



## TEXAS GENERAL LAND OFFICE AND TEXAS VETERANS' LAND BOARD



## UNAUDITED ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31

# 2014



**JERRY PATTERSON**  
COMMISSIONER & CHAIRMAN



# TEXAS GENERAL LAND OFFICE VETERANS' LAND BOARD

## ANNUAL FINANCIAL REPORT STAFF

Tamera Atkins, CGFM  
Financial Reporting & Accounting Director

Teri Merkel  
Financial Reporting & Accounting Manager

Ruth Gutierrez  
Accountant

Jessica Johnston  
Accountant

Destiny Cox  
Accountant

Corinna Gunn  
Accountant

Ruby Sadeghiani  
Accountant

Kathaeleen Fisher  
Accountant

Brandon Myers  
Grant Coordinator

Nicole Perdue  
Grant Coordinator

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2014



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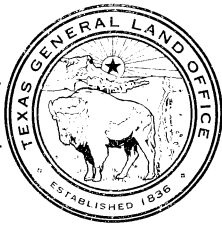
TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

# INTRODUCTION

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2014



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November 20, 2014

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

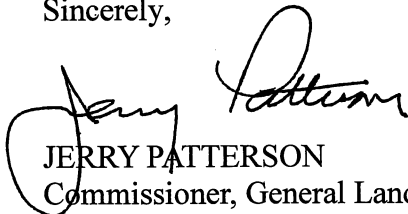
Dear Governor Perry, Comptroller Combs, Ms. Parks, and Mr. Keel:

I am pleased to submit the Annual Financial Report of the Texas General Land Office and Veterans' Land Board (305) for the year ended August 31, 2014, 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 Tamera Atkins at (512) 463-5181. Teri Merkel may be contacted at (512) 475-1599 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,



JERRY PATTERSON  
Commissioner, General Land Office

JP:ta

Enclosure





TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

GENERAL PURPOSE  
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2014



**EXHIBIT I**

**COMBINED BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS**

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL FUNDS TOTALS
	GENERAL REVENUE FUNDS (EXH. A-1)	SPECIAL REVENUE FUNDS (EXH. B-1)	PERMANENT FUNDS FUND (0044) U/F (0007)(0010)(0013)	(Memorandum Only) 2014
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets:				
Cash:				
Cash on Hand	200.00			200.00
Cash in Bank (Note 3)	10,000.00		885,076.00	895,076.00
Cash in State Treasury	19,193,758.66	859,794.84	1,960,207,461.06	1,980,261,014.56
Legislative Appropriation	39,872,622.67			39,872,622.67
Receivables:				
Federal	57,581,819.03	1,934,083.08		59,515,902.11
Interest and Dividends	711.31	297.87	592,291.73	593,300.91
Accounts	87,072.87		113,012,487.83	113,099,560.70
Due From:				
Other Funds	833,332.27	1,108,714.45	15,221.99	1,957,268.71
Other Agencies	187,901.24			187,901.24
Consumable Inventories	52,059.30			52,059.30
Prepaid Items	800,000.00		6,000.00	806,000.00
Notes Receivable			29,248.58	29,248.58
Total Current Assets	118,619,477.35	3,902,890.24	2,074,747,787.19	2,197,270,154.78
Noncurrent Assets:				
Notes Receivable			2,913,311.73	2,913,311.73
Investments in Real Assets at Historical Cost (Note 3)			13,898,877.69	13,898,877.69
Investments in Real Assets at Fair Value (Note 3)			2,249,717,293.66	2,249,717,293.66
Capital Assets (Note 2):				
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				
Total Noncurrent Assets	0.00	0.00	2,266,529,483.08	2,266,529,483.08
<b>TOTAL ASSETS</b>	<b>118,619,477.35</b>	<b>3,902,890.24</b>	<b>4,341,277,270.27</b>	<b>4,463,799,637.86</b>

UNAUDITED

GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			STATEMENT OF NET POSITION	
ADJUSTMENTS			TOTALS	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
			2014	2013
\$	\$	\$	\$	\$
			200.00	200.00
			895,076.00	120,707.00
			1,980,261,014.56	1,252,961,390.88
			39,872,622.67	32,688,758.01
			59,515,902.11	38,081,986.79
			593,300.91	387,265.78
			113,099,560.70	84,962,115.43
			1,957,268.71	845,308.13
			187,901.24	432,964.08
			52,059.30	48,770.50
			806,000.00	806,000.00
			29,248.58	40,376.49
0.00	0.00	0.00	2,197,270,154.78	1,411,375,843.09
			2,913,311.73	88,965,730.07
			13,898,877.69	13,890,355.75
			2,249,717,293.66	2,179,735,990.38
4,576,479.21			4,576,479.21	2,753,241.56
(3,377,084.96)			(3,377,084.96)	(2,183,801.03)
5,761,298.93			5,761,298.93	5,752,205.46
(4,320,301.18)			(4,320,301.18)	(4,151,570.79)
45,095,238.22			45,095,238.22	36,458,902.58
(22,412,601.65)			(22,412,601.65)	(12,287,000.85)
3,607,630.70			3,607,630.70	901,413.62
139,983.40			139,983.40	127,004.40
2,867,958.00			2,867,958.00	2,871,483.00
988,393.78			988,393.78	788,835.43
(507,609.39)			(507,609.39)	(382,061.19)
32,419,385.06	0.00	0.00	2,298,948,868.14	2,313,240,728.39
32,419,385.06	0.00	0.00	4,496,219,022.92	3,724,616,571.48

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**EXHIBIT I (concluded)**

**COMBINED BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS**

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL FUNDS TOTALS
	GENERAL REVENUE FUNDS (EXH. A-1)	SPECIAL REVENUE FUNDS (EXH. B-1)	PERMANENT FUNDS FUND (0044) U/F (0007)(0010)(0013)	(Memorandum Only) 2014
	\$	\$	\$	\$
<b>LIABILITIES</b>				
Current Liabilities:				
Payables:				
Accounts	49,794,613.34	1,519,989.75	7,373,067.43	58,687,670.52
Payroll	3,463,056.00	9,408.33	1,338,288.81	4,810,753.14
Retainage		200,523.97		200,523.97
Due To:				
Other Funds	4,724.76	1,827,855.00	415,786.22	2,248,365.98
Other Agencies	3,834,108.12			3,834,108.12
Unearned Revenues	138,416.73		59,500,225.55	59,638,642.28
Employees' Compensable Leave (Note 5)				0.00
Total Current Liabilities	57,234,918.95	3,557,777.05	68,627,368.01	129,420,064.01
Noncurrent Liabilities:				
Employees' Compensable Leave (Note 5)				0.00
Total Noncurrent Liabilities	0.00	0.00	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>57,234,918.95</b>	<b>3,557,777.05</b>	<b>68,627,368.01</b>	<b>129,420,064.01</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Revenue	10,387.92		10,711,081.15	10,721,469.07
<b>TOTAL DEFERRED INFLOWS</b>	<b>10,387.92</b>	<b>0.00</b>	<b>10,711,081.15</b>	<b>10,721,469.07</b>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
Fund Balances (Note 1):				
Nonspendable for Permanent Fund Corpus				0.00
Nonspendable for Inventory	52,059.30			52,059.30
Nonspendable for Prepaid	800,000.00		6,000.00	806,000.00
Restricted	14,803,512.14	345,113.19	4,261,932,821.11	4,277,081,446.44
Committed	14,996,084.79			14,996,084.79
Unassigned	30,722,514.25			30,722,514.25
<b>TOTAL FUND BALANCES (Exhibit II)</b>	<b>61,374,170.48</b>	<b>345,113.19</b>	<b>4,261,938,821.11</b>	<b>4,323,658,104.78</b>

**GOVERNMENT-WIDE STATEMENT**

**NET POSITION**

Invested in Capital Assets, Net of Related Debt

Restricted

Unrestricted

**TOTAL NET POSITION (Exhibit II)**

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

UNAUDITED

GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			STATEMENT OF NET POSITION	
ADJUSTMENTS			TOTALS	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
			2014	2013
\$	\$	\$	\$	\$
			58,687,670.52	49,948,798.39
			4,810,753.14	5,175,174.90
			200,523.97	263,777.12
			2,248,365.98	1,118,477.30
			3,834,108.12	1,231,730.82
			59,638,642.28	68,652,332.52
	3,302,372.65		3,302,372.65	2,946,840.52
0.00	3,302,372.65	0.00	132,722,436.66	129,337,131.57
	2,742,938.21		2,742,938.21	2,753,586.76
0.00	2,742,938.21	0.00	2,742,938.21	2,753,586.76
0.00	6,045,310.86	0.00	135,465,374.87	132,090,718.33
		(10,721,469.07)	0.00	0.00
0.00	0.00	(10,721,469.07)	0.00	0.00
			0.00	3,000,690,915.77
			52,059.30	48,770.50
			806,000.00	806,000.00
			4,277,081,446.44	500,225,051.99
			14,996,084.79	30,951,785.75
			30,722,514.25	30,991,454.25
			4,323,658,104.78	3,563,713,978.26
32,419,385.06			32,419,385.06	30,648,652.19
		4,272,649,902.26	4,272,649,902.26	3,415,214,645.72
	(6,045,310.86)	(4,261,928,433.19)	(4,267,973,744.05)	146,662,555.24
32,419,385.06	(6,045,310.86)	10,721,469.07	4,360,753,648.05	3,592,525,853.15

