8/31/2015   |
|   |                        |                  | Completed<br>CIP  | Incr-Int'agy<br>Transfers | Decr-Int'agy<br>Transfers |                       |                       |                        |
| <i>Non-depreciable Assets</i>   |                        |                  |                   |                           |                           |                       |                       |                        |
| Land and Land Improvements  | 2,867,958.00           |                  |                   | 50,000.00                 |                           | 122,700.00            | (172,700.00)          | 2,867,958.00           |
| Construction in Progress  | 3,607,630.70           |                  |                   |                           |                           | 2,510,386.17          |                       | 6,118,016.87           |
| Other Capital Assets  | 139,983.40             |                  |                   |                           |                           | 15,670,641.13         |                       | 15,810,624.53          |
| <b>Total Non-depreciable Assets</b>                                   | <b>6,615,572.10</b>    | <b>0.00</b>      | <b>0.00</b>       | <b>50,000.00</b>          | <b>0.00</b>               | <b>18,303,727.30</b>  | <b>(172,700.00)</b>   | <b>24,796,599.40</b>   |
| <i>Depreciable Assets</i>   |                        |                  |                   |                           |                           |                       |                       |                        |
| Buildings and Building<br>Improvements                                | 45,095,238.22          |                  |                   | 1,190,119.32              |                           | 670,898.68            | (1,190,119.32)        | 45,766,136.90          |
| Furniture and Equipment   | 5,761,298.93           | 8,285.00         |                   |                           | (13,120.00)               | 349,678.25            | (166,571.19)          | 5,939,570.99           |
| Vehicles, Boats, and Aircraft   | 4,576,479.21           |                  |                   |                           | (73,507.00)               | 452,901.32            | (229,749.00)          | 4,726,124.53           |
| <b>Total Depreciable Assets<br/>at Historical Costs</b>               | <b>55,433,016.36</b>   | <b>8,285.00</b>  | <b>0.00</b>       | <b>1,190,119.32</b>       | <b>(86,627.00)</b>        | <b>1,473,478.25</b>   | <b>(1,586,439.51)</b> | <b>56,431,832.42</b>   |
| <i>Less Accumulated Depreciation for:</i>                             |                        |                  |                   |                           |                           |                       |                       |                        |
| Buildings and Building<br>Improvements                                | (22,412,601.65)        |                  |                   | (1,130,613.35)            |                           | (2,101,160.40)        | 1,130,613.35          | (24,513,762.05)        |
| Furniture and Equipment   | (4,320,301.18)         | 4,127.90         |                   |                           | 13,120.00                 | (445,769.22)          | 162,146.15            | (4,586,676.35)         |
| Vehicles, Boats, and Aircraft   | (3,377,084.96)         |                  |                   |                           | 73,507.00                 | (438,002.83)          | 228,774.62            | (3,512,806.17)         |
| <b>Total Accumulated<br/>Depreciation</b>                             | <b>(30,109,987.79)</b> | <b>4,127.90</b>  | <b>0.00</b>       | <b>(1,130,613.35)</b>     | <b>86,627.00</b>          | <b>(2,984,932.45)</b> | <b>1,521,534.12</b>   | <b>(32,613,244.57)</b> |
| <b>Depreciable Assets, Net</b>  | <b>25,323,028.57</b>   | <b>12,412.90</b> | <b>0.00</b>       | <b>59,505.97</b>          | <b>0.00</b>               | <b>(1,511,454.20)</b> | <b>(64,905.39)</b>    | <b>23,818,587.85</b>   |
| <i>Amortizable Assets - Intangibles</i>                               |                        |                  |                   |                           |                           |                       |                       |                        |
| Intangible Computer Software  | 988,393.78             |                  |                   |                           |                           |                       |                       | 988,393.78             |
| <b>Total Amortizable Assets -<br/>Intangibles at Historical Costs</b> | <b>988,393.78</b>      | <b>0.00</b>      | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>0.00</b>           | <b>0.00</b>           | <b>988,393.78</b>      |
| <i>Less Accumulated Amortization for:</i>                             |                        |                  |                   |                           |                           |                       |                       |                        |
| Intangible Computer Software  | (507,609.39)           |                  |                   |                           |                           | (125,548.20)          |                       | (633,157.59)           |
| <b>Total Accumulated Amortization</b>                                 | <b>(507,609.39)</b>    | <b>0.00</b>      | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>(125,548.20)</b>   | <b>0.00</b>           | <b>(633,157.59)</b>    |
| <b>Amortizable Assets -<br/>Intangibles, Net</b>                      | <b>480,784.39</b>      | <b>0.00</b>      | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>(125,548.20)</b>   | <b>0.00</b>           | <b>355,236.19</b>      |
| <b>Governmental Activities<br/>Capital Assets, Net</b>                | <b>32,419,385.06</b>   | <b>12,412.90</b> | <b>0.00</b>       | <b>109,505.97</b>         | <b>0.00</b>               | <b>16,666,724.90</b>  | <b>(237,605.39)</b>   | <b>48,970,423.44</b>   |

## Note 3

### DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

### AUTHORITY FOR INVESTMENTS AND SECURITIES LENDING

Investments are restricted as follows:

#### PERMANENT SCHOOL FUND

Tex. Nat. Res. Code Ann., §51.402 allows the board to use money designated under §51.401 to "add to a tract of public school land

to form a tract of sufficient size to be manageable; to add contiguous land to public school land; to acquire, as public school land, interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests for the use and benefit of the permanent school fund; to protect, maintain, or enhance the value of public school land; to acquire interests in real estate; to pay reasonable fees for professional services related to permanent school fund investments; or to acquire, sell, lease, trade, improve, maintain, protect or use land, mineral or royalty interests, or real estate investments, an investment or interest in public infrastructure, or other interests, at such prices, and under such terms and conditions the board determines to be in the best interest of the permanent school fund." Before using funds for any of the above purposes, the board must determine that the use of the funds for the intended purpose is authorized, and by using the

Table 2

#### CHANGES IN CAPITAL ASSETS For the Year Ended August 31, 2015

| BUSINESS-TYPE ACTIVITIES  | Balance<br>9/1/2014    | Adjustments | Reclassifications |                           |                           | Additions             | Deletions   | Balance<br>8/31/2015   |
|---|------------------------|-------------|-------------------|---------------------------|---------------------------|-----------------------|-------------|------------------------|
|   |                        |             | Completed<br>CIP  | Incr-Int'agy<br>Transfers | Decr-Int'agy<br>Transfers |                       |             |                        |
|   | \$                     | \$          | \$                | \$                        | \$                        | \$                    | \$          | \$                     |
| <i>Non-depreciable Assets</i>   |                        |             |                   |                           |                           |                       |             |                        |
| Land and Land Improvements  | 3,499,500.00           |             |                   |                           |                           |                       |             | 3,499,500.00           |
| Construction in Progress  | 13,269,014.90          |             |                   |                           |                           | 5,719,887.89          |             | 18,988,902.79          |
| <b>Total Non-depreciable Assets</b>                                       | <b>16,768,514.90</b>   | <b>0.00</b> | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>5,719,887.89</b>   | <b>0.00</b> | <b>22,488,402.79</b>   |
| <i>Depreciable Assets</i>   |                        |             |                   |                           |                           |                       |             |                        |
| Buildings and Building Improvements                                       | 94,335,128.82          |             |                   |                           |                           |                       |             | 94,335,128.82          |
| Facilities and Other Improvements   | 22,963.00              |             |                   |                           |                           |                       |             | 22,963.00              |
| Furniture and Equipment   | 618,166.28             |             |                   |                           |                           | 28,355.48             |             | 646,521.76             |
| Vehicles, Boats, and Aircraft   | 46,501.14              |             |                   |                           |                           |                       |             | 46,501.14              |
| <b>Total Depreciable Assets<br/>at Historical Costs</b>                   | <b>95,022,759.24</b>   | <b>0.00</b> | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>28,355.48</b>      | <b>0.00</b> | <b>95,051,114.72</b>   |
| <i>Less Accumulated Depreciation for:</i>                                 |                        |             |                   |                           |                           |                       |             |                        |
| Buildings and Building Improvements                                       | (42,215,052.08)        |             |                   |                           |                           | (4,448,880.57)        |             | (46,663,932.65)        |
| Facilities and Other Improvements   | (3,252.78)             |             |                   |                           |                           | (1,148.04)            |             | (4,400.82)             |
| Furniture and Equipment   | (350,711.71)           |             |                   |                           |                           | (61,597.69)           |             | (412,309.40)           |
| Vehicles, Boats, and Aircraft   | (46,501.14)            |             |                   |                           |                           |                       |             | (46,501.14)            |
| <b>Total Accumulated Depreciation</b>                                     | <b>(42,615,517.71)</b> | <b>0.00</b> | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>(4,511,626.30)</b> | <b>0.00</b> | <b>(47,127,144.01)</b> |
| <b>Depreciable Assets, Net</b>  | <b>52,407,241.53</b>   | <b>0.00</b> | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>(4,483,270.82)</b> | <b>0.00</b> | <b>47,923,970.71</b>   |
| <i>Amortizable Assets - Intangibles</i>                                   |                        |             |                   |                           |                           |                       |             |                        |
| Intangible Computer Software  | 309,133.15             |             |                   |                           |                           |                       |             | 309,133.15             |
| <b>Total Amortizable Assets -<br/>Intangibles at Historical Costs</b>     | <b>309,133.15</b>      | <b>0.00</b> | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>0.00</b>           | <b>0.00</b> | <b>309,133.15</b>      |
| <i>Less Accumulated Amortization for<br/>Intangible Computer Software</i> |                        |             |                   |                           |                           |                       |             |                        |
| Intangible Computer Software  | (309,133.15)           |             |                   |                           |                           |                       |             | (309,133.15)           |
| <b>Total Accumulated Amortization</b>                                     | <b>(309,133.15)</b>    | <b>0.00</b> | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>0.00</b>           | <b>0.00</b> | <b>(309,133.15)</b>    |
| <b>Amortizable Assets -<br/>Intangibles, Net</b>                          | <b>0.00</b>            | <b>0.00</b> | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>0.00</b>           | <b>0.00</b> | <b>0.00</b>            |
| <b>Business-Type Activities<br/>Capital Assets, Net</b>                   | <b>69,175,756.43</b>   | <b>0.00</b> | <b>0.00</b>       | <b>0.00</b>               | <b>0.00</b>               | <b>1,236,617.07</b>   | <b>0.00</b> | <b>70,412,373.50</b>   |

prudent investor standard, the board must also determine that the use of the funds for the intended purpose is in the best interest of the permanent school fund. Additionally, §51.402 states that the market value of the investments in real estate on January 1 of each even-numbered year may not exceed an amount that is equal to 15 percent of the market value of the permanent school fund on that date.

#### **VETERANS' LAND PROGRAM**

Eligible securities for the Veterans' Land Program are defined by the Tex. Const. Art. III, §49-b and Tex. Nat. Res. Code Ann., §161.173. Art. III, §49-b (k) states, monies which are "not immediately committed to the payment of principal and interest on the bonds, the purchase of lands as herein provided, or the payment of expenses as herein provided may be invested as authorized by law until such monies are needed for such purposes." Tex. Nat. Res. Code Ann., §161.173 defines authorized investments to include, though not exclusively: direct repurchase and reverse repurchase agreements, direct obligations of the lands, or the payment of expenses may be invested as authorized by law until the money is needed for those purposes." Tex. Nat. Res. Code Ann., §161.173 defines authorized investments to include, though not exclusively: direct repurchase and reverse repurchase agreements, direct obligations of the United States, agency obligations, bankers' acceptances, commercial paper, municipal obligations, collateralized mortgage obligations, and any other investment authorized for investment of state funds under §404.024, Government Code. Tex. Nat. Res. Code Ann., §161.1732 authorizes the Veterans' Land Board to engage in securities lending.

#### **VETERANS' HOUSING ASSISTANCE PROGRAM**

Eligible securities for the Veterans' Housing Assistance Program are defined by the Tex. Const. Art. III, §49-b(f) which states, "the principal of and interest on the general obligation bonds authorized by this section for the benefit of the Veterans' Housing Assistance Fund shall be paid out of the money of the fund, but the money of the fund which is not immediately committed to the payment of principal and interest on such bonds, the making of home mortgage loans as herein provided, or the payment of expenses as herein provided may be invested as authorized by law until the money is needed for such purposes." Such acceptable investments include, though not exclusively: investment agreements, direct repurchase and reverse repurchase agreements, direct obligations of the United States, agency obligations, bankers' acceptances, commercial paper, municipal obligations, collateralized mortgage obligations, and any other investment authorized for investment of state funds by the State Treasury under applicable law. Tex. Nat. Res. Code Ann., §164.1732 authorizes the VLB to engage in securities lending.

#### **VETERANS' MORTGAGE REVENUE BOND PROGRAM**

Tex. Nat. Res. Code Ann., §164.011(d) specifies that money in the Veterans' Mortgage Revenue Bond Program "shall be invested in authorized investments as provided by a bond resolution or order of the board." There are currently no bonds outstanding in the Veterans' Mortgage Revenue Bond Program. Tex. Nat. Res. Code Ann., §164.1732 authorizes the VLB to engage in securities lending.

#### **COASTAL PROTECTION FUND**

The Coastal Protection Fund (CPF) was established by the Oil Spill Prevention and Response Act of 1991 and codified in Tex. Nat. Res. Code §40.151 to provide immediately available funds from the State Treasury to be used by the land commissioner to carry out his responsibilities under this Act and the Coastal Erosion Planning and Response Act, codified at Tex. Nat. Res. Code, Chapter 33.601. The CPF is invested in accordance with §404.024, Government Code.

#### **UNEARNED TRUST FUNDS**

The Travel Advance Account is authorized by Tex. Gov't. Code Ann., §403.244 and §403.248.

#### **DEPOSITS**

Carrying amounts of bank accounts at August 31, 2015, are listed in **Table 3** on page 37. These amounts consist of cash and cash equivalents in local banks and the Texas Treasury Safekeeping Trust Company. These amounts are included on the Combined Statement of Net Position and the Combined Statement of Fiduciary Net Position as part of the Cash and Cash Equivalents accounts.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The agency does not have a policy for custodial credit risk nor are any of its deposits at August 31, 2015 exposed to custodial credit risk.

#### **INVESTMENTS**

##### **VETERANS' LAND BOARD**

The Veterans' Land Board (VLB) is responsible for the investment of money in Housing Assistance Fund I, Housing Assistance Fund II, the Land Fund, the State of Texas David A. Gloier Texas State Veterans Home Program, and the Veterans' Mortgage Revenue Bond Program. Pursuant to applicable law, money in the funds and programs may be invested in the following instruments: investment agreements; repurchase agreements; reverse repurchase agreements; direct obligations of or obligations guaranteed by the United States; direct obligations of or obligations guaranteed by the Federal National Mortgage Association (FNMA), the Federal Farm Credit System (FFCS), the Student Loan Marketing Association (SLMA), the Federal Home



Table 3

**DEPOSITS**

| Type of Deposit                | Total Bank<br>Balance | Carrying<br>Amount  |
|--------------------------------|-----------------------|---------------------|
|                                | \$                    | \$                  |
| Current Assets - Cash in Bank: |                       |                     |
| Governmental Funds             | 1,479,636.99          | 1,479,636.99        |
| <b>Total</b>                   | <b>1,479,636.99</b>   | <b>1,479,636.99</b> |

Loan Mortgage Corporation (FHLMC), or any of their successors; certain bankers' acceptances issued by banks having the highest short-term credit rating of a nationally recognized rating firm; commercial paper having the highest short-term credit rating of a nationally recognized rating firm; option contracts (other than naked-options or uncovered-options); state and local bonds, including revenue bonds issued under Tex. Nat. Res. Code Ann., §164, or mutual funds composed of such bonds; deposits insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or any of their successors; collateralized mortgage obligations (CMOs) issued or guaranteed by the Government National Mortgage Association or by FNMA, FFCS, SLMA, FHLMC, or any of their successors; securities issued by the Farm Credit System Financial Assistance Corporation, the Private Export Funding Corporation or the Export-Import Bank; and any other instrument authorized for investment of state funds by the State Treasury.

Investments are reported at fair value as required by GASB 31. The VLB's written Investment Policy Statement (IPS) permits the chief investment officer to purchase, sell, or trade investments in any of the funds or programs in accordance with applicable legal and IPS limitations and imposes upon the chief investment officer, a "prudent person" standard. The IPS dictates certain portfolio diversification requirements and instructs the chief investment officer to invest assets in a manner that maximizes total return, while providing the liquidity and cash flow necessary to fund the programs administered by the Veterans' Land Board. The IPS requires that certificates of deposit and repurchase agreements be collateralized by direct obligations of or guaranteed by the United States or by obligations of agencies and instrumentalities of the United States, except that certificates of deposit may also be collateralized by state of Texas general obligation bonds and certain Texas state and local bonds (or mutual funds consisting of such), which are rated "A" or better by a nationally recognized rating firm. The collateralization level is 102 percent of fair value of principal plus accrued interest, and the IPS requires the collateral to be marked to market daily to ensure compliance with the 102 percent requirement. Finally, the IPS permits investment in bonds issued,

assumed, or guaranteed by the state of Israel, which are permitted investments for state funds by the State Treasury. The VLB's IPS will be revised from time to time if such revisions are determined by the VLB to be in the best interest of its programs.

As stated in its IPS, the VLB's "general investment objective is to invest its assets in a manner that maximizes total return, while providing the liquidity and cash flow necessary to fund the programs it administers. "Within the context of that general objective, the IPS further states that the primary objective is to "ensure the liquidity and cash flow necessary to fund loan purchases," while the "maximization of total return... is an important, but secondary, consideration." In addition, the IPS dictates that "the time horizon of the board's composite investment portfolio should be flexible enough to allow for the inherent volatility in demand in its various loan programs." Therefore, during periods of high loan demand, the time horizon of the portfolio will generally be very short (two years or less), and during periods of normal loan demand, the time horizon will be generally short to intermediate (three to five years).

The preservation of principal is an important component of ensuring sufficient liquidity and cash flow to fund loan purchases, as mandated by the IPS. The VLB accomplishes the preservation of principal in the investment portfolio primarily by controlling its interest rate risk and credit risk.

*Interest Rate Risk.* The investment portfolio's interest rate risk is controlled primarily through cash flow matching. This technique involves projecting cash flow needs and investing in securities that mature at or near the time of the projected cash flow requirements. As a result, the weighted average maturity and modified duration of the portfolio are maintained in a flexible manner and typically range from two to five years. At August 31, 2015, the weighted average maturity of the portfolio was approximately 4.20 years, and the modified duration was approximately 3.85 years.

*Credit Risk.* The investment portfolio's credit risk is controlled by investing in securities with high credit quality. These are typically securities rated "A" or higher by a nationally recognized rating agency. At August 31, 2015, the average credit rating of the securities in the investment portfolio was Aaa by Moody's Investor Services and AA+ by Standard & Poor's.

*Custodial Credit Risk.* There was no custodial credit risk at August 31, 2015, because the securities in the investment portfolio were registered in the name of the VLB.

Money in Housing Assistance Fund I, Housing Assistance Fund II, and the Land Fund that is not invested by the VLB is currently held in an external investment pool by the Texas Comptroller of Public Accounts (CPA). The CPA invests in authorized investments consistent with applicable law and the CPA Investment Policy. The CPA pools funds for investment purposes and allocates

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investment earnings on pooled funds proportionately among the various state agencies whose funds are so pooled. The approximate size of the pool ranges from \$17 billion to \$35 billion, depending upon seasonal variations in revenues and expenditures. Typically, most pooled funds are invested in the following instruments: repurchase agreements, obligations of the United States and its agencies and instrumentalities, corporate debt, and fully collateralized deposits in authorized state depositories. All investments are marked to market daily, using an external financial service.

State Street Bank and Trust Company (State Street) serves as the VLB's investment custodian and securities lending agent for the Housing Assistance Fund I, Housing Assistance Fund II, and the Land Fund. Money and investments related to the State of Texas David A. Gloier Texas State Veterans Home Program are held by the CPA and State Street.

As of August 31, 2015, and including cash held at the Texas State Treasury, the fair value of the total portfolio of investments in the Housing Assistance Fund I, Housing Assistance Fund II, and the Land Fund was \$ 917,373,078.60 the fair value of the total portfolio of investments in the State of Texas David A. Gloier Texas State Veterans Home Program was \$ 36,465,369.38. The VLB does not anticipate the need to sell any investments prior to their maturity in order to fulfill the liquidity needs of its programs. However, the VLB reserves the right to sell any investment, possibly realizing a gain or loss in the process, if it determines that such action is in the best interest of its programs. Summary statements showing the fair value of the board's investment portfolio as of August 31, 2015, can be found in **Table 4** on page 39 and **Table 5** on page 40.

### **SCHOOL LAND BOARD**

The School Land Board (SLB) is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the permanent school fund. Pursuant to applicable law, money in the RESFA may be invested in land, interests in real estate, mineral and royalty interests, real assets investments, investments or interests in public infrastructure, or other interests.

The SLB's written real assets investment policy statement (Investment Policy) authorizes the investment of money in the RESFA in externally managed commingled funds and separate accounts, as well as in direct investments that are sourced, executed, and managed by internal Texas General Land Office staff.

With regard to externally managed investments, the Investment Policy authorizes an Investment Advisory Committee (IAC) to review potential investments and make recommendations to the SLB for the investment of money in the RESFA. The current IAC is comprised of four members, chaired by the chief investment officer of the Texas General Land Office. The IAC meets

periodically to review potential investments and works in conjunction with the SLB's real assets investment advisor, currently The Townsend Group, to evaluate potential investments and make recommendations to the SLB for the investment of money in the RESFA. Following the formulation of recommendations by the IAC, the chairman of the IAC makes formal presentations and recommendations to the SLB for its consideration and approval.

Internally managed real assets investment acquisitions and dispositions are sourced and evaluated by Texas General Land Office staff and are then formally presented to the IAC and the SLB for consideration and approval.

The SLB's general investment objective is to invest money in the RESFA in land, interests in real estate, mineral or royalty interests, real assets investments, investments or interest in public infrastructure, or other interest, in a manner that seeks to maximize returns within the framework of the prudent investor standard. Given the typical nature of real assets investments, it is expected that the real assets investment portfolio managed by the SLB will be characterized by a long term investment horizon and will be relatively liquid.

Money in the RESFA that is awaiting investment by the SLB is currently held in an external investment pool managed by the Texas Comptroller of Public Accounts consistent with applicable law and the CPA investment policy. The CPA pools funds for investment purposes and allocates investment earnings on pooled funds. The CPA invests in authorized investments proportionately among the various state agencies whose funds are so pooled. The approximate size of the pool ranges from \$17 to \$35 billion depending upon seasonal variations in revenues and expenditures. Currently, most pooled funds are invested in the following instruments: repurchase agreements, obligations of the United States and its agencies and instrumentalities, corporate debt, and fully collateralized deposits in authorized state depositories. All investments are marked to market daily using an external financial service.

State Street Bank and Trust Company (State Street) provides accounting, performance measurement, and reporting services for the SLB with regard to its real assets investment portfolio. The cash flow data and net asset values, used by State Street to provide its accounting and performance measurement and reporting services, are provided to State Street directly by the SLB's external fund managers with regard to the SLB's externally managed real assets investments and by Texas General Land Office staff with regard to the SLB's internally managed real assets investments. The fair value of the PSF Real Assets Investment Portfolio was derived by taking the State Street Summary of Investments – External Portfolio at June 30, 2015, and adjusting it for cash transactions that transpired during July and August 2015.

Table 4

**INVESTMENT PORTFOLIO AT FAIR VALUE**

| <u>Land and Housing Assistance Funds</u>                            |                                      |
|---|--------------------------------------|
| <u>Investment Type</u>  | <u>Fair Value</u>                    |
|   | \$                                   |
| U.S. Treasury Securities  | 55,439,950.00                        |
| U.S. Treasury Strips  | 66,642,012.80                        |
| U.S. Government Agency Obligations                                  | 264,805,906.73                       |
| Money Market Mutual Fund  | 81,189,230.26                        |
| Commercial Paper  | 146,114,272.94                       |
| Taxable Municipals  | 152,266,843.95                       |
| International Obligations   | 11,044,816.34                        |
| Securities Lending - Cash Collateral Investment Pool <sup>(3)</sup> | 35,230,072.50                        |
| <b>Total Investments</b>  | <b>812,733,105.52</b> <sup>(1)</sup> |
| Cash in State Treasury <sup>(2)</sup>                               | 105,127,697.88                       |
| <b>Total Investments and Cash in State Treasury</b>                 | <b>917,860,803.40</b>                |
| Consisting of the following:  |                                      |
| Cash Equivalents  | 247,302,103.20                       |
| Current Investments   | 50,983,670.00                        |
| Noncurrent Investments  | 479,217,259.82                       |
| Security Lending Collateral <sup>(3)</sup>                          | 35,230,072.50                        |
| <b>Total Investments, as above</b>                                  | <b>812,733,105.52</b>                |

(1)

Includes \$17,644,383.58 and \$16,643,660.95 in the Fund I Bond Reserve and the Fund I Mortgage Reserve, respectively. The Bond and Mortgage Reserves are pledged only to support the Fund I Housing Assistance Bonds. As long as the Fund I Bond Reserve contains an amount equal to maximum average annual debt service requirements on the Fund I Housing Assistance Bonds, (i) any excess may be released from the Fund I Bond Reserve but will otherwise be considered as part of Housing Fund I, and (ii) any investment earnings relating to the Fund I Bond Reserve are automatically released from the Fund I Bond Reserve but are otherwise considered as part of Housing Fund I. Investment earnings relating the Fund I Mortgage Reserve may generally be used for any lawful purpose permitted for monies in Housing Fund I.

(2) The External Investment Pool is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the state of Texas.

(3) Per GASB 25 and 31, securities lending cash collateral asset is subject to fair value adjustments and reported at fair value. Per GASB 28, the liability is reported at amortized cost. The difference between securities lending cash collateral asset and liability is reported as unrealized gain/loss on investments in the Combined Statement of Revenues, Expenses, and Changes in Net Position for Proprietary Funds (Exhibit IV).

The fair value of the fund's land surface value is based on the estimated appraisal values or independently determined by the staff in the Appraisal Division using the data from studies conducted by the Texas Chapter of the American Society of Farm Managers and Rural Appraisers, Multiple Listing Services throughout the state and CoStar commercial sales data in certain metropolitan areas. The fair value of the Fund's interests in oil and gas are based upon an estimate of future reserves and projected net revenues attributable to those reserves, as performed by W.D. Von Gonten & Co. Hard mineral future cash flows are also estimated based on future royalty approximations and discounted. Fair value is presented in **Table 6** on page 41.

**REVERSE PURCHASE AGREEMENTS**

Investments in reverse repurchase agreements are authorized by the Tex. Nat. Res. Code Ann., §161.173. This section states, "money may be invested in direct security repurchase agreements made with state or national banks that have main offices or branch offices in this state or with primary dealers as approved by the Federal Reserve System." During fiscal 2015, the VLB entered into no reverse repurchase agreements. As of August 31, 2015, there are no outstanding reverse repurchase agreements.

Table 5

**INVESTMENT PORTFOLIO AT FAIR VALUE**

| <u>Veterans Homes Program</u>                       |                             |
|---|-----------------------------|
| <u>Investment Type</u>                              | <u>Fair Value</u>           |
| U.S. Treasury                                       | \$ 11,019,580.00            |
| Commercial Paper                                    | 1,234,062.15                |
| <b>Total Investments</b>                            | <b><u>12,253,642.15</u></b> |
| Cash in State Treasury <sup>(1)</sup>               | <u>24,211,727.23</u>        |
| <b>Total Investments and Cash in State Treasury</b> | <b><u>36,465,369.38</u></b> |
| Consisting of the following:                        |                             |
| Cash Equivalents                                    | 1,234,062.15                |
| Noncurrent Investments                              | <u>11,019,580.00</u>        |
| <b>Total Investments, as above</b>                  | <b><u>12,253,642.15</u></b> |

<sup>(1)</sup> Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the state of Texas.

**SECURITIES LENDING**

The VLB is authorized to participate in securities lending transactions by the Texas Natural Resource Code Annotated §161.1732, §162.0042, and §164.011.

The VLB, through a Securities Lending Authorization Agreement with its investment custodian and securities lending agent, State Street, lends its securities to broker-dealers and banks pursuant to a loan agreement in exchange for authorized collateral. Authorized collateral includes cash, U.S. government securities, and irrevocable letters of credit. State Street cannot pledge or sell collateral securities absent a borrower default. Borrowers are required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was located in the U.S., 102 percent of the fair value of the loaned securities; or (ii) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the U.S., 105 percent of the fair value of the loaned securities.

The VLB did not impose any restrictions on the amount of loans that State Street made on its behalf during the fiscal year. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Also, there were

no significant violations of legal or contractual provisions and no losses during the fiscal year resulting from the default of any borrowers or State Street. State Street indemnifies the VLB for the value of loaned securities in the event that a borrower defaults and fails to return borrowed securities when due. State Street will utilize collateral held to purchase replacement securities. If the replacement securities have appreciated to a value that exceeds the value of the collateral held, State Street is responsible for funding the shortfall.

During the fiscal year, VLB and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund comprised of a liquidity pool and a duration pool. As of August 31, 2015, the liquidity pool had an average duration of 22.66 days and an average weighted maturity of 96.02 days; the duration pool had an average duration of 28.06 days and an average weighted maturity of 552.92 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On August 31, 2015, VLB had no credit risk exposure to borrowers. The fair values of collateral held and securities on loan for the VLB as of August 31, 2015, were \$35,230,072.50 and \$34,344,910.98, respectively.

Table 6

**INVESTMENT PORTFOLIO AT FAIR VALUE**

| <u>Permanent School Fund</u>                        |                         |                                 |
|---|-------------------------|---------------------------------|
| <u>Investment Type</u>                              | <u>Historical Cost</u>  | <u>Fair Value</u>               |
| Investments in Real Assets                          | \$                      | \$                              |
| Sovereign Lands <sup>(1)</sup>                      | 854,850.91              | 262,088,092.59                  |
| Discretionary Internal Investments                  | 232,876,092.76          | 242,837,157.43                  |
| Other Lands   | 43,942,461.23           | 115,291,282.60                  |
| Minerals <sup>(1), (2)</sup>                        | 13,415,834.09           | 2,141,676,506.00 <sup>(6)</sup> |
| Investments with External Managers                  | 1,913,925,321.11        | 1,889,667,429.47                |
| <b>Total Investments</b> <sup>(3), (5)</sup>        | <b>2,205,014,560.10</b> | <b>4,651,560,468.09</b>         |
| Cash in State Treasury <sup>(4)</sup>               | 2,595,251,678.49        | 2,595,251,678.49                |
| <b>Total Investments and Cash in State Treasury</b> | <b>4,800,266,238.59</b> | <b>7,246,812,146.58</b>         |
| Consisting of the following:                        |                         |                                 |
| Noncurrent Investments                              | 2,205,014,560.10        | 4,651,560,468.09                |
| <b>Total Investments, as above</b>                  | <b>2,205,014,560.10</b> | <b>4,651,560,468.09</b>         |

- <sup>(1)</sup> Sovereign Lands and Minerals are reported at historical cost on the balance sheet.
- <sup>(2)</sup> Includes an estimated 1,000,000.00 acres in freshwater rivers.
- <sup>(3)</sup> Includes an estimated 1,747,600.00 in excess acreage.
- <sup>(4)</sup> Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the state of Texas.
- <sup>(5)</sup> Includes internal investments managed by McKinney Consulting, an external third party.
- <sup>(6)</sup> Future Net Revenues discounted at 10%; Valuation determined by external third party petroleum engineers.

**ACCOUNTING AND FINANCIAL REPORTING FOR CERTAIN INVESTMENTS AND FOR EXTERNAL INVESTMENT POOLS**

During the fiscal year, cash collateral received on loaned securities was invested at the direction of the VLB in the Securities Lending Quality Trust, a pooled investment vehicle (Fund). Please note the following:

- a. Determining Fair Value. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- b. Policy for Utilizing Amortized Cost Method. Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the Fund's investments at fair value for reporting purposes.
- c. Regulatory Oversight. The Fund is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the Fund), is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The

fair value of VLB's position in the Fund is not the same as the value of the Fund shares.

- d. Involuntary Participation. There was no involuntary participation in an external investment pool by the VLB for the fiscal year.
- e. Necessary Information. Not applicable.
- f. Income Assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

**Note 4**

**SHORT-TERM DEBT**

Not applicable.

# Note 5

## LONG-TERM LIABILITIES

The changes noted in **Table 7** below occurred in long-term liabilities during the year ended August 31, 2015.

### BONDS PAYABLE

Revenue bonds and general obligation bonds payable are described in detail in Note 6.

### CLAIMS AND JUDGMENTS

Claims and judgments that are settled and unpaid at year-end, and which will be paid with future governmental fund resources, are shown on the statement of net position under long-term liabilities.

### CAPITAL LEASE OBLIGATIONS

The agency is not a party to any long-term lease agreements for financing the purchase of capital assets as of August 31, 2015.

### EMPLOYEE COMPENSABLE LEAVE

A state employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal or separation from state employment, provided the

employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Position.

### POLLUTION REMEDIATION OBLIGATION

The Land Office has identified a pollution remediation obligation relating to the removal, disposal, and recycling of 9,000 tons of tires on a tract of land in Coryell county. The estimated liability is contingent upon the Army Corps of Engineers providing assistance with the removal and transportation of the tires. If assistance is not provided, the estimated liability is expected to increase. As of August 31, 2015, no estimated recoveries have been identified.

# Note 6

## BONDED INDEBTEDNESS

### AUTHORIZATION

The authorization for the issuance of Veterans' Land Board general obligation bonds is granted by the Texas Constitution. Since the program's inception in 1946, a total of \$4,000,000,000.00 in general obligation bond authorization has been granted. **Table 8** on page 43 lists the various tranches of

Table 7

### CHANGES IN LONG-TERM LIABILITIES

For the Year Ended August 31, 2015

|   | Balance<br>09-01-2014   |                          |                       | Balance<br>08-31-2015   |                                |                           |
|---|-------------------------|--------------------------|-----------------------|-------------------------|--------------------------------|---------------------------|
|   |                         | Additions <sup>(1)</sup> | Deductions            |                         | Amounts Due<br>Within One Year | Amounts Due<br>Thereafter |
|   | \$                      | \$                       | \$                    | \$                      | \$                             | \$                        |
| <b>Governmental Activities</b>                          |                         |                          |                       |                         |                                |                           |
| Employees' Compensable Leave                            | 6,045,310.86            | 4,259,024.56             | 4,434,636.84          | 5,869,698.58            | 3,106,046.89                   | 2,763,651.69              |
| <b>Total, Governmental Activities</b>                   | <b>6,045,310.86</b>     | <b>4,259,024.56</b>      | <b>4,434,636.84</b>   | <b>5,869,698.58</b>     | <b>3,106,046.89</b>            | <b>2,763,651.69</b>       |
| <b>Business-Type Activities</b>                         |                         |                          |                       |                         |                                |                           |
| Pollution Remediation Obligation                        | 0.00                    | 1,530,000.00             | 0.00                  | 1,530,000.00            | 1,530,000.00                   | 0.00                      |
| General Obligation B/P                                  | 2,438,805,506.85        | 350,073,232.61           | 116,204,000.00        | 2,672,674,739.46        | 136,591,810.16                 | 2,536,082,929.30          |
| Unamortized Premium                                     | 10,885,689.15           | 0.00                     | 1,029,810.16          | 9,855,878.99            | 1,029,810.16                   | 8,826,068.83              |
| <b>Total, Business-Type Activities</b>                  | <b>2,449,691,196.00</b> | <b>351,603,232.61</b>    | <b>117,233,810.16</b> | <b>2,684,060,618.45</b> | <b>139,151,620.32</b>          | <b>2,544,908,998.13</b>   |
| <b>Total, Governmental and Business-Type Activities</b> | <b>2,455,736,506.86</b> | <b>355,862,257.17</b>    | <b>121,668,447.00</b> | <b>2,689,930,317.03</b> | <b>142,257,667.21</b>          | <b>2,547,672,649.82</b>   |

<sup>(1)</sup> Includes accretion on capital appreciation bonds, bonds issued and unamortized bond issuance premiums.

general obligation bond authorization. The authorization for the issuance of Veterans' Land Board revenue bonds is granted by Tex. Nat. Res. Code Ann., §164. Revenue bonds issued for a purpose other than buying back or refunding general obligation bonds issued under Article III, §49-b of the Texas Constitution may not in the aggregate exceed \$1,000,000,000.00, of which \$795,720,000.00 remains unissued.

**BONDS ISSUED**

**GENERAL OBLIGATIONS BONDS**

During fiscal 2015, the board issued the following general obligation bonds in the Veterans' Housing Assistance Program. Money in the Veterans' Housing Assistance Funds I and II is used to fund housing and qualified home improvement loans to eligible Texas veterans. Principal and interest payments on housing assistance loans, plus investment earnings, are the primary sources of repayment for housing assistance bonds.

**\$100,000,000 State of Texas Veterans Bonds, Series 2014D**

Issue Date: September 10, 2014  
 Sr. Manager: J.P. Morgan  
 True Interest Cost: Variable-Rate  
 Net Proceeds: \$99,683,139.57  
 Costs of Issuance: \$316,860.43

The Series 2014D Bonds were issued to augment the Veterans' Housing Assistance Fund II.

**\$125,000,000 State of Texas Veterans Bonds, Series 2015A**

Issue Date: February 11, 2015  
 Sr. Manager: Morgan Stanley  
 True Interest Cost: Variable-Rate  
 Net Proceeds: \$124,621,056.61  
 Costs of Issuance: \$378,943.39

The Series 2015A Bonds were issued to augment the Veterans' Housing Assistance Fund II.

**\$125,000,000 State of Texas Veterans Bonds, Series 2015B**

Issue Date: July 22, 2015  
 Sr. Manager: J.P. Morgan  
 True Interest Cost: Variable-Rate  
 Net Proceeds: \$124,752,870.77  
 Costs of Issuance: \$247,129.23

The Series 2015B Bonds were issued to augment the Veterans' Housing Assistance Fund II.

**DEMAND BONDS**

Included in long-term debt are the outstanding principal amounts of several issues of general obligation variable-rate demand bonds backed by the full faith and credit of the state of Texas, as described below. A summary of the liquidity agreements have been provided in **Table 9** on page 52.

Table 8

| <b>GENERAL OBLIGATION BONDS<br/>STATE OF TEXAS VETERANS' HOUSING<br/>AND LAND PROGRAMS</b> |  |
|--|--|
| Year of<br>Constitutional<br>Amendments  | Increment In<br>Bonds Authorized<br>to Be Issued |
|  | \$   |
| 1946   | 25,000,000.00                                    |
| 1951   | 75,000,000.00                                    |
| 1956   | 100,000,000.00                                   |
| 1967   | 200,000,000.00                                   |
| 1973   | 100,000,000.00                                   |
| 1977   | 200,000,000.00                                   |
| 1981   | 250,000,000.00                                   |
| 1983   | 300,000,000.00                                   |
| 1983   | 500,000,000.00                                   |
| 1985   | 500,000,000.00                                   |
| 1993   | 250,000,000.00                                   |
| 1993   | 500,000,000.00                                   |
| 1995   | 500,000,000.00                                   |
| 2001   | 500,000,000.00                                   |
| <b>TOTAL</b>   | <b>4,000,000,000.00</b>                          |
| \$ 4,000,000,000.00 <sup>(1)</sup>   | Amount authorized                                |
| (248,983,329.50)   | Outstanding balance (Land)                       |
| <u>(2,433,125,878.99)</u>  | Outstanding balance (Housing)                    |
| <u>1,317,890,791.51</u> <sup>(2)</sup>   | Amount remaining to issue                        |

<sup>(1)</sup> On November 3, 2009, the voters of the State of Texas voted upon an amendment ("the Amendment") to the Constitution of the State that would provide for the Board from time to time to issue general obligation bonds of the State payable from the Housing or Land Fund, provided that the aggregate principal amount of such bonds outstanding does not exceed the aggregate principal amount of such bonds authorized to be issued by prior amendments to the Constitution of the State, which is \$4 billion.

<sup>(2)</sup> Includes applicable bond issuance premium amounts.

**\$5,000,000 State of Texas Adjustable Convertible Extendable Securities (ACES), Veterans' Housing Assistance Bonds, Series 1994A-1**

The bonds were issued pursuant to a resolution adopted by the board on January 20, 1994, in the original aggregate principal amount of \$10,000,000. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans and pay the costs of issuing the bonds. The bonds are currently in the weekly mode.

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While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, J.P. Morgan Chase Bank. The board's remarketing agent, Bank of Tokyo-Mitsubishi UFJ, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a liquidity agreement between the board and the Bank of Tokyo-Mitsubishi UFJ, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on September 4, 2018. The liquidity provider receives an annual fee of 0.35 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$20,000,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2001A-2 Bonds**

The bonds were issued pursuant to a resolution adopted by the board on February 26, 2001, in the original aggregate principal amount of 20,000,000.00. The proceeds of the bonds, in conjunction with the proceeds of the State of Texas Veterans' Housing Assistance Program, Fund II 2001A-1 Bonds, were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wells Fargo Bank Texas, National Association. The board's remarketing agent, Bank of Tokyo-Mitsubishi UFJ, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a liquidity agreement between the board and the Bank of Tokyo-Mitsubishi UFJ, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on September 4, 2018. The liquidity provider receives an annual fee of 0.35 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$24,995,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2001C-2 Bonds**

The bonds were issued pursuant to a resolution adopted by the board on November 28, 2001, in the original aggregate principal amount of \$25,000,000.00. The proceeds of the bonds, in conjunction with the proceeds of the State of Texas Veterans' Housing Assistance Program, Fund II 2001C-1 Bonds, were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, RBC Capital Markets, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.28 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$30,880,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2002A-2 Bonds**

The bonds were issued pursuant to a resolution adopted by the board on June 25, 2002, in the original aggregate principal amount of \$38,300,000.00. The proceeds of the bonds, in conjunction with the proceeds of the State of Texas Veterans' Housing Assistance Program, Fund II 2002A-1 Bonds, were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, J.P. Morgan Securities Inc., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.



Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.32 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$26,590,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2003A Bonds**

The bonds were issued pursuant to a resolution adopted by the board on December 20, 2002, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, Bank of Tokyo-Mitsubishi UFJ., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.32 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$27,855,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2003B Bonds**

The bonds were issued pursuant to a resolution adopted by the board on June 26, 2003, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days'

notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, Goldman Sachs & Co., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.32 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$27,410,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2004A Bonds**

The bonds were issued pursuant to a resolution adopted by the board on February 26, 2004, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, Goldman Sachs & Co., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.28 percent. As of August 31, 2015, there were \$no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$30,520,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2004B Bonds**

The bonds were issued pursuant to a resolution adopted by the board on July 29, 2004, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible

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Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, J.P. Morgan Securities Inc., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a reimbursement agreement between the board and Sumitomo Mitsui Banking Corporation, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on August 12, 2019. The liquidity provider receives an annual fee of 0.35 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$30,100,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2005A Bonds**

The bonds were issued pursuant to a resolution adopted by the board on January 27, 2005, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wells Fargo Bank, National Association. The board's remarketing agent, Goldman Sachs & Co., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.28 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$29,755,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2005B Bonds**

The bonds were issued pursuant to a resolution adopted by the board on June 23, 2005, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wells Fargo Bank, National Association. The board's remarketing agent, Goldman Sachs & Co., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.28 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$32,085,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2006A Bonds**

The bonds were issued pursuant to a resolution adopted by the board on January 26, 2006, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, Merrill Lynch & Co., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the

purchase price of the bond delivered to it. The liquidity agreement terminates on June 30, 2017. The liquidity provider receives an annual fee of 0.38 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$33,815,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2006D Bonds**

The bonds were issued pursuant to a resolution adopted by the board on August 23, 2006, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wells Fargo Bank, National Association. The board's remarketing agent, Goldman Sachs & Co., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a reimbursement agreement between the board and Sumitomo Mitsui Banking Corporation, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on August 12, 2019. The liquidity provider receives an annual fee of 0.35 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$33,875,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2007A Bonds**

The bonds were issued pursuant to a resolution adopted by the board on January 25, 2007, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, Goldman Sachs & Co., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the

principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and State Street Bank Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.28 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$35,880,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2007B Bonds**

The bonds were issued pursuant to a resolution adopted by the board on May 24, 2007, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wells Fargo Bank, National Association. The board's remarketing agent, J.P. Morgan Securities Inc., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on June 30, 2017. The liquidity provider receives an annual fee of 0.38 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$35,700,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2008A Bonds**

The bonds were issued pursuant to a resolution adopted by the board on February 28, 2008, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the

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holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wells Fargo Bank, National Association. The board's remarketing agent, Merrill Lynch & Co., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Bank of Tokyo-Mitsubishi UFJ, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on August 24, 2018. The liquidity provider receives an annual fee of 0.35 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$64,000,000 State of Texas Veterans Bonds, Series 2011A**

The bonds were issued pursuant to a resolution adopted by the board on January 27, 2011, in the original aggregate principal amount of \$74,995,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Amegy Bank National Association. The board's remarketing agent, J.P. Morgan Securities LLC, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on March 7, 2017. The liquidity provider receives an annual fee of 0.38 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$65,365,000 State of Texas Veterans Bonds, Series 2011B**

The bonds were issued pursuant to a resolution adopted by the board on July 28, 2011, in the original aggregate principal amount of \$74,995,000.00. The proceeds of

the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Amegy Bank National Association. The board's remarketing agent, J.P. Morgan Securities LLC, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on December 31, 2019. The liquidity provider receives an annual fee of 0.32 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$66,615,000 State of Texas Veterans Bonds, Series 2011C**

The bonds were issued pursuant to a resolution adopted by the board on October 27, 2011, in the original aggregate principal amount of \$74,995,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wilmington Trust, National Association. The board's remarketing agent, Morgan Stanley & Co. LLP, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on December 31, 2019. The liquidity provider receives an annual fee of 0.32 percent. As of August 31, 2015, there were no purchased bonds

held by the liquidity provider under the terms of the liquidity agreement.

**\$67,120,000 State of Texas Veterans Bonds, Series 2012A**

The bonds were issued pursuant to a resolution adopted by the board on April 26, 2012, in the original aggregate principal amount of \$74,995,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank, National Association. The board's remarketing agent, J. P. Morgan Securities LLC, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and State Street Bank and Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.28 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$91,020,000 State of Texas Veterans Bonds, Series 2012B**

The bonds were issued pursuant to a resolution adopted by the board on July 26, 2012, in the original aggregate principal amount of \$100,000,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wilmington Trust, National Association. The board's remarketing agent, Goldman, Sachs & Co. is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Sumitomo Mitsui Banking Corporation, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on November 1, 2019. The liquidity provider receives an annual fee of 0.50 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$94,980,000 State of Texas Veterans Bonds, Series 2013A**

The bonds were issued pursuant to a resolution adopted by the board on January 24, 2013, in the original aggregate principal amount of \$99,995,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank, National Association. The board's remarketing agent, Morgan Stanley & Co, LLC, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Sumitomo Mitsui Banking Corporation, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on March 20, 2016. The liquidity provider receives an annual fee of 0.50 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$142,850,000 State of Texas Veterans Bonds, Series 2013B**

The bonds were issued pursuant to a resolution adopted by the board on July 25, 2013, in the original aggregate principal amount of \$149,995,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days'

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notice to the board's tender agent, U.S. Bank, National Association. The board's remarketing agent, J. P. Morgan Securities LLC, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and The Bank of New York Mellon, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on August 18, 2016. The liquidity provider receives an annual fee of 0.30 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$146,215,000 State of Texas Veterans Bonds, Series 2014A**

The bonds were issued pursuant to a resolution adopted by the board on January 23, 2014, in the original aggregate principal amount of \$150,000,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wilmington Trust, National Association. The board's remarketing agent, Goldman, Sachs & Co., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Bank of America, N.A., the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on February 24, 2017. The liquidity provider receives an annual fee of 0.32 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$99,040,000 State of Texas Veterans Bonds, Series 2014D**

The bonds were issued pursuant to a resolution adopted by the board on July 24, 2014, in the original aggregate principal amount of \$100,000,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank, National Association. The board's remarketing agent, J. P. Morgan Securities LLC, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and State Street Bank and Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on September 7, 2018. The liquidity provider receives an annual fee of 0.35 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$124,885,000 State of Texas Veterans Bonds, Series 2015A**

The bonds were issued pursuant to a resolution adopted by the board on July 24, 2014, in the original aggregate principal amount of \$125,000,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank, National Association. The board's remarketing agent, Morgan Stanley & Co. LLP, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on February 9, 2018. The liquidity provider receives an annual fee of 0.30 percent. As of August 31, 2015, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

### **\$125,000,000 State of Texas Veterans Bonds, Series 2015B**

The bonds were issued pursuant to a resolution adopted by the board on July 24, 2014, in the original aggregate principal amount of \$125,000,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank, National Association. The board's remarketing agent, J. P. Morgan Securities LLC, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Mizuho Bank, LTD, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 19, 2019. The liquidity provider receives an annual fee of 0.34 percent. As of August 31, 2015, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

### **VARIABLE-RATE BOND MODE CHANGES**

On May 29, 2015, the board approved the implementation of a series of mode changes with respect to several existing VLB variable-rate bond issues that converted the bond issues from a weekly mode to a "direct purchase" mode for the next 5-7 years. The bond issues converted to a direct purchase mode were: Adjustable convertible Extendable Securities, Veterans' Housing Assistance Bonds, Series 1994A-1, Veterans' Housing Assistance Program, Fund II Series 2001C-2 Bonds, Veterans' Housing Assistance Program, Fund II Series 2004A Bonds, Veterans' Housing Assistance Program, Fund II Series 2005A Bonds, Veterans' Housing Assistance Program, Fund II Series 2005A Bonds, Veterans' Housing Assistance Program, Fund II Series 2007A Bonds, Veterans' Housing Assistance Program, Fund II Series 2008A Bonds, Veterans' Housing Assistance Program, Fund II Series 2008B Bonds, Veterans Bonds, Series 2010C, Veterans Bonds, Series 2012A, Veterans' Land Bonds, Series 2002. The mode changes were implemented in three different tranches on July 24, August 7, and October 7, 2015, respectively.

The Mode changes were undertaken primarily to take advantage of a unique opportunity provided by a large institutional investor to convert several of the outstanding VLB tax-exempt floating-rate bonds that reset weekly through a remarketing process into tax-exempt indexed floaters which are reset monthly at 68% of

1-month LIBOR plus various fixed spreads. (The spreads result in amounts that are less than the amounts previously paid by the board for liquidity and remarketing expenses on the associated bonds and are expected to generate approximately \$3.6 million in savings over the life of the direct purchase mode.) In addition, the transactions were also particularly attractive for the following reasons: (1) Eliminated the need for liquidity facilities and remarketing services with regard to the refunding bonds; (2) Freed up approximately \$365 million in existing liquidity facilities to use in conjunction with future new-money VLB variable-rate transactions; and (3) Eliminated the pricing, market access, and counterparty risk associated with having to extend or negotiate new liquidity facilities two or more times over the next 5-7 years.

### **DEFEASED BONDS OUTSTANDING – LAND**

Advance refunding bonds totaling \$716,545,000.00 have been issued to defease Veterans' Land Bonds. At August 31, 2015, \$15,500,000.00 of the defeased bonds remained outstanding. The proceeds of the refundings, together with additional securities and cash owned by the board, were deposited with the board's escrow agents pursuant to the special escrow fund agreements. These agreements provide that the special escrow funds are irrevocably pledged to the payment of principal and interest on the refunded bonds. The escrow agent will retire the remaining defeased debt as it matures. Details of the refunding transactions are outlined in **Table 10** on page 54.

In the opinion of the board's bond counsel, as a result of the following defeasances, Veterans' Land Bond Series 1949 through 1985B and the 1983 Refunding Bonds in the land program are considered defeased. The securities and cash held by the escrow agents and the related defeased debt have been removed from the accompanying exhibits. The land contracts and remaining investments purchased with Veterans' Land Bond Series 1949 through 1985B Bonds became assets of the 1985, 1986, 1989, 1990, and 1991 Refunding Bonds.

With the issuance of the refunding bonds, all of the outstanding Veterans' Land Bond Series 1949 through 1985B were refunded, which released available monies from certain covenants in the resolutions that authorized the issuance of those bonds. The future receipts were pledged by the resolution authorizing the Series 1985, 1986, 1989, 1990, and 1991 Refunding Bonds. In April 1998, the board completed a current refunding of the Series 1985 and 1986 Refunding Bonds with its Series 1998A and 1998B Taxable Refunding Bonds. Thus, upon completion of the 1998 transactions, assets formerly pledged to the Series 1985 and 1986 Refunding Bonds became assets of the Series 1998A and 1998B Taxable Refunding Bonds. In October 1999, the board completed a current refunding of the current interest bond portion of the Series 1989 Refunding Bonds with its Series 1999B Taxable Refunding Bonds. Thus, assets formerly pledged to the Series 1989 Refunding Bonds became assets of the Series 1999B Taxable Refunding Bonds. In November 2000, the board completed a current refunding of the current interest bond

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portion of the Series 1990 Refunding Bonds with its Series 2000 Taxable Refunding Bonds. Thus, assets formerly pledged to the Series 1990 Refunding Bonds became assets of the Series 2000 Taxable Refunding Bonds. In November 2002, the board completed a current refunding of the current interest bond portion of the Series 1991 Refunding Bonds with its Series 2002 Taxable Refunding Bonds. Thus, assets formerly pledged to the Series 1991 Refunding Bonds became assets of the Series 2002 Taxable Refunding Bonds.

**DEFEASED BONDS OUTSTANDING – HOUSING**

Advance refunding bonds totaling \$49,995,000.00 have been issued to defease Veterans' Housing Assistance Program Bonds. At August 31, 2015, none of the defeased bonds remained outstanding.

**ADMINISTRATION OF LOAN PROGRAMS**

Under the Veterans' Land Program, eligible veterans may qualify for a loan of up to \$125,000.00 at an interest rate set by the Veterans' Land Board, payable over a 30-year period to purchase not less than one net acre of land in the state of Texas. Current

Table 9

| <b>VETERANS' LAND BOARD LIQUIDITY FACILITIES AS OF AUGUST 31, 2015</b> |   |  |  |
|--|---|--|--|
| <u>Liquidity Provider</u>  | <u>Bond Transaction</u>                         | <u>Available Principal Commitment at 8-31-2015</u> | <u>Liquidity Agreement Expiration Date</u> |
| <b>J. P. Morgan Chase Bank, National Association</b>                   | 1) Vet Bonds, Series 2011A                      | \$ 64,000,000.00                                   | 03-07-2017                                 |
|  | 2) Vet Hsg Fund II Ser 2006A                    | 32,085,000.00                                      | 06-30-2017                                 |
|  | 3) Vet Hsg Fund II Ser 2007B                    | 35,880,000.00                                      | 06-30-2017                                 |
|  |   | <u>131,965,000.00</u>                              |  |
| <b>Landesbank Hessen - Thüringen Girozentrale</b>                      | 1) Vet Hsg Fund II Bds Ser 2002A-2              | 30,880,000.00                                      | 12-31-2015                                 |
|  | 2) Vet Hsg Fund II Bds Ser 2003A                | 26,590,000.00                                      | 12-31-2015                                 |
|  | 3) Vet Hsg Fund II Bds Ser 2003B                | 27,855,000.00                                      | 12-31-2015                                 |
|  | 4) Vet Bonds Series 2011B                       | 65,365,000.00                                      | 12-31-2019                                 |
|  | 5) Vet Bonds Series 2011C                       | 66,615,000.00                                      | 12-31-2019                                 |
|  | 6) Vet Bonds Series 2015A                       | 124,885,000.00                                     | 02-09-2018                                 |
|  |   | <u>342,190,000.00</u>                              |  |
| <b>Bank of Tokyo - Mitsubishi UFJ</b>                                  | 1) Vet Hsg Fund II Series 2008A                 | 35,700,000.00                                      | 08-24-2018                                 |
|  | 2) Vet Hsg Bonds Series 1994A-1                 | 5,000,000.00                                       | 09-04-2018                                 |
|  | 3) Vet Hsg Ref Bonds Series 95 <sup>(1)</sup>   | 17,115,000.00                                      | 09-04-2018                                 |
|  | 4) Vet Hsg Fund II Series 2001A-2               | 20,000,000.00                                      | 09-04-2018                                 |
|  | 5) Vet Land Ref Bonds Series 99A <sup>(1)</sup> | 13,285,000.00                                      | 09-04-2018                                 |
|  |   | <u>91,100,000.00</u>                               |  |
| <b>State Street Bank and Trust Company</b>                             | 1) Vet Hsg Fund II Bds Ser 2004A                | 27,410,000.00                                      | 12-31-2015                                 |
|  | 2) Vet Hsg Fund II Bds Ser 2005A                | 30,100,000.00                                      | 12-31-2015                                 |
|  | 3) Vet Hsg Fund II Bds Ser 2005B                | 29,755,000.00                                      | 12-31-2015                                 |
|  | 4) Vet Hsg Fund II Bds Ser 2001C-2              | 24,995,000.00                                      | 12-31-2015                                 |
|  | 5) Vet Hsg Fund II Bds Ser 2007A                | 33,875,000.00                                      | 12-31-2015                                 |
|  | 6) Vet Bonds Series 2012A                       | 67,120,000.00                                      | 12-31-2015                                 |
|  | 7) Vet Bonds Series 2014D                       | 99,040,000.00                                      | 09-07-2018                                 |
|  |   | <u>312,295,000.00</u>                              |  |
| <b>Sumitomo Mitsui Banking Corporation</b>                             | 1) Vet Hsg Fund II Bds Ser 2004B                | 30,520,000.00                                      | 08-12-2019                                 |
|  | 2) Vet Hsg Fund II Bds Ser 2006D                | 33,815,000.00                                      | 08-12-2019                                 |
|  | 3) Vet Bonds Series 2012B                       | 91,020,000.00                                      | 11-01-2019                                 |
|  | 4) Vet Bonds Series 2013A                       | 94,980,000.00                                      | 03-20-2016                                 |
|  |   | <u>250,335,000.00</u>                              |  |
| <b>The Bank of New York Mellon</b>                                     | 1) Vet Bonds Series 2013B                       | 142,850,000.00                                     | 08-18-2016                                 |
|  |   | <u>142,850,000.00</u>                              |  |
| <b>Bank of America, N.A.</b>   | 1) Vet Bonds Series 2014A                       | 146,215,000.00                                     | 02-24-2017                                 |
|  |   | <u>146,215,000.00</u>                              |  |
| <b>Mizuho Bank, LTD</b>  | 1) Vet Bonds Series 2015B                       | 125,000,000.00                                     | 07-19-2019                                 |
|  |   | <u>125,000,000.00</u>                              |  |
| <b>Grand Total</b>   |   | <u><u>1,541,950,000.00</u></u>                     |  |

<sup>(1)</sup> Issues do not have an optional tender right and are not subject to disclosure requirements.



board policy permits the transfer of contracts after three years. Higher rates of interest are charged to non-veterans as permitted by law. The board may provide financing for veterans for the purchase of foreclosed land tracts from the board. The loan rate in the program at August 31, 2015 is 6.75 percent.

In May 2007, a nationally recognized loan servicing organization began servicing the loans in the Veterans' Land Program. Texas Senate Joint Resolution 14, 68<sup>th</sup> Leg., Reg. Sess. (1983), proposed a constitutional amendment for a Veterans' Housing Assistance Program to provide financial assistance to veterans. This amendment, which was approved by the voters on November 8, 1983, authorized the issuance of \$500,000,000.00 in bonds to finance the Veterans' Housing Assistance Program. Tex. S.J. Res. 9, 69<sup>th</sup> Leg., Reg. Sess. (1985), proposed a constitutional amendment to increase the Veterans' Housing Assistance Program bonding authority by \$500,000,000.00. The voters approved this amendment on November 5, 1985. Tex. S.J. Res. 34, 73<sup>rd</sup> Leg., Reg. Sess. (1993) proposed a constitutional amendment to increase the Veterans' Housing Assistance Program bonding authority by \$500,000,000.00. The voters approved this amendment on November 2, 1993. Tex. S.J. Res. 32, 74<sup>th</sup> Leg., Reg. Sess. (1995) proposed a constitutional amendment to increase the Veteran's Housing Assistance Program bonding authority by \$500,000,000.00. The voters approved this amendment on November 7, 1995. Tex. H.J. Res. 82, 77<sup>th</sup> Leg., Reg. Sess. (2001) proposed a constitutional amendment to increase the Veterans' Housing Assistance Program bonding authority by \$500,000,000.00. The voters approved this amendment on November 6, 2001.

In January 1984, the Veterans' Land Board began providing housing loans. Currently under this program, eligible Texas veterans may qualify for a loan of up to \$417,000.00. The interest rates for these loans are currently reset weekly after the close of business on the last business day of the week at a variable spread below a constructed benchmark that approximates current FHA/VA marketing rates. In May 1986, the Housing Assistance Program was expanded to include home improvement loans. Home improvements, which are originated by the Veterans' Land Board, can be financed for a period of 2 to 20 years for a principal amount of up to \$25,000.00.

Interest rates for these loans are determined in the same manner and at the same spread as described above.

CitiMortgage is currently the administrator of the Veterans' Housing Assistance Program. Housing loans are originated and serviced through qualified lending institutions participating in the program. The expenditures related to administering the Veterans' Housing Assistance Program are paid from the receipts of repayments on the loans and other receipts of the Veterans' Housing Assistance Program.

#### **OUTSTANDING BONDS**

Outstanding land and housing assistance general obligation bonds are repaid from land, housing, and home improvement loan principal and interest receipts, and investment earnings. Schedules 2-A through 2-G present bond activity during fiscal 2015. Annual interest accretion on capital appreciation bonds is reported in the Bonds Issued column of Schedule 2-A.

A summary of bonds outstanding, excluding unamortized premium, at August 31, 2015, and the issue and final maturity dates are presented in **Table 11** on page 56 and **Table 12** on page 57, and a summary of bond transactions is presented in **Table 13** on page 58 and **Table 14** on page 59.

#### **DEBT SERVICE REQUIREMENTS**

**Table 15** on page 60, **Table 16** on page 61, and **Table 17** on page 62 represent principal and interest due on bonds from the period of September 1, 2015, through final maturity on June 1, 2046. The information is disclosed by fiscal year and bond issue, respectively.

#### **RESERVE REQUIREMENTS**

Bond resolutions and trust indentures provide for the maintenance of reserve funds for certain series. The reserve funds serve to ensure that interest and/or principal payments will be met on any payment date in the event that available funds are insufficient. Monies in these funds will ultimately be used to retire the last outstanding bonds of each respective issue. The bond reserve fund requirements and the reserve fund balances at August 31, 2015, are shown in **Table 18** on page 62.

## Note 7

### DERIVATIVE INSTRUMENTS

#### PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS

*Objective of the swaps.* The board is currently a party to 52 pay-fixed, receive-variable interest rate swaps that are associated with 36 variable-rate bond issues. The combination of swaps and variable-rate bonds creates synthetic fixed-rate debt. The use of synthetic fixed-rate debt has historically lowered the board's borrowing costs, as compared to the borrowing costs associated with the issuance of traditional fixed-rate bonds.

Several of the swaps contain a barrier knock-out provision that provides for the board to be "knocked out" of the swaps by the respective counterparties upon the breach of certain predetermined barriers. In each of these cases, the board was paid an up-front option premium by the respective counterparties. With regard to the swap associated with Vet Land Tax Ref Bds Ser 2000, the knock-out is permanent and is optional at the discretion of the counterparty. In the remainder of the swaps with embedded barrier knock-out provisions, the knock-out is mandatory and is periodic in nature, with the knock-out period corresponding only to the period during which the respective barrier is breached.

*Terms, fair values, and credit ratings.* The terms, fair values, and counterparty credit ratings related to the outstanding variable-to-fixed swaps as of August 31, 2015, are shown in **Table 19** on pages 64 and 65.

Table 10

#### DEFEASED BONDS OUTSTANDING – LAND and HOUSING PROGRAMS

|   | Land Program<br>1985<br>Refunding    | Land Program<br>1986<br>Refunding                   | Housing Program<br>2010<br>Refunding                        | Total<br>Refunding    |
|---|--------------------------------------|---|---|-----------------------|
| Series Defeased                               | 1976-1982                            | 1951-1972A,<br>1978-1985B,<br>and 1983<br>Refunding | 2001A-1 Refunding<br>2001C-1 Refunding<br>2002A-1 Refunding |                       |
| Refunding Bonds Issued                        | \$ 173,760,000.00                    | \$ 542,785,000.00                                   | \$ 49,995,000.00  | \$ 766,540,000.00     |
| Additional Securities<br>and Cash Provided    | 19,890,121.00                        | 58,781,385.00                                       | 5,028,848.78  | 83,700,354.78         |
| Defeased Debt by Series                       |                                      |   |   |                       |
| 1951-1954A                                    |                                      | 8,183,000.00  |   | 8,183,000.00          |
| 1957-1961B                                    |                                      | 31,820,000.00                                       |   | 31,820,000.00         |
| 1968-1972A                                    |                                      | 87,000,000.00                                       |   | 87,000,000.00         |
| 1976-1977                                     | 90,000,000.00                        |   |   | 90,000,000.00         |
| 1978-1982                                     | 126,000,000.00                       | 74,000,000.00                                       |   | 200,000,000.00        |
| 1983-1985A                                    |                                      | 250,000,000.00                                      |   | 250,000,000.00        |
| 1985B   |                                      | 100,000,000.00                                      |   | 100,000,000.00        |
| 1983 Refunding                                |                                      | 22,810,000.00                                       |   | 22,810,000.00         |
| 2001A-1 Refunding                             |                                      |   | 31,680,000.00   | 31,680,000.00         |
| 2001C-1 Refunding                             |                                      |   | 10,725,000.00   | 10,725,000.00         |
| 2002A-1 Refunding                             |                                      |   | 9,925,000.00  | 9,925,000.00          |
| <b>Total Defeased Debt</b>                    | <b>216,000,000.00</b>                | <b>573,813,000.00</b>                               | <b>52,330,000.00</b>  | <b>842,143,000.00</b> |
| Total Retired by Escrow<br>Agent at 8-31-2015 | 216,000,000.00                       | 558,313,000.00                                      | 52,330,000.00   | 826,643,000.00        |
| <b>Outstanding Defeased Debt</b>              | <b>0.00</b>                          | <b>15,500,000.00</b>                                | <b>0.00</b>   | <b>15,500,000.00</b>  |
| Escrow Agent                                  | Bank of New York<br>Jacksonville, FL | Bank of New York<br>Jacksonville, FL                | U.S. Bank, N.A.<br>Dallas, TX                               |                       |
| Final Maturity Date<br>of Series Defeased     | 2015                                 | 2020  | 2032  |                       |

## PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS

*Objective of the swaps.* The board is currently a party to two pay-variable, receive-variable interest rate swaps that are associated with one taxable variable-rate bond issue and one tax-exempt fixed-rate bond issue. The swap associated with the taxable bonds is a LIBOR-to-SIFMA basis swap, and effectively converts the variable rate on the associated taxable variable-rate bond issues from a LIBOR (taxable) based rate to a SIFMA (tax-exempt) based rate. The swap associated with the tax-exempt bonds is a SIFMA-to-LIBOR basis swap. These swaps are expected to generate an effective lower borrowing cost to the board over the life of the swaps.

*Terms, fair values, and credit ratings.* The terms, fair values, and counterparty credit ratings related to the outstanding variable-to-variable swaps as of August 31, 2015, are shown in **Table 20** on page 66. The notional amounts and amortization schedules of the swaps match those of the associated funds.

## SWAP TRANSACTIONS

*Fair Value.* The fair values of the swaps were determined using the zero-coupon method. Using observable market information for Treasury bonds and LIBOR spreads, a smoothed LIBOR curve is constructed. From this swap yield curve, the path of future expected floating LIBOR interest rates is determined for a specific swap transaction. The path of the floating payments is then averaged together to produce a single fixed swap rate for the same time horizon as the swap being valued. The difference between this calculated fixed swap rate and actual fixed swap rate on the transaction is then multiplied by the applicable outstanding notional amount at each future payment date to generate a series of payments. These payments are then discounted back to the valuation date using hypothetical zero-coupon bond rates derived from the LIBOR swap yield curve. The sum of these discounted payments produces the fair value of the swap.

An additional calculation similar to that described above is conducted to determine the value of the knock-out provision. Using the approach described above, a swap rate is derived for each potential exercise date of each knock-out provision. Market-derived data for interest rate volatility is then used to determine a probabilistic range of potential swap rates. For each potential swap rate, a value is determined for the knock-out provision. These values are then weighted by their probabilities and discounted back to the valuation date using hypothetical zero-coupon bond rates as described above. The sum of the present value of the values for each exercise date produces the fair value of the knock-out provision.

*Credit risk.* The board mitigated the credit risk associated with its swaps by entering into transactions with highly-rated counterparties. As shown in **Table 19** on pages 64 and 65 and in

**Table 20** on page 66, the credit ratings of the board's counterparties range from AAA to BBB+ by Standard & Poor's and Aa2 to Baa1 by Moody's Investors Service.