TEXAS GENERAL LAND OFFICE  
AND VETERANS' LAND BOARD

UNAUDITED

**EXHIBIT II**

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

For the Year Ended August 31, 2014

(With comparative memorandum totals for year ended August 31, 2013)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL FUNDS TOTALS
	GENERAL REVENUE FUNDS (EXH. A-2)	SPECIAL REVENUE FUNDS (EXH. B-2)	PERMANENT FUNDS FUND (0044) U/F (0007)(0010)(0013)	(Memorandum Only) 2014
<b>REVENUES</b>	\$	\$	\$	\$
Legislative Appropriations:				
Original Appropriations	3,140,062.00			3,140,062.00
Additional Appropriations	2,422,957.63			2,422,957.63
Federal Revenues	418,210,388.74	2,591,571.65		420,801,960.39
Federal Grant Pass-Through Revenues	593,354.03			593,354.03
State Grant Pass-Through Revenues	232,589.37			232,589.37
Licenses, Fees, and Permits	7,735,783.42		2,194,134.67	9,929,918.09
Interest and Other Investment Income	7,489.28	2,617.61	89,697,954.79	89,708,061.68
Gain (Loss) on Sale of Sovereign/Other Land			6,948,902.91	6,948,902.91
Net Increase (Decrease) in Fair Value of Investments			215,223,855.45	215,223,855.45
Land Income	14,700.00		676,640,193.44	676,654,893.44
Settlement of Claims				0.00
Sales of Goods and Services	3,329,408.42	213,042.00	67,247,615.51	70,790,065.93
Other Revenues	3,933,312.65	3,921.00	5,996.44	3,943,230.09
<b>TOTAL REVENUES</b>	<b>439,620,045.54</b>	<b>2,811,152.26</b>	<b>1,057,958,653.21</b>	<b>1,500,389,851.01</b>
<b>EXPENDITURES/EXPENSES</b>				
Salaries and Wages	32,130,602.29	307,211.83	13,696,559.50	46,134,373.62
Payroll Related Costs	9,544,401.12	374,492.33	3,116,117.63	13,035,011.08
Professional Fees and Services	101,133,908.04	2,513,561.56	2,420,804.51	106,068,274.11
Travel	596,615.12	21,612.81	119,505.00	737,732.93
Materials and Supplies	1,460,721.09	71,324.25	55,299,864.53	56,831,909.87
Communication and Utilities	873,949.14	102,103.48	338,396.68	1,314,449.30
Repairs and Maintenance	1,572,213.80	20,481.68	402,625.03	1,995,320.51
Rentals and Leases (Note 8)	1,033,686.75	912.71	223,665.46	1,258,264.92
Printing and Reproduction	121,248.21		4,184.51	125,432.72
Claims and Judgments	18,857.75		1,160.00	20,017.75
Federal Grant Pass-Through Expenditures	5,886,251.96			5,886,251.96
State Grant Pass-Through Expenditures	35,258.11			35,258.11
Intergovernmental Payments	274,380,175.74			274,380,175.74
Public Assistance Payments	28,261,158.85			28,261,158.85
Other Expenditures	7,219,975.42	11,727.49	1,448,595.12	8,680,298.03
Capital Outlay	882,016.02	2,753,044.41	176,796.75	3,811,857.18
Depreciation Expense				0.00
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>465,151,039.41</b>	<b>6,176,472.55</b>	<b>77,248,274.72</b>	<b>548,575,786.68</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>(25,530,993.87)</b>	<b>(3,365,320.29)</b>	<b>980,710,378.49</b>	<b>951,814,064.33</b>

UNAUDITED

GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			STATEMENT OF ACTIVITIES	
ADJUSTMENTS			TOTALS	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
			2014	2013
\$	\$	\$	\$	\$
			3,140,062.00	823,390.00
			2,422,957.63	4,846,413.50
			420,801,960.39	361,232,810.99
			593,354.03	42,900.00
			232,589.37	1,356,764.65
		(404,663.75)	9,525,254.34	2,348,306.68
		856,646.20	90,564,707.88	73,647,871.86
			6,948,902.91	2,686,640.50
			215,223,855.45	136,785,481.33
		6,485,004.87	683,139,898.31	387,737,826.11
			0.00	1,005,000.00
		(79,168.23)	70,710,897.70	54,531,017.30
			3,943,230.09	2,155,169.32
0.00	0.00	6,857,819.09	1,507,247,670.10	1,029,199,592.24
	344,883.58		46,479,257.20	44,755,463.53
			13,035,011.08	11,606,560.67
			106,068,274.11	103,880,372.37
			737,732.93	771,149.15
			56,831,909.87	47,435,316.49
			1,314,449.30	1,039,169.18
			1,995,320.51	1,644,680.97
			1,258,264.92	1,364,732.21
			125,432.72	192,080.49
			20,017.75	310,779.21
			5,886,251.96	9,350,149.82
			35,258.11	55,000.00
			274,380,175.74	220,781,995.73
			28,261,158.85	63,028,335.03
			8,680,298.03	8,971,690.91
(3,811,857.18)			0.00	0.00
2,938,810.34			2,938,810.34	2,666,594.87
(873,046.84)	344,883.58	0.00	548,047,623.42	517,854,070.63
873,046.84	(344,883.58)	6,857,819.09	959,200,046.68	511,345,521.61

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**EXHIBIT II (concluded)**

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

For the Year Ended August 31, 2014

(With comparative memorandum totals for year ended August 31, 2013)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL FUNDS TOTALS
	GENERAL REVENUE FUNDS (EXH. A-2)	SPECIAL REVENUE FUNDS (EXH. B-2)	PERMANENT FUNDS (0044) U/F (0007)(0010)(0013)	(Memorandum Only) 2014
<b>OTHER FINANCING SOURCES (USES)</b>	\$	\$	\$	\$
Transfers In	34,365,264.00	5,273,546.38		39,638,810.38
Transfers Out	(15,060,229.27)	(1,783,843.90)	(130,000,000.00)	(146,844,073.17)
Sale of Capital Assets	872,521.05			872,521.05
Gain (Loss) on Sale of Capital Assets				0.00
Increase (Decrease) in Net Assets - Due to Interagency Transfer of Capital Assets				0.00
Capital Contributions				0.00
Appropriations Lapsed	(4,107.44)			(4,107.44)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>20,173,448.34</b>	<b>3,489,702.48</b>	<b>(130,000,000.00)</b>	<b>(106,336,849.18)</b>
<b>NET CHANGE IN FUND BALANCES/NET POSITION</b>	<b>(5,357,545.53)</b>	<b>124,382.19</b>	<b>850,710,378.49</b>	<b>845,477,215.15</b>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
<b>FUND BALANCES - August 31, 2013</b>	152,264,804.64	220,731.00	3,411,228,442.62	3,563,713,978.26
Restatements (Note 14)	(85,533,088.63)			(85,533,088.63)
<b>FUND BALANCES - August 31, 2013, as restated</b>	<b>66,731,716.01</b>	<b>220,731.00</b>	<b>3,411,228,442.62</b>	<b>3,478,180,889.63</b>
<b>FUND BALANCES - August 31, 2014 (Exhibit I)</b>	<b>61,374,170.48</b>	<b>345,113.19</b>	<b>4,261,938,821.11</b>	<b>4,323,658,104.78</b>
<b>GOVERNMENT-WIDE STATEMENT OF NET POSITION</b>				
<b>NET POSITION/NET CHANGE IN NET POSITION</b>				845,477,215.15
<b>NET POSITION - August 31, 2013</b>				3,563,713,978.26
Restatements (Note 14)				(85,533,088.63)
<b>NET POSITION - August 31, 2013, as restated</b>				<b>3,478,180,889.63</b>
<b>NET POSITION - August 31, 2014 (Exhibit I)</b>				<b>4,323,658,104.78</b>

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



UNAUDITED

GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			STATEMENT OF ACTIVITIES	
ADJUSTMENTS			TOTALS	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
			2014	2013
\$	\$	\$	\$	\$
			39,638,810.38	35,369,687.15
			(146,844,073.17)	(554,173,844.62)
(872,521.05)			0.00	0.00
862,391.62			862,391.62	6,474,630.24
468,661.46			468,661.46	30,192.67
14,404.00			14,404.00	7,240.00
			(4,107.44)	(417.96)
472,936.03	0.00	0.00	(105,863,913.15)	(512,292,512.52)
			853,336,133.53	(946,990.91)
			3,563,713,978.26	3,540,675,840.00
			(85,533,088.63)	0.00
			3,478,180,889.63	3,540,675,840.00
			4,331,517,023.16	3,563,713,978.26
1,345,982.87	(344,883.58)	6,857,819.09	853,336,133.53	(946,990.91)
30,648,652.19	(5,700,427.28)	3,863,649.98	3,592,525,853.15	3,593,472,844.06
424,750.00			(85,108,338.63)	0.00
31,073,402.19	(5,700,427.28)	3,863,649.98	3,507,417,514.52	3,593,472,844.06
32,419,385.06	(6,045,310.86)	10,721,469.07	4,360,753,648.05	3,592,525,853.15

TEXAS GENERAL LAND OFFICE  
AND VETERANS' LAND BOARD

UNAUDITED

**EXHIBIT III**

**COMBINED STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-1a)	VETERANS' LAND PROGRAM (EXH. C-1b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-1c)
<b>ASSETS</b>	\$	\$	\$
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand		200.00	
Cash in State Treasury	90,467,977.04	13,265,453.49	38,736,533.16
Cash Equivalents	84,002,445.97	18,924,743.58	
Securities Lending Collateral (Note 3)	59,683,051.30	23,372,191.30	
Investments - Securities at Market Value (Note 3)	58,977,790.00	4,999,850.00	
Loans and Contracts Receivables:			
Land Contracts		9,768,054.33	
Mortgages	189,159,588.44	2,573,519.31	
Home Improvement Loans	11,849,332.72		
Receivables:			
Federal			8,653,245.61
Interest and Dividends Receivables:			
Investment Interest	665,732.62	997,619.81	11,446.74
Land Contracts		3,118,798.23	
Mortgages	14,333,269.50	1,641,844.29	
Home Improvement Loans	247,495.05		
Accounts Receivable (Net of Allowance for Uncollectibles)	14,538.05	259,203.54	2,935,269.88
Due from Other Funds	95,068,206.78	32,590,556.64	1,425,793.19
Prepaid Items	1,153.02	21.96	
Total Current Assets	604,470,580.49	111,512,056.48	51,762,288.58
Noncurrent Assets:			
Investments:			
Securities at Market Value (Note 3)	293,988,663.00	243,869,569.37	
Derivative Instruments	1,015,600.99	(878,821.52)	
Hedging Derivative Instruments	5,933,819.63		
Loans and Contracts Receivables:			
Land Contracts		127,089,213.49	
Mortgages	1,751,710,557.13	170,663,393.44	
Home Improvement Loans	8,752,036.43		
Property Acquired Through Foreclosure (Note 31):			
Land Contracts		2,705,556.00	
Mortgages	441,163.00		0.00
Capital Assets (Note 2):			
Depreciable Capital Assets:			
Vehicles, Boats, and Aircraft			46,501.14
Less Accumulated Depreciation			(46,501.14)
Furniture and Equipment			618,166.28
Less Accumulated Depreciation			(350,711.71)
Buildings			94,335,128.82
Less Accumulated Depreciation			(42,215,052.08)
Facilities and Other Improvements			22,963.00
Less Accumulated Depreciation			(3,252.78)

UNAUDITED

<hr/> PROPRIETARY FUNDS TOTALS (Memorandum Only) <hr/>	
2014	2013
\$	\$
200.00	200.00
142,469,963.69	136,256,348.44
102,927,189.55	276,439,991.23
83,055,242.60	89,613,752.35
63,977,640.00	94,991,800.00
9,768,054.33	11,447,601.08
191,733,107.75	53,098,692.59
11,849,332.72	986,175.09
8,653,245.61	11,316,040.79
1,674,799.17	1,469,686.25
3,118,798.23	2,727,338.68
15,975,113.79	15,302,957.55
247,495.05	202,207.67
3,209,011.47	4,115,227.00
129,084,556.61	100,471,789.67
1,174.98	7,477.94
<hr/> 767,744,925.55	<hr/> 798,447,286.33
537,858,232.37	485,732,288.09
136,779.47	190,289.38
5,933,819.63	17,498,624.70
127,089,213.49	150,235,042.21
1,922,373,950.57	1,828,403,785.34
8,752,036.43	16,879,484.80
2,705,556.00	2,712,556.36
441,163.00	445,726.00
46,501.14	46,501.14
(46,501.14)	(46,501.14)
618,166.28	513,657.19
(350,711.71)	(266,177.95)
94,335,128.82	94,600,128.82
(42,215,052.08)	(37,766,241.64)
22,963.00	112,963.00
(3,252.78)	(10,354.74)
	-to next page

**EXHIBIT III (concluded)**

**COMBINED STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-1a)	VETERANS' LAND PROGRAM (EXH. C-1b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-1c)
	\$	\$	\$
<b>ASSETS (continued)</b>			
Non-Depreciable Capital Assets:			
Construction in Progress			13,269,014.90
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	2,061,841,840.18	543,448,910.78	69,175,756.43
<b>TOTAL ASSETS</b>	<b>2,666,312,420.67</b>	<b>654,960,967.26</b>	<b>120,938,045.01</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Hedging Derivative Instruments	205,671,299.77	52,204,568.17	
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>205,671,299.77</b>	<b>52,204,568.17</b>	<b>0.00</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	8,509,773.47	8,640,906.58	3,507,253.32
Debt Service Interest Payable	7,308,115.15	410,441.92	
Retainage Payable			507,716.10
Due to Other Funds	95,068,206.78	22,136,198.53	11,161,007.29
Unearned Revenues		286,475.39	
Bonds Payable (Net of Unamortized Discounts and Premiums) (Note 6):			
General Obligation	98,424,810.16	16,756,906.31	
Accretion		977,093.69	
Obligations Under Securities Lending (Note 3)	59,683,051.30	23,372,191.30	
Total Current Liabilities	268,993,956.86	72,580,213.72	15,175,976.71
Noncurrent Liabilities:			
Bonds Payable (Net of Unamortized Discounts and Premiums) (Note 6):			
General Obligation	2,084,200,878.99	248,983,329.50	
Accretion		348,177.35	
Hedging Derivative Instruments	205,671,299.77	52,204,568.17	
Total Noncurrent Liabilities	2,289,872,178.76	301,536,075.02	0.00
<b>TOTAL LIABILITIES</b>	<b>2,558,866,135.62</b>	<b>374,116,288.74</b>	<b>15,175,976.71</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Hedging Derivative Instruments	5,933,819.63		
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>5,933,819.63</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt Restricted for the Veterans' Land Board	307,183,765.19	333,049,246.69	69,175,756.43
<b>TOTAL NET POSITION (Exhibit IV)</b>	<b>307,183,765.19</b>	<b>333,049,246.69</b>	<b>105,762,068.30</b>

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

UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2014	2013
\$	\$
13,269,014.90	6,352,510.40
3,499,500.00	3,499,500.00
309,133.15	309,133.15
(309,133.15)	(309,030.63)
2,674,466,507.39	2,569,133,884.48
3,442,211,432.94	3,367,581,170.81
257,875,867.94	230,913,487.69
257,875,867.94	230,913,487.69
20,657,933.37	27,380,684.03
7,718,557.07	3,496,810.73
507,716.10	248,109.86
128,365,412.60	100,244,181.57
286,475.39	217,914.77
115,181,716.47	95,065,309.51
977,093.69	1,494,500.65
83,055,242.60	89,613,752.35
356,750,147.29	317,761,263.47
2,333,184,208.49	2,298,660,924.96
348,177.35	1,137,902.68
257,875,867.94	230,913,487.69
2,591,408,253.78	2,530,712,315.33
2,948,158,401.07	2,848,473,578.80
5,933,819.63	17,498,624.70
5,933,819.63	17,498,624.70
69,175,756.43	67,036,087.60
676,819,323.75	665,486,367.40
745,995,080.18	732,522,455.00

**EXHIBIT IV**

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

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-2a)	VETERANS' LAND PROGRAM (EXH. C-2b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-2c)
<b>OPERATING REVENUES</b>	\$	\$	\$
Other Sale of Goods and Services:			
Payment from Residents			
Resident Payments (Net of Provisions for Bad Debt)			20,854,702.78
Medicare Reimbursements			
Medicare Reimbursements (Net of Provisions for Bad Debt)			7,739,936.50
Medicaid Revenues			
Medicaid Revenues (Net of Provisions for Bad Debt)			10,315,145.00
Other Assistance Payments			
Other Assistance Payments (Net of Provisions for Bad Debt)			725,241.15
Interest & Investment Income:			
Loan Programs	67,302,321.16	22,224,552.93	
Gain (Loss) on Loan Programs	(3,297,517.20)	(1,451,433.34)	
Operating Federal Revenues - VA Per Diem			48,824,373.72
Other Revenues:			
Third Party Reimbursements			4,733.46
Miscellaneous Income	3,247.62	469,531.66	10,250.10
<b>TOTAL OPERATING REVENUES</b>	<b>64,008,051.58</b>	<b>21,242,651.25</b>	<b>88,474,382.71</b>
<b>OPERATING EXPENSES</b>			
Professional Fees and Services	3,031,520.08	1,833,874.91	69,537,829.63
Travel			152,010.19
Materials and Supplies		74,605.76	3,033,286.96
Communications and Utilities			20,627.89
Repairs and Maintenance		22,500.00	485,044.02
Printing and Reproduction	4,068.82	664.94	
Depreciation and Amortization		102.52	4,532,037.24
Debt Service Interest	67,454,909.57	13,729,895.59	453.12
Other Operating Expenses	8,804,504.08	1,943,071.26	21,012.78
<b>TOTAL OPERATING EXPENSES</b>	<b>79,295,002.55</b>	<b>17,604,714.98</b>	<b>77,782,301.83</b>
<b>OPERATING INCOME (LOSS) (Exhibit V)</b>	<b>(15,286,950.97)</b>	<b>3,637,936.27</b>	<b>10,692,080.88</b>

UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2014	2013
\$	\$
20,854,702.78	21,603,661.88
7,739,936.50	8,395,766.33
10,315,145.00	10,240,840.18
725,241.15	580,525.90
89,526,874.09	87,518,345.26
(4,748,950.54)	4,463,371.11
48,824,373.72	41,800,821.09
4,733.46	9,314.45
483,029.38	442,880.97
173,725,085.54	175,055,527.17
74,403,224.62	69,068,365.30
152,010.19	40,076.62
3,107,892.72	2,842,585.57
20,627.89	0.00
507,544.02	727,681.45
4,733.76	1,955.41
4,532,139.76	4,550,768.14
81,185,258.28	72,902,738.22
10,768,588.12	13,127,362.54
174,682,019.36	163,261,533.25
(956,933.82)	11,793,993.92
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**EXHIBIT IV (concluded)**

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

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-2a)	VETERANS' LAND PROGRAM (EXH. C-2b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-2c)
<b>NONOPERATING REVENUES (EXPENSES)</b>	\$	\$	\$
Federal Revenues			3,485,498.07
Gifts/Pledges/Donations			24,457.35
Investment Income	2,850,535.87	5,316,368.38	124,970.69
Net Increase (Decrease) in Fair Value of Investments	17,555,345.90	11,415,174.74	
Settlement of Claims			
Interest Expense	(29.02)		
Borrower Rebate/Agent Fees - Securities Lending	(36,867.81)	(21,500.23)	
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	20,368,984.94	16,710,042.89	3,634,926.11
<b>INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	5,082,033.97	20,347,979.16	14,327,006.99
<b>OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>			
Transfers In	54,405,694.17	38,205,507.49	11,327,820.07
Transfers Out	(68,266,741.51)	(42,366,907.56)	(19,589,767.60)
<b>TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	(13,861,047.34)	(4,161,400.07)	(8,261,947.53)
<b>CHANGE IN NET POSITION</b>	(8,779,013.37)	16,186,579.09	6,065,059.46
<b>NET POSITION - August 31, 2013</b>	315,962,778.56	316,862,667.60	99,697,008.84
<b>NET POSITION - August 31, 2014 (Exhibit III)</b>	307,183,765.19	333,049,246.69	105,762,068.30