The board also mitigates its concentration of credit risk by diversifying its swap portfolio across several different counterparties. The board's currently outstanding swaps are spread among ten different counterparties, with no more than approximately 34 percent of the total notional amount of swaps outstanding being associated with any single counterparty.

The board's swap agreements also contain collateralization provisions that require counterparties to post collateral in the full amount of the fair value of the swap if the counterparty's credit rating is at or below various levels, ranging from A+/A1 to BBB+/Baa1, as rated by Standard & Poor's or Moody's Investors Service, respectively. Only U.S. government obligations are acceptable forms of collateral. Posted collateral may be held either by the board itself or by a third party custodian that is rated at least BBB+ by Standard & Poor's or Baa1 by Moody's Investors Service.

*Basis risk.* The board is exposed to basis risk to the extent that the interest payments on its variable-rate bonds do not match the variable-rate payments received on the associated swaps. The board mitigates this risk by: (1) matching the notional amount and amortization schedule of each swap to the principal amount and amortization schedule of each associated variable-rate bond issue, and (2) selecting an index for the variable-rate leg of each swap that is reasonably expected to closely match the interest rate resets on the associated variable-rate bonds over the life of each bond issue.

*Termination risk.* The board or the counterparties may terminate any of the swaps if the other party fails to perform under the terms of the respective swap agreements. The board also has the right to terminate any of the swaps at any time without cause. In addition, the swap associated with the Vet Land Tax Ref Bds Ser 2000 (now a part of State of Texas Veterans Bonds, Taxable Refunding Series B-3), provides the counterparty with the option to terminate the swap under certain conditions. If any of the swaps are terminated, the associated variable-rate bonds would no longer have a synthetic fixed rate, and the board would be subject to interest rate risk to the extent that the variable-rate bonds were not hedged with another swap or with variable-rate assets on the board's balance sheet. Also, if at the time of termination option held by a counterparty, a swap has a negative fair value, the board would owe the respective counterparty a termination payment equal to the swap's fair value.

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Table 11

**OUTSTANDING BONDS**

| Issue   | Issue Date | Final<br>Maturity<br>Date | Bonds<br>Outstanding<br>08-31-2015 |
|---|------------|---------------------------|------------------------------------|
|   |            |                           | \$                                 |
| <b>General Obligation Bonds - Self-Supporting</b>   |            |                           |                                    |
| <i>Veterans' Housing Bonds</i>  |            |                           |                                    |
| (Proceeds used to provide housing and home improvement loans to eligible Texas veterans.) |            |                           |                                    |
| Vet Hsg Bds Ser '94A-1  | 02-24-1994 | 12-01-2023                | 5,000,000.00                       |
| Vet Hsg Ref Bds Ser '95   | 10-31-1995 | 12-01-2016                | 17,115,000.00                      |
| Vet Hsg Fund II Bds Ser 2001A-2   | 03-22-2001 | 12-01-2029                | 20,000,000.00                      |
| Vet Hsg Fund II Bds Ser 2001C-2   | 12-18-2001 | 12-01-2033                | 24,995,000.00                      |
| Vet Hsg Fund II Bds Ser 2002A-2   | 07-10-2002 | 06-01-2033                | 30,880,000.00                      |
| Vet Hsg Fund II Bds Ser 2003A   | 03-04-2003 | 06-01-2034                | 26,590,000.00                      |
| Vet Hsg Fund II Bds Ser 2003B   | 10-22-2003 | 06-01-2034                | 27,855,000.00                      |
| Vet Hsg Fund II Bds Ser 2004A   | 04-07-2004 | 12-01-2034                | 27,410,000.00                      |
| Vet Hsg Fund II Bds Ser 2004B   | 09-15-2004 | 12-01-2034                | 30,520,000.00                      |
| Vet Hsg Fund II Bds Ser 2005A   | 02-24-2005 | 06-01-2035                | 30,100,000.00                      |
| Vet Hsg Fund II Bds Ser 2005B   | 08-09-2005 | 06-01-2036                | 29,755,000.00                      |
| Vet Hsg Fund II Bds Ser 2006A   | 06-01-2006 | 12-01-2036                | 32,085,000.00                      |
| Vet Hsg Fund II Bds Ser 2006D   | 09-20-2006 | 12-01-2036                | 33,815,000.00                      |
| Vet Hsg Fund II Bds Ser 2007A   | 02-22-2007 | 06-01-2037                | 33,875,000.00                      |
| Vet Hsg Fund II Bds Ser 2007B   | 06-26-2007 | 06-01-2038                | 35,880,000.00                      |
| Vet Hsg Fund II Bds Ser 2008A   | 03-26-2008 | 12-01-2028                | 35,700,000.00                      |
| Vet Hsg Fund II Bds Ser 2008B   | 09-11-2008 | 12-01-2038                | 36,885,000.00                      |
| Vet Hsg Fund II Bds Ser 2009A   | 03-05-2009 | 12-01-2023                | 39,260,000.00                      |
| Vet Hsg Fund II Bds Ser 2009B   | 09-03-2009 | 12-01-2024                | 41,235,000.00                      |
| Vet Hsg Fund II Bds Ser 2010A   | 02-25-2010 | 12-01-2031                | 63,220,000.00                      |
| Veterans Bonds Series 2010C   | 08-20-2010 | 12-01-2031                | 63,945,000.00                      |
| Veterans Bonds Series 2011A   | 03-09-2011 | 06-01-2041                | 64,000,000.00                      |
| Veterans Bonds Series 2011B   | 08-25-2011 | 12-01-2041                | 65,365,000.00                      |
| Veterans Bonds Series 2011C   | 12-15-2011 | 06-01-2042                | 66,615,000.00                      |
| Veterans Bonds Series 2012A   | 05-23-2012 | 12-01-2042                | 67,120,000.00                      |
| Veterans Bonds Series 2012B   | 11-01-2012 | 12-01-2042                | 91,020,000.00                      |
| Veterans Bonds Series 2013A   | 03-20-2013 | 06-01-2043                | 94,980,000.00                      |
| Veterans Bonds Series 2013B   | 08-22-2013 | 12-01-2043                | 142,850,000.00                     |
| Veterans Bonds Tax Ref Ser 2013C  | 10-24-2013 | 06-01-2031                | 287,770,000.00                     |
|   |            |                           | 1,565,840,000.00                   |

<sup>(1)</sup> Includes accreted interest on discount bonds.

(Continued on Table 12)

Table 12

**OUTSTANDING BONDS** (Continued from Table 11)

| Issue   | Issue Date | Final<br>Maturity<br>Date | Bonds<br>Outstanding<br>08-31-2015 |
|---|------------|---------------------------|------------------------------------|
| <b>General Obligation Bonds - Self-Supporting</b>   |            |                           |                                    |
| <i>Veterans' Housing Bonds (Cont.)</i>  |            |                           |                                    |
| (Proceeds used to provide housing and home improvement loans to eligible Texas veterans.) |            |                           |                                    |
| Veterans Bonds Ser 2014A  | 02-26-2014 | 06-01-2044                | 146,215,000.00                     |
| Veterans Bonds Tax Ref Ser 2014B-1  | 04-01-2014 | 12-01-2024                | 78,480,000.00                      |
| Veterans Bonds Tax Ref Ser 2014B-2  | 04-01-2014 | 12-01-2024                | 25,085,000.00                      |
| Veterans Bonds Tax Ref Ser 2014C-1  | 07-01-2014 | 12-01-2033                | 71,190,000.00                      |
| Veterans Bonds Tax Ref Ser 2014C-2  | 07-01-2014 | 12-01-2033                | 187,535,000.00                     |
| Veterans Bonds Ser 2014D  | 09-10-2014 | 06-01-2045                | 99,040,000.00                      |
| Veterans Bonds Ser 2015A  | 02-11-2015 | 06-01-2045                | 124,885,000.00                     |
| Veterans Bonds Ser 2015B  | 07-22-2015 | 06-01-2046                | 125,000,000.00                     |
| <b>Total, Veterans' Housing Bonds</b>   |            |                           | <b><u>2,423,270,000.00</u></b>     |
| <b>General Obligation Bonds - Self-Supporting</b>   |            |                           |                                    |
| <i>Veterans' Land Bonds</i>   |            |                           |                                    |
| (Proceeds used to provide land loans to eligible Texas veterans.)                         |            |                           |                                    |
| Vet Land Bds Ser '94 <sup>(1)</sup>   | 05-05-1994 | 12-01-2024                | 0.00                               |
| Vet Land Bds Ser '96 <sup>(1)</sup>   | 03-06-1996 | 12-01-2026                | 634,739.46                         |
| Vet Land Ref Bds Ser '99A   | 04-28-1999 | 12-01-2018                | 13,285,000.00                      |
| Vet Land Bds Ser 2002   | 02-21-2002 | 12-01-2032                | 14,955,000.00                      |
| Vet Land Tax Ref Bds Ser 2014B-3  | 04-01-2014 | 12-01-2024                | 44,415,000.00                      |
| Vet Land Tax Ref Bds Ser 2014C-3  | 07-01-2014 | 12-01-2033                | 68,265,000.00                      |
| Vet Land Tax Ref Bds Ser 2014C-4  | 07-01-2014 | 12-01-2033                | 107,850,000.00                     |
| <b>Total, Veterans' Land Bonds</b>  |            |                           | <b><u>249,404,739.46</u></b>       |
| <b>Total, General Obligation Bonds - Self-Supporting</b>                                  |            |                           | <b><u>2,672,674,739.46</u></b>     |
| <b>Total, All Bonds (Tables 11 and 12)</b>  |            |                           | <b><u>2,672,674,739.46</u></b>     |

<sup>(1)</sup> Includes accreted interest on discount bonds.

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Table 13

**BOND TRANSACTIONS**

| Bond Issue  | Bonds Payable<br>09-01-2014 | Bonds Issued          | Annual Interest<br>Accretion on<br>Discount<br>Bonds | Bonds Matured        | Bonds Extinguished<br>by Defeasance or<br>Redeemed Prior<br>to Maturity | Bonds Payable<br>08-31-2015 |
|---|-----------------------------|-----------------------|--|----------------------|---|-----------------------------|
|   | \$                          | \$                    | \$   | \$                   | \$  | \$                          |
| <b>General Obligation Bonds - Self-Supporting</b> |                             |                       |  |                      |   |                             |
| <i>Veterans' Housing Bonds</i>                    |                             |                       |  |                      |   |                             |
| Vet Hsg Bds Ser '94A-1                            | 5,400,000.00                |                       |  | 400,000.00           |   | 5,000,000.00                |
| Vet Hsg Ref Bds Ser '95                           | 24,505,000.00               |                       |  | 7,390,000.00         |   | 17,115,000.00               |
| Vet Hsg Fund II Bds Ser 2001A-2                   | 20,000,000.00               |                       |  |                      |   | 20,000,000.00               |
| Vet Hsg Fund II Bds Ser 2001C-2                   | 25,000,000.00               |                       |  | 5,000.00             |   | 24,995,000.00               |
| Vet Hsg Fund II Bds Ser 2002A-2                   | 31,310,000.00               |                       |  | 430,000.00           |   | 30,880,000.00               |
| Vet Hsg Fund II Bds Ser 2003A                     | 28,450,000.00               |                       |  | 1,860,000.00         |   | 26,590,000.00               |
| Vet Hsg Fund II Bds Ser 2003B                     | 29,725,000.00               |                       |  | 1,870,000.00         |   | 27,855,000.00               |
| Vet Hsg Fund II Bds Ser 2004A                     | 29,280,000.00               |                       |  | 1,870,000.00         |   | 27,410,000.00               |
| Vet Hsg Fund II Bds Ser 2004B                     | 32,460,000.00               |                       |  | 1,940,000.00         |   | 30,520,000.00               |
| Vet Hsg Fund II Bds Ser 2005A                     | 32,035,000.00               |                       |  | 1,935,000.00         |   | 30,100,000.00               |
| Vet Hsg Fund II Bds Ser 2005B                     | 31,725,000.00               |                       |  | 1,970,000.00         |   | 29,755,000.00               |
| Vet Hsg Fund II Bds Ser 2006A                     | 33,875,000.00               |                       |  | 1,790,000.00         |   | 32,085,000.00               |
| Vet Hsg Fund II Bds Ser 2006D                     | 35,710,000.00               |                       |  | 1,895,000.00         |   | 33,815,000.00               |
| Vet Hsg Fund II Bds Ser 2007A                     | 35,745,000.00               |                       |  | 1,870,000.00         |   | 33,875,000.00               |
| Vet Hsg Fund II Bds Ser 2007B                     | 37,870,000.00               |                       |  | 1,990,000.00         |   | 35,880,000.00               |
| Vet Hsg Fund II Bds Ser 2008A                     | 37,700,000.00               |                       |  | 2,000,000.00         |   | 35,700,000.00               |
| Vet Hsg Fund II Bds Ser 2008B                     | 38,915,000.00               |                       |  | 2,030,000.00         |   | 36,885,000.00               |
| Vet Hsg Fund II Bds Ser 2009A                     | 41,280,000.00               |                       |  | 2,020,000.00         |   | 39,260,000.00               |
| Vet Hsg Fund II Bds Ser 2009B                     | 43,245,000.00               |                       |  | 2,010,000.00         |   | 41,235,000.00               |
| Vet Hsg Fund II Bds Ser 2010A                     | 66,545,000.00               |                       |  | 3,325,000.00         |   | 63,220,000.00               |
| Veterans Bonds Series 2010C                       | 67,095,000.00               |                       |  | 3,150,000.00         |   | 63,945,000.00               |
| Veterans Bonds Series 2011A                       | 67,290,000.00               |                       |  | 3,290,000.00         |   | 64,000,000.00               |
| Veterans Bonds Series 2011B                       | 68,755,000.00               |                       |  | 3,390,000.00         |   | 65,365,000.00               |
| Veterans Bonds Series 2011C                       | 70,040,000.00               |                       |  | 3,425,000.00         |   | 66,615,000.00               |
| Veterans Bonds Series 2012A                       | 70,625,000.00               |                       |  | 3,505,000.00         |   | 67,120,000.00               |
| Veterans Bonds Series 2012B                       | 95,715,000.00               |                       |  | 4,695,000.00         |   | 91,020,000.00               |
| Veterans Bonds Series 2013A                       | 98,650,000.00               |                       |  | 3,670,000.00         |   | 94,980,000.00               |
| Veterans Bonds Series 2013B                       | 148,125,000.00              |                       |  | 5,275,000.00         |   | 142,850,000.00              |
| Veterans Bonds Tax Ref Ser 2013C                  | 294,020,000.00              |                       |  | 6,250,000.00         |   | 287,770,000.00              |
| Veterans Bonds Series 2014A                       | 150,000,000.00              |                       |  | 3,785,000.00         |   | 146,215,000.00              |
| Veterans Bonds Tax Ref Ser 2014B-1                | 87,935,000.00               |                       |  | 9,455,000.00         |   | 78,480,000.00               |
| Veterans Bonds Tax Ref Ser 2014B-2                | 25,085,000.00               |                       |  |                      |   | 25,085,000.00               |
| Veterans Bonds Tax Ref Ser 2014C-1                | 72,695,000.00               |                       |  | 1,505,000.00         |   | 71,190,000.00               |
| Veterans Bonds Tax Ref Ser 2014C-2                | 194,935,000.00              |                       |  | 7,400,000.00         |   | 187,535,000.00              |
| Veterans Bonds Series 2014D                       |                             | 100,000,000.00        |  | 960,000.00           |   | 99,040,000.00               |
| Veterans Bonds Series 2015A                       |                             | 125,000,000.00        |  | 115,000.00           |   | 124,885,000.00              |
| Veterans Bonds Series 2015B                       |                             | 125,000,000.00        |  |                      |   | 125,000,000.00              |
| <b>Total, Veterans' Housing Bonds</b>             | <b>2,171,740,000.00</b>     | <b>350,000,000.00</b> | <b>0.00</b>  | <b>98,470,000.00</b> | <b>0.00</b>   | <b>2,423,270,000.00</b>     |

(Continued on Table 14)

Table 14

**BOND TRANSACTIONS** (Continued from Table 13)

| Bond Issue   | Bonds Payable<br>09-01-2014 | Bonds Issued          | Annual Interest<br>Accretion on<br>Discount<br>Bonds | Bonds Matured         | Bonds Extinguished<br>by Defeasance or<br>Redeemed Prior<br>to Maturity | Bonds Payable<br>08-31-2015 |
|--|-----------------------------|-----------------------|--|-----------------------|---|-----------------------------|
|  | \$                          | \$                    | \$   | \$                    | \$  | \$                          |
| <b>General Obligation Bonds - Self-Supporting</b>        |                             |                       |  |                       |   |                             |
| <i>Veterans' Land Bonds</i>                              |                             |                       |  |                       |   |                             |
| Vet Land Bds Ser '94                                     | 734,907.05                  |                       | 12,092.95  | 747,000.00            |   | 0.00                        |
| Vet Land Bds Ser '96                                     | 1,220,599.80                |                       | 61,139.66  | 647,000.00            |   | 634,739.46                  |
| Vet Land Ref Bds Ser '99A                                | 16,030,000.00               |                       |  | 2,745,000.00          |   | 13,285,000.00               |
| Vet Land Bds Ser 2002                                    | 15,485,000.00               |                       |  | 530,000.00            |   | 14,955,000.00               |
| Vet Land Tax Ref Bds Ser 2014B-3                         | 48,720,000.00               |                       |  | 4,305,000.00          |   | 44,415,000.00               |
| Vet Land Tax Ref Bds Ser 2014C-3                         | 70,965,000.00               |                       |  | 2,700,000.00          |   | 68,265,000.00               |
| Vet Land Tax Ref Bds Ser 2014C-4                         | 113,910,000.00              |                       |  | 6,060,000.00          |   | 107,850,000.00              |
| <b>Total, Veterans' Land Bonds</b>                       | <b>267,065,506.85</b>       | <b>0.00</b>           | <b>73,232.61</b>                                     | <b>17,734,000.00</b>  | <b>0.00</b>   | <b>249,404,739.46</b>       |
| <b>Total, General Obligation Bonds - Self-Supporting</b> | <b>2,438,805,506.85</b>     | <b>350,000,000.00</b> | <b>73,232.61</b>                                     | <b>116,204,000.00</b> | <b>0.00</b>   | <b>2,672,674,739.46</b>     |
| <b>Total, All Bonds (Tables 13 and 14)</b>               | <b>2,438,805,506.85</b>     | <b>350,000,000.00</b> | <b>73,232.61</b>                                     | <b>116,204,000.00</b> | <b>0.00</b>   | <b>2,672,674,739.46</b>     |

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Table 15

DEBT SERVICE REQUIREMENTS BY BOND ISSUE

| Bond Issue  | Principal               | Interest              | Total Debt Service      |
|---|-------------------------|-----------------------|-------------------------|
|   | \$                      | \$                    | \$                      |
| <b>General Obligation Bonds - Self Supporting</b> |                         |                       |                         |
| <i>Veterans' Housing Bonds</i>                    |                         |                       |                         |
| Vet Hsg Bds Ser '94A-1                            | 5,000,000.00            | 4,920.00              | 5,004,920.00            |
| Vet Hsg Ref Bds Ser '95                           | 17,115,000.00           | 3,500.50              | 17,118,500.50           |
| Vet Hsg Fund II Bds Ser 2001A-2                   | 20,000,000.00           | 62,943.75             | 20,062,943.75           |
| Vet Hsg Fund II Bds Ser 2001C-2                   | 24,995,000.00           | 101,948.25            | 25,096,948.25           |
| Vet Hsg Fund II Bds Ser 2002A-2                   | 30,880,000.00           | 110,811.75            | 30,990,811.75           |
| Vet Hsg Fund II Bds Ser 2003A                     | 26,590,000.00           | 93,888.00             | 26,683,888.00           |
| Vet Hsg Fund II Bds Ser 2003B                     | 27,855,000.00           | 74,616.00             | 27,929,616.00           |
| Vet Hsg Fund II Bds Ser 2004A                     | 27,410,000.00           | 49,368.00             | 27,459,368.00           |
| Vet Hsg Fund II Bds Ser 2004B                     | 30,520,000.00           | 57,067.00             | 30,577,067.00           |
| Vet Hsg Fund II Bds Ser 2005A                     | 30,100,000.00           | 56,779.00             | 30,156,779.00           |
| Vet Hsg Fund II Bds Ser 2005B                     | 29,755,000.00           | 56,608.50             | 29,811,608.50           |
| Vet Hsg Fund II Bds Ser 2006A                     | 32,085,000.00           | 68,343.50             | 32,153,343.50           |
| Vet Hsg Fund II Bds Ser 2006D                     | 33,815,000.00           | 72,153.00             | 33,887,153.00           |
| Vet Hsg Fund II Bds Ser 2007A                     | 33,875,000.00           | 75,329.00             | 33,950,329.00           |
| Vet Hsg Fund II Bds Ser 2007B                     | 35,880,000.00           | 77,769.50             | 35,957,769.50           |
| Vet Hsg Fund II Bds Ser 2008A                     | 35,700,000.00           | 81,626.00             | 35,781,626.00           |
| Vet Hsg Fund II Bds Ser 2008B                     | 36,885,000.00           | 2,010,372.37          | 38,895,372.37           |
| Vet Hsg Fund II Bds Ser 2009A                     | 39,260,000.00           | 15,025,106.25         | 54,285,106.25           |
| Vet Hsg Fund II Bds Ser 2009B                     | 41,235,000.00           | 15,921,337.50         | 57,156,337.50           |
| Vet Hsg Fund II Bds Ser 2010A                     | 63,220,000.00           | 24,844,875.00         | 88,064,875.00           |
| Veterans Bonds Series 2010C                       | 63,945,000.00           | 3,613,809.94          | 67,558,809.94           |
| Veterans Bonds Series 2011A                       | 64,000,000.00           | 77,144.50             | 64,077,144.50           |
| Veterans Bonds Series 2011B                       | 65,365,000.00           | 159,726.50            | 65,524,726.50           |
| Veterans Bonds Series 2011C                       | 66,615,000.00           | 245,499.75            | 66,860,499.75           |
| Veterans Bonds Series 2012A                       | 67,120,000.00           | 80,199.50             | 67,200,199.50           |
| Veterans Bonds Series 2012B                       | 91,020,000.00           | 209,795.50            | 91,229,795.50           |
| Veterans Bonds Series 2013A                       | 94,980,000.00           | 121,481.50            | 95,101,481.50           |
| Veterans Bonds Series 2013B                       | 142,850,000.00          | 174,144.75            | 143,024,144.75          |
| Veterans Bonds Series 2013C                       | 287,770,000.00          | 17,037,185.24         | 304,807,185.24          |
| Veterans Bonds Series 2014A                       | 146,215,000.00          | 372,762.50            | 146,587,762.50          |
| Veterans Bonds Series 2014B-1                     | 78,480,000.00           | 2,077,218.71          | 80,557,218.71           |
| Veterans Bonds Series 2014B-2                     | 25,085,000.00           | 474,115.38            | 25,559,115.38           |
| Veterans Bonds Series 2014C-1                     | 71,190,000.00           | 8,486,787.60          | 79,676,787.60           |
| Veterans Bonds Series 2014C-2                     | 187,535,000.00          | 11,121,507.92         | 198,656,507.92          |
| Veterans Bonds Series 2014D                       | 99,040,000.00           | 127,095.25            | 99,167,095.25           |
| Veterans Bonds Series 2015A                       | 124,885,000.00          | 488,601.75            | 125,373,601.75          |
| Veterans Bonds Series 2015B                       | 125,000,000.00          | 173,945.50            | 125,173,945.50          |
| <b>Total, Veterans' Housing Bonds</b>             | <b>2,423,270,000.00</b> | <b>103,890,384.66</b> | <b>2,527,160,384.66</b> |

(Continued on Table 16)



Table 16

DEBT SERVICE REQUIREMENTS BY BOND ISSUE (Continued from Table 15)

| Bond Issue   | Principal                      | Interest                     | Total Debt Service             |
|--|--------------------------------|------------------------------|--------------------------------|
|  | \$                             | \$                           | \$                             |
| <b>General Obligation Bonds - Self Supporting</b>        |                                |                              |                                |
| <i>Veterans' Land Bonds</i>                              |                                |                              |                                |
| Vet Land Bds Ser '96                                     | 662,000.00                     |                              | 662,000.00                     |
| Vet Land Ref Bds Ser '99A                                | 13,285,000.00                  | 2,780.25                     | 13,287,780.25                  |
| Vet Land Bds Ser 2002                                    | 14,955,000.00                  | 814,845.15                   | 15,769,845.15                  |
| Vet Land Tax Ref Bds Ser 2014B-3                         | 44,415,000.00                  | 1,283,457.25                 | 45,698,457.25                  |
| Vet Land Tax Ref Bds Ser 2014C-3                         | 68,265,000.00                  | 4,161,638.26                 | 72,426,638.26                  |
| Vet Land Tax Ref Bds Ser 2014C-4                         | 107,850,000.00                 | 4,240,790.65                 | 112,090,790.65                 |
| <br>   |                                |                              |                                |
| <i>Total, Veterans' Land Bonds</i>                       | <u>249,432,000.00</u>          | <u>10,503,511.56</u>         | <u>259,935,511.56</u>          |
| <b>Total, General Obligation Bonds - Self-Supporting</b> | <u>2,672,702,000.00</u>        | <u>114,393,896.22</u>        | <u>2,787,095,896.22</u>        |
| <br>   |                                |                              |                                |
| <b>Total, All Bonds (Tables 15 and 16)</b>               | <u><u>2,672,702,000.00</u></u> | <u><u>114,393,896.22</u></u> | <u><u>2,787,095,896.22</u></u> |

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Texas General Land Office and Veterans' Land Board (305)

Table 17

**DEBT SERVICE REQUIREMENTS BY FISCAL YEAR**

| Fiscal Year               | Principal                      | Interest <sup>(1)</sup>      | Totals                         |
|---------------------------|--------------------------------|------------------------------|--------------------------------|
|                           | \$                             | \$                           | \$                             |
| 2016                      | 135,562,000.00                 | 13,242,374.95                | 148,804,374.95                 |
| 2017                      | 149,590,000.00                 | 12,728,577.85                | 162,318,577.85                 |
| 2018                      | 145,795,000.00                 | 12,168,914.35                | 157,963,914.35                 |
| 2019                      | 152,985,000.00                 | 11,581,194.32                | 164,566,194.32                 |
| 2020                      | 152,210,000.00                 | 10,910,530.42                | 163,120,530.42                 |
| 2021-2025                 | 744,350,000.00                 | 41,507,339.95                | 785,857,339.95                 |
| 2026-2030                 | 554,490,000.00                 | 9,126,417.52                 | 563,616,417.52                 |
| 2031-2035                 | 367,605,000.00                 | 2,742,640.05                 | 370,347,640.05                 |
| 2036-2040                 | 180,620,000.00                 | 353,249.68                   | 180,973,249.68                 |
| 2041-2045                 | 88,265,000.00                  | 32,589.88                    | 88,297,589.88                  |
| 2046                      | 1,230,000.00                   | 67.25                        | 1,230,067.25                   |
| <b>Total Debt Service</b> | <b><u>2,672,702,000.00</u></b> | <b><u>114,393,896.22</u></b> | <b><u>2,787,095,896.22</u></b> |

<sup>(1)</sup> Includes estimated interest expense on variable-rate debt.

Table 18

**BOND COVENANT RESERVE REQUIREMENTS**

| Reserve Type   | Reserve Requirement          | Investments at Fair Value    |
|--|------------------------------|------------------------------|
|  | \$                           | \$                           |
| <b>General Obligation Bonds - Self-Supporting</b>        |                              |                              |
| Veterans' Housing Fund I Bond Reserve                    | 15,982,874.07 <sup>(1)</sup> | 17,644,383.58 <sup>(2)</sup> |
| Veterans' Housing Assistance Fund I Mortgage Reserve     | 7,500,000.00 <sup>(3)</sup>  | 16,643,660.95 <sup>(4)</sup> |
| <b>Total, General Obligation Bonds - Self-Supporting</b> | <b><u>23,482,874.07</u></b>  | <b><u>34,288,044.53</u></b>  |
| <b>Total, All Bonds</b>                                  | <b><u>23,482,874.07</u></b>  | <b><u>34,288,044.53</u></b>  |

<sup>(1)</sup> Amount represents the maximum average annual debt service requirement as defined in the bond covenants.

<sup>(2)</sup> For purposes of the bond resolutions and federal tax law, the Veterans' Land Board determines reserve sufficiency based on the fair value of the Bond Reserve's investments. For purposes of this calculation, the fair value of investments was determined as of the close of the market on August 31, 2015.

<sup>(3)</sup> The bond covenants require the Home Loan Mortgage Reserve to be 1% of the par amount of the bonds issued. There is no requirement specified for any series issued after 1985.

<sup>(4)</sup> Fair values shown are for informational purposes only. After being initially funded, these reserves are considered intact, and no further deposits are required. For purposes of this calculation, the fair value of investments was determined as of the close of the market on August 31, 2015.

*Rollover risk.* The swap associated with the Vet Land Tax Ref Bds Ser 2000 (now a part of State of Texas Veterans Bonds, Taxable Refunding Series B-3), provides the counterparty with the option to terminate the swap under certain conditions at any time. If this swap is terminated through the counterparty's exercise of its option, the associated variable-rate bonds would no longer have a synthetic fixed rate, and the board would be subject to interest rate risk to the extent that the variable-rate bonds were not hedged with another swap or with variable-rate assets on the board's balance sheet. Bonds that are exposed to such rollover risk are shown in **Table 21** on page 66.

*Swap payments and associated debt.* Using rates as of August 31, 2015, the estimated debt service requirements of the board's variable-rate bonds and associated net swap payments, assuming current interest rates and swap index relationships remain the same for their terms, were as shown in **Table 22** on page 66, and **Tables 23** and **24** on page 67. As rates and index relationship vary in the future, so will the resulting actual interest payments and net swap payments.

## HEDGE EFFECTIVENESS OF DERIVATIVE TRANSACTIONS

Using the consistent critical terms method and the synthetic instrument method described in GASB No. 53, *Hedge Effectiveness Testing of Derivative Transactions*, the board

determined that all of its pay-fixed, receive-variable interest rate swaps are effective cash flow hedging derivative instruments and thus eligible for hedge accounting treatment. The fair value of those swaps at the end of the fiscal year and the associated change in fair value of those swaps are accounted for as business-type activity in the appropriate *Combined Statement of Net Position – Proprietary Funds* as *Deferred Inflow of Resources* and *Deferred Outflow of Resources*. At August 31, 2015, the fair value of swaps determined to be effective cash flow hedging derivative instruments was (\$265,757,337.41), and the change in fair value of those swaps during the fiscal year was (\$13,815,289.10) as shown in **Table 25** on page 68.

All of the board's pay-variable, receive-variable interest rate swaps are accounted for as investment derivative instruments. Therefore, the fair value of those swaps at the end of the fiscal year is accounted for as business-type activity in the appropriate *Combined Statement of Net Position – Proprietary Funds* as *Derivative Instruments*, and the associated change in fair value of those swaps during the fiscal year is accounted for in the appropriate *Combined Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds* as a *Net Increase (Decrease) in Fair Value of Investments*. At August 31, 2015, the fair value of swaps determined to be derivative investments was \$939,555.79, and the change in fair value of those swaps during the fiscal year was \$893,620.07 as shown in **Table 25** on page 68.

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Table 19

**PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS**

| Associated Bond Issue                           | Notional Amount      | Effective Date | Fixed Rate Paid | Variable Rate Received |
|---|----------------------|----------------|-----------------|------------------------|
|   | \$                   |                |                 |                        |
| Vet Hsg Ref Bds Ser '95                         | \$17,115,000         | 11/29/1995     | 5.5200%         | Actual Bond Rate       |
| Vet Land Ref Bds Ser '99A                       | \$13,285,000         | 06/01/1999     | 5.1120%         | 68% of 6M LIBOR        |
| Vet Hsg Fund II Bds Ser 2001A-2                 | \$20,000,000         | 03/22/2001     | 4.2590%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2001C-2                 | \$24,995,000         | 12/18/2001     | 4.3650%         | 68% of 1M LIBOR        |
| Vet Land Bds Ser 2002                           | \$14,955,000         | 02/21/2002     | 4.1400%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2002A-2                 | \$23,650,000         | 07/10/2002     | 3.8725%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2003A                   | \$26,590,000         | 03/04/2003     | 3.3040%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2003B                   | \$27,855,000         | 10/22/2003     | 3.4030%         | 64.5% of 1M LIBOR      |
| Vet Hsg Fund II Bds Ser 2004B                   | \$30,520,000         | 09/15/2004     | 3.6800%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2005A                   | \$30,100,000         | 02/24/2005     | 3.2790%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2006A                   | \$32,085,000         | 06/01/2005     | 3.5170%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2006D                   | \$33,815,000         | 09/20/2005     | 3.6890%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2007A                   | \$33,875,000         | 02/22/2007     | 3.6450%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2007B                   | \$35,880,000         | 06/26/2007     | 3.7120%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2008A                   | \$35,700,000         | 03/26/2008     | 3.1890%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Bds Ser 2008B                   | \$36,885,000         | 09/11/2008     | 3.2250%         | 68% of 1M LIBOR        |
| Vet Bds Ser 2010C                               | \$63,945,000         | 08/20/2010     | 2.3095%         | 68% of 1M LIBOR        |
| Vet Bds Ser 2011A                               | \$64,000,000         | 03/09/2011     | 2.6750%         | 68% of 1M LIBOR        |
| Vet Bds Ser 2011B                               | \$65,365,000         | 08/25/2011     | 2.3670%         | 68% of 1M LIBOR        |
| Vet Bds Ser 2011C                               | \$66,615,000         | 12/15/2011     | 1.9170%         | 68% of 3M LIBOR        |
| Vet Bds Ser 2012A                               | \$67,120,000         | 05/23/2012     | 1.6920%         | 68% of 3M LIBOR        |
| Vet Bds Ser 2012B                               | \$91,020,000         | 11/01/2012     | 1.4470%         | 68% of 3M LIBOR        |
| Vet Bds Ser 2013A                               | \$94,980,000         | 03/20/2013     | 1.7000%         | 68% of 3M LIBOR        |
| Vet Bds Ser 2013B                               | \$142,850,000        | 08/22/2013     | 2.1450%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Tax Ref Bds Ser 2013C           | \$38,420,000         | 12/01/2005     | 5.4610%         | 100% of 1M LIBOR       |
| Vet Hsg Fund II Tax Ref Bds Ser 2013C           | \$28,520,000         | 12/01/2007     | 4.6580%         | 100% of 1M LIBOR       |
| Vet Hsg Fund II Tax Ref Bds Ser 2013C           | \$11,655,000         | 12/01/2009     | 6.2200%         | 100% of 6M LIBOR       |
| Vet Hsg Fund II Tax Ref Bds Ser 2013C           | \$59,175,000         | 12/01/2009     | 5.4525%         | 100% of 6M LIBOR       |
| Vet Bds Ser 2014A                               | \$146,215,000        | 03/03/2014     | 2.1790%         | 68% of 1M LIBOR        |
| Vet Hsg Fund I Tax Ref Bds Ser 2014B-1          | \$35,675,000         | 12/01/2003     | 5.1900%         | 100% of 6M LIBOR       |
| Vet Hsg Fund I Tax Ref Bds Ser 2014B-1          | \$16,535,000         | 06/01/2004     | 5.4500%         | 100% of 6M LIBOR       |
| Vet Hsg Fund II Tax Ref Bds Ser 2014B-1 & B-2   | \$29,560,000         | 12/01/2004     | 5.3480%         | 100% of 1M LIBOR       |
| Vet Hsg Fund I Tax Ref Bds Ser 2014B-1          | \$12,000,000         | 12/01/2005     | 4.9290%         | 100% of 1M LIBOR       |
| Vet Hsg Fund I/II Tax Ref Bds Ser 2014B-1 & C-2 | \$20,930,000         | 12/01/2005     | 5.1450%         | 100% of 1M LIBOR       |
| Vet Land Tax Ref Bds Ser 2014B-3                | \$27,075,000         | 12/01/2003     | 6.1060%         | 100% of 6M LIBOR       |
| Vet Land Tax Ref Bds Ser 2014B-3                | \$17,340,000         | 12/01/2005     | 6.5170%         | 100% of 6M LIBOR       |
| Vet Hsg Fund I Tax Ref Bds Ser 2014C-1          | \$16,190,000         | 12/01/2002     | 4.9100%         | 100% of 6M LIBOR       |
| Vet Hsg Fund I Tax Ref Bds Ser 2014C-1          | \$20,365,000         | 08/01/2012     | 3.7600%         | 68% of 1M LIBOR        |
| Vet Hsg Fund II Tax Ref Bds Ser 2014C-2         | \$37,445,000         | 06/01/2005     | 5.8300%         | 100% of 1M LIBOR       |
| Vet Hsg Fund II Tax Ref Bds Ser 2014C-2         | \$16,775,000         | 06/01/2005     | 5.7900%         | 100% of 6M LIBOR       |
| Vet Hsg Fund II Tax Ref Bds Ser 2014C-2         | \$59,270,000         | 06/01/2010     | 5.4010%         | 100% of 1M LIBOR       |
| Vet Hsg Fund II Tax Ref Bds Ser 2014C-2         | \$37,850,000         | 12/01/2010     | 2.7900%         | 100% of 1M LIBOR       |
| Vet Land Tax Ref Bds Ser 2014C-3                | \$23,130,000         | 06/01/2005     | 6.5400%         | 100% of 6M LIBOR       |
| Vet Land Tax Ref Bds Ser 2014C-3                | \$14,435,000         | 12/01/2010     | 5.2090%         | 100% of 1M LIBOR       |
| Vet Land Tax Ref Bds Ser 2014C-4                | \$22,435,000         | 12/01/2002     | 4.9350%         | 100% of 6M LIBOR       |
| Vet Land Tax Ref Bds Ser 2014C-4                | \$17,055,000         | 12/01/2003     | 5.1230%         | 100% of 1M LIBOR       |
| Vet Land Tax Ref Bds Ser 2014C-4                | \$19,035,000         | 12/01/2004     | 5.4550%         | 100% of 6M LIBOR       |
| Vet Land Tax Ref Bds Ser 2014C-4                | \$18,505,000         | 06/01/2005     | 4.6100%         | 100% of 6M LIBOR       |
| Vet Land Tax Ref Bds Ser 2014C-4                | \$30,310,000         | 12/01/2006     | 6.5130%         | 100% of 1M LIBOR       |
| Vet Bds Ser 2014D                               | \$99,040,000         | 09/10/2014     | 1.9395%         | 68% of 1M LIBOR        |
| Vet Bds Ser 2015A                               | \$123,775,000        | 02/11/2015     | 1.5100%         | 68% of 1M LIBOR        |
| Vet Bds Ser 2015B                               | \$125,000,000        | 07/22/2015     | 1.7710%         | 68% of 1M LIBOR        |
| <b>Total</b>                                    | <b>2,217,535,000</b> |                |                 |                        |

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PAY-FIXED, RECEIVE VARIABLE INTEREST RATE SWAPS

| Knock-out Barrier                            | Knock-out Type | Knock-out Period | Up-Front Knock-Out Premium Received | Fair Value              | Swap Termination Date | Counterparty Credit Ratings |
|--|----------------|------------------|-------------------------------------|-------------------------|-----------------------|-----------------------------|
| N/A  | N/A            | N/A              | N/A                                 | (929,229.00)            | 12/01/2016            | A- / Baa1                   |
| N/A  | N/A            | N/A              | N/A                                 | (1,210,220.00)          | 12/01/2018            | A- / Baa1                   |
| N/A  | N/A            | N/A              | N/A                                 | (5,308,637.71)          | 12/01/2029            | A- / Baa1                   |
| N/A  | N/A            | N/A              | N/A                                 | (8,221,100.85)          | 12/01/2033            | AAA / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | (3,692,973.32)          | 12/01/2032            | A- / A3                     |
| N/A  | N/A            | N/A              | N/A                                 | (6,582,590.98)          | 06/01/2033            | A+ / Aa3                    |
| N/A  | N/A            | N/A              | N/A                                 | (4,054,543.48)          | 06/01/2034            | A+ / Aa3                    |
| N/A  | N/A            | N/A              | N/A                                 | (4,313,614.46)          | 06/01/2034            | AAA / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | (5,799,353.99)          | 12/01/2034            | A+ / Aa3                    |
| N/A  | N/A            | N/A              | N/A                                 | (4,676,346.52)          | 06/01/2035            | AAA / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | (6,050,334.65)          | 12/01/2036            | A+ / Aa3                    |
| N/A  | N/A            | N/A              | N/A                                 | (6,833,411.63)          | 12/01/2036            | A / A2                      |
| N/A  | N/A            | N/A              | N/A                                 | (7,022,962.63)          | 06/01/2037            | AAA / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | (7,622,856.19)          | 06/01/2038            | A+ / Aa3                    |
| N/A  | N/A            | N/A              | N/A                                 | (5,900,882.01)          | 12/01/2038            | A+ / Aa3                    |
| N/A  | N/A            | N/A              | N/A                                 | (6,356,985.43)          | 12/01/2038            | AAA / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | (4,481,375.30)          | 12/01/2040            | A- / A3                     |
| N/A  | N/A            | N/A              | N/A                                 | (6,772,663.00)          | 06/01/2041            | BBB+ / A3                   |
| N/A  | N/A            | N/A              | N/A                                 | (4,933,716.00)          | 12/01/2041            | BBB+ / A3                   |
| N/A  | N/A            | N/A              | N/A                                 | (2,025,436.74)          | 06/01/2042            | AAA / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | (556,939.32)            | 12/01/2042            | AAA / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | 1,381,632.78            | 12/01/2042            | AAA / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | (610,208.02)            | 06/01/2043            | AAA / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | (8,894,893.07)          | 12/01/2043            | AAA / Aa2                   |
| 1M LIBOR >= 7.00%;                           | Mandatory      | Periodic         | 2,652,000                           | (9,001,758.94)          | 12/01/2026            | A+ / Aa3                    |
| 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74% |                |                  | 1,017,500                           |                         |                       |                             |
| 1M LIBOR >= 7.00%;                           | Mandatory      | Periodic         | 934,700                             | (8,014,826.19)          | 06/01/2029            | A+ / Aa3                    |
| SIFMA/5Y ISDA CMS > 71%                      |                |                  | 1,020,000                           |                         |                       |                             |
| 6M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 612,000                             | (1,999,048.88)          | 12/01/2021            | A+ / Aa3                    |
| 6M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 2,740,000                           | (16,797,660.46)         | 06/01/2031            | A+ / Aa3                    |
| N/A  | N/A            | N/A              | N/A                                 | (9,803,848.00)          | 06/01/2044            | AA- / Aa2                   |
| 6M LIBOR > 7.00%                             | Mandatory      | Periodic         | 4,470,000                           | (4,302,181.49)          | 06/01/2021            | AAA / Aa2                   |
| 6M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 1,442,000                           | (3,172,679.27)          | 12/01/2024            | A+ / Aa3                    |
| 1M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 2,594,000                           | (3,593,939.60)          | 06/01/2020            | A+ / Aa3                    |
| 1M LIBOR >= 7.00%;                           | Mandatory      | Periodic         | 484,000                             | (1,926,122.92)          | 12/01/2023            | A+ / Aa3                    |
| 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74% |                |                  | 267,000                             |                         |                       |                             |
| 1M LIBOR >= 7.00%;                           | Mandatory      | Periodic         | 1,367,000                           | (4,274,947.23)          | 06/01/2026            | A+ / Aa3                    |
| 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74% |                |                  | 566,500                             |                         |                       |                             |
| 1M LIBOR >= 7.00%                            | Optional       | Permanent        | 2,700,000                           | (4,018,110.81)          | 12/01/2020            | AAA / Aa2                   |
| 6M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 1,542,000                           | (4,989,867.75)          | 12/01/2026            | A+ / Aa3                    |
| 6M LIBOR > 7.00%                             | Mandatory      | Periodic         | 2,165,000                           | (2,334,447.71)          | 06/01/2023            | AAA / Aa2                   |
| 1M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 578,750                             | (5,116,541.84)          | 12/01/2033            | A+ / Aa3                    |
| 1M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 1,992,000                           | (9,465,664.55)          | 12/01/2026            | A+ / Aa3                    |
| 6M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 1,493,000                           | (4,262,321.10)          | 12/01/2027            | A+ / Aa3                    |
| 1M LIBOR >= 7.00%;                           | Mandatory      | Periodic         | 2,355,000                           | (18,900,356.80)         | 12/01/2031            | A+ / Aa3                    |
| 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74% |                |                  | 1,427,000                           |                         |                       |                             |
| N/A  | N/A            | N/A              | N/A                                 | (1,979,600.80)          | 06/01/2032            | AAA / Aa2                   |
| 6M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 1,931,000                           | (7,162,332.53)          | 12/01/2027            | A+ / Aa3                    |
| 1M LIBOR >= 7.00%;                           | Mandatory      | Periodic         | 465,850                             | (4,000,552.98)          | 12/01/2030            | A+ / Aa3                    |
| 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74% |                |                  | 208,400                             |                         |                       |                             |
| 6M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 2,785,000                           | (3,237,736.28)          | 12/01/2021            | A- / A3                     |
| 1M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 1,896,000                           | (2,783,495.23)          | 12/01/2023            | A+ / Aa3                    |
| 6M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 2,075,000                           | (3,681,261.59)          | 12/01/2024            | A- / A3                     |
| 6M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 886,000                             | (3,216,137.73)          | 12/01/2026            | AAA / Aa2                   |
| 1M LIBOR >= 7.00%                            | Mandatory      | Periodic         | 2,725,000                           | (9,559,475.57)          | 12/01/2027            | A+ / Aa3                    |
| N/A  | N/A            | N/A              | N/A                                 | (4,164,524.39)          | 06/01/2045            | AA- / Aa2                   |
| N/A  | N/A            | N/A              | N/A                                 | 446,606.00              | 06/01/2045            | BBB+ / A3                   |
| N/A  | N/A            | N/A              | N/A                                 | (2,974,861.25)          | 06/01/2046            | AA- / Aa2                   |
|  |                |                  | <b>47,391,700</b>                   | <b>(265,757,337.41)</b> |                       |                             |

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Table 20

**PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS**

| Associated Bond Issue        | Notional Amount      | Effective Date | Variable-Rate Paid | Variable-Rate Received | Fair Value        | Swap Termination Date | Counterparty Credit Ratings |
|------------------------------|----------------------|----------------|--------------------|------------------------|-------------------|-----------------------|-----------------------------|
| Vet Land Tax Bds Ser 2014C-3 | \$ 30,650,000        | 08/05/2002     | 131.25% of SIFMA   | 100% of 1M LIBOR       | (276,993.41)      | 12/01/2032            | A- / Baa2                   |
| Vet Hsf Fund II Ser 2009A    | \$31,630,000         | 03/10/2009     | 100.00% of SIFMA   | 94.35% of 3M LIBOR     | 1,216,549.20      | 12/01/2023            | AAA / Aa2                   |
| <b>Total</b>                 | <b>62,280,000.00</b> |                |                    |                        | <b>939,555.79</b> |                       |                             |

Table 21

**INTEREST RATE SWAPS SUBJECT TO ROLLOVER RISK**

| Associated Bond Issue            | Maturity Date of Bonds | Option Exercise Date | Swap Termination Date |
|----------------------------------|------------------------|----------------------|-----------------------|
| Vet Land Tax Ref Bds Ser 2014B-3 | 12/01/2020             | 04/29/2002           | 12/01/2020            |

Table 22

**ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2015 DISCLOSURE TABLE**

| Fiscal Year Ending August 31 | Variable-Rate Bonds     |                      | Interest Rate Swaps, Net | Totals                  |
|------------------------------|-------------------------|----------------------|--------------------------|-------------------------|
|                              | Principal               | Interest             |                          |                         |
| 2016                         | \$ 121,685,000.00       | \$ 4,807,434.34      | \$ 66,074,484.72         | \$ 192,566,919.06       |
| 2017                         | 137,740,000.00          | 4,518,172.39         | 61,706,664.77            | 203,964,837.16          |
| 2018                         | 134,230,000.00          | 4,173,962.64         | 57,029,007.89            | 195,432,970.53          |
| 2019                         | 134,180,000.00          | 3,805,823.17         | 52,431,665.11            | 190,417,488.28          |
| 2020                         | 127,540,000.00          | 3,418,871.36         | 47,837,616.05            | 178,796,487.41          |
| 2021-2025                    | 554,770,000.00          | 11,947,267.81        | 179,575,370.60           | 746,292,638.41          |
| 2026-2030                    | 433,470,000.00          | 5,096,301.80         | 96,250,658.57            | 534,816,960.37          |
| 2031-2035                    | 304,150,000.00          | 1,347,554.84         | 41,806,399.84            | 347,303,954.68          |
| 2036-2040                    | 180,275,000.00          | 353,214.18           | 15,381,485.81            | 196,009,699.99          |
| 2041-2045                    | 88,265,000.00           | 32,589.88            | 3,068,641.67             | 91,366,231.55           |
| 2046-2050                    | 1,230,000.00            | 67.25                | 11,002.01                | 1,241,069.26            |
| <b>Total</b>                 | <b>2,217,535,000.00</b> | <b>39,501,259.66</b> | <b>621,172,997.04</b>    | <b>2,878,209,256.70</b> |

Table 23

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:  
ESTIMATED DEBT SERVICE REQUIREMENTS OF FIXED-RATE DEBT  
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2015 DISCLOSURE TABLE**

| Fiscal Year<br>Ending August 31 | Fixed-Rate Bonds     |                      | Interest Rate<br>Swaps, Net | Totals               |
|---------------------------------|----------------------|----------------------|-----------------------------|----------------------|
|                                 | Principal            | Interest             |                             |                      |
|                                 | \$                   | \$                   | \$                          | \$                   |
| 2016                            |                      | 1,760,325.00         | (91,857.16)                 | 1,668,467.84         |
| 2017                            |                      | 1,760,325.00         | (91,857.16)                 | 1,668,467.84         |
| 2018                            |                      | 1,760,325.00         | (91,857.16)                 | 1,668,467.84         |
| 2019                            |                      | 1,760,325.00         | (91,857.16)                 | 1,668,467.84         |
| 2020                            |                      | 1,760,325.00         | (91,857.16)                 | 1,668,467.84         |
| 2021-2025                       | 31,630,000.00        | 6,223,481.25         | (321,500.05)                | 37,531,981.20        |
| <b>Total</b>                    | <b>31,630,000.00</b> | <b>15,025,106.25</b> | <b>(780,785.85)</b>         | <b>45,874,320.40</b> |

Table 24

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:  
ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT  
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2015 DISCLOSURE TABLE**

| Fiscal Year<br>Ending August 31 | Variable-Rate Bonds  |                     | Interest Rate<br>Swaps, Net | Totals               |
|---------------------------------|----------------------|---------------------|-----------------------------|----------------------|
|                                 | Principal            | Interest            |                             |                      |
|                                 | \$                   | \$                  | \$                          | \$                   |
| 2016                            | 1,070,000.00         | 207,341.78          | (36,351.31)                 | 1,240,990.47         |
| 2017                            | 1,135,000.00         | 199,751.07          | (35,037.69)                 | 1,299,713.38         |
| 2018                            | 1,205,000.00         | 191,695.61          | (33,644.52)                 | 1,363,051.09         |
| 2019                            | 1,280,000.00         | 183,141.00          | (32,165.81)                 | 1,430,975.19         |
| 2020                            | 1,365,000.00         | 174,035.59          | (30,592.04)                 | 1,508,443.55         |
| 2021-2025                       | 8,195,000.00         | 712,511.44          | (125,739.14)                | 8,781,772.30         |
| 2026-2030                       | 11,085,000.00        | 383,029.76          | (68,933.15)                 | 11,399,096.61        |
| 2031-2035                       | 5,315,000.00         | 46,077.87           | (9,133.60)                  | 5,351,944.27         |
| <b>Total</b>                    | <b>30,650,000.00</b> | <b>2,097,584.12</b> | <b>(371,597.26)</b>         | <b>32,375,986.86</b> |

## Note 8

### LEASES

Texas General Land Office is not party to any long-term lease agreements for financing the purchase of capital assets as of August 31, 2015.

Operating leases (leases on assets not recorded in the balance sheet) contain various renewal options, as well as some purchase options. However, due to the nature of the leases, the related assets were not classified as capital assets. Any escalation clauses, sublease rentals, and contingent rentals were considered immaterial to the future minimum lease payments and current rental expenditures.

Included in the expenditures or expenses reported in the financial statements are the amounts of rent paid or due under operating leases as presented in **Table 26** on page 69. Future minimum rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows in **Table 27** on page 69.

### OPERATING LEASE REVENUE

Included in the revenues reported in the financial statements are operating lease rentals managed by GLO. GLO manages several types of operating leases. The need for each specific lease category is based upon the type of action proposed (e.g. pier,

dock, agriculture, recreational hunting, pipeline, etc.), and the statute under which it will be authorized. **Table 28** on page 70 is a schedule of estimated future lease receipts by lease type, presented in the aggregate, and for each of the five succeeding years. The amounts include known lease escalation provisions. Lease categories managed by GLO are summarized as follows:

### COMMERCIAL LEASES AND EASEMENTS (LC)

Commercial leases and easements (LC) are issued for projects that produce revenue from the private use of state-owned property. LCs are issued pursuant to Chapters 33 and 51, Texas Natural Resources Code (TNRC), and fees are based on the published School Land Board rate schedule in effect at the time of contract issuance. The rate schedule allows calculation of fees based upon the amount of state land encumbered and the appraised value of the adjacent littoral property. LCs cover activities and structures such as marinas, bait stands, fishing piers, mooring dolphins, fuel docks, dredging activity, restaurants, and navigation signs. Contract for LCs grant the applicant exclusive use of the site for the purposes specified in the contract.

### COASTAL EASEMENTS (CE)

Coastal easements (CE) are issued pursuant to TNRC §33.103(a)(2), 33.111(a), and 33.103 authorizing owners of private property abutting submerged state-owned lands to place and maintain structures on coastal public land adjacent to their private property. CEs typically cover structures such as piers, decks, docks, rip-rap, pilings, bulkheads, and boat lifts. CEs are also issued for activities such as dredging, filling, and material disposal. Contracts for CEs grant the applicant exclusive use of the structure but not the public land around the structure.

Table 25

| SUMMARY OF DERIVATIVE INSTRUMENTS |                       |                        |                               |                         |                         |
|-----------------------------------|-----------------------|------------------------|-------------------------------|-------------------------|-------------------------|
| Business-Type Activities          |                       |                        |                               |                         |                         |
| Investment Derivatives            | Changes in Fair Value |                        | Fair Value at August 31, 2015 |                         | Notional Amount         |
|                                   | Classification        | Amount                 | Classification                | Amount                  |                         |
|                                   |                       | \$                     |                               | \$                      | \$                      |
| Basis Swaps                       | Investment Revenue    | 893,620.07             | Investment                    | 939,555.79              | 62,280,000.00           |
| <b>Total,</b>                     |                       |                        |                               |                         |                         |
| <b>Investment Derivatives</b>     |                       | <b>893,620.07</b>      |                               | <b>939,555.79</b>       | <b>62,280,000.00</b>    |
| <b>Cash Flow Hedges</b>           |                       |                        |                               |                         |                         |
| Pay-Fixed, Receive-Variable       |                       |                        |                               |                         |                         |
| Interest Rate Swaps               | Deferred Outflow      | (9,709,708.25)         | Debt                          | (267,585,576.19)        | 2,002,740,000.00        |
| Interest Rate Swaps               | Deferred Inflow       | (4,105,580.85)         | Debt                          | 1,828,238.78            | 214,795,000.00          |
| <b>Total,</b>                     |                       |                        |                               |                         |                         |
| <b>Cash Flow Hedges</b>           |                       | <b>(13,815,289.10)</b> |                               | <b>(265,757,337.41)</b> | <b>2,217,535,000.00</b> |
| <b>Total,</b>                     |                       |                        |                               |                         |                         |
| <b>Business-Type Activities</b>   |                       | <b>(12,921,669.03)</b> |                               | <b>(264,817,781.62)</b> | <b>2,279,815,000.00</b> |



Table 26

| <b>CURRENT PAYMENTS</b>        |                                   |
|--------------------------------|-----------------------------------|
| <b>Governmental Activities</b> |                                   |
| <u>Fund Type</u>               | <u>Amount</u>                     |
|                                | \$                                |
| General Revenue Fund           | 1,085,003.98                      |
| Permanent Funds                | <u>271,188.81</u>                 |
| <b>Total, Memorandum Only</b>  | <b><u><u>1,356,192.79</u></u></b> |

**COASTAL LEASES (CL)**

Coastal leases (CL) are issued pursuant to TNRC §33.103(1) and 33.105. CLs are issued to state agencies, eligible cities or counties, nonprofit tax-exempt organizations, or scientific or educational entities to authorize the use of state-owned land for public recreation, estuarine preserves, wildlife preserves, or scientific research activities. CLs grant the applicant limited exclusive use of the property for the purposes stated within the contract. GLO may issue other grants of interest for use of the same property, so long as it does not interfere with the current leaseholder's activities.

**SURFACE LEASES (SL)**

Surface leases (SL) are issued pursuant to TNRC §51.011, 51.121, and 51.292. Coastal SLs are issued for activities on submerged coastal public lands and are typically used to authorize activities not associated with littoral property ownership adjacent to state-owned submerged land, and for energy platforms in the Gulf of Mexico. Examples of activities covered by coastal SLs include, but are not limited to, drilling platforms not on a leased mineral tract, electrical substations, pumping stations, loading racks, tank farms, artificial reefs, and wildlife preserves. Upland SLs typically authorize activities such as hunting, grazing, agriculture, timber production, and other commercial activity.

Table 27

| <b>FUTURE PAYMENTS</b>         |                                   |
|--------------------------------|-----------------------------------|
| <b>Governmental Activities</b> |                                   |
| <u>Year Ended August 31</u>    | <u>Amount</u>                     |
|                                | \$                                |
| 2016                           | 1,046,228.59                      |
| 2017                           | 894,177.91                        |
| 2018                           | 560,685.62                        |
| 2019                           | 107,224.20                        |
| 2020                           | <u>73,119.92</u>                  |
| <b>Total Minimum Future</b>    |                                   |
| <b>Lease Rental Payments</b>   | <b><u><u>2,681,436.24</u></u></b> |

**MISCELLANEOUS EASEMENTS (ME)**

Miscellaneous easements (ME) are issued on both coastal submerged lands and state-owned uplands for projects which require a right-of-way (ROW) on, across, under, or over state-owned lands, pursuant to TNRC §51.291. Fees are based upon a published rate schedule and are calculated based on the width and length of right-of-way, the region of the state, and the diameter of the pipeline (if applicable). ME contracts cover activities such as oil and gas pipelines, power transmission lines, communication lines, roads, and certain other structures and uses. Contracts for MEs grant the applicant exclusive use of the ROW for the purposes specified in the contract.

Holders of the above leases and easements are required to maintain all structures in a safe condition and to comply with all terms of the contract. Violation of the contract terms or failure to pay the required land-use fees may result in delinquent penalties and/or termination of the contract, and removal of the structures at the expense of the property owner. Obtaining said leases and easements from GLO does not exempt the applicant from complying with all other applicable local, state, and federal permitting requirements.

**SPECIAL DOCUMENTS (SD)**

Special documents (SD) are issued for projects on state-owned submerged land and state-owned uplands. The School Land Board has authorized the land commissioner to approve, by SD, erosion response projects administered by GLO pursuant to the Coastal Erosion Planning and Response Act (CEPRA), codified as TNRC, Chapter 33, Subchapter H, and the regulations set forth in Texas Administrative Code, Title 31, Chapter 15, Subchapter B. SDs are also issued for Highway Use Agreements under Chapter 203, Subchapter D, Texas Transportation Code for Texas Department of Transportation projects on land dedicated to the permanent school fund. SDs may also be used for projects that do not fall into one of the other established categories.

**CABIN LEASES (PC)**

Cabin leases (PC) are issued pursuant to Title 31, Chapter 155, §155.4 of the Texas Administrative Code and Chapter 33 of the TNRC. PCs authorize non-commercial use and maintenance of the cabin and associated structures on coastal public land not connected with ownership of littoral property. Permits are issued to individuals or groups for the exclusive use of the structure, but not the public land around the structure.

**LEASING ACTIVITY**

All PSF lands are evaluated for lease potential. The historical cost of all internally managed properties available for leasing activity is \$277,673,404.90. The fair value of the properties is \$620,216,532.62. Non-sovereign real estate in the permanent school fund is held as an investment and is not depreciated. Contingent rental revenues from 23 leases in the amount of \$2,204,778.42 are reported as of August 31, 2015.

## Note 9

### PENSION PLANS

Not Applicable

## Note 10

### DEFERRED COMPENSATION

Not Applicable

## Note 11

### POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not Applicable

## Note 12

### INTERFUND ACTIVITY AND TRANSACTIONS

As explained in Note 1 on interfund transactions and balances, there are numerous transactions between funds and agencies. At fiscal year end, amounts to be received or paid are reported as interfund receivables or interfund payables, due from or due to other funds, due from or due to other agencies, transfers in or transfers out, or legislative transfers in or legislative transfers out.

Net operating transfers in Exhibit II and IV, and due to and due from balances in Exhibits I and III represent the transfer of funds from proprietary funds and the corpus of the permanent school fund to governmental funds in order to support administrative expenses of the Texas General Land Office.

## Note 13

### CONTINUANCE SUBJECT TO REVIEW

Texas Constitution Article XIV, §1 established the Texas General Land Office, and Texas Constitution Article IV, §1 created the office of commissioner of the Texas General Land Office. Therefore, the agency is not subject to abolishment.

Table 28

#### FUTURE LEASE RECEIPTS FOR NON-CANCELABLE SURFACE LEASES

| Lease Categories                | Fiscal Year 2016    | Fiscal Year 2017    | Fiscal Year 2018    | Fiscal Year 2019    | Fiscal Year 2020    | Fiscal Years 2021 & Beyond |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------|
|                                 | \$                  | \$                  | \$                  | \$                  | \$                  | \$                         |
| Coastal Easements               | 295,095.51          | 300,349.38          | 296,439.21          | 293,969.56          | 273,204.79          | 535,442.95                 |
| Coastal Leases                  | 1,244.65            | 1,244.65            | 1,244.65            | 1,244.65            | 1,244.65            | 77,168.30                  |
| Commercial Leases and Easements | 1,511,947.35        | 1,443,620.76        | 1,411,537.03        | 1,259,334.04        | 1,192,174.69        | 10,926,739.84              |
| Miscellaneous Easements         | 536,418.65          | 171,043.45          | 117,280.31          | 118,101.89          | 95,274.25           | 199,380.27                 |
| Cabin Permit Fees               | 191,247.11          | 137,769.50          | 90,030.20           | 42,087.25           | 252.00              | 0.00                       |
| Special Documents               | 10,000.00           | 10,000.00           | 10,000.00           | 10,000.00           | 10,000.00           | 40,000.00                  |
| Surface Leases                  | 3,031,581.44        | 2,785,574.44        | 2,463,952.18        | 2,408,795.85        | 2,258,196.44        | 27,040,103.12              |
| <b>Total Lease Payments</b>     | <b>5,577,534.71</b> | <b>4,849,602.18</b> | <b>4,390,483.58</b> | <b>4,133,533.24</b> | <b>3,830,346.82</b> | <b>38,818,834.48</b>       |

The 82<sup>nd</sup> Legislature, Regular Session passed Senate Bill 652 with an effective date of June 17, 2011, in which section 4.04 amends section 32.003 of the Texas Natural Resource Code to read as follows: "Sec. 32.003. APPLICATION OF SUNSET ACT. The School Land Board is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the board is abolished September 1, 2019." The legislature abolished all other boards for lease with the exception of the Boards for Lease for University Lands, Texas Parks and Wildlife Department, and Texas Department of Criminal Justice. The School Land Board handles the functions of the abolished boards for lease. The land commissioner serves as chairman of the School land Board and each of the remaining boards for lease.

Under Texas Natural Resource Code, Section 161.0111, the Veteran's land Board (VLB) is subject to review under Chapter 325, Government Code (Texas Sunset Act), but is not abolished under that chapter. The VLB shall be reviewed in 2019 and every 12<sup>th</sup> year thereafter.

## Note 14

### ADJUSTMENTS TO FUNDS BALANCE AND NET POSITION

During fiscal 2015, adjustments and corrections were made that required the restatement of beginning fund balance and net position. The restatement of \$(240,681.00) in the general funds includes a correction of payables for unallowable costs for federal assistance related to a prior period. The Permanent School Fund is restated by \$(3,354,445.31) as a result of the correction of prior period errors, and changes in accounting systems that created inconsistencies that should have previously been corrected. Special revenue funds are restated by \$152,147.55 for the inclusion of the Alamo Endowment blended component unit and the correction of retainage payable balances related to a prior period. The enterprise funds were also restated by \$41,102.10 for correction of retainage payable balances related to prior periods.

The remaining restatement of \$12,412.90 is related to capital assets that should have been included or removed from the State Property Accounting system in a prior year. This includes an addition of \$14,684.00, a deletion of \$(6,400), and net accumulated depreciation.

These restatements are presented in the **Table 29** on the right.

## Note 15

### CONTINGENCIES AND COMMITMENTS

#### SIGNIFICANT COMMITMENTS

##### ARBITRAGE REBATE PAYABLE

Earnings on portions of Vet Hsg Bds Reserve Fund, Vet Hsg Bds Mortgage Reserve Fund, and all of Vet Land Ref Bds Ser '89, '90, '91, '99A, Vet Hsg Bds Ser 94A-1, Vet Hsg Ref Bds Ser '94C, '95, Vet Hsg Fund II Bds Ser 2000C, 2001A2, 2001C-1-2, 2002A-1-2, 2003A, 2003B, 2004A, 2004B, 2005A, 2005B, 2006A, 2006D, 2007A, 2007B, 2008B, 2009A, 2009B, 2010A, 2010C, 2011A, 2011B, 2011C, 2012A, 2012B, 2013A, 2013B, 2014A, 2014D, 2015A, 2015B, and Vet Land Bds Ser '94, '96, 2000, 2002, are subject to provisions of §148(f) of the Internal Revenue Code of 1986, as amended, pertaining to the rebate of certain profits realized through the investment of bond proceeds. Any rebate liability is payable five years after the date of issuance of each

Table 29

|   | September 1, 2014,<br>As Previously Reported | Restatements        | September 1, 2014,<br>As Restated |
|---|--|---------------------|-----------------------------------|
| <b>RESTATEMENT TO FUND BALANCE AND NET POSITION</b>   |  |                     |                                   |
| <b>GOVERNMENTAL FUNDS AND GOVERNMENTAL ACTIVITIES</b> |  |                     |                                   |
| Major Funds:  |  |                     |                                   |
| General Fund  | (61,374,170.48)                              | 240,681.00          | (61,133,489.48)                   |
| Permanent School Fund                                 | (4,261,938,821.11)                           | 3,354,445.31        | (4,258,584,375.80)                |
| Total Major Funds                                     | (4,323,312,991.59)                           | 3,595,126.31        | (4,319,717,865.28)                |
| Nonmajor Funds:                                       |  |                     |                                   |
| Special Revenue Funds                                 | (345,113.19)                                 | (152,147.55)        | (497,260.74)                      |
| Total Nonmajor Funds                                  | (345,113.19)                                 | (152,147.55)        | (497,260.74)                      |
| Governmental Activities Adjustments:                  |  |                     |                                   |
| Capital Assets  | (32,419,385.06)                              | (12,412.90)         | (32,431,797.96)                   |
| Long-Term Liabilities                                 | 6,045,310.86                                 | 0.00                | 6,045,310.86                      |
| Deferred Revenue                                      | (10,721,469.07)                              | 0.00                | (10,721,469.07)                   |
| Total Governmental Act. Adj.                          | (37,095,543.27)                              | (12,412.90)         | (37,107,956.17)                   |
| Total Governmental Activities                         | (4,360,753,648.05)                           | 3,430,565.86        | (4,357,323,082.19)                |
| <b>BUSINESS TYPE ACTIVITIES</b>                       |  |                     |                                   |
| Nonmajor Funds:                                       |  |                     |                                   |
| Enterprise Funds                                      | (745,995,305.18)                             | (41,102.10)         | (746,036,407.28)                  |
| Total Nonmajor Funds                                  | (745,995,305.18)                             | (41,102.10)         | (746,036,407.28)                  |
| Total Business Type Activities                        | (745,995,305.18)                             | (41,102.10)         | (746,036,407.28)                  |
| <b>TOTAL REPORTING ENTITY</b>                         | <b>(5,106,748,953.23)</b>                    | <b>3,389,463.76</b> | <b>(5,103,359,489.47)</b>         |

bond issue subject to the provisions and after each subsequent five-year period thereafter. As of August 31, 2015, there is no rebate liability.

### CONTRACTUAL COMMITMENTS

At August 31, 2015, the School Land Board had approximately \$2.14 billion in unfunded commitments outstanding to external investment managers.

## CONTINGENCIES

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### FEDERAL ASSISTANCE

Texas General Land Office receives federal financial assistance for specific purposes that are subject to review or audit by the federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowance (if any) will be immaterial.