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



UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2014	2013
\$	\$
3,485,498.07	4,309,133.30
24,457.35	28,395.00
8,291,874.94	8,275,886.28
28,970,520.64	(30,781,775.38)
0.00	2,719,611.57
(29.02)	0.00
(58,368.04)	(98,719.96)
40,713,953.94	(15,547,469.19)
39,757,020.12	(3,753,475.27)
103,939,021.73	75,488,815.46
(130,223,416.67)	(98,253,165.27)
(26,284,394.94)	(22,764,349.81)
13,472,625.18	(26,517,825.08)
732,522,455.00	759,040,280.08
745,995,080.18	732,522,455.00

**EXHIBIT V**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-3a)	VETERANS' LAND PROGRAM (EXH. C-3b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-3c)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)</b>	\$	\$	\$
<b>OPERATING ACTIVITIES</b>			
Receipts from Vet Homes Residents			20,673,126.62
Receipts from Veterans Administration			50,812,305.56
Receipts from Medicare			7,943,932.05
Receipts from Medicaid			10,354,699.85
Receipts from Gifts/Pledges/Donations			1,068,689.92
Receipts from Loan Payments	336,214,951.09	68,723,723.26	
Other Operating Cash Receipts	247.62	1,349,922.99	765,508.64
Loan Fundings	(474,761,030.90)	(56,848,094.68)	
Payments to Suppliers of Goods and Services	(13,312,437.88)	(3,969,820.58)	(74,538,038.79)
Payments for Other Expenses		(78.31)	(8,539,879.27)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(151,858,270.07)	9,255,652.68	8,540,344.58
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Proceeds from Debt Issuance	831,015,000.00	233,975,000.00	
Proceeds from Other Financing Activities	0.00	0.00	
Payments for Debt Service - Principal	(760,165,000.00)	(250,012,000.00)	
Payments for Debt Service - Interest	(64,335,271.73)	(14,102,868.55)	
Transfers from Other Funds	37,594,697.50	17,479,356.45	7,627,850.83
Transfers to Other Funds	(51,066,741.51)	(32,253,044.06)	(10,563,962.18)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	(6,957,315.74)	(44,913,556.16)	(2,936,111.35)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Receipts from Veterans Administration			3,646,510.05
Payments for Additions to Capital Assets		(4,894.25)	(7,750,020.40)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	0.00	(4,894.25)	(4,103,510.35)
<b>INVESTING ACTIVITIES</b>			
Proceeds from Interest and Investment Income	2,972,318.12	26,126,677.82	122,865.50
Proceeds from Sale of Investments	258,545,000.00	46,801,640.52	
Payments to Acquire Investments	(271,488,265.41)	(37,401,762.30)	
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	(9,970,947.29)	35,526,556.04	122,865.50
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(168,786,533.10)	(136,241.69)	1,623,588.38
<b>CASH AND CASH EQUIVALENTS - August 31, 2013</b>	343,256,956.11	32,326,638.76	37,112,944.78
<b>CASH AND CASH EQUIVALENTS - August 31, 2014</b>	174,470,423.01	32,190,397.07	38,736,533.16

UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2014	2013
\$	\$
20,673,126.62	21,917,217.99
50,812,305.56	35,749,604.05
7,943,932.05	7,950,264.91
10,354,699.85	10,346,893.66
1,068,689.92	28,395.00
404,938,674.35	523,741,613.22
2,115,679.25	838,211.69
(531,609,125.58)	(507,347,898.42)
(91,820,297.25)	(80,137,435.48)
(8,539,957.58)	(39,730.92)
(134,062,272.81)	13,047,135.70
1,064,990,000.00	349,990,000.00
0.00	2,719,611.57
(1,010,177,000.00)	(83,302,000.00)
(78,438,140.28)	(73,535,307.41)
62,701,904.78	68,504,375.77
(93,883,747.75)	(91,585,941.06)
(54,806,983.25)	172,790,738.87
3,646,510.05	1,675,258.91
(7,754,914.65)	(5,535,222.54)
(4,108,404.60)	(3,859,963.63)
29,221,861.44	5,339,139.15
305,346,640.52	294,200,329.71
(308,890,027.71)	(403,348,544.17)
25,678,474.25	(103,809,075.31)
(167,299,186.41)	78,168,835.63
412,696,539.65	334,527,504.04
245,397,353.24	412,696,339.67
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**EXHIBIT V (concluded)**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-3a)	VETERANS' LAND PROGRAM (EXH. C-3b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-3c)
	\$	\$	\$
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>OPERATING INCOME (LOSS) (Exhibit IV)</b>	(15,286,950.97)	3,637,936.27	10,692,080.88
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Depreciation and Amortization		102.52	4,532,037.24
Classification Differences	67,454,904.72	13,728,300.40	1,068,689.92
(Increase) Decrease in Receivables	154,420.19	(9,188,428.99)	1,893,296.32
(Increase) Decrease in Loans and Contracts	(202,244,016.89)	(8,021,523.29)	
(Increase) Decrease in Other Assets	75,494.71	13,140.36	553,865.61
Increase (Decrease) in Payables	(1,691,935.17)	7,942,914.79	(9,645,762.53)
Increase (Decrease) in Other Liabilities	(320,186.66)	1,143,210.62	(553,862.86)
<b>TOTAL ADJUSTMENTS</b>	(136,571,319.10)	5,617,716.41	(2,151,736.30)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(151,858,270.07)	9,255,652.68	8,540,344.58
<b>NONCASH TRANSACTIONS</b>			
Capital Appreciation Bond Interest Accretion	(36,700.56)	(150,667.80)	
Change in Fair Value of Investments	17,555,345.90	11,415,174.74	
<b>TOTAL NONCASH TRANSACTIONS</b>	17,518,645.34	11,264,506.94	0.00

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

UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2014	2013
\$	\$
(956,933.82)	11,793,993.92
4,532,139.76	4,550,768.14
82,251,895.04	72,933,483.87
(7,140,712.48)	16,297,543.01
(210,265,540.18)	(99,388,831.22)
642,500.68	2,012,508.23
(3,394,782.91)	5,465,253.68
269,161.10	(617,583.93)
(133,105,338.99)	1,253,141.78
(134,062,272.81)	13,047,135.70
(187,368.36)	(305,328.01)
28,970,520.64	(30,781,775.38)
28,783,152.28	(31,087,103.39)

**EXHIBIT VI**

**COMBINED STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	LOCAL FUNDS (9999) (EXH. D-1)	ALL OTHER AGENCY FUNDS (EXH. D-1)	FIDUCIARY FUNDS TOTALS (Memorandum Only)	
	\$	\$	2014	2013
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Cash in Bank (Note 3)			0.00	10,320.56
Cash in State Treasury		16,642.19	16,642.19	20,571.33
Receivables:				
Interest and Dividends		3.78	3.78	2.40
Accounts Receivable		188,784.77	188,784.77	287,213.69
Due From Other Funds		44,528.46	44,528.46	45,561.07
Total Current Assets	0.00	249,959.20	249,959.20	363,669.05
<b>TOTAL ASSETS</b>	<b>0.00</b>	<b>249,959.20</b>	<b>249,959.20</b>	<b>363,669.05</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable			0.00	4,707.75
Funds Held for Others		249,959.20	249,959.20	358,961.30
Total Current Liabilities	0.00	249,959.20	249,959.20	363,669.05
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>249,959.20</b>	<b>249,959.20</b>	<b>363,669.05</b>
<b>NET POSITION</b>				
Funds Held in Trust for:				
Individuals, Organizations, and Other Governments			0.00	0.00
<b>TOTAL NET POSITION</b>	<b>0.00</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, 2014



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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. The funds used to reflect GLO and VLB transactions are as follows:

#### **GOVERNMENTAL FUND TYPES AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES**

General and administrative operations of GLO and VLB are financed from general revenue, special revenue, and permanent funds. 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 balances and net position for the general revenue, special revenue, and permanent funds in the aggregate are presented in Exhibit II.

*General revenue funds* serve as the general operating funds of the agency.

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

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

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.

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.

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.

The GR Account – specialty license plates 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.

The GR Account – 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.

*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.

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

*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.

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

*Long-Term liability adjustment fund type* (Fund 9997) is used to convert governmental fund debt from modified accrual to full accrual basis of accounting.

*Other adjustment fund type* (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.

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.

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.

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.

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.

## 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.

## UNAUDITED

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.

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.

### COMPONENT UNITS

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The GLO has no component units.

### 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.

*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 receivables.

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 2013 for the production months August 2013 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. Notes, loans, and contracts are reported separately as either current or noncurrent on the statement of net position. 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.

*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. Purchases of land use rights considered to have a limited useful life are capitalized if the cost meets or exceeds \$100,000.00 if they do not fall under GASB Statement No. 52, and reported at fair value. 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.

## UNAUDITED

*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.

*Deferred 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 expenditures or expenses in the reimbursed fund. 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.

## NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets for governmental activities for the year ended August 31, 2014, is presented in *Table 1* on page 34. Changes in capital assets for business-type activities are presented in *Table 2* above.