### INVESTMENT INCENTIVE COMPENSATION PLAN

The Performance Incentive Compensation Pay Plan (Plan) for fiscal 2015 was adopted by former Texas Land Commissioner, Jerry Patterson, and former Chief Clerk, Larry Laine, to cover the plan year effective July 1, 2014 through June 30, 2015. The Plan enables the agency to remain competitive in its efforts to attract, retain, and motivate high caliber investment staff. The purpose of the Plan is to provide the opportunity for investment division employees to earn incentive pay based on the GLO-managed portion of the Permanent School Fund investment portfolio's performance and the investment division employees' job performance. Any earned performance incentive compensation pay is paid over the subsequent 2-year period. For Plan year ended June 30, 2015, the outstanding liability is estimated not to exceed \$301,590.20. Payments for the 2015 Plan will occur after the end of the Plan year, with the first payment as early as December 2015. A portion of the incentive compensation can only be earned following a year in which the GLO-managed portion of the Permanent School Fund investment portfolio experienced a positive return. In addition, division employees must remain employed by the Land Office up to and on the dates designated in the Plan, in order to earn and receive payment. The Executive Compensation Committee may cancel or modify the Plan at any time.

### CLAIMS

As of August 31, 2015, certain lawsuits were pending against the state and/or the commissioner of the Texas General Land Office. The following lawsuits are pending and may represent contingent liabilities:

### **BP Deepwater Horizon Natural Resources Damage**

The Department of Justice (DOJ) brought causes of action against BP for Natural Resource Damages (NRD), Clean Water Act (CWA) violations and criminal violations relating to the Deep Water Horizon Oil Spill off the Louisiana coast that lasted through July 15, 2010. DOJ settled the criminal violations for \$4 billion, with payments to be made over five years, including \$2.394 billion dedicated to the National Fish and Wildlife Foundation (NFWF) for projects to remedy spill-related harms to resources, and \$191.52 million for projects in Texas. BP also agreed to pay \$1 billion for NRD early restoration projects, and the states have been working through NRD assessments and presenting projects to BP and DOJ for approval. Final approval for an initial set of projects in Texas, which will cost approximately \$18 million and include rebuilding portions of Sea Rim and Galveston Island State Park and construction of three artificial reefs, should be completed by the end of August 2014. MOEX, another Defendant, agreed to settle with the State for \$3.25 million. Trial in federal court related to liability and gross negligence for CWA violations has been occurring in phases. Phase II ended in October 2013; Phase III, regarding determination of liability using OPA's criteria, is set for January 20, 2015 in the US District Court for the Eastern District of Louisiana. On February 14, 2014, BP moved to strike Alabama's jury trial demand; the deadline for supporting briefs was March 10, 2014. Formal discovery is beginning with Texas Parks and Wildlife Department. GLO also filed a separate complaint asserting violations of the Texas Natural Resource Code and claims for economic damages under OPA, including the loss of tax and state park revenue, but no hearing has been scheduled. The likelihood of recovery is probable. On July 2, 2015, an \$18.7B preliminary settlement was announced; the final distribution amounts of settlement funds are indeterminable at this time.

### **Brannan, et al. v. State of Texas, et al.**

Plaintiffs seek declaratory relief as to the rights of beachfront property owners, and members of the general public, to beaches on the Gulf Coast of Texas at Surfside Beach. Plaintiffs are also seeking a determination as to whether the imposition upon private property of a rolling easement for public use constitutes a deprivation of use or a taking by the State. Trial court granted the State's summary judgment motion regarding Plaintiffs' takings claims based on the rolling beach easement. Multiple parties subsequently intervened, claiming that the GLO was taking their property by refusing to allow them to make repairs to their beachfront homes after a high tide. Trial court issued an injunction ordering the removal of all houses on the easement. First Court of Appeals affirmed the injunction and agreed that the owners' claims for damages due to a permanent taking and a regulatory taking had been properly denied. Court of Appeals denied Plaintiffs' motion for rehearing, withdrew the opinion from August 2009, and issued a new opinion in February 2010. In April 2010, the Plaintiffs filed a petition for review in the Texas Supreme Court. The case was remanded to the First Court of Appeals for further consideration in light of the *Severance*

opinion. On May 1, 2014, the First Court of Appeals reversed on submission; the trial court's summary judgment granted in favor of the State and remanded the case back to the trial court for reconsideration in light of the *Severance* opinion. On July 28, 2014, a Status Conference was held in Brazoria County District Court. On August 13, 2014, Plaintiffs filed a motion for partial summary judgment seeking a declaration that the GLO and City's imposition of a "rolling easement" following Tropical Storm Frances in 1998 and the 2006 "bull tides" constituted taking without just compensation. A summary judgment hearing was held on January 27, 2015. On February 19, 2015, the GLO filed its reply brief in support of its Plea to the Jurisdiction and Motion for Summary Judgment on the issue of attorney fees. Hearing on the above filed motions was held June 22 and no decision has been rendered. Also on June 22, the Court entered a signed order dismissing Brannan's takings claims against the Village of Surfside and its mayor. The probability of liability is probable. The possible final amount of the loss is indeterminable at this time.

***Cimarex Energy Co. v. Aardvark Oil Co., et al.***

Interpleader action regarding rival claims to disputed royalties on production from oil and gas well in Ward County, Texas in the amount of \$4,083,886.00, as select defendants declined to sign a Stipulation of Interest. The GLO filed its answer, and the Office of the Attorney General is now handling the case. Discovery is in process and the parties anticipate mediation. The likelihood of recovery is reasonably possible. The possible final outcome is indeterminable at this time.

***Daughters of the Republic of Texas (DRT) v. Texas General Land Office and, in his official capacity, George P. Bush as GLO Commissioner***

Plaintiff seeks a declaratory judgment and other remedies, as well as attorney's fees regarding ownership and possession of historical artifacts housed within the Alamo Complex. The GLO filed its Original Answer on April 10, 2015. The parties executed a Rule 11 Standstill Agreement and mediation was held on July 9, 2015. The Rule 11 Standstill Agreement terminated on August 24, 2015 and the Court granted DRT's motion for a temporary restraining order. The GLO filed an amended jurisdictional plea on September 10, 2015. A hearing on DRT's temporary injunction motion (and GLO's responsive jurisdictional plea) scheduled for September 17, 2015 was passed once the parties reached consensus on terms and filed and Agreed Temporary Injunction motion.

***EOG Resources Inc., v. Jerry Patterson, GLO Commissioner, et al.***

Plaintiff disputed the amount of royalties owed - and the underlying calculations bases - under two GLO audit billings pursuant to Tex. Nat. Res. Code 52.137. Plaintiff filed two petitions on November 25, 2014. The GLO requested and received OAG representation. The OAG filed an answer in the 98<sup>th</sup> District Court and the 345<sup>th</sup> District Court on December 23, 2014 and February 18, 2015, respectively. The probability of

liability is reasonably possible. The possible final amount of the loss is indeterminable at this time.

***Galan Family Trust, et al. v. State of Texas, et al.***

Plaintiff claims that in 1874 the State of Texas improperly revoked a land patent granted to Plaintiffs' ancestors. The GLO filed its answer on August 31, 2015. On September 2, 2015, the GLO, along with the OAG, filed a Joint Plea to the Jurisdiction. The probability of liability is remote. The possible final amount of the loss is indeterminable at this time.

***GLO v. UT Board of Regents, et al.***

The General Land Office received legislative permission to file for a declaratory judgment in Travis County against the Board of Regents for UT – the University Fund manager – regarding the boundary between PSF land and University land in Pecos County. GLO filed an Amended Petition on February 5, 2014, and discovery is in progress. On May 12, 2014, a hearing was held on the Board of Regents' motion to dismiss and the special exceptions. District Court Judge, Tim Sulak, denied both the motion and the Board's special exceptions through orders signed and filed on June 27, 2014. On July 25, 2014, the Board of Regents filed a Motion to Dismiss for Lack of Jurisdiction, which was denied on August 5, 2014. On July 30, 2014, select Defendants/Cross-Plaintiffs filed a Motion for Partial Summary Judgment. By letter of August 8, 2014, GLO requested a Rule 2.6 assignment of Judge Sulak to the case, to which the Board objected by letter of August 11, 2014. The GLO filed a Motion for Summary Judgment on September 18, 2014. Defendants/Cross Plaintiffs filed a Motion for Summary Judgment on October 23, 2014; on November 6, 2014, the GLO filed a response to the Board's Motion for Summary Judgment. All motions were heard November 13, 2014; by letter ruling dated November 21, 2014, the Court ruled in favor of the GLO and the order granting the GLO's motion and denying the Board's motion was signed and entered on December 5, 2014. Mediation was held June 11, 2015 and discussions are ongoing. The probability of liability is possible. The possible final amount of the loss is indeterminable at this time.

***Lone Oak Club, LLC v. Jerry Patterson, et al.***

Plaintiff filed a trespass to try the title suit, asserting ownership to certain property involving the tidally influenced boundary in Chambers County, and alleging that the GLO, through ultra vires acts, has wrongfully asserted jurisdiction, title and right to possession and control over watercourses of navigable streams on said properties; has been encouraging the general public to commit trespass and hunt without consent on the properties and streambeds; and has unreasonably interfered with Plaintiff's rights to possession, use, control and quiet enjoyment. Plaintiff seeks title and possession of the disputed property, pre- and post- judgment interest and reasonable attorney's fees. Discovery is in progress; settlement discussions are ongoing. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

**Mercury-Ward LLC, et al. v. Anadarko, Swepi, LP & Patterson**

Plaintiffs assert title to and possession of real property in Ward County, Texas, alleging the State does not hold title to any minerals under a highway tract for which the GLO authorized an oil and gas lease to Anadarko Petroleum Corporation in October 2012. Plaintiffs further allege that the lease is invalid and that they were wrongfully dispossessed by the Defendants, and seek a declaratory judgment, specific performance and exemplary damages and attorney's fees. On May 22, 2014, Commissioner Patterson filed a notice of withdrawal of his plea to the jurisdiction and motion to dismiss. On June 2, 2014, Plaintiffs filed a 3<sup>rd</sup> Amended Petition, through which by stipulation, Plaintiffs removed the Commissioner in all capacities as a named Defendant, substituting the GLO as a party Defendant solely to the extent – and pursuant to the Commissioner's agreement – that the GLO and SLB will be bound by any final judgment as to any declaration regarding the underlying mineral estate lease. Upon a non-jury trial, the Court entered judgment in favor of Defendants. Plaintiffs now seek to appeal the judgment and move for a new trial. Appellant's brief was filed August 3, 2015 and Appellee's brief is due October 2, 2015. The probability of liability is reasonably possible. The final amount of loss is indeterminable at this time.

**State of Texas v. Larry Mark Polsky**

General Land Office sought an injunction against Defendant to cease ongoing construction activities in Cameron County, Texas, in violation of Section 63.091 of the Texas Natural Resource Code. A Temporary Restraining Order and Temporary Injunction were granted. Defendant filed a counterclaim seeking declaratory and injunctive relief, alleging an unconstitutional taking as the cause of action, and adding selective enforcement as an alternative remedy in his second amended counterclaim. On September 20, 2013, the court granted the State's motion for sanctions against Defendant for filing a frivolous motion to disqualify GLO's lead counsel, assessing a \$2,500 fine. After a jury trial, final judgment was entered in favor of GLO on November 14, 2013. Plaintiff's motion for new trial and motion for JNOV were both denied on January 23, 2014. Plaintiff paid a supersedeas bond, proposed a settlement offer and filed his appellate brief with the Third Court of Appeals on May 20, 2014. The State filed its brief on July 25, 2014. By letter dated August 15, 2014, the Third Court granted Plaintiff's opposed motion to supplement the reporter's record with the complete jury trial transcript by September 15, 2014. On October 20, 2014 the State filed an Amended Appellee's Brief; on October 22, 2014, Appellant filed its Reply Brief. On January 22, 2015, at the Court's request, Appellant filed an "additional authority" that Appellant attempted to file previously without seeking leave. On September 3, 2015, the Court issued a notice stating that the cause is set for submission on briefs Thursday, September 24, 2015. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

**State v. Riemer**

State alleges unlawful fencing of the Canadian River bed below Sanford Dam; Riemer filed multiple counterclaims. Trial court denied the State's plea to the jurisdiction. The Appellate Court reversed, ordering the Trial Court to dismiss all claims against the State except Riemer's claim to the surface of the two tracts as well as select takings claims of other parties who sought class certification. On December 30, 2009, the Trial Court denied class certification, a decision affirmed on appeal in May 2011. Counter-Plaintiffs filed a petition for review with the Texas Supreme Court, which held that the Trial Court abused its discretion and reversed and remanded the matter back to the Seventh Court of Appeals to address the remaining contested requirements of class certification. Appellate oral arguments were held on November 4, 2013. In an opinion issued November 26, 2014, the 7<sup>th</sup> Court affirmed the denial of class certification. On January 9, 2015, Riemer filed a petition for review with the Texas Supreme Court; the State filed its response on February 9, 2015; and Riemer filed a reply on February 24, 2015. The Court requested petitioner's brief of the merits of the petition. Petitioner's brief on the merits was filed July 1, 2015; the GLO's response was filed on August 20, 2015. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

**State and GLO, et al. v. EPA and Lisa Jackson**

GLO and other interested entities filed a Petition for Review to obtain a partial stay of EPA's Cross-State Air Pollution Rule, requiring that states reduce power plant emissions, distributing ozone and /or fine particles to other states. Pending final settlement of CSAPR, the 2005 Clean Air Interstate Rule – EPA's previous air-transport rule – remains in effect. The U.S. Court of Appeals for the D.C. Circuit vacated the CSAPR and EPA's motion for rehearing en banc was denied. EPA filed for Writ of Certiorari in the Supreme Court, as have the Environmental Defense Fund and the American Lung Association. State and local respondents, as well as industry and labor respondents, filed briefs in opposition. The Supreme Court granted cert in June of 2013, and EPA filed their merits brief in September of 2013. On September 13, 2013, Texas joined North Dakota in suing EPA for failure to meet deadlines to act for areas within the states with respect to their attainment of National Ambient Air Quality Standards (NAAQS) – without which, there is uncertainty about which permit requirement apply. The Supreme Court heard oral arguments on December 10, 2013. On April 29, 2014, the U.S. Supreme Court reversed the D.C. Circuit's vacatur of EPA's CSAPR and remanded the matter to the D.C. Circuit for further proceedings. On June 26, 2014, the U.S. Government filed a motion with the D.C. Circuit Court to lift the CSAPR stay. The motion to lift the stay was granted on October 23, 2014. On November 21, 2014, the EPA published its interim final rule on CSAPR. On July 28, 2015, the U.S. Court of Appeals for the D.C. Circuit on Tuesday ordered the EPA to revisit caps on nitrogen oxide and sulfur dioxide emissions. The probability of liability is

possible. The possible final amount of the loss is indeterminable at this time.

***Texas General Land Office v. CDM Smith Inc. and the City of Galveston***

The Texas General Land Office filed a declaratory action related to *CDM Smith Inc. v. City of Galveston* (Galveston County), seeking to establish its rights, status and obligations among the parties involved: that, under the contracts between CDM Smith and Galveston, CDM claims not be construed as creating a debt or obligation on behalf of the GLO or the State; any GLO obligation in administering the CDBG-DR program must be limited contingent upon, and subject to the actual receipt and availability of adequate federal funds; and the total amount of funds available for payment to CDM is limited to the federal grant funds available under CDM's contract with Galveston, less payments already made and any other offsets or credits, plus attorney's fees. Both CDM and Galveston counterclaimed against the GLO and cross-claimed against each other: CDM essentially re-pled its Galveston County lawsuit, bringing in the GLO and identified staff as third party Defendants, and Galveston seeks a declaration as to the duties of the parties under the contract and that the GLO is ultimately responsible for payment. Discovery is in progress. CDM filed a second required for production on November 22, 2013. GLO (on behalf of the Agency as well as named third party Defendants) and Galveston filed jurisdictional pleas, and the GLO also filed a Motion to Dismiss. Pursuant to a Rule 11 Agreement, the parties will not oppose a stay of proceedings in any interlocutory appeal is filed. All pending the request for special assignment was denied because Judge Scott Jenkins was contemplating abating the entire case sua sponte and had asked all parties to brief the abatement issue. On July 25, 2014, the Court notified all parties of its intent to abate and/or stay the case pending the outcome of the Galveston County litigation, requesting proposed orders – which CDM provided to the court on August 1, 2014. On August 12, 2014, the Court ordered the case temporarily abated and/or stayed pending resolution of the Galveston County lawsuit. On September 9, 2014, the State filed a petition in the Third Court of Appeals to mandamus Judge Jenkins to rule on the pending jurisdictional pleas. On November 5, 2014, the 3<sup>rd</sup> Court denied the mandamus petition. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

***USOR Site PRP Group v. A&M Contractors, Inc., et al.***

The agency is one of a multitude of defendants from which pursuant to CERCLA and the Texas Solid Waste Disposal Act, Plaintiff seeks cost recovery and contribution for past and future costs incurred for response activities undertaken and to be undertaken at the U.S. Oil Recovery Superfund Site - property located at 200 North Richey Street and 400 North Richey Street in Pasadena, Harris County, Texas - as well as any area where hazardous substances migrating from the Superfund Site come to be located. Plaintiff further seeks declarations as to each

Defendant's liability and an allocation of past and future response costs among all parties. The GLO was served with Summons and Complaint on May 18, 2015. A standing order from the court prohibits the GLO from answering the complaint until November 14, 2015. On July 31, 2015 Plaintiff filed its First Amended Complaint. The probability of liability is remote. The possible final amount of the loss is indeterminable at this time.

***Vastar v. State***

Plaintiff claims subsidence caused its land to be submerged such that title should not transfer to the State, and seeks damages based on inverse condemnation: the dispute involves the San Jacinto River boundary in Harris County. Trial Court of Appeals affirmed in part, dismissed in part, reversed and rendered in part. In August 2011, the Texas Supreme Court denied the State's petition for review. The issues of the trespass-to-try title claim against Commissioner Patterson in his official capacity, and Plaintiff's constitutional takings claim against the State Defendants were remanded to the Trial Court, and royalties have been deposited with the Court Registry. Settlement discussions are ongoing. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

***Wesley West Minerals, et al. v. SandRidge Energy and GLO, et al.***

Plaintiff/Lessor Wesley West Mineral alleges that Defendant/Lessee SandRidge has failed to pay royalties. GLO has claimed sovereign immunity and has cross-claimed against SandRidge, alleging that SandRidge entered into an agreement with Oxy USA, Inc., which deprives GLO of royalties from disposition of carbon dioxide, which SandRidge is required to pay to GLO under a Relinquishment Act. The District Court granted partial summary judgment for SandRidge regarding the proper interpretation of the Citation oil and gas lease. SandRidge's cross-motion for summary judgment against GLO and Plaintiffs' motion for clarification of the summary judgment as it relates to SandRidge's royalty obligations was denied. The parties agreed on a motion and order for interlocutory appeal of the summary judgment ruling; oral arguments were held at the 8<sup>th</sup> Court of Appeals on May 15, 2014. In an opinion issued November 19, 2014, the 8<sup>th</sup> Court affirmed the trial court's judgment as regards the State leases. On December 17, 2014, the GLO filed a Motion for Rehearing/Motion for En Banc Reconsideration; on December 18, 2014, Co-Appellant's Wesley West Minerals and Longfellow Ranch Partners filed their Motion for En Banc Reconsideration. On January 9, 2015, the 8<sup>th</sup> Court requested that Appellees file a response to Appellants' motions - due by February 2, 2015. On February 13, 2015, the 8<sup>th</sup> Court denied all pending Appellant motions. On March 30, 2015, Plaintiff and the GLO each filed petitions for review. On April 14, 2015, SandRidge filed a conditional cross petition. Plaintiffs filed a response to SandRidge's petition on May 21, 2015. On June 19, 2015, the Court requested SandRidge's response to the Plaintiff and GLO's Petition for Review. After being granted its Motion for Extension of time, SandRidge filed its responses to the Petitions for Review

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on July 31, 2015. On August 24, 2015, SandRidge filed replies to Petitions for Review. The likelihood of recovery is reasonably possible. The final amount is indeterminable at this time.

There may be substantial legal obstacles to satisfaction of a judgment with permanent school fund monies. The above lawsuits are referenced in this note as contingent liabilities in the interest of full disclosure. Nonetheless, the possibility that payment will be required from the permanent school fund is remote.

**DERIVATIVES**

As a function of its normal business operations, the State Energy Marketing Program (SEMP) of the GLO enters into contracts for the purchase and sale of natural gas, the sale of oil, and the delivery of natural gas and electric energy to certain Public Retail Customers (PRCs). Some of these contracts are derivatives, as defined under GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments*. As of August 31, 2015, all SEMP contracts identified as derivatives under GASB 53 also qualify for the normal purchases and normal sales exception described in Paragraph 14 of GASB 53. Therefore, all SEMP contracts identified as derivatives under GASB 53 are not subject to the requirements of GASB 53. The documentation supporting the determination of the normal purchases and normal sales exception with regard to GASB 53 is maintained by GLO in the applicable SEMP contract files.

## Note 16

### SUBSEQUENT EVENTS

In 2015, the 84th Legislature passed House Bill 1925 transferring the Texas Farm and Ranch Lands Conservation Council from the General Land Office to Texas Parks and Wildlife Department (TPWD), effective September 1, 2015. A transition period will be in effect through January 1, 2016, at which time, all powers, duties, obligations, liabilities, funds, equipment and property, files, and records relating to the administration of the program will be transferred to TPWD.

In 2015, the 84th Legislature passed House Bill 830 relating to the issuance of an Alamo specialty license plate. The act takes effect January 1, 2016 and will allow Texas drivers the opportunity to purchase an Alamo specialty license plate. GLO receives a portion of the revenue from the sales of the license

plate, to be used for preservation of the Alamo and to enhance the Alamo visitor experience or to fund education programs about the Alamo.

In July 2015, GLO management announced a retirement incentive plan for those eligible to retire on or before September 30, 2015 and on the GLO payroll as of September 1, 2015. The liability for the retirement incentive payment to be made in fiscal 2016 is included in the financial statements.

On July 30, 2015, the VLB authorized the issuance and sale of State of Texas Veterans' Bond Series 2016 in one or more installments in an aggregate principal amount not to exceed \$250,000,000. Accordingly, the VLB expects to issue its \$250,000,000 State of Texas Veterans' Bonds, Series 2016A as referenced in **Table 30** below. The proceeds of the bonds will be used to augment the Veterans' Housing Assistance Fund II.

On October 1, 2015, the VLB redeemed all of its outstanding \$5,000,000.00 State of Texas Adjustable Convertible Extendable Securities (ACES), Veterans' Housing Assistance Bonds, Series 1994A-1.

On October 29, 2015, the VLB approved the conversion of approximately \$945 million of its existing tax-exempt 7-day variable-rate demand bonds from a weekly mode to a direct purchase mode for the next 7-10 years. The conversion is expected to occur on or before December 15, 2015. The bond series to be converted are: Veterans' Housing Assistance Program, Fund II Series 2001A-2 Bonds; Veterans' Housing Assistance Program, Fund II Series 2002A-2 Bonds; Veterans' Housing Assistance Program, Fund II Series 2003A Bonds; Veterans' Housing Assistance Program, Fund II Series 2003B Bonds; Veterans' Housing Assistance Program, Fund II Series 2004B Bonds; Veterans' Housing Assistance Program, Fund II Series 2006A Bonds; Veterans' Housing Assistance Program, Fund II Series 2006D Bonds; Veterans' Housing Assistance Program, Fund II Series 2007B Bonds; Veterans Bonds, Series 2011A; Veterans Bonds, Series 2011B; Veterans Bonds, Series 2012B; Veterans Bonds, Series 2013A; Veterans Bonds, Series 2013B; Veterans Bonds, Series 2014A; Veterans Bonds, Series 2015A.

On November 10, 2015, the VLB entered into a forward-starting floating-to-fixed interest rate swap in association with the anticipated issuance of its State of Texas Veterans Bonds, Series 2016 in January 2016.

Table 30

| NEW BOND ISSUANCE        |        |               |                              |   |
|--------------------------|--------|---------------|------------------------------|---|
| BOND ISSUANCE            | SERIES | AMOUNT        | ANTICIPATED DATE OF ISSUANCE | PURPOSE   |
| General Obligation Bonds | 2016A  | \$250,000,000 | 1/1/2016                     | To augment the Veterans' Housing Assistance Fund II |



# Note 17

## RISK MANAGEMENT

### INSURANCE POLICIES

The Texas General Land Office assumes substantially all risks associated with tort and liability claims due to the performance of its duties. The agency has purchased the following three insurance policies: Public Employees Dishonesty & Computer Fraud Policy, Volunteer Insurance Coverage pursuant to Statewide Volunteer Insurance Program and Commercial Property Insurance.

The Public Employees Dishonesty & Computer Fraud Policy covers losses associated with negligent and criminal conduct by an employee through the normal course of business. The policy covers up to \$1,000,000 per loss, with a \$50,000 deductible for employee theft and up to \$1,000,000 per loss, with a \$50,000 deductible for computer fraud.

The Statewide Volunteer Insurance Policy covers excess personal liability for three volunteers at \$6.00 per volunteer. Excess Personal Liability covers losses associated with volunteer liability up to \$1,000,000 per occurrence, subject to an annual aggregate per named organization. This policy provides protection for a personal injury or a property damage liability claim arising from the performance of the registered volunteer's duties, however only covers claims that occur during assignment – not on the way to or from the volunteer's assignment. This coverage is in excess of, and non-contributing with any other valid or collectible insurance the volunteer may have. Accident medical expenses for three volunteers at \$9.30 per volunteer are also provided for under the Statewide Volunteer Insurance Policy with a Benefit Maximum of \$100,000. The provider will not pay more than the Benefit Maximum for all losses per Accidental Death & Dismemberment Covered Accident. If, in the absence of this provision, the provider would pay more than Benefit Maximum for all losses from one Accidental Death & Dismemberment Covered Accident, then the benefits payable to each person with a valid claim will be reduced proportionately, so the total amount paid by the provider is the Benefit Maximum.

The Statewide Commercial Property Insurance policy limit covers up to \$1,000,000,000 for any one occurrence for all perils; coverage is shared by all participants of the statewide program and is subject to sublimits as listed in the policy. Sublimits are part of, not in addition to, policy limit. Insured perils include all risks of direct physical loss or damage including flood and earthquake, except as excluded in policy forms. This policy also provides coverage for acts of terrorism, up to \$150,000,000 per occurrence.

The agency is not involved in any risk pools with other government entities. **Table 31** below shows the changes in the balances of the agency's claim liabilities during fiscal 2015, that are unrelated to the policies listed above.

### WORKERS' COMPENSATION CLAIMS

For workers' compensation claims, the Texas General Land Office is covered by an assessment imposed by the State Office of Risk Management (SORM). SORM now handles all claims for workers' compensation and unemployment.

### RISK FINANCING

In fiscal 2015, the Texas General Land Office paid \$2,313.75 to settle one (1) claim involving a motor vehicle accident. The remaining \$32,412.32 expenditure/expense for the year includes miscellaneous claims related, but not limited to: longevity, past-due accounts, medical expenses and court rulings.

# Note 18

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### AGENCY HIGHLIGHTS

On January 2, 2015, Commissioner-elect George P. Bush began his term as Land Commissioner. His term runs through December 31, 2018.

In June 2014, former Genesis drummer, Oscar winner, multiple Grammy Award winner and Texana collector Phil Collins donated his famed private collection of artifacts from the Texas Revolution and the Battle of the Alamo to the state of Texas on behalf of the Alamo. The artifacts include Jim Bowie's legendary knife, letters from William B. Travis, Crockett's leather shot

Table 31

| CLAIM LIABILITIES                            | Fiscal Year | Fiscal Year |
|--|-------------|-------------|
|  | 2014        | 2015        |
|  | \$          | \$          |
| Beginning of Fiscal Year                     | 0.00        | 0.00        |
| Current Year Claims and Changes in Estimates | 20,017.75   | 34,726.07   |
| Claim Payments                               | (20,017.75) | (34,726.07) |
| <b>Balance at Fiscal Year-End</b>            | <b>0.00</b> | <b>0.00</b> |

pouch and two powder horns, and one of only four remaining rifles owned by Davy Crockett. The collection was received by the Texas General Land Office in the fall of 2014 and has been recorded as historical treasures and artifacts in the State's Property Accounting system.

In May 2015, the Texana Foundation, which encourages interest and excellence in preserving and writing Texas history, donated five rare maps to the Texas General Land Office Archives. This represents the largest single donation of historic maps to the archives. The donated maps can be viewed online, as well as the 45,000 other maps, sketches and drawings of the Texas General Land Office, at [www.SaveTexasHistory.org](http://www.SaveTexasHistory.org).

In July 2015, the World Heritage Committee of the United Nations Educational, Scientific and Cultural Organization (UNESCO) approved the inscription of the San Antonio Missions on the World Heritage List. The San Antonio Missions include the former Mission San Antonio de Valero now known as the Alamo, which falls under the conservatorship of the Texas General Land Office. According to UNESCO, to be included on the World Heritage List, sites must be of outstanding universal value and meet at least one out of ten selection criteria. The San Antonio Missions including the Alamo meet criterion (ii) to exhibit an important interchange of human values, over a span of time or within a cultural area of the world, on developments in architecture or technology, monumental arts, town-planning or landscape design.

In July 2015, GLO management announced a major reorganization of the agency's structure and program areas as a "team of teams" instead of a retaining top-down structure that is typical of government agencies. The reorganization is expected to continue through December 2015. The agency is consolidating divisions and now consists of three main program areas: Asset Enhancement, Coastal Protection, and Veterans Programs. The organizational charts included in the Addendum are as of August 31, 2015 and are subject to change as the reorganization continues.

After over 100 years managing the Alamo's daily operations, the Daughters of the Republic of Texas' contract for management services was terminated effective July 2015 by the General Land Office. GLO is working with the Alamo Endowment Board to manage the daily operations going forward. Additionally, the GLO, state leaders, and the City of San Antonio are working together to develop a long-range master plan for the Alamo and surrounding Alamo plaza.

Sealed Bid sales, held quarterly by GLO, are one of the ways GLO earns billions of dollars for the Permanent School fund (PSF). On August 4, 2015, GLO held its first-ever online sale of oil and gas leases on EnergyNet, an industry leader with its easy-to-use oil and gas auction and sealed bid transaction service. The result of

this process change improved accessibility and efficiency of the bid process and earned the PSF nearly \$20 million.

In 2015, Texas General Land Office began the planning and construction phases for a new Veterans' Home in Richmond, Texas.

## FINANCIAL HIGHLIGHTS

### *Net Position, Governmental Funds*

The assets of the agency's governmental funds exceeded its liabilities at August 31, 2015 by \$4,989,723,754.75 (presented as Net Position in Exhibits I and II). Of this amount, \$4,887,775,623.43 is restricted for the benefit of the permanent school fund (PSF), much of which is dedicated for investing in real assets.

### *Net Position, Proprietary Funds*

The assets of the agency's proprietary funds exceeded its liabilities at August 31, 2015 by \$759,771,431.05 (as presented in Exhibits III and IV). Of this amount, \$70,412,373.50 is invested in capital assets, net of related debt, while the remaining \$689,359,057.55 is restricted for the Veterans' Land Board programs.

Operational activities in the housing and land programs resulted in an operating income of approximately \$6.6 million. Along with operational activities, the approximate income from investment activities of \$8.1 million and net increase in fair value of investments of \$9 million, contributed to an increase in net position of approximately \$23.8 million.

The State of Texas David A. Gloier State Veterans Home Program operated at a profit of about \$7.9 million. With other non-operating revenues and transfers out of approximately \$4.7 million and \$22.7 million, respectively, the program decreased net position by approximately \$10.1 million.

## PSF INVESTMENT ACTIVITY

Since its formation as an independent Republic in 1836, Texas has used its public lands to benefit its citizens. In 1854, the state of Texas set aside the remainder of its public lands to create the permanent school fund (PSF), a constitutional endowment dedicated to the support of public education. Over the years, real property in the fund has been sold or leased and the proceeds invested to foster growth of the PSF and generate income for public education. Today, the Texas General Land Office manages approximately 13 million acres of subsurface real property interests owned by the fund, providing a consistent source of revenue for Texas schoolchildren.

In 1985, the School Land Board was authorized to use land sale proceeds to acquire other interests in real property. In the ensuing years, the board's investment authority has been modified and expanded several times. Currently, \$51.401 of the

Natural Resource Code states that, "The board may designate funds received from any land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the permanent school fund under the constitution and laws of this state together with the mineral estate in riverbeds, channels, and the tidelands, including islands, for deposit in the Real Estate Special Fund Account of the permanent school fund in the State Treasury..."

Section 51.402 of the Natural Resource Code allows the board to use money designated under §51.401 to "add to a tract of public school land to form a tract of sufficient size to be manageable; to add contiguous land to public school land; to acquire, as public school land, interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests for the use and benefit of the permanent school fund; to protect, maintain, or enhance the value of public school land; to acquire interest in real estate; to pay reasonable fees for professional services related to the permanent school fund investments; or to acquire, sell, lease, trade, improve, maintain, protect or use land, mineral or royalty interests, or real estate investments, an investment or interest in public infrastructure, or other interests, at such prices, and under such terms and conditions that board determines to be in the best interest of the permanent school fund." Before using funds for any of the above purposes, the board must determine that the use of the funds for the intended purpose is authorized, and by using the prudent investor standard, the board must also determine that the use of the funds for the intended purpose is in the best interest of the permanent school fund. Additionally, §51.402 states that the fair value of the investments in real assets on January 1 of each even numbered year, may not exceed an amount that is equal to 15 percent of the fair value of the permanent school fund on that date.

Approximately \$412.2 million of capital commitments to externally-managed real assets investment funds were funded between September 1, 2014 and August 31, 2015.

The current surface real property portfolio of the fund consists of 687,211.4 surface acres with a portfolio value of \$620,216,532.62. The sovereign portion of this is located primarily in west Texas. 421,254.4 acres of sovereign land represent 61 percent of the total portfolio acreage but are only valued at \$262,088,092.59, 42 percent of the total portfolio value. Some of this property, though marginally suitable, has been leased for grazing and hunting purposes. The remainder of the sovereign land, most of which is land-locked, has little value other than for adjacent landowners who wish to increase their holdings. Over time, these properties will likely be sold.

The fair-market valuation of the permanent school fund's interest in oil, gas, and hard minerals is now being conducted by a third-party entity on an annual basis (as opposed to prior years' quarterly basis). Previously, hard minerals cash flows were

estimated based on future royalty approximations and discounted, not including estimates for nonproducing proven reserves of oil, gas, and hard minerals. The valuation for August 31, 2015 takes these nonproducing reserves into account.

The August 31, 2015 ending historical cost basis for the fund's land surface portfolio was \$354,280,521.77. Contributions of approximately \$4.8 million were made to development projects. The permanent school fund also manages approximately 13 million acres of Relinquishment Act, submerged, free royalty, and mineral reserved lands, and mineral estates on surface lands representing a basis of \$13,415,834.09.

Dispositions for the fiscal year ended August 31, 2015, totaled 11,338.89 acres, for a gain of approximately \$361 thousand.

## LOANS AND CONTRACTS RECEIVABLE

Loans and contracts receivables are divided between current and noncurrent assets. Current loans and contracts receivable for land contracts are \$8,547,907.46, land mortgages are \$3,256,602.18, housing mortgages are \$59,627,234.12, and home improvement loans are \$1,388,670.86. Noncurrent loans and contracts receivable for land contracts are \$8,264,468.59, land mortgages are \$310,665,053.95, housing mortgages are \$2,026,480,798.48, and home improvement loans are \$23,371,563.30.

## CAPITAL ASSETS

In compliance with GASB Statement No. 34, depreciable assets are reported along with accumulated depreciation. Governmental funds report non-depreciable assets for land of \$2,867,958.00 and construction in progress for the veterans' cemeteries of \$6,118,016.87, and other assets of \$15,810,624.53.

Governmental funds report depreciable assets: buildings of \$45,766,136.90 less accumulated depreciation of (\$24,513,762.05), furniture and equipment of \$5,939,570.99 less accumulated depreciation of (\$4,586,676.35), vehicles, boats and aircraft of \$4,726,124.53 less accumulated depreciation of (\$3,512,806.17), intangible computer software of \$988,393.78 less accumulated amortization of (\$633,157.59).

The Veterans' Home Revenue Bond Funds report non-depreciable assets for land of \$3,499,500.00, and construction in progress of \$18,988,902.79. The Veterans' Home Revenue Bond Funds report depreciable assets: buildings of \$94,335,128.82 less accumulated depreciation of (\$46,663,932.65), furniture and equipment of \$646,521.76 less accumulated depreciation of (\$412,309.40), vehicles, boats, and aircraft of \$46,501.14 less accumulated depreciation of (\$46,501.14), facilities and other improvements of \$22,963.00 less accumulated depreciation of (\$4,400.82), and intangible computer software of \$309,133.15 less accumulated depreciation of (\$309,133.15).

## LONG-TERM DEBT

The agency's debt obligations associated with bonds increased by \$243,725,111.60. Changes in bonds payable is represented by \$359,782,646.38 of new issuances including premiums received, \$73,232.61 of accreted interest, and \$116,204,000.00 of retired or matured bonds, including amortization of premiums. For additional details, see Schedules 2-A and 2-B.

## SIGNIFICANT COMMITMENTS

Between September 1, 2014 and August 31, 2015, the SLB closed on capital commitments to eight externally-managed real assets investment funds, separate accounts, or co-investment vehicles in a total amount of approximately \$952.5 million. At August 31, 2015, the SLB had approved and closed on total capital commitments, net of any capital commitments associated with any investments that were subsequently sold or dissolved, of approximately \$4.3 billion to 54 funds and five co-investment vehicles, of which approximately \$2.0 billion remains unfunded. In addition, SLB approved new capital commitments to one externally-managed real assets investment fund in a total amount of \$25 million and two real assets co-investment vehicles in a total amount of \$160 million that were not yet closed on August 31, 2015.

In August 2014, the SLB adopted a resolution that releases \$375 million from the Real Estate Special Fund Account (RESFA) during fiscal 2016 and fiscal 2017 to the State Board of Education for investment in the PSF. The funds were scheduled to be released in four quarterly installments of \$43.75 million each on the 25<sup>th</sup> day (or next succeeding business day if the 25<sup>th</sup> is not a business day) of November 2015, February 2016, May 2016, and August 2016, and four quarterly installments of \$50 million each on the 25<sup>th</sup> day (or next succeeding business day if the 25<sup>th</sup> is not a business day) of November 2016, February 2017, April 2017, and August 2017, respectively.

## BANKRUPTCIES

The agency had a claim amount of \$4,702,727.33 for oil and gas sales transactions related to Enron Corporations, of which none was accrued as revenue in the year of bankruptcy due to the unlikelihood of its collection. Revenues will be recognized in the years collections are received. The agency has received and recognized total revenues of \$2,761,551.19 through August 31, 2015.

# Note 19

## THE FINANCIAL REPORTING ENTITY AND JOINT VENTURES

Related party transactions arise when an entity engages in transactions in which one of the parties has the ability to significantly influence the policies of the other, or in which a non-transacting party has the ability to influence the policies of the two transacting parties.

## TEXAS FARM AND RANCH LANDS CONSERVATION COUNCIL

The Texas Farm and Ranch Lands Conservation Council was determined to be an organization of the Texas General Land Office that is not legally separate and should not be included as a component unit. In 2015, the Texas Legislature passed House Bill 1925 which transfers the Texas Farm and Ranch Lands Conservation Council to the Texas Parks and Wildlife Department, effective September 1, 2015.

## TENANCY IN COMMON

In July 2007, a one-half tenancy in common interest was formed between the School Land Board and Cherokee Sugar Land, LP, for the use and benefit of the Permanent School Fund (PSF). This joint tenancy in common was formed to develop the combined tracts of land over several years. The PSF will pay one-half of the development cost, and will participate in one-half of all income. Imperial Johnson, LLC, the development manager, submits an annual budget to the PSF for approval. For fiscal 2015, a total of approximately \$4.3 million was contributed to fund development costs. Additionally, a payable of approximately \$306 thousand for development costs has been accrued as of August 31, 2015. The joint tenancy in common received an audit of its financial statements for the years ended December 31, 2012 and December 31, 2013. The reports are available upon request. The audit for the year ended December 31, 2014 is pending. The August 31, 2015 financial statements of the joint tenancy in common have been consolidated into the PSF financial statements.

## LIMITED PARTNERSHIPS

In August 2012, Galveston Preserve at West Beach, Ltd., a Texas limited partnership, was formed between MP Marquette Galveston LLC and Marquette Preserve, LP, LLC – both Texas limited liability companies – and the School Land Board for the use and benefit of the Permanent School Fund. The School Land Board is a 95 percent limited partner. The Permanent School Fund contributed 1,025 acres to the partnership. The acreage will be used for a mixed use residential/commercial development.

In April 2014, Grand Parkway 1358, LP, a Texas limited partnership, was formed between Johnson GP 1358, LLC and Johnson 1258 Investors LLC – both Texas limited liability companies – and the School Land Board for the use and benefit of the Permanent School Fund (PSF). The School Land Board is a 95 percent limited partner. The development, known as Harvest Green, will be a mixed use residential/commercial development located near Sugarland, Texas. The PSF contributed 1,343.679 acres of land to the partnership. The general partner, and other limited partners, will contribute debt in the form of development loans to the partnership. It is not planned that the PSF will contribute any cash to the entity. The residential development infrastructure began in late 2014.

**THE ALAMO ENDOWMENT**

The Alamo Endowment, a Texas 501(c)(3) non-profit corporation, was created to provide resources and support for the preservation and maintenance of the Alamo Complex located in San Antonio, Texas. The organization provides for the education of the historical significance of the Alamo Complex and its contents. The organization's goal is to promote the Alamo Complex and provide for the preservation, perpetuation, publication and display of information pertaining to the history of the Alamo, including raising of funds to achieve this purpose.

The Texas General Land Office currently includes The Alamo Endowment board as a blended component unit in its financial statements. The Alamo Endowment is a legally separate entity whose relationship with the GLO is such that inclusion in GLO's financial statements is required under GASB Statements 14, 39, and 61. The land commissioner of the General Land Office is a permanent director, ex-officio with full voting rights, and shall serve as the Chairman of the Board of Directors of The Alamo Endowment. The remaining board members are individuals appointed by the land commissioner and may be removed by the commissioner at any time with or without cause.

The Alamo Endowment provides audited financial statements for the period July 1 through June 30 of each year to the Texas General Land Office for inclusion as a special revenue fund in its financial statements. These audited financial statements can be obtained directly from The Alamo Endowment.

**Note 20**

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Not applicable.

**Note 21**

N/A

Not applicable.

**Note 22**

**DONOR RESTRICTED ENDOWMENTS**

The net appreciation (cumulative and unexpended) on donor-restricted endowments as presented in **Table 32** below is available for authorization for expenditure by the School Land Board (SLB). The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the permanent school fund.

Texas Natural Resource Code Ann., §51.402 allows the board to use money designated under §51.401 to "add to a tract of public school land to form a tract of sufficient size to be manageable; to add contiguous land to public school land; to acquire, as public school land, interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests for the use and benefit of the permanent school fund; to protect, maintain, or enhance the value of public school land; to acquire interests in real estate; to pay reasonable fees for professional services related to permanent school fund investment; or to acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral and royalty interests, or real estate investments, an investment or interest in public infrastructure, or other interests, at such prices and under such terms and conditions the board determines to be in the best interest of the permanent school fund." Before using funds for any of the above purposes, the board must determine that the use of the funds for the intended purpose is authorized, and by using the prudent investor standard, the board must also determine that the use of the funds for the intended purpose is in the best interest of the permanent school fund. The Texas Education Agency (TEA), agency 701, will report the remaining balances.

Table 32

**DONOR RESTRICTED ENDOWMENTS**

|                                   | Permanent School Fund (PSF) |
|-----------------------------------|-----------------------------|
|                                   | \$                          |
| Nonspendable Corpus of the Fund   | 3,925,130,558.00            |
| Restricted Income of the Fund     | 962,645,065.43              |
| <b>Balance at Fiscal Year-End</b> | <b>4,887,775,623.43</b>     |

## Note 23

### EXTRAORDINARY AND SPECIAL ITEMS

Not applicable.

## Note 24

### DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Details of the receivable and payable balances that may have been obscured by aggregation on the financial statements are reported in **Table 34** on page 83.

## Note 25

### TERMINATION BENEFITS

Not applicable.

## Note 26

### SEGMENT INFORMATION

Not applicable.

## Note 27

### SERVICE CONCESSION ARRANGEMENTS

Not applicable.

## Note 28

### DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

GLO reported deferred inflows and deferred outflows of resources in connection with its hedging derivative instruments and deferred revenues as presented in **Table 33** below.

Table 33

#### DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

| As of August 31, 2015   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
|   | \$                                | \$                               |
| <b>Governmental Activities</b>                                  |                                   |                                  |
| Deferred Revenues   |                                   | 6,145,748.26                     |
| <b>Total,<br/>Governmental Activities</b>                       | <b>0.00</b>                       | <b>6,145,748.26</b>              |
| <b>Business-Type Activities</b>                                 |                                   |                                  |
| Hedging Derivative Instruments                                  | 267,585,576.19                    | (1,828,238.78)                   |
| <b>Total,<br/>Business-Type Activities</b>                      | <b>267,585,576.19</b>             | <b>(1,828,238.78)</b>            |
| <b>Total,<br/>Governmental and<br/>Business-Type Activities</b> | <b>267,585,576.19</b>             | <b>4,317,509.48</b>              |

Table 34

## DISAGGREGATION OF SIGNIFICANT RECEIVABLES AND PAYABLES

|  | <u>Receivables</u>           |
|--|------------------------------|
| <b>Federal Receivables</b>                                   | \$                           |
| <i>Governmental Funds</i>                                    |                              |
| Department of Interior                                       | 3,337,401.36                 |
| Department of Commerce                                       | 649,434.52                   |
| Department of Housing and Urban Development                  | 46,705,639.93                |
| Department of Veterans Affairs - Cemeteries                  | 432,768.93                   |
| US Environmental Protection Agency                           | 129,092.02                   |
| Department of Homeland Security                              | 780,985.80                   |
| <b>Total Net Federal Receivables</b>                         | <u><u>52,035,322.56</u></u>  |
| <i>As Reported on the Financial Statements (Exhibit I)</i>   |                              |
| <b>Current Federal Receivables</b>                           | <u><u>52,035,322.56</u></u>  |
| <i>Proprietary Funds</i>                                     |                              |
| Department of Veterans Affairs - State Veterans Homes        | 11,049,043.80                |
| <b>Total Net Federal Receivables</b>                         | <u><u>11,049,043.80</u></u>  |
| <i>As Reported on the Financial Statements (Exhibit III)</i> |                              |
| <b>Current Federal Receivables</b>                           | <u><u>11,049,043.80</u></u>  |
| <b>Accounts Receivables</b>                                  |                              |
| <i>Governmental Funds</i>                                    |                              |
| Gas Royalties  | 35,882,867.11                |
| Oil Royalties  | 39,102,837.45                |
| State Energy Marketing Program                               | 7,566,118.50                 |
| Leases   | 1,114,713.16                 |
| Other Revenues   | 19,156,591.19                |
| <b>Total Net Accounts Receivable</b>                         | <u><u>102,823,127.41</u></u> |
| <i>As Reported on the Financial Statements (Exhibit I)</i>   |                              |
| <b>Current Accounts Receivable</b>                           | <u><u>102,823,127.41</u></u> |
| <i>Proprietary Funds</i>                                     |                              |
| Veterans' Housing Mortgages                                  | 8,121,297.20                 |
| Veterans' Land Contracts                                     | 1,287,957.59                 |
| Texas State Veterans Homes ( <i>net of allowances</i> )      | 2,301,827.53                 |
| <b>Total Net Accounts Receivable</b>                         | <u><u>11,711,082.32</u></u>  |
| <i>As Reported on the Financial Statements (Exhibit III)</i> |                              |
| <b>Current Accounts Receivable</b>                           | <u><u>11,711,082.32</u></u>  |
|  | <u>Payables</u>              |
| <b>Accounts Payable</b>                                      | \$                           |
| <i>Governmental Funds</i>                                    |                              |
| State Energy Marketing Program                               | 6,439,408.90                 |
| State Veterans Cemetery Program                              | 244,507.90                   |
| General Governmental Expenditures                            | 57,418,931.64                |
| <b>Total Accounts Payable</b>                                | <u><u>64,102,848.44</u></u>  |
| <i>As Reported on the Financial Statements (Exhibit I)</i>   |                              |
| <b>Current Accounts Payable</b>                              | <u><u>64,102,848.44</u></u>  |
| <i>Proprietary Funds</i>                                     |                              |
| Veterans' Housing Mortgages                                  | 2,477,903.64                 |
| Veterans' Land Contracts                                     | 884,879.00                   |
| Veterans Homes   | 9,695,406.32                 |
| <b>Total Accounts Payable</b>                                | <u><u>13,058,188.96</u></u>  |
| <i>As Reported on the Financial Statements (Exhibit III)</i> |                              |
| <b>Current Accounts Payable</b>                              | <u><u>13,058,188.96</u></u>  |

In fiscal 2015, deferred outflows of resources of \$267,585,576.19 and deferred inflows of resources of (\$1,828,238.78) were related to its hedging derivative instruments in the business-type activities. Additional details can be found in Note 7. With the implementation of GASB Statement No. 65, the governmental fund reported deferred inflows of resources of \$6,145,748.26 related to its deferred revenues for amounts not collected within 60 days after year end, as presented in Exhibit I.

For FHA-insured housing mortgages, HUD reimburses 100 percent of the principal balance and interest from 30 days after the due date with a 60-day interest curtailment. HUD also pays two-thirds of foreclosure attorney costs, and 100 percent of all other expenses.

For VA-insured housing mortgages, assuming the VA pays "in full" (VA accepts conveyance of the property, which is usually the case), the VA pays 100 percent of principal plus interest through the date of the claim payment, plus specific expenses allowed per the VA guidelines. Expenses may be curtailed in they are outside of VA guidelines or incurred outside of the VA established timeline. In summary, if the property is conveyed, the investor's loss is usually minimal. For VA housing mortgages where VA does not accept conveyance, the VA pays based on percentages established under their Guarantee Agreement (which is usually 25 percent), and the housing program also receives all proceeds from the sale of the REO property.

Most Veterans' Land Board conventional housing mortgages are insured; unless loan to value is less than 80 percent. The loss, and in some instances a gain, will depend on the value of the property at the REO sale, which can be unpredictable. For Conventional loans that are insured, the coverage is approximately 20 to 30 percent of the unpaid principal balance, accrued interest, and foreclosure expense. Resale proceeds, along with insurance coverage, minimize the risk of loss.

For HUD Title I FHA insured mortgages in a first or second lien position, HUD pays for 90 percent of the default balance with the remaining 10 percent being absorbed by the investor. Data applicable to housing and land mortgages at August 31, 2015, are listed in **Table 35** below.

At August 31, 2015, there were 1,289 home improvement loans with an outstanding balance on the administrator's books of \$23,693,745.04 (adjusted for timing differences of \$1,408,623.59, the outstanding principal balance on Exhibit III is \$25,102,368.63).

Table 35

| HOUSING AND LAND MORTGAGES |               |                                  |
|----------------------------|---------------|----------------------------------|
| Type                       | Number        | Percent of Total Number of Loans |
| Conventional               | 2,246         | 12.86%                           |
| FHA                        | 514           | 2.94%                            |
| VA                         | 10,395        | 59.53%                           |
| Other                      | 4,307         | 24.67%                           |
| <b>Total</b>               | <b>17,462</b> | <b>100.00%</b>                   |

## Note 29

### TROUBLED DEBT RESTRUCTURING

Not applicable.

## Note 30

### NON-EXCHANGE FINANCIAL GUARANTEES

Not applicable.

## Note 31

### PROPERTY ACQUIRED THROUGH FORECLOSURE AND DELINQUENCIES

#### SECURITY AND INSURANCE

The Veterans' Land Board (VLB) holds title to lands under contracts for deed in the land program. A voluntary group credit life insurance program is available to contract holders. VLB also originates land mortgage loans. These land mortgage loans are not insured. Any loss or gain on the disposal of a foreclosed land mortgage loan will depend on the value of the property at the Real Estate Owned (REO) sale, which can be unpredictable.

Housing mortgages secured by first liens are insured by the Federal Housing Authority (FHA), the Veterans Administration (VA), or qualified Private Mortgage Insurers (Conventional PMI) unless the loan to value ratio was below 80 percent and insurance was not required. Home improvement mortgages secured by first or second liens are insured under the U.S. Department of Housing and Urban Development (HUD) Title I insurance program. Housing and land mortgages secured by first and second liens as of August 31, 2015, are presented in **Table 36** on page 85.



**PROPERTY ACQUIRED THROUGH FORECLOSURE**

Property acquired through foreclosure of land contracts, land mortgages, and housing mortgages was carried in the financial statements at its outstanding principal balance at August 31, 2015, as listed in *Table 37* below.

Based on Veterans' Contract for Deed Land Program history, it is projected that of the accounts delinquent in excess of 90 days, 116 land contracts for deed could result in foreclosure, 67 land mortgages and 407 housing mortgages could result in foreclosures, and insurance proceeds could be collected on 22 home improvement loans.

Property is not generally acquired through foreclosure of home improvement loans. Accrued interest on property acquired through foreclosure is not reflected in the financial statements.

**DELINQUENCIES**

*Table 38* below shows land contract for deeds, land mortgages, housing mortgages, and home improvement loans delinquent in excess of 90 days at August 31, 2015.

Table 36

**HOUSING AND LAND MORTGAGES SECURED BY LIENS**

| Type of Lien                                    | Total Number  | Outstanding Principal Balance          | Percent of Total Number of Loans |
|---|---------------|--|----------------------------------|
| First   | 17,388        | \$ 2,273,491,370.51                    | 99.58%                           |
| Second  | 74            | 1,293,802.36                           | 0.42%                            |
| <b>Totals per Administrator</b>                 | <b>17,462</b> | <b>2,274,785,172.87</b>                | <b>100%</b>                      |
| Adjustment for Timing Differences               |               | 125,647,718.86                         |                                  |
| <b>Outstanding Principal Balance (Exh. III)</b> |               | <b>2,400,432,891.73 <sup>(1)</sup></b> |                                  |

<sup>(1)</sup> Balance includes Housing and Land Mortgages Receivable and related Properties Acquired through Foreclosure

Table 37

**PROPERTY ACQUIRED THROUGH FORECLOSURE**

| Type              | Total Number of Loans | Number Acquired Through Foreclosure/ Forfeiture | Principal Balance | Percent of Total Number of Loans |
|-------------------|-----------------------|---|-------------------|----------------------------------|
| Land Contracts    | 7,708                 | 66  | \$ 1,786,244.00   | 0.86%                            |
| Land Mortgages    | 4,071                 | 0   | 0.00              | 0.00%                            |
| Housing Mortgages | 13,391                | 16  | 590,087.00        | 0.12%                            |

Table 38

**DELINQUENCIES IN EXCESS OF 90 DAYS**

| Type                   | Total Number of Loans | Number Delinquent | Principal Balance of Delinquencies | Percent of Total Number of Loans |
|------------------------|-----------------------|-------------------|------------------------------------|----------------------------------|
| Land Contracts         | 7,708                 | 51                | \$ 698,170.25                      | 0.66%                            |
| Land Mortgages         | 4,071                 | 29                | 1,477,065.60                       | 0.71%                            |
| Housing Mortgages      | 13,391                | 145               | 18,564,539.75                      | 1.08%                            |
| Home Improvement Loans | 1289                  | 15                | 225,509.32                         | 1.16%                            |

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TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

COMBINING  
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2015



UNAUDITED  
Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT A-1**

COMBINING BALANCE SHEET  
GENERAL AND CONSOLIDATED FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|   | GENERAL       |             |             |               |
|---|---------------|-------------|-------------|---------------|
|   | GENERAL       | GENERAL     | GENERAL     | GENERAL       |
|   | REVENUE       | REVENUE     | REVENUE     | REVENUE       |
|   | FUND (0001)   | FUND (0001) | FUND (0001) | FUND (0001)   |
|   | U/F (0001)    | U/F (3691)  | U/F (1101)  | U/F (1111)    |
|   | \$            | \$          | \$          | \$            |
| <b>ASSETS</b>                               |               |             |             |               |
| Current Assets:                             |               |             |             |               |
| Cash on Hand                                |               |             |             |               |
| Cash in Bank (Note 3)                       |               |             |             |               |
| Cash in State Treasury                      |               |             |             |               |
| Legislative Appropriation                   | 26,479,944.37 |             | 0.01        | 500,322.55    |
| Receivables:                                |               |             |             |               |
| Federal                                     | 4,843,813.48  |             | 835,258.67  | 45,144,954.94 |
| Interest and Dividends                      |               |             |             |               |
| Accounts                                    | 37,959.10     |             |             | 382,235.33    |
| Due From:                                   |               |             |             |               |
| Other Funds                                 | 14,636.02     |             |             | 561,822.85    |
| Other Agencies                              | 2,700.00      |             |             |               |
| Consumable Inventories                      | 33,642.13     |             |             |               |
| Prepaid Items                               | 3,152.58      |             |             |               |
| Total Current Assets                        | 31,415,847.68 | 0.00        | 835,258.68  | 46,589,335.67 |
| Noncurrent Assets:                          |               |             |             |               |
| Notes Receivable                            |               |             |             |               |
| Total Noncurrent Assets                     | 0.00          | 0.00        | 0.00        | 0.00          |
| <b>TOTAL ASSETS</b>                         | 31,415,847.68 | 0.00        | 835,258.68  | 46,589,335.67 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |               |             |             |               |
| Deferred Outflows of Resources              |               |             |             |               |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | 0.00          | 0.00        | 0.00        | 0.00          |
| <b>LIABILITIES</b>                          |               |             |             |               |
| Current Liabilities:                        |               |             |             |               |
| Payables:                                   |               |             |             |               |
| Accounts                                    | 910,373.40    |             | 834,622.22  | 45,538,779.19 |
| Payroll                                     | 423,400.05    |             |             | 435,789.94    |
| Due To:                                     |               |             |             |               |
| Other Funds                                 | 241.32        |             | 9,946.96    |               |
| Other Agencies                              | 1,869,706.49  |             |             | 205,285.84    |
| Unearned Revenues                           |               |             |             | 271,100.18    |
| Funds Held for Others                       |               |             |             |               |
| Total Current Liabilities                   | 3,203,721.26  | 0.00        | 844,569.18  | 46,450,955.15 |
| <b>TOTAL LIABILITIES</b>                    | 3,203,721.26  | 0.00        | 844,569.18  | 46,450,955.15 |

UNAUDITED

| CONSOLIDATED ACCOUNTS                        |  |   |   |   |   |  |
|--|--|---|---|---|---|--|
| COASTAL PROTECTION FUND (0027)<br>U/F (0027) | COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450)<br>U/F (0450) | VETERANS' LAND ADMIN. FEE FUND (0522)<br>U/F (0522) | CAPITAL TRUST FUND (0543)<br>U/F (0543)(0544) | DEPARTMENTAL SUSPENSE FUND (0900)<br>U/F (0900)(0902) | DIRECT DEPOSIT CORRECTION ACCOUNT FUND (0980)<br>U/F (0980)(0981) |  |
| \$   | \$   | \$  | \$  | \$  | \$  |  |
|  |  | 200.00  |   |   |   |  |
|  |  | 10,000.00   |   |   |   |  |
| 12,467,264.22                                | 451,524.33   | 2,448,170.99  | 7,446,968.06                                  | 1,992,463.85  | 286,775.00  |  |
| 778,526.54                                   |  |   |   |   |   |  |
|  |  | 615.50  |   |   |   |  |
|  | 13,219.98  |   | (70,397.76)                                   |   |   |  |
| 191.32                                       | 1,990.60   | 200.07  | 70,397.76                                     | 446,323.98  |   |  |
| 13,245,982.08                                | 466,734.91   | 2,459,186.56  | 7,446,968.06                                  | 2,438,787.83  | 286,775.00  |  |
| 0.00   | 0.00   | 0.00  | 0.00  | 0.00  | 0.00  |  |
| 13,245,982.08                                | 466,734.91   | 2,459,186.56  | 7,446,968.06                                  | 2,438,787.83  | 286,775.00  |  |
| 0.00   | 0.00   | 0.00  | 0.00  | 0.00  | 0.00  |  |
| 803,539.32                                   | 8,524.17   | 127,195.57  |   | 2,655.42  |   |  |
| 731,318.74                                   | 24,867.28  | 1,690,947.65  |   |   |   |  |
|  |  | 4.25  |   | 554,422.43  | 286,775.00  |  |
| 417,361.50                                   |  |   | 379,371.69                                    |   |   |  |
|  | 149,036.48   |   |   | 337,107.94  |   |  |
|  |  |   |   | 1,544,602.04  |   |  |
| 1,952,219.56                                 | 182,427.93   | 1,818,147.47  | 379,371.69                                    | 2,438,787.83  | 286,775.00  |  |
| 1,952,219.56                                 | 182,427.93   | 1,818,147.47  | 379,371.69                                    | 2,438,787.83  | 286,775.00  |  |

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Texas General Land Office and Veterans' Land Board (305)

EXHIBIT A-1 (continued)

COMBINING BALANCE SHEET

GENERAL AND CONSOLIDATED FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|   | CONSOLIDATED ACCOUNTS                                     |  |  | TOTALS                |                       |
|---|---|--|--|-----------------------|-----------------------|
|   | DEDICATED SPECIALTY LICENSE PLATES FUND (5140) U/F (0014) | DEDICATED ALAMO COMPLEX FUND (5152) U/F (5152) | DEDICATED ALAMO EWING HALSELL GRANT FUND (5152) U/F (5252) | (EXH. 1)              |                       |
|   |   |  |  | 2015                  | 2014                  |
|   | \$  | \$   | \$   | \$                    | \$                    |
| <b>ASSETS</b>                               |   |  |  |                       |                       |
| Current Assets:                             |   |  |  |                       |                       |
| Cash on Hand                                |   |  |  | 200.00                | 200.00                |
| Cash in Bank (Note 3)                       |   |  |  | 10,000.00             | 10,000.00             |
| Cash in State Treasury                      |   | 2,450,666.14                                   |  | 27,543,832.59         | 19,193,758.66         |
| Legislative Appropriation                   |   |  |  | 26,980,266.93         | 39,872,622.67         |
| Receivables:                                |   |  |  |                       |                       |
| Federal                                     |   |  |  | 51,602,553.63         | 57,581,819.03         |
| Interest and Dividends                      |   |  |  | 615.50                | 711.31                |
| Accounts                                    |   |  |  | 363,016.65            | 87,072.87             |
| Due From:                                   |   |  |  |                       |                       |
| Other Funds                                 |   |  |  | 1,095,562.60          | 833,332.27            |
| Other Agencies                              | 13,172.44   |  |  | 15,872.44             | 187,901.24            |
| Consumable Inventories                      |   |  |  | 33,642.13             | 52,059.30             |
| Prepaid Items                               |   | 814,519.01                                     |  | 817,671.59            | 800,000.00            |
| <b>Total Current Assets</b>                 | <b>13,172.44</b>  | <b>3,265,185.15</b>                            | <b>0.00</b>  | <b>108,463,234.06</b> | <b>118,619,477.35</b> |
| Noncurrent Assets:                          |   |  |  |                       |                       |
| Notes Receivable                            |   |  |  | 0.00                  | 0.00                  |
| <b>Total Noncurrent Assets</b>              | <b>0.00</b>   | <b>0.00</b>                                    | <b>0.00</b>  | <b>0.00</b>           | <b>0.00</b>           |
| <b>TOTAL ASSETS</b>                         | <b>13,172.44</b>  | <b>3,265,185.15</b>                            | <b>0.00</b>  | <b>108,463,234.06</b> | <b>118,619,477.35</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |   |  |  |                       |                       |
| Deferred Outflows of Resources              |   |  |  | 0.00                  | 0.00                  |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <b>0.00</b>   | <b>0.00</b>                                    | <b>0.00</b>  | <b>0.00</b>           | <b>0.00</b>           |
| <b>LIABILITIES</b>                          |   |  |  |                       |                       |
| Current Liabilities:                        |   |  |  |                       |                       |
| Payables:                                   |   |  |  |                       |                       |
| Accounts                                    | 7,387.26  | 164,085.82                                     |  | 48,397,162.37         | 49,794,613.34         |
| Payroll                                     |   | 39,846.68                                      |  | 3,346,170.34          | 3,463,056.00          |
| Due To:                                     |   |  |  |                       |                       |
| Other Funds                                 |   | 158,764.98                                     |  | 1,010,154.94          | 4,724.76              |
| Other Agencies                              |   |  |  | 2,871,725.52          | 3,834,108.12          |
| Unearned Revenues                           |   |  |  | 757,244.60            | 138,416.73            |
| Funds Held for Others                       |   |  |  | 1,544,602.04          | 0.00                  |
| <b>Total Current Liabilities</b>            | <b>7,387.26</b>   | <b>362,697.48</b>                              | <b>0.00</b>  | <b>57,927,059.81</b>  | <b>57,234,918.95</b>  |
| <b>TOTAL LIABILITIES</b>                    | <b>7,387.26</b>   | <b>362,697.48</b>                              | <b>0.00</b>  | <b>57,927,059.81</b>  | <b>57,234,918.95</b>  |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT A-1 (continued)**

COMBINING BALANCE SHEET

GENERAL AND CONSOLIDATED FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|   | GENERAL   |   |   |   |
|---|---|---|---|---|
|   | GENERAL<br>REVENUE<br>FUND (0001)<br>U/F (0001) | GENERAL<br>REVENUE<br>FUND (0001)<br>U/F (3691) | GENERAL<br>REVENUE<br>FUND (0001)<br>U/F (1101) | GENERAL<br>REVENUE<br>FUND (0001)<br>U/F (1111) |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                | \$  | \$  | \$  | \$  |
| Deferred Inflows of Resources                       | 8,788.06  |   |   |   |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>          | <u>8,788.06</u>                                 | <u>0.00</u>                                     | <u>0.00</u>                                     | <u>0.00</u>                                     |
| <b>FUND FINANCIAL STATEMENT - FUND<br/>BALANCES</b> |   |   |   |   |
| Fund Balances (Note 1):                             |   |   |   |   |
| Non-Spendable for Inventory                         | 33,642.13                                       |   |   |   |
| Non-Spendable for Prepaid Items                     |   |   |   |   |
| Restricted  |   |   |   | 138,380.52                                      |
| Committed   |   |   |   |   |
| Unassigned  | 28,169,696.23                                   |   | (9,310.50)                                      |   |
| <b>TOTAL FUND BALANCES (Exhibit A-2)</b>            | <u>28,203,338.36</u>                            | <u>0.00</u>                                     | <u>(9,310.50)</u>                               | <u>138,380.52</u>                               |

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



UNAUDITED

| CONSOLIDATED ACCOUNTS                              |   |  |   |   |  |
|--|---|--|---|---|--|
| COASTAL<br>PROTECTION<br>FUND (0027)<br>U/F (0027) | COASTAL<br>PUBLIC LAND<br>MANAGEMENT FEE<br>FUND (0450)<br>U/F (0450) | VETERANS'<br>LAND<br>ADMIN. FEE<br>FUND (0522)<br>U/F (0522) | CAPITAL<br>TRUST<br>FUND (0543)<br>U/F (0543)(0544) | DEPARTMENTAL<br>SUSPENSE<br>FUND (0900)<br>U/F (0900)(0902) | DIRECT DEPOSIT<br>CORRECTION<br>ACCOUNT<br>FUND (0980)<br>U/F (0980)(0981) |
| \$   | \$  | \$   | \$  | \$  | \$   |
|  | 3,640.19  |  |   |   |  |
| 0.00   | 3,640.19  | 0.00   | 0.00  | 0.00  | 0.00   |
|  |   | 641,039.09   |   |   |  |
| 11,293,762.52                                      | 123,633.62<br>157,033.17  |  | 7,067,596.37  |   |  |
| 11,293,762.52                                      | 280,666.79  | 641,039.09   | 7,067,596.37  | 0.00  | 0.00   |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT A-1 (concluded)**

COMBINING BALANCE SHEET  
GENERAL AND CONSOLIDATED FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|   | CONSOLIDATED ACCOUNTS  |  |   | TOTALS        |               |
|---|--|--|---|---------------|---------------|
|   | DEDICATED<br>SPECIALTY<br>LICENSE<br>PLATES<br>FUND (5140)<br>U/F (0014) | DEDICATED<br>ALAMO<br>COMPLEX<br>FUND (5152)<br>U/F (5152) | DEDICATED<br>ALAMO EWING<br>HALSELL<br>GRANT<br>FUND (5152)<br>U/F (5252) | (EXH. I)      |               |
|   |  |  |   | 2015          | 2014          |
|   | \$   | \$   | \$  | \$            | \$            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |  |  |   |               |               |
| Deferred Inflows of Resources                       |  |  |   | 12,428.25     | 10,387.92     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>          | 0.00   | 0.00   | 0.00  | 12,428.25     | 10,387.92     |
| <b>FUND FINANCIAL STATEMENT - FUND<br/>BALANCES</b> |  |  |   |               |               |
| Fund Balances (Note 1):                             |  |  |   |               |               |
| Non-Spendable for Inventory                         |  |  |   | 33,642.13     | 52,059.30     |
| Non-Spendable for Prepaid Items                     |  | 814,519.01   |   | 814,519.01    | 800,000.00    |
| Restricted:   |  |  |   | 779,419.61    | 14,803,512.14 |
| Committed   |  |  |   | 7,191,229.99  | 14,996,084.79 |
| Unassigned  | 5,785.18   | 2,087,968.66   |   | 41,704,935.26 | 30,722,514.25 |
| <b>TOTAL FUND BALANCES (Exhibit A-2)</b>            | 5,785.18   | 2,902,487.67   | 0.00  | 50,523,746.00 | 61,374,170.48 |

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

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT A-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GENERAL AND CONSOLIDATED FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|   | GENERAL                |             |                     |                       |
|---|------------------------|-------------|---------------------|-----------------------|
|   | GENERAL                | GENERAL     | GENERAL             | GENERAL               |
|   | REVENUE                | REVENUE     | REVENUE             | REVENUE               |
|   | FUND (0001)            | FUND (0001) | FUND (0001)         | FUND (0001)           |
|   | U/F (0001)             | U/F (3691)  | U/F (1101)          | U/F (1111)            |
| REVENUES  | \$                     | \$          | \$                  | \$                    |
| Legislative Appropriations:                       |                        |             |                     |                       |
| Original  | 3,140,062.00           |             |                     |                       |
| Additional Appropriations                         | 3,178,285.77           |             |                     | 4,107.44              |
| Federal Revenues (Sch. 1A)                        | 11,916,332.75          |             | 7,425,558.40        | 542,672,735.87        |
| Federal Grant Pass-Through Revenues (Sch. 1A)     | 1,047,995.07           |             |                     |                       |
| State Grant Pass-Through Revenues (Sch. 1B)       | 48,294.33              |             |                     |                       |
| Licenses, Fees, and Permits                       | 1,349,446.22           |             |                     |                       |
| Interest and Other Investment Income              |                        |             |                     |                       |
| Land Income                                       |                        |             |                     |                       |
| Sale of Goods and Services                        | 116,968.50             |             |                     |                       |
| Other Revenues                                    | 7,317,005.78           |             |                     |                       |
| <b>TOTAL REVENUES</b>                             | <b>28,114,390.42</b>   | <b>0.00</b> | <b>7,425,558.40</b> | <b>542,676,843.31</b> |
| <b>EXPENDITURES</b>                               |                        |             |                     |                       |
| Salaries and Wages                                | 5,855,195.84           |             | 77,737.15           | 4,687,049.36          |
| Payroll Related Costs                             | 2,919,164.28           |             | 28,731.23           | 1,206,503.44          |
| Professional Fees and Services                    | 20,333,597.62          |             | 443,095.74          | 108,173,560.11        |
| Travel  | 102,741.37             |             |                     | 98,041.87             |
| Materials and Supplies                            | 2,020,448.74           |             |                     | 66,819.53             |
| Communication and Utilities                       | 178,434.69             |             |                     | 69,426.27             |
| Repairs and Maintenance                           | 2,309,560.01           |             |                     | 79,758.46             |
| Rentals and Leases (Note 8)                       | 26,594.16              |             |                     | 579,944.03            |
| Printing and Reproduction                         | 37,632.32              |             |                     | 624.47                |
| Claims and Judgments                              |                        |             |                     |                       |
| Federal Grant Pass-Through Expenditures (Sch. 1A) | 3,707,106.18           |             |                     | 1,267,801.62          |
| State Grant Pass-Through Expenditures (Sch. 1B)   | 51,660.36              |             |                     |                       |
| Intergovernmental Payments                        | 5,392,594.15           |             | 6,885,213.52        | 407,353,477.08        |
| Public Assistance Payments                        | 4,860,093.62           |             |                     | 18,970,010.86         |
| Other Expenditures                                | 1,180,353.63           |             | 91.26               | 446,262.85            |
| Capital Outlay                                    | 795,190.50             |             |                     |                       |
| <b>TOTAL EXPENDITURES</b>                         | <b>49,770,367.47</b>   | <b>0.00</b> | <b>7,434,868.90</b> | <b>542,999,279.95</b> |
| <b>EXCESS (DEFICIENCY) OF</b>                     |                        |             |                     |                       |
| <b>REVENUES OVER EXPENDITURES</b>                 | <b>(21,655,977.05)</b> | <b>0.00</b> | <b>(9,310.50)</b>   | <b>(322,436.64)</b>   |

UNAUDITED

CONSOLIDATED ACCOUNTS

| COASTAL<br>PROTECTION<br>FUND (0027)<br>U/F (0027) | COASTAL<br>PUBLIC LAND<br>MANAGEMENT FEE<br>FUND (0450)<br>U/F (0450) | VETERANS' LAND<br>ADMIN. FEE<br>FUND (0522)<br>U/F (0522) | CAPITAL<br>TRUST<br>FUND (0543)<br>U/F (0543)(0544) | DEDICATED<br>SPECIALTY<br>LICENSE<br>PLATES<br>FUND (5140)<br>U/F (0014) |
|--|---|---|---|--|
| \$   | \$  | \$  | \$  | \$   |
| 2,226,857.47                                       |   |   |   |  |
| 16,523,039.14                                      | 256,152.71  | (106.75)<br>11,279.08                                     | 22,680.01   | 16,552.54  |
| 43,783.34  |   | 17,165.51   |   |  |
| 18,793,679.95                                      | 256,152.71  | 28,337.84   | 22,680.01   | 16,552.54  |
| 5,999,669.15                                       | 270,323.45  | 14,851,839.04   |   |  |
| 1,687,377.06                                       | 92,146.38   | 3,884,399.60  |   |  |
| 2,369,966.27                                       |   | 169,646.70  |   |  |
| 166,533.74   | 2,962.25  | 184,441.00  |   | 1,636.37   |
| 212,994.06   | 4,923.20  | 291,867.16  |   | 20,592.27  |
| 167,398.60   | 4,170.44  | 152,185.80  |   | 1,109.67   |
| 395,794.96   | 6,205.01  | 116,842.83  |   |  |
| 321,819.56   | 200.00  | 118,325.59  |   |  |
| 36,688.78  |   | 41,134.42   |   | 5,004.14   |
| 3,280.00   |   | 1,200.00  |   |  |
| 917,749.66   |   |   |   |  |
| 864,247.49   |   |   |   |  |
| 233,067.86   |   |   |   | 5,906.64   |
| 685,995.89   | 10,440.00   | 1,606,810.25  |   | 18,167.20  |
| 289,235.30   | 29,038.89   | 7,421.25  |   |  |
| 14,351,818.38                                      | 420,409.62  | 21,426,113.64   | 0.00  | 52,416.29  |
| 4,441,861.57                                       | (164,256.91)  | (21,397,775.80)   | 22,680.01   | (35,863.75)  |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT A-2 (continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GENERAL AND CONSOLIDATED FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|   | CONSOLIDATED ACCOUNTS |                     | TOTALS                 |                        |
|---|-----------------------|---------------------|------------------------|------------------------|
|   | DEDICATED             | DEDICATED           |                        |                        |
|   | ALAMO                 | ALAMO EWING         |                        |                        |
|   | COMPLEX               | HALSELL             |                        |                        |
|   | FUND (5152)           | FUND (5152)         | (EXH. II)              |                        |
|   | U/F (5152)            | U/F (5252)          | 2015                   | 2014                   |
| REVENUES  | \$                    | \$                  | \$                     | \$                     |
| Legislative Appropriations:                       |                       |                     |                        |                        |
| Original  |                       |                     | 3,140,062.00           | 3,140,062.00           |
| Additional Appropriations                         |                       |                     | 3,182,393.21           | 2,422,957.63           |
| Federal Revenues (Sch. 1A)                        |                       |                     | 564,241,484.49         | 418,210,388.74         |
| Federal Grant Pass-Through Revenues (Sch. 1A)     |                       |                     | 1,047,995.07           | 593,354.03             |
| State Grant Pass-Through Revenues (Sch. 1B)       |                       |                     | 48,294.33              | 232,589.37             |
| Licenses, Fees, and Permits                       | 26,397.00             |                     | 18,171,480.86          | 7,735,783.42           |
| Interest and Other Investment Income              | 16.11                 |                     | 11,295.19              | 7,489.28               |
| Land Income                                       |                       |                     | 22,680.01              | 14,700.00              |
| Sale of Goods and Services                        | 2,942,237.20          |                     | 3,059,205.70           | 3,329,408.42           |
| Other Revenues                                    | 940,087.88            |                     | 8,318,042.51           | 3,933,312.65           |
| <b>TOTAL REVENUES</b>                             | <b>3,908,738.19</b>   | <b>0.00</b>         | <b>601,242,933.37</b>  | <b>439,620,045.54</b>  |
| <b>EXPENDITURES</b>                               |                       |                     |                        |                        |
| Salaries and Wages                                | 76,563.48             |                     | 31,818,377.47          | 32,130,602.29          |
| Payroll Related Costs                             | 34.78                 |                     | 9,818,356.77           | 9,544,401.12           |
| Professional Fees and Services                    | 275,551.49            | 112,780.00          | 131,878,197.93         | 101,133,908.04         |
| Travel  | 7,454.48              |                     | 563,811.08             | 596,615.12             |
| Materials and Supplies                            | 136,823.86            |                     | 2,754,468.82           | 1,460,721.09           |
| Communication and Utilities                       | 142,095.76            |                     | 714,821.23             | 873,949.14             |
| Repairs and Maintenance                           | 116,236.65            |                     | 3,024,397.92           | 1,572,213.80           |
| Rentals and Leases (Note 8)                       | 38,120.64             |                     | 1,085,003.98           | 1,033,686.75           |
| Printing and Reproduction                         | 43,397.29             |                     | 164,481.42             | 121,248.21             |
| Claims and Judgments                              |                       |                     | 4,480.00               | 18,857.75              |
| Federal Grant Pass-Through Expenditures (Sch. 1A) |                       |                     | 5,892,657.46           | 5,886,251.96           |
| State Grant Pass-Through Expenditures (Sch. 1B)   |                       |                     | 51,660.36              | 35,258.11              |
| Intergovernmental Payments                        |                       |                     | 420,495,532.24         | 274,380,175.74         |
| Public Assistance Payments                        | 8,000.00              |                     | 24,077,078.98          | 28,261,158.85          |
| Other Expenditures                                | 2,705,617.93          |                     | 6,653,739.01           | 7,219,975.42           |
| Capital Outlay                                    | 5,588.00              | 160,570.46          | 1,287,044.40           | 882,016.02             |
| <b>TOTAL EXPENDITURES</b>                         | <b>3,555,484.36</b>   | <b>273,350.46</b>   | <b>640,284,109.07</b>  | <b>465,151,039.41</b>  |
| <b>EXCESS (DEFICIENCY) OF</b>                     |                       |                     |                        |                        |
| <b>REVENUES OVER EXPENDITURES</b>                 | <b>353,253.83</b>     | <b>(273,350.46)</b> | <b>(39,041,175.70)</b> | <b>(25,530,993.87)</b> |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT A-2 (continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GENERAL FUND CONSOLIDATED FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | GENERAL   |   |   |   |
|--|---|---|---|---|
|  | GENERAL<br>REVENUE<br>FUND (0001)<br>U/F (0001) | GENERAL<br>REVENUE<br>FUND (0001)<br>U/F (3691) | GENERAL<br>REVENUE<br>FUND (0001)<br>U/F (1101) | GENERAL<br>REVENUE<br>FUND (0001)<br>U/F (1111) |
| <b>OTHER FINANCING SOURCES (USES)</b>                | \$  | \$  | \$  | \$  |
| Transfers In   | 11,233,960.00                                   |   |   |   |
| Transfers Out  | (1,884,119.63)                                  |   |   |   |
| Sale of Capital Assets                               | 50,972.00                                       |   |   |   |
| Legislative Financing Sources                        |   |   |   |   |
| Legislative Financing Uses                           |   |   |   |   |
| Appropriations Lapsed                                | (3,346,863.61)                                  |   |   |   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>          | <b>6,053,948.76</b>                             | <b>0.00</b>                                     | <b>0.00</b>                                     | <b>0.00</b>                                     |
| <b>NET CHANGE IN FUND BALANCE</b>                    | <b>(15,602,028.29)</b>                          | <b>0.00</b>                                     | <b>(9,310.50)</b>                               | <b>(322,436.64)</b>                             |
| <b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>      |   |   |   |   |
| <b>FUND BALANCES - August 31, 2014</b>               | <b>43,805,366.65</b>                            | <b>0.00</b>                                     | <b>0.00</b>                                     | <b>701,498.16</b>                               |
| Restatements (Note 14)                               |   |   |   | (240,681.00)                                    |
| <b>FUND BALANCE - August 31, 2014, As Restated</b>   | <b>43,805,366.65</b>                            | <b>0.00</b>                                     | <b>0.00</b>                                     | <b>460,817.16</b>                               |
| <b>FUND BALANCES - August 31, 2015 (Exhibit A-1)</b> | <b>28,203,338.36</b>                            | <b>0.00</b>                                     | <b>(9,310.50)</b>                               | <b>138,380.52</b>                               |

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



UNAUDITED

| CONSOLIDATED ACCOUNTS                              |   |   |   |  |
|--|---|---|---|--|
| COASTAL<br>PROTECTION<br>FUND (0027)<br>U/F (0027) | COASTAL<br>PUBLIC LAND<br>MANAGEMENT FEE<br>FUND (0450)<br>U/F (0450) | VETERANS' LAND<br>ADMIN. FEE<br>FUND (0522)<br>U/F (0522) | CAPITAL<br>TRUST<br>FUND (0543)<br>U/F (0543)(0544) | DEDICATED<br>SPECIALTY<br>LICENSE<br>PLATES<br>FUND (5140)<br>U/F (0014) |
| \$   | \$  | \$  | \$  | \$   |
|  |   | 22,380,506.01<br>(1,412,912.00)                           | 763,835.02<br>(93,031.55)<br>739,085.98             |  |
| 0.00   | 0.00  | 20,967,594.01   | 1,409,889.45  | 0.00   |
| 4,441,861.57                                       | (164,256.91)  | (430,181.79)  | 1,432,569.46  | (35,863.75)  |
| 6,851,900.95                                       | 444,923.70  | 1,071,220.88  | 5,635,026.91  | 41,648.93  |
| 6,851,900.95                                       | 444,923.70  | 1,071,220.88  | 5,635,026.91  | 41,648.93  |
| 11,293,762.52                                      | 280,666.79  | 641,039.09  | 7,067,596.37  | 5,785.18   |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT A-2 (concluded)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GENERAL FUND CONSOLIDATED FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | CONSOLIDATED ACCOUNTS                         |  | TOTALS                 |                       |
|--|---|--|------------------------|-----------------------|
|  | DEDICATED                                     | DEDICATED  | (EXH. II)              |                       |
|  | ALAMO<br>COMPLEX<br>FUND (5152)<br>U/F (5152) | ALAMO EWING<br>HALSELL<br>GRANT<br>FUND (5152)<br>U/F (5252) | 2015                   | 2014                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                | \$  | \$   | \$                     | \$                    |
| Transfers In   |   |  | 34,378,301.03          | 34,365,264.00         |
| Transfers Out  |   |  | (3,390,063.18)         | (15,060,229.27)       |
| Sale of Capital Assets                               |   |  | 790,057.98             | 872,521.05            |
| Legislative Financing Sources                        |   |  | 0.00                   | 0.00                  |
| Legislative Financing Uses                           |   |  | 0.00                   | 0.00                  |
| Appropriations Lapsed                                |   |  | (3,346,863.61)         | (4,107.44)            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>          | <b>0.00</b>                                   | <b>0.00</b>  | <b>28,431,432.22</b>   | <b>20,173,448.34</b>  |
| <b>NET CHANGE IN FUND BALANCE</b>                    | <b>353,253.83</b>                             | <b>(273,350.46)</b>  | <b>(10,609,743.48)</b> | <b>(5,357,545.53)</b> |
| <b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>      |   |  |                        |                       |
| <b>FUND BALANCES - August 31, 2014</b>               | <b>2,549,233.84</b>                           | <b>273,350.46</b>  | <b>61,374,170.48</b>   | <b>152,264,804.64</b> |
| Restatements (Note 14)                               |   |  | (240,681.00)           | (85,533,088.63)       |
| <b>FUND BALANCE - August 31, 2014, As Restated</b>   | <b>2,549,233.84</b>                           | <b>273,350.46</b>  | <b>61,133,489.48</b>   | <b>66,731,716.01</b>  |
| <b>FUND BALANCES - August 31, 2015 (Exhibit A-1)</b> | <b>2,902,487.67</b>                           | <b>0.00</b>  | <b>50,523,746.00</b>   | <b>61,374,170.48</b>  |

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

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT B-1

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|   | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6000) | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6001) | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6002) | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6003) |
|---|--|--|--|--|
| <b>ASSETS</b>                                   | \$   | \$   | \$   | \$   |
| Current Assets:                                 |  |  |  |  |
| Cash (Note 3):                                  |  |  |  |  |
| Cash in Bank                                    |  |  |  |  |
| Cash in State Treasury                          | 509,739.00   | 349,061.55   | 292,302.11   | 576.42   |
| Receivables:                                    |  |  |  |  |
| Federal   |  |  | 254,528.93   | 43,877.00  |
| Interest and Dividends                          | 190.33   | 141.35   | 126.53   | 26.75  |
| Accounts Receivable                             |  |  |  |  |
| Due From:                                       |  |  |  |  |
| Other Funds                                     | 13,400.00  |  |  |  |
| Consumable Inventories                          |  |  |  |  |
| <b>Total Current Assets</b>                     | <b>523,329.33</b>  | <b>349,202.90</b>  | <b>546,957.57</b>  | <b>44,480.17</b>   |
| <b>TOTAL ASSETS</b>                             | <b>523,329.33</b>  | <b>349,202.90</b>  | <b>546,957.57</b>  | <b>44,480.17</b>   |
| <b>LIABILITIES AND FUND BALANCES</b>            |  |  |  |  |
| <b>LIABILITIES</b>                              |  |  |  |  |
| Current Liabilities:                            |  |  |  |  |
| Payables:                                       |  |  |  |  |
| Vouchers and Accounts                           |  | 37.45  | 139,629.94   | 6,667.88   |
| Payroll   |  | 9,106.83   |  |  |
| Retainage                                       | 505,121.20   |  |  |  |
| Due To:   |  |  |  |  |
| Other Funds                                     | 16,895.15  |  | 13,400.00  |  |
| <b>Total Current Liabilities</b>                | <b>522,016.35</b>  | <b>9,144.28</b>  | <b>153,029.94</b>  | <b>6,667.88</b>  |
| <b>TOTAL LIABILITIES</b>                        | <b>522,016.35</b>  | <b>9,144.28</b>  | <b>153,029.94</b>  | <b>6,667.88</b>  |
| <b>FUND FINANCIAL STATEMENT - FUND BALANCES</b> |  |  |  |  |
| Fund Balances (Note 1):                         |  |  |  |  |
| Restricted                                      | 1,312.98   | 340,058.62   | 393,927.63   | 37,812.29  |
| <b>TOTAL FUND BALANCES (Exhibit B-2)</b>        | <b>1,312.98</b>  | <b>340,058.62</b>  | <b>393,927.63</b>  | <b>37,812.29</b>   |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>      | <b>523,329.33</b>  | <b>349,202.90</b>  | <b>546,957.57</b>  | <b>44,480.17</b>   |

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

UNAUDITED

| TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6004) | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6005) | COMPONENT<br>UNIT<br>ALAMO ENDOWMENT<br>FUND (9999)<br>U/F (5001) | TOTALS<br>(EXH. I) |              |
|--|--|---|--------------------|--------------|
|  |  |   | 2015               | 2014         |
| \$   | \$   | \$  | \$                 | \$           |
|  |  | 996,128.00  | 996,128.00         | 0.00         |
| 19,738.34  | 139,861.41   |   | 1,311,278.83       | 859,794.84   |
| 48,101.00  | 86,262.00  |   | 432,768.93         | 1,934,083.08 |
| 22.10  | 55.58  |   | 562.64             | 297.87       |
|  |  | 255,000.00  | 255,000.00         | 0.00         |
|  |  | 1,500.00  | 13,400.00          | 1,108,714.45 |
|  |  |   | 1,500.00           | 0.00         |
| 67,861.44  | 226,178.99   | 1,252,628.00  | 3,010,638.40       | 3,902,890.24 |
| 67,861.44  | 226,178.99   | 1,252,628.00  | 3,010,638.40       | 3,902,890.24 |
| 45,669.10  | 52,503.53  | 12,341.00   | 256,848.90         | 1,519,989.75 |
|  |  |   | 9,106.83           | 9,408.33     |
|  |  |   | 505,121.20         | 200,523.97   |
|  | 31,354.12  |   | 61,649.27          | 1,827,855.00 |
| 45,669.10  | 83,857.65  | 12,341.00   | 832,726.20         | 3,557,777.05 |
| 45,669.10  | 83,857.65  | 12,341.00   | 832,726.20         | 3,557,777.05 |
| 22,192.34  | 142,321.34   | 1,240,287.00  | 2,177,912.20       | 345,113.19   |
| 22,192.34  | 142,321.34   | 1,240,287.00  | 2,177,912.20       | 345,113.19   |
| 67,861.44  | 226,178.99   | 1,252,628.00  | 3,010,638.40       | 3,902,890.24 |

UNAUDITED  
Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT B-2**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6000) | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6001) | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6002) | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6003) |
|--|--|--|--|--|
|  | \$   | \$   | \$   | \$   |
| <b>REVENUES</b>  |  |  |  |  |
| Federal Revenues   |  |  | 3,678,349.88   | 408,569.50   |
| Interest and Other Investment Income                         | 1,313.63   | 1,125.42   | 1,100.72   | 880.91   |
| Sale of Goods and Services                                   |  |  | 133,853.00   | 42,979.00  |
| Other Revenues   |  |  | 1,050.00   | 1,850.00   |
| <b>TOTAL REVENUES</b>  | <b>1,313.63</b>  | <b>1,125.42</b>  | <b>3,814,353.60</b>  | <b>454,279.41</b>  |
| <b>EXPENDITURES</b>  |  |  |  |  |
| Salaries and Wages   |  | 116,650.31   |  |  |
| Payroll Related Costs  |  | 404,404.92   |  |  |
| Professional Fees and Services                               |  |  | 938,021.44   | 520,036.16   |
| Travel   |  | 1,836.92   | 1,669.59   | 7,349.50   |
| Materials and Supplies                                       |  | 159.00   | 37,343.20  | 11,701.25  |
| Communication and Utilities                                  |  |  | 69,550.84  | 18,956.48  |
| Repairs and Maintenance                                      |  |  | 6,077.63   | 2,525.13   |
| Rentals and Leases (Note 8)                                  |  |  |  | 450.00   |
| Printing and Reproduction                                    |  |  |  | 2,538.13   |
| Other Expenditures   |  | 13,479.97  | 9,539.77   |  |
| Capital Outlay   |  |  | 2,326,636.60   | 223,898.57   |
| <b>TOTAL EXPENDITURES</b>                                    | <b>0.00</b>  | <b>536,531.12</b>  | <b>3,388,839.07</b>  | <b>787,455.22</b>  |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>1,313.63</b>  | <b>(535,405.70)</b>  | <b>425,514.53</b>  | <b>(333,175.81)</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |  |  |  |
| Transfers In   | (0.65)   | 815,612.66   | 3,307,113.96   | 135,712.13   |
| Transfers Out  | (16,895.15)  |  | (3,097,047.95)   | (241,416.50)   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>(16,895.80)</b>   | <b>815,612.66</b>  | <b>210,066.01</b>  | <b>(105,704.37)</b>  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(15,582.17)</b>   | <b>280,206.96</b>  | <b>635,580.54</b>  | <b>(438,880.18)</b>  |
| <b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>              |  |  |  |  |
| <b>FUND BALANCES - August 31, 2014</b>                       | <b>0.00</b>  | <b>59,851.66</b>   | <b>(241,652.91)</b>  | <b>476,692.47</b>  |
| Restatements (Note 14)                                       | 16,895.15  |  |  |  |
| <b>Fund Balances, August 31, 2014, As Restated</b>           | <b>16,895.15</b>   | <b>59,851.66</b>   | <b>(241,652.91)</b>  | <b>476,692.47</b>  |
| <b>FUND BALANCES - August 31, 2015 (Exhibit B-1)</b>         | <b>1,312.98</b>  | <b>340,058.62</b>  | <b>393,927.63</b>  | <b>37,812.29</b>   |

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

UNAUDITED

| TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6004) | TEXAS STATE<br>VETERANS<br>CEMETERIES<br>FUND (0374)<br>U/F (6005) | COMPONENT<br>UNIT<br>ALAMO ENDOWMENT<br>FUND (9999)<br>U/F (5001) | TOTALS<br>(EXH. II) |                     |
|--|--|---|---------------------|---------------------|
|  |  |   | 2015                | 2014                |
| \$   | \$   | \$  | \$                  | \$                  |
| 139,983.00   | 293,576.77   |   | 4,520,479.15        | 2,591,571.65        |
| 372.73   | 697.73   | 59.00   | 5,550.14            | 2,617.61            |
| 29,468.00  | 61,472.00  |   | 267,772.00          | 213,042.00          |
| 2,815.00   | 405.00   | 1,160,872.00  | 1,166,992.00        | 3,921.00            |
| <u>172,638.73</u>  | <u>356,151.50</u>  | <u>1,160,931.00</u>   | <u>5,960,793.29</u> | <u>2,811,152.26</u> |
|  |  |   | 116,650.31          | 307,211.83          |
|  |  |   | 404,404.92          | 374,492.33          |
| 519,858.40   | 630,862.96   | 16,468.00   | 2,625,246.96        | 2,513,561.56        |
| 1,747.99   | 2,260.63   |   | 14,864.63           | 21,612.81           |
| 14,139.05  | 23,899.72  | 14,337.00   | 101,579.22          | 71,324.25           |
| 20,544.84  | 19,808.54  |   | 128,860.70          | 102,103.48          |
| 581.90   | 3,457.40   |   | 12,642.06           | 20,481.68           |
|  |  |   | 0.00                | 912.71              |
| 296.00   |  | 1,257.00  | 2,003.00            | 0.00                |
| 121.33   | 166.19   | 2,671.00  | 28,516.39           | 11,727.49           |
|  |  |   | <u>2,550,535.17</u> | <u>2,753,044.41</u> |
| <u>557,289.51</u>  | <u>680,455.44</u>  | <u>34,733.00</u>  | <u>5,985,303.36</u> | <u>6,176,472.55</u> |
| (384,650.78)   | (324,303.94)   | 1,126,198.00  | (24,510.07)         | (3,365,320.29)      |
| 401,102.63   | 302,944.56   |   | 4,962,485.29        | 5,273,546.38        |
| (6,102.63)   | 104,138.47   |   | (3,257,323.76)      | (1,783,843.90)      |
| <u>395,000.00</u>  | <u>407,083.03</u>  | <u>0.00</u>   | <u>1,705,161.53</u> | <u>3,489,702.48</u> |
| 10,349.22  | 82,779.09  | 1,126,198.00  | 1,680,651.46        | 124,382.19          |
| 11,843.12  | 38,378.85  | 0.00  | 345,113.19          | 220,731.00          |
|  | 21,163.40  | 114,089.00  | 152,147.55          | 0.00                |
| <u>11,843.12</u>   | <u>59,542.25</u>   | <u>114,089.00</u>   | <u>497,260.74</u>   | <u>220,731.00</u>   |
| <u>22,192.34</u>   | <u>142,321.34</u>  | <u>1,240,287.00</u>   | <u>2,177,912.20</u> | <u>345,113.19</u>   |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT C-1a

COMBINING STATEMENT OF NET POSITION

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|   | VET BDS<br>FUND (0529)<br>U/F (0529) | VET BDS<br>REF SER '94C<br>FUND (0536)<br>U/F (0536) | VET BDS<br>REF SER '95<br>FUND (0567)<br>U/F (0567) | VET BDS<br>TAX REF<br>FUND (0590)<br>U/F (0590) |
|---|--------------------------------------|--|---|---|
|   | \$                                   | \$   | \$  | \$  |
| <b>ASSETS</b>   |                                      |  |   |   |
| <b>Current Assets:</b>  |                                      |  |   |   |
| Cash and Cash Equivalents (Note 3)                                  |                                      |  |   |   |
| Cash in State Treasury  | 607,489.54                           | 167.28   | 1,361,701.99  | 2,078,348.82                                    |
| Cash Equivalents  | 68,053,993.46                        | 13,712.73  | 10,298.22   | 24,185,279.50                                   |
| Securities Lending Collateral (Note 3)                              |                                      |  |   | 14,165,710.00                                   |
| Investments - Securities at Market Value (Note 3)                   |                                      |  |   |   |
| <b>Loans Receivables:</b>   |                                      |  |   |   |
| Housing Mortgages   | 2,769,349.98                         |  | 401,218.26  | 3,396,196.52                                    |
| Home Improvement Loans  | 2,365.02                             |  | 6,747.68  | 226,406.55                                      |
| <b>Interest and Dividends Receivables:</b>                          |                                      |  |   |   |
| Investment Interest   | 18,521.15                            | 2.46   | 433.40  | 188,416.13                                      |
| Housing Mortgages Interest  | 227,022.28                           |  | 44,761.62   | 344,331.85                                      |
| Home Improvement Loans Interest                                     | 2,027.12                             |  | 565.25  | 38,364.46                                       |
| Accounts Receivable (Net of Allowance for Uncollectibles)           |                                      |  | 3,390.83  | 1,961.05  |
| Due from Other Funds  |                                      |  | 5,000,000.08  |   |
| Prepaid Items   |                                      |  |   |   |
| <b>Total Current Assets</b>   | <b>71,680,768.55</b>                 | <b>13,882.47</b>                                     | <b>6,829,117.33</b>                                 | <b>44,625,014.88</b>                            |
| <b>Noncurrent Assets:</b>   |                                      |  |   |   |
| Investments - Securities at Market Value (Note 3)                   | 11,001,910.00                        |  |   | 63,290,823.10                                   |
| Derivative Instruments  |                                      |  |   |   |
| Hedging Derivative Instrument                                       |                                      |  |   |   |
| <b>Loans Receivables:</b>   |                                      |  |   |   |
| Housing Mortgages   | 96,719,412.50                        |  | 10,356,195.32                                       | 111,414,546.91                                  |
| Home Improvement Loans  | 39,803.71                            |  | 113,564.51  | 3,810,460.18                                    |
| Property Acquired Through Foreclosure - Housing Mortgages (Note 31) |                                      |  | 138,879.00  | 260,676.00                                      |
| <b>Total Noncurrent Assets</b>                                      | <b>107,761,126.21</b>                | <b>0.00</b>  | <b>10,608,638.83</b>                                | <b>178,776,506.19</b>                           |
| <b>TOTAL ASSETS</b>   | <b>179,441,894.76</b>                | <b>13,882.47</b>                                     | <b>17,437,756.16</b>                                | <b>223,401,521.07</b>                           |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                                |                                      |  |   |   |
| Hedging Derivative Instruments                                      |                                      |  | 929,229.00  | 19,391,907.35                                   |
| <b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>                          | <b>0.00</b>                          | <b>0.00</b>  | <b>929,229.00</b>                                   | <b>19,391,907.35</b>                            |
| <b>LIABILITIES</b>  |                                      |  |   |   |
| <b>Current Liabilities:</b>   |                                      |  |   |   |
| Accounts Payable  | 26,940.18                            |  | 18,460.33   | 77,012.82                                       |
| Debt Service Interest Payable                                       |                                      |  |   | 28,371.29                                       |
| Due to Other Funds  | 10,355.96                            |  |   | 49.06   |
| Bonds Payable (Net of Unamortized Discounts and Premiums)           |                                      |  |   |   |
| General Obligation  |                                      |  | 8,170,000.00  | 11,415,000.00                                   |
| Obligations Under Securities Lending (Note 3)                       |                                      |  |   | 14,165,710.00                                   |
| <b>Total Current Liabilities</b>                                    | <b>37,296.14</b>                     | <b>0.00</b>  | <b>8,188,460.33</b>                                 | <b>25,686,143.17</b>                            |
| <b>Noncurrent Liabilities:</b>                                      |                                      |  |   |   |
| Bonds Payable (Net of Unamortized Discounts and Premiums)           |                                      |  |   |   |
| General Obligation  |                                      |  | 8,945,000.00  | 138,255,000.00                                  |
| Hedging Derivative Instruments                                      |                                      |  | 929,229.00  | 19,391,907.35                                   |
| <b>Total Noncurrent Liabilities</b>                                 | <b>0.00</b>                          | <b>0.00</b>  | <b>9,874,229.00</b>                                 | <b>157,646,907.35</b>                           |
| <b>TOTAL LIABILITIES</b>  | <b>37,296.14</b>                     | <b>0.00</b>  | <b>18,062,689.33</b>                                | <b>183,333,050.52</b>                           |
| <b>DEFERRED INFLOW OF RESOURCES</b>                                 |                                      |  |   |   |
| Hedging Derivative Instruments                                      |                                      |  |   |   |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>                           | <b>0.00</b>                          | <b>0.00</b>  | <b>0.00</b>   | <b>0.00</b>                                     |
| <b>NET POSITION</b>   |                                      |  |   |   |
| Restricted for the Veterans' Land Board                             | 179,404,598.62                       | 13,882.47  | 304,295.83  | 59,460,377.90                                   |
| <b>TOTAL NET POSITION (Exhibit C-2a)</b>                            | <b>179,404,598.62</b>                | <b>13,882.47</b>                                     | <b>304,295.83</b>                                   | <b>59,460,377.90</b>                            |

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



UNAUDITED

| VET BDS<br>SER '94A1<br>FUND (0379)<br>U/F (0379) | VET BDS<br>TAX-EXEMPT<br>FUND (0383)<br>U/F (Note <sup>1</sup> ) | VET BDS<br>TAXABLE<br>FUND (0384)<br>U/F (0828) | VET HSG<br>BDS RESERVE<br>FUND (0527)<br>U/F (0527) | VET HSG<br>MORT RESERVE<br>FUND (0528)<br>U/F (0528) | TOTALS<br>(EXH. III) |                  |
|---|--|---|---|--|----------------------|------------------|
|   |  |   |   |  | 2015                 | 2014             |
| \$  | \$   | \$  | \$  | \$   | \$                   | \$               |
| 8,154.96  | 81,042,638.37  | 17,450,974.27                                   |   |  | 102,549,475.23       | 90,467,977.04    |
| 6,011,863.27                                      | 109,640,693.37   | 5,199,878.52                                    | 2,097,356.38  | 266,818.65   | 215,479,894.10       | 84,002,445.97    |
|   | 43,985,910.00  | 12,742,800.00                                   |   |  | 26,908,510.00        | 59,683,051.30    |
|   |  |   |   |  | 43,985,910.00        | 58,977,790.00    |
|   | 39,605,064.88  | 13,455,404.48                                   |   |  | 59,627,234.12        | 189,159,588.44   |
|   | 820,757.77   | 332,393.84                                      |   |  | 1,388,670.86         | 11,849,332.72    |
| 3.29  | 132,169.59   | 288,452.84                                      | 28,847.33   | 45,282.16  | 702,128.35           | 665,732.62       |
|   | 4,355,756.01   | 3,149,425.44                                    |   |  | 8,121,297.20         | 14,333,269.50    |
|   | 201,437.41   | 99,740.23                                       |   |  | 342,134.47           | 247,495.05       |
|   |  |   |   |  | 5,351.88             | 14,538.05        |
|   | 97,689,028.26  | 10,908.88                                       |   |  | 102,699,937.22       | 95,068,206.78    |
|   |  |   |   |  | 0.00                 | 1,153.02         |
| 6,020,021.52                                      | 377,473,455.66   | 52,729,978.50                                   | 2,126,203.71  | 312,100.81   | 561,810,543.43       | 604,470,580.49   |
|   | 46,222,352.55  | 108,144,697.70                                  | 15,547,027.20                                       | 16,376,842.30  | 260,583,652.85       | 293,988,663.00   |
|   | 1,216,549.20   |   |   |  | 1,216,549.20         | 1,015,600.99     |
|   | (1,828,238.78)   |   |   |  | (1,828,238.78)       | 5,933,819.63     |
|   | 1,351,329,306.16   | 456,474,453.59                                  |   |  | 2,026,293,914.48     | 1,751,710,557.13 |
|   | 13,813,490.90  | 5,594,244.00                                    |   |  | 23,371,563.30        | 8,752,036.43     |
|   | 138,752.00   | 51,780.00                                       |   |  | 590,087.00           | 441,163.00       |
| 0.00  | 1,410,892,212.03   | 570,265,175.29                                  | 15,547,027.20                                       | 16,376,842.30  | 2,310,227,528.05     | 2,061,841,840.18 |
| 6,020,021.52                                      | 1,788,365,667.69   | 622,995,153.79                                  | 17,673,230.91                                       | 16,688,943.11  | 2,872,038,071.48     | 2,666,312,420.67 |
|   | 123,962,085.62   | 75,750,190.43                                   |   |  | 220,033,412.40       | 205,671,299.77   |
| 0.00  | 123,962,085.62   | 75,750,190.43                                   | 0.00  | 0.00   | 220,033,412.40       | 205,671,299.77   |
| 3,026.82  | 1,196,365.04   | 1,156,098.45                                    |   |  | 2,477,903.64         | 8,509,773.47     |
|   | 1,688,085.84   | 180,303.91                                      |   |  | 1,896,761.04         | 7,308,115.15     |
|   | 532.20   |   |   |  | 10,937.22            | 95,068,206.78    |
| 400,000.00  | 80,964,810.16  | 16,745,000.00                                   |   |  | 117,694,810.16       | 98,424,810.16    |
|   |  | 12,742,800.00                                   |   |  | 26,908,510.00        | 59,683,051.30    |
| 403,026.82  | 83,849,793.24  | 30,824,202.36                                   | 0.00  | 0.00   | 148,988,922.06       | 268,993,956.86   |
| 4,600,000.00                                      | 1,679,986,068.83   | 483,645,000.00                                  |   |  | 2,315,431,068.83     | 2,084,200,878.99 |
|   | 123,962,085.62   | 75,750,190.43                                   |   |  | 220,033,412.40       | 205,671,299.77   |
| 4,600,000.00                                      | 1,803,948,154.45   | 559,395,190.43                                  | 0.00  | 0.00   | 2,535,464,481.23     | 2,289,872,178.76 |
| 5,003,026.82                                      | 1,887,797,947.69   | 590,219,392.79                                  | 0.00  | 0.00   | 2,684,453,403.29     | 2,558,866,135.62 |
|   | (1,828,238.78)   |   |   |  | (1,828,238.78)       | 5,933,819.63     |
| 0.00  | (1,828,238.78)   | 0.00  | 0.00  | 0.00   | (1,828,238.78)       | 5,933,819.63     |
| 1,016,994.70                                      | 26,358,044.40  | 108,525,951.43                                  | 17,673,230.91                                       | 16,688,943.11  | 409,446,319.37       | 307,183,765.19   |
| 1,016,994.70                                      | 26,358,044.40  | 108,525,951.43                                  | 17,673,230.91                                       | 16,688,943.11  | 409,446,319.37       | 307,183,765.19   |

Note<sup>1</sup> U/F (0808 - 0826, 0831 - 0841)

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT C-1b**

COMBINING STATEMENT OF NET POSITION  
VETERANS' LAND PROGRAM PROPRIETARY FUNDS

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|   | VET LAND REF BDS<br>REF SER '91<br>TAX '00, '02-'06, & '10D<br>FUND (0571)<br>U/F (0571) (9000) (9001) | VET LAND BDS<br>REF SER '99A<br>FUND (0626)<br>U/F (0626) | VET LAND BDS<br>SER '94<br>FUND (0381)<br>U/F (0381) |
|---|--|---|--|
|   | \$   | \$  | \$   |
| <b>ASSETS</b>   |  |   |  |
| Current Assets:   |  |   |  |
| Cash and Cash Equivalents (Note 3):                       |  |   |  |
| Cash on Hand  | 200.00   |   |  |
| Cash in State Treasury                                    | 2,316,086.11   | 150,671.06  | 1,405.95   |
| Cash Equivalents  | 31,716,470.00  | 94,882.58   | 2,436.30   |
| Securities Lending Collateral (Note 3)                    | 8,321,562.50   |   |  |
| Investments - Securities at Market Value (Note 3)         | 6,997,760.00   |   |  |
| Loans Receivables:  |  |   |  |
| Land Contracts  | 7,848,884.99   | 475,254.47  |  |
| Land Mortgages  | 3,256,602.18   |   |  |
| Interest and Dividends Receivables:                       |  |   |  |
| Investment Interest                                       | 743,832.06   | 25,155.12   | 0.59   |
| Land Contracts  | 1,248,083.45   | 19,658.99   |  |
| Land Mortgages  | 1,020,790.68   |   |  |
| Accounts Receivable (Net of Allowance for Uncollectibles) | 155,615.90   | 6,696.23  |  |
| Due from Other Funds                                      | 14,102,334.50  | 4,000,000.00  |  |
| Prepaid Items   |  |   |  |
| <b>Total Current Assets</b>                               | <b>77,728,222.37</b>   | <b>4,772,318.45</b>                                       | <b>3,842.84</b>                                      |
| Noncurrent Assets:  |  |   |  |
| Investments - Securities at Market Value (Note 3)         | 211,121,388.67   | 7,512,218.30  |  |
| Derivative Instruments                                    | (276,993.41)   |   |  |
| Loans Receivables:  |  |   |  |
| Land Contracts  |  | 3,259,921.69  |  |
| Land Mortgages  | 310,665,053.95   |   |  |
| Property Acquired Through Foreclosure                     |  |   |  |
| Land Contracts  | 1,744,592.00   | 27,550.00   |  |
| Amortizable Intangible Assets:                            |  |   |  |
| Computer Software   | 162,578.15   |   |  |
| Less Accumulated Amortization                             | (162,578.15)   |   |  |
| <b>Total Noncurrent Assets</b>                            | <b>523,254,041.21</b>  | <b>10,799,689.99</b>                                      | <b>0.00</b>  |
| <b>TOTAL ASSETS</b>                                       | <b>600,982,263.58</b>  | <b>15,572,008.44</b>                                      | <b>3,842.84</b>                                      |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                      |  |   |  |
| Hedging Derivative Instruments                            | 42,648,970.47  | 1,210,220.00  |  |
| <b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>                | <b>42,648,970.47</b>   | <b>1,210,220.00</b>                                       | <b>0.00</b>  |

UNAUDITED

| VET LAND BDS<br>TAX-EXEMPT<br>FUND (0385)<br>U/F (0850) (0852) | TOTALS<br>(EXH. III)  |                       |
|--|-----------------------|-----------------------|
|  | 2015                  | 2014                  |
| \$   | \$                    | \$                    |
|  | 200.00                | 200.00                |
| 161,982.81   | 2,630,145.93          | 13,265,453.49         |
| 8,420.22   | 31,822,209.10         | 18,924,743.58         |
|  | 8,321,562.50          | 23,372,191.30         |
|  | 6,997,760.00          | 4,999,850.00          |
| 223,768.00   | 8,547,907.46          | 9,768,054.33          |
|  | 3,256,602.18          | 2,573,519.31          |
| 55.06  | 769,042.83            | 997,619.81            |
| 20,215.15  | 1,287,957.59          | 3,118,798.23          |
|  | 1,020,790.68          | 1,641,844.29          |
| 4,350.08   | 166,662.21            | 259,203.54            |
| 16,000,000.00  | 34,102,334.50         | 32,590,556.64         |
|  | 0.00                  | 21.96                 |
| <u>16,418,791.32</u>   | <u>98,923,174.98</u>  | <u>111,512,056.48</u> |
|  | 218,633,606.97        | 243,869,569.37        |
|  | (276,993.41)          | (878,821.52)          |
| 5,004,546.90   | 8,264,468.59          | 127,089,213.49        |
|  | 310,665,053.95        | 170,663,393.44        |
| 14,102.00  | 1,786,244.00          | 2,705,556.00          |
|  | 162,578.15            | 162,578.15            |
|  | (162,578.15)          | (162,578.15)          |
| <u>5,018,648.90</u>  | <u>539,072,380.10</u> | <u>543,448,910.78</u> |
| <u>21,437,440.22</u>   | <u>637,995,555.08</u> | <u>654,960,967.26</u> |
| 3,692,973.32   | 47,552,163.79         | 52,204,568.17         |
| <u>3,692,973.32</u>  | <u>47,552,163.79</u>  | <u>52,204,568.17</u>  |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT C-1b (concluded)**

COMBINING STATEMENT OF NET POSITION  
 VETERANS' LAND PROGRAM PROPRIETARY FUNDS  
 August 31, 2015  
 (With comparative memorandum totals for August 31, 2014)

|  | VET LAND REF BDS<br>REF SER '89, '90, '91,<br>TAX REF '98A, '98B, & '99B<br>FUND (0571)<br>U/F (0571) (9000) (9001) | VET LAND BDS<br>REF SER '99A<br>FUND (0626)<br>U/F (0626) | VET LAND BDS<br>SER '94<br>FUND (0381)<br>U/F (0381) |
|--|---|---|--|
| <b>LIABILITIES</b>   |   |   |  |
| Current Liabilities:                                       |   |   |  |
| Accounts Payable   | 852,644.00  | 8,042.25  |  |
| Debt Service Interest Payable                              | 234,617.88  |   |  |
| Due to Other Funds   | 122,689,000.00  |   |  |
| Unearned Revenues  | 249,448.57  | 250.94  |  |
| Bonds Payable (Net of Unamortized Discounts and Premiums): |   |   |  |
| General Obligation<br>Accretion                            | 14,720,000.00   | 2,960,000.00  |  |
| Pollution Remediation Obligation                           | 1,530,000.00  |   |  |
| Obligations Under Securities Lending (Note 3)              | 8,321,562.50  |   |  |
| <b>Total Current Liabilities</b>                           | <b>148,597,272.95</b>   | <b>2,968,293.19</b>                                       | <b>0.00</b>  |
| Noncurrent Liabilities:                                    |   |   |  |
| Bonds Payable (Net of Unamortized Discounts and Premiums): |   |   |  |
| General Obligation<br>Accretion                            | 205,810,000.00  | 10,325,000.00   |  |
| Hedging Derivative Instrument                              | 42,648,970.47   | 1,210,220.00  |  |
| <b>Total Noncurrent Liabilities</b>                        | <b>248,458,970.47</b>   | <b>11,535,220.00</b>                                      | <b>0.00</b>  |
| <b>TOTAL LIABILITIES</b>                                   | <b>397,056,243.42</b>   | <b>14,503,513.19</b>                                      | <b>0.00</b>  |
| <b>NET POSITION</b>  |   |   |  |
| Restricted for the Veterans' Land Board                    | 246,574,990.63  | 2,278,715.25  | 3,842.84   |
| <b>TOTAL NET POSITION (Exhibit C-2b)</b>                   | <b>246,574,990.63</b>   | <b>2,278,715.25</b>                                       | <b>3,842.84</b>                                      |

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

UNAUDITED

| VET LAND BDS<br>TAX-EXEMPT<br>FUND (0385)<br>U/F (0850)(0852) | TOTALS<br>(EXH. III)  |                       |
|---|-----------------------|-----------------------|
|   | 2015                  | 2014                  |
| 76,116.03   | 936,802.28            | 8,640,906.58          |
|   | 234,617.88            | 410,441.92            |
|   | 122,689,000.00        | 22,136,198.53         |
| 494.92  | 250,194.43            | 286,475.39            |
| 768,329.50  | 18,448,329.50         | 16,756,906.31         |
| 448,670.50  | 448,670.50            | 977,093.69            |
|   | 1,530,000.00          | 0.00                  |
|   | 8,321,562.50          | 23,372,191.30         |
| <u>1,293,610.95</u>   | <u>152,859,177.09</u> | <u>72,580,213.72</u>  |
| 14,400,000.00   | 230,535,000.00        | 248,983,329.50        |
| (27,260.54)   | (27,260.54)           | 348,177.35            |
| 3,692,973.32  | 47,552,163.79         | 52,204,568.17         |
| <u>18,065,712.78</u>  | <u>278,059,903.25</u> | <u>301,536,075.02</u> |
| <u>19,359,323.73</u>  | <u>430,919,080.34</u> | <u>374,116,288.74</u> |
| 5,771,089.81  | 254,628,638.53        | 333,049,246.69        |
| <u>5,771,089.81</u>   | <u>254,628,638.53</u> | <u>333,049,246.69</u> |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT C-1c

COMBINING STATEMENT OF NET POSITION

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

August 31, 2015

(With comparative memorandum totals for August 31, 2014)

|   | TEMPLE<br>FUND (0374)<br>U/F (0650) | FLORESVILLE<br>FUND (0374)<br>U/F (0651) | BONHAM<br>FUND (0374)<br>U/F (0660) | BIG SPRING<br>FUND (0374)<br>U/F (0661) | SERIES 2002<br>FUND (0374)<br>U/F (0665) | SURPLUS<br>FUND (0374)<br>U/F (0698) |
|---|-------------------------------------|--|-------------------------------------|---|--|--------------------------------------|
|   | \$                                  | \$                                       | \$                                  | \$                                      | \$                                       | \$                                   |
| <b>ASSETS</b>   |                                     |  |                                     |   |  |                                      |
| <b>Current Assets:</b>                                |                                     |  |                                     |   |  |                                      |
| Cash and Cash Equivalents (Note 3):                   |                                     |  |                                     |   |  |                                      |
| Cash in State Treasury                                | 3,557,492.61                        | 4,302,991.13                             | 1,537,904.37                        | 915,863.61                              | 583,854.74                               | 85.82                                |
| Cash Equivalents                                      |                                     |  |                                     |   | 1,234,062.15                             |                                      |
| Receivables:  |                                     |  |                                     |   |  |                                      |
| Federal Receivables                                   | 2,181,399.20                        | 1,740,316.85                             | 1,259,308.63                        | 1,697,918.05                            |  |                                      |
| Interest Receivables                                  | 1,377.31                            | 1,589.27                                 | 661.55                              | 437.54                                  | 3,305.07                                 |                                      |
| Accounts Receivable                                   | 195,422.44                          | 217,134.11                               | 593,032.73                          | 311,441.42                              |  |                                      |
| Allowance for Doubtful Accounts                       | (76,903.14)                         | (57,850.75)                              | (237,621.45)                        | (103,189.93)                            |  |                                      |
| Due from Other Funds                                  | 2,069.06                            | 7,629.80                                 |                                     | 1,540.86                                | 4.25                                     |                                      |
| <b>Total Current Assets</b>                           | <b>5,860,857.48</b>                 | <b>6,211,810.41</b>                      | <b>3,153,285.83</b>                 | <b>2,824,011.55</b>                     | <b>1,821,226.21</b>                      | <b>85.82</b>                         |
| <b>Non-Current Assets:</b>                            |                                     |  |                                     |   |  |                                      |
| Investments - Securities at Market Value (Note 3)     |                                     |  |                                     |   | 11,019,580.00                            |                                      |
| Capital Assets (Note 2):                              |                                     |  |                                     |   |  |                                      |
| Depreciable Capital Assets:                           |                                     |  |                                     |   |  |                                      |
| Vehicles, Boats, and Aircraft                         |                                     | 46,501.14                                |                                     |   |  |                                      |
| Less Accumulated Depreciation                         |                                     | (46,501.14)                              |                                     |   |  |                                      |
| Furniture and Equipment                               | 50,945.10                           | 83,503.05                                | 94,335.69                           | 46,332.96                               |  |                                      |
| Less Accumulated Depreciation                         | (24,243.36)                         | (52,688.05)                              | (55,272.84)                         | (25,080.10)                             |  |                                      |
| Buildings   | 10,816,311.94                       | 10,584,217.37                            | 10,476,498.29                       | 10,128,639.89                           |  |                                      |
| Less Accumulated Depreciation                         | (6,889,252.41)                      | (6,741,423.78)                           | (6,484,317.44)                      | (6,341,908.50)                          |  |                                      |
| Facilities and Other Improvements                     |                                     |  |                                     |   |  |                                      |
| Less Accumulated Depreciation                         |                                     |  |                                     |   |  |                                      |
| Non-Depreciable Capital Assets:                       |                                     |  |                                     |   |  |                                      |
| Construction in Progress                              | 4,082,291.92                        | 4,015,567.75                             | 4,961,067.92                        | 3,515,641.21                            |  |                                      |
| Land  | 480,000.00                          | 66,000.00                                | 155,000.00                          | 40,000.00                               |  |                                      |
| Amortizable Intangible Assets:                        |                                     |  |                                     |   |  |                                      |
| Computer Software                                     | 32,469.00                           | 35,746.00                                | 25,425.00                           | 25,425.00                               |  |                                      |
| Less Accumulated Amortization                         | (32,469.00)                         | (35,746.00)                              | (25,425.00)                         | (25,425.00)                             |  |                                      |
| <b>Total Non-Current Assets</b>                       | <b>8,516,053.19</b>                 | <b>7,955,176.34</b>                      | <b>9,147,311.62</b>                 | <b>7,363,625.46</b>                     | <b>11,019,580.00</b>                     | <b>0.00</b>                          |
| <b>TOTAL ASSETS</b>                                   | <b>14,376,910.67</b>                | <b>14,166,986.75</b>                     | <b>12,300,597.45</b>                | <b>10,187,637.01</b>                    | <b>12,840,806.21</b>                     | <b>85.82</b>                         |
| <b>LIABILITIES</b>                                    |                                     |  |                                     |   |  |                                      |
| <b>Current Liabilities:</b>                           |                                     |  |                                     |   |  |                                      |
| Payables:   |                                     |  |                                     |   |  |                                      |
| Vouchers and Accounts Payable (Note 1)                | 1,250,264.71                        | 1,212,885.76                             | 1,634,697.87                        | 1,024,913.60                            |  |                                      |
| Retainage Payable                                     |                                     | 100,046.25                               | 90,422.96                           | 77,970.66                               |  |                                      |
| Due to Other Funds                                    | 1,396,832.32                        | 909,547.02                               | 686,588.39                          | 1,181,023.77                            | 8,820,401.52                             |                                      |
| Deferred Revenues                                     |                                     |  |                                     |   | 525,896.02                               |                                      |
| <b>Total Current Liabilities</b>                      | <b>2,647,097.03</b>                 | <b>2,222,479.03</b>                      | <b>2,411,709.22</b>                 | <b>2,283,908.03</b>                     | <b>9,346,297.54</b>                      | <b>0.00</b>                          |
| <b>TOTAL LIABILITIES</b>                              | <b>2,647,097.03</b>                 | <b>2,222,479.03</b>                      | <b>2,411,709.22</b>                 | <b>2,283,908.03</b>                     | <b>9,346,297.54</b>                      | <b>0.00</b>                          |
| <b>NET POSITION</b>                                   |                                     |  |                                     |   |  |                                      |
| Invested in Capital Assets, Net of Related Debt       | 8,516,053.19                        | 7,955,176.34                             | 9,147,311.62                        | 7,363,625.46                            |  |                                      |
| Restricted for the Texas State Veterans' Home Program | 3,213,760.45                        | 3,989,331.38                             | 741,576.61                          | 540,103.52                              | 3,494,508.67                             | 85.82                                |
| <b>TOTAL NET POSITION</b>                             | <b>11,729,813.64</b>                | <b>11,944,507.72</b>                     | <b>9,888,888.23</b>                 | <b>7,903,728.98</b>                     | <b>3,494,508.67</b>                      | <b>85.82</b>                         |

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

UNAUDITED

| TYLER 35%<br>FUND (0374)<br>U/F (0656) | FED ARRA 65%<br>FUND (0374)<br>U/F (6656) | MCALLEN<br>FUND (0374)<br>U/F (0652) | EL PASO<br>FUND (0374)<br>U/F (0653) | AMARILLO<br>FUND (0374)<br>U/F (0654) | RICHMOND<br>FUND (0374)<br>U/F (0657) | TOTALS<br>(EXH III) |                 |
|--|---|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------|-----------------|
|  |   |                                      |                                      |                                       |                                       | 2015                | 2014            |
| \$                                     | \$  | \$                                   | \$                                   | \$                                    | \$                                    | \$                  | \$              |
| 3,646,703.83                           | 166.13                                    | 2,247,040.04                         | 6,767,525.29                         | 652,099.66                            |                                       | 24,211,727.23       | 38,736,533.16   |
|  |   |                                      |                                      |                                       |                                       | 1,234,062.15        | 0.00            |
| 533,300.32                             |   | 1,084,653.55                         | 1,797,055.20                         | 755,092.00                            |                                       | 11,049,043.80       | 8,653,245.61    |
| 1,337.56                               |   | 828.05                               | 2,463.81                             | 415.97                                |                                       | 12,416.13           | 11,446.74       |
| 521,875.00                             |   | 622,639.84                           | 393,427.79                           | 339,655.62                            |                                       | 3,194,628.95        | 5,153,548.16    |
| (151,580.76)                           |   | (134,977.48)                         | (62,533.68)                          | (68,144.23)                           |                                       | (892,801.42)        | (2,218,278.28)  |
| 16,058.26                              |   | 6,931.30                             |                                      | 389,889.29                            |                                       | 424,122.82          | 1,425,793.19    |
| 4,567,694.21                           | 166.13                                    | 3,827,115.30                         | 8,897,938.41                         | 2,069,008.31                          | 0.00                                  | 39,233,199.66       | 51,762,288.58   |
|  |   |                                      |                                      |                                       |                                       | 11,019,580.00       | 0.00            |
|  |   |                                      |                                      |                                       |                                       | 46,501.14           | 46,501.14       |
|  |   |                                      |                                      |                                       |                                       | (46,501.14)         | (46,501.14)     |
| 79,349.67                              | 147,363.68                                | 46,994.20                            | 61,070.26                            | 36,627.15                             |                                       | 646,521.76          | 618,166.28      |
| (63,023.41)                            | (117,046.54)                              | (36,061.67)                          | (20,239.07)                          | (18,654.36)                           |                                       | (412,309.40)        | (350,711.71)    |
| 5,911,004.34                           | 10,457,161.77                             | 11,819,162.06                        | 10,945,549.21                        | 13,196,583.95                         |                                       | 94,335,128.82       | 94,335,128.82   |
| (1,155,152.92)                         | (2,059,142.16)                            | (6,045,298.47)                       | (5,312,918.49)                       | (5,634,518.48)                        |                                       | (46,663,932.65)     | (42,215,052.08) |
|  |   |                                      |                                      |                                       |                                       | 22,963.00           | 22,963.00       |
|  |   |                                      |                                      |                                       |                                       | (4,400.82)          | (3,252.78)      |
|  |   | 1,118,890.79                         | 1,197,235.46                         | 72,891.49                             | 25,316.25                             | 18,988,902.79       | 13,269,014.90   |
|  |   | 1,300,000.00                         | 650,000.00                           | 808,500.00                            |                                       | 3,499,500.00        | 3,499,500.00    |
|  |   | 8,525.00                             | 8,525.00                             | 10,440.00                             |                                       | 146,555.00          | 146,555.00      |
|  |   | (8,525.00)                           | (8,525.00)                           | (10,440.00)                           |                                       | (146,555.00)        | (146,555.00)    |
| 4,772,177.68                           | 8,428,336.75                              | 8,203,686.91                         | 7,520,697.37                         | 8,479,991.93                          | 25,316.25                             | 81,431,953.50       | 69,175,756.43   |
| 9,339,871.89                           | 8,428,502.88                              | 12,030,802.21                        | 16,418,635.78                        | 10,549,000.24                         | 25,316.25                             | 120,665,153.16      | 120,938,045.01  |
| 838,767.81                             |   | 1,573,134.64                         | 1,365,555.06                         | 795,186.87                            |                                       | 9,695,406.32        | 3,507,253.32    |
|  |   | 511,801.76                           | 972,743.02                           |                                       |                                       | 268,439.87          | 507,716.10      |
|  |   |                                      |                                      |                                       |                                       | 14,478,937.80       | 11,161,007.29   |
|  |   |                                      |                                      |                                       |                                       | 525,896.02          | 0.00            |
| 838,767.81                             | 0.00                                      | 2,084,936.40                         | 2,338,298.08                         | 795,186.87                            | 0.00                                  | 24,968,680.01       | 15,175,976.71   |
| 838,767.81                             | 0.00                                      | 2,084,936.40                         | 2,338,298.08                         | 795,186.87                            | 0.00                                  | 24,968,680.01       | 15,175,976.71   |
| 4,772,177.68                           | 8,428,336.75                              | 8,203,686.91                         | 7,520,697.37                         | 8,479,991.93                          | 25,316.25                             | 70,412,373.50       | 69,175,756.43   |
| 3,728,926.40                           | 166.13                                    | 1,742,178.90                         | 6,559,640.33                         | 1,273,821.44                          | 0.00                                  | 25,284,099.65       | 36,586,311.87   |
| 8,501,104.08                           | 8,428,502.88                              | 9,945,865.81                         | 14,080,337.70                        | 9,753,813.37                          | 25,316.25                             | 95,696,473.15       | 105,762,068.30  |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT C-2a

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the year ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | VET BDS<br>FUND (0529)<br>U/F (0529) | VET BDS<br>REF SER '94C<br>FUND (0536)<br>U/F (0536) | VET BDS<br>REF SER '95<br>FUND (0567)<br>U/F (0567) | VET BDS<br>TAX REF<br>FUND (0590)<br>U/F (0590) |
|--|--------------------------------------|--|---|---|
| <b>OPERATING REVENUES</b>  | \$                                   | \$   | \$  | \$  |
| Interest on Housing Mortgages  | 3,366,511.64                         |  | 544,002.38  | 5,153,868.93                                    |
| Interest on Home Improvement Loans   | 6,641.20                             |  | 4,563.56  | 137,729.37                                      |
| <b>TOTAL OPERATING REVENUES</b>  | <b>3,373,152.84</b>                  | <b>0.00</b>  | <b>548,565.94</b>                                   | <b>5,291,598.30</b>                             |
| <b>OPERATING EXPENSES</b>  |                                      |  |   |   |
| Professional Fees and Services   | 27,713.01                            |  | 25,568.82   | 96,590.61                                       |
| Printing and Reproduction  |                                      |  |   |   |
| Debt Service Interest  | 0.47                                 | 2.27   | 806,638.02  | 6,845,798.66                                    |
| Other Operating Expenses   |                                      | 1,500.00   | 104,096.77  | 14,477.36                                       |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>27,713.48</b>                     | <b>1,502.27</b>                                      | <b>936,303.61</b>                                   | <b>6,956,866.63</b>                             |
| <b>OPERATING INCOME (LOSS) (Exhibit C-3a)</b>  | <b>3,345,439.36</b>                  | <b>(1,502.27)</b>                                    | <b>(387,737.67)</b>                                 | <b>(1,665,268.33)</b>                           |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |                                      |  |   |   |
| Investment Income  | 67,271.71                            | 29.90  | 6,405.83  | 568,334.80                                      |
| Net Increase (Decrease) in Fair Value of Investments                                     | 164,118.87                           |  |   | 2,096,641.75                                    |
| Gain (Loss) on Housing Mortgage and<br>Home Improvement Loans                            | 13,297.34                            |  | (4,383.00)  | 21,530.12                                       |
| Borrower Rebate/Agent Fees - Securities Lending  | (4,614.56)                           |  |   | (6,491.68)                                      |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>  | <b>240,073.36</b>                    | <b>29.90</b>   | <b>2,022.83</b>                                     | <b>2,680,014.99</b>                             |
| <b>INCOME (LOSS) BEFORE OTHER REVENUES,<br/>(EXPENSES), GAINS/(LOSSES) AND TRANSFERS</b> | <b>3,585,512.72</b>                  | <b>(1,472.37)</b>                                    | <b>(385,714.84)</b>                                 | <b>1,014,746.66</b>                             |
| <b>OTHER REVENUES, (EXPENSES),<br/>GAINS/(LOSSES), AND TRANSFERS</b>                     |                                      |  |   |   |
| Transfers In   | 4,491,000.00                         |  | (4,354,525.85)                                      | 4,980,693.60                                    |
| Transfers Out  | 64,903,000.00                        |  | (860,000.00)  | (3,460,000.00)                                  |
| <b>TOTAL OTHER REVENUES, (EXPENSES),<br/>GAINS/(LOSSES), AND TRANSFERS</b>               | <b>69,394,000.00</b>                 | <b>0.00</b>  | <b>(5,214,525.85)</b>                               | <b>1,520,693.60</b>                             |
| <b>CHANGE IN NET POSITION</b>  | <b>72,979,512.72</b>                 | <b>(1,472.37)</b>                                    | <b>(5,600,240.69)</b>                               | <b>2,535,440.26</b>                             |
| <b>NET POSITION - August 31, 2014</b>  | <b>106,425,085.90</b>                | <b>15,354.84</b>                                     | <b>5,904,536.52</b>                                 | <b>56,924,937.64</b>                            |
| <b>NET POSITION - August 31, 2015 (Exhibit C-1a)</b>                                     | <b>179,404,598.62</b>                | <b>13,882.47</b>                                     | <b>304,295.83</b>                                   | <b>59,460,377.90</b>                            |

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



UNAUDITED

| VET BDS<br>SER '94A1<br>FUND (0379)<br>U/F (0379) | VET BDS<br>TAX-EXEMPT<br>FUND (0383)<br>U/F (Note <sup>1</sup> ) | VET BDS<br>TAXABLE<br>FUND (0384)<br>U/F (0828) | VET HSG<br>BDS RESERVE<br>FUND (0527)<br>U/F (0527) | VET HSG<br>MORT RESERVE<br>FUND (0528)<br>U/F (0528) | TOTALS<br>(EXH. IV) |                 |
|---|--|---|---|--|---------------------|-----------------|
|   |  |   |   |  | 2015                | 2014            |
| \$  | \$   | \$  | \$  | \$   | \$                  | \$              |
|   | 41,981,903.78  | 19,308,199.54                                   |   |  | 70,354,486.27       | 66,765,922.41   |
|   | 301,151.40   | 155,984.88                                      |   |  | 606,070.41          | 536,398.75      |
| 0.00  | 42,283,055.18  | 19,464,184.42                                   | 0.00  | 0.00   | 70,960,556.68       | 64,008,051.58   |
| 10,201.93   | 1,344,740.16   | 309,410.11                                      |   |  | 1,814,224.64        | 3,031,520.08    |
|   | 2,990.05   |   |   |  | 2,990.05            | 4,068.82        |
| 2,566.78  | 34,017,203.16  | 19,700,479.21                                   |   |  | 61,372,688.57       | 67,454,909.57   |
| 41,313.19   | 6,976,730.53   | 301,155.00                                      | 35.45   |  | 7,439,308.30        | 8,804,504.08    |
| 54,081.90   | 42,341,663.90  | 20,311,044.32                                   | 35.45   | 0.00   | 70,629,211.56       | 79,295,002.55   |
| (54,081.90)                                       | (58,608.72)  | (846,859.90)                                    | (35.45)   | 0.00   | 331,345.12          | (15,286,950.97) |
| 44,494.10   | 769,160.41   | 1,034,383.74                                    | 334,211.58  | 395,217.79   | 3,219,509.86        | 2,850,535.87    |
| 11,311.45   | 291,158.61   | 2,903,990.82                                    | 390,141.46  | (6,831.25)   | 5,850,531.71        | 17,555,345.90   |
|   | (20,506.54)  | 11,960.98                                       |   |  | 21,898.90           |                 |
|   | (3,978.03)   | (41,310.55)                                     | (1,194.67)  | (130.96)   | (57,720.45)         | (36,867.81)     |
| 55,805.55   | 1,035,834.45   | 3,909,024.99                                    | 723,158.37  | 388,255.58   | 9,034,220.02        | 20,368,984.94   |
| 1,723.65  | 977,225.73   | 3,062,165.09                                    | 723,122.92  | 388,255.58   | 9,365,565.14        | 5,082,033.97    |
| 414,093.47  | 29,684,071.54  | 8,537,000.00                                    |   |  | 43,752,332.76       | 54,405,694.17   |
| (360,000.00)                                      | (7,768,000.00)   | (1,401,695.83)                                  | (1,908,647.89)                                      |  | 49,144,656.28       | (68,266,741.51) |
| 54,093.47   | 21,916,071.54  | 7,135,304.17                                    | (1,908,647.89)                                      | 0.00   | 92,896,989.04       | (13,861,047.34) |
| 55,817.12   | 22,893,297.27  | 10,197,469.26                                   | (1,185,524.97)                                      | 388,255.58   | 102,262,554.18      | (8,779,013.37)  |
| 961,177.58  | 3,464,747.13   | 98,328,482.17                                   | 18,858,755.88                                       | 16,300,687.53  | 307,183,765.19      | 315,962,778.56  |
| 1,016,994.70                                      | 26,358,044.40  | 108,525,951.43                                  | 17,673,230.91                                       | 16,688,943.11  | 409,446,319.37      | 307,183,765.19  |

Note <sup>1</sup> U/F (0808 - 0826, 0831 - 0841)