Table 1

### CHANGES IN CAPITAL ASSETS Governmental Activities

	9/1/2013	Adjustments	CIP	Transfers	Transfers	Additions	Deletions	8/31/2014
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-depreciable Assets</i>								
Land and Land Improvements	2,871,483.00			8,258.62		1,425.00	(13,208.62)	2,867,958.00
Construction in Progress	90,143.62					2,706,217.08		3,607,630.70
Other Capital Assets	127,004.40					12,979.00		139,983.40
<b>Total Non-depreciable Assets</b>	<b>3,899,901.02</b>	<b>0.00</b>	<b>0.00</b>	<b>8,258.62</b>	<b>0.00</b>	<b>2,720,621.08</b>	<b>(13,208.62)</b>	<b>6,615,572.10</b>
<i>Depreciable Assets</i>								
Buildings and Building Improvements	36,458,902.58	8,495,000.00				41,335.64		45,095,238.22
Furniture and Equipment	5,752,205.46			12,253.98	(5,580.42)	202,938.76	(300,518.85)	5,761,298.93
Vehicles, Boats, and Aircraft	2,753,241.56			1,345,651.30	(20,336.00)	561,807.35	(63,885.00)	4,576,479.21
<b>Total Depreciable Assets at Historical Costs</b>	<b>44,964,349.60</b>	<b>8,495,000.00</b>	<b>0.00</b>	<b>1,457,905.28</b>	<b>(25,916.42)</b>	<b>906,081.75</b>	<b>(364,403.85)</b>	<b>55,433,016.36</b>
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(12,287,000.85)	(8,070,250.00)				(2,055,350.80)		(22,412,601.65)
Furniture and Equipment	(4,151,570.79)			(69,964.74)	5,580.42	(399,685.49)	295,339.42	(4,320,301.18)
Vehicles, Boats, and Aircraft	(2,183,801.03)			(9,279,080.00)	20,336.00	(358,225.85)	63,885.00	(3,377,084.96)
<b>Total Accumulated Depreciation</b>	<b>(18,622,372.67)</b>	<b>(8,070,250.00)</b>	<b>0.00</b>	<b>(989,243.82)</b>	<b>25,916.42</b>	<b>(2,813,262.14)</b>	<b>359,224.42</b>	<b>(30,109,987.79)</b>
<b>Depreciable Assets, Net</b>	<b>26,341,976.93</b>	<b>424,750.00</b>	<b>0.00</b>	<b>468,661.46</b>	<b>0.00</b>	<b>(1,907,180.39)</b>	<b>(5,179.43)</b>	<b>25,323,028.57</b>
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software	788,835.43					199,558.35		988,393.78
<b>Total Amortizable Assets - Intangibles at Historical Costs</b>	<b>788,835.43</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>199,558.35</b>	<b>0.00</b>	<b>988,393.78</b>
<i>Less Accumulated Amortization for</i>								
Intangible Computer Software	(382,061.19)					(125,548.20)		(507,609.39)
<b>Total Accumulated Amortization</b>	<b>(382,061.19)</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>(507,609.39)</b>
<b>Amortizable Assets - Intangibles, Net</b>	<b>406,774.24</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>74,010.15</b>	<b>0.00</b>	<b>480,784.39</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>30,648,652.19</b>	<b>424,750.00</b>	<b>0.00</b>	<b>476,920.08</b>	<b>0.00</b>	<b>887,450.84</b>	<b>(18,388.05)</b>	<b>32,419,385.06</b>

UNAUDITED

Table 2

**CHANGES IN CAPITAL ASSETS**  
**Business-Type Activities**

	Balance 9/1/2013	Adjustments	Reclassifications			Additions	Deletions	Balance 8/31/2014
			Completed CIP	Incr-Int'agy Transfers	Decr-Int'agy Transfers			
<i>Non-depreciable Assets</i>								
Land and Land Improvements	3,499,500.00							3,499,500.00
Construction in Progress	6,352,510.40					6,916,504.50		13,269,014.90
<b>Total Non-depreciable Assets</b>	<b>9,852,010.40</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6,916,504.50</b>	<b>0.00</b>	<b>16,768,514.90</b>
<i>Depreciable Assets</i>								
Buildings and Building Improvements	94,600,128.82	(265,000.00)						94,335,128.82
Facilities and Other Improvements	112,963.00	(90,000.00)						22,963.00
Furniture and Equipment	513,657.19					110,304.09	(5,795.00)	618,166.28
Vehicles, Boats, and Aircraft	46,501.14							46,501.14
<b>Total Depreciable Assets at Historical Costs</b>	<b>95,273,250.15</b>	<b>(355,000.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>110,304.09</b>	<b>(5,795.00)</b>	<b>95,022,759.24</b>
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(37,766,241.64)					(4,448,810.44)		(42,215,052.08)
Facilities and Other Improvements	(10,354.74)	7,101.96						(3,252.78)
Furniture and Equipment	(266,177.95)					(90,328.76)	5,795.00	(350,711.71)
Vehicles, Boats, and Aircraft	(46,501.14)							(46,501.14)
<b>Total Accumulated Depreciation</b>	<b>(38,089,275.47)</b>	<b>7,101.96</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(4,539,139.20)</b>	<b>5,795.00</b>	<b>(42,615,517.71)</b>
<b>Depreciable Assets, Net</b>	<b>57,183,974.68</b>	<b>(347,898.04)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(4,428,835.11)</b>	<b>0.00</b>	<b>52,407,241.53</b>
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software	309,133.15							309,133.15
<b>Total Amortizable Assets - 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</i>								
Intangible Computer Software	(309,030.63)					(102.52)		(309,133.15)
<b>Total Accumulated Amortization</b>	<b>(309,030.63)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(102.52)</b>	<b>0.00</b>	<b>(309,133.15)</b>
<b>Amortizable Assets - Intangibles, Net</b>	<b>102.52</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(102.52)</b>	<b>0.00</b>	<b>0.00</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>67,036,087.60</b>	<b>(347,898.04)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,487,566.87</b>	<b>0.00</b>	<b>69,175,756.43</b>

**NOTE 3:**  
**DEPOSITS, INVESTMENTS,**  
**REPURCHASE AGREEMENTS, AND**  
**SECURITIES LENDING**  
**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 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

- a. The Veterans Service Fee Account may be invested in accordance with Tex. Nat. Res. Code Ann., §161.069, and any interest received may be credited to the GLO special fund and spent on administrative expenses.
- b. The Travel Advance Account is authorized by Tex. Gov't. Code Ann., §403.244 and §403.248.
- c. The Land Patent Recording Fee Account is authorized by 31 Tex. Admin. Code §1.29 and Tex. Nat. Res. Code Ann., §31.064.

## DEPOSITS

Carrying amounts of bank accounts at August 31, 2014, 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, 2014 exposed to custodial credit risk.



## INVESTMENTS

### VETERANS' LAND BOARD

The 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 Loan Mortgage Corporation (FHLMC), or any of their successors; certain

Table 3

<b>DEPOSITS</b>		
<b>Type of Deposit</b>	<b>Total Bank Balance</b>	<b>Carrying Amount</b>
	\$	\$
Current Assets - Cash in Bank:		
Governmental Funds	895,076.00	895,076.00
<b>Total</b>	<b>895,076.00</b>	<b>895,076.00</b>

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 VLB's deputy commissioner of Funds

Management/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 deputy commissioner of Funds Management/chief investment officer, a "prudent person" standard. The IPS dictates certain portfolio diversification requirements and instructs the deputy commissioner of Funds Management/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, 2014, the weighted average maturity of the portfolio was approximately 4.97 years, and the modified duration was approximately 4.53 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, 2014, 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, 2014, 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 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, 2014, 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 \$891,551,735.05

the fair value of the total portfolio of investments in the State of Texas David A. Gloier Texas State Veterans Home Program was \$38,736,533.16. 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, 2014, can be found in **Table 4** and **Table 5** on page 39.

## 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 five members, chaired by the deputy commissioner of Funds Management/ 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 asset 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.

UNAUDITED

Table 4

**INVESTMENT PORTFOLIO AT FAIR VALUE**

<b>Land and Housing Assistance Funds</b>	
<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>
	\$
U.S. Treasury Securities	76,540,910.00
U.S. Treasury Strips	67,964,119.20
U.S. Government Agency Obligations	249,512,093.45
Money Market Mutual Fund	44,829,650.80
Commercial Paper	107,076,378.75
Taxable Municipals	148,800,734.47
International Obligations	10,039,175.25
Securities Lending - Cash Collateral Investment Pool <sup>(3)</sup>	83,055,242.60
<b>Total Investments</b>	<b>787,818,304.52 <sup>(1)</sup></b>
Cash in State Treasury <sup>(2)</sup>	103,733,430.53
<b>Total Investments and Cash in State Treasury</b>	<b>891,551,735.05</b>
Consisting of the following:	
Cash Equivalents	102,927,189.55
Current Investments	63,977,640.00
Noncurrent Investments	537,858,232.37
Security Lending Collateral <sup>(3)</sup>	83,055,242.60
<b>Total Investments, as above</b>	<b>787,818,304.52</b>

<sup>(1)</sup> Includes \$18,828,661.09 and \$16,260,982.42 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.

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

<sup>(3)</sup> 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 operating statement.

Table 5

**INVESTMENT PORTFOLIO AT FAIR VALUE**

<b>Veterans Homes Program</b>	
<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>
	\$
Cash in State Treasury <sup>(1)</sup>	38,736,533.16
<b>Total Investments and Cash in State Treasury</b>	<b>38,736,533.16</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.

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 interests in public infrastructure, or other interests, 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 illiquid.

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, 2014, and adjusting it for cash transactions that transpired during July and August 2014.