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT C-2b

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | VET LAND REF BDS<br>REF SER '91<br>TAX '00, '02-'06, & '10D<br>FUND (0571)<br>U/F (0571) (9000) (9001) | VET LAND BDS<br>REF SER '99A<br>FUND (0626)<br>U/F (0626) | VET LAND BDS<br>SER '94<br>FUND (0381)<br>U/F (0381) | VET LAND BDS<br>TAX-EXEMPT<br>FUND (0385)<br>U/F (0850) (0852) |
|--|--|---|--|--|
|  | \$   | \$  | \$   | \$   |
| <b>OPERATING REVENUES</b>  |  |   |  |  |
| Interest on Land Loans   | 22,149,211.69  | 230,765.35  |  | 310,693.20   |
| Miscellaneous Income   | 575,848.20   |   |  |  |
| <b>TOTAL OPERATING REVENUES</b>  | <b>22,725,059.89</b>   | <b>230,765.35</b>   | <b>0.00</b>  | <b>310,693.20</b>  |
| <b>OPERATING EXPENSES</b>  |  |   |  |  |
| Salaries and Wages   | 70,000.00  |   |  |  |
| Professional Fees and Services   | 883,360.89   | 10,201.92   |  | 526,827.78   |
| Travel   | (433.32)   |   |  |  |
| Materials and Supplies   | 53,690.83  |   |  |  |
| Repairs and Maintenance  | 1,850.00   |   |  |  |
| Printing and Reproduction  |  |   |  |  |
| Depreciation and Amortization  |  |   |  |  |
| Debt Service Interest  | 12,169,989.33  | 724,873.25  | 12,092.95  | 523,604.12   |
| Net Change in Pollution Remediation Obligation   | 1,530,000.00   |   |  |  |
| Other Operating Expenses   | 274,437.39   | 81,454.43   | 1,250.00   | 95,772.36  |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>14,982,895.12</b>   | <b>816,529.60</b>   | <b>13,342.95</b>                                     | <b>1,146,204.26</b>  |
| <b>OPERATING INCOME (LOSS) (Exhibit C-3b)</b>  | <b>7,742,164.77</b>  | <b>(585,764.25)</b>                                       | <b>(13,342.95)</b>                                   | <b>(835,511.06)</b>  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |  |   |  |  |
| Investment Income  | 4,620,569.00   | 247,334.91  | 34.83  | 756.50   |
| Net Increase (Decrease) in Fair Value of Investments                                     | 3,158,967.95   | 46,570.10   |  |  |
| Gain (Loss) on Land Loans  | 67,377.34  |   |  |  |
| Borrower Rebate/Agent Fees-Sec. Lending  | (3,361.53)   | 56.36   |  |  |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>  | <b>7,843,552.76</b>  | <b>293,961.37</b>   | <b>34.83</b>   | <b>756.50</b>  |
| <b>INCOME (LOSS) BEFORE OTHER REVENUES,<br/>(EXPENSES), GAINS/(LOSSES) AND TRANSFERS</b> | <b>15,585,717.53</b>   | <b>(291,802.88)</b>                                       | <b>(13,308.12)</b>                                   | <b>(834,754.56)</b>  |
| <b>OTHER REVENUES, (EXPENSES),<br/>GAINS/(LOSSES), AND TRANSFERS</b>                     |  |   |  |  |
| Transfers In   | 27,283,475.66  | 3,177,000.00  | (642,000.00)   | 1,726,000.00   |
| Transfers Out  | (123,232,059.39)   | (1,178,876.40)  |  |  |
| <b>TOTAL OTHER REVENUES, (EXPENSES),<br/>GAINS/(LOSSES), AND TRANSFERS</b>               | <b>(95,948,583.73)</b>   | <b>1,998,123.60</b>                                       | <b>(642,000.00)</b>                                  | <b>1,726,000.00</b>  |
| <b>CHANGE IN NET POSITION</b>  | <b>(80,362,866.20)</b>   | <b>1,706,320.72</b>                                       | <b>(655,308.12)</b>                                  | <b>891,245.44</b>  |
| <b>NET POSITION - August 31, 2014</b>  | <b>326,937,856.83</b>  | <b>572,394.53</b>   | <b>659,150.96</b>                                    | <b>4,879,844.37</b>  |
| <b>NET POSITION - August 31, 2015 (Exhibit C-1b)</b>                                     | <b>246,574,990.63</b>  | <b>2,278,715.25</b>                                       | <b>3,842.84</b>                                      | <b>5,771,089.81</b>  |

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

UNAUDITED

| TOTALS<br>(EXH. IV)    |                       |
|------------------------|-----------------------|
| 2015                   | 2014                  |
| \$                     | \$                    |
| 22,690,670.24          | 22,224,552.93         |
| 575,848.20             | 469,531.66            |
| <u>23,266,518.44</u>   | <u>22,694,084.59</u>  |
| 70,000.00              | 0.00                  |
| 1,420,390.59           | 1,833,874.91          |
| (433.32)               | 0.00                  |
| 53,690.83              | 74,605.76             |
| 1,850.00               | 22,500.00             |
| 0.00                   | 664.94                |
| 0.00                   | 102.52                |
| 13,430,559.65          | 13,729,895.59         |
| 1,530,000.00           | 0.00                  |
| 452,914.18             | 1,943,071.26          |
| <u>16,958,971.93</u>   | <u>17,604,714.98</u>  |
| <u>6,307,546.51</u>    | <u>5,089,369.61</u>   |
| 4,868,695.24           | 5,316,368.38          |
| 3,205,538.05           | 11,415,174.74         |
| 67,377.34              | (1,451,433.34)        |
| (3,305.17)             | (21,500.23)           |
| <u>8,138,305.46</u>    | <u>15,258,609.55</u>  |
| <u>14,445,851.97</u>   | <u>20,347,979.16</u>  |
| 31,544,475.66          | 38,205,507.49         |
| (124,410,935.79)       | (42,366,907.56)       |
| <u>(92,866,460.13)</u> | <u>(4,161,400.07)</u> |
| (78,420,608.16)        | 16,186,579.09         |
| <u>333,049,246.69</u>  | <u>316,862,667.60</u> |
| <u>254,628,638.53</u>  | <u>333,049,246.69</u> |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT C-2c

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

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | TEMPLE<br>FUND (0374)<br>U/F (0650) | FLORESVILLE<br>FUND (0374)<br>U/F (0651) | BONHAM<br>FUND (0374)<br>U/F (0660) | BIG SPRING<br>FUND (0374)<br>U/F (0661) | SERIES 2002<br>FUND (0374)<br>U/F (0665) |
|--|-------------------------------------|--|-------------------------------------|---|--|
|  | \$                                  | \$                                       | \$                                  | \$                                      | \$                                       |
| <b>OPERATING REVENUES</b>  |                                     |  |                                     |   |  |
| Charges for Services:  |                                     |  |                                     |   |  |
| Veterans Administration Per Diem   | 8,659,236.12                        | 8,520,277.62                             | 5,754,875.64                        | 5,819,946.23                            |  |
| Resident Payments (Net of Provisions for Bad Debt)                                       | 2,320,643.55                        | 2,530,266.56                             | 3,044,497.65                        | 2,019,569.73                            |  |
| Medicare Reimbursements (Net of Provisions for Bad Debt)                                 | 660,335.72                          | 1,161,892.98                             | 1,625,131.07                        | 515,446.66                              |  |
| Medicaid Revenues (Net of Provisions for Bad Debt)                                       | 277,843.93                          | 710,238.36                               | 934,846.82                          | 729,083.73                              |  |
| Other Assistance Payments (Net of Provisions for Bad Debt)                               | (88.27)                             | 33,714.17                                | 77,809.64                           | 11,067.64                               |  |
| Third Party Reimbursements   | 885.00                              | 2,354.00                                 |                                     | 3.00                                    |  |
| Revenue Transfers Within Fund  | (2,200,000.00)                      | (2,800,000.00)                           |                                     | (2,200,000.00)                          | 14,500,000.00                            |
| Miscellaneous Income   | 1,713.74                            | 3,823.63                                 | 3,983.82                            | 2,339.35                                |  |
| <b>TOTAL OPERATING REVENUES</b>  | <b>9,720,569.79</b>                 | <b>10,162,567.32</b>                     | <b>11,441,144.64</b>                | <b>6,897,456.34</b>                     | <b>14,500,000.00</b>                     |
| <b>OPERATING EXPENSES</b>  |                                     |  |                                     |   |  |
| Professional Fees and Services   | 9,407,527.84                        | 10,313,716.10                            | 9,790,058.96                        | 8,248,750.98                            |  |
| Travel   | 4,153.71                            | 6,754.94                                 | 26,545.02                           | 25,850.69                               |  |
| Materials and Supplies   | 626,698.50                          | 662,645.11                               | 472,072.52                          | 273,098.02                              |  |
| Communications and Utilities   | 3,398.32                            | 2,996.61                                 | 2,697.85                            | 3,436.67                                |  |
| Repairs and Maintenance  | 27,185.58                           | 40,583.51                                | 50,432.82                           | 78,937.97                               |  |
| Rentals and Leases (Note 8)  |                                     |  |                                     |   |  |
| Printing and Reproduction  |                                     |  |                                     |   |  |
| Depreciation and Amortization  | 470,944.32                          | 465,056.40                               | 460,981.56                          | 443,243.88                              |  |
| Interest Expense   | 159.01                              | 204.54                                   | 53.61                               | 4.76                                    |  |
| Other Operating Expenses   | 17,009.63                           | 17,721.10                                | 48,314.35                           | 17,153.87                               |  |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>10,557,076.91</b>                | <b>11,509,678.31</b>                     | <b>10,851,156.69</b>                | <b>9,090,476.84</b>                     | <b>0.00</b>                              |
| <b>OPERATING INCOME (LOSS) (Exhibit C-3c)</b>  | <b>(836,507.12)</b>                 | <b>(1,347,110.99)</b>                    | <b>589,987.95</b>                   | <b>(2,193,020.50)</b>                   | <b>14,500,000.00</b>                     |
| <b>NONOPERATING REVENUES/(EXPENSES)</b>  |                                     |  |                                     |   |  |
| Federal Revenues   | 182,629.30                          | 174,487.79                               | 834,186.35                          | 1,858,551.21                            |  |
| Gifts/Pledges/Donations  | 5,768.40                            | 5,270.00                                 | 2,395.00                            | 5,134.00                                |  |
| Investment Income  | 15,017.60                           | 20,171.00                                | 6,923.83                            | 10,331.15                               | 34,971.83                                |
| Net Increase (Decrease) in Fair Value of Investments                                     |                                     |  |                                     |   | (15,724.73)                              |
| Claims and Judgments (Note 17)   |                                     |  | (5,810.00)                          |   |  |
| <b>TOTAL NONOPERATING REVENUES/(EXPENSES)</b>  | <b>203,415.30</b>                   | <b>199,928.79</b>                        | <b>837,695.18</b>                   | <b>1,874,016.36</b>                     | <b>19,247.10</b>                         |
| <b>INCOME/(LOSS) BEFORE OTHER REVENUES,<br/>(EXPENSES), GAINS/(LOSSES) AND TRANSFERS</b> | <b>(633,091.82)</b>                 | <b>(1,147,182.20)</b>                    | <b>1,427,683.13</b>                 | <b>(319,004.14)</b>                     | <b>14,519,247.10</b>                     |
| <b>OTHER REVENUES, (EXPENSES),<br/>GAINS/(LOSSES), AND TRANSFERS</b>                     |                                     |  |                                     |   |  |
| Transfers In   | 862,747.05                          | 162,067.31                               | 267,621.76                          | (313,899.63)                            |  |
| Transfers Out  | (648,445.10)                        | (574,471.53)                             | (530,619.51)                        | (1,500,822.18)                          | (11,034,942.23)                          |
| <b>TOTAL OTHER REVENUES, (EXPENSES),<br/>GAINS/(LOSSES), AND TRANSFERS</b>               | <b>214,301.95</b>                   | <b>(412,404.22)</b>                      | <b>(262,997.75)</b>                 | <b>(1,814,721.81)</b>                   | <b>(11,034,942.23)</b>                   |
| <b>CHANGE IN NET POSITION</b>  | <b>(418,789.87)</b>                 | <b>(1,559,586.42)</b>                    | <b>1,164,685.38</b>                 | <b>(2,133,725.95)</b>                   | <b>3,484,304.87</b>                      |
| <b>NET POSITION, August 31, 2014</b>   | <b>12,107,501.41</b>                | <b>13,504,094.14</b>                     | <b>8,724,202.85</b>                 | <b>10,037,454.93</b>                    | <b>10,203.80</b>                         |
| Restatements (Note 14)   | 41,102.10                           |  |                                     |   |  |
| <b>NET POSITION, AUGUST 31, 2014, as RESTATED</b>  | <b>12,148,603.51</b>                | <b>13,504,094.14</b>                     | <b>8,724,202.85</b>                 | <b>10,037,454.93</b>                    | <b>10,203.80</b>                         |
| <b>NET POSITION - August 31, 2015 (Exhibit C-1c)</b>                                     | <b>11,729,813.64</b>                | <b>11,944,507.72</b>                     | <b>9,888,888.23</b>                 | <b>7,903,728.98</b>                     | <b>3,494,508.67</b>                      |

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

UNAUDITED

| TYLER 35%<br>FUND (0374)<br>U/F (0656) | FED ARRA 65%<br>FUND (0374)<br>U/F (6656) | MCALLEN<br>FUND (0374)<br>U/F (0652) | EL PASO<br>FUND (0374)<br>U/F (0653) | AMARILLO<br>FUND (0374)<br>U/F (0654) | RICHMOND<br>FUND (0374)<br>U/F (0657) | TOTALS<br>(EXH IV) |                 |
|--|---|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|--------------------|-----------------|
|  |   |                                      |                                      |                                       |                                       | 2015               | 2014            |
| \$                                     | \$  | \$                                   | \$                                   | \$                                    | \$                                    | \$                 | \$              |
| 5,402,910.19                           |   | 6,547,637.14                         | 9,234,576.62                         | 3,808,367.32                          |                                       | 53,747,826.88      | 48,824,373.72   |
| 2,416,102.98                           |   | 2,663,186.83                         | 2,677,434.41                         | 2,493,378.99                          |                                       | 20,165,080.70      | 20,854,702.78   |
| 707,814.30                             |   | 1,105,385.79                         | 1,286,277.27                         | 1,216,955.66                          |                                       | 8,279,239.45       | 7,739,936.50    |
| 2,505,748.06                           |   | 1,992,194.44                         | 1,280,379.44                         | 745,307.91                            |                                       | 9,175,642.69       | 10,315,145.00   |
| 330,130.15                             |   | 75,378.64                            | 82,908.93                            | 30,409.90                             |                                       | 641,330.80         | 725,241.15      |
| (2,200,000.00)                         |   | 1,173.00                             | 141.50                               | 1,775.25                              |                                       | (2,193,668.25)     | 4,733.46        |
|  |   | (2,900,000.00)                       | (2,200,000.00)                       |                                       |                                       | 2,200,000.00       | 0.00            |
|  |   | 353.17                               | 45.90                                | 860.12                                |                                       | 13,119.73          | 10,250.10       |
| 9,162,705.68                           | 0.00                                      | 9,485,309.01                         | 12,361,764.07                        | 8,297,055.15                          | 0.00                                  | 92,028,572.00      | 88,474,382.71   |
| 8,275,438.72                           |   | 9,829,417.28                         | 10,727,544.74                        | 8,132,621.91                          |                                       | 74,725,076.53      | 69,537,829.63   |
| 10,355.71                              | 433.32                                    | 32,238.98                            | 32,897.70                            | 14,654.96                             |                                       | 153,885.03         | 152,010.19      |
| 273,292.77                             | 8,712.84                                  | 658,194.22                           | 774,255.37                           | 356,146.12                            |                                       | 4,105,115.47       | 3,033,286.96    |
| 1,493.26                               |   | 3,491.14                             | 3,461.00                             | 2,659.60                              |                                       | 23,634.45          | 20,627.89       |
| 148,752.16                             |   | 13,499.25                            | 32,767.40                            | 65,514.93                             |                                       | 457,673.62         | 130,044.02      |
| 650.00                                 |   |                                      |                                      | 125.00                                |                                       | 775.00             | 0.00            |
|  |   | 364.68                               | 364.58                               | 364.93                                |                                       | 1,094.19           | 0.00            |
| 309,002.17                             | 551,390.00                                | 586,928.42                           | 544,294.61                           | 679,784.94                            |                                       | 4,511,626.30       | 4,539,139.20    |
| 116.21                                 |   | 0.87                                 | 6.33                                 | 125.68                                |                                       | 671.01             | 453.12          |
| 5,697.72                               | 4.75                                      | 4,017.87                             | 5,529.82                             | 3,563.24                              |                                       | 119,012.35         | 21,012.78       |
| 9,024,798.72                           | 560,540.91                                | 11,128,152.71                        | 12,121,121.55                        | 9,255,561.31                          | 0.00                                  | 84,098,563.95      | 77,434,403.79   |
| 137,906.96                             | (560,540.91)                              | (1,642,843.70)                       | 240,642.52                           | (958,506.16)                          | 0.00                                  | 7,930,008.05       | 11,039,978.92   |
|  |   | 490,313.25                           | 951,592.92                           | (14.37)                               |                                       | 4,491,746.45       | 3,485,498.07    |
| 1,042.00                               |   | 1,440.00                             | 8,645.17                             | 8,678.99                              |                                       | 38,373.56          | 24,457.35       |
| 14,734.95                              | 18.25                                     | 22,111.80                            | 30,430.78                            | 3,199.53                              | 0.54                                  | 157,997.08         | 124,970.69      |
|  |   |                                      |                                      |                                       |                                       | (15,724.73)        | 0.00            |
|  |   |                                      |                                      |                                       |                                       | (5,810.00)         | 0.00            |
| 15,776.95                              | 18.25                                     | 513,865.05                           | 990,668.87                           | 11,864.15                             | 0.54                                  | 4,666,582.36       | 3,634,926.11    |
| 153,683.91                             | (560,522.66)                              | (1,128,978.65)                       | 1,231,311.39                         | (946,642.01)                          | 0.54                                  | 12,596,590.41      | 14,674,905.03   |
| (733,557.66)                           |   | 778,662.09                           | 933,038.35                           | 1,268,080.38                          | 25,316.25                             | 3,250,075.90       | 11,327,820.07   |
| (535,000.00)                           |   | (5,065,961.10)                       | (5,587,484.43)                       | (475,616.94)                          | (0.54)                                | (25,953,363.56)    | (19,589,767.60) |
| (1,268,557.66)                         | 0.00                                      | (4,287,299.01)                       | (4,654,446.08)                       | 792,463.44                            | 25,315.71                             | (22,703,287.66)    | (8,261,947.53)  |
| (1,114,873.75)                         | (560,522.66)                              | (5,416,277.66)                       | (3,423,134.69)                       | (154,178.57)                          | 25,316.25                             | (10,106,697.25)    | 6,412,957.50    |
| 9,615,977.83                           | 8,989,025.54                              | 15,362,143.47                        | 17,503,472.39                        | 9,907,991.94                          | 0.00                                  | 105,762,068.30     | 99,697,008.84   |
|  |   |                                      |                                      |                                       |                                       | 41,102.10          | (347,898.04)    |
| 9,615,977.83                           | 8,989,025.54                              | 15,362,143.47                        | 17,503,472.39                        | 9,907,991.94                          | 0.00                                  | 105,803,170.40     | 99,349,110.80   |
| 8,501,104.08                           | 8,428,502.88                              | 9,945,865.81                         | 14,080,337.70                        | 9,753,813.37                          | 25,316.25                             | 95,696,473.15      | 105,762,068.30  |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT C-3a

STATEMENT OF CASH FLOWS

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the year ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | VET BDS<br>FUND (0529)<br>U/F (0529) | VET BDS<br>REF SER '94C<br>FUND (0536)<br>U/F (0536) | VET BDS<br>REF SER '95<br>FUND (0567)<br>U/F (0567) | VET BDS<br>TAX REF<br>FUND (0590)<br>U/F (0590) |
|--|--------------------------------------|--|---|---|
|  | \$                                   | \$   | \$  | \$  |
| <b>INCREASE (DECREASE) IN<br/>CASH AND CASH EQUIVALENTS (Note 1)</b>   |                                      |  |   |   |
| <b>OPERATING ACTIVITIES</b>  |                                      |  |   |   |
| Receipts from Loan Payments  | 14,336,436.12                        |  | 3,666,255.36  | 27,648,308.51                                   |
| Fundings for Mortgage and Home Improvement Loans                       | (29,106,049.68)                      |  | (7,509.93)  | (16,489,514.62)                                 |
| Payments to Suppliers of Goods and Services                            | (27,703.31)                          | (1,502.27)   | (127,469.00)  | (112,402.93)                                    |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                | <b>(14,797,316.87)</b>               | <b>(1,502.27)</b>                                    | <b>3,531,276.43</b>                                 | <b>11,046,390.96</b>                            |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>                                 |                                      |  |   |   |
| Proceeds from Debt Issuance  |                                      |  |   |   |
| Payments for Debt Service - Principal                                  |                                      |  | (7,390,000.00)                                      | (10,960,000.00)                                 |
| Payments for Debt Service - Interest                                   |                                      |  | (1,144,806.86)                                      | (6,848,632.69)                                  |
| Transfers from Other Funds   | 4,491,000.00                         |  | 5,645,474.15  | 4,980,693.60                                    |
| Transfers to Other Funds   | (15,097,000.00)                      |  | (860,000.00)  | (3,460,000.00)                                  |
| <b>NET CASH PROVIDED (USED) BY<br/>NONCAPITAL FINANCING ACTIVITIES</b> | <b>(10,606,000.00)</b>               | <b>0.00</b>  | <b>(3,749,332.71)</b>                               | <b>(16,287,939.09)</b>                          |
| <b>INVESTING ACTIVITIES</b>  |                                      |  |   |   |
| Proceeds from Interest and Investment Income                           | 182,606.13                           | 30.87  | 5,972.43  | 598,049.70                                      |
| Proceeds from Sale of Investments                                      | 83,013,861.16                        |  | 118.00  | 28,125,225.72                                   |
| Payments to Acquire Investments  | (42,987,375.56)                      |  |   | (6,306,799.46)                                  |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>                | <b>40,209,091.73</b>                 | <b>30.87</b>   | <b>6,090.43</b>                                     | <b>22,416,475.96</b>                            |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                | <b>14,805,774.86</b>                 | <b>(1,471.40)</b>                                    | <b>(211,965.85)</b>                                 | <b>17,174,927.83</b>                            |
| <b>CASH AND CASH EQUIVALENTS - August 31, 2014</b>                     | <b>53,855,708.14</b>                 | <b>15,351.41</b>                                     | <b>1,583,966.06</b>                                 | <b>9,088,700.49</b>                             |
| <b>CASH AND CASH EQUIVALENTS - August 31, 2015</b>                     | <b>68,661,483.00</b>                 | <b>13,880.01</b>                                     | <b>1,372,000.21</b>                                 | <b>26,263,628.32</b>                            |

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

UNAUDITED

| VET BDS<br>SER '94A1<br>FUND (0379)<br>U/F (0379) | VET BDS<br>TAX-EXEMPT<br>FUND (0383)<br>(U/F <sup>1</sup> ) | VET BDS<br>TAXABLE<br>FUND (0384)<br>U/F (0828) | VET HSG<br>BDS RESERVE<br>FUND (0527)<br>U/F (0527) | VET HSG<br>MORT RESERVE<br>FUND (0528)<br>U/F (0528) | TOTALS<br>(EXH. V) |                  |
|---|---|---|---|--|--------------------|------------------|
|   |   |   |   |  | 2015               | 2014             |
| \$  | \$  | \$  | \$  | \$   | \$                 | \$               |
|   | 185,105,587.98  | 97,312,670.61                                   |   |  | 328,069,258.58     | 336,214,951.09   |
|   | (303,081,638.78)  | (57,730,269.36)                                 |   |  | (406,414,982.37)   | (474,761,030.90) |
| (51,652.22)                                       | (8,310,827.50)  | (613,283.85)                                    | (35.45)   |  | (9,244,876.53)     | (13,312,437.88)  |
| (51,652.22)                                       | (126,286,878.30)  | 38,969,117.40                                   | (35.45)   | 0.00   | (87,590,600.32)    | (151,858,270.07) |
|   | 350,000,000.00  |   |   |  | 350,000,000.00     | 831,015,000.00   |
| (400,000.00)                                      | (66,070,000.00)   | (13,650,000.00)                                 |   |  | (98,470,000.00)    | (760,165,000.00) |
| (2,553.61)  | (40,097,338.35)   | (19,719,278.41)                                 |   |  | (67,812,609.92)    | (64,335,271.73)  |
| 64,093.47   | 7,595,071.54  | 8,537,000.00                                    |   |  | 31,313,332.76      | 37,594,697.50    |
| (360,000.00)                                      | (3,368,000.00)  | (16,401,695.83)                                 | (1,908,647.89)                                      |  | (41,455,343.72)    | (51,066,741.51)  |
| (698,460.14)                                      | 248,059,733.19  | (41,233,974.24)                                 | (1,908,647.89)                                      | 0.00   | 173,575,379.12     | (6,957,315.74)   |
| 1,326,191.22                                      | 846,789.60  | 1,009,041.45                                    | 694,570.08  | 389,509.78   | 5,052,761.26       | 2,972,318.12     |
| 4,929,075.41                                      | 87,495,352.03   | 15,011,960.78                                   | 1,980,781.25  | 5,900,000.00   | 226,456,374.35     | 258,545,000.00   |
|   | (114,240,668.07)  | (2,000,000.00)                                  |   | (8,400,125.00)                                       | (173,934,968.09)   | (271,488,265.41) |
| 6,255,266.63                                      | (25,898,526.44)   | 14,021,002.23                                   | 2,675,351.33  | (2,110,615.22)                                       | 57,574,167.52      | (9,970,947.29)   |
| 5,505,154.27                                      | 95,874,328.45   | 11,756,145.39                                   | 766,667.99  | (2,110,615.22)                                       | 143,558,946.32     | (168,786,533.10) |
| 514,863.96  | 94,809,003.29   | 10,894,707.40                                   | 1,330,688.39  | 2,377,433.87   | 174,470,423.01     | 343,256,956.11   |
| 6,020,018.23                                      | 190,683,331.74  | 22,650,852.79                                   | 2,097,356.38  | 266,818.65   | 318,029,369.33     | 174,470,423.01   |

-to next page

<sup>1</sup> U/F (0808 - 0826, 0831 - 0841)

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT C-3a (concluded)**

STATEMENT OF CASH FLOWS

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the year ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | VET BDS<br>FUND (0529)<br>U/F (0529) | VET BDS<br>REF SER '94C<br>FUND (0536)<br>U/F (0536) | VET BDS<br>REF SER '95<br>FUND (0567)<br>U/F (0567) | VET BDS<br>TAX REF<br>FUND (0590)<br>U/F (0590) |
|--|--------------------------------------|--|---|---|
|  | \$                                   | \$   | \$  | \$  |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>        |                                      |  |   |   |
| <b>OPERATING INCOME (LOSS) (Exhibit C-2a)</b>  | 3,345,439.36                         | (1,502.27)   | (387,737.67)  | (1,665,268.33)                                  |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                                      |  |   |   |
| Classification Differences   |                                      |  | 806,637.86  | 6,845,794.76                                    |
| (Increase) Decrease in Receivables   | 210,631.81                           |  | 51,856.79   | 481,697.75                                      |
| (Increase) Decrease in Loans and Contracts   | (17,767,682.39)                      |  | 3,187,199.19  | 5,666,053.81                                    |
| (Increase) Decrease in Other Assets  | 31,235.00                            |  | (89,806.08)   | 11,800.35                                       |
| Increase (Decrease) in Payables  | (581,703.86)                         |  | (34,614.55)   | (275,124.92)                                    |
| Increase (Decrease) in Other Liabilities   | (35,236.79)                          |  | (2,259.11)  | (18,562.46)                                     |
| <b>TOTAL ADJUSTMENTS</b>   | <b>(18,142,756.23)</b>               | <b>0.00</b>  | <b>3,919,014.10</b>                                 | <b>12,711,659.29</b>                            |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <b>(14,797,316.87)</b>               | <b>(1,502.27)</b>                                    | <b>3,531,276.43</b>                                 | <b>11,046,390.96</b>                            |
| <b>NONCASH TRANSACTIONS</b>  |                                      |  |   |   |
| Capital Appreciation Bond Interest Accretion   |                                      |  |   |   |
| Change in Fair Value of Investments  | 164,118.87                           |  |   | 2,096,641.75                                    |
| <b>TOTAL NONCASH TRANSACTIONS</b>  | <b>164,118.87</b>                    | <b>0.00</b>  | <b>0.00</b>   | <b>2,096,641.75</b>                             |

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



UNAUDITED

| VET BDS<br>SER '94A1<br>FUND (0379)<br>U/F (0379) | VET BDS<br>TAX-EXEMPT<br>FUND (0383)<br>(U/F <sup>1</sup> ) | VET BDS<br>TAXABLE<br>FUND (0384)<br>U/F (0828) | VET HSG<br>BDS RESERVE<br>FUND (0527)<br>U/F (0527) | VET HSG<br>MORT RESERVE<br>FUND (0528)<br>U/F (0528) | TOTALS<br>(EXH. V) |                  |
|---|---|---|---|--|--------------------|------------------|
| \$  | \$  | \$  | \$  | \$   | 2015               | 2014             |
| (54,081.90)                                       | (58,608.72)   | (846,859.90)                                    | (35.45)   |  | 331,345.12         | (15,286,950.97)  |
| 2,561.01  | 34,015,167.95   | 19,700,468.10                                   |   |  | 61,370,629.68      | 67,454,904.72    |
|   | 2,635,476.65  | 2,473,663.27                                    |   |  | 5,853,326.27       | 154,420.19       |
|   | (160,140,786.90)  | 19,863,734.17                                   |   |  | (149,191,482.12)   | (202,244,016.89) |
|   | 133,775.31  | 100,167.99                                      |   |  | 187,172.57         | 75,494.71        |
| (131.33)  | (2,863,614.80)  | (2,276,981.90)                                  |   |  | (6,032,171.36)     | (1,691,935.17)   |
|   | (8,287.79)  | (45,074.33)                                     |   |  | (109,420.48)       | (320,186.66)     |
| 2,429.68  | (126,228,269.58)  | 39,815,977.30                                   | 0.00  | 0.00   | (87,921,945.44)    | (136,571,319.10) |
| (51,652.22)                                       | (126,286,878.30)  | 38,969,117.40                                   | (35.45)   | 0.00   | (87,590,600.32)    | (151,858,270.07) |
| 11,311.45   | 291,158.61  | 2,903,990.82                                    | 390,141.46  | (6,831.25)   | 0.00               | (36,700.56)      |
| 11,311.45   | 291,158.61  | 2,903,990.82                                    | 390,141.46  | (6,831.25)   | 5,850,531.71       | 17,555,345.90    |
|   |   |   |   |  | 5,850,531.71       | 17,518,645.34    |

<sup>1</sup> U/F (0808 - 0826, 0831 - 0841)

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT C-3b

STATEMENT OF CASH FLOWS

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|   | VET LAND REF BDS<br>REF SER '91<br>TAX '00, '02-'06, & '10D<br>FUND (0571)<br>U/F (0571) (9000) (9001) | VET LAND BDS<br>REF SER '99A<br>FUND (0626)<br>U/F (0626) |
|---|--|---|
|   | \$   | \$  |
| <b>INCREASE (DECREASE) IN<br/>CASH AND CASH EQUIVALENTS (Note 1)</b>            |  |   |
| <b>OPERATING ACTIVITIES</b>   |  |   |
| Receipts from Loan Payments   | 74,888,793.28  | 1,428,048.44  |
| Other Operating Cash Receipts   | (686,475.62)   |   |
| Fundings for Land Loans   | (71,416,202.85)  |   |
| Payments to Suppliers of Goods and Services                                     | (1,177,186.30)   | (90,052.39)   |
| Payments for Other Expenses   | (69,566.68)  |   |
| Net Change in Pollution Remediation Obligation                                  |  |   |
| <b>NET CASH PROVIDED (USED)<br/>BY OPERATING ACTIVITIES</b>                     | <b>1,539,361.83</b>  | <b>1,337,996.05</b>                                       |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>  |  |   |
| Proceeds from Debt Issuance   |  |   |
| Payments for Debt Service - Principal   | (13,065,000.00)  | (2,745,000.00)  |
| Payments for Debt Service - Interest  | (12,184,874.34)  | (724,835.25)  |
| Transfers from Other Funds  | 30,171,697.80  | 3,177,000.00  |
| Transfers to Other Funds  | (21,604,257.92)  | (1,178,876.40)  |
| <b>NET CASH PROVIDED (USED) BY<br/>NONCAPITAL FINANCING ACTIVITIES</b>          | <b>(16,682,434.46)</b>   | <b>(1,471,711.65)</b>                                     |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                 |  |   |
| Payments for Additional Capital Assets  |  |   |
| <b>NET CASH PROVIDED (USED) BY CAPITAL<br/>AND RELATED FINANCING ACTIVITIES</b> | <b>0.00</b>  | <b>0.00</b>   |
| <b>INVESTING ACTIVITIES</b>   |  |   |
| Proceeds from Interest and Investment Income                                    | (12,816,631.97)  | 246,529.20  |
| Proceeds from Sale of Investments   | 44,373,093.79  |   |
| Payments to Acquire Investments   | (13,302,728.04)  |   |
| <b>NET CASH PROVIDED (USED)<br/>BY INVESTING ACTIVITIES</b>                     | <b>18,253,733.78</b>   | <b>246,529.20</b>   |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                         | <b>3,110,661.15</b>  | <b>112,813.60</b>   |
| <b>CASH AND CASH EQUIVALENTS - August 31, 2014</b>                              | <b>30,922,094.96</b>   | <b>132,740.04</b>   |
| <b>CASH AND CASH EQUIVALENTS - August 31, 2015</b>                              | <b>34,032,756.11</b>   | <b>245,553.64</b>   |

UNAUDITED

| VET LAND BDS<br>SER '94<br>FUND (0381)<br>U/F (0381) |                | VET LAND BDS<br>TAX-EXEMPT<br>FUND (0385)<br>U/F (0850) (0852) |                  | TOTALS<br>(EXH. V) |      |
|--|----------------|--|------------------|--------------------|------|
|  |                |  |                  | 2015               | 2014 |
| \$   | \$             | \$   | \$               |                    |      |
|  | 1,149,688.02   | 77,466,529.74  | 68,723,723.26    |                    |      |
|  |                | (686,475.62)   | 1,349,922.99     |                    |      |
| (1,250.00)   | (647,889.88)   | (71,416,202.85)  | (56,848,094.68)  |                    |      |
|  |                | (1,916,378.57)   | (3,969,820.58)   |                    |      |
|  |                | (69,566.68)  | (78.31)          |                    |      |
| (1,250.00)   | 501,798.14     | 3,377,906.02   | 9,255,652.68     |                    |      |
| (747,000.00)   | (1,177,000.00) | 0.00   | 233,975,000.00   |                    |      |
|  | (622,729.06)   | (17,734,000.00)  | (250,012,000.00) |                    |      |
| 358,000.00   | 726,000.00     | (13,532,438.65)  | (14,102,868.55)  |                    |      |
|  |                | 34,432,697.80  | 17,479,356.45    |                    |      |
|  |                | (22,783,134.32)  | (32,253,044.06)  |                    |      |
| (389,000.00)   | (1,073,729.06) | (19,616,875.17)  | (44,913,556.16)  |                    |      |
|  |                | 0.00   | (4,894.25)       |                    |      |
| 0.00   | 0.00           | 0.00   | (4,894.25)       |                    |      |
| 59.59  | 804.54         | (12,569,238.64)  | 26,126,677.82    |                    |      |
|  |                | 44,373,093.79  | 46,801,640.52    |                    |      |
|  |                | (13,302,728.04)  | (37,401,762.30)  |                    |      |
| 59.59  | 804.54         | 18,501,127.11  | 35,526,556.04    |                    |      |
| (390,190.41)   | (571,126.38)   | 2,262,157.96   | (136,241.69)     |                    |      |
| 394,032.66   | 741,529.41     | 32,190,397.07  | 32,326,638.76    |                    |      |
| 3,842.25   | 170,403.03     | 34,452,555.03  | 32,190,397.07    |                    |      |

-to next page

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT C-3b (concluded)**

STATEMENT OF CASH FLOWS

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

| VET LAND REF BDS  |   |
|---|---|
| REF SER '89, '90, '91,<br>TAX REF '98A, '98B, & '99B<br>FUND (0571)<br>U/F (0571) (9000) (9001) | VET LAND BDS<br>REF SER '99A<br>FUND (0626)<br>U/F (0626) |
| \$  | \$  |

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

|   |              |              |
|---|--------------|--------------|
| <b>OPERATING INCOME (LOSS) (Exhibit C-2b)</b> | 7,742,164.77 | (585,764.25) |
|---|--------------|--------------|

**ADJUSTMENTS TO RECONCILE OPERATING INCOME  
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

|  |                 |              |
|--|-----------------|--------------|
| Depreciation and Amortization              |                 |              |
| Classification Differences                 | 13,699,980.89   | 724,857.21   |
| (Increase) Decrease in Receivables         | 10,881,263.86   | 38,827.76    |
| (Increase) Decrease in Loans and Contracts | (22,624,382.20) | 1,157,807.28 |
| (Increase) Decrease in Other Assets        | (7,465,417.95)  | 2,549.00     |
| Increase (Decrease) in Payables            | 663,732.09      | 1,620.00     |
| Increase (Decrease) in Other Liabilities   | (1,357,979.63)  | (1,900.95)   |

|                          |                       |                     |
|--------------------------|-----------------------|---------------------|
| <b>TOTAL ADJUSTMENTS</b> | <u>(6,202,802.94)</u> | <u>1,923,760.30</u> |
|--------------------------|-----------------------|---------------------|

|   |                     |                     |
|---|---------------------|---------------------|
| <b>NET CASH PROVIDED (USED)<br/>BY OPERATING ACTIVITIES</b> | <u>1,539,361.83</u> | <u>1,337,996.05</u> |
|---|---------------------|---------------------|

**NONCASH TRANSACTIONS**

|  |                 |              |
|--|-----------------|--------------|
| Capital Appreciation Bond Interest Accretion | (12,169,980.89) | (724,857.21) |
| Change in Fair Value of Investments          | 3,158,967.95    | 46,570.10    |

|                                   |                       |                     |
|-----------------------------------|-----------------------|---------------------|
| <b>TOTAL NONCASH TRANSACTIONS</b> | <u>(9,011,012.94)</u> | <u>(678,287.11)</u> |
|-----------------------------------|-----------------------|---------------------|

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

UNAUDITED

| VET LAND BDS<br>SER '94<br>FUND (0381)<br>U/F (0381) |             | VET LAND BDS<br>TAX-EXEMPT<br>FUND (0385)<br>U/F (0850) (0852) |    | TOTALS<br>(EXH. V) |                |
|--|-------------|--|----|--------------------|----------------|
| \$   | \$          | \$   | \$ | 2015               | 2014           |
|  |             |  |    |                    |                |
|  | (13,342.95) | (835,511.06)   |    | 6,307,546.51       | 3,637,936.27   |
|  |             |  |    |                    |                |
|  | 12,092.95   | 523,598.97   |    | 0.00               | 102.52         |
|  |             | 27,222.46  |    | 14,960,530.02      | 13,728,300.40  |
|  |             | 826,723.31   |    | 10,947,314.08      | (9,188,428.99) |
|  |             | (14,102.00)  |    | (20,639,851.61)    | (8,021,523.29) |
|  |             | (25,284.59)  |    | (7,476,970.95)     | 13,140.36      |
|  |             | (848.95)   |    | 640,067.50         | 7,942,914.79   |
|  |             |  |    | (1,360,729.53)     | 1,143,210.62   |
|  | 12,092.95   | 1,337,309.20   |    | (2,929,640.49)     | 5,617,716.41   |
|  | (1,250.00)  | 501,798.14   |    | 3,377,906.02       | 9,255,652.68   |
|  |             |  |    |                    |                |
|  | (12,092.95) | (61,139.66)  |    | (12,968,070.71)    | (150,667.80)   |
|  |             |  |    | 3,205,538.05       | 11,415,174.74  |
|  | (12,092.95) | (61,139.66)  |    | (9,762,532.66)     | 11,264,506.94  |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

EXHIBIT C-3c

STATEMENT OF CASH FLOWS

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | TEMPLE<br>FUND (0374)<br>U/F (0650) | FLORESVILLE<br>FUND (0374)<br>U/F (0651) | BONHAM<br>FUND (0374)<br>U/F (0660) | BIG SPRING<br>FUND (0374)<br>U/F (0661) | SERIES 2002<br>FUND (0374)<br>U/F (0665) | GEN PURPOSE<br>FUND (0374)<br>U/F (0666) | SURPLUS<br>FUND (0374)<br>U/F (0698) |
|--|-------------------------------------|--|-------------------------------------|---|--|--|--------------------------------------|
|  | \$                                  | \$                                       | \$                                  | \$                                      | \$                                       | \$                                       | \$                                   |
| <b>INCREASE/(DECREASE) IN<br/>CASH AND CASH EQUIVALENTS (Note 1)</b>   |                                     |  |                                     |   |  |  |                                      |
| <b>OPERATING ACTIVITIES</b>  |                                     |  |                                     |   |  |  |                                      |
| Receipts from Residents  | 2,159,958.09                        | 2,347,898.50                             | 2,834,500.55                        | 2,000,343.49                            | 216,070.63                               |  |                                      |
| Receipts from Veterans Administration                                  | 9,387,689.64                        | 8,459,054.45                             | 6,408,423.71                        | 5,835,527.18                            |  |  |                                      |
| Receipts from Medicare   | 698,146.80                          | 1,232,433.00                             | 1,681,721.26                        | 507,846.94                              |  |  |                                      |
| Receipts from Medicaid   | 325,499.62                          | 773,237.25                               | 1,006,900.02                        | 743,746.92                              |  |  |                                      |
| Receipts from Gifts/Pledges/Donations                                  | 5,768.40                            | 5,270.00                                 | 2,395.00                            | 5,134.00                                |  |  |                                      |
| Other Operating Cash Receipts  | (2,197,401.26)                      | (2,763,623.24)                           | 79,310.93                           | (2,187,895.47)                          | 22,896,282.95                            |  |                                      |
| Payments to Suppliers of Goods and Services                            | (10,149,367.40)                     | (11,078,795.01)                          | (11,254,953.19)                     | (8,691,568.29)                          |  |  |                                      |
| Payment for Other Expenses   | (4,418.09)                          | (7,107.68)                               | (30,450.67)                         | (25,660.47)                             | 861.86                                   |  |                                      |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                | <b>225,875.80</b>                   | <b>(1,031,632.73)</b>                    | <b>727,847.61</b>                   | <b>(1,812,525.70)</b>                   | <b>23,113,215.44</b>                     | <b>0.00</b>                              | <b>0.00</b>                          |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>                                 |                                     |  |                                     |   |  |  |                                      |
| Transfers from Other Funds   | 862,747.05                          | 162,067.31                               | 267,621.76                          | (313,899.63)                            |  |  |                                      |
| Transfers to Other Funds   | (362,903.34)                        | (362,926.20)                             | (363,091.79)                        | (362,903.34)                            | (861.86)                                 |  |                                      |
| <b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>                | <b>499,843.71</b>                   | <b>(200,858.89)</b>                      | <b>(95,470.03)</b>                  | <b>(676,802.97)</b>                     | <b>(861.86)</b>                          | <b>0.00</b>                              | <b>0.00</b>                          |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>                        |                                     |  |                                     |   |  |  |                                      |
| Receipts from Veterans Administration                                  |                                     |  |                                     | 743,073.62                              |  |  |                                      |
| Payments for Additions to Capital Assets                               | (869,890.81)                        | (505,037.52)                             | (1,122,077.57)                      | (421,507.57)                            |  |  |                                      |
| Transfers to Other Funds   |                                     |  |                                     |   | (10,651,795.21)                          |  |                                      |
| <b>NET CASH PROVIDED (USED) BY<br/>NONCAPITAL FINANCING ACTIVITIES</b> | <b>(869,890.81)</b>                 | <b>(505,037.52)</b>                      | <b>(1,122,077.57)</b>               | <b>321,566.05</b>                       | <b>(10,651,795.21)</b>                   | <b>0.00</b>                              | <b>0.00</b>                          |
| <b>INVESTING ACTIVITIES</b>  |                                     |  |                                     |   |  |  |                                      |
| Receipts from Interest and Investment Income                           | 14,788.94                           | 20,445.41                                | 6,908.00                            | 10,852.13                               | 32,180.80                                |  | 85.82                                |
| Payments to Acquire Investments  |                                     |  |                                     |   | (11,035,664.06)                          |  |                                      |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>                | <b>14,788.94</b>                    | <b>20,445.41</b>                         | <b>6,908.00</b>                     | <b>10,852.13</b>                        | <b>(11,003,483.26)</b>                   | <b>0.00</b>                              | <b>85.82</b>                         |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                | <b>(129,382.36)</b>                 | <b>(1,717,083.73)</b>                    | <b>(482,791.99)</b>                 | <b>(2,156,910.49)</b>                   | <b>1,457,075.11</b>                      | <b>0.00</b>                              | <b>85.82</b>                         |
| <b>CASH AND CASH EQUIVALENTS - August 31, 2014</b>                     | <b>3,686,874.97</b>                 | <b>6,020,074.86</b>                      | <b>2,020,696.36</b>                 | <b>3,072,774.10</b>                     | <b>360,841.78</b>                        | <b>0.00</b>                              | <b>0.00</b>                          |
| <b>CASH AND CASH EQUIVALENTS - August 31, 2015</b>                     | <b>3,557,492.61</b>                 | <b>4,302,991.13</b>                      | <b>1,537,904.37</b>                 | <b>915,863.61</b>                       | <b>1,817,916.89</b>                      | <b>0.00</b>                              | <b>85.82</b>                         |

UNAUDITED

| TYLER 35%<br>FUND (0374)<br>U/F (0656) | FED ARRA 65%<br>FUND (0374)<br>U/F (6656) | RETAINAGE<br>FUND (0374)<br>U/F (0699) | MCALLEN<br>FUND (0374)<br>U/F (0652) | EL PASO<br>FUND (0374)<br>U/F (0653) | AMARILLO<br>FUND (0374)<br>U/F (0654) | RICHMOND<br>FUND (0374)<br>U/F (0657) | TOTALS<br>(EXH V) |                 |
|--|---|--|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|-------------------|-----------------|
|  |   |  |                                      |                                      |                                       |                                       | 2015              | 2014            |
| 2,222,481.75                           |   |  | 2,610,411.69                         | 2,560,459.06                         | 2,378,857.82                          |                                       | 19,330,981.58     | 20,673,126.62   |
| 5,292,196.05                           |   |  | 6,486,869.22                         | 9,134,865.32                         | 4,442,944.17                          |                                       | 55,447,569.74     | 50,812,305.56   |
| 702,506.97                             |   |  | 1,017,110.01                         | 1,246,959.11                         | 1,258,325.24                          |                                       | 8,345,049.33      | 7,943,932.05    |
| 2,711,787.75                           |   |  | 1,971,256.33                         | 1,254,596.82                         | 800,827.11                            |                                       | 9,587,851.82      | 10,354,699.85   |
| 1,042.00                               |   |  | 1,440.00                             | 8,645.17                             | 8,678.99                              |                                       | 38,373.56         | 1,068,689.92    |
| (1,847,668.61)                         |   |  | (2,796,228.45)                       | (2,094,768.58)                       | 34,882.12                             |                                       | 9,122,890.39      | 765,508.64      |
| (9,078,415.40)                         | (8,717.59)                                |  | (10,661,855.46)                      | (11,644,498.98)                      | (9,267,194.55)                        |                                       | (81,835,365.87)   | (74,183,038.79) |
| (11,902.73)                            | (433.32)                                  |  | (29,642.78)                          | (32,119.80)                          | (17,511.51)                           |                                       | (158,385.19)      | (8,539,879.27)  |
| (7,972.22)                             | (9,150.91)                                | 0.00                                   | (1,400,639.44)                       | 434,138.12                           | (360,190.61)                          | 0.00                                  | 19,878,965.36     | 8,895,344.58    |
| (733,557.66)                           |   |  | 778,662.09                           | 933,038.35                           | 884,933.36                            |                                       | 2,841,612.63      | 7,627,850.83    |
| (535,000.00)                           |   |  | (4,575,647.85)                       | (4,635,891.51)                       | (475,631.31)                          |                                       | (11,674,857.20)   | (10,563,962.18) |
| (1,268,557.66)                         | 0.00                                      | 0.00                                   | (3,796,985.76)                       | (3,702,853.16)                       | 409,302.05                            | 0.00                                  | (8,833,244.57)    | (2,936,111.35)  |
| 1,075,000.00                           |   |  | (764,688.05)                         | (909,091.24)                         | (32,333.96)                           |                                       | 743,073.62        | 3,646,510.05    |
|  |   |  |                                      |                                      |                                       |                                       | (3,549,626.72)    | (8,105,020.40)  |
|  |   |  |                                      |                                      |                                       |                                       | (10,651,795.21)   | 0.00            |
| 1,075,000.00                           | 0.00                                      | 0.00                                   | (764,688.05)                         | (909,091.24)                         | (32,333.96)                           | 0.00                                  | (13,458,348.31)   | (4,458,510.35)  |
| 14,434.41                              | 21.06                                     |  | 23,739.78                            | 31,125.53                            | 2,965.92                              |                                       | 157,547.80        | 122,865.50      |
|  |   |  |                                      |                                      |                                       |                                       | (11,035,664.06)   | 0.00            |
| 14,434.41                              | 21.06                                     | 0.00                                   | 23,739.78                            | 31,125.53                            | 2,965.92                              | 0.00                                  | (10,878,116.26)   | 122,865.50      |
| (187,095.47)                           | (9,129.85)                                | 0.00                                   | (5,938,573.47)                       | (4,146,680.75)                       | 19,743.40                             | 0.00                                  | (13,290,743.78)   | 1,623,588.38    |
| 3,833,799.30                           | 9,295.98                                  | 0.00                                   | 8,185,613.51                         | 10,914,206.04                        | 632,356.26                            | 0.00                                  | 38,736,533.16     | 37,112,944.78   |
| 3,646,703.83                           | 166.13                                    | 0.00                                   | 2,247,040.04                         | 6,767,525.29                         | 652,099.66                            | 0.00                                  | 25,445,789.38     | 38,736,533.16   |

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Texas General Land Office and Veterans' Land Board (305)

EXHIBIT C-3c (concluded)

STATEMENT OF CASH FLOWS

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | TEMPLE<br>FUND (0374)<br>U/F (0650) | FLORESVILLE<br>FUND (0374)<br>U/F (0651) | BONHAM<br>FUND (0374)<br>U/F (0660) | BIG SPRING<br>FUND (0374)<br>U/F (0661) | SERIES 2002<br>FUND (0374)<br>U/F (0665) | GEN PURPOSE<br>FUND (0374)<br>U/F (0666) | SURPLUS<br>FUND (0374)<br>U/F (0698) |
|--|-------------------------------------|--|-------------------------------------|---|--|--|--------------------------------------|
|  | \$                                  | \$                                       | \$                                  | \$                                      | \$                                       | \$                                       | \$                                   |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>        |                                     |  |                                     |   |  |  |                                      |
| <b>OPERATING INCOME (LOSS) (Exhibit C-2c)</b>  | (836,507.12)                        | (1,347,110.99)                           | 589,987.95                          | (2,193,020.50)                          | 14,500,000.00                            |  |                                      |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                                     |  |                                     |   |  |  |                                      |
| Depreciation and Amortization  | 470,944.32                          | 465,056.40                               | 460,981.56                          | 443,243.88                              |  |  |                                      |
| Classification Differences   | 5,768.40                            | 5,270.00                                 | 690,076.52                          | 5,134.00                                |  |  |                                      |
| (Increase) Decrease in Receivables   | 810,948.04                          | 63,077.62                                | 88,409.30                           | 80,964.84                               |  |  |                                      |
| Increase (Decrease) in Allowance for Doubtful Accounts   |                                     |  |                                     |   |  |  |                                      |
| (Increase) Decrease in Other Assets  | (2,044.56)                          | (7,629.80)                               |                                     | (1,540.86)                              | (4.00)                                   |  |                                      |
| Increase (Decrease) in Payables  | (223,233.28)                        | (210,295.96)                             | (1,101,607.72)                      | (147,307.06)                            | 861.86                                   |  | 8,395,241.66                         |
| Increase (Decrease) in Other Liabilities   |                                     |  |                                     |   | 8,612,357.58                             |  | (8,395,241.66)                       |
| <b>TOTAL ADJUSTMENTS</b>   | <b>1,062,382.92</b>                 | <b>315,478.26</b>                        | <b>137,859.66</b>                   | <b>380,494.80</b>                       | <b>8,613,215.44</b>                      | <b>0.00</b>                              | <b>0.00</b>                          |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <b>225,875.80</b>                   | <b>(1,031,632.73)</b>                    | <b>727,847.61</b>                   | <b>(1,812,525.70)</b>                   | <b>23,113,215.44</b>                     | <b>0.00</b>                              | <b>0.00</b>                          |
| <b>NONCASH TRANSACTIONS</b>  |                                     |  |                                     |   |  |  |                                      |
| Change in Fair Value of Investments  |                                     |  |                                     |   | (15,724.73)                              |  |                                      |
| <b>TOTAL NONCASH TRANSACTIONS</b>  | <b>0.00</b>                         | <b>0.00</b>                              | <b>0.00</b>                         | <b>0.00</b>                             | <b>(15,724.73)</b>                       | <b>0.00</b>                              | <b>0.00</b>                          |

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



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| TYLER 35%<br>FUND (0374)<br>U/F (0656) | FED ARRA 65%<br>FUND (0374)<br>U/F (6656) | RETAINAGE<br>FUND (0374)<br>U/F (0699) | MCALLEN<br>FUND (0374)<br>U/F (0652) | EL PASO<br>FUND (0374)<br>U/F (0653) | AMARILLO<br>FUND (0374)<br>U/F (0654) | RICHMOND<br>FUND (0374)<br>U/F (0657) | TOTALS<br>(EXH V) |                |
|--|---|--|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|-------------------|----------------|
| \$                                     | \$  | \$                                     | \$                                   | \$                                   | \$                                    | \$                                    | 2015              | 2014           |
| 137,906.96                             | (560,540.91)                              |  | (1,642,843.70)                       | 240,642.52                           | (958,506.16)                          |                                       | 7,930,008.05      | 11,039,978.92  |
| 309,002.17                             | 551,390.00                                |  | 586,928.42                           | 544,294.61                           | 679,784.94                            |                                       | 4,511,626.30      | 4,539,139.20   |
| 1,042.00                               |   |  | 1,440.00                             | 8,645.17                             | 8,678.99                              |                                       | 726,055.08        | 1,068,689.92   |
| 63,649.00                              |   |  | (92,225.29)                          | (103,746.11)                         | 381,586.75                            |                                       | 1,292,664.15      | 1,960,720.66   |
| (12,319.36)                            |   |  | (6,931.30)                           |                                      | 340,287.27                            |                                       | 0.00              | (67,424.34)    |
| (507,252.99)                           |   |  | (247,007.57)                         | (255,698.07)                         | (812,022.40)                          |                                       | 309,817.39        | 553,865.61     |
|  |   |  |                                      |                                      |                                       |                                       | 4,891,678.47      | (9,645,762.53) |
|  |   |  |                                      |                                      |                                       |                                       | 217,115.92        | (553,862.86)   |
| (145,879.18)                           | 551,390.00                                | 0.00                                   | 242,204.26                           | 193,495.60                           | 598,315.55                            | 0.00                                  | 11,948,957.31     | (2,144,634.34) |
| (7,972.22)                             | (9,150.91)                                | 0.00                                   | (1,400,639.44)                       | 434,138.12                           | (360,190.61)                          | 0.00                                  | 19,878,965.36     | 8,895,344.58   |
|  |   |  |                                      |                                      |                                       |                                       | (15,724.73)       | 0.00           |
| 0.00                                   | 0.00                                      | 0.00                                   | 0.00                                 | 0.00                                 | 0.00                                  | 0.00                                  | (15,724.73)       | 0.00           |

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Texas General Land Office and Veterans' Land Board (305)

**EXHIBIT D-1**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended August 31, 2015

|   | BALANCE<br>09-01-2014 | ADDITIONS            | DEDUCTIONS           | (EXH. VI)<br>BALANCE<br>08-31-2015 |
|---|-----------------------|----------------------|----------------------|------------------------------------|
| <b>UNAPPROPRIATED RECEIPTS</b>  | \$                    | \$                   | \$                   | \$                                 |
| <b>GENERAL REVENUE FUND (0001)<br/>U/F (0111)</b>                     |                       |                      |                      |                                    |
| <b>ASSETS</b>   |                       |                      |                      |                                    |
| Current Assets:   |                       |                      |                      |                                    |
| Cash in State Treasury  | 0.00                  | 16,991,318.77        | 16,991,318.77        | 0.00                               |
| Accounts Receivable   | 188,784.77            | 9,085.49             | 188,784.77           | 9,085.49                           |
| Due from Other Funds  | 44,528.46             | 18,029.05            | 44,528.46            | 18,029.05                          |
| Total Current Assets  | <u>233,313.23</u>     | <u>17,018,433.31</u> | <u>17,224,632.00</u> | <u>27,114.54</u>                   |
| <b>TOTAL ASSETS</b>   | <u>233,313.23</u>     | <u>17,018,433.31</u> | <u>17,224,632.00</u> | <u>27,114.54</u>                   |
| <b>LIABILITIES</b>  |                       |                      |                      |                                    |
| Current Liabilities:  |                       |                      |                      |                                    |
| Funds Held for Others   | <u>233,313.23</u>     | <u>17,018,433.31</u> | <u>17,224,632.00</u> | <u>27,114.54</u>                   |
| Total Current Liabilities   | <u>233,313.23</u>     | <u>17,018,433.31</u> | <u>17,224,632.00</u> | <u>27,114.54</u>                   |
| <b>TOTAL LIABILITIES</b>  | <u>233,313.23</u>     | <u>17,018,433.31</u> | <u>17,224,632.00</u> | <u>27,114.54</u>                   |
| <b>OTHER AGENCY FUNDS</b>   |                       |                      |                      |                                    |
| <b>CHILD SUPPORT ADDENDA DEDUCTS - SUSPENSE (0807)<br/>U/F (8070)</b> |                       |                      |                      |                                    |
| <b>ASSETS</b>   |                       |                      |                      |                                    |
| Current Assets:   |                       |                      |                      |                                    |
| Cash in State Treasury  | 6,646.65              | 97,124.47            | 95,102.80            | 8,668.32                           |
| Total Current Assets  | <u>6,646.65</u>       | <u>97,124.47</u>     | <u>95,102.80</u>     | <u>8,668.32</u>                    |
| <b>TOTAL ASSETS</b>   | <u>6,646.65</u>       | <u>97,124.47</u>     | <u>95,102.80</u>     | <u>8,668.32</u>                    |
| <b>LIABILITIES</b>  |                       |                      |                      |                                    |
| Current Liabilities:  |                       |                      |                      |                                    |
| Funds Held for Others   | <u>6,646.65</u>       | <u>97,124.47</u>     | <u>95,102.80</u>     | <u>8,668.32</u>                    |
| Total Current Liabilities   | <u>6,646.65</u>       | <u>97,124.47</u>     | <u>95,102.80</u>     | <u>8,668.32</u>                    |
| <b>TOTAL LIABILITIES</b>  | <u>6,646.65</u>       | <u>97,124.47</u>     | <u>95,102.80</u>     | <u>8,668.32</u>                    |

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EXHIBIT D-1 (concluded)

|  | BALANCE<br>09-01-2014 | ADDITIONS            | DEDUCTIONS           | (EXH. VI)<br>BALANCE<br>08-31-2015 |
|--|-----------------------|----------------------|----------------------|------------------------------------|
| <b>PURCHASE/LEASE LAND VACANCY TRUST</b> | \$                    | \$                   | \$                   | \$                                 |
| <b>ACCOUNT (0873) U/F (0873)</b>         |                       |                      |                      |                                    |
| <b>ASSETS</b>                            |                       |                      |                      |                                    |
| Current Assets:                          |                       |                      |                      |                                    |
| Cash in State Treasury                   | 9,995.54              | 29,091.77            | 10,542.96            | 28,544.35                          |
| Receivable - Interest and Dividends      | 3.78                  | 9.94                 | 3.78                 | 9.94                               |
| Total Current Assets                     | <u>9,999.32</u>       | <u>29,101.71</u>     | <u>10,546.74</u>     | <u>28,554.29</u>                   |
| <b>TOTAL ASSETS</b>                      | <u>9,999.32</u>       | <u>29,101.71</u>     | <u>10,546.74</u>     | <u>28,554.29</u>                   |
| <b>LIABILITIES</b>                       |                       |                      |                      |                                    |
| Current Liabilities:                     |                       |                      |                      |                                    |
| Funds Held for Others                    | 9,999.32              | 29,101.71            | 10,546.74            | 28,554.29                          |
| Total Current Liabilities                | <u>9,999.32</u>       | <u>29,101.71</u>     | <u>10,546.74</u>     | <u>28,554.29</u>                   |
| <b>TOTAL LIABILITIES</b>                 | <u>9,999.32</u>       | <u>29,101.71</u>     | <u>10,546.74</u>     | <u>28,554.29</u>                   |
| <br>                                     |                       |                      |                      |                                    |
| <b>TOTALS - ALL AGENCY FUNDS</b>         |                       |                      |                      |                                    |
| <b>ASSETS</b>                            |                       |                      |                      |                                    |
| Current Assets:                          |                       |                      |                      |                                    |
| Cash and Cash Equivalents:               |                       |                      |                      |                                    |
| Cash in State Treasury                   | 16,642.19             | 17,117,535.01        | 17,096,964.53        | 37,212.67                          |
| Receivables:                             |                       |                      |                      |                                    |
| Interest and Dividends                   | 3.78                  | 9.94                 | 3.78                 | 9.94                               |
| Accounts Receivable                      | 188,784.77            | 9,085.49             | 188,784.77           | 9,085.49                           |
| Due From Other Funds                     | 44,528.46             | 18,029.05            | 44,528.46            | 18,029.05                          |
| Total Current Assets                     | <u>249,959.20</u>     | <u>17,144,659.49</u> | <u>17,330,281.54</u> | <u>64,337.15</u>                   |
| <b>TOTAL ASSETS</b>                      | <u>249,959.20</u>     | <u>17,144,659.49</u> | <u>17,330,281.54</u> | <u>64,337.15</u>                   |
| <b>LIABILITIES</b>                       |                       |                      |                      |                                    |
| Current Liabilities:                     |                       |                      |                      |                                    |
| Funds Held for Others                    | 249,959.20            | 17,144,659.49        | 17,330,281.54        | 64,337.15                          |
| Total Current Liabilities                | <u>249,959.20</u>     | <u>17,144,659.49</u> | <u>17,330,281.54</u> | <u>64,337.15</u>                   |
| <b>TOTAL LIABILITIES</b>                 | <u>249,959.20</u>     | <u>17,144,659.49</u> | <u>17,330,281.54</u> | <u>64,337.15</u>                   |

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

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TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

SUPPLEMENTARY  
SCHEDULES

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2015



UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 1-A**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended August 31, 2015

| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR<br>PROGRAM TITLE   | CFDA<br>NUMBER | IDENTIFYING<br>NUMBER | PASS-THROUGH FROM          |                                  |                                 | DIRECT<br>PROGRAM<br>AMOUNT |
|---|----------------|-----------------------|----------------------------|----------------------------------|---------------------------------|-----------------------------|
|   |                |                       | AGENCY/<br>UNIV.<br>NUMBER | STATE AGY.<br>OR UNIV.<br>AMOUNT | NON-STATE<br>ENTITIES<br>AMOUNT |                             |
|   |                |                       | \$                         | \$                               | \$                              |                             |
| <b>U.S. DEPARTMENT OF COMMERCE</b>  |                |                       |                            |                                  |                                 |                             |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Coastal Zone Management Administration Awards   | 11.419         |                       |                            |                                  |                                 | 394,741.73                  |
| Pass-Through To:  |                |                       |                            |                                  |                                 |                             |
| Texas A&M AgriLife Extension Service  |                |                       |                            |                                  |                                 | 36,365.31                   |
| Texas A&M AgriLife Research   |                |                       |                            |                                  |                                 | 13,898.78                   |
| Texas A&M University  |                |                       |                            |                                  |                                 | 6,980.90                    |
| Texas A&M University - Galveston  |                |                       |                            |                                  |                                 | 119,184.79                  |
| University of Texas at Austin   |                |                       |                            |                                  |                                 | 90,155.46                   |
| Lamar University - Beaumont   |                |                       |                            |                                  |                                 | 6,898.00                    |
| University of Texas - Pan American  |                |                       |                            |                                  |                                 | 53,256.11                   |
| University of Houston - Clear Lake  |                |                       |                            |                                  |                                 | 776.16                      |
| Texas A&M University - Corpus Christi   |                |                       |                            |                                  |                                 | 505,929.05                  |
| Other Non-State Entities  |                |                       |                            |                                  |                                 | 887,686.87                  |
| <b>Direct Programs: (Recovery Act - Stimulus funds)</b>   |                |                       |                            |                                  |                                 |                             |
| Habitat Conservation  | 11.463         |                       |                            |                                  |                                 | 169,516.38                  |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Coastal Services Center   | 11.473         |                       |                            |                                  |                                 | (16,580.14)                 |
| <b>Total U.S. Department of Commerce</b>  |                |                       |                            | 0.00                             | 0.00                            | 2,268,809.40                |
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>   |                |                       |                            |                                  |                                 |                             |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Community Development Block Grants/Entitlement Grant  | 14.218         |                       |                            |                                  |                                 | 492,952.47                  |
| Pass-Through To:  |                |                       |                            |                                  |                                 |                             |
| Other Non-State Entities  |                |                       |                            |                                  |                                 | 2,330,313.52                |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii                                 | 14.228         |                       |                            |                                  |                                 | 117,754,625.33              |
| Pass-Through To:  |                |                       |                            |                                  |                                 |                             |
| Texas Water Development Board   |                |                       |                            |                                  |                                 | 1,267,801.62                |
| Other Non-State Entities  |                |                       |                            |                                  |                                 | 426,153,834.72              |
| Community Development Block Grants/Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) | 14.269         |                       |                            |                                  |                                 | 82,274.25                   |
| Pass-Through To:  |                |                       |                            |                                  |                                 |                             |
| Other Non-State Entities  |                |                       |                            |                                  |                                 | 4,554,900.00                |
| <b>Total U.S. Department of Housing and Urban Development</b>   |                |                       |                            | 0.00                             | 0.00                            | 552,636,701.91              |
| <b>U.S. DEPARTMENT OF THE INTERIOR</b>  |                |                       |                            |                                  |                                 |                             |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Gulf of Mexico Energy Security Act (GOMESA)   | 15.435         |                       |                            |                                  |                                 | (89,225.66)                 |
| Other Non-State Entities  |                |                       |                            |                                  |                                 | 322,597.75                  |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Coastal Program   | 15.630         |                       |                            |                                  |                                 |                             |
| Pass-Through From:  |                |                       |                            |                                  |                                 |                             |
| Parks and Wildlife Department   |                |                       | 802                        | 60,000.00                        |                                 |                             |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Federal Oil and Gas Royalty Management  | 15.427         |                       |                            |                                  |                                 | 172,335.21                  |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Coastal Wetlands Planning, Protection and Restoration Act   | 15.614         |                       |                            |                                  |                                 |                             |
| Pass-Through From:  |                |                       |                            |                                  |                                 |                             |
| Parks and Wildlife Department   |                |                       | 802                        | 999,752.07                       |                                 |                             |

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| TOTAL<br>PASS-THROUGH<br>FROM &<br>DIRECT PROGRAM | PASS-THROUGH TO            |                                  |                                 | EXPENDITURES<br>AMOUNT | TOTAL<br>PASS-THROUGH<br>TO &<br>EXPENDITURES |
|---|----------------------------|----------------------------------|---------------------------------|------------------------|---|
|   | AGENCY/<br>UNIV.<br>NUMBER | STATE AGY.<br>OR UNIV.<br>AMOUNT | NON-STATE<br>ENTITIES<br>AMOUNT |                        |   |
| \$  | \$                         | \$                               | \$                              | \$                     | \$  |
| 394,741.73  |                            |                                  |                                 | 394,741.73             | 394,741.73                                    |
| 36,365.31   | 555                        | 36,365.31                        |                                 |                        | 36,365.31                                     |
| 13,898.78   | 556                        | 13,898.78                        |                                 |                        | 13,898.78                                     |
| 6,980.90  | 711                        | 6,980.90                         |                                 |                        | 6,980.90                                      |
| 119,184.79  | 718                        | 119,184.79                       |                                 |                        | 119,184.79                                    |
| 90,155.46   | 721                        | 90,155.46                        |                                 |                        | 90,155.46                                     |
| 6,898.00  | 734                        | 6,898.00                         |                                 |                        | 6,898.00                                      |
| 53,256.11   | 736                        | 53,256.11                        |                                 |                        | 53,256.11                                     |
| 776.16  | 759                        | 776.16                           |                                 |                        | 776.16  |
| 505,929.05  | 760                        | 505,929.05                       |                                 |                        | 505,929.05                                    |
| 887,686.87  |                            |                                  | 887,686.87                      |                        | 887,686.87                                    |
| 169,516.38  |                            |                                  |                                 | 169,516.38             | 169,516.38                                    |
| (16,580.14)                                       |                            |                                  |                                 | (16,580.14)            | (16,580.14)                                   |
| <u>2,268,809.40</u>                               |                            | <u>833,444.56</u>                | <u>887,686.87</u>               | <u>547,677.97</u>      | <u>2,268,809.40</u>                           |
| 492,952.47  |                            |                                  |                                 | 492,952.47             | 492,952.47                                    |
| 2,330,313.52                                      |                            |                                  | 2,330,313.52                    |                        | 2,330,313.52                                  |
| 117,754,625.33                                    |                            |                                  |                                 | 117,754,625.33         | 117,754,625.33                                |
| 1,267,801.62                                      | 580                        | 1,267,801.62                     |                                 |                        | 1,267,801.62                                  |
| 426,153,834.72                                    |                            |                                  | 426,153,834.72                  |                        | 426,153,834.72                                |
| 82,274.25   |                            |                                  |                                 | 82,274.25              | 82,274.25                                     |
| 4,554,900.00                                      |                            |                                  | 4,554,900.00                    |                        | 4,554,900.00                                  |
| <u>552,636,701.91</u>                             |                            | <u>1,267,801.62</u>              | <u>433,039,048.24</u>           | <u>118,329,852.05</u>  | <u>552,636,701.91</u>                         |
| (89,225.66)                                       |                            |                                  |                                 | (89,225.66)            | (89,225.66)                                   |
| 322,597.75  |                            |                                  | 322,597.75                      |                        | 322,597.75                                    |
| 60,000.00   |                            |                                  |                                 | 60,000.00              | 60,000.00                                     |
| 172,335.21  |                            |                                  |                                 | 172,335.21             | 172,335.21                                    |
| 0.00  |                            |                                  |                                 | 0.00                   | 0.00  |
| 999,752.07  |                            |                                  |                                 | 999,752.07             | 999,752.07                                    |

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Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 1-A (continued)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2015

| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR<br>PROGRAM TITLE               | CFDA<br>NUMBER | IDENTIFYING<br>NUMBER | PASS-THROUGH FROM          |                                  |                                 | DIRECT<br>PROGRAM<br>AMOUNT |
|---|----------------|-----------------------|----------------------------|----------------------------------|---------------------------------|-----------------------------|
|   |                |                       | AGENCY/<br>UNIV.<br>NUMBER | STATE AGY.<br>OR UNIV.<br>AMOUNT | NON-STATE<br>ENTITIES<br>AMOUNT |                             |
|   |                |                       | \$                         | \$                               | \$                              |                             |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| National Wildlife Refuge Fund - Refuge Revenue Sharing                  | 15.659         |                       |                            |                                  |                                 | 2,339,605.65                |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Coastal Impact Assistance Program (CIAP)                                | 15.668         |                       |                            |                                  |                                 | (2,273,207.65)              |
| Pass-Through To:  |                |                       |                            |                                  |                                 |                             |
| Texas Water Development Board   |                |                       |                            |                                  |                                 | 85,617.54                   |
| Texas A&M Agrilife Research   |                |                       |                            |                                  |                                 | 61,031.96                   |
| Texas Commission on Environmental Quality                               |                |                       |                            |                                  |                                 | 874,172.67                  |
| University of Texas at Austin   |                |                       |                            |                                  |                                 | 493,251.03                  |
| Texas A&M University - Corpus Christi                                   |                |                       |                            |                                  |                                 | 1,863,396.03                |
| Texas Parks and Wildlife Department                                     |                |                       |                            |                                  |                                 | 329,636.95                  |
| Other Non-State Entities  |                |                       |                            |                                  |                                 | 4,771,554.98                |
|   |                | 13-242-000-7440       |                            |                                  | 311,080.15                      |                             |
|   |                | 11-239-000-4825       |                            |                                  | 62,185.83                       |                             |
| <b>Total U.S. Department of the Interior</b>                            |                |                       |                            | <b>1,059,752.07</b>              | <b>373,265.98</b>               | <b>8,950,766.46</b>         |
| <b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>                              |                |                       |                            |                                  |                                 |                             |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Grants to States for Construction of State Home Facilities              | 64.005         |                       |                            |                                  |                                 | 4,491,746.45                |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Veterans State Nursing Home Care  | 64.015         |                       |                            |                                  |                                 | 53,747,826.88               |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Burial Expenses Allowance for Veterans                                  | 64.101         |                       |                            |                                  |                                 | 1,046,885.00                |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| State Cemetery Grants   | 64.203         |                       |                            |                                  |                                 | 3,473,594.15                |
| <b>Total U.S. Department of Veterans Affairs</b>                        |                |                       |                            | <b>0.00</b>                      | <b>0.00</b>                     | <b>62,760,052.48</b>        |
| <b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>                             |                |                       |                            |                                  |                                 |                             |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Beach Monitoring and Notification Program Implementation Grants         | 66.472         |                       |                            |                                  |                                 | 8,780.44                    |
| Pass-Through To:  |                |                       |                            |                                  |                                 |                             |
| Lamar University - Beaumont   |                |                       |                            |                                  |                                 | 24,167.00                   |
| University of Texas - Pan American                                      |                |                       |                            |                                  |                                 | 60,138.10                   |
| Other Non-State Entities  |                |                       |                            |                                  |                                 | 196,056.00                  |
| <b>Total U.S. Environmental Protection Agency</b>                       |                |                       |                            | <b>0.00</b>                      | <b>0.00</b>                     | <b>289,141.54</b>           |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>                             |                |                       |                            |                                  |                                 |                             |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Disaster Grants - Public Assistance                                     | 97.036         |                       |                            |                                  |                                 | (99,043.57)                 |
| Pass-Through From:  |                |                       |                            |                                  |                                 |                             |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) |                |                       |                            |                                  |                                 |                             |
| Texas Department of Public Safety                                       |                |                       | 405                        | (11,757.00)                      |                                 |                             |
| <b>Direct Programs:</b>   |                |                       |                            |                                  |                                 |                             |
| Port Security Grant Program   | 97.056         | EMW-2011-PU-K00178-04 |                            |                                  |                                 | 3,052.61                    |
| <b>Total U.S. Department of Homeland Security</b>                       |                |                       |                            | <b>(11,757.00)</b>               | <b>3,052.61</b>                 | <b>(99,043.57)</b>          |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>                               |                |                       |                            | <b>1,047,995.07</b>              | <b>376,318.59</b>               | <b>626,806,428.22</b>       |



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| TOTAL<br>PASS-THROUGH<br>FROM &<br>DIRECT PROGRAM | PASS-THROUGH TO            |                                  |                                 |                        | TOTAL<br>PASS-THROUGH<br>TO &<br>EXPENDITURES |
|---|----------------------------|----------------------------------|---------------------------------|------------------------|---|
|   | AGENCY/<br>UNIV.<br>NUMBER | STATE AGY.<br>OR UNIV.<br>AMOUNT | NON-STATE<br>ENTITIES<br>AMOUNT | EXPENDITURES<br>AMOUNT |   |
| \$  | \$                         | \$                               | \$                              | \$                     | \$  |
| 2,339,605.65                                      |                            |                                  |                                 | 2,339,605.65           | 2,339,605.65                                  |
| (2,273,207.65)                                    |                            |                                  |                                 | (2,273,207.65)         | (2,273,207.65)                                |
| 85,617.54   | 580                        | 85,617.54                        |                                 |                        | 85,617.54                                     |
| 61,031.96   | 556                        | 61,031.96                        |                                 |                        | 61,031.96                                     |
| 874,172.67  | 582                        | 874,172.67                       |                                 |                        | 874,172.67                                    |
| 493,251.03  | 721                        | 493,251.03                       |                                 |                        | 493,251.03                                    |
| 1,863,396.03                                      | 760                        | 1,863,396.03                     |                                 |                        | 1,863,396.03                                  |
| 329,636.95  | 802                        | 329,636.95                       |                                 |                        | 329,636.95                                    |
| 4,771,554.98                                      |                            |                                  | 4,771,554.98                    |                        | 4,771,554.98                                  |
| 311,080.15  |                            |                                  |                                 | 311,080.15             | 311,080.15                                    |
| 62,185.83   |                            |                                  |                                 | 62,185.83              | 62,185.83                                     |
| <u>10,383,784.51</u>                              |                            | <u>3,707,106.18</u>              | <u>5,094,152.73</u>             | <u>1,582,525.60</u>    | <u>10,383,784.51</u>                          |
| 4,491,746.45                                      |                            |                                  |                                 | 4,491,746.45           | 4,491,746.45                                  |
| 53,747,826.88                                     |                            |                                  |                                 | 53,747,826.88          | 53,747,826.88                                 |
| 1,046,885.00                                      |                            |                                  |                                 | 1,046,885.00           | 1,046,885.00                                  |
| <u>3,473,594.15</u>                               |                            |                                  |                                 | <u>3,473,594.15</u>    | <u>3,473,594.15</u>                           |
| <u>62,760,052.48</u>                              |                            | <u>0.00</u>                      | <u>0.00</u>                     | <u>62,760,052.48</u>   | <u>62,760,052.48</u>                          |
| 8,780.44  |                            |                                  |                                 | 8,780.44               | 8,780.44                                      |
| 24,167.00   | 734                        | 24,167.00                        |                                 |                        | 24,167.00                                     |
| 60,138.10   | 736                        | 60,138.10                        |                                 |                        | 60,138.10                                     |
| 196,056.00  |                            |                                  | 196,056.00                      |                        | 196,056.00                                    |
| <u>289,141.54</u>                                 |                            | <u>84,305.10</u>                 | <u>196,056.00</u>               | <u>8,780.44</u>        | <u>289,141.54</u>                             |
| (99,043.57)                                       |                            |                                  |                                 | (99,043.57)            | (99,043.57)                                   |
| (11,757.00)                                       |                            |                                  |                                 | (11,757.00)            | (11,757.00)                                   |
| 3,052.61  |                            |                                  |                                 | 3,052.61               | 3,052.61                                      |
| <u>(107,747.96)</u>                               |                            | <u>0.00</u>                      | <u>0.00</u>                     | <u>(107,747.96)</u>    | <u>(107,747.96)</u>                           |
| <u>628,230,741.88</u>                             |                            | <u>5,892,657.46</u>              | <u>439,216,943.84</u>           | <u>183,121,140.58</u>  | <u>628,230,741.88</u>                         |

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Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 1-A (concluded)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2015

**NOTE 1 - NON-MONETARY ASSISTANCE**

Not Applicable.

**NOTE 2 - RECONCILIATION**

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the Schedule of Expenditures of Federal Financial Assistance to the total of federal revenues and federal pass-through revenues as reported in the general purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

|   |                              |
|---|------------------------------|
| Per Combined Statement of Revenues, Expenditures/Expenses, and Changes in Fund Balances/Net Assets: | \$                           |
| Federal Revenues (Exhibit II)   | 568,761,963.64               |
| Federal Pass-Through Revenues (Exhibit II)  | 1,047,995.07                 |
| Federal Non-Operating Revenues (Exhibit IV)   | 4,491,746.45                 |
| Federal Revenues (Exhibit IV)   | <u>53,747,826.88</u>         |
| Subtotal  | 628,049,532.04               |
| Reconciling Items:  |                              |
| U.S. Coast Guard National Pollution Funds Center  | <u>181,209.84</u>            |
| <b>TOTAL PASS-THROUGH TO AND EXPENDITURES PER FEDERAL SCHEDULE</b>                                  | <u><u>628,230,741.88</u></u> |

**NOTE 3 - STUDENT LOANS**

Not Applicable.

**NOTE 4 - DEPOSITORY LIBRARIES FOR GOVERNMENTAL PUBLICATIONS CFDA 40.001**

Not Applicable.

**NOTE 5 - UNEMPLOYMENT INSURANCE FUNDS**

Not Applicable - Agency 320 Only.

**NOTE 6 - REBATE FROM THE SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC)**

Not Applicable - Agency 537 Only.

**NOTE 7 - FEDERAL DEFERRED REVENUE**

|  |                          |
|--|--------------------------|
| <b>Total Federal Deferred Revenue 08/31/2015</b> | <u><u>271,100.18</u></u> |
|--|--------------------------|

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**SCHEDULE 1-B**

**SCHEDULE OF STATE PASS-THROUGH GRANTS FROM/TO STATE AGENCIES**

For the Year Ended August 31, 2015

TOTAL STATE  
PASS-THROUGH  
FROM/TO  
STATE AGENCIES

\$

**STATE PASS-THROUGH FROM:**

Texas Commission on Environmental Quality (Agency 582)  
Intergovernmental Cooperative Reimbursement Agreement  
Virginia Point Shoreline Protection Project 1,661.32

Texas Parks and Wildlife Department (Agency 802)  
Intergovernmental Cooperative Reimbursement Agreement  
Estuarine Restoration Breakwater at Bird Island Cove in West Galveston Bay 46,633.01

**TOTAL STATE PASS-THROUGH FROM OTHER AGENCIES (EXHIBIT II)** 48,294.33

**STATE PASS-THROUGH TO:**

Texas A&M University at Galveston (Agency 718)  
CMP Cycle 19 - Updating Long-Term Change Rates of the Texas Gulf Shoreline 51,660.36

**TOTAL STATE PASS-THROUGH TO OTHER AGENCIES (EXHIBIT II)** 51,660.36

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Texas General Land Office and Veterans' Land Board (305)

SCHEDULE 2-A

MISCELLANEOUS BOND INFORMATION  
For the Year Ended August 31, 2015

BUSINESS-TYPE ACTIVITIES

| DESCRIPTION<br>OF ISSUE                              | BONDS ISSUED<br>TO DATE | RANGE OF<br>INTEREST<br>RATES |        | YIELDS<br>ON CAPITAL<br>APPRECIATION<br>BONDS |        | TERMS OF<br>VARIABLE<br>INTEREST<br>RATES | SCHEDULED<br>MATURITIES |              | FIRST<br>CALL<br>DATE <sup>(1)</sup> |
|--|-------------------------|-------------------------------|--------|---|--------|---|-------------------------|--------------|--------------------------------------|
|  |                         |                               |        |   |        |   | FIRST<br>YEAR           | LAST<br>YEAR |                                      |
| <b>General Obligation Bonds - Self-Supporting \$</b> |                         |                               |        |   |        |   |                         |              |                                      |
| <b>Veterans' Housing Assistance Bonds</b>            |                         |                               |        |   |        |   |                         |              |                                      |
| Vet Hsg Bds Ser '94A-1                               | 10,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 1995                    | 2023         | 02-24-1994                           |
| Vet Hsg Tax Ref Bds Ser '94A-2                       | 59,600,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2033                    | 2033         | 04-28-1994                           |
| Vet Hsg Ref Bds Ser '94C                             | 81,825,000.00           | 4.000%                        | 6.400% |   |        |   | 1995                    | 2015         | 12-01-1995                           |
| Vet Hsg Ref Bds Ser '94C                             | 12,160,000.00           |                               |        | 5.400%  | 6.700% |   | 1999                    | 2014         | N/A                                  |
| Vet Hsg Ref Bds Ser '95                              | 88,490,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 1996                    | 2016         | 10-31-1995                           |
| Vet Hsg Fund II Tax Bds Ser '97B-2                   | 25,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2021                    | 2029         | 12-18-1997                           |
| Vet Hsg Fund II Tax Bds Ser '99A-1                   | 50,000,000.00           | 7.000%                        | 8.060% |   |        |   | 2000                    | 2029         | 10-07-1999                           |
| Vet Hsg Fund II Tax Bds Ser '99A-2                   | 150,000,000.00          | VAR                           | VAR    |   |        | Weekly                                    | 2029                    | 2029         | 10-07-1999                           |
| Vet Hsg Fund II Bds Ser 2001A-2                      | 20,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2020                    | 2029         | 03-22-2001                           |
| Vet Hsg Fund II Bds Ser 2001C-2                      | 25,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2015                    | 2033         | 12-18-2001                           |
| Vet Hsg Fund II Bds Ser 2002A-2                      | 38,300,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2003                    | 2033         | 07-10-2002                           |
| Vet Hsg Fund I Tax Ref Bds Ser 2002B                 | 22,605,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2003                    | 2023         | 11-06-2002                           |
| Vet Hsg Fund II Bds Ser 2003A                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2003                    | 2033         | 03-04-2003                           |
| Vet Hsg Fund II Bds Ser 2003B                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2004                    | 2034         | 10-22-2003                           |
| Vet Hsg Fund I Tax Ref Bds Ser 2003                  | 47,865,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2013                    | 2021         | 11-20-2003                           |
| Vet Hsg Fund II Bds Ser 2004A                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2004                    | 2034         | 04-07-2004                           |
| Vet Hsg Fund I Tax Ref Bds Ser 2004                  | 19,550,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2004                    | 2024         | 05-20-2004                           |
| Vet Hsg Fund II Bds Ser 2004B                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2005                    | 2034         | 09-15-2004                           |
| Vet Hsg Fund I Tax Ref Bds Ser 2004C                 | 7,220,000.00            | VAR                           | VAR    |   |        | Weekly                                    | 2015                    | 2018         | 11-18-2004                           |
| Vet Hsg Fund II Tax Ref Bds Ser 2004D                | 31,705,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2005                    | 2020         | 11-18-2004                           |
| Vet Hsg Fund II Bds Ser 2005A                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2005                    | 2035         | 02-24-2005                           |
| Vet Hsg Fund II Bds Ser 2005B                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2006                    | 2036         | 08-09-2005                           |
| Vet Hsg Fund I Tax Ref Bds Ser 2005C                 | 41,730,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2006                    | 2025         | 11-16-2005                           |
| Vet Hsg Fund II Tax Ref Bds Ser 2005D                | 11,540,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2015                    | 2026         | 11-16-2005                           |
| Vet Hsg Fund II Tax Ref Bds Ser 2006B                | 38,570,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2015                    | 2026         | 05-10-2006                           |
| Vet Hsg Fund II Tax Ref Bds Ser 2006C                | 22,325,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2006                    | 2027         | 05-10-2006                           |
| Vet Hsg Fund II Bds Ser 2006A                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2006                    | 2036         | 06-01-2006                           |
| Vet Hsg Fund II Bds Ser 2006D                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2007                    | 2036         | 09-20-2006                           |
| Vet Hsg Fund II Tax Ref Bds Ser 2006E                | 39,560,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2015                    | 2026         | 11-15-2006                           |
| Vet Hsg Fund II Bds Ser 2007A                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2007                    | 2037         | 02-22-2007                           |
| Vet Hsg Fund II Bds Ser 2007B                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2008                    | 2038         | 06-26-2007                           |
| Vet Hsg Fund II Tax Ref Bds Ser 2007C                | 54,160,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2008                    | 2029         | 11-14-2007                           |
| Vet Hsg Fund II Bds Ser 2008A                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2008                    | 2038         | 03-26-2008                           |
| Vet Hsg Fund II Bds Ser 2008B                        | 50,000,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2008                    | 2038         | 09-11-2008                           |
| Vet Hsg Fund II Bds Ser 2009A                        | 50,000,000.00           | 2.000%                        | 5.250% |   |        |   | 2009                    | 2023         | N/A                                  |
| Vet Hsg Fund II Bds Ser 2009B                        | 50,000,000.00           | 3.500%                        | 5.000% |   |        |   | 2009                    | 2023         | N/A                                  |
| Vet Hsg Fund II Bds Ser 2009C                        | 82,795,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2009                    | 2023         | N/A                                  |
| Vet Hsg Fund II Bds Ser 2010A                        | 74,995,000.00           | 3.000%                        | 5.000% |   |        |   | 2010                    | 2025         | N/A                                  |
| Veterans Bonds, Tax Ref Ser 2010B                    | 66,720,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2010                    | 2031         | 05-20-2010                           |
| Veterans Bonds, Ser 2010C                            | 74,995,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2010                    | 2040         | 08-20-2010                           |
| Veterans Bonds, Tax Ref Ser 2010E                    | 49,995,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2010                    | 2032         | 11-18-2010                           |
| Veterans Bonds, Ser 2011A                            | 74,995,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2011                    | 2041         | 03-09-2011                           |
| Veterans Bonds, Ser 2011B                            | 74,995,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2011                    | 2041         | 08-25-2011                           |
| Veterans Bonds, Ser 2011C                            | 74,995,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2012                    | 2042         | 12-15-2011                           |
| Veterans Bonds, Ser 2012A                            | 74,995,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2012                    | 2042         | 05-23-2012                           |
| Veterans Bonds, Ser 2012B                            | 100,000,000.00          | VAR                           | VAR    |   |        | Weekly                                    | 2012                    | 2042         | 11-01-2012                           |
| Veterans Bonds, Ser 2013A                            | 99,995,000.00           | VAR                           | VAR    |   |        | Weekly                                    | 2013                    | 2043         | 03-20-2013                           |
| Veterans Bonds, Ser 2013B                            | 149,995,000.00          | VAR                           | VAR    |   |        | Weekly                                    | 2013                    | 2043         | 08-22-2013                           |
| Veterans Bonds, Tax Ref Ser 2013C                    | 297,600,000.00          | VAR                           | VAR    |   |        | Monthly                                   | 2013                    | 2031         | 10-24-2013                           |
| Veterans Bonds, Ser 2014A                            | 150,000,000.00          | VAR                           | VAR    |   |        | Weekly                                    | 2014                    | 2044         | 02-26-2014                           |
| Veterans Bonds, Tax Ref Ser 2014B-1                  | 90,700,000.00           | VAR                           | VAR    |   |        | Monthly                                   | 2014                    | 2024         | 04-01-2014                           |
| Veterans Bonds, Tax Ref Ser 2014B-2                  | 25,085,000.00           | VAR                           | VAR    |   |        | Monthly                                   | 2016                    | 2020         | 04-01-2014                           |
| Veterans Bonds, Tax Ref Ser 2014C-1                  | 72,695,000.00           | VAR                           | VAR    |   |        | Monthly                                   | 2014                    | 2033         | 07-01-2014                           |
| Veterans Bonds, Tax Ref Ser 2014C-2                  | 194,935,000.00          | VAR                           | VAR    |   |        | Monthly                                   | 2014                    | 2032         | 07-01-2014                           |
| Veterans Bonds, Ser 2014D                            | 100,000,000.00          | VAR                           | VAR    |   |        | Weekly                                    | 2014                    | 2045         | 09-10-2014                           |
| Veterans Bonds, Ser 2015A                            | 125,000,000.00          | VAR                           | VAR    |   |        | Weekly                                    | 2015                    | 2045         | 02-11-2015                           |
| Veterans Bonds, Ser 2015B                            | 125,000,000.00          | VAR                           | VAR    |   |        | Weekly                                    | 2015                    | 2046         | 07-22-2015                           |
| <b>Total, Veterans' Housing Assistance Bonds</b>     | <b>3,777,690,000.00</b> |                               |        |   |        |   |                         |              |                                      |

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UNAUDITED

SCHEDULE 2-A (concluded)

BUSINESS-TYPE ACTIVITIES

| DESCRIPTION<br>OF ISSUE   | BONDS ISSUED<br>TO DATE | RANGE OF<br>INTEREST<br>RATES |        | YIELDS                              |        | TERMS OF<br>VARIABLE<br>INTEREST<br>RATES | SCHEDULED<br>MATURITIES |              | FIRST<br>CALL<br>DATE <sup>(1)</sup> |
|---|-------------------------|-------------------------------|--------|-------------------------------------|--------|---|-------------------------|--------------|--------------------------------------|
|   |                         |                               |        | ON CAPITAL<br>APPRECIATION<br>BONDS |        |   | FIRST<br>YEAR           | LAST<br>YEAR |                                      |
| <b>General Obligation Bonds -<br/>Self-Supporting (concluded)</b> | \$                      |                               |        |                                     |        |   |                         |              |                                      |
| <i>Veterans' Land Bonds</i>                                       |                         |                               |        |                                     |        |   |                         |              |                                      |
| Vet Land Bds Ser '94  | 29,400,000.00           | 5.250%                        | 6.400% |                                     |        |   | 1996                    | 2024         | 12-01-2004                           |
| Vet Land Bds Ser '94  | 11,950,000.00           |                               |        | 5.500%                              | 6.600% |   | 1999                    | 2014         | N/A                                  |
| Vet Land Bds Ser '96  | 30,000,000.00           | 3.350%                        | 5.250% |                                     |        |   | 1996                    | 2026         | 06-01-2006                           |
| Vet Land Bds Ser '96  | 9,611,739.46            |                               |        | 4.470%                              | 5.670% |   | 2001                    | 2016         | N/A                                  |
| Vet Land Ref Bds Ser '99A   | 40,025,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 1999                    | 2018         | 04-28-1999                           |
| Vet Land Tax Bds Ser 2000A  | 20,000,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2001                    | 2030         | 07-26-2000                           |
| Vet Land Tax Ref Bds Ser 2000                                     | 39,960,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2010                    | 2020         | 11-15-2000                           |
| Vet Land Bds Ser 2002   | 20,000,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2003                    | 2032         | 02-21-2002                           |
| Vet Land Tax Bds Ser 2002A  | 20,000,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2003                    | 2032         | 02-21-2002                           |
| Vet Land Tax Ref Bds Ser 2002                                     | 27,685,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2012                    | 2032         | 11-06-2002                           |
| Vet Land Tax Ref Bds Ser 2003                                     | 29,285,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2004                    | 2023         | 11-20-2003                           |
| Vet Land Tax Ref Bds Ser 2004                                     | 24,755,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2005                    | 2024         | 11-18-2004                           |
| Vet Land Tax Ref Bds Ser 2005                                     | 22,795,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2006                    | 2026         | 11-16-2005                           |
| Vet Land Tax Ref Bds Ser 2006A                                    | 31,030,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2006                    | 2027         | 05-10-2006                           |
| Vet Land Tax Ref Bds Ser 2006B                                    | 24,035,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2006                    | 2026         | 05-10-2006                           |
| Vet Land Tax Ref Bds Ser 2006C                                    | 41,050,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2006                    | 2027         | 11-15-2006                           |
| Vet Land Tax Ref Ser 2010D  | 16,480,000.00           | VAR                           | VAR    |                                     |        | Weekly                                    | 2010                    | 2030         | 11-18-2010                           |
| Vet Land Tax Ref Ser 2014B-3                                      | 49,100,000.00           | VAR                           | VAR    |                                     |        | Monthly                                   | 2014                    | 2024         | 04-01-2014                           |
| Vet Land Tax Ref Bds Ser 2014C-3                                  | 70,965,000.00           | VAR                           | VAR    |                                     |        | Monthly                                   | 2014                    | 2030         | 07-01-2014                           |
| Vet Land Tax Ref Bds Ser 2014C-4                                  | 113,910,000.00          | VAR                           | VAR    |                                     |        | Monthly                                   | 2014                    | 2027         | 07-01-2014                           |
| <b>Total, Veterans' Land Bonds</b>                                | <b>672,036,739.46</b>   |                               |        |                                     |        |   |                         |              |                                      |
| <b>Total, General Obligation Bonds -<br/>Self-Supporting</b>      | <b>4,449,726,739.46</b> |                               |        |                                     |        |   |                         |              |                                      |
| <b>Total, All Bonds</b>   | <b>4,449,726,739.46</b> |                               |        |                                     |        |   |                         |              |                                      |

<sup>(1)</sup> The call dates included in this column refer to the respective bond issues' first call dates from any source of funds and may not be reflective of the next call dates actually applicable to the respective issues. Detailed information on the redemption provisions associated with each of these issues is disclosed in the offering statement associated with each individual issue.

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

SCHEDULE 2-B

CHANGES IN BONDED INDEBTEDNESS  
For the Year Ended August 31, 2015

BUSINESS-TYPE ACTIVITIES

| DESCRIPTION<br>OF ISSUE                                  | BONDS<br>OUTSTANDING<br>09-01-2014 | BONDS<br>ISSUED<br>FY 2015 <sup>(1)</sup> | BONDS<br>MATURED OR<br>RETIRED | BONDS<br>REFUNDED OR<br>EXTINGUISHED | BONDS<br>OUTSTANDING<br>08-31-2015 |
|--|------------------------------------|---|--------------------------------|--------------------------------------|------------------------------------|
| <b>General Obligation Bonds - Self-Supporting</b>        | \$                                 | \$  | \$                             | \$                                   | \$                                 |
| <b>Veterans' Housing Assistance Bonds</b>                |                                    |   |                                |                                      |                                    |
| Vet Hsg Bds Ser '94A-1                                   | 5,400,000.00                       |   | 400,000.00                     |                                      | 5,000,000.00                       |
| Vet Hsg Ref Bds Ser '95                                  | 24,505,000.00                      |   | 7,390,000.00                   |                                      | 17,115,000.00                      |
| Vet Hsg Fund II Bds Ser 2001A-2                          | 20,000,000.00                      |   |                                |                                      | 20,000,000.00                      |
| Vet Hsg Fund II Bds Ser 2001C-2                          | 25,000,000.00                      |   | 5,000.00                       |                                      | 24,995,000.00                      |
| Vet Hsg Fund II Bds Ser 2002A-2                          | 31,310,000.00                      |   | 430,000.00                     |                                      | 30,880,000.00                      |
| Vet Hsg Fund II Bds Ser 2003A                            | 28,450,000.00                      |   | 1,860,000.00                   |                                      | 26,590,000.00                      |
| Vet Hsg Fund II Bds Ser 2003B                            | 29,725,000.00                      |   | 1,870,000.00                   |                                      | 27,855,000.00                      |
| Vet Hsg Fund II Bds Ser 2004A                            | 29,280,000.00                      |   | 1,870,000.00                   |                                      | 27,410,000.00                      |
| Vet Hsg Fund II Bds Ser 2004B                            | 32,460,000.00                      |   | 1,940,000.00                   |                                      | 30,520,000.00                      |
| Vet Hsg Fund II Bds Ser 2005A                            | 32,035,000.00                      |   | 1,935,000.00                   |                                      | 30,100,000.00                      |
| Vet Hsg Fund II Bds Ser 2005B                            | 31,725,000.00                      |   | 1,970,000.00                   |                                      | 29,755,000.00                      |
| Vet Hsg Fund II Bds Ser 2006A                            | 33,875,000.00                      |   | 1,790,000.00                   |                                      | 32,085,000.00                      |
| Vet Hsg Fund II Bds Ser 2006D                            | 35,710,000.00                      |   | 1,895,000.00                   |                                      | 33,815,000.00                      |
| Vet Hsg Fund II Bds Ser 2007A                            | 35,745,000.00                      |   | 1,870,000.00                   |                                      | 33,875,000.00                      |
| Vet Hsg Fund II Bds Ser 2007B                            | 37,870,000.00                      |   | 1,990,000.00                   |                                      | 35,880,000.00                      |
| Vet Hsg Fund II Bds Ser 2008A                            | 37,700,000.00                      |   | 2,000,000.00                   |                                      | 35,700,000.00                      |
| Vet Hsg Fund II Bds Ser 2008B                            | 38,915,000.00                      |   | 2,030,000.00                   |                                      | 36,885,000.00                      |
| Vet Hsg Fund II Ser 2009A                                | 41,280,000.00                      |   | 2,020,000.00                   |                                      | 39,260,000.00                      |
| Vet Hsg Fund II Ser 2009B                                | 43,245,000.00                      |   | 2,010,000.00                   |                                      | 41,235,000.00                      |
| Vet Hsg Fund II Bds Ser 2010A                            | 66,545,000.00                      |   | 3,325,000.00                   |                                      | 63,220,000.00                      |
| Veterans Bonds, Ser 2010C                                | 67,095,000.00                      |   | 3,150,000.00                   |                                      | 63,945,000.00                      |
| Veterans Bonds, Ser 2011A                                | 67,290,000.00                      |   | 3,290,000.00                   |                                      | 64,000,000.00                      |
| Veterans Bonds, Ser 2011B                                | 68,755,000.00                      |   | 3,390,000.00                   |                                      | 65,365,000.00                      |
| Veterans Bonds, Ser 2011C                                | 70,040,000.00                      |   | 3,425,000.00                   |                                      | 66,615,000.00                      |
| Veterans Bonds, Ser 2012A                                | 70,625,000.00                      |   | 3,505,000.00                   |                                      | 67,120,000.00                      |
| Veterans Bonds, Ser 2012B                                | 95,715,000.00                      |   | 4,695,000.00                   |                                      | 91,020,000.00                      |
| Veterans Bonds, Ser 2013A                                | 98,650,000.00                      |   | 3,670,000.00                   |                                      | 94,980,000.00                      |
| Veterans Bonds, Ser 2013B                                | 148,125,000.00                     |   | 5,275,000.00                   |                                      | 142,850,000.00                     |
| Veterans Bonds, Tax Ref Ser 2013C                        | 294,020,000.00                     |   | 6,250,000.00                   |                                      | 287,770,000.00                     |
| Veterans Bonds, Ser 2014A                                | 150,000,000.00                     |   | 3,785,000.00                   |                                      | 146,215,000.00                     |
| Veterans Bonds, Tax Ref Ser 2014B-1                      | 87,935,000.00                      |   | 9,455,000.00                   |                                      | 78,480,000.00                      |
| Veterans Bonds, Tax Ref Ser 2014B-2                      | 25,085,000.00                      |   |                                |                                      | 25,085,000.00                      |
| Veterans Bonds, Tax Ref Ser 2014C-1                      | 72,695,000.00                      |   | 1,505,000.00                   |                                      | 71,190,000.00                      |
| Veterans Bonds, Tax Ref Ser 2014C-2                      | 194,935,000.00                     |   | 7,400,000.00                   |                                      | 187,535,000.00                     |
| Veterans Bonds, Ser 2014D                                |                                    | 100,000,000.00                            | 960,000.00                     |                                      | 99,040,000.00                      |
| Veterans Bonds, Ser 2015A                                |                                    | 125,000,000.00                            | 115,000.00                     |                                      | 124,885,000.00                     |
| Veterans Bonds, Ser 2015B                                |                                    | 125,000,000.00                            |                                |                                      | 125,000,000.00                     |
| <b>Total, Veterans' Housing Assistance Bonds</b>         | <b>2,171,740,000.00</b>            | <b>350,000,000.00</b>                     | <b>98,470,000.00</b>           | <b>0.00</b>                          | <b>2,423,270,000.00</b>            |
| <b>Veterans' Land Bonds</b>                              |                                    |   |                                |                                      |                                    |
| Vet Land Bds Ser '94 <sup>(1)</sup>                      | 734,907.05                         | 12,092.95                                 | 747,000.00                     |                                      | 0.00                               |
| Vet Land Bds Ser '96 <sup>(1)</sup>                      | 1,220,599.80                       | 61,139.66                                 | 647,000.00                     |                                      | 634,739.46                         |
| Vet Land Ref Bds Ser '99A                                | 16,030,000.00                      |   | 2,745,000.00                   |                                      | 13,285,000.00                      |
| Vet Land Bds Ser 2002                                    | 15,485,000.00                      |   | 530,000.00                     |                                      | 14,955,000.00                      |
| Vet Land Tax Ref Bds Ser 2014B-3                         | 48,720,000.00                      |   | 4,305,000.00                   |                                      | 44,415,000.00                      |
| Vet Land Tax Ref Bds Ser 2014C-3                         | 70,965,000.00                      |   | 2,700,000.00                   |                                      | 68,265,000.00                      |
| Vet Land Tax Ref Bds Ser 2014C-4                         | 113,910,000.00                     |   | 6,060,000.00                   |                                      | 107,850,000.00                     |
| <b>Total, Veterans' Land Bonds</b>                       | <b>267,065,506.85</b>              | <b>73,232.61</b>                          | <b>17,734,000.00</b>           | <b>0.00</b>                          | <b>249,404,739.46</b>              |
| <b>Total, General Obligation Bonds - Self-Supporting</b> | <b>2,438,805,506.85</b>            | <b>350,073,232.61</b>                     | <b>116,204,000.00</b>          | <b>0.00</b>                          | <b>2,672,674,739.46</b>            |

<sup>(1)</sup> Includes accretion on capital appreciation bonds

UNAUDITED

| UNAMORTIZED<br>PREMIUM | UNAMORTIZED<br>DISCOUNT | GAIN/LOSS ON<br>REFUNDING | NET BONDS<br>OUTSTANDING<br>08-31-2015 | AMOUNTS<br>DUE WITHIN<br>ONE YEAR |
|------------------------|-------------------------|---------------------------|--|-----------------------------------|
| \$                     | \$                      | \$                        | \$                                     | \$                                |
|                        |                         |                           | 5,000,000.00                           | 400,000.00                        |
|                        |                         |                           | 17,115,000.00                          | 8,170,000.00                      |
|                        |                         |                           | 20,000,000.00                          | 0.00                              |
|                        |                         |                           | 24,995,000.00                          | 355,000.00                        |
|                        |                         |                           | 30,880,000.00                          | 505,000.00                        |
|                        |                         |                           | 26,590,000.00                          | 1,815,000.00                      |
|                        |                         |                           | 27,855,000.00                          | 1,820,000.00                      |
|                        |                         |                           | 27,410,000.00                          | 1,810,000.00                      |
|                        |                         |                           | 30,520,000.00                          | 1,895,000.00                      |
|                        |                         |                           | 30,100,000.00                          | 1,885,000.00                      |
|                        |                         |                           | 29,755,000.00                          | 1,895,000.00                      |
|                        |                         |                           | 32,085,000.00                          | 1,715,000.00                      |
|                        |                         |                           | 33,815,000.00                          | 1,835,000.00                      |
|                        |                         |                           | 33,875,000.00                          | 1,790,000.00                      |
|                        |                         |                           | 35,880,000.00                          | 1,950,000.00                      |
|                        |                         |                           | 35,700,000.00                          | 1,900,000.00                      |
|                        |                         |                           | 36,885,000.00                          | 1,930,000.00                      |
| 1,658,557.93           |                         |                           | 40,918,557.93                          | 2,171,037.28                      |
| 2,752,808.88           |                         |                           | 43,987,808.88                          | 2,152,600.96                      |
| 5,444,512.18           |                         |                           | 68,664,512.18                          | 3,751,171.92                      |
|                        |                         |                           | 63,945,000.00                          | 3,075,000.00                      |
|                        |                         |                           | 64,000,000.00                          | 3,210,000.00                      |
|                        |                         |                           | 65,365,000.00                          | 3,305,000.00                      |
|                        |                         |                           | 66,615,000.00                          | 3,380,000.00                      |
|                        |                         |                           | 67,120,000.00                          | 3,580,000.00                      |
|                        |                         |                           | 91,020,000.00                          | 5,300,000.00                      |
|                        |                         |                           | 94,980,000.00                          | 4,630,000.00                      |
|                        |                         |                           | 142,850,000.00                         | 6,815,000.00                      |
|                        |                         |                           | 287,770,000.00                         | 7,740,000.00                      |
|                        |                         |                           | 146,215,000.00                         | 5,895,000.00                      |
|                        |                         |                           | 78,480,000.00                          | 9,815,000.00                      |
|                        |                         |                           | 25,085,000.00                          | 0.00                              |
|                        |                         |                           | 71,190,000.00                          | 1,600,000.00                      |
|                        |                         |                           | 187,535,000.00                         | 9,005,000.00                      |
|                        |                         |                           | 99,040,000.00                          | 3,655,000.00                      |
|                        |                         |                           | 124,885,000.00                         | 5,290,000.00                      |
|                        |                         |                           | 125,000,000.00                         | 1,655,000.00                      |
| 9,855,878.99           | 0.00                    | 0.00                      | 2,433,125,878.99                       | 117,694,810.16                    |
|                        |                         |                           | 0.00                                   | 0.00                              |
|                        |                         |                           | 634,739.46                             | 662,000.00                        |
|                        |                         |                           | 13,285,000.00                          | 2,960,000.00                      |
|                        |                         |                           | 14,955,000.00                          | 555,000.00                        |
|                        |                         |                           | 44,415,000.00                          | 4,640,000.00                      |
|                        |                         |                           | 68,265,000.00                          | 2,870,000.00                      |
|                        |                         |                           | 107,850,000.00                         | 7,210,000.00                      |
| 0.00                   | 0.00                    | 0.00                      | 249,404,739.46                         | 18,897,000.00                     |
| 9,855,878.99           | 0.00                    | 0.00                      | 2,682,530,618.45                       | 136,591,810.16                    |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

SCHEDULE 2-C

DEBT SERVICE REQUIREMENTS

August 31, 2015

BUSINESS-TYPE ACTIVITIES

| DESCRIPTION<br>OF ISSUE                           | 2016         | 2017         | 2018         | 2019         | 2020         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>General Obligation Bonds - Self-Supporting</b> | \$           | \$           | \$           | \$           | \$           |
| <i>Veterans' Housing Assistance Bonds</i>         |              |              |              |              |              |
| Vet Hsg Bds Ser '94A-1 - Principal                | 400,000.00   | 500,000.00   | 500,000.00   | 500,000.00   | 500,000.00   |
| Vet Hsg Bds Ser '94A-1 - Interest                 | 960.00       | 870.00       | 770.00       | 670.00       | 570.00       |
| Vet Hsg Ref Bds Ser '95 - Principal               | 8,170,000.00 | 8,945,000.00 | 0.00         | 0.00         | 0.00         |
| Vet Hsg Ref Bds Ser '95 - Interest                | 2,606.00     | 894.50       | 0.00         | 0.00         | 0.00         |
| Vet Hsg Fund II Bds Ser 2001A-2 - Principal       | 0.00         | 0.00         | 0.00         | 0.00         | 390,000.00   |
| Vet Hsg Fund II Bds Ser 2001A-2 - Interest        | 6,000.00     | 6,000.00     | 6,000.00     | 6,000.00     | 6,000.00     |
| Vet Hsg Fund II Bds Ser 2001C-2 - Principal       | 355,000.00   | 375,000.00   | 390,000.00   | 410,000.00   | 435,000.00   |
| Vet Hsg Fund II Bds Ser 2001C-2 - Interest        | 7,472.25     | 7,364.25     | 7,250.25     | 7,131.75     | 7,007.25     |
| Vet Hsg Fund II Bds Ser 2002A-2 - Principal       | 505,000.00   | 585,000.00   | 620,000.00   | 645,000.00   | 685,000.00   |
| Vet Hsg Fund II Bds Ser 2002A-2 - Interest        | 9,231.00     | 9,069.00     | 8,891.25     | 8,703.00     | 8,506.50     |
| Vet Hsg Fund II Bds Ser 2003A - Principal         | 1,815,000.00 | 1,760,000.00 | 1,710,000.00 | 1,655,000.00 | 1,610,000.00 |
| Vet Hsg Fund II Bds Ser 2003A - Interest          | 10,453.00    | 9,733.00     | 9,034.00     | 8,355.00     | 7,698.00     |
| Vet Hsg Fund II Bds Ser 2003B - Principal         | 1,820,000.00 | 1,780,000.00 | 1,730,000.00 | 1,690,000.00 | 1,650,000.00 |
| Vet Hsg Fund II Bds Ser 2003B - Interest          | 8,219.25     | 7,676.25     | 7,146.00     | 6,630.00     | 6,126.00     |
| Vet Hsg Fund II Bds Ser 2004A - Principal         | 1,810,000.00 | 1,750,000.00 | 1,700,000.00 | 1,660,000.00 | 1,615,000.00 |
| Vet Hsg Fund II Bds Ser 2004A - Interest          | 5,391.00     | 5,032.00     | 4,684.50     | 4,346.50     | 4,017.00     |
| Vet Hsg Fund II Bds Ser 2004B - Principal         | 1,895,000.00 | 1,850,000.00 | 1,810,000.00 | 1,770,000.00 | 1,730,000.00 |
| Vet Hsg Fund II Bds Ser 2004B - Interest          | 6,008.50     | 5,632.00     | 5,264.00     | 4,904.00     | 4,552.00     |
| Vet Hsg Fund II Bds Ser 2005A - Principal         | 1,885,000.00 | 1,840,000.00 | 1,790,000.00 | 1,750,000.00 | 1,705,000.00 |
| Vet Hsg Fund II Bds Ser 2005A - Interest          | 5,925.00     | 5,550.50     | 5,185.00     | 4,829.00     | 4,481.00     |
| Vet Hsg Fund II Bds Ser 2005B - Principal         | 1,895,000.00 | 1,830,000.00 | 1,770,000.00 | 1,715,000.00 | 1,675,000.00 |
| Vet Hsg Fund II Bds Ser 2005B - Interest          | 5,855.00     | 5,479.50     | 5,116.50     | 4,765.50     | 4,424.50     |
| Vet Hsg Fund II Bds Ser 2006A - Principal         | 1,715,000.00 | 1,655,000.00 | 1,605,000.00 | 1,565,000.00 | 1,540,000.00 |
| Vet Hsg Fund II Bds Ser 2006A - Interest          | 6,331.00     | 5,991.00     | 5,662.50     | 5,343.50     | 5,032.00     |
| Vet Hsg Fund II Bds Ser 2006D - Principal         | 1,835,000.00 | 1,780,000.00 | 1,730,000.00 | 1,685,000.00 | 1,650,000.00 |
| Vet Hsg Fund II Bds Ser 2006D - Interest          | 6,670.00     | 6,306.00     | 5,952.50     | 5,609.00     | 5,274.00     |
| Vet Hsg Fund II Bds Ser 2007A - Principal         | 1,790,000.00 | 1,710,000.00 | 1,645,000.00 | 1,595,000.00 | 1,550,000.00 |
| Vet Hsg Fund II Bds Ser 2007A - Interest          | 6,685.00     | 6,331.00     | 5,992.50     | 5,666.00     | 5,349.50     |
| Vet Hsg Fund II Bds Ser 2007B - Principal         | 1,950,000.00 | 1,905,000.00 | 1,865,000.00 | 1,820,000.00 | 1,780,000.00 |
| Vet Hsg Fund II Bds Ser 2007B - Interest          | 7,078.00     | 6,690.00     | 6,311.50     | 5,940.50     | 5,578.50     |
| Vet Hsg Fund II Bds Ser 2008A - Principal         | 1,900,000.00 | 1,810,000.00 | 1,735,000.00 | 1,675,000.00 | 1,620,000.00 |
| Vet Hsg Fund II Bds Ser 2008A - Interest          | 7,044.50     | 6,669.00     | 6,311.00     | 5,967.00     | 5,635.00     |
| Vet Hsg Fund II Bds Ser 2008B - Principal         | 1,930,000.00 | 1,835,000.00 | 1,760,000.00 | 1,685,000.00 | 1,625,000.00 |
| Vet Hsg Fund II Bds Ser 2008B - Interest          | 169,225.39   | 160,367.12   | 151,927.36   | 143,836.34   | 136,070.83   |
| Vet Hsg Fund II Bds Ser 2009A - Principal         | 1,970,000.00 | 1,930,000.00 | 1,890,000.00 | 1,840,000.00 | 0.00         |
| Vet Hsg Fund II Bds Ser 2009A - Interest          | 1,760,325.00 | 1,760,325.00 | 1,760,325.00 | 1,760,325.00 | 1,760,325.00 |
| Vet Hsg Fund II Bds Ser 2009B - Principal         | 1,855,000.00 | 1,735,000.00 | 1,640,000.00 | 1,550,000.00 | 1,480,000.00 |
| Vet Hsg Fund II Bds Ser 2009B - Interest          | 1,989,350.00 | 1,912,612.50 | 1,841,250.00 | 1,761,500.00 | 1,685,750.00 |
| Vet Hsg Fund II Bds Ser 2010A - Principal         | 3,220,000.00 | 3,120,000.00 | 3,030,000.00 | 2,940,000.00 | 2,845,000.00 |
| Vet Hsg Fund II Bds Ser 2010A - Interest          | 3,005,650.00 | 2,863,250.00 | 2,724,650.00 | 2,590,550.00 | 2,460,150.00 |
| Veterans Bonds, Series 2010C - Principal          | 3,075,000.00 | 3,015,000.00 | 2,950,000.00 | 2,895,000.00 | 2,835,000.00 |
| Veterans Bonds, Series 2010C - Interest           | 293,740.81   | 279,523.42   | 265,573.41   | 251,937.27   | 238,533.63   |
| Veterans Bonds, Series 2011A - Principal          | 3,210,000.00 | 3,135,000.00 | 3,055,000.00 | 2,990,000.00 | 2,915,000.00 |
| Veterans Bonds, Series 2011A - Interest           | 6,319.25     | 6,000.25     | 5,688.75     | 5,384.75     | 5,087.75     |
| Veterans Bonds, Series 2011B - Principal          | 3,305,000.00 | 3,220,000.00 | 3,130,000.00 | 3,055,000.00 | 2,975,000.00 |
| Veterans Bonds, Series 2011B - Interest           | 12,906.50    | 12,250.00    | 11,610.50    | 10,988.00    | 10,381.00    |
| Veterans Bonds, Series 2011C - Principal          | 3,380,000.00 | 3,290,000.00 | 3,200,000.00 | 3,115,000.00 | 3,035,000.00 |
| Veterans Bonds, Series 2011C - Interest           | 19,729.50    | 18,722.25    | 17,742.00    | 16,788.00    | 15,859.50    |
| Veterans Bonds, Series 2012A - Principal          | 3,580,000.00 | 3,475,000.00 | 3,375,000.00 | 3,270,000.00 | 3,175,000.00 |
| Veterans Bonds, Series 2012A - Interest           | 6,621.75     | 6,266.50     | 5,921.50     | 5,586.75     | 5,262.00     |



UNAUDITED

| 2021-2025     | 2026-2030     | 2031-2035     | 2036-2040     | 2041-2045    | 2046 | TOTAL<br>REQUIREMENTS |
|---------------|---------------|---------------|---------------|--------------|------|-----------------------|
| \$            | \$            | \$            | \$            | \$           | \$   | \$                    |
| 2,600,000.00  | 0.00          | 0.00          | 0.00          | 0.00         | 0.00 | 5,000,000.00          |
| 1,080.00      | 0.00          | 0.00          | 0.00          | 0.00         | 0.00 | 4,920.00              |
| 0.00          | 0.00          | 0.00          | 0.00          | 0.00         | 0.00 | 17,115,000.00         |
| 0.00          | 0.00          | 0.00          | 0.00          | 0.00         | 0.00 | 3,500.50              |
| 8,810,000.00  | 10,800,000.00 | 0.00          | 0.00          | 0.00         | 0.00 | 20,000,000.00         |
| 24,597.00     | 8,346.75      | 0.00          | 0.00          | 0.00         | 0.00 | 62,943.75             |
| 3,395,000.00  | 7,795,000.00  | 11,840,000.00 | 0.00          | 0.00         | 0.00 | 24,995,000.00         |
| 32,552.25     | 25,915.50     | 7,254.75      | 0.00          | 0.00         | 0.00 | 101,948.25            |
| 6,985,000.00  | 12,135,000.00 | 8,720,000.00  | 0.00          | 0.00         | 0.00 | 30,880,000.00         |
| 38,310.75     | 23,427.00     | 4,673.25      | 0.00          | 0.00         | 0.00 | 110,811.75            |
| 7,380,000.00  | 6,295,000.00  | 4,365,000.00  | 0.00          | 0.00         | 0.00 | 26,590,000.00         |
| 29,252.00     | 15,489.00     | 3,874.00      | 0.00          | 0.00         | 0.00 | 93,888.00             |
| 7,700,000.00  | 6,880,000.00  | 4,605,000.00  | 0.00          | 0.00         | 0.00 | 27,855,000.00         |
| 23,472.00     | 12,488.25     | 2,858.25      | 0.00          | 0.00         | 0.00 | 74,616.00             |
| 7,460,000.00  | 6,690,000.00  | 4,725,000.00  | 0.00          | 0.00         | 0.00 | 27,410,000.00         |
| 15,439.00     | 8,353.50      | 2,104.50      | 0.00          | 0.00         | 0.00 | 49,368.00             |
| 8,115,000.00  | 7,330,000.00  | 6,020,000.00  | 0.00          | 0.00         | 0.00 | 30,520,000.00         |
| 17,743.00     | 9,992.00      | 2,971.50      | 0.00          | 0.00         | 0.00 | 57,067.00             |
| 7,910,000.00  | 7,020,000.00  | 6,200,000.00  | 0.00          | 0.00         | 0.00 | 30,100,000.00         |
| 17,492.00     | 9,992.50      | 3,324.00      | 0.00          | 0.00         | 0.00 | 56,779.00             |
| 7,710,000.00  | 6,820,000.00  | 5,995,000.00  | 345,000.00    | 0.00         | 0.00 | 29,755,000.00         |
| 17,314.50     | 10,040.50     | 3,577.00      | 35.50         | 0.00         | 0.00 | 56,608.50             |
| 7,410,000.00  | 7,350,000.00  | 7,730,000.00  | 1,515,000.00  | 0.00         | 0.00 | 32,085,000.00         |
| 20,646.50     | 13,309.50     | 5,804.00      | 223.50        | 0.00         | 0.00 | 68,343.50             |
| 7,900,000.00  | 7,460,000.00  | 7,380,000.00  | 2,395,000.00  | 0.00         | 0.00 | 33,815,000.00         |
| 21,531.00     | 13,860.50     | 6,472.00      | 478.00        | 0.00         | 0.00 | 72,153.00             |
| 7,425,000.00  | 7,305,000.00  | 7,700,000.00  | 3,155,000.00  | 0.00         | 0.00 | 33,875,000.00         |
| 22,212.00     | 14,890.50     | 7,427.50      | 775.00        | 0.00         | 0.00 | 75,329.00             |
| 8,360,000.00  | 7,570,000.00  | 6,920,000.00  | 3,710,000.00  | 0.00         | 0.00 | 35,880,000.00         |
| 22,726.50     | 14,735.00     | 7,467.00      | 1,242.50      | 0.00         | 0.00 | 77,769.50             |
| 7,615,000.00  | 7,250,000.00  | 7,425,000.00  | 4,670,000.00  | 0.00         | 0.00 | 35,700,000.00         |
| 23,484.50     | 16,076.00     | 8,778.50      | 1,660.50      | 0.00         | 0.00 | 81,626.00             |
| 7,625,000.00  | 7,290,000.00  | 7,560,000.00  | 5,575,000.00  | 0.00         | 0.00 | 36,885,000.00         |
| 571,172.02    | 398,540.42    | 227,129.57    | 52,103.32     | 0.00         | 0.00 | 2,010,372.37          |
| 31,630,000.00 | 0.00          | 0.00          | 0.00          | 0.00         | 0.00 | 39,260,000.00         |
| 6,223,481.25  | 0.00          | 0.00          | 0.00          | 0.00         | 0.00 | 15,025,106.25         |
| 32,975,000.00 | 0.00          | 0.00          | 0.00          | 0.00         | 0.00 | 41,235,000.00         |
| 6,730,875.00  | 0.00          | 0.00          | 0.00          | 0.00         | 0.00 | 15,921,337.50         |
| 13,240,000.00 | 34,825,000.00 | 0.00          | 0.00          | 0.00         | 0.00 | 63,220,000.00         |
| 10,330,000.00 | 870,625.00    | 0.00          | 0.00          | 0.00         | 0.00 | 24,844,875.00         |
| 13,440,000.00 | 12,360,000.00 | 11,535,000.00 | 10,815,000.00 | 1,025,000.00 | 0.00 | 63,945,000.00         |
| 1,000,425.38  | 699,686.39    | 421,360.39    | 160,646.11    | 2,383.13     | 0.00 | 3,613,809.94          |
| 13,610,000.00 | 12,195,000.00 | 11,015,000.00 | 10,045,000.00 | 1,830,000.00 | 0.00 | 64,000,000.00         |
| 21,221.00     | 14,744.25     | 8,921.50      | 3,641.75      | 135.25       | 0.00 | 77,144.50             |
| 13,785,000.00 | 12,175,000.00 | 10,800,000.00 | 9,640,000.00  | 3,280,000.00 | 0.00 | 65,365,000.00         |
| 43,332.00     | 30,294.50     | 18,757.50     | 8,494.00      | 712.50       | 0.00 | 159,726.50            |
| 14,010,000.00 | 12,295,000.00 | 10,830,000.00 | 9,575,000.00  | 3,885,000.00 | 0.00 | 66,615,000.00         |
| 66,204.00     | 46,381.50     | 28,958.25     | 13,585.50     | 1,529.25     | 0.00 | 245,499.75            |
| 14,505,000.00 | 12,465,000.00 | 10,685,000.00 | 9,165,000.00  | 3,425,000.00 | 0.00 | 67,120,000.00         |
| 21,769.25     | 14,985.00     | 9,166.75      | 4,173.00      | 447.00       | 0.00 | 80,199.50             |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

SCHEDULE 2-C (concluded)

August 31, 2015

BUSINESS-TYPE ACTIVITIES

| DESCRIPTION<br>OF ISSUE   | 2016                  | 2017                  | 2018                  | 2019                  | 2020                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>General Obligation Bonds -<br/>Self-Supporting (continued)</b> | \$                    | \$                    | \$                    | \$                    | \$                    |
| <i>Veterans' Housing Assistance Bonds (concluded)</i>             |                       |                       |                       |                       |                       |
| Veterans Bonds, Series 2012B - Principal                          | 5,300,000.00          | 5,420,000.00          | 5,090,000.00          | 4,810,000.00          | 4,570,000.00          |
| Veterans Bonds, Series 2012B - Interest                           | 17,944.00             | 16,868.50             | 15,801.50             | 14,798.00             | 13,848.50             |
| Veterans Bonds, Series 2013A - Principal                          | 4,630,000.00          | 5,055,000.00          | 4,920,000.00          | 4,565,000.00          | 4,280,000.00          |
| Veterans Bonds, Series 2013A - Interest                           | 9,389.00              | 8,911.25              | 8,403.00              | 7,920.50              | 7,471.75              |
| Veterans Bonds, Series 2013B - Principal                          | 6,815,000.00          | 7,250,000.00          | 7,030,000.00          | 6,820,000.00          | 6,615,000.00          |
| Veterans Bonds, Series 2013B - Interest                           | 13,997.75             | 13,295.50             | 12,576.00             | 11,878.25             | 11,201.25             |
| Veterans Bonds, Tax Ref Ser 2013C - Principal                     | 7,740,000.00          | 8,440,000.00          | 8,185,000.00          | 15,205,000.00         | 22,945,000.00         |
| Veterans Bonds, Tax Ref Ser 2013C - Interest                      | 1,921,047.54          | 1,874,629.60          | 1,823,768.49          | 1,776,725.48          | 1,654,947.55          |
| Veterans Bonds, Series 2014A - Principal                          | 5,895,000.00          | 7,195,000.00          | 7,175,000.00          | 6,945,000.00          | 6,735,000.00          |
| Veterans Bonds, Series 2014A - Interest                           | 28,969.00             | 27,711.00             | 26,263.00             | 24,840.50             | 23,462.00             |
| Veterans Bonds, Tax Ref Ser 2014B-1 - Principal                   | 9,815,000.00          | 10,505,000.00         | 11,155,000.00         | 10,250,000.00         | 10,990,000.00         |
| Veterans Bonds, Tax Ref Ser 2014B-1 - Interest                    | 458,633.86            | 400,234.29            | 338,421.56            | 274,916.73            | 214,246.54            |
| Veterans Bonds, Tax Ref Ser 2014B-2 - Principal                   | 0.00                  | 5,110,000.00          | 7,320,000.00          | 8,025,000.00          | 4,630,000.00          |
| Veterans Bonds, Tax Ref Ser 2014B-2 - Interest                    | 145,158.36            | 142,121.24            | 107,064.14            | 63,662.17             | 16,109.47             |
| Veterans Bonds, Tax Ref Ser 2014C-1 - Principal                   | 1,600,000.00          | 1,710,000.00          | 1,820,000.00          | 1,940,000.00          | 2,070,000.00          |
| Veterans Bonds, Tax Ref Ser 2014C-1 - Interest                    | 529,731.08            | 520,966.99            | 511,400.26            | 500,513.01            | 488,649.85            |
| Veterans Bonds, Tax Ref Ser 2014C-2 - Principal                   | 9,005,000.00          | 9,555,000.00          | 10,350,000.00         | 11,205,000.00         | 11,485,000.00         |
| Veterans Bonds, Tax Ref Ser 2014C-2 - Interest                    | 1,223,934.73          | 1,174,688.89          | 1,120,971.69          | 1,058,399.42          | 989,760.52            |
| Veterans Bonds, Series 2014D - Principal                          | 3,655,000.00          | 4,625,000.00          | 4,955,000.00          | 4,800,000.00          | 4,650,000.00          |
| Veterans Bonds, Series 2014D - Interest                           | 9,819.25              | 9,428.50              | 8,951.25              | 8,459.50              | 7,983.25              |
| Veterans Bonds, Series 2015A - Principal                          | 5,290,000.00          | 5,535,000.00          | 6,035,000.00          | 5,840,000.00          | 5,665,000.00          |
| Veterans Bonds, Series 2015A - Interest                           | 37,089.00             | 35,486.25             | 33,762.00             | 31,965.75             | 30,226.50             |
| Veterans Bonds, Series 2015B - Principal                          | 1,655,000.00          | 4,185,000.00          | 5,560,000.00          | 6,005,000.00          | 5,825,000.00          |
| Veterans Bonds, Series 2015B - Interest                           | 12,488.50             | 12,239.00             | 11,784.75             | 11,208.75             | 10,612.75             |
| <b>Total, Veterans' Housing Assistance Bonds</b>                  | <b>128,438,999.77</b> | <b>140,766,186.05</b> | <b>135,118,427.66</b> | <b>140,302,044.92</b> | <b>141,346,190.89</b> |
| <i>Veterans' Land Bonds</i>                                       |                       |                       |                       |                       |                       |
| Vet Land Bds Ser '96 - Principal                                  | 662,000.00            | 0.00                  | 0.00                  | 0.00                  | 0.00                  |
| Vet Land Ref Bds Ser '99A - Principal                             | 2,960,000.00          | 3,190,000.00          | 3,435,000.00          | 3,700,000.00          | 0.00                  |
| Vet Land Ref Bds Ser '99A - Interest                              | 1,180.50              | 873.00                | 541.75                | 185.00                | 0.00                  |
| Vet Land Bds Ser 2002 - Principal                                 | 555,000.00            | 580,000.00            | 605,000.00            | 635,000.00            | 665,000.00            |
| Vet Land Bds Ser 2002 - Interest                                  | 78,524.63             | 75,488.50             | 72,318.63             | 69,001.63             | 65,524.13             |
| Vet Land Tax Ref Ser 2014B-3 - Principal                          | 4,640,000.00          | 5,005,000.00          | 5,395,000.00          | 5,815,000.00          | 6,275,000.00          |
| Vet Land Tax Ref Ser 2014B-3 - Interest                           | 258,850.66            | 231,082.66            | 201,145.29            | 168,864.99            | 134,053.75            |
| Vet Land Tax Ref Ser 2014-C3 - Principal                          | 2,870,000.00          | 3,040,000.00          | 3,235,000.00          | 3,450,000.00          | 3,675,000.00          |
| Vet Land Tax Ref Ser 2014-C3 - Interest                           | 462,276.11            | 442,051.43            | 420,621.86            | 397,780.88            | 373,425.19            |
| Vet Land Tax Ref Ser 2014-C4 - Principal                          | 7,210,000.00          | 8,360,000.00          | 8,900,000.00          | 9,500,000.00          | 10,115,000.00         |
| Vet Land Tax Ref Ser 2014-C4 - Interest                           | 667,543.28            | 627,896.21            | 580,859.16            | 528,316.90            | 471,336.46            |
| <b>Total, Veterans' Land Bonds</b>                                | <b>20,365,375.18</b>  | <b>21,552,391.80</b>  | <b>22,845,486.69</b>  | <b>24,264,149.40</b>  | <b>21,774,339.53</b>  |
| <b>Total, General Obligation Bonds - Self-Supporting</b>          | <b>148,804,374.95</b> | <b>162,318,577.85</b> | <b>157,963,914.35</b> | <b>164,566,194.32</b> | <b>163,120,530.42</b> |
| <b>Total, All Bonds</b>   | <b>148,804,374.95</b> | <b>162,318,577.85</b> | <b>157,963,914.35</b> | <b>164,566,194.32</b> | <b>163,120,530.42</b> |

UNAUDITED

| 2021-2025      | 2026-2030      | 2031-2035      | 2036-2040      | 2041-2045     | 2046         | TOTAL<br>REQUIREMENTS |
|----------------|----------------|----------------|----------------|---------------|--------------|-----------------------|
| \$             | \$             | \$             | \$             | \$            | \$           | \$                    |
| 19,865,000.00  | 16,265,000.00  | 13,550,000.00  | 11,410,000.00  | 4,740,000.00  | 0.00         | 91,020,000.00         |
| 56,525.50      | 38,403.00      | 23,400.00      | 10,820.50      | 1,386.00      | 0.00         | 209,795.50            |
| 18,415,000.00  | 15,670,000.00  | 14,585,000.00  | 14,550,000.00  | 8,310,000.00  | 0.00         | 94,980,000.00         |
| 31,451.00      | 22,963.00      | 15,418.00      | 8,167.50       | 1,386.50      | 0.00         | 121,481.50            |
| 30,190,000.00  | 25,880,000.00  | 22,145,000.00  | 18,895,000.00  | 11,210,000.00 | 0.00         | 142,850,000.00        |
| 46,548.25      | 32,448.50      | 20,370.50      | 10,048.25      | 1,780.50      | 0.00         | 174,144.75            |
| 116,785,000.00 | 101,885,000.00 | 6,585,000.00   | 0.00           | 0.00          | 0.00         | 287,770,000.00        |
| 6,084,762.34   | 1,861,760.97   | 39,543.27      | 0.00           | 0.00          | 0.00         | 17,037,185.24         |
| 30,745,000.00  | 26,355,000.00  | 22,585,000.00  | 19,335,000.00  | 13,250,000.00 | 0.00         | 146,215,000.00        |
| 98,047.00      | 69,330.50      | 44,717.00      | 23,634.50      | 5,788.00      | 0.00         | 372,762.50            |
| 25,765,000.00  | 0.00           | 0.00           | 0.00           | 0.00          | 0.00         | 78,480,000.00         |
| 390,765.73     | 0.00           | 0.00           | 0.00           | 0.00          | 0.00         | 2,077,218.71          |
| 0.00           | 0.00           | 0.00           | 0.00           | 0.00          | 0.00         | 25,085,000.00         |
| 0.00           | 0.00           | 0.00           | 0.00           | 0.00          | 0.00         | 474,115.38            |
| 7,050,000.00   | 0.00           | 55,000,000.00  | 0.00           | 0.00          | 0.00         | 71,190,000.00         |
| 2,249,288.91   | 2,168,375.00   | 1,517,862.50   | 0.00           | 0.00          | 0.00         | 8,486,787.60          |
| 65,005,000.00  | 53,630,000.00  | 17,300,000.00  | 0.00           | 0.00          | 0.00         | 187,535,000.00        |
| 3,757,823.59   | 1,642,467.27   | 153,461.81     | 0.00           | 0.00          | 0.00         | 11,121,507.92         |
| 21,100,000.00  | 17,905,000.00  | 15,100,000.00  | 12,670,000.00  | 9,580,000.00  | 0.00         | 99,040,000.00         |
| 33,288.25      | 23,476.25      | 15,170.25      | 8,180.00       | 2,338.75      | 0.00         | 127,095.25            |
| 25,865,000.00  | 22,175,000.00  | 18,995,000.00  | 16,270,000.00  | 13,215,000.00 | 0.00         | 124,885,000.00        |
| 126,826.50     | 90,594.75      | 59,535.00      | 32,929.50      | 10,186.50     | 0.00         | 488,601.75            |
| 26,615,000.00  | 22,870,000.00  | 19,655,000.00  | 16,885,000.00  | 14,515,000.00 | 1,230,000.00 | 125,000,000.00        |
| 44,730.75      | 32,289.00      | 21,597.50      | 12,410.75      | 4,516.50      | 67.25        | 173,945.50            |
| 687,251,390.72 | 523,194,281.80 | 360,241,956.04 | 180,973,249.68 | 88,297,589.88 | 1,230,067.25 | 2,527,160,384.66      |
| 0.00           | 0.00           | 0.00           | 0.00           | 0.00          | 0.00         | 662,000.00            |
| 0.00           | 0.00           | 0.00           | 0.00           | 0.00          | 0.00         | 13,285,000.00         |
| 0.00           | 0.00           | 0.00           | 0.00           | 0.00          | 0.00         | 2,780.25              |
| 3,785,000.00   | 4,740,000.00   | 3,390,000.00   | 0.00           | 0.00          | 0.00         | 14,955,000.00         |
| 269,894.13     | 156,353.75     | 27,739.75      | 0.00           | 0.00          | 0.00         | 814,845.15            |
| 17,285,000.00  | 0.00           | 0.00           | 0.00           | 0.00          | 0.00         | 44,415,000.00         |
| 289,459.90     | 0.00           | 0.00           | 0.00           | 0.00          | 0.00         | 1,283,457.25          |
| 22,240,000.00  | 23,090,000.00  | 6,665,000.00   | 0.00           | 0.00          | 0.00         | 68,265,000.00         |
| 1,443,836.14   | 598,702.39     | 22,944.26      | 0.00           | 0.00          | 0.00         | 4,161,638.26          |
| 52,045,000.00  | 11,720,000.00  | 0.00           | 0.00           | 0.00          | 0.00         | 107,850,000.00        |
| 1,247,759.06   | 117,079.58     | 0.00           | 0.00           | 0.00          | 0.00         | 4,240,790.65          |
| 98,605,949.23  | 40,422,135.72  | 10,105,684.01  | 0.00           | 0.00          | 0.00         | 259,935,511.56        |
| 785,857,339.95 | 563,616,417.52 | 370,347,640.05 | 180,973,249.68 | 88,297,589.88 | 1,230,067.25 | 2,787,095,896.22      |
| 785,857,339.95 | 563,616,417.52 | 370,347,640.05 | 180,973,249.68 | 88,297,589.88 | 1,230,067.25 | 2,787,095,896.22      |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 2-D**