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 interest in oil, gas, and hard minerals is based on an estimate of the present value of future royalty cash flows using a 10 percent discount rate. Future royalty cash flow projections from oil and gas are based on 12-month average prices preceding the valuation date and estimates of future production from existing wells. The estimate of future production is based on Oil & Gas Industry submissions of such volumes for the 12-month period prior to valuation, and reduced to account for estimated depletion. Hard minerals cash flows are also estimated based on future royalty approximations and discounted. Nonproducing proven reserves of oil, gas, and hard minerals are not included in the estimate. Fair value is presented in **Table 6** on page 41.

## REVERSE REPURCHASE 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 2014, the VLB entered into no reverse repurchase agreements. As of August 31, 2014, there are no outstanding reverse repurchase agreements.

## 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.

Table 6

**INVESTMENT PORTFOLIO AT FAIR VALUE**

<b>Permanent School Fund</b>		
<b><u>Investment Type</u></b>	<b><u>Historical Cost</u></b>	<b><u>Fair Value</u></b>
Investments in Real Assets	\$	\$
Sovereign Lands <sup>(1)</sup>	490,932.19	258,789,767.71
Discretionary Internal Investments	307,021,405.33	291,114,293.58
Other Lands	46,768,184.25	113,662,931.73
Minerals <sup>(1), (2)</sup>	13,407,945.50	3,263,814,444.00
Investments with External Managers	1,793,392,471.71	1,844,940,068.35
<b>Total Investments <sup>(3)</sup></b>	<b>2,161,080,938.98</b>	<b>5,772,321,505.37</b>
Cash in State Treasury <sup>(4)</sup>	1,960,207,461.06	1,960,207,461.06
<b>Total Investments and Cash in State Treasury</b>	<b>4,121,288,400.04</b>	<b>7,732,528,966.43</b>
Consisting of the following:		
Noncurrent Investments	2,161,080,938.98	5,772,321,505.37
<b>Total Investments, as above</b>	<b>2,161,080,938.98</b>	<b>5,772,321,505.37</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.

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, 2014, the liquidity pool had an average duration of 35.29 days and an average weighted maturity of 99.08 days; the duration pool had an average duration of 32.22 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, 2014, 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, 2014, were \$83,055,242.60 and \$81,370,652.47, respectively.

### **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:

- Method for Determining Fair Value.** The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- 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 ending August 31, 2014.

### 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, 2014.

### EMPLOYEES' COMPENSABLE LEAVE

A state employee is entitled to be paid for all unused

Table 7

#### CHANGES IN LONG-TERM LIABILITIES

Governmental Activities	09-01-2013	Additions <sup>(1)</sup>	Deductions	08-31-2014	Within One Year	Thereafter
	\$	\$	\$	\$	\$	\$
Employees' Compensable Leave	5,700,427.28	4,284,438.64	3,939,555.06	6,045,310.86	3,302,372.65	2,742,938.21
<b>Total, Governmental Activities</b>	<b>5,700,427.28</b>	<b>4,284,438.64</b>	<b>3,939,555.06</b>	<b>6,045,310.86</b>	<b>3,302,372.65</b>	<b>2,742,938.21</b>
<b>Business-Type Activities</b>						
General Obligation B/P	2,384,443,138.49	1,065,177,368.36	1,010,815,000.00	2,438,805,506.85	116,158,810.16	2,322,646,696.69
Unamortized Premium	11,915,499.31	0.00	1,029,810.16	10,885,689.15	1,029,810.16	9,855,878.99
<b>Total, Business-Type Activities</b>	<b>2,396,358,637.80</b>	<b>1,065,177,368.36</b>	<b>1,011,844,810.16</b>	<b>2,449,691,196.00</b>	<b>117,188,620.32</b>	<b>2,332,502,575.68</b>
<b>Total, Governmental and Business-Type Activities</b>	<b>2,402,059,065.08</b>	<b>1,069,461,807.00</b>	<b>1,015,784,365.22</b>	<b>2,455,736,506.86</b>	<b>120,490,992.97</b>	<b>2,335,245,513.89</b>

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

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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.

## 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 the right lists the various tranches of 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 OBLIGATION BONDS

During fiscal 2014, 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.

**\$297,600,000 State of Texas Veterans Bonds,  
Taxable Refunding Series 2013C**  
Issue Date: October 24, 2013  
Sr. Manager: Morgan Stanley  
True Interest Cost: Variable-Rate  
Net Proceeds: \$296,482,282.33  
Costs of Issuance: \$1,117,717.67

The Series 2013C Bonds were issued to refund the Veterans' Housing Assistance Program, Fund

Table 8

### GENERAL OBLIGATION BONDS STATE OF TEXAS VETERANS' HOUSING AND LAND PROGRAMS

Year of Constitutional Amendments	Increment In Bonds Authorized 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
(265,740,235.81)	Outstanding balance (Land)
(2,182,625,689.01)	Outstanding balance (Housing)
<u>1,551,634,075.18</u> <sup>(2)</sup>	Amount remaining to issue

(1) 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.

(2) Includes applicable bond issuance premium amounts.

II Series 1999A-2 Taxable Bonds; Fund II Series 2006E Taxable Refunding Bonds; Fund II Series 2007C Taxable Refunding Bonds; and Fund II Series 2009C Taxable Refunding Bonds.

### **\$150,000,000 State of Texas Veterans Bonds, Series 2014A**

Issue Date: February 26, 2014  
Sr. Manager: Goldman, Sachs & Co.  
True Interest Cost: Variable-Rate  
Net Proceeds: \$149,593,006.38  
Costs of Issuance: \$406,993.62

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

**\$164,855,000 State of Texas Veterans Bonds, Taxable Refunding Series 2014B**

Issue Date: March 31, 2014

Sr. Manager: First Southwest

True Interest Cost: Variable-Rate

Net Proceeds: \$164,201,267.01

Costs of Issuance: \$653,732.99

The Series 2014B Bonds were issued to refund the State of Texas Veterans' Housing Assistance Program, Fund I Series 2004 Taxable Refunding Bonds; Fund I Series 2004C Taxable Refunding Bonds; Fund I Series 2005C Taxable Refunding Bonds; Fund II Series 2004D Taxable Refunding Bonds; and Veterans' Land Program Series 2000 Taxable Refunding Bonds; Series 2005 Taxable Refunding Bonds; and Series 2006C Taxable Refunding Bonds.

**\$452,505,000 State of Texas Veterans Bonds, Taxable Refunding Series 2014C**

Issue Date: June 30, 2014

Sr. Manager: Morgan Stanley

True Interest Cost: Variable-Rate

Net Proceeds: \$451,157,657.57

Costs of Issuance: \$1,347,342.43

The Series 2014C Bonds were issued to refund the State of Texas Veterans' Housing Assistance Program, Fund I Series 2002B2 Taxable Refunding Bonds; Fund I Series 1994A-2 Taxable Refunding Bonds; Fund II Series 2010E Taxable Refunding Bonds; Fund II Series 2010B Taxable Refunding Bonds; Fund II Series 2006C Taxable Refunding Bonds; Fund II Series 2006B Taxable Refunding Bonds; Fund II Series 2005D Taxable Refunding Bonds; Fund II Series 1997B-2 Taxable Refunding Bonds; and Veterans' Land Program Series 2010D Taxable Refunding Bonds; Series 2006B Taxable Refunding Bonds; Series 2006A Taxable Refunding Bonds; Series 2006C Taxable Refunding Bonds; Series 2004 Taxable Refunding Bonds; Series 2003 Taxable Refunding Bonds; Series 2002A Taxable Refunding Bonds; Series 2002 Taxable Refunding Bonds; and Series 2000A Taxable Refunding Bonds

**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 45.

**\$5,400,000 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 \$10,000,000.00. 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.

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, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.



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**Table 9**

**VETERANS' LAND BOARD LIQUIDITY FACILITIES AS OF AUGUST 31, 2014**

<b>Liquidity Provider</b>	<b>Bond Transaction</b>	<b>Available Principal Commitment at 8-31-2014</b>	<b>Liquidity Agreement Expiration Date</b>
<b>J. P. Morgan Chase Bank, National Association</b>	1) Vet Bonds, Series 2011A	\$ 67,290,000.00	# 03-07-2017
	2) Vet Hsg Fund II Ser 2006A	33,875,000.00	06-30-2017
	3) Vet Hsg Fund II Ser 2007B	37,870,000.00	06-30-2017
		<u>139,035,000.00</u>	
<b>Landesbank Hessen - Thüringen Girozentrale</b>	1) Vet Hsg Fund II Bds Ser 2002A-2	31,310,000.00	12-31-2015
	2) Vet Hsg Fund II Bds Ser 2003A	28,450,000.00	12-31-2015
	4) Vet Hsg Fund II Bds Ser 2003B	29,725,000.00	12-31-2015
		<u>89,485,000.00</u>	
<b>Comptroller of Public Accounts of the State of Texas</b>	1) Vet Hsg Bds Ser '94A-1 <sup>(2)</sup>	5,400,000.00	08-31-2014
	2) Vet Hsg Ref Bds Ser '95 <sup>(2)</sup>	24,505,000.00	08-31-2014
	3) Vet Hsg Fund II Bds Ser 2001A-2 <sup>(3)</sup>	20,000,000.00	08-31-2014
	4) Vet Land Ref Bds Ser '99A <sup>(2)</sup>	<u>16,030,000.00</u>	08-31-2014
		<u>65,935,000.00</u>	
<b>State Street Bank and Trust Company</b>	1) Vet Hsg Fund II Bds Ser 2004A	29,280,000.00	11-17-2014
	2) Vet Hsg Fund II Bds Ser 2005A	32,035,000.00	11-17-2014
	5) Vet Hsg Fund II Bds Ser 2005B	31,725,000.00	11-17-2014
	7) Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00	04-03-2015
	9) Vet Hsg Fund II Bds Ser 2007A	35,745,000.00	04-03-2015
	10) Vet Bonds Series 2012A	<u>70,625,000.00</u>	05-22-2015
		<u>224,410,000.00</u>	
<b>Sumitomo Mitsui Banking Corporation</b>	1) Vet Land Bds Ser 2002 <sup>(1)</sup>	15,485,000.00	08-12-2015
	2) Vet Hsg Fund II Bds Ser 2004B	32,460,000.00	08-12-2015
	3) Vet Hsg Fund II Bds Ser 2006D	35,710,000.00	08-12-2015
	6) Vet Bonds Series 2012B	95,715,000.00	11-01-2015
	7) Vet Bonds Series 2013A	<u>98,650,000.00</u>	03-20-2016
		<u>278,020,000.00</u>	
<b>Bank of Tokyo - Mitsubishi UFJ</b>	1) Vet Hsg Fund II Series 2008A	37,700,000.00	08-24-2018
	2) Vet Hsg Fund II Series 2008B	38,915,000.00	07-31-2015
	4) Vet Hsg Fund II Series 2010C	<u>67,095,000.00</u>	07-31-2015
		<u>143,710,000.00</u>	
<b>Wells Fargo Bank, National Association</b>	1) Vet Bonds Series 2011B	68,755,000.00	08-01-2015
	2) Vet Bonds Series 2011C	<u>70,040,000.00</u>	12-14-2014
		<u>138,795,000.00</u>	
<b>The Bank of New York Mellon</b>	1) Vet Bonds Series 2013B	<u>148,125,000.00</u>	08-18-2016
		<u>148,125,000.00</u>	
<b>Bank of America, N.A.</b>	1) Vet Bonds Series 2014A	<u>150,000,000.00</u>	02-24-2017
		<u>150,000,000.00</u>	
<b>Grand Total</b>		<u><u>1,377,515,000.00</u></u>	

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

<sup>(2)</sup> The Bank of Tokyo-Mitsubishi UFJ was substituted for the Comptroller of Public Accounts of the State of Texas on these facilities on September 2, 2014. The new expiration date for each facility is now September 4, 2018.

<sup>(3)</sup> Same as number 2 above, but substitution date was September 3, 2014.

**\$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, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$25,000,000 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 April 3, 2015. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$31,715,000 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 0.40 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$28,450,000 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 0.40 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$29,725,000 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 0.40 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$29,280,000 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

November 17, 2014. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$32,460,000 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 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, 2015. The liquidity provider receives an annual fee of 0.50 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$32,035,000 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 November 17, 2014. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$31,725,000 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 November 17, 2014. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2014, there were \$0 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 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, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$35,710,000 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, 2015. The liquidity provider receives an annual fee of 0.50 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$35,745,000 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 April 3,

2015. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$37,870,000 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 0.38percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$37,700,000 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 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, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$38,915,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2008B Bonds**

The bonds were issued pursuant to a resolution adopted by the board on July 31, 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 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 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 July 31, 2015. The liquidity provider receives an annual fee of 0.525 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$67,095,000 State of Texas Veterans Bonds, Fund II Series 2010C**

The bonds were issued pursuant to a resolution adopted by the board on July 22, 2010, 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, Morgan Stanley & Co. Incorporated, 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 July 31, 2015. The liquidity provider receives an annual fee of 0.525 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$67,290,000 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, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$68,755,000 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 Wells Fargo 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 August 1, 2015. The liquidity provider receives an annual fee of 0.49 percent. As of August 31, 2014, there were \$0 purchased

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

**\$70,040,000 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 Wells Fargo 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 December 14, 2014. The liquidity provider receives an annual fee of 0.49 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$70,625,000 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 May 22, 2015. The liquidity provider receives an annual fee of 0.375 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$95,715,000 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, 2015. The liquidity provider receives an annual fee of 0.50 percent. As of August 31, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.



**\$98,650,000 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, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$148,125,000 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' 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, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$150,000,000 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, 2014, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

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

Advance refunding bonds totaling \$716,545,000.00 have been issued to defease Veterans' Land Bonds. At August 31, 2014, \$20,500,000.00 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 56.

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 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, 2014, \$0.00 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 \$100,000.00 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 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, 2014, 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

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reset weekly after the close of business on the last business day of the week at a spread below the FNMA 60-day commitment rate on 30-year FHA/VA loans. 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. Outstanding veterans home revenue bonds are repaid from income, revenues, and receipts pledged under the related trust indenture. Outstanding veterans mortgage revenue bonds are repaid from revenues and funds pledged under the related trust indentures. Schedules 2-A through 2-G present bond activity during fiscal 2014. 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, 2014, and the issue and final maturity dates are presented in **Table 11** on page 57 and **Table 12** on page 58, and a summary of bond transactions is presented in **Table 13** on page 59 and **Table 14** on page 60.

### DEBT SERVICE REQUIREMENTS

**Table 15** on page 61, **Table 16** on page 62, and **Table 17** on page 63 represent principal and interest due on bonds from the period of September 1, 2012, through final maturity on December 1, 2042. 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 as described

below. 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, 2014, are shown in **Table 18** on page 63.

## NOTE 7: DERIVATIVE INSTRUMENTS

### DERIVATIVES

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

*Objective of the swaps.* The board is currently a party to 50 pay-fixed, receive-variable interest rate swaps that are associated with 34 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, 2014, were as shown in **Table 19** on pages 66 and 67. The notional amounts and amortization schedules of the swaps match those of the associated variable-rate bonds.

Table 10

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

	<b>Land Program 1985 Refunding</b>	<b>Land Program 1986 Refunding</b>	<b>Housing Program 2010 Refunding</b>	<b>Total Refunding</b>
Series Defeased	1976-1982	1951-1972A, 1978-1985B, and 1983 Refunding	2001A-1 Refunding 2001C-1 Refunding 2002A-1 Refunding	
Refunding Bonds Issued	\$ 173,760,000.00	\$ 542,785,000.00	\$ 49,995,000.00	\$ 766,540,000.00
Additional Securities 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 Agent at 8-31-2013	211,000,000.00	558,313,000.00	52,330,000.00	821,643,000.00
<b>Outstanding Defeased Debt</b>	<b>5,000,000.00</b>	<b>15,500,000.00</b>	<b>0.00</b>	<b>20,500,000.00</b>
Escrow Agent	Bank of New York Jacksonville, FL	Bank of New York Jacksonville, FL	U.S. Bank, N.A. Dallas, TX	
Final Maturity Date of Series Defeased	2015	2020	2032	

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Table 11

OUTSTANDING BONDS			
Issue	Issue Date	Final Maturity Date	Bonds Outstanding 08-31-2014
			\$
<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	5,400,000.00
Vet Hsg Tax Ref Bds Ser '94A-2	04-28-1994	12-01-2033	0.00
Vet Hsg Ref Bds Ser '94C <sup>(1)</sup>	10-27-1994	12-01-2015	0.00
Vet Hsg Ref Bds Ser '95	10-31-1995	12-01-2016	24,505,000.00
Vet Hsg Fund II Tax Bds Ser '97B-2	12-18-1997	12-01-2029	0.00
Vet Hsg Fund II Tax Bds Ser '99A-1	10-07-1999	12-01-2029	0.00
Vet Hsg Fund II Tax Bds Ser '99A-2	10-07-1999	12-01-2029	0.00
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	25,000,000.00
Vet Hsg Fund II Bds Ser 2002A-2	07-10-2002	06-01-2033	31,310,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B	11-06-2002	06-01-2023	0.00
Vet Hsg Fund II Bds Ser 2003A	03-04-2003	06-01-2034	28,450,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-2003	06-01-2034	29,725,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003	11-20-2003	06-01-2021	0.00
Vet Hsg Fund II Bds Ser 2004A	04-07-2004	12-01-2034	29,280,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004	05-20-2004	12-01-2024	0.00
Vet Hsg Fund II Bds Ser 2004B	09-15-2004	12-01-2034	32,460,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C	11-18-2004	12-01-2018	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2004D	11-18-2004	06-01-2020	0.00
Vet Hsg Fund II Bds Ser 2005A	02-24-2005	06-01-2035	32,035,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-2005	06-01-2036	31,725,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	11-16-2005	12-01-2025	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2005D	11-16-2005	06-01-2026	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2006B	05-10-2006	12-01-2026	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C	05-10-2006	12-01-2027	0.00
Vet Hsg Fund II Bds Ser 2006A	06-01-2006	12-01-2036	33,875,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-2006	12-01-2036	35,710,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	11-15-2006	12-01-2026	0.00
Vet Hsg Fund II Bds Ser 2007A	02-22-2007	06-01-2037	35,745,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-2007	06-01-2038	37,870,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	11-14-2007	06-01-2029	0.00
Vet Hsg Fund II Bds Ser 2008A	03-26-2008	12-01-2028	37,700,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-2008	12-01-2038	38,915,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-2009	12-01-2023	41,280,000.00
Vet Hsg Fund II Bds Ser 2009B	09-03-2009	12-01-2024	43,245,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C	11-18-2009	12-01-2021	0.00
Vet Hsg Fund II Bds Ser 2010A	02-25-2010	12-01-2031	66,545,000.00
Veterans Bonds, Tax Ref Ser 2010B	05-20-2010	12-01-2025	0.00
Veterans Bonds Series 2010C	08-20-2010	12-01-2031	67,095,000.00
Veterans Bonds, Tax Ref Ser 2010E	11-18-2010	06-01-2032	0.00
Veterans Bonds Series 2011A	03-09-2011	06-01-2041	67,290,000.00
Veterans Bonds Series 2011B	08-25-2011	12-01-2041	68,755,000.00
Veterans Bonds Series 2011C	12-15-2011	06-01-2042	70,040,000.00
Veterans Bonds Series 2012A	05-23-2012	12-01-2042	70,625,000.00
Veterans Bonds Series 2012B	11-01-2012	12-01-2042	95,715,000.00
Veterans Bonds Series 2013A	03-20-2013	06-01-2043	98,650,000.00
Veterans Bonds Series 2013B	08-22-2013	12-01-2043	148,125,000.00
Veterans Bonds Tax Ref Ser 2013C	10-24-2013	06-01-2031	294,020,000.00
<sup>(1)</sup> Includes accreted interest on discount bonds.			
(Continued on Table 12)			