**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE**  
For the Year Ended August 31, 2015

**BUSINESS-TYPE ACTIVITIES**  
*General Obligation Bonds - Self Supporting*

| DESCRIPTION OF ISSUE               | APPLICATION OF FUNDS  |                      |
|------------------------------------|-----------------------|----------------------|
|                                    | PRINCIPAL             | INTEREST             |
|                                    | \$                    | \$                   |
| Veterans' Housing Assistance Bonds | 98,470,000.00         | 67,812,609.92        |
| Veterans' Land Bonds               | 17,734,000.00         | 13,532,438.65        |
| <b>TOTAL</b>                       | <b>116,204,000.00</b> | <b>81,345,048.57</b> |

UNAUDITED

**SCHEDULE 2-E**

DEFEASED BONDS OUTSTANDING  
August 31, 2015

**BUSINESS-TYPE ACTIVITIES**

| <u>DESCRIPTION OF ISSUE</u>                              | <u>YEAR<br/>DEFEASED</u> | <u>PAR VALUE<br/>OUTSTANDING<br/>08-31-2015</u> |
|--|--------------------------|---|
|  |                          | \$  |
| <b><i>General Obligation Bonds - Self-Supporting</i></b> |                          |   |
| <i>Veterans' Land and Housing Bonds</i>                  |                          |   |
| Vet Land Bds Ser '82                                     | 1986                     | <u>15,500,000.00</u>                            |
| <b><i>Total, Veterans' Land and Housing Bonds</i></b>    |                          | <u><u>15,500,000.00</u></u>                     |

UNAUDITED  
Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 2-F**

EARLY EXTINGUISHMENT AND REFUNDING  
For the Year Ended August 31, 2015

**BUSINESS-TYPE ACTIVITIES**

| DESCRIPTION OF ISSUE  | CATEGORY | AMOUNT<br>EXTINGUISHED<br>OR REFUNDED | FOR REFUNDING ONLY              |                                     |                             |
|---|----------|---------------------------------------|---------------------------------|-------------------------------------|-----------------------------|
|   |          |                                       | REFUNDING<br>ISSUE<br>PAR VALUE | CASH FLOW<br>INCREASE<br>(DECREASE) | ECONOMIC<br>GAIN/<br>(LOSS) |
|   |          | \$                                    | \$                              | \$                                  | \$                          |
| <i>General Obligation Bonds - Self-Supporting<br/>Veterans' Housing Bonds</i> |          |                                       |                                 |                                     |                             |
| <i>Total, Veterans' Housing Bonds</i>   |          | 0.00                                  | 0.00                            | 0.00                                | 0.00                        |
| <i>Veterans' Land Bonds</i>   |          |                                       |                                 |                                     |                             |
| <i>Total, Veterans' Land Bonds</i>  |          | 0.00                                  | 0.00                            | 0.00                                | 0.00                        |
| <i>Total, General Obligation Bonds - Self-Supporting</i>                      |          | 0.00                                  | 0.00                            | 0.00                                | 0.00                        |
| <i>Total, Business-Type Activities</i>  |          | 0.00                                  | 0.00                            | 0.00                                | 0.00                        |

UNAUDITED

SCHEDULE 2-G

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2015

BUSINESS-TYPE ACTIVITIES

| DESCRIPTION OF ISSUE                              | DATE OF BONDS | FINAL MATURITY DATE | TRUE INTEREST COST (PERCENT) | BONDS ISSUED <sup>(1)</sup> | BONDS MATURED  | BONDS REFUNDED OR EXTINGUISHED | BONDED DEBT 08-31-2015 |
|---|---------------|---------------------|------------------------------|-----------------------------|----------------|--------------------------------|------------------------|
| <b>General Obligation Bonds - Self-Supporting</b> |               |                     |                              | \$                          | \$             | \$                             | \$                     |
| <i>Veterans' Housing Assistance Bonds</i>         |               |                     |                              |                             |                |                                |                        |
| Vet Hsg Bds Ser '84                               | 01-01-84      | 12-01-03            | 8.97900                      | 85,000,000.00               | 45,500,000.00  | 39,500,000.00                  | 0.00                   |
| Vet Hsg Bds Ser '84A                              | 05-01-84      | 06-01-03            | 9.04370                      | 165,000,000.00              | 75,000,000.00  | 90,000,000.00                  | 0.00                   |
| Vet Hsg Bds Ser '84B                              | 11-01-84      | 12-01-03            | 9.27060                      | 250,000,000.00              | 183,700,000.00 | 66,300,000.00                  | 0.00                   |
| Vet Hsg Bds Ser '85                               | 12-01-85      | 12-01-16            | 8.30140                      | 250,000,000.00              | 14,730,000.00  | 235,270,000.00                 | 0.00                   |
| Vet Hsg Bds Ser '92                               | 07-15-92      | 06-01-23            | 6.28790                      | 35,000,000.00               | 4,590,000.00   | 30,410,000.00                  | 0.00                   |
| Vet Hsg Bds Ser '93                               | 01-01-93      | 12-01-23            | 6.55220                      | 125,000,000.00              | 18,765,000.00  | 106,235,000.00                 | 0.00                   |
| Vet Hsg Bds Ser '94A-1                            | 02-24-94      | 12-01-23            | VAR                          | 10,000,000.00               | 4,600,000.00   | 400,000.00                     | 5,000,000.00           |
| Vet Hsg Bds Ser '94B-1-2-3                        | 02-01-94      | 12-01-23            | 5.60600                      | 25,000,000.00               | 3,840,000.00   | 21,160,000.00                  | 0.00                   |
| Vet Hsg Bds Ser '94B-4                            | 06-01-94      | 12-01-24            | 6.42060                      | 35,000,000.00               | 5,100,000.00   | 29,900,000.00                  | 0.00                   |
| Vet Hsg Tax Ref Bds Ser '94A-1                    | 04-01-94      | 06-01-03            | 7.38100                      | 75,420,000.00               | 36,505,000.00  | 38,915,000.00                  | 0.00                   |
| Vet Hsg Tax Ref Bds Ser '94A-2                    | 04-01-94      | 12-01-33            | VAR                          | 59,600,000.00               |                | 59,600,000.00                  | 0.00                   |
| Vet Hsg Fund II Bds Ser '94A                      | 10-01-94      | 12-01-25            | 6.68000                      | 160,000,000.00              | 390,000.00     | 159,610,000.00                 | 0.00                   |
| Vet Hsg Fund II Tax Bds Ser '94B                  | 10-01-94      | 12-01-12            | 8.58210                      | 75,000,000.00               | 16,900,000.00  | 58,100,000.00                  | 0.00                   |
| Vet Hsg Ref Bds Ser '94C                          | 10-01-94      | 12-01-15            | 6.68000                      | 93,985,000.00               | 37,650,000.00  | 56,335,000.00                  | 0.00                   |
| Vet Hsg Bds Ser '94D                              | 10-01-94      | 12-01-25            | 6.68000                      | 20,000,000.00               |                | 20,000,000.00                  | 0.00                   |
| Vet Hsg Ref Bds Ser '95                           | 10-31-95      | 12-01-16            | 5.52000                      | 88,490,000.00               | 63,510,000.00  | 7,865,000.00                   | 17,115,000.00          |
| Vet Hsg Ref Bds Ser '95A                          | 10-15-95      | 12-01-25            | 5.90359                      | 15,175,000.00               |                | 15,175,000.00                  | 0.00                   |
| Vet Hsg Ref Bds Ser '95B                          | 10-15-95      | 12-01-09            | 5.90359                      | 4,985,000.00                | 3,220,000.00   | 1,765,000.00                   | 0.00                   |
| Vet Hsg Fund II Ref Bds Ser '95C                  | 10-15-95      | 12-01-26            | 6.15538                      | 14,840,000.00               |                | 14,840,000.00                  | 0.00                   |
| Vet Hsg Fund II Ref Bds Ser '95D                  | 07-17-96      | 12-01-26            | 6.41036                      | 47,930,000.00               |                | 47,930,000.00                  | 0.00                   |
| Vet Hsg Fund II Ref Bds Ser '95E                  | 10-15-95      | 12-01-26            | 6.17393                      | 47,930,000.00               |                | 47,930,000.00                  | 0.00                   |
| Vet Hsg Fund II Tax Ref Bds Ser '96               | 01-15-96      | 12-01-27            | 7.39050                      | 26,145,000.00               | 2,220,000.00   | 23,925,000.00                  | 0.00                   |
| Vet Hsg Fund II Bds Ser '97A                      | 11-01-97      | 06-01-29            | 5.41740                      | 100,000,000.00              | 11,245,000.00  | 88,755,000.00                  | 0.00                   |
| Vet Hsg Fund II Tax Bds Ser '97B-1                | 11-01-97      | 06-01-21            | 6.23160                      | 25,000,000.00               | 5,235,000.00   | 19,765,000.00                  | 0.00                   |
| Vet Hsg Fund II Tax Bds Ser '97B-2                | 12-18-97      | 12-01-29            | VAR                          | 25,000,000.00               |                | 25,000,000.00                  | 0.00                   |
| Vet Hsg Fund II Tax Bds Ser '99A-1                | 09-01-99      | 12-01-29            | 7.43220                      | 50,000,000.00               | 6,815,000.00   | 43,185,000.00                  | 0.00                   |
| Vet Hsg Fund II Tax Bds Ser '99A-2                | 11-01-99      | 12-01-29            | Floating                     | 150,000,000.00              |                | 150,000,000.00                 | 0.00                   |
| Vet Hsg Fund II Tax Bds Ser '99B                  | 09-01-99      | 06-01-31            | 5.83600                      | 100,000,000.00              | 13,995,000.00  | 86,005,000.00                  | 0.00                   |
| Vet Hsg Fund I Ref Bds Ser '99                    | 10-01-99      | 12-01-03            | 4.59400                      | 30,050,000.00               | 23,450,000.00  | 6,600,000.00                   | 0.00                   |
| Vet Hsg Fund I Tax Ref Bds Ser '99C               | 11-01-99      | 12-01-09            | 7.15000                      | 16,530,000.00               | 16,530,000.00  |                                | 0.00                   |
| Vet Hsg Fund II Tax Ref Bds Ser '99D              | 11-01-99      | 12-01-09            | 7.15000                      | 9,540,000.00                | 9,540,000.00   |                                | 0.00                   |
| Vet Hsg Fund II Bds Ser 2000C                     | 05-01-00      | 12-01-31            | 5.94500                      | 100,000,000.00              | 13,280,000.00  | 86,720,000.00                  | 0.00                   |
| Vet Hsg Fund I Tax Ref Bds Ser 2000D              | 11-01-00      | 12-01-10            | 7.07000                      | 15,420,000.00               | 15,420,000.00  |                                | 0.00                   |
| Vet Hsg Fund II Tax Ref Bds Ser 2000E             | 11-01-00      | 12-01-10            | 7.07000                      | 10,750,000.00               | 10,750,000.00  |                                | 0.00                   |
| Vet Hsg Fund II Bds Ser 2001A-1                   | 03-01-01      | 06-01-32            | 5.28500                      | 40,000,000.00               | 8,320,000.00   | 31,680,000.00                  | 0.00                   |
| Vet Hsg Fund II Bds Ser 2001A-2                   | 03-22-01      | 12-01-29            | 4.25900                      | 20,000,000.00               |                |                                | 20,000,000.00          |
| Vet Hsg Fund II Bds Ser 2001C-1                   | 12-01-01      | 12-01-28            | 5.12700                      | 35,000,000.00               | 4,145,000.00   | 30,855,000.00                  | 0.00                   |
| Vet Hsg Fund II Bds Ser 2001C-2                   | 12-18-01      | 12-01-33            | 4.36500                      | 25,000,000.00               | 5,000.00       |                                | 24,995,000.00          |
| Vet Hsg Fund II Bds Ser 2002A-1                   | 06-15-02      | 12-01-22            | 4.91960                      | 11,700,000.00               | 1,775,000.00   | 9,925,000.00                   | 0.00                   |
| Vet Hsg Fund II Bds Ser 2002A-2                   | 07-10-02      | 06-01-33            | 3.87250                      | 38,300,000.00               | 7,420,000.00   |                                | 30,880,000.00          |
| Vet Hsg Fund I Tax Ref Bds Ser 2002B              | 11-06-02      | 06-01-23            | 4.91000                      | 22,605,000.00               | 4,910,000.00   | 17,695,000.00                  | 0.00                   |
| Vet Hsg Fund II Bds Ser 2003A                     | 03-04-03      | 06-01-34            | 3.30400                      | 50,000,000.00               | 23,410,000.00  |                                | 26,590,000.00          |
| Vet Hsg Fund II Bds Ser 2003B                     | 10-22-03      | 06-01-34            | 3.40300                      | 50,000,000.00               | 22,145,000.00  |                                | 27,855,000.00          |
| Vet Hsg Fund I Tax Ref Bds Ser 2003               | 11-20-03      | 06-01-21            | 5.19000                      | 47,865,000.00               | 4,630,000.00   | 43,235,000.00                  | 0.00                   |
| Vet Hsg Fund II Bds Ser 2004A                     | 04-07-04      | 12-01-34            | 3.31300                      | 50,000,000.00               | 22,590,000.00  |                                | 27,410,000.00          |
| Vet Hsg Fund II Bds Ser 2004B                     | 09-15-04      | 12-01-34            | 3.68000                      | 50,000,000.00               | 19,480,000.00  |                                | 30,520,000.00          |
| Vet Hsg Fund I Tax Ref Bds Ser 2004               | 05-20-04      | 12-01-24            | 5.45000                      | 19,550,000.00               | 3,015,000.00   | 16,535,000.00                  | 0.00                   |
| Vet Hsg Fund I Tax Ref Bds Ser 2004C              | 11-18-04      | 12-01-18            | 5.34800                      | 7,220,000.00                |                | 7,220,000.00                   | 0.00                   |
| Vet Hsg Fund II Tax Ref Bds Ser 2004D             | 11-18-04      | 06-01-20            | 5.34800                      | 31,705,000.00               | 6,620,000.00   | 25,085,000.00                  | 0.00                   |
| Vet Hsg Fund II Tax Ref Bds Ser 2004E             | 11-18-04      | 12-01-06            | 5.34800                      | 4,945,000.00                | 4,945,000.00   |                                | 0.00                   |
| Vet Hsg Fund II Bds Ser 2005A                     | 02-24-05      | 06-01-35            | 3.27900                      | 50,000,000.00               | 19,900,000.00  |                                | 30,100,000.00          |
| Vet Hsg Fund II Bds Ser 2005B                     | 08-09-05      | 06-01-36            | 3.08700                      | 50,000,000.00               | 20,245,000.00  |                                | 29,755,000.00          |
| Vet Hsg Fund I Tax Ref Bds Ser 2005C              | 11-16-05      | 12-01-23            | 4.92900                      | 19,860,000.00               | 7,290,000.00   | 12,570,000.00                  | 0.00                   |
| Vet Hsg Fund I Tax Ref Bds Ser 2005C              | 11-16-05      | 12-01-09            | 4.33000                      | 8,525,000.00                | 8,525,000.00   |                                | 0.00                   |
| Vet Hsg Fund I Tax Ref Bds Ser 2005C              | 11-16-05      | 12-01-25            | 5.14500                      | 13,345,000.00               | 2,205,000.00   | 11,140,000.00                  | 0.00                   |
| Vet Hsg Fund II Tax Ref Bds Ser 2005D             | 11-16-05      | 06-01-26            | 5.14500                      | 11,540,000.00               |                | 11,540,000.00                  | 0.00                   |
| Vet Hsg Fund II Tax Ref Bds Ser 2006B             | 05-10-06      | 12-01-26            | 5.83000                      | 38,570,000.00               |                | 38,570,000.00                  | 0.00                   |
| Vet Hsg Fund II Tax Ref Bds Ser 2006C             | 05-10-06      | 12-01-27            | 5.79000                      | 22,325,000.00               | 4,745,000.00   | 17,580,000.00                  | 0.00                   |
| Vet Hsg Fund II Bds Ser 2006A                     | 06-01-06      | 12-01-36            | 3.51700                      | 50,000,000.00               | 17,915,000.00  |                                | 32,085,000.00          |
| Vet Hsg Fund II Bds Ser 2006D                     | 09-20-06      | 12-01-36            | 3.68900                      | 50,000,000.00               | 16,185,000.00  |                                | 33,815,000.00          |
| Vet Hsg Fund II Tax Ref Bds Ser 2006E             | 11-15-06      | 12-01-26            | 5.46100                      | 39,560,000.00               |                | 39,560,000.00                  | 0.00                   |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

SCHEDULE 2-G (continued)

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2015

BUSINESS-TYPE ACTIVITIES

| DESCRIPTION OF ISSUE  | DATE OF BONDS | FINAL BOND MATURITY DATE | TRUE INTEREST COST (PERCENT) | BONDS ISSUED <sup>(1)</sup> | BONDS MATURED           | BONDS REFUNDED OR EXTINGUISHED | BONDED DEBT 08-31-2015  |
|---|---------------|--------------------------|------------------------------|-----------------------------|-------------------------|--------------------------------|-------------------------|
| <b>General Obligation Bonds - Self-Supporting (continued)</b> |               |                          |                              | \$                          | \$                      | \$                             | \$                      |
| <i>Veterans' Housing Assistance Bonds (concluded)</i>         |               |                          |                              |                             |                         |                                |                         |
| Vet Hsg Fund II Bds Ser 2007A                                 | 02-22-07      | 06-01-37                 | 3.64500                      | 50,000,000.00               | 16,125,000.00           |                                | 33,875,000.00           |
| Vet Hsg Fund II Bds Ser 2007B                                 | 06-26-07      | 06-01-38                 | 3.71200                      | 50,000,000.00               | 14,120,000.00           |                                | 35,880,000.00           |
| Vet Hsg Fund II Tax Ref Bds Ser 2007C                         | 11-14-07      | 06-01-29                 | 4.65800                      | 54,160,000.00               | 23,135,000.00           | 31,025,000.00                  | 0.00                    |
| Vet Hsg Fund II Bds Ser 2008A                                 | 03-26-08      | 12-01-38                 | 3.18900                      | 50,000,000.00               | 14,300,000.00           |                                | 35,700,000.00           |
| Vet Hsg Fund II Bds Ser 2008B                                 | 09-11-08      | 12-01-38                 | 3.22500                      | 50,000,000.00               | 13,115,000.00           |                                | 36,885,000.00           |
| Vet Hsg Fund II Bds Ser 2009A                                 | 03-05-09      | 12-01-23                 | 4.33660                      | 51,658,557.93               | 10,740,000.00           |                                | 40,918,557.93           |
| Vet Hsg Fund II Bds Ser 2009B                                 | 09-03-09      | 12-01-24                 | 4.00000                      | 52,752,808.88               | 8,765,000.00            |                                | 43,987,808.88           |
| Vet Hsg Fund II Tax Ref Bds Ser 2009C                         | 11-01-09      | 12-01-21                 | 6.22000                      | 82,795,000.00               | 5,780,000.00            | 77,015,000.00                  | 0.00                    |
| Vet Hsg Fund II Bds Ser 2010A                                 | 02-25-10      | 06-01-31                 | 5.45250                      | 80,439,512.18               | 11,775,000.00           |                                | 68,664,512.18           |
| Veterans Bonds, Tax Ref Ser 2010B                             | 05-20-10      | 12-01-25                 | 3.25000                      | 66,720,000.00               | 5,840,000.00            | 60,880,000.00                  | 0.00                    |
| Veterans Bonds, Series 2010C                                  | 08-20-10      | 12-01-31                 | 2.30950                      | 74,995,000.00               | 11,050,000.00           |                                | 63,945,000.00           |
| Veterans Bonds, Tax Ref Ser 2010E                             | 11-18-10      | 06-01-32                 | 2.79000                      | 49,995,000.00               | 8,630,000.00            | 41,365,000.00                  | 0.00                    |
| Veterans Bonds, Series 2011A                                  | 03-09-11      | 06-01-41                 | 2.67500                      | 74,995,000.00               | 10,995,000.00           |                                | 64,000,000.00           |
| Veterans Bonds, Series 2011B                                  | 08-25-11      | 12-01-41                 | 2.36700                      | 74,995,000.00               | 9,630,000.00            |                                | 65,365,000.00           |
| Veterans Bonds, Series 2011C                                  | 12-15-11      | 06-01-42                 | 1.91700                      | 74,995,000.00               | 8,380,000.00            |                                | 66,615,000.00           |
| Veterans Bonds, Series 2012A                                  | 05-23-12      | 12-01-42                 | 1.69200                      | 74,995,000.00               | 7,875,000.00            |                                | 67,120,000.00           |
| Veterans Bonds, Series 2012B                                  | 11-01-12      | 12-01-42                 | 1.44700                      | 100,000,000.00              | 8,980,000.00            |                                | 91,020,000.00           |
| Veterans Bonds, Series 2013A                                  | 03-20-13      | 06-01-43                 | 1.70000                      | 99,995,000.00               | 5,015,000.00            |                                | 94,980,000.00           |
| Veterans Bonds, Series 2013B                                  | 08-22-13      | 12-01-43                 | 2.14500                      | 149,995,000.00              | 7,145,000.00            |                                | 142,850,000.00          |
| Veterans Bonds, Tax Ref Ser 2013C                             | 10-24-13      | 06-01-31                 | Floating                     | 297,600,000.00              | 9,830,000.00            |                                | 287,770,000.00          |
| Veterans Bonds, Ser 2014A                                     | 02-26-14      | 06-01-44                 | 2.17900                      | 150,000,000.00              | 3,785,000.00            |                                | 146,215,000.00          |
| Veterans Bonds, Tax Ref Ser 2014B-1                           | 04-01-14      | 12-01-24                 | Floating                     | 90,700,000.00               | 12,220,000.00           |                                | 78,480,000.00           |
| Veterans Bonds, Tax Ref Ser 2014B-2                           | 04-01-14      | 12-01-20                 | Floating                     | 25,085,000.00               |                         |                                | 25,085,000.00           |
| Veterans Bonds, Tax Ref Ser 2014C-1                           | 07-01-14      | 12-01-33                 | Floating                     | 72,695,000.00               | 1,505,000.00            |                                | 71,190,000.00           |
| Veterans Bonds, Tax Ref Ser 2014C-2                           | 07-01-14      | 12-01-32                 | Floating                     | 194,935,000.00              | 7,400,000.00            |                                | 187,535,000.00          |
| Veterans Bonds, Ser 2014D                                     | 09-10-14      | 06-01-45                 | 1.93950                      | 100,000,000.00              | 960,000.00              |                                | 99,040,000.00           |
| Veterans Bonds, Ser 2015A                                     | 02-11-15      | 06-01-45                 | 1.51000                      | 125,000,000.00              | 115,000.00              |                                | 124,885,000.00          |
| Veterans Bonds, Ser 2015B                                     | 07-22-15      | 06-01-46                 | 1.77100                      | 125,000,000.00              |                         |                                | 125,000,000.00          |
| <b>Total, Veterans' Housing Assistance Bonds</b>              |               |                          |                              | <b>5,743,905,878.99</b>     | <b>1,110,110,000.00</b> | <b>2,200,670,000.00</b>        | <b>2,433,125,878.99</b> |
| <b>Veterans' Land Bonds</b>                                   |               |                          |                              |                             |                         |                                |                         |
| Vet Land Bds Ser '49  | 10-01-49      | 06-01-79                 | 1.66884                      | 5,000,000.00                | 5,000,000.00            |                                | 0.00                    |
| Vet Land Bds Ser '50  | 04-01-50      | 06-01-79                 | 1.71816                      | 10,000,000.00               | 10,000,000.00           |                                | 0.00                    |
| Vet Land Bds Ser '50A   | 08-01-50      | 06-01-85                 | 1.71489                      | 10,000,000.00               | 10,000,000.00           |                                | 0.00                    |
| Vet Land Bds Ser '51  | 12-01-51      | 06-01-86                 | 1.93691                      | 15,000,000.00               | 14,335,000.00           | 665,000.00                     | 0.00                    |
| Vet Land Bds Ser '52  | 10-01-52      | 06-01-86                 | 2.21916                      | 10,000,000.00               | 9,535,000.00            | 465,000.00                     | 0.00                    |
| Vet Land Bds Ser '53  | 04-01-53      | 06-01-89                 | 2.38008                      | 10,000,000.00               | 8,455,000.00            | 1,545,000.00                   | 0.00                    |
| Vet Land Bds Ser '53A   | 09-01-53      | 06-01-89                 | 2.66266                      | 15,000,000.00               | 12,746,000.00           | 2,254,000.00                   | 0.00                    |
| Vet Land Bds Ser '54  | 04-01-54      | 06-01-89                 | 2.33869                      | 15,000,000.00               | 12,808,000.00           | 2,192,000.00                   | 0.00                    |
| Vet Land Bds Ser '54A   | 09-01-54      | 06-01-89                 | 2.09701                      | 10,000,000.00               | 8,938,000.00            | 1,062,000.00                   | 0.00                    |
| Vet Land Bds Ser '57  | 12-01-57      | 12-01-86                 | 2.69518                      | 12,500,000.00               | 11,505,000.00           | 995,000.00                     | 0.00                    |
| Vet Land Bds Ser '58  | 04-01-58      | 06-01-88                 | 2.89498                      | 12,500,000.00               | 9,855,000.00            | 2,645,000.00                   | 0.00                    |
| Vet Land Bds Ser '58A   | 07-01-58      | 06-01-90                 | 2.93605                      | 12,500,000.00               | 8,953,000.00            | 3,547,000.00                   | 0.00                    |
| Vet Land Bds Ser '61  | 03-01-61      | 12-01-96                 | 3.25934                      | 12,500,000.00               | 6,025,000.00            | 6,475,000.00                   | 0.00                    |
| Vet Land Bds Ser '61A   | 06-01-61      | 06-01-91                 | 3.50000                      | 25,000,000.00               | 14,977,000.00           | 10,023,000.00                  | 0.00                    |
| Vet Land Bds Ser '61B   | 12-01-61      | 12-01-91                 | 3.27557                      | 25,000,000.00               | 16,865,000.00           | 8,135,000.00                   | 0.00                    |
| Vet Land Bds Ser '68  | 01-01-68      | 06-01-98                 | 4.28248                      | 30,000,000.00               | 9,750,000.00            | 20,250,000.00                  | 0.00                    |
| Vet Land Bds Ser '68A   | 06-01-68      | 06-01-98                 | 4.33323                      | 30,000,000.00               | 8,500,000.00            | 21,500,000.00                  | 0.00                    |
| Vet Land Bds Ser '71  | 01-01-71      | 06-01-88                 | 4.06703                      | 25,000,000.00               | 18,000,000.00           | 7,000,000.00                   | 0.00                    |
| Vet Land Bds Ser '71A   | 06-01-71      | 06-01-98                 | 4.49920                      | 23,500,000.00               | 16,000,000.00           | 7,500,000.00                   | 0.00                    |
| Vet Land Bds Ser '71B   | 12-01-71      | 06-01-98                 | 4.48943                      | 20,800,000.00               | 3,000,000.00            | 17,800,000.00                  | 0.00                    |
| Vet Land Bds Ser '72  | 04-01-72      | 06-01-11                 | 4.03658                      | 40,000,000.00               | 2,500,000.00            | 37,500,000.00                  | 0.00                    |
| Vet Land Bds Ser '72A   | 10-01-72      | 06-01-11                 | 3.69020                      | 30,700,000.00               | 16,000,000.00           | 14,700,000.00                  | 0.00                    |
| Vet Land Bds Ser '76  | 05-01-76      | 06-01-15                 | 4.06238                      | 35,000,000.00               | 7,000,000.00            | 28,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '76A   | 09-01-76      | 06-01-94                 | 5.14892                      | 40,000,000.00               | 3,000,000.00            | 37,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '77  | 09-01-77      | 06-01-91                 | 4.45380                      | 25,000,000.00               |                         | 25,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '78  | 06-01-78      | 06-01-95                 | 4.91168                      | 25,000,000.00               |                         | 25,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '79  | 03-01-79      | 06-01-96                 | 5.17159                      | 35,000,000.00               |                         | 35,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '80  | 07-01-80      | 07-01-10                 | 5.99686                      | 66,000,000.00               |                         | 66,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '82  | 09-01-82      | 12-01-20                 | 6.59514                      | 74,000,000.00               |                         | 74,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '83  | 04-01-83      | 12-01-01                 | 8.18000                      | 50,000,000.00               |                         | 50,000,000.00                  | 0.00                    |



UNAUDITED

SCHEDULE 2-G (continued)

BUSINESS-TYPE ACTIVITIES

| DESCRIPTION OF ISSUE  | DATE OF BONDS | FINAL BOND MATURITY DATE | TRUE INTEREST COST (PERCENT) | BONDS ISSUED <sup>(1)</sup> | BONDS MATURED           | BONDS REFUNDED OR EXTINGUISHED | BONDED DEBT 08-31-2015  |
|---|---------------|--------------------------|------------------------------|-----------------------------|-------------------------|--------------------------------|-------------------------|
| <b>General Obligation Bonds - Self-Supporting (concluded)</b> |               |                          |                              | \$                          | \$                      | \$                             | \$                      |
| <i>Veterans' Land Bonds (concluded)</i>                       |               |                          |                              |                             |                         |                                |                         |
| Vet Land Bds Ser '83A   | 06-01-83      | 06-01-01                 | 7.76000                      | 50,000,000.00               |                         | 50,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '84  | 08-01-84      | 06-01-09                 | 10.12300                     | 75,000,000.00               |                         | 75,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '85A   | 07-01-85      | 06-01-07                 | 8.07560                      | 75,000,000.00               |                         | 75,000,000.00                  | 0.00                    |
| Vet Land Bds Ser '85B   | 07-01-85      | 06-01-07                 | 8.07560                      | 100,000,000.00              |                         | 100,000,000.00                 | 0.00                    |
| Vet Land Bds Ser '89  | 04-01-89      | 12-01-18                 | 7.61600                      | 45,000,000.00               | 4,975,000.00            | 40,025,000.00                  | 0.00                    |
| Vet Land Bds Ser '93  | 01-01-93      | 12-01-23                 | 6.50710                      | 35,000,000.00               | 5,715,000.00            | 29,285,000.00                  | 0.00                    |
| Vet Land Bds Ser '94  | 04-15-94      | 12-01-24                 | 6.31070                      | 41,350,000.00               | 16,595,000.00           | 24,755,000.00                  | 0.00                    |
| Vet Land Tax Bds Ser '95                                      | 03-15-95      | 12-01-26                 | 8.17990                      | 25,000,000.00               | 2,205,000.00            | 22,795,000.00                  | 0.00                    |
| Vet Land Tax Bds Ser '96                                      | 01-01-96      | 12-01-27                 | 6.91376                      | 35,000,000.00               | 3,970,000.00            | 31,030,000.00                  | 0.00                    |
| Vet Land Bds Ser '96  | 02-01-96      | 12-01-26                 | 5.35913                      | 39,611,739.46               | 14,942,000.00           | 24,035,000.00                  | 634,739.46              |
| Vet Land Tax Bds Ser '96A                                     | 12-01-96      | 12-01-27                 | 7.10847                      | 50,000,000.00               | 8,950,000.00            | 41,050,000.00                  | 0.00                    |
| Vet Land Ref Bds Ser '83                                      | 06-01-83      | 06-01-92                 | 7.76000                      | 36,095,000.00               | 13,285,000.00           | 22,810,000.00                  | 0.00                    |
| Vet Land Ref Bds Ser '85                                      | 12-01-85      | 12-01-01                 | 7.76000                      | 173,760,000.00              | 95,460,000.00           | 78,300,000.00                  | 0.00                    |
| Vet Land Ref Bds Ser '86                                      | 05-15-86      | 12-01-03                 | 6.77120                      | 542,785,000.00              | 223,600,000.00          | 319,185,000.00                 | 0.00                    |
| Vet Land Ref Bds Ser '89                                      | 10-01-89      | 12-01-09                 | 7.16640                      | 49,965,000.00               | 13,245,000.00           | 36,720,000.00                  | 0.00                    |
| Vet Land Ref Bds Ser '90                                      | 09-01-90      | 12-01-20                 | 7.48310                      | 57,435,000.00               | 17,475,000.00           | 39,960,000.00                  | 0.00                    |
| Vet Land Ref Bds Ser '91                                      | 10-15-91      | 12-01-21                 | 6.73835                      | 45,594,000.00               | 17,909,000.00           | 27,685,000.00                  | 0.00                    |
| Vet Land Tax Ref Bds Ser '98A                                 | 04-01-98      | 12-01-01                 | 5.91880                      | 28,495,000.00               | 28,495,000.00           |                                | 0.00                    |
| Vet Land Tax Ref Bds Ser '98B                                 | 04-01-98      | 12-01-03                 | 5.97880                      | 249,625,000.00              | 249,625,000.00          |                                | 0.00                    |
| Vet Land Ref Bds Ser '99A                                     | 04-28-99      | 12-01-18                 | 5.11200                      | 40,025,000.00               | 26,740,000.00           |                                | 13,285,000.00           |
| Vet Land Tax Ref Bds Ser '99B                                 | 11-01-99      | 12-01-09                 | 5.51250                      | 36,720,000.00               | 36,720,000.00           |                                | 0.00                    |
| Vet Land Bds Ser 2000   | 06-15-00      | 12-01-30                 | 5.95890                      | 20,000,000.00               | 3,520,000.00            | 16,480,000.00                  | 0.00                    |
| Vet Land Tax Bds Ser 2000A                                    | 06-15-00      | 12-01-30                 | Floating                     | 20,000,000.00               | 4,545,000.00            | 15,455,000.00                  | 0.00                    |
| Vet Land Tax Ref Bds Ser 2000                                 | 11-15-00      | 12-01-20                 | 6.10600                      | 39,960,000.00               | 9,395,000.00            | 30,565,000.00                  | 0.00                    |
| Vet Land Bds Ser 2002   | 02-21-02      | 12-01-32                 | 4.14000                      | 20,000,000.00               | 5,045,000.00            |                                | 14,955,000.00           |
| Vet Land Tax Bds Ser 2002A                                    | 02-21-02      | 12-01-32                 | Floating                     | 20,000,000.00               | 3,795,000.00            | 16,205,000.00                  | 0.00                    |
| Vet Land Tax Ref Bds Ser 2002                                 | 11-06-02      | 12-01-21                 | 4.93500                      | 27,685,000.00               | 3,360,000.00            | 24,325,000.00                  | 0.00                    |
| Vet Land Tax Ref Bds Ser 2003                                 | 11-20-03      | 12-01-23                 | 5.12300                      | 29,285,000.00               | 10,765,000.00           | 18,520,000.00                  | 0.00                    |
| Vet Land Tax Ref Bds Ser 2004                                 | 11-18-04      | 12-01-24                 | 5.45500                      | 24,755,000.00               | 4,960,000.00            | 19,795,000.00                  | 0.00                    |
| Vet Land Tax Ref Bds Ser 2005                                 | 11-16-05      | 12-01-26                 | 6.51700                      | 22,795,000.00               | 4,260,000.00            | 18,535,000.00                  | 0.00                    |
| Vet Land Tax Ref Bds Ser 2006A                                | 05-10-06      | 12-01-27                 | 6.54000                      | 31,030,000.00               | 6,750,000.00            | 24,280,000.00                  | 0.00                    |
| Vet Land Tax Ref Bds Ser 2006B                                | 05-10-06      | 12-01-26                 | 4.61000                      | 24,035,000.00               | 4,500,000.00            | 19,535,000.00                  | 0.00                    |
| Vet Land Tax Ref Bds Ser 2006C                                | 11-15-06      | 12-01-27                 | 6.51300                      | 41,050,000.00               | 9,315,000.00            | 31,735,000.00                  | 0.00                    |
| Vet Land Tax Ref Ser 2010D                                    | 11-18-10      | 12-01-30                 | 5.20900                      | 16,480,000.00               | 1,455,000.00            | 15,025,000.00                  | 0.00                    |
| Vet Land Tax Ref Ser 2014B-3                                  | 04-01-14      | 12-01-24                 | Floating                     | 49,100,000.00               | 4,685,000.00            |                                | 44,415,000.00           |
| Vet Land Tax Ref Ser 2014C-3                                  | 07-01-14      | 12-01-30                 | Floating                     | 70,965,000.00               | 2,700,000.00            |                                | 68,265,000.00           |
| Vet Land Tax Ref Ser 2014C-4                                  | 07-01-14      | 12-01-27                 | Floating                     | 113,910,000.00              | 6,060,000.00            |                                | 107,850,000.00          |
| <b>Total, Veterans' Land Bonds</b>                            |               |                          |                              | <b>3,152,510,739.46</b>     | <b>1,108,763,000.00</b> | <b>1,794,343,000.00</b>        | <b>249,404,739.46</b>   |
| <b>Total, General Obligation Bonds - Self-Supporting</b>      |               |                          |                              | <b>8,896,416,618.45</b>     | <b>2,218,873,000.00</b> | <b>3,995,013,000.00</b>        | <b>2,682,530,618.45</b> |
| <b>Revenue Bonds - Self-Supporting</b>                        |               |                          |                              |                             |                         |                                |                         |
| <i>Veterans Homes Revenue Bonds</i>                           |               |                          |                              |                             |                         |                                |                         |
| Vet Home Rev Bds Ser 2000                                     | 03-28-00      | 11-15-32                 | 7.15000                      | 20,000,000.00               | 20,000,000.00           |                                | 0.00                    |
| Vet Home Rev Ref Bds Ser 2002                                 | 05-09-02      | 08-01-35                 | 6.25000                      | 24,280,000.00               | 2,485,000.00            | 21,795,000.00                  | 0.00                    |
| <b>Total, Veterans' Homes Revenue Bonds</b>                   |               |                          |                              | <b>44,280,000.00</b>        | <b>22,485,000.00</b>    | <b>21,795,000.00</b>           | <b>0.00</b>             |
| <i>Veterans Mortgage Revenue Bonds</i>                        |               |                          |                              |                             |                         |                                |                         |
| Vet Mort Rev Tax Bds Ser 2000A                                | 03-25-00      | 12-25-32                 | 8.19000                      | 100,000,000.00              | 10,757,485.00           | 89,242,515.00                  | 0.00                    |
| Vet Mort Rev Tax Ref Bds Ser 2001B                            | 07-11-01      | 08-01-04                 | Floating                     | 160,092,515.00              | 160,092,515.00          |                                | 0.00                    |
| <b>Total, Veterans' Mortgage Revenue Bonds</b>                |               |                          |                              | <b>260,092,515.00</b>       | <b>170,850,000.00</b>   | <b>89,242,515.00</b>           | <b>0.00</b>             |
| <b>Total, Revenue Bonds - Self-Supporting</b>                 |               |                          |                              | <b>304,372,515.00</b>       | <b>193,335,000.00</b>   | <b>111,037,515.00</b>          | <b>0.00</b>             |
| <b>Total, All Bonds</b>                                       |               |                          |                              | <b>9,200,789,133.45</b>     | <b>2,412,208,000.00</b> | <b>4,106,050,515.00</b>        | <b>2,682,530,618.45</b> |

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<sup>(1)</sup> Includes accretion on capital appreciation bonds and unamortized bond issuance premiums

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 2-G (concluded)**

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2015

**BUSINESS-TYPE ACTIVITIES**

|       |  | \$                             |
|-------|--|--------------------------------|
| Note: | Veterans' Housing Assistance Bonds maturing within one year                  | 117,694,810.16                 |
|       | Veterans' Housing Assistance Accretion Bonds maturing within one year        | 0.00                           |
|       | Veterans' Land Bonds maturing within one year                                | 18,448,329.50                  |
|       | Veterans' Land Accretion Bonds maturing within one year                      | <u>448,670.50</u>              |
|       | Subtotal   | <u>136,591,810.16</u>          |
|       | Veterans' Housing Assistance Bonds maturing subsequent to one year           | 2,315,431,068.83               |
|       | Veterans' Housing Assistance Bonds Accretion maturing subsequent to one year | 0.00                           |
|       | Veterans' Land Bonds maturing subsequent to one year                         | 230,535,000.00                 |
|       | Veterans' Land Bonds Accretion maturing subsequent to one year               | <u>(27,260.54)</u>             |
|       | Subtotal   | <u>2,545,938,808.29</u>        |
|       | Total (Exh. III)   | <u><u>2,682,530,618.45</u></u> |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 3**

DETAIL OF ADDITIONS AND DEDUCTIONS

AGENCY FUNDS

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|   | UNAPPROPRIATED<br>RECEIPTS                   | OTHER AGENCY FUNDS  |
|---|--|---|
|   | GENERAL REVENUE<br>FUND (0001)<br>U/F (0111) | CHILD SUPPORT<br>ADDENDA DEDUCTS<br>SUSPENSE (0807)<br>U/F (8070) |
|   | \$   | \$  |
| <b>BALANCES, September 1, 2014</b>          | 233,313.23                                   | 6,646.65  |
| <b>ADDITIONS</b>                            |  |   |
| Royalty and Rental Collections              | 16,789,768.98                                |   |
| Taxes                                       | 584.72                                       |   |
| Interest and Investment Income              | (6,227.69)                                   |   |
| Outer Continental Shelf Settlement Receipts | 234,497.30                                   |   |
| Administrative Penalty-Late Document        | (190.00)                                     |   |
| Land Sales                                  |  |   |
| Veterans Service Fees and Down Payments     |  |   |
| Patent Recording Fees                       |  |   |
| Land Vacancy Applications                   |  |   |
| Payroll Deductions                          |  | 97,124.47   |
| <b>TOTAL ADDITIONS</b>                      | <u>17,018,433.31</u>                         | <u>97,124.47</u>  |
| <b>DEDUCTIONS</b>                           |  |   |
| Office Fees                                 |  |   |
| Child Support Payments                      |  | 95,102.80   |
| Land Vacancy Expenses                       |  |   |
| Transfers to Treasury                       | 17,224,632.00                                |   |
| <b>TOTAL DEDUCTIONS</b>                     | <u>17,224,632.00</u>                         | <u>95,102.80</u>  |
| <b>BALANCES, August 31, 2015 (EXH. D-1)</b> | <u>27,114.54</u>                             | <u>8,668.32</u>   |

UNAUDITED

| OTHER AGENCY FUNDS  | TOTALS               |                      |
|---|----------------------|----------------------|
| PURCH/LEASE<br>LAND VAC TRUST<br>ACCOUNT (0873)<br>U/F (0873) | (Memorandum Only)    |                      |
|   | 2015                 | 2014                 |
| \$ 9,999.32   | \$ 249,959.20        | \$ 363,669.05        |
|   | 16,789,768.98        | 15,367,218.95        |
|   | 584.72               | 472.38               |
| 101.71  | (6,125.98)           | (7,213.85)           |
|   | 234,497.30           | 300,811.20           |
|   | (190.00)             | 190.00               |
|   | 0.00                 | 50.00                |
|   | 0.00                 | 50.00                |
|   | 0.00                 | 783.00               |
| 29,000.00   | 29,000.00            | 11,350.00            |
|   | 97,124.47            | 102,613.73           |
| <u>29,101.71</u>  | <u>17,144,659.49</u> | <u>15,776,325.41</u> |
|   | 0.00                 | 801.00               |
|   | 95,102.80            | 106,938.83           |
| 10,546.74   | 10,546.74            | 11,006.20            |
|   | 17,224,632.00        | 15,771,289.23        |
| <u>10,546.74</u>  | <u>17,330,281.54</u> | <u>15,890,035.26</u> |
| <u>28,554.29</u>  | <u>64,337.15</u>     | <u>249,959.20</u>    |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 4**

SUMMARY OF TEXAS GENERAL LAND OFFICE

DEPOSITS TO OTHER AGENCIES - BY FUND AND AGENCY

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|   | TOTALS               |                      |
|---|----------------------|----------------------|
|   | 2015                 | 2014                 |
| <b>GENERAL REVENUE FUND (FUND 0001/AGENCY 644)</b>              |                      |                      |
| Receipts from Mineral Sources:                                  |                      |                      |
| Oil Royalty   | 27,661.00            | 42,054.33            |
| Gas Royalty   | 20,156.23            | 32,868.11            |
| Mineral Lease Bonus   | 10,230.00            | 49,360.00            |
| Mineral Lease Rental  | 2,800.00             | 0.00                 |
| <b>TOTAL AGENCY 644</b>   | <b>60,847.23</b>     | <b>124,282.44</b>    |
| <b>GENERAL REVENUE FUND (FUND 0001/AGENCY 696)</b>              |                      |                      |
| Receipts from Mineral Sources:                                  |                      |                      |
| Oil Royalty   | 8,285,444.74         | 16,671,607.45        |
| Gas Royalty   | 3,624,098.99         | 5,793,023.95         |
| Mineral Lease Bonus   | 0.00                 | 2,330,744.50         |
| Mineral Lease Rental  | 159,279.92           | 153,729.96           |
| Shut-In Mineral Royalty   | 1,892.80             | 7,680.00             |
| <b>TOTAL AGENCY 696</b>   | <b>12,070,716.45</b> | <b>24,956,785.86</b> |
| <b>GENERAL REVENUE FUND (FUND 0001/AGENCY 808)</b>              |                      |                      |
| Receipts from Mineral Sources:                                  |                      |                      |
| Gas Royalty   | 26,102.21            | 0.00                 |
| Mineral Lease Bonus   | 0.00                 | 165,265.70           |
| <b>TOTAL AGENCY 808</b>   | <b>26,102.21</b>     | <b>165,265.70</b>    |
| <b>GENERAL REVENUE FUND (FUND 0001/AGENCY 902)</b>              |                      |                      |
| Receipts from Mineral Sources:                                  |                      |                      |
| Oil Royalty   | 12,796,895.84        | 9,768,359.05         |
| Gas Royalty   | 3,708,399.12         | 3,559,511.55         |
| Mineral Lease Bonus   | 442,452.85           | 2,097,076.10         |
| Mineral Lease Rental  | 0.00                 | (5,139.05)           |
| Shut-In Mineral Royalty   | 1,225.00             | 1,639.55             |
| Outer Continental Shelf Judgment                                | 234,497.30           | 300,811.20           |
| Compensatory Royalty  | 34,330.43            | 0.00                 |
| Receipts from Misc. Interest and Other Collections:             |                      |                      |
| Miscellaneous   | 69.07                | 0.00                 |
| Interest  | 6,177.67             | 6,372.31             |
| State of Texas Sales Tax  | 584.72               | 472.38               |
| <b>TOTAL AGENCY 902</b>   | <b>17,224,632.00</b> | <b>15,729,103.09</b> |
| <b>TOTAL GENERAL REVENUE FUND</b>                               | <b>29,382,297.89</b> | <b>40,975,437.09</b> |
| <b>SPECIALTY LICENSE PLATES FUND (FUND 5140/AGENCY 305/608)</b> |                      |                      |
| Receipts from Specialty License Plates:                         |                      |                      |
| Specialty License Plates  | 15,012.59            | 14,698.98            |
| <b>TOTAL SPECIALTY LICENSE PLATES FUND</b>                      | <b>15,012.59</b>     | <b>14,698.98</b>     |

-to next page

SCHEDULE 4 (continued)

|  | TOTALS               |                      |
|--|----------------------|----------------------|
|  | 2015                 | 2014                 |
| STATE HIGHWAY FUND (FUND 0006/AGENCY 601)              | \$                   | \$                   |
| Receipts from Mineral Sources:                         |                      |                      |
| Oil Royalty  | 9,128,137.93         | 6,546,053.97         |
| Gas Royalty  | 3,908,619.85         | 5,385,939.55         |
| Mineral Lease Bonus                                    | 1,410,770.47         | 483,126.73           |
| Mineral Lease Rental                                   | 101.78               | 5,224.65             |
| Hard Mineral Royalty                                   | 0.00                 | 350.94               |
| Shut-In Mineral Royalty                                | 3,041.40             | 3,916.69             |
| Compensatory Royalty                                   | 0.00                 | 3,514.46             |
| Receipts from Surface Rentals, Easements, and Damages: |                      |                      |
| Rental of Land   | 39,363.00            | 43,373.50            |
| Receipts from Misc. Interest and Other Collections:    |                      |                      |
| Interest   | 7,871.21             | 4,894.19             |
| <b>TOTAL STATE HIGHWAY FUND</b>                        | <b>14,497,905.64</b> | <b>12,476,394.68</b> |
| PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305)           |                      |                      |
| Receipts from Mineral Sources:                         |                      |                      |
| Oil Royalty  | 277,036,627.31       | 264,074,279.89       |
| Gas Royalty  | 134,573,718.57       | 122,138,948.63       |
| Oil & Gas Lease Bonus                                  | 149,774,101.86       | 150,608,976.82       |
| Oil & Gas Lease Rental                                 | 11,234,830.10        | 80,286,055.87        |
| Mining Lease Royalty                                   | 783,158.16           | 878,184.03           |
| Mining Lease Rental and Bonus                          | 110,198.30           | 78,033.13            |
| Shut-In Mineral Royalty                                | 197,290.57           | 392,507.36           |
| Compensatory Royalty                                   | 0.00                 | 134,236.00           |
| Water Royalties  | 43,778.96            | 0.00                 |
| Talc Royalty   | 45,628.43            | 76,059.45            |
| Coal and Lignite Royalty                               | 245,514.75           | 0.00                 |
| Prospect Permits                                       | 30,488.27            | 29,596.41            |
| Outer Continental Shelf Judgment                       | 468,994.60           | 601,622.37           |
| Judgment on Minerals                                   | 10,000.00            | 0.00                 |
| Miscellaneous Rentals, Royalty, and Easements          | 1,566,521.55         | 1,995,716.86         |
| Receipts from Real Asset Investments:                  |                      |                      |
| Internal Investment Receipts - Return of Capital       | 73,813,094.28        | 65,068,505.18        |
| Internal Investment Receipts - Capital Gains           | 15,252,354.59        | 20,985,240.38        |
| Internal Investment Receipts - Note Principal          | 12,055.02            | 38,277.10            |
| Internal Investment Receipts - Note Interest           | 11,895.15            | 14,526.00            |
| External Investment Receipts - Return of Capital       | 279,550,258.46       | 256,978,471.36       |
| External Investment Receipts - Capital Gains           | 172,787,851.47       | 117,475,573.22       |
| External Investment Receipts - Dividend                | 4,243,143.23         | 8,747,958.24         |
| External Investment Receipts - Interest                | 548,424.97           | 0.00                 |
| External Investment Receipts - Misc.                   | 70,353,626.93        | 64,126,614.77        |
| Receipts from State Energy Marketing Program:          |                      |                      |
| SEMP Receipts for Third Party Purchases                | 79,148,844.48        | 63,618,592.45        |
| State Power Program                                    | 4,173,191.37         | 5,192,129.86         |
| Receipts from Surface Rentals, Easements, and Damages: |                      |                      |
| Surface Damage Fees                                    | 6,038,893.63         | 2,888,754.76         |
| Surface Lease Rental                                   | 4,117,282.08         | 2,299,865.57         |
| Coastal Private S-T Lease Rental                       | 352,626.20           | 354,094.72           |
| Coastal Public S-T Lease Rental                        | 1,244.65             | 1,244.65             |
| Coastal Commercial                                     | 1,499,843.08         | 1,625,569.92         |
| Coastal Miscellaneous Easements                        | 2,131,468.70         | 3,403,964.47         |
| Land Easement Rental, Riverbeds                        | 257,684.35           | 221,553.73           |
| Wind Lease Bonus                                       | 5,587.50             | 27,150.48            |
| Wind Lease Royalties                                   | 1,423.45             | 968.04               |

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UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 4 (continued)**

SUMMARY OF TEXAS GENERAL LAND OFFICE

DEPOSITS TO OTHER AGENCIES - BY FUND AND AGENCY

For the Year Ended August 31, 2015

(With comparative memorandum totals for the year ended August 31, 2014)

|  | TOTALS                  |                         |
|--|-------------------------|-------------------------|
|  | 2015                    | 2014                    |
| PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305) (continued)           | \$                      | \$                      |
| Rental of Land - Escrow Consideration                              | 145,450.00              | 0.00                    |
| Receipts from Surface Rentals, Easements, and Damages (continued): |                         |                         |
| Solar Surface Lease Rental or Bonus                                | 41,389.35               | 0.00                    |
| Uplands Commercial   | 2,027,613.63            | 2,108,714.17            |
| Uplands Miscellaneous Easements                                    | 1,059,172.62            | 890,883.59              |
| Receipts from Misc. Interest and Other Collections:                |                         |                         |
| Interest   | 12,455,080.83           | 10,546,645.31           |
| Miscellaneous  | (9,044,406.68)          | 10,373,789.02           |
| Land Office Administrative Fees                                    | 2,006,947.90            | 1,101,175.19            |
| <b>TOTAL AGENCY 305</b>  | <b>1,299,112,892.67</b> | <b>1,259,384,479.00</b> |
| <b>TOTAL PERMANENT SCHOOL FUND</b>                                 | <b>1,299,112,892.67</b> | <b>1,259,384,479.00</b> |
| STATE PARKS FUND (FUND 0064/AGENCY 802)                            |                         |                         |
| Receipts from Mineral Sources:                                     |                         |                         |
| Oil Royalty  | 358,269.60              | 549,996.55              |
| Gas Royalty  | 1,845,857.84            | 2,738,560.84            |
| Mineral Lease Bonus  | 302,023.28              | 0.00                    |
| Receipts from Misc. Interest and Other Collections:                |                         |                         |
| Interest   | 0.00                    | 3,929.98                |
| <b>TOTAL STATE PARKS FUND</b>                                      | <b>2,506,150.72</b>     | <b>3,292,487.37</b>     |
| MIDWESTERN UNIVERSITY MINERAL FUND (FUND 0412/AGENCY 735)          |                         |                         |
| Receipts from Mineral Sources:                                     |                         |                         |
| Oil Royalty  | 12,468.67               | 20,760.42               |
| <b>TOTAL MIDWESTERN UNIVERSITY MINERAL FUND</b>                    | <b>12,468.67</b>        | <b>20,760.42</b>        |
| CAPITAL TRUST FUND (FUND 0543/AGENCY 537)                          |                         |                         |
| Receipts from Surface Rentals, Easements, and Damages:             |                         |                         |
| Rental of Land   | 33,661.00               | 33,661.00               |
| <b>TOTAL AGENCY 537</b>  | <b>33,661.00</b>        | <b>33,661.00</b>        |
| CAPITAL TRUST FUND (FUND 0543/AGENCY 539)                          |                         |                         |
| Receipts from Mineral Sources:                                     |                         |                         |
| Oil Royalty  | 391,198.60              | 121,637.62              |
| Gas Royalty  | 285,403.41              | 334,255.92              |
| Mineral Lease Rental   | 4,247.65                | 15,721.65               |
| Mineral Lease Bonus  | 780.00                  | 202,905.24              |
| Receipts from Surface Rentals, Easements, and Damages:             |                         |                         |
| Rental of Land   | 19,090.00               | 40,702.00               |
| <b>TOTAL AGENCY 539</b>  | <b>700,719.66</b>       | <b>715,222.43</b>       |
| <b>TOTAL CAPITAL TRUST FUND</b>                                    | <b>734,380.66</b>       | <b>748,883.43</b>       |

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SCHEDULE 4 (concluded)

|  | TOTALS                  |                         |
|--|-------------------------|-------------------------|
|  | 2015                    | 2014                    |
| <b>OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 710)</b> | \$                      | \$                      |
| Receipts from Mineral Sources:                                       |                         |                         |
| Oil Royalty  | 13,593,330.88           | 4,081,476.25            |
| Gas Royalty  | 2,374,664.06            | 1,130,745.57            |
| Shut-In Mineral Royalty  | 6,665.74                | 0.00                    |
| Receipts from Misc. Interest and Other Collections:                  |                         |                         |
| Interest   | 1,854.68                | 0.00                    |
| <b>TOTAL AGENCY 710</b>  | <b>15,976,515.36</b>    | <b>5,212,221.82</b>     |
| <b>OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 733)</b> |                         |                         |
| Receipts from Mineral Sources:                                       |                         |                         |
| Oil Royalty  | 40,088.66               | 69,694.01               |
| <b>TOTAL AGENCY 733</b>  | <b>40,088.66</b>        | <b>69,694.01</b>        |
| <b>OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 771)</b> |                         |                         |
| Receipts from Mineral Sources:                                       |                         |                         |
| Mineral Lease Bonus  | 0.00                    | 16,249.90               |
| Mineral Lease Rental   | 135.42                  | (8,124.90)              |
| <b>TOTAL AGENCY 771</b>  | <b>135.42</b>           | <b>8,125.00</b>         |
| <b>TOTAL OTHER AGENCY LOCAL FUND ROYALTIES FUND</b>                  | <b>16,016,739.44</b>    | <b>5,290,040.83</b>     |
| <b>GAME, FISH, AND WATER SAFETY FUND (FUND 0930/AGENCY 802)</b>      |                         |                         |
| Receipts from Mineral Sources:                                       |                         |                         |
| Oil Royalty  | 850,478.59              | 995,056.77              |
| Gas Royalty  | 473,334.81              | 1,113,738.29            |
| Mineral Lease Bonus  | 0.00                    | 123,550.00              |
| Mineral Lease Rental   | 4,942.00                | 2,154.00                |
| <b>TOTAL GAME, FISH, AND WATER SAFETY FUND</b>                       | <b>1,328,755.40</b>     | <b>2,234,499.06</b>     |
| <b>WORKFORCE COMMISSION FEDERAL FUND (FUND 5026/AGENCY 320)</b>      |                         |                         |
| Receipts from Mineral Sources:                                       |                         |                         |
| Oil Royalty  | 337.38                  | 436.64                  |
| Gas Royalty  | 260.15                  | 41.08                   |
| Receipts from Sales of Real Property:                                |                         |                         |
| Land Sales   | 6,783.62                | 0.00                    |
| Other Sale of Real Property  | 1,224,618.63            | 729,825.20              |
| <b>TOTAL WORKFORCE COMMISSION FEDERAL FUND</b>                       | <b>1,231,999.78</b>     | <b>730,302.92</b>       |
| <b>TOTAL, ALL FUNDS (Schedule 5)</b>                                 | <b>1,364,838,603.46</b> | <b>1,325,167,983.78</b> |

UNAUDITED

Texas General Land Office and Veterans' Land Board (305)

**SCHEDULE 5**

**SUMMARY OF TEXAS GENERAL LAND OFFICE  
DEPOSITS TO OTHER AGENCIES - BY SOURCE**

For the Year Ended August 31, 2015

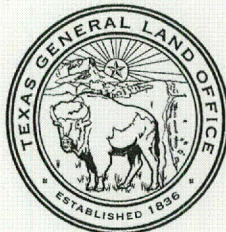
(With comparative memorandum totals for the year ended August 31, 2014)

|  | TOTALS                  |                         |
|--|-------------------------|-------------------------|
|  | 2015                    | 2014                    |
| RECEIPTS FROM MINERAL SOURCES                                      | \$                      | \$                      |
| Oil Royalty  | 322,520,939.20          | 302,941,412.95          |
| Gas Royalty  | 150,840,615.24          | 142,227,633.49          |
| Mineral Lease Bonus  | 151,940,358.46          | 156,077,254.99          |
| Mineral Lease Rental   | 11,406,336.87           | 80,449,622.18           |
| Mining Lease Royalty   | 783,158.16              | 878,184.03              |
| Mining Lease Rental and Bonus                                      | 110,198.30              | 78,033.13               |
| Compensatory Royalty   | 34,330.43               | 137,750.46              |
| Water Royalties  | 43,778.96               | 0.00                    |
| Talc Royalty   | 45,628.43               | 76,059.45               |
| Coal and Lignite Royalty   | 245,514.75              | 0.00                    |
| Hard Mineral Royalty   | 0.00                    | 350.94                  |
| Shut-In Mineral Royalty  | 210,115.51              | 405,743.60              |
| Judgment on Minerals   | 10,000.00               | 0.00                    |
| Prospect Permits   | 30,488.27               | 29,596.41               |
| Outer Continental Shelf Judgment                                   | 703,491.90              | 902,433.57              |
| Miscellaneous Rentals, Royalty, and Easements                      | 1,566,521.55            | 1,995,716.86            |
| <b>TOTAL RECEIPTS FROM MINERAL SOURCES</b>                         | <b>640,491,476.03</b>   | <b>686,199,792.06</b>   |
| RECEIPTS FROM REAL ASSET INVESTMENTS                               |                         |                         |
| Internal Investment Receipts                                       | 89,089,399.04           | 86,106,548.66           |
| External Investment Receipts                                       | 527,483,305.06          | 447,328,617.59          |
| Other Land Sales   | 6,783.62                | 0.00                    |
| Sale of Building   | 1,224,618.63            | 729,825.20              |
| <b>TOTAL RECEIPTS FROM REAL ASSET INVESTMENTS</b>                  | <b>617,804,106.35</b>   | <b>534,164,991.45</b>   |
| RECEIPTS FROM STATE ENERGY MARKETING PROGRAM                       |                         |                         |
| SEMP Receipts for Third Party Purchases                            | 79,148,844.48           | 63,618,592.45           |
| State Power Program  | 4,173,191.37            | 5,192,129.86            |
| <b>TOTAL RECEIPTS FROM STATE ENERGY MARKETING PROGRAM</b>          | <b>83,322,035.85</b>    | <b>68,810,722.31</b>    |
| RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES              |                         |                         |
| Surface Damage Fees  | 6,038,893.63            | 2,888,754.76            |
| Uplands Commercial   | 2,027,613.63            | 2,108,714.17            |
| Coastal Commercial   | 1,499,843.08            | 1,625,569.92            |
| Coastal S-T Lease Rental   | 353,870.85              | 355,339.37              |
| Easements  | 3,190,641.32            | 4,294,848.06            |
| Surface Lease Rental   | 4,117,282.08            | 2,299,865.57            |
| Rental of Land   | 495,248.35              | 339,290.23              |
| Wind Lease Royalties   | 1,423.45                | 968.04                  |
| Wind Lease Bonus   | 5,587.50                | 27,150.48               |
| Solar Surface Lease Rental or Bonus                                | 41,389.35               | 0.00                    |
| <b>TOTAL RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES</b> | <b>17,771,793.24</b>    | <b>13,940,500.60</b>    |
| RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS                 |                         |                         |
| Interest   | 12,470,984.39           | 10,561,841.79           |
| State of Texas Sales Tax   | 584.72                  | 472.38                  |
| Land Office Administrative Fees                                    | 2,006,947.90            | 1,101,175.19            |
| Miscellaneous  | (9,044,337.61)          | 10,373,789.02           |
| Specialty License Plates   | 15,012.59               | 14,698.98               |
| <b>TOTAL RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS</b>    | <b>5,449,191.99</b>     | <b>22,051,977.36</b>    |
| <b>TOTAL, ALL SOURCES (Schedule 4)</b>                             | <b>1,364,838,603.46</b> | <b>1,325,167,983.78</b> |

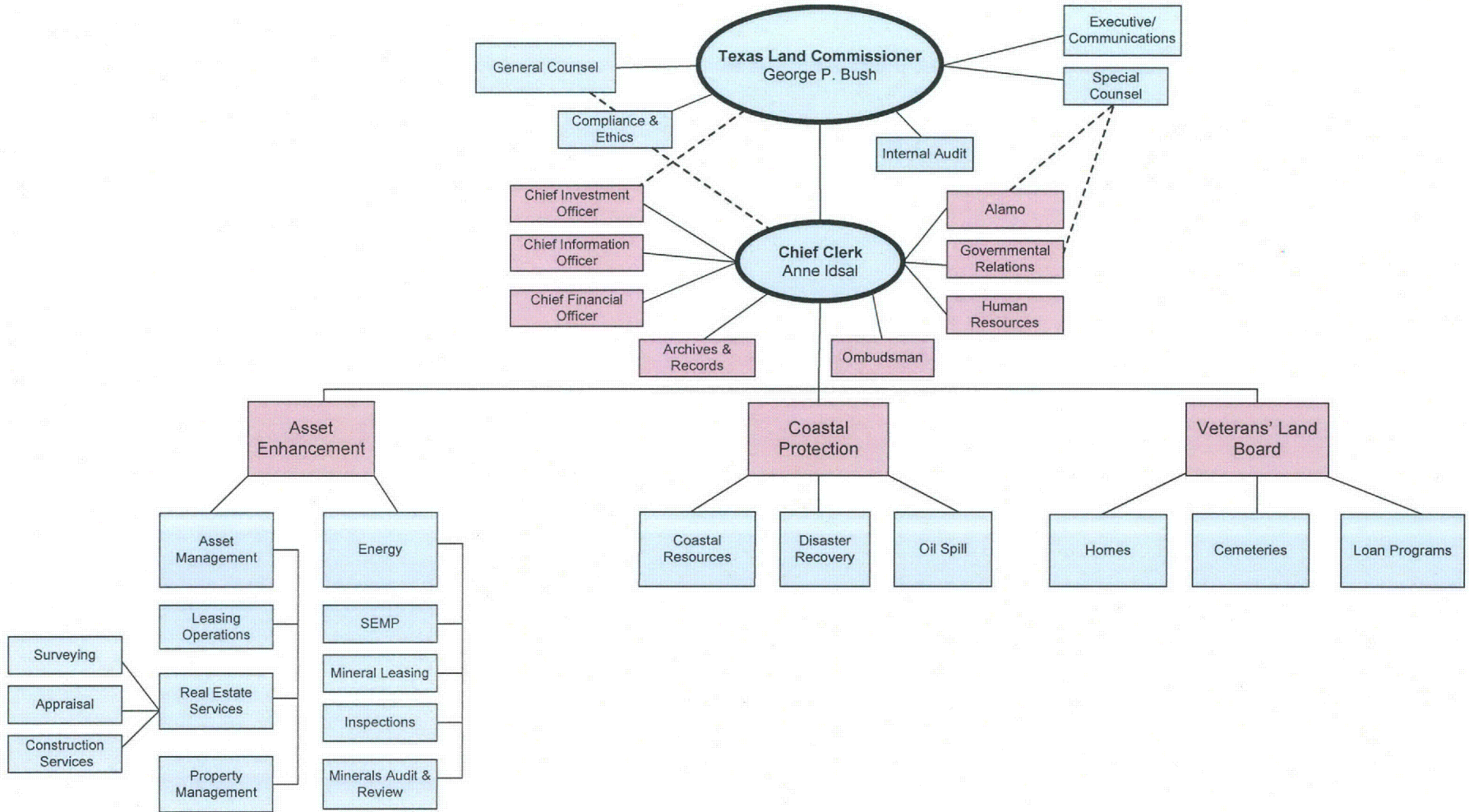
TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

ADDENDUM

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2015



### General Land Office and Veterans' Land Board



# ADDENDUM

## ORGANIZATIONAL AND GENERAL COMMENTS

The Texas General Land Office (GLO) serves as the manager and/or trustee in varying duties and responsibilities of over 18.5 million acres of state-owned land consisting of the following:

| Description of Acreage                        | Number of Acres       |
|---|-----------------------|
| Freshwater Rivers (estimated)                 | 1,000,000.000         |
| Rivers, Creeks, Bayous (tidal)                | 8,531.980             |
| Bays, Inlets, Coves                           | 1,461,392.390         |
| Gulf of Mexico                                | 2,441,568.950         |
| Surveyed School Lands                         | 421,254.390           |
| Lakes   | 67,584.330            |
| Islands                                       | 18,051.840            |
| Relinquishment Act Land<br>(mineral interest) | 6,324,510.820         |
| Free Royalty Land                             | 818,240.420           |
| Surface Sold and All or Part                  |                       |
| Minerals Reserved                             | 374,907.390           |
| Surface Only Acquired                         | 110,692.550           |
| Surface Acquired and All or Part              |                       |
| Minerals Acquired                             | 147,714.070           |
| Small Tracts                                  | 0.320                 |
| Escheated Lands                               | 162.270               |
| Court Judgments                               | 54,083.900            |
| Gifts   | 19.730                |
| Undivided Interest                            | 7,368.400             |
| State Real Property Inventory                 | 1,210,769.000         |
| Permanent University Fund                     | 2,109,190.870         |
| Excess (estimated)                            | 1,747,600.000         |
| Veterans' Land Board<br>(land contracts)      | 203,360.000           |
| <b>Total (estimated)</b>                      | <b>18,527,003.620</b> |

Trust duties include administering state land sales and leases, issuing land patents and settling vacancy questions, protecting state land from uncompensated or unlawful use, ensuring that the conditions of mining claims, gas and oil leases, commercial and grazing surface leases, pipeline easements, and various other permits are fulfilled, and providing the public with information on the state's land resources. The Veterans' Land Board has 203,360 acres of veterans' land contracts to 7,707 qualified Texas veterans. Additionally, the Veterans' Land Board holds 4,071 land mortgages, 13,215 housing mortgages and 1,289 home improvement loans under the Veterans' Land and Housing Assistance Programs.

The commissioner of the Texas General Land Office is a state official elected by the voters of Texas to a four-year term. The Honorable Jerry Patterson was initially elected in the November 2002 General Election for a term beginning January 1, 2003 and extending through December 31, 2006. Commissioner Patterson was re-elected in the November 2006 and November 2010 General Elections for terms extending through December 31, 2014. The Honorable George P. Bush was elected in the November 2014 General Election for a term beginning January 1, 2015 through December 31, 2018.

A primary responsibility of the land commissioner is to assist in the supervision and management of the public lands of Texas as chairman of the various boards that are responsible for leasing state-owned lands. Two of the more important of these boards, in terms of land area managed and lease revenues collected, are the School Land Board and the Board for Lease of University Lands.

### SCHOOL LAND BOARD

The School Land Board includes the land commissioner, who serves as chairman, and two citizen members who are appointed for a two-year term. One member is appointed by the attorney general and the other by the governor. Citizen members received a \$30 per diem allowance and actual travel expenses (not exceeding the maximum meals and lodging rates based on the federal travel regulations issued by the Texas Comptroller of Public Accounts) while in the performance of their official duties during fiscal 2015. Expenses related to citizen members are paid from legislative appropriations granted to the Texas General Land Office. The citizen members serving at August 31, 2015 were:

| Member           | City        | Term Expires              |
|------------------|-------------|---------------------------|
| David S. Herrman | San Antonio | 08/31/2007 <sup>(1)</sup> |
| Tommy Orr        | Houston     | 08/29/2015 <sup>(2)</sup> |

<sup>(1)</sup> Mr. Herrman continues to serve until successor is appointed

<sup>(2)</sup> Mr. Gilbert Burciaga was appointed September 17, 2015. His term expires August 29, 2017.

Lands owned by state agencies and institutions, other than those previously maintained, are leased for mineral development through the School Land Board. Mineral lease sales conducted during the 2015 fiscal year by the Texas General Land Office for various state land boards and/or commissions are presented on page 171.

### BOARD FOR LEASE OF UNIVERSITY LANDS

The Board for Lease of University Lands includes the land commissioner, who serves as chairman, two members of the Board of Regents of the University of Texas System, and one member of the Board of Regents of Texas A&M University. Regent members may not be employed by an oil or gas company either directly or indirectly.

Texas General Land Office and Veterans' Land Board (305)

Regent members are appointed by the chairman of the Board of Regents, with the consent of the entire board, to serve two-year terms on the Board for Lease. Regent members serving at August 31, 2015 were:

| <u>Member</u>    | <u>City</u> | <u>Term Expires</u> |
|------------------|-------------|---------------------|
| Charles Schwartz | Houston     | 02/01/2019          |
| Brenda Pejovich  | Dallas      | 02/01/2017          |
| David Beck       | Austin      | 02/01/2021          |

**BOARD FOR LEASE OF THE TEXAS PARKS AND WILDLIFE DEPARTMENT**

The land commissioner serves as chairman of the Board for Lease of the Texas Parks and Wildlife Department. The Board for Lease of the Texas Parks and Wildlife Department consists of the land commissioner, the chairman of the Texas Parks and Wildlife Commission, and one citizen member appointed by the governor, with concurrence of the Senate, for a two-year term. The members of the Board at August 31, 2015 were:

| <u>Member</u>   | <u>City</u> | <u>Term Expires</u> |
|---|-------------|---------------------|
| T. Dan Friedkin<br><i>Chairman, Texas Parks and Wildlife Commission</i> | Houston     | 02/01/2017          |
| Wesley Lloyd  | Waco        | 09/01/2015          |

**BOARD FOR LEASE OF TEXAS DEPARTMENT OF CRIMINAL JUSTICE**

The Board for Lease of Texas Department of Criminal Justice consists of the land commissioner, as chairman, the chairman of the Texas Board of Criminal Justice, and one citizen member appointed by the governor, with concurrence of the Senate, for a two-year term. The members of the Board at August 31, 2015 were:

| <u>Member</u>  | <u>City</u>   | <u>Term Expires</u> |
|--|---------------|---------------------|
| Oliver J. Bell<br><i>Chairman, Texas Board of Criminal Justice</i> | Horseshoe Bay | 02/01/2015          |
| Wesley Lloyd   | Waco          | 09/01/2015          |

**VETERANS' LAND BOARD**

The Veterans' Land Board was created by constitutional amendment in 1946 to oversee the Veterans' Land Program. The land commissioner, who serves as chairman, along with two citizens appointed by the governor comprise the membership of this board. Citizen members are appointed to four-year terms, with one term expiring every even-numbered year. Citizen members were eligible to receive actual travel expenses while in the performance of their official duties during fiscal 2015.

The citizen members serving on this board at August 31, 2015 were:

| <u>Member</u>   | <u>City</u> | <u>Term Expires</u> |
|-----------------|-------------|---------------------|
| Andrew J. Cobos | Houston     | 12/29/2018          |
| Alan L. Johnson | Harlingen   | 12/29/2016          |

Data applicable to land, housing and home improvement loan program activities of the Veterans' Land Board are presented on page 172.

**ALTERNATIVE FUELS COUNCIL**

The land commissioner, the three commissioners of the Railroad Commission of Texas, the chairman of the Texas Building and Procurement Commission and the chairman of the Texas Commission on Environmental Quality are members of the Alternative Fuels Council. The Alternative Fuels Council was created by Tex. Nat. Res. Code, Ch. 113, Subchapter J. The council is charged with coordinating a comprehensive program for state agencies in support of the use of environmentally beneficial alternative fuels. The council administers the alternative fuels programs to support and encourage the use of alternative fuels. Legal issues primarily relate to whether and how state or federal laws or regulations apply to council activities or grants.

**TEXAS BOARD OF PROFESSIONAL LAND SURVEYING**

As authorized by Tex. Occ. Code §1071.051, the land commissioner is an ex-officio member of the Texas Board of Professional Land Surveying. Other board members are appointed by the governor with the advice and consent of the Senate and include three members from the general public, two licensed state land surveyors, and three registered professional land surveyors. This board examines surveyors-in-training, registers professional land surveyors, and licenses state land surveyors. Additionally, the board establishes and enforces standards of conduct for those it licenses and registers. The board employs staff to carry out these duties.

**LEGISLATIVE REDISTRICTING BOARD OF TEXAS**

The land commissioner, the lieutenant governor, the speaker of the House of Representatives, the attorney general, and the comptroller of public accounts are members of the Legislative Redistricting Board of Texas. This board, under the authority granted in the Texas Constitution, Art. III, §28, is responsible for apportioning the state's senatorial and representative districts in the event that the Texas Legislature fails to do so at the first regular legislative session following the publication of a United States decennial census. Pursuant to Tex. Const. Art. V, §7a (e), the board is responsible for reapportioning the state's judicial districts if the Texas Legislature or the Judicial Districts Board fails to do so.

**Mineral Lease Sales**

**Fiscal Year 2015**

| Lease Sale Date <sup>(1)</sup>                            | Number of<br>Leases Awarded | Total Acres Leased | Total of High Bids Accepted | Average Bonus<br>per Acre |
|---|-----------------------------|--------------------|-----------------------------|---------------------------|
| <b>School Land Board</b>                                  |                             |                    |                             |                           |
|   |                             |                    | \$                          | \$                        |
| <b>Surveyed School Land</b>                               |                             |                    |                             |                           |
| <i>Oil and Gas</i>  |                             |                    |                             |                           |
| January 20, 2015 <sup>(2)</sup>                           | 50                          | 10,119.68          | 2,301,029.52                | 227.38                    |
| August 4, 2015 <sup>(2)</sup>                             | 55                          | 11,820.34          | 20,243,423.26               | 1,712.59                  |
| <b>Total</b>  | <b>105</b>                  | <b>21,940.02</b>   | <b>22,544,452.78</b>        | <b>1,027.55</b>           |
| <b>Special Boards for Lease</b>                           |                             |                    |                             |                           |
|   |                             |                    | \$                          | \$                        |
| <b>Texas Department of Aging &amp; Disability Service</b> |                             |                    |                             |                           |
| <i>Oil and Gas</i>  |                             |                    |                             |                           |
| January 20, 2015  | 1                           | 0.78               | 780.00                      | 1,000.00                  |
| <b>Total</b>  | <b>1</b>                    | <b>0.78</b>        | <b>780.00</b>               | <b>1,000.00</b>           |
| <b>Texas Parks and Wildlife Department</b>                |                             |                    |                             |                           |
| <i>Oil and Gas</i>  |                             |                    |                             |                           |
| January 20, 2015  | 1                           | 370.24             | 302,023.38                  | 815.75                    |
| <b>Total</b>  | <b>1</b>                    | <b>370.24</b>      | <b>302,023.38</b>           | <b>815.75</b>             |
| <b>Texas Department of Transportation</b>                 |                             |                    |                             |                           |
| <i>Oil and Gas</i>  |                             |                    |                             |                           |
| January 20, 2015  | 1                           | 0.48               | 2,400.48                    | 5,001.00                  |
| <b>Total</b>  | <b>1</b>                    | <b>0.48</b>        | <b>2,400.48</b>             | <b>5,001.00</b>           |

<sup>(1)</sup> No lease sales were held in October 2014 or April 2015

<sup>(2)</sup> Includes Relinquishment Act Lands (RAL) tracts

**NATURAL RESOURCE DAMAGE RESTORATION TRUST FUND**

The Texas General Land Office is a trustee for natural resources under the Comprehensive Environmental Response, Compensation, and Liability Act, 42 USC §9607(f) and the Oil Pollution Act of 1990, 33 USC §2706(f). This designation authorizes the Texas General Land Office to assess damages for injuries to natural resources resulting from any spilling, leaking, dumping, leaching, or other disposal of oil and hazardous substances. Natural resource trustees are statutorily required to keep money collected as damages in separate accounts to be used only for the restoration of the injured natural resources. In

some instances, administrative funding agreements are executed at the initiation of a natural resource damage assessment, and accounts are established that also allow the remuneration of administrative costs. The majority of the accounts have been set up for this purpose. The Texas General Land Office, together with two other state natural resource trustees – the Texas Parks and Wildlife Department and the Texas Commission on Environmental Quality – created a Natural Resource Damage Restoration Trust Fund in the State Treasury Safekeeping Trust Company to ensure that the funds are used only for designated purposes as required by federal law. Each account bears interest and is subject to minimal management fees. All three state trustee agencies must authorize the establishment of an individual account and approve any expenditure.

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Land program loans receivable, including properties acquired through forfeiture at August 31, 2015 are presented in the following table.

|  | <u>Land Contract<br/>for Deed (CFD)</u> | <u>Land<br/>Mortgage</u>     | <u>Total Land<br/>Program Loans</u> |
|--|---|------------------------------|-------------------------------------|
|  | \$                                      | \$                           | \$                                  |
| Principal Receivable                           | 18,598,620.05                           | 313,921,656.13               | 332,520,276.18                      |
| Interest Receivable                            | <u>1,287,957.59</u>                     | <u>1,020,790.68</u>          | <u>2,308,748.27</u>                 |
| <b>Total Land Program<br/>Loans Receivable</b> | <b><u>19,886,577.64</u></b>             | <b><u>314,942,446.81</u></b> | <b><u>334,829,024.45</u></b>        |

Data applicable to land mortgages and contract for deeds closed under the land program are presented in the following table.

|                        | <u>Contract for Deed<br/>Since Program<br/>Inception *</u> | <u>Land Mortgage</u>                  |                                    |
|------------------------|--|---------------------------------------|------------------------------------|
|                        |  | <u>Year Ended<br/>August 31, 2015</u> | <u>Since Program<br/>Inception</u> |
| Total Acres Purchased  | 4,981,195.33   | 15,474.39                             | 63,068.07                          |
| Total Purchase Price   | \$1,807,224,246.13   | \$75,140,747.00                       | \$ 254,303,336.83                  |
| Average Price Per Acre | \$362.81   | \$4,855.81                            | \$4,032.20                         |
| Number of New Loans    | 122,499  | 1,189                                 | 4,542                              |

Housing program loans receivable, including properties acquired through foreclosure at August 31, 2015 are presented in the following table.

|   | <u>Housing<br/>Mortgage</u>    | <u>Home<br/>Improvement</u> | <u>Total Housing<br/>Program Loans</u> |
|---|--------------------------------|-----------------------------|--|
|   | \$                             | \$                          | \$                                     |
| Principal Receivable                              | 2,086,511,235.60               | 24,760,234.16               | 2,111,271,469.76                       |
| Interest Receivable                               | <u>8,121,297.20</u>            | <u>342,134.47</u>           | <u>8,463,431.67</u>                    |
| <b>Total Housing Program<br/>Loans Receivable</b> | <b><u>2,094,632,532.80</u></b> | <b><u>25,102,368.63</u></b> | <b><u>2,119,734,901.43</u></b>         |

Housing program loans purchased during fiscal year 2015 are presented in the following table.

|                         | <u>Housing<br/>Mortgage</u> | <u>Home<br/>Improvement</u> | <u>Total Housing<br/>Program Loans</u> |
|-------------------------|-----------------------------|-----------------------------|--|
| Housing Loan Principal  | \$ 376,419,911.29           | \$ 7,563,868.71             | \$ 383,983,780.00                      |
| Number of Housing Loans | 1,528                       | 342                         | 1,870                                  |

\* The last new Contract for Deed was on June 2, 2008.



## ALAMO ENDOWMENT BOARD

The Alamo Endowment is a private, nonprofit Texas corporation organized for charitable and educational purposes. It assists the General Land Office in the preservation, management, education, maintenance, operation and restoration of the Alamo Complex. The Board of Directors is comprised of citizen members appointed by the land commissioner, who serves as Chairman. The members of the board at August 31, 2015 were:

### Member

Ramona Bass

James D. (Jim) Dannenbaum

Red McCombs

Lew Moorman

William Eugene (Gene) Powell

Welcome W. Wilson, Jr.

Francisco G. Cigarroa, M.D. (appointed November 2015)

Esperanza "Hope" Andrade (appointed November 2015)

## PROGRAM AREAS

The land commissioner, together with the deputy land commissioner and chief clerk, the general counsel, the ombudsman, the chief ethics officer, the chief administrative officer, the director of communications, the director of governmental affairs, the deputy commissioners, and other key administrative personnel, supervises the activities of the Texas General Land Office and Veterans' Land Board. The following paragraphs, which are complemented by the organizational chart, highlight these areas and the overall organization of the agency.

### ADMINISTRATION

Administration is responsible for the agency's purchasing, travel, safety/risk management, and administrative support functions. It is comprised of two primary divisions: administrative services and procurement.

The procurement division purchases goods and services for the agency. The procurement team makes best value purchasing decisions based upon reasonable assessment of quality, service, competitive pricing, and technical qualifications in accordance with federal and state laws, rules, and regulations.

The administrative services division also provides a variety of services to the agency, including processing incoming and out-bound mail, shipping and receiving, pickup and delivery services, office design, and modular furniture reconfiguration. The administrative services staff also serves as the agency liaison for telecommunications, facilities management, and fleet management; manages the agency's warehouse space; maintains the agency's fixed asset records; and coordinates the issuance of employee access/identification badges and parking

permits. The Stephen F. Austin building receptionist is also part of this division.

The travel office assists employees with travel arrangements and ensures compliance with state travel regulations.

Administration is responsible for the agency's safety and risk management functions, including business continuity planning, emergency preparedness, employee defensive driving training, and the agency safety program. The agency's Historically Underutilized Business and Mentoring coordinator also resides in Administration.

### ARCHIVES AND RECORDS

The Archives and Records program area is responsible for the permanent records (archives) of the Texas General Land Office, including the agency's map collection, the agency records management program, the Office of Veterans Records, and providing document scanning services for the agency. The program also preserves and provides access to the original land grants and land patent records issued by the various governments of Texas: the Crown of Spain, the Republic of Mexico, the Republic of Texas, and the State of Texas. The program also manages records of mineral lease files and files pertaining to the management of state-owned lands, with the Office of Veterans Records providing file storage and tracking of veterans' loan records.

In compliance with legislative and Texas State Library and Archives Commission requirements, Archives and Records administer the agency's records retention schedule to ensure access to the records of the various departments within GLO and publications produced by the GLO. Other duties include processing permanent correspondence for filming and indexing; preserving records and other materials documenting the history of the Texas General Land Office and Texas public lands; and assisting customers doing genealogical, historical, mineral and land title, and other types of research.

The program also provides high-quality copies and reproductions of documents and maps to customers, both internal and external. Document reproduction charges are used to conserve the 36 million documents and 45,000 maps, sketches and drawings housed at the GLO. The program's outreach efforts include an annual history symposium, several publications, a quarterly newsletter, tours, exhibits, presentations to the public, a presence at various historical and genealogical conferences and a website to increase public awareness of the history of the Texas General Land Office and Texas public lands.

The Archives and Records program area, in concert with the GLO Communications department, operates a partnership entitled *Save Texas History!* that leverages private funding in the form of corporate, non-profit and individual donations, map and document sales, to help defray the expense of conserving and

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preserving these treasures for future generations of Texans. The *Save Texas History!* program also developed an educational program for fourth and seventh grade students and teachers in Texas. Teachers now have access to specially designed lesson plans that focus on STARR elements and utilize many archival documents and maps available at the GLO, as well as increased online access to these resources.

During the past year, Archives and Records, in collaboration with the Communications department, created two temporary exhibits at the Alamo. The first highlighted the Missions of Texas and the second featured the Tejanos who fought and died at the Alamo. Both of these exhibits utilized documents from the GLO Archives, augmented with items from the Alamo Collection and the Alamo Research Center, and other archives in Austin and San Antonio.

During the past year, the Archives and Records program area also continued its map and document digitization program. This project provides the agency with a comprehensive means of digitally preserving the historic maps and documents housed in the Texas General Land Office vaults. Up to this point, the digitization program has scanned more than 281,771 maps and files, representing more than 3 million digital images, which are available in an online searchable database. These documents include historically significant maps of Texas dating back to 1650, as well as original land grant records of individuals in Texas dating back to 1720. These maps and documents, once digitized, are placed on the agency's website for the public to view and research. Digitization of the records provides much wider access to these historically significant collections in our care, including to persons who do not have the time or money to travel to Austin to view these records in person, as well as better preserving the originals in our care. In addition, the Archives and Records program provides this digital preservation service at reasonable cost to other state entities, as well as participating in national and state-level grants involving the digitization of cultural heritage objects.

#### **ASSET MANAGEMENT**

The Asset Management program area is comprised of two divisions: Portfolio Management and Inventory and Disposition Management.

Portfolio Management, under the direction and oversight of the School Land Board, acquires real property for the purposes of value appreciation and ongoing revenue production through lease revenues for the Permanent School Fund (PSF). This area identifies potential targets for both acquisition and disposition of investment properties, performs due diligence on the properties, develops and executes asset management and disposition plans, and negotiates the terms of the transaction.

Inventory and Disposition Management is responsible for a number of real estate and related activities associated with

statutory requirements and responsibilities. Under §31.153-§31.159, Texas Natural Resources Code (TNRC), this area is responsible for reviewing and recommending retention or disposition of lands currently in the possession of other state agencies, particularly in reference to under-utilization. In connection with this activity, the area maintains an inventory of other agency land holdings. Also within this activity, the agency conducts a continuous effort to dispose of unsold rural lands dedicated to the Permanent School Fund by sealed bid and direct sale.

Archeological evaluations of proposed land for sale in accordance with the Texas Antiquities Code are either performed by contract personnel or are routed to the Texas Historical Commission for comprehensive review prior to the sale.

#### **COASTAL RESOURCES**

Coastal Resources, a division of Coastal Protection, is responsible for a number of initiatives designed to foster sound stewardship of natural resources and to promote economic growth along the Texas coast. Coastal Resources is comprised of Grant Programs, the Coastal Erosion Planning and Response Act Program, Natural Resource Damage Assessment (NRDA), Texas Beach Watch, Texas Coastal Ocean Observation Network, Adopt-A-Beach, and the Beach Access and Dune Protection Program.

Grant Programs administers the Coastal Impact Assistance Program (CIAP). The Energy Policy Act of 2005 authorized the 2005 CIAP. \$250 million was to be divided annually among the coastal states of Alabama, Alaska, California, Louisiana, Mississippi, and Texas for fiscal years 2007 through 2010. On April 16, 2007, the Minerals Management Service (now known as the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE)) released individual CIAP allocation amounts for fiscal years 2007 and 2008. For fiscal years 2007 and 2008, the State of Texas received \$48,591,202.09 for each fiscal year. Of this amount, \$31,584,281.36 was awarded to the State and \$17,006,920.73 awarded to the 18 coastal counties. For fiscal years 2009 and 2010, the State received \$70,924,780.81, collectively. Of that amount, \$46,101,107.53 was awarded to the State and \$24,823,673.28 was awarded to the 18 coastal counties.

Grant Programs also oversees the Coastal Preserve program, the conservation of designated state-owned, environmentally sensitive estuarine areas on the Texas coast. This program also manages a database on resource management codes available to potential users of coastal public land as guidance for development.

Grant Programs administers the Texas Coastal Management Program (CMP), which was approved by the National Oceanic and Atmospheric Administration (NOAA) in January 1997. The program is designed to coordinate the stewardship of Texas' abundant coastal resources. Through the CMP and its Coastal

Coordination Advisory Committee, the program has established a set of goals and policies for the management of coastal natural resources. The CMP goals and policies are implemented through the consistency review of federal agency permitting, the review of federal agency activities and funding decisions, and the review of certain listed state agency actions. The program also implements the CMP goals and policies through the coordination of state agency activities, and through funding under the CMP grant program, of local projects to preserve, protect, enhance, or restore coastal natural resources.

The Coastal Management Program (CMP) grants program is entering its 20th cycle and the Texas General Land Office has been awarded approximately \$2.52 million for CMP authorized projects along the coast.

Coastal Resources also houses the hazard mitigation program that works with state agencies and local governments to implement state and federal coastal hazard mitigation efforts, including grants from the Federal Emergency Management Agency (FEMA).

The Tide Gauge Program began in 1989 at Texas A&M University-Corpus Christi. The first measurement systems installed were intended to provide real-time water-level and meteorological information to the City of Corpus Christi to assist local officials with preparations for incoming hurricanes and tropical storms. From this initial work, other state agencies, including the Texas General Land Office and the Texas Water Development Board, began contracting with Texas A&M University-Corpus Christi to provide similar information for other areas along the Texas coast. Following a Texas Legislative mandate in 1991, this network of water level gauges became the Texas Coastal Ocean Observation Network (TCOON). As a result, TCOON expanded from initially three stations in Corpus Christi in 1989 to over 40 stations by 1992. Currently there are 30 operating stations along the coast.

Coastal Resources also oversees the Texas Beach Watch program. The Beaches Environmental Assessment and Coastal Health (BEACH) Act was passed by Congress in 2000 to protect public health in coastal recreational waters. It established uniform criteria for testing, monitoring and notifying the public users of possible coastal recreation water problems. It also requires that states, in cooperation with EPA, develop and implement a program to monitor coastal recreation waters adjacent to beaches used by the public and to notify the public if water quality standards for pathogens and pathogen indicators are exceeded. In July 2001, the Office of the Governor appointed the Texas General Land Office as the lead state agency responsible for implementing the provisions of the BEACH Act because of its existing Beach Watch Program. This program started in the late 1990s as a fledgling water-quality monitoring program funded by the Coastal Management Program. To date, the Texas Beach Watch Program has been awarded \$5.7 million

in federal funding to implement the program and meet the requirements of the BEACH Act.

The Texas Beach Watch Program monitors water quality at Texas recreational beaches. When bacteria levels in the water exceed the acceptable standards established by the EPA, the Texas General Land Office works with local governments to issue advisories, warning the public not to swim in affected waters. Water samples are collected from 164 stations at approximately 61 recreational beaches along the Texas coast in Aransas, Brazoria, Cameron, Galveston, Harris, Jefferson, Matagorda, Nueces, and San Patricio counties. Water samples are collected weekly during the peak beach season, which runs from May through September, and every two weeks during the rest of the year. The one exception occurs in March when weekly sampling is conducted to coincide with spring break at Texas Beach Watch monitored gulf beaches.

The Coastal Erosion Planning and Response Act (CEPRA) Program was created in the 76th Texas Legislature. This program represents the first coastal erosion program in Texas and entails a coordinated effort of state, federal, and local entities to conduct erosion response projects and related studies for the 367 miles of Texas Gulf beaches and the more than 3,300 miles of bay shoreline. Texas beaches suffer from the highest erosion rates in the country. The Texas Legislature has appropriated approximately \$165.2 million for the CEPRA program through fiscal year 2015. The selected projects and studies, when leveraged with other federal, state, local, and private funds, have made the total budget for the program in excess of \$379.1 million. Erosion response projects include beach nourishment, dune restoration, shoreline protection, marsh restoration, structure and debris removal, demonstration projects, and supporting studies on shoreline change, sand source permitting, and economic/natural resource benefits.

The Beach Access and Dune Protection Program, fosters sound stewardship of coastal natural resources. The program assists local governments and coastal property owners in managing the Texas coast so that both the private landowners' interests and the public's right of access, and use of, the public beaches are protected.

The Beach Maintenance Reimbursement Fund provides partial reimbursements to eligible coastal communities for expenses incurred in maintaining clean, safe and healthy beaches. The Beach User Fee program allows for local governments to collect fees in exchange for providing services to beach users in general.

The Texas Adopt-A-Beach Program is an all-volunteer effort started by the Texas General Land Office (GLO) in 1986 to rid the state's publicly owned beaches of trash and raise public awareness of the problems associated with marine debris. Twice each year - in the fall and spring, volunteers check in at sites along the coast to pick up trash. Two annual regional winter

cleanups also take place in mid-February at South Padre Island and the Coastal Bend.

The Adopt-A-Beach Program also administers the Beach Adopter Program, which invites interested individuals and volunteer groups to adopt a section of beach in their local community. Each adopter agrees to clean their stretch of beach at least three times a year for a two-year commitment.

The success of the progra, both as a beach cleanup effort and as an educational and public awareness campaign, has won it national recognition and has prompted the development of similar programs in all 55 U.S. states and territories and more than 100 foreign countries. Since the program began, more than 488,000 volunteers have removed 9.200 tons of trash from Texas beaches.

The Coastal Resources division directs the preparation of required program reports, studies, performance measures and plans, such as Legislative Budget Board reports, legislative reports, NOAA reports and other reports to educate the public about the success of Coastal Resources programs. The division is also responsible for the management of records for the Coastal Resources division. This involves ensuring all files are scanned and complete for proper storage, retention and for future use.

#### **DISASTER RECOVERY**

The Disaster Recovery division manages all program aspects of disaster recovery grants received from federal awarding agencies as a result of hurricanes, wildfires, floods and other disasters. Their area of responsibility includes, but is not limited to, ensuring compliance with all federal regulations in their efforts to assist with housing, infrastructure and economic development for affected Texas areas and communities. The program area consists of three divisions: Operations & Public Affairs, Program Oversight, and Finance. The program also has a separate team dedicated to Quality Assurance & Process Improvement that reports directly to the Program Director.

The Operations & Public Affairs division is composed of two departments: Program Communications and Development and Program Operations. This division manages the business operations of the program and serves as the liaison for public, governmental, and internal customers. This includes the creation of all program reports for the GLO Commissioner, GLO executives, the Governor's office, Legislators and other external parties. They also do long-term planning and oversee the development and maintenance of the policies and procedures of the program.

The Program Oversight division is composed of three departments: Residential Activities, Infrastructure, and Program Services. The primary focus of both the Residential Activities and Infrastructure teams is managing the grants while serving the customer. Their work includes project management support,

programmatic technical assistance, oversight, and monitoring of all aspects of grant management from application, to implementation, and all the way to closeout. Program Services responsibilities include management of construction and inspections, Environmental and Section 3 compliance, and Fair Housing Activity Statement program compliance.

The Finance division oversees Accounting and Contracts Administration. This division processes an average of \$45 million in reimbursements each month. Its main function is to carry out the accounts payable, budget planning, and financial reporting tasks of the program, as well as administer all contracts and work orders for the program.

#### **ENERGY RESOURCES**

Energy Resources is responsible for five broad functions related to state-owned minerals: leasing mineral lands; monitoring and processing non-royalty lease payments; reviewing information from companies that produce the minerals from state-owned lands to ensure proper volumes have been reported; marketing oil and gas for the state's take in-kind program; and converting those volumes of take in-kind royalties and "third-party" oil and gas produced from state leases necessary to operate the State Power Program which sells electricity to retail public customers. The program area consists of three divisions: Minerals Leasing, Energy Marketing, and Rights-of-Way. The Mineral Leasing Division also leases state-owned surface rights for the development of renewable energy projects, including wind, solar and geothermal power.

The Minerals Leasing division issues geophysical permits and prospect permits for mineral exploration of state acreage; evaluates state lands for mineral potential and value; recommends terms and conditions for the leasing of state-owned minerals; ensures lease compliance with state laws and agency policy; conducts oil, gas, and other mineral lease sales for the Permanent School Fund (PSF) and other state agencies; reviews the relationships between lessees and surface owners of Relinquishment Act leases; evaluates Relinquishment Act and highway right-of-way tracts for lease; reviews applications for pooling and makes recommendations to the School Land Board and other boards for lease for final consideration; processes lease terminations; provides research and mapping expertise to the general public and agency program areas; and processes non-royalty lease payments such as rental and shut-in payments; and is responsible for physically inspecting and monitoring state oil, gas, and hard mineral leases throughout the state, including active, producing, and terminated leases.

During fiscal 2015, the General Land Office received a total exceeding \$157 million in oil and gas lease bonus revenue for the PSF, along with over \$11 million in delay rentals. Bonus is the cash consideration paid by the lessee for execution of an oil and gas lease by the state. Delay rentals are due annually during the primary term of a lease if no well is producing in paying

quantities. Like fiscal 2014, much of this revenue was derived from leasing acreage in the developing Wolfcamp/Bone Spring (Wolfbone) play area in West Texas.

With respect to renewable energy, the leases generate revenue to the state through annual per-acre rental payments. If the project is developed, the state collects royalty payments based on the amount of power generated from the facility. In fiscal year 2015, Mineral Leasing made substantial progress on a solar power project on PSF lands in West Texas with E.ON Climate and Renewables.

The Energy Marketing division manages the State Energy Marketing Program (SEMP), which sells electricity and natural gas to its public customers as defined by the Legislature. Oil and gas royalty revenue for the Permanent School Fund is enhanced as a result of the marketing program in addition to providing utility savings for public customers that purchase natural gas from the Texas General Land Office.

SEMP can purchase, transport, nominate, schedule, balance and take in-kind oil and gas production for delivery into the State Power Program. Much of the state lands managed and administered by the Texas General Land Office in certain areas are rich in oil and gas.

The State Power Program was authorized with the passage of Senate Bill 7, and was effective September 1, 1999 when the electric utility market in Texas was restructured. For fiscal 2015, the power program generated over \$4.17 million in contributions to the Permanent School Fund, while servicing over 367 unique customers at over 15,330 meters.

The Right-of-Way Team issues easements on both coastal submerged lands and state-owned uplands for projects which require a right-of-way on, across, under, or over state-owned lands, pursuant to Texas Natural Resources Code (TNRC) §51.291. These easement contracts cover activities, such as oil and gas pipelines, subsurface easements, water lines, power lines, communication lines, roads, and certain other structures and uses, for the purposes specified in the contract.

## **FINANCIAL MANAGEMENT**

Financial management serves to enhance and strengthen accounting controls over all financial transactions of the agency. The responsibility of identifying, tracking, and reporting on the financial condition and results of agency operations is a cooperative effort between the following divisions: Operations, Budget & Planning, Cash Management, Financial Reporting & Accounting, and Revenue Administration.

The Operations division oversees and supports the administrative and daily needs of Financial Management. Their main objective is to ensure the program is operating in the most efficient and productive manner possible. The division also

coordinates security access for the agency's accounting system and the Uniform Statewide Accounting System (USAS) for all GLO employees. Additionally, they assist in integrating and improving agency financial processes and systems.

Budget & Planning prepares and maintains the agency's operating budget, employee leave and payroll, strategic plan, performance measures, fiscal notes, and legislative appropriation requests. The division is also responsible for support services related to the CEPRA program, which include: budget preparation, financial analyses, project financial monitoring, and support to both internal and external stakeholders of the Coastal Resources program area – as required.

The Cash Management division manages the receipt and disbursement of cash by accurately and timely recording cash related transactions to the agency's accounting system. The division follows agency policy, accounting standards, and federal and state laws and regulations including, but not limited to, the Prompt Payment Act, the three day deposit rule, and the \$50,000 deposit rule.

The Financial Reporting & Accounting division maintains the agency's general ledger in accordance with state and federal accounting rules and regulations, ensures agency compliance to all Comptroller of Public Accounts (CPA) financial reporting requirements, performs reconciliations to internal and external systems, manages the Uniform Statewide Accounting System (USAS) appropriations to ensure available funding for daily operations; assists all agency program areas with updates and interpretations of Governmental Accounting Standards Board (GASB) rules and guidelines as needed, provides financial information to internal and external users, administers the agency's federal grant financial reports, and produces the Unaudited Annual Financial Report (AFR).

The Revenue Administration division performs the compliance and control functions necessary to ensure subsidiary transactions are appropriately recorded in the general ledger for accurate and complete reporting. Their area of responsibility includes the Veterans Home and Cemetery Programs, The Alamo, the internally managed real assets investment portfolio, and accounting for surface and mineral leases under the stewardship of the agency. The division also conducts field audits and account volume reconciliations to assess the accuracy of the royalty computations and payments being reported to the agency. This team also ensures the contractual and regulatory compliance of the operators of the veterans homes.

## **INVESTMENT MANAGEMENT**

The Investment Management program area is responsible for all of the strategic and tactical financial operations related to the financing mechanisms associated with the programs administered by the Veterans' Land Board of the State of Texas (VLB). Within that construct, Investment Management plans and

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manages the issuance of all tax-exempt and taxable bonds for the VLB and hedges associated interest rate risk by entering into interest rate swaps and other bond enhancement agreements. In addition, it oversees the financial operations of the VLB loan programs, including the certification and sale of GNMA pass-through mortgage-backed securities in the secondary market. Investment Management also manages the Veterans' Land Board investment portfolio to maximize return and minimize risk, while ensuring that programmatic liquidity and cash flow needs are satisfied. The program also ensures that the Veterans' Land Board investment portfolio maintains compliance with federal arbitrage regulations. Also, the program negotiates contract terms of management and operations agreements with operators of the veterans homes in the David A. Gloier Texas State Veterans Home Program, and manages all aspects of the revenue bonds associated with the financing of veterans homes, including cash flow projections, debt service coverage analyses, and recommendations to the VLB concerning the structure of resident room rates.

In addition, the program manages the portion of the Permanent School Fund (PSF) real assets investment portfolio that is allocated to externally-managed real assets investment funds and separate account managers. In this role, the program is responsible for screening potential investments, performing due diligence in conjunction with the PSF's investment advisory consultant, scheduling and managing PSF Investment Advisory Committee (IAC) meetings, presenting recommendations to the School Land Board (SLB), maintaining the PSF Real Assets Investment Policy Statement, managing the PSF's external accounting/custody/performance measurement entity, managing relationships with external investment fund managers, and preparing and presenting Quarterly Investment Reports to the IAC and SLB.

Finally, the program also assists other General Land Office divisions and program areas with complex financial planning and analysis.

## **HUMAN RESOURCES**

Human Resources (HR) is responsible for providing human resource management, leadership, expertise, and assistance for all GLO employees. Among its duties, HR:

- posts agency job vacancies, attends job fairs to recruit diverse and qualified applicants, and reviews hiring recommendations;
- conducts new-hire orientation to familiarize new employees with agency policies and procedures and verifies employment eligibility of new hires through the proper completion of the Form I-9 and examination of employees' identity documents, as required by federal law;

- supports the professional development of agency employees by providing training to enhance employees' skills, abilities, and awareness and to increase productivity and efficiency;
- administers all insurance and other employee-related benefits for the agency, including medical, dental, life, and disability insurance and deferred compensation, conducts annual enrollment, and assists employees with benefit and coverage questions;
- analyzes personnel action forms (PAFs) to ensure that compensation, classification, and FLSA issues are addressed according to the law;
- provides performance management assistance, including reporting upcoming performance evaluation deadlines to help agency managers provide timely feedback;
- reviews, updates, and maintains the agency policies and procedures in the GLO Employee Handbook to make sure the Handbook is useful and in compliance with relevant laws and regulations;
- answers employee's questions about HR-related policies, laws, and procedures and helps to resolve employee issues;
- coordinated leave administration, such as processing requests under the Family and Medical Leave Act (FMLA) and applications for sick leave pool;
- responds to inquiries from the Texas Workforce Commission Human Rights division, Equal Employment Opportunity Commission, Department of Labor, and similar entities and represents the agency in hearings regarding unemployment compensation benefits;
- coordinates workers' compensation benefits through the State Office of Risk Management;
- investigates complaints made under agency policy or applicable law and reports findings to agency management;
- responds to reasonable accommodation requests under the Americans with Disabilities Act;
- maintains employee personnel files, confidential medical information, and benefits records and responds to subpoenas, requests for records, and employment verifications;
- prepares various reports regarding agency personnel information and statistics for internal, as well as for external, reporting needs; and
- coordinates special projects for the agency, including employee recognition events such as the annual GLO service awards recognition ceremony.

Because the law as it relates to the employer/employee relationship is constantly changing, HR staff work to remain

current in their knowledge of all facets of human resources management and responds appropriately.

### **INFORMATION SYSTEMS**

Information Systems consists of three divisions: Business & Training Services, Business Automation Services and Network Services.

The Business & Training Services Division provides administrative support to the IS program area, provides support on personnel and related issues, handles purchasing for IS, performs operational activities that serve as audit points throughout several agency processes, and maintains software inventory and licensing agreements. Major services provided by this division include all software related training and includes customized classes as well as training for commonly-used applications such as Microsoft Office, project management and coordination services, oversight of the IS budget, and legislative reporting including the Biennial Operating Plan, Information Systems Strategic Plan, Legislative Appropriations Requests, Information Technology Detail Plan, and other reports as necessary.

The Business Automation Services Division leverages its expertise with software applications and business data to enhance customer service, solve business problems, and enable staff to be more efficient and effective. BAS drives innovation and automation efforts by providing services such as analyzing agency processes and workflows, advising management on technology options, developing custom software, integrating commercial software with existing data, producing maps and GIS viewers, providing project management services, and helping support the agency website.

The Network Services Division is an enabler of business opportunity. The division is responsible for planning, designing, managing and securing the agency data communications network, servers, personal computers, and peripherals. The division's major activities include providing tier 1 - 3 technical support, design and administration of the network, servers, and databases, establishing hardware and software standards, maintaining Internet, Intranet and Regional connectivity, administering the electronic communication system, and ensuring system fault tolerance and the availability of backups for recovery purposes.

### **INTERNAL AUDIT**

Internal Audit improves agency operations through systematic, independent and objective evaluation of all Texas General Land Office programs. Internal audit reports are provided to the land commissioner, agency management, the Office of the Governor, the Legislative Budget Board, the Sunset Advisory Commission and the State Auditor's Office.

### **LEGAL SERVICES**

Legal Services provides legal advice and counsel to the land commissioner, School Land Board, Veterans' Land Board, Coastal Coordination Council, Coastal Land Advisory Board, Texas Farm and Ranch Lands Conservation Council, Boards for Lease, and all agency divisions. The program provides litigation support to the Office of the Attorney General and to outside counsel. The program consists of five teams: Commercial Transactions and Public Lands, Oil and Gas, Coastal, Administration and Support Services. In 2015, the Texas Legislature passed House Bill 1925 which transfers the Texas Farm and Ranch Lands Conservation Council to the Texas Parks and Wildlife Department, effective September 1, 2015.

The Commercial Transactions and Public Lands team provides advice regarding the purchase and sale of land, land trades, commercial leases, and surface leases, with a particular focus on commercial transactions related to the Special Fund Account of the Permanent School Fund. This team also advises agency clients on legal issues regarding easements, boundary disputes, and environmental law matters involving hazardous substances which may impact state lands, title disputes, VLB matters, and other legal issues concerning real property.

The Oil and Gas team advises agency clients on issues concerning state ownership and leasing of oil, gas, and other minerals, including lease maintenance, pooling, unitization, the Relinquishment Act, royalty payments, energy-related surface use easements and agreements, Railroad Commission matters, geochemical/geophysical permitting, mining, retail electric service under the State Power Program, and natural gas marketing.

The Coastal team advises agency clients on general legal matters and issues related to coastal public lands. This may include easements, boundary disputes, environmental law matters involving hazardous substances which may impact state lands, title disputes, and other legal issues concerning coastal real property. The team also supports efforts related to protection of the public beach easement administration of the Open Beaches Act and the Dune Protection Act, coastal erosion response, natural resource damage assessment, the Texas Coastal Management Program, oil spill prevention and response, alternative fuels, and wetlands mitigation banking.

The General Law team provides legal services for litigation, contracting, purchasing, open records, open meetings, rulemaking, legislation, employment, ethics, the Community Development Block Grant Disaster Recovery Program, and general advice relating to state and federal laws relevant to all program areas of the Texas General Land Office.

The Support Services team provides administrative support for the other teams. Clerical help, filing, travel assistance, and

general office management tasks are performed by the members of the Support Services team.

### OFFICE OF COMMUNICATIONS

The Office of Communications primarily handles information requests from the news media and serves as the agency's main voice to the world. Led by the director of communications, who reports directly to the land commissioner, the division is comprised of a press team, publications team, media services team and public outreach staff. To accomplish these responsibilities, the Office of Communications provides accurate information about the Texas General Land Office and Veterans' Land Board in a timely and helpful manner, and provides a single, consistent voice for the Texas General Land Office. The Office of Communications writes and disseminates news releases, advisories, articles and other informational pieces about the Texas General Land Office. The division also arranges public events to publicize agency activities and programs, provides briefing materials for the land commissioner, educates Texans on the benefits and programs offered by the Texas General Land Office, and keeps Texans informed of response efforts in the event of major oil spills. Additional duties include designing the agency's publications and web site, creating high-quality video products to highlight agency programs and events, and videotaping agency events and making copies available to the news media as another means of spreading the agency's message. The division also takes photographs at agency events and provides publications regarding agency programs, initiatives and benefits.

### OIL SPILL PREVENTION AND RESPONSE

The Oil Spill Prevention and Response Act of 1991 (OSPRI) designated the Texas General Land Office as the lead state agency for the prevention of and response to oil spills in coastal waters. The program is funded by a one – one-third-cent-per-barrel fee on crude oil loaded or off-loaded in Texas ports by vessel. Revenue is deposited in the Coastal Protection Fund, which is capped at \$20 million.

Mounting an efficient and effective response is a primary objective of the Oil Spill Prevention and Response program area. Five regional offices respond to over 600 spill notifications reported to the Texas General Land Office annually. Located in Nederland, LaPorte, Port Lavaca, Corpus Christi, and Brownsville, personnel at these offices respond to spills 24 hours a day, 7 days a week, 365 days a year. Notification requirements are met by calling a toll-free number. In addition to their "firehouse" response capability, regional staff conducts audits, inspections, and harbor patrols by boat and vehicle; maintain response equipment; participate in oil spill response exercises with marine and shore-based industries; and provide public education services about oil spill prevention and response.

OSPRI also authorized the Texas General Land Office to procure spill response equipment—boom, skimmers, boats, trucks,

pumps, wildlife rehabilitation equipment, communications, mobile command posts, and associated support equipment. All of this equipment, including pre-positioned response trailers at the state's coastal wildlife refuges, is maintained by field personnel in a ready condition and is available to supplement spill contractor and industry-owned equipment.

OSPRI requires all facilities that handle oil and pose a threat to coastal waters to submit contingency plan information to the Texas General Land Office for review and certification. Approximately 600 facilities require this certification. Their plans, which are routinely audited by field personnel, detail spill response strategies, identify sensitive natural resources, and list trained personnel and inventories of spill response equipment. The law also requires that certain classes of vessels that sail in state waters submit contingency plans. The program maintains a database containing over 3,100 company accounts representing over 24,000 vessels.

The prevention of spills is also a primary objective of the Oil Spill Prevention and Response program staff. Regional personnel are on the water or in vehicles on a daily basis patrolling for discharges, and monitoring the loading and offloading of petroleum products at refineries. A small spill education program was created to instruct vessel owners and operators about the environmental damage caused by small chronic spills, and to provide practical prevention measures. *Operation Scupper Plug* was developed to furnish fuel docks and fishermen with sorbent materials to prevent the accidental discharge of diesel and gasoline during fueling operations.

The Oil Spill Prevention and Response program area has sponsored the construction of bilge water reclamation facilities at seven of the state's largest commercial shrimp harbors. The facilities are located in Port Isabel, Palacios, Port Lavaca, Freeport, Seadrift, and Port O'Connor. These facilities provide a no-cost option for vessel owners to offload oily bilge water. The contaminated water and oil is separated, the water is processed and the oil is recycled. Over 2.0 million gallons of contaminated water have been cleaned and 1.7 million gallons of waste oil have been recycled – oil and contaminated water that would have likely been discharged overboard under the cover of darkness or in a remote location. Additionally, over 44,200 oversized, used oil filters have been recycled.

The Oil Spill Prevention and Response program continues to document and remove abandoned and derelict vessels coast-wide. The Derelict Vessel Removal Program maintains a database that documents the discovery and removal of vessels identified by program staff in each coastal field office or reported by the public. Since 2005 when the initiative began, the program has documented a total of 959 derelict vessels coast-wide, and documented the removal of 746 vessels. Slightly more than 200 abandoned vessels remain. With no dedicated funding stream, vessel removals are funded through three grants from the



Coastal Impact Assistance Program. All CIAP grant funding will be expended in fiscal 2015. The program continues to encourage partnerships with local governmental entities, coastal stakeholders and NGOs to facilitate vessel removals.

Austin-based staff provide administrative and policy assistance for all aspects of program operations:

- *Public Education.* Informs the oil industry, maritime community, environmental groups, and the general public about the mission of the oil spill program and its services, which is an important component of the goal to reduce discharges of petroleum products into coastal waters.
- *Emergency Management.* Maintains liaison with local emergency planning committees, local emergency management coordinators, and disaster district officials; this is essential for gathering local stakeholder input during major spill events. Maintains current contact information for elected officials in all coastal counties.
- *State Emergency Response/Natural Disaster Response.* The GLO is a member of the State Emergency Management Council and the Oil Spill Prevention and Response division provides support for two Emergency Support Functions (ESF) in the State of Texas Emergency Support Plan and the National Response Framework. The division supports ESF-9 Search and Rescue, and ESF-10 Hazardous Materials and Oil Spill Response. In coordination with TCEQ, the primary state agency responsible for ESF-10, and the U.S. EPA and the USCG (the designated primary federal agencies under the National Response Framework), the division participated in the development of a coordinated operational response plan to correct issues identified in the after-action report following Hurricane Ike in 2008. The Natural Disaster Operational Workgroup (NDOW) has developed seven SOPs, a data management system and provided multiple training events for coastal responders.
- *Facility and Vessel Compliance.* Provides essential, consistent regulatory and policy guidance to facility and vessel operators. The compliance coordinator assists field personnel and industry with compliance-related matters.
- *Readiness and Training.* In order to operate on an emergency-response basis with a large inventory of equipment, considerable training and logistical support is required. The readiness and training function assists with equipment procurement and evaluation, communications, cleanup contractor certification, and maintenance issues.
- *Scientific Support.* Provides accurate and up-to-date natural resource information and guidance on impacts, implications, alternatives, and best management practices of response strategies during spill events. This guidance is critical for not only a successful cleanup effort but also aids in the reduction of connected secondary impacts that often result from the cleanup effort itself. Maintains

knowledge of sensitive habitats, endangered species, shoreline types and the impacts that may be incurred along those locales, all of which are used to help guide a response. Maintains a system of offshore data buoys that are used in support of our in-house spill trajectory modeling capabilities.

- *Research and Development.* The Oil Spill Prevention and Response Program is one of only a few state programs that have a dedicated oil-spill related research program. The program has funded groundbreaking dispersant, shoreline cleaner, data acquisition/interpretation, bioremediation studies, biological and HF radar projects that directly enhance the ability of the response community to respond to oil spills.
- *Cost Documentation.* The program is required to track and recoup program expenditures from responsible parties of the federal government for spill responses. The cost documentation function generates accurate and timely data for reimbursement purposes.
- *Spill Case Processing.* The efficient processing of individual spill cases is critical for enforcement, compliance, and reimbursement. The spill case processing function also maintains databases used to monitor frequent spillers and spill locations.

#### **NATURAL RESOURCE DAMAGE ASSESSMENT (NRDA)**

The Oil Pollution Act of 1990, 33 U.S.C. 2701-2720 (OPA), and the Comprehensive Environmental Response Compensation, and Liability Act, 42 U.S.C. 9622 (CERCLA), create two types of liability for a party responsible for releases of oil or hazardous substances: (1) responsibility for cleanup of the environment (which is overseen by the lead cleanup agency); and (2) responsibility for restoring lost natural resources and their services (which is overseen by natural resource trustees).

“Natural resources” are defined in OPA and CERCLA as land, fish, wildlife, biota, air, water, groundwater, drinking water supplies, and other resources belonging to, managed by, held in trust by, appertaining to, or otherwise controlled by the United States, any state or local government or Indian tribe. The OPA and CERCLA natural resource trustees are the designated federal, state and tribal agencies who are responsible for the natural resources impacted by an oil spill or hazardous substance release. Federal trustees are designated by the President; state trustees are designated by governors; tribal trustees are designated by the affected tribes' governing bodies.

The GLO is one of the three Texas state agencies designated by the governor as natural resources trustees under OPA, CERCLA, and Texas Oil Spill Prevention and Response Act of 1991, Tex. Nat. Res. Code, Chap. 40-(OSPRA), to perform natural resource damage assessment (NRDA). The other Texas trustee agencies are Texas Parks and Wildlife Department (TPWD) and Texas Commission on Environmental Quality (TCEQ). The federal

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trustees for Texas are usually U.S. Fish & Wildlife Service, a division of the Department of the Interior, and the National Oceanic and Atmospheric Administration, a division of the Department of Commerce.

NRDA implementation involves the legal and technical processes necessary to pursue compensation for and restoration of injuries to natural resources cause by the responsible party's release of oil or hazardous substances into the environment. Trustees identify and prioritize natural resources at risk following a spill or release to help ensure their protection during the emergency response. Trustees provide technical assistance to responders, including information on appropriate response techniques in environmentally sensitive areas and techniques of wildlife recovery and rehabilitation.

Following a spill or release, there are three main components to the NRDA process:

- **Pre-assessment:** Trustees determine whether injury to natural resources has occurred. Work includes collecting time sensitive data, reviewing scientific literature about the type of oil spilled or the hazardous substances released, and determining the types of injuries that may have occurred.
- **Injury Assessment and Planning:** Trustees perform scientific and economic studies to assess and quantify the injuries and the loss of natural resource services. A restoration plan is developed to identify restoration projects that will offset the level of injury.
- **Restoration:** Trustees work with the Responsible Party (RP) and the public to select and implement restoration projects. Examples of restoration include acquiring land and protecting its natural state, improving fishing access sites, and restoring lost habitat. The RP pays the full cost of the assessment and restoration.

Trustees encourage the responsible parties to work cooperatively and jointly with them throughout the pre-assessment, assessment and restoration phases of the NRDA process which reduces assessment costs and increases restoration value.

The GLO's NRDA program is part of the Coastal Resources Division and staff perform a variety of tasks in implementing the Trustee's role, including the following activities:

- Conducting pre-assessment and preliminary surveys of sites affected by spills and releases.
- Coordinating damage assessment and restoration planning with RPs, site managers, spill response officers, and the other Trustees.

- Performing natural resource damage and ecological service injury assessments.
- Working cooperatively to develop and implement plans for restoration, rehabilitation, replacement, or acquisition of equivalent natural resources.
- Implementing cost documentation procedures to track staff time and recover agency expenditures related to NRDA cases to ensure that the RP fully reimburses the GLO for its costs.
- Working with other GLO program areas to develop best environmental practices in responding to spills and releases, to pursue proper legal remedies in NRDA cases, to provide information about NRDA restoration projects and needs, and to assist in comprehensive coastal planning efforts.

Since the NRDA program's inception, natural resource restoration projects valued at more than \$75 million have been implemented or are planned on behalf of the public as a result of NRDA settlements for the restoration of injured natural resources. In fiscal year 2015, the GLO NRDA section work on over 35 active NRDA cases.

In addition to other active cases, the GLO's NRDA staff has been working with state and federal trustees since 2010 on the biggest NRDA case in history – the Deepwater Horizon oil spill (DWH). The spill, which began in April 2010 in the Gulf of Mexico, was the largest accidental marine oil spill in the history of the petroleum industry. The RPs for DWH are: BP, Transocean, Halliburton, Moex, and Anadarko. Crude oil flowed from the sea floor for 87 days until it was capped on July 15, 2010 and the total discharge was estimated at just over 3 million barrels.

BP has agreed to participate in the NRDA process with the federal and Gulf state natural resources trustees to plan and fund early restoration projects. BP and the trustees have agreed to fund seven projects for Texas to compensate for lost recreational use of natural resources, injury to sea turtles, and injury to birds. The recreational projects include three offshore artificial reefs and two redevelopment projects for coastal State Parks at a cost of about \$18 million. The compensation of injury to birds includes the construction and restoration of four rookery islands at a cost of about \$20 million. In addition, to compensate for the injury to sea turtles, the Trustees will implement projects that will enhance sea turtle nesting patrols, the rescue and salvage network, and enforcement of Turtle Exclusion Device requirements to reduce by-catch of sea turtles in Texas. The sea turtle restoration projects will cost over \$15 million to implement in Texas. The DWH NRDA process will continue until the damages are decided by a federal court, or until BP reaches a settlement agreement with the trustees.

The U.S. Department of Justice entered into criminal plea bargain agreements with two of the DWH RPs, BP and Transocean. A third RP, Halliburton, has negotiated a criminal plea agreement with the Justice Department, which is still being reviewed by the federal court. BP agreed to pay \$2.35 billion and Transocean agreed to pay \$150 million in criminal penalties. The National Fish and Wildlife Foundation (NFWF), a non-governmental grant making organization, was charged with the distribution and spending of the criminal fines through grants within each of the five affected Gulf states. NFWF has set up the Gulf Environmental Benefit Fund (GEBF) to receive the criminal penalties and provide grant funding for the states.

Under the terms of the BP and Transocean plea agreements, Texas will receive around \$203 million over five years. NFWF is consulting extensively with NRDA staff at GLO, TPWD, and TCEQ to develop projects for possible funding. To date, NFWF has awarded over \$56.5 million to fund 14 projects in Texas. From the \$56.5 million the GLO was awarded, over \$4.4 million is for two projects which include marsh restoration in Galveston Island State Park and an erosion protection project for Virginia Point Prairie Preserve. NFWF is currently working with the NRDA staff from GLO, TPWD and TCEQ on requests to fund an additional \$17 million in coastal restoration projects in Texas. The GEBF is expected to make its Round 3 awards in November 2015.

BP and the other RPs for DWH will be liable for substantial civil fines under the Clean Water Act.

Legislators from affected Gulf Coast States worked to enact legislation to allocate a substantial portion of the civil penalties from DWH to Gulf Coast restoration. As a result, the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012, or the RESTORE Act, was signed into law in July 2012. The RESTORE Act dedicates 80 percent of any civil and administrative penalties paid by DWH RPs under the CWA to the Gulf Coast Ecosystem Restoration Trust Fund (Trust Fund), administered by the Treasury Department, for ecosystem restoration, economic recovery, and tourism promotion in the Gulf Coast region. The Act created a new federal agency, the Gulf Coast Ecosystem Restoration Council, which is charged with developing and overseeing implementation of a Comprehensive Plan to restore the ecosystems and economy of the Gulf Coast. The Council is chaired by the Secretary of the U.S. Department of Commerce and includes the Governors of the States of Alabama, Florida, Louisiana, Mississippi and Texas and the Secretaries of the U.S. Departments of Agriculture, Army, Homeland Security and the Interior, and the Administrator of the U.S. Environmental Protection Agency. Texas Governor Rick Perry has designated Toby Baker, Commissioner of Texas Commission on Environmental Quality, as the Texas representative on the Council.

Thirty percent of the Trust Fund will be administered by the Gulf Coast Ecosystem Restoration Council, awarded as grants under the Comprehensive Plan for projects that protect and restore the Gulf Coast ecosystem (Bucket 2). Thirty percent of the Trust Fund will be allocated to the Gulf Coast States under a formula described in the RESTORE Act and spent according to Council-approved individual State Expenditure Plans (Bucket 3). Thirty-five percent of the RESTORE Act funds will be allocated in equal shares to each Gulf Coast state to be spent for any eligible purpose under the RESTORE Act and the State's Multiyear Implementation Plan (Bucket 1). The remaining five percent will be split equally between two programs created by the Act: the Gulf Coast Ecosystem Restoration Science Program and the Centers for Excellence Research Grants Program. The Trust Fund has received \$800 million from the Transocean settlement. Plans are underway to distribute the funding. The Council recently released a draft initial Funding Priorities list for Bucket 2 which includes several projects in Texas. The GLO is the project proponent for the Texas Beneficial Use/Marsh Restoration Project that will fund engineering and design to facilitate the beneficial use of dredge material for marsh restoration on the Upper Coast of Texas. Phase I of the project costs \$968,000.

The NRDA staff from GLO, TPWD and TCEQ is working with Commissioner Baker to set up and implement the RESTORE Act in Texas. Texas will receive a minimum of \$68 million from the Transocean RESTORE funding. When the BP portion is imposed or settled, Texas stands to gain well over \$400 million in RESTORE funding for coastal restoration over the next several years.

### PROFESSIONAL SERVICES

Professional Services provides real estate and field services to the Texas General Land Office. The program area consists of five divisions: Appraisal, Asset Inspection, Technical Support, Construction Services, and Surveying. All services are in accordance with applicable statutes and established professional standards to ensure the highest quality work product. The aim of Professional Services is to maximize revenue to the Permanent School Fund, while balancing environmental considerations. The program area promotes quality responsive customer service at all times as it is often the only point of contact between the customer and the agency.

The Appraisal Division's main function is to provide property values to the Asset Management program area, as well as to the School Land Board, so that informed decisions may be made on behalf of the Permanent School Fund's portfolio. The Appraisal Division is also charged with the responsibility of appraising state-owned property to ensure it is being utilized to its maximum potential. In fiscal 2015, the program was mandated by the Texas Natural Resources Code to appraise all real property of one of the state's largest agencies being the Texas Health and Human Services Commission. In fiscal 2015, appraisers will continue assessing the value and utilization of another of the

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states largest agencies. The agency to be reviewed is the Texas Department of Transportation.

Under the Veterans' Land Board programs, appraisers assisted thousands of Texas veterans applying for loans by evaluating the property involved in their land, housing, or home improvement loans.

Meeting the challenge through teamwork and coordination, Appraisal had another busy year, producing 3,704 reports on properties having a total market value of over \$541,000,000.

The Asset Inspection Division is responsible for the overall management of activities involving the use of state-owned coastal and upland property. The division provides field assessments on proposed and existing projects, monitors the use of state-owned land, provides direct customer service to the public on the use of coastal and upland property, and negotiates and issues instruments of authorization for the use of state-owned land. Asset Inspection is dedicated to maintaining a land leasing and inspection process which protects the state's interest in its lands, maximizes revenue from uses of state property, preserves natural resources for future generations, and serves the public in a professional, timely, and efficient manner. The division managed over 10,579 instruments of authorization for various upland and coastal uses of state-owned land in fiscal 2015.

The Asset Inspection Division consists of Uplands and Commercial Leasing, the Lower Coast Field Office, Upper Coast Field Office and the Uplands Field Office.

Uplands Leasing has responsibility for 687,211.41 acres of Permanent School Fund land located throughout 139 counties in Texas. Staff members are located in Austin and the Alpine Field Office. Uplands Leasing issues surface leases for grazing, hunting, crop production, recreation, timber management, and commercial purposes. Currently there are 1,821 active upland surface and commercial leases on 597,025.45 acres of Permanent School Fund land. The Uplands range specialists completed 300 inspections in fiscal 2015.

Commercial Leasing is responsible for the negotiation and issuance of instruments of authorization for the use of state-owned submerged land along the Texas coast. They analyze the revenue prospects of proposed uses and coordinate the assessment of environmental impacts with technical staff. Commercial Leasing also issues permits, easements, and leases on all state-owned coastal lands, including submerged lands in bays and within tidewater limits of coastal lakes, bayous, inlets, streams, estuaries, rivers, and creeks.

The Upper and Lower Coast Field Offices work directly with Commercial Leasing, and together, during fiscal 2015, managed over 8,758 coastal instruments. The Upper Coast Field Office is

located in La Porte, Texas, and is geographically responsible for all activities north of Colorado River. The Lower Coast Field Office is located in Corpus Christi, Texas, and is geographically responsible for all activities from the Colorado River south. These offices are responsible for providing field assessments of proposed and existing coastal projects along the Texas coast. The offices work directly with the public on the planning and design of proposed structures that require authorization from the Texas General Land Office and the School Land Board. Field biologists work diligently to ensure compliance with state guidelines through aggressive field activities involving monitoring coastal areas, educational initiatives, documenting findings, and coordinating with various resource agencies. Field office biologists completed 1,226 inspections in fiscal 2015 covering lands in bay areas, tidally influenced rivers, and submerged tracts along the Gulf of Mexico. Both field offices provide services to Coastal Leasing, as well as to other program areas within the agency, including Coastal Resources, Asset Management, Legal Services, and Energy Resources.

The Surveying Division supports all facets of Texas General Land Office activity related to the boundaries of real property. These activities include identifying the location of state-owned land, minerals, and encumbrances. This is accomplished by providing professional surveying services in the field as necessary and expertise in surveying and survey-related matters in-house on a daily basis.

The primary focus of Surveying is to define the boundaries of Permanent School Fund lands, county boundaries, and occasionally, the boundaries of the state. These boundaries include, but are not limited to, the boundaries of approximately 687,211.41 acres of Permanent School Fund uplands; an estimated 200,000 miles of boundary between private and state ownership along navigable streams; and between private uplands and state-owned submerged lands along the Texas Gulf Coast.

Current survey activities along the Texas Gulf coast includes annual leveling of permanent tide gauges in the Texas Coastal Ocean Observation Network (TCOON) consisting of 29 gauges along the entire length of the Texas Coast. This network is a partnership of federal, state, and local governmental organizations including the Texas General Land Office, the National Oceanic and Atmospheric Administration (NOAA), the U.S. Army Corps of Engineers, the Texas Water Development Board, and the Conrad Blucher Institute for Surveying and Science (CBI) at Texas A&M-Corpus Christi. The Tide Gauge program supports boundary determinations, navigation and science. Six of the gauges are operated for NOAA. The data collected from the tide gauges is used in water surface modeling in the open Gulf, bays, and tidal estuaries; for Oil Spill Prevention and Response; for documenting beach erosion; for coastal boundary surveys in erosion-response projects; and for locating the boundary of state-owned submerged land.

The Surveying staff is instrumental in addressing boundary questions regarding the original land survey critical to the issuance of patents and deeds of acquittance and processing vacancy applications; for boundaries of Veterans' Land Board tracts; and for boundary determinations essential to all other revenue producing Texas General Land Office programs. These programs include mineral and surface leasing, easements, other permitting, and acquisition/disposition of Permanent School Fund land. Surveying staff also interprets archival survey documents and maps for in-house and outside customers.

Additionally, the Surveying staff continually updates the Texas General Land Office county maps and archives files, by adding documents and endorsements as transactions warrant, prepares working sketches upon request for internal and external customers, and files survey plats and other related documents in the map room collections of the archives.

The Technical Support Division responsibilities include overseeing the acquisition of aerial photography to meet agency and program area needs; supporting all geospatial computer mapping related to Professional Services; reviewing and developing data retrieval and tracking tools in order to help streamline work flow and complete tasks more efficiently; coordinating and monitoring purchasing needs; lease processing, lease billing, collection and allocation of lease revenue; and monitoring program expenditures.

The Construction Services Division is responsible for managing all construction projects for the agency, planning and maintenance for eight (8) Texas State Veterans Homes, and four (4) Texas State Veterans Cemeteries, coastal construction projects, unauthorized structure removal along the Texas Gulf Coast, and, all maintenance and construction projects for the Texas Alamo.

## **VETERANS' LAND BOARD (VLB)**

The Veterans' Land Board is comprised of three program areas: the Veteran Land and Housing Program, the Veteran Homes Program, and the Veteran Cemeteries Program.

### **VETERANS LAND AND HOUSING PROGRAM**

The organization of the Land and Housing Program is comprised of two main divisions: Loan Operations Division and Marketing and Customer Service Division.

The Veterans Land Board (VLB) fiscal 2015 reassessment of the existing strategic plan in the context of current statewide market conditions; loan operational capacity; and the fiscal 2015 approved budget. Although, there are no dollar caps within VLB fund management authority for land loans there are caps imposed on the federal Qualified Veterans Mortgage Bond authority (\$250,000,000 cap). As such, the leadership team continued to promote a short term (less than five year) marketing strategy that would create demand for land loans

while meeting demand for housing and home improvement loans. Subsequently, the team recommended and the Deputy Commissioner approved seven key team performance goals that promoted that approach.

The team continued to apply more non traditional outreach and awareness tactics to reach more of today's 1.7 million Texas veterans as a result of changing demographics and the availability of new technology. As such, the VLB expanded the employment of social media in combination with traditional media to inform not just the honorably discharged Veteran as our market customer but now included in our market focus and calculations those active, reserve and national guard military members as equally important constituencies.

Although paid advertising was crucial for the VLB to reach a broader market audience, other key supporting and less expensive marketing initiatives were important inclusions in the development of a broad, deep and comprehensive market plan. The supporting initiatives included: Enhancement and promotion of the VLB website; testing the effectiveness of using tailored land loan promotions; conducting joint Veterans Benefit Fairs with the U.S. Department of Veterans Affairs (VA) and Texas Veterans Commission (TVC); encouraging and recognizing intergovernmental outreach and awareness partnerships with the VA, TVC, and County Veterans Service Offices; and a recognition initiative to encourage outreach and awareness support for VLB programs from the real estate industry.

The Administration provides Executive Leadership, resources and support for the operation of the Veteran's Land and Housing Program. This division acts as a liaison between the Veterans Land Board and Veterans or Military organizations, and develops new initiatives dealing with veterans' issues concerns, and benefits. Additionally, the division acts as liaison between the board, CitiMortgage Inc. (administrator of the Housing Assistance and Home Improvement Loan Programs), Dovenmuehle Mortgage, Inc. (servicer of the Land Program), and the lending industries. The division also monitors, mediates, and resolves customer questions/complaints regarding lenders, realtors, origination issues or inquiries about the VLB, TVC, and U. S. Department of Veterans Affairs programs, benefits, and services.

The Marketing/ Customer Service division develops and implements the VLB marketing communications strategy to meet VLB goals. Responsible for managing non-traditional and paid media efforts, media relations, outreach activities and business development initiatives, the division also responds to inquiries about the VLB, TVC and VA programs, benefits and services. By legislative decree, the VLB and the TVC established a joint call service center to support Texas veterans and military members. The statewide, toll-free call service center is actively staffed from 7:30 a. m. to 5:30 p.m. on weekdays, with an ongoing response to callers who leave inquiries after hours on weekends/holidays.

The division maintains and updates the VLB Web site and the VLB blog; oversees VLB's social media activities; manages text messaging; and email marketing initiatives. Additionally the division maintains veteran, lender, and real estate agent databases to provide support for marketing activities.

The Loan Operations division receives processes, originates, and closes land and home improvement loan applications. The division provides oversight as VLB liaison with CitiMortgage and its participating lenders. CitiMortgage is the Administrator and Master Loan Servicer of the Home Loan program. CitiMortgage recommends participating lenders; however, they are subject to VLB approval. The division acts as operational liaison between both our land loan servicer, Dovenmuehle Mortgage Inc., and our Home Loan master servicer. They initially handle customer complaints and inquiries, resolving issues on behalf of our customers that involve our servicers. The Loan Operation team receives and tracks documents, performs minimal quality control on documents and ensures documents are properly executed, notarized and returned to the servicers. In addition, the team is also responsible for processing housing and home improvements loan releases of lien as well as documents related to land, housing and home improvements foreclosures. Loan Operations oversees Loss Mitigation services for the land Contract for Deed program. This includes facilitating payment of back taxes payable on the sale of foreclosed land tracts, monitoring and handling accounts that are more than 120 days delinquent, forfeited or ordered for sale (foreclosed). Loan Operations prepares and conducts quarterly online forfeited land sales and maintains the Type II Program which offers the general public the opportunity to purchase foreclosed tracts not sold to veterans during forfeited land sales four times per year.

#### **VETERANS HOMES PROGRAM**

The Deputy Director of the Texas State Veterans Homes Program (TSVH), along with the Program Administrator and staff oversees the operation of long-term skilled care nursing homes in Amarillo, Floresville, Temple, Big Spring, Bonham, El Paso, McAllen, and Tyler. The total licensed capacity of the eight homes is 1,152 residents comprised of Veterans, their spouses, and Gold Star Parents. The Deputy Director also oversees the planning process for additional homes. TSVH provides public information about the Texas State Veterans Home Program to communities, hospitals, veterans' organizations, and other interested persons and groups throughout the state of Texas. A professional long-term health care company under contract with the board operates each home. Each home also relies on very close cooperation with a nearby Veterans Administration Medical Center to meet specific health care needs of the Veteran residents admitted to each home. The division also acts as a liaison between the contracted operators and the residents to maintain the necessary close cooperative relationship between the Veterans' Land Board and the United States Department of Veterans Affairs.

#### **VETERANS CEMETERY PROGRAM**

The Deputy Director for TSVC oversees the operation of the cemetery program created to meet the burial needs of Texas veterans. The program currently operates a state veterans' cemetery in Killeen, Mission, Abilene and Corpus Christi. The four cemeteries have a combined capacity for 137,000 internments.

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