Table 12

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

<u>Issue</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Bonds Outstanding 08-31-2014</u>
<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	150,000,000.00
Veterans Bonds Tax Ref Ser 2014B-1	04-01-2014	12-01-2024	87,935,000.00
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	72,695,000.00
Veterans Bonds Tax Ref Ser 2014C-2	07-01-2014	12-01-2033	194,935,000.00
<b>Total, Veterans' Housing Bonds</b>			<b><u>2,171,740,000.00</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	734,907.05
Vet Land Bds Ser '96 <sup>(1)</sup>	03-06-1996	12-01-2026	1,220,599.80
Vet Land Ref Bds Ser '99A	04-28-1999	12-01-2018	16,030,000.00
Vet Land Tax Bds Ser 2000A	07-26-2000	12-01-2030	0.00
Vet Land Tax Ref Bds Ser 2000	11-15-2000	12-01-2020	0.00
Vet Land Bds Ser 2002	02-21-2002	12-01-2032	15,485,000.00
Vet Land Tax Bds Ser 2002A	02-21-2002	12-01-2032	0.00
Vet Land Tax Ref Bds Ser 2002	11-06-2002	12-01-2021	0.00
Vet Land Tax Ref Bds Ser 2003	11-20-2003	12-01-2023	0.00
Vet Land Tax Ref Bds Ser 2004	11-18-2004	12-01-2024	0.00
Vet Land Tax Ref Bds Ser 2005	11-16-2005	12-01-2026	0.00
Vet Land Tax Ref Bds Ser 2006A	05-10-2006	12-01-2027	0.00
Vet Land Tax Ref Bds Ser 2006B	05-10-2006	12-01-2026	0.00
Vet Land Tax Ref Bds Ser 2006C	11-15-2006	12-01-2027	0.00
Vet Land Tax Ref Bds Ser 2010D	11-18-2010	12-01-2030	0.00
Vet Land Tax Ref Bds Ser 2014B-3	04-01-2014	12-01-2024	48,720,000.00
Vet Land Tax Ref Bds Ser 2014C-3	07-01-2014	12-01-2033	70,965,000.00
Vet Land Tax Ref Bds Ser 2014C-4	07-01-2014	12-01-2033	113,910,000.00
<b>Total, Veterans' Land Bonds</b>			<b><u>267,065,506.85</u></b>
<b>Total, General Obligation Bonds - Self-Supporting</b>			<b><u>2,438,805,506.85</u></b>
<b>Total, All Bonds (Tables 11 and 12)</b>			<b><u>2,438,805,506.85</u></b>

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

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Table 13

<b>BOND TRANSACTIONS</b>						
<b>Bond Issue</b>	<b>Bonds Payable 09-01-2013</b>	<b>Bonds Issued</b>	<b>Annual Interest Accretion on Discount Bonds</b>	<b>Bonds Matured</b>	<b>Bonds Extinguished by Defeasance or Redeemed Prior to Maturity</b>	<b>Bonds Payable 08-31-2014</b>
	\$	\$	\$	\$	\$	\$
<b>General Obligation Bonds - Self-Supporting</b>						
<i>Veterans' Housing Bonds</i>						
Vet Hsg Bds Ser '94A-1	5,800,000.00			400,000.00		5,400,000.00
Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00				55,000,000.00	0.00
Vet Hsg Ref Bds Ser '94C	723,299.44		36,700.56	760,000.00		0.00
Vet Hsg Ref Bds Ser '95	31,315,000.00			6,810,000.00		24,505,000.00
Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00				25,000,000.00	0.00
Vet Hsg Fund II Tax Bds Ser '99A-1	295,000.00				295,000.00	0.00
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00				150,000,000.00	0.00
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					25,000,000.00
Vet Hsg Fund II Bds Ser 2002A-2	31,715,000.00			405,000.00		31,310,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B	19,110,000.00			1,415,000.00	17,695,000.00	0.00
Vet Hsg Fund II Bds Ser 2003A	30,360,000.00			1,910,000.00		28,450,000.00
Vet Hsg Fund II Bds Ser 2003B	31,640,000.00			1,915,000.00		29,725,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003	45,590,000.00			2,355,000.00	43,235,000.00	0.00
Vet Hsg Fund II Bds Ser 2004A	31,220,000.00			1,940,000.00		29,280,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000.00				16,535,000.00	0.00
Vet Hsg Fund II Bds Ser 2004B	34,445,000.00			1,985,000.00		32,460,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C	7,220,000.00				7,220,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2004D	25,085,000.00				25,085,000.00	0.00
Vet Hsg Fund II Bds Ser 2005A	34,020,000.00			1,985,000.00		32,035,000.00
Vet Hsg Fund II Bds Ser 2005B	33,775,000.00			2,050,000.00		31,725,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	24,870,000.00			1,160,000.00	23,710,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2005D	11,540,000.00				11,540,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000.00				38,570,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C	18,330,000.00			750,000.00	17,580,000.00	0.00
Vet Hsg Fund II Bds Ser 2006A	35,745,000.00			1,870,000.00		33,875,000.00
Vet Hsg Fund II Bds Ser 2006D	37,680,000.00			1,970,000.00		35,710,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00				39,560,000.00	0.00
Vet Hsg Fund II Bds Ser 2007A	37,725,000.00			1,980,000.00		35,745,000.00
Vet Hsg Fund II Bds Ser 2007B	39,915,000.00			2,045,000.00		37,870,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	31,025,000.00				31,025,000.00	0.00
Vet Hsg Fund II Bds Ser 2008A	39,825,000.00			2,125,000.00		37,700,000.00
Vet Hsg Fund II Bds Ser 2008B	41,075,000.00			2,160,000.00		38,915,000.00
Vet Hsg Fund II Bds Ser 2009A	43,350,000.00			2,070,000.00		41,280,000.00
Vet Hsg Fund II Bds Ser 2009B	45,395,000.00			2,150,000.00		43,245,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C	77,015,000.00				77,015,000.00	0.00
Vet Hsg Fund II Bds Ser 2010A	69,890,000.00			3,345,000.00		66,545,000.00
Veterans Bonds, Tax Ref Ser 2010B	62,485,000.00			1,605,000.00	60,880,000.00	0.00
Veterans Bonds Series 2010C	70,300,000.00			3,205,000.00		67,095,000.00
Veterans Bonds, Tax Ref Ser 2010E	44,700,000.00			3,335,000.00	41,365,000.00	0.00
Veterans Bonds Series 2011A	70,585,000.00			3,295,000.00		67,290,000.00
Veterans Bonds Series 2011B	71,870,000.00			3,115,000.00		68,755,000.00
Veterans Bonds Series 2011C	72,865,000.00			2,825,000.00		70,040,000.00
Veterans Bonds Series 2012A	73,420,000.00			2,795,000.00		70,625,000.00
Veterans Bonds Series 2012B	99,280,000.00			3,565,000.00		95,715,000.00
Veterans Bonds Series 2013A	99,995,000.00			1,345,000.00		98,650,000.00
Veterans Bonds Series 2013B	149,995,000.00			1,870,000.00		148,125,000.00
Veterans Bonds Tax Ref Ser 2013C		297,600,000.00		3,580,000.00		294,020,000.00
Veterans Bonds Series 2014A		150,000,000.00				150,000,000.00
Veterans Bonds Tax Ref Ser 2014B-1		90,700,000.00		2,765,000.00		87,935,000.00
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				72,695,000.00
Veterans Bonds Tax Ref Ser 2014C-2		194,935,000.00				194,935,000.00
<b>Total, Veterans' Housing Bonds</b>	<b>2,100,853,299.44</b>	<b>831,015,000.00</b>	<b>36,700.56</b>	<b>78,855,000.00</b>	<b>681,310,000.00</b>	<b>2,171,740,000.00</b>

(Continued on Table 14)

Table 14

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

Bond Issue	Bonds Payable 09-01-2013	Bonds Issued	Annual Interest Accretion on Discount Bonds	Bonds Matured	Bonds Extinguished by Defeasance or Redeemed Prior to Maturity	Bonds Payable 08-31-2014
	\$	\$	\$	\$	\$	\$
<b>General Obligation Bonds - Self-Supporting</b>						
<i>Veterans' Land Bonds</i>						
Vet Land Bds Ser '94	1,423,670.01		58,237.04	747,000.00		734,907.05
Vet Land Bds Ser '96	1,766,169.04		92,430.76	638,000.00		1,220,599.80
Vet Land Ref Bds Ser '99A	18,580,000.00			2,550,000.00		16,030,000.00
Vet Land Tax Bds Ser 2000A	15,950,000.00			495,000.00	15,455,000.00	0.00
Vet Land Tax Ref Bds Ser 2000	33,810,000.00			3,245,000.00	30,565,000.00	0.00
Vet Land Bds Ser 2002	15,995,000.00			510,000.00		15,485,000.00
Vet Land Tax Bds Ser 2002A	16,660,000.00			455,000.00	16,205,000.00	0.00
Vet Land Tax Ref Bds Ser 2002	26,060,000.00			1,735,000.00	24,325,000.00	0.00
Vet Land Tax Ref Bds Ser 2003	19,885,000.00			1,365,000.00	18,520,000.00	0.00
Vet Land Tax Ref Bds Ser 2004	20,465,000.00			670,000.00	19,795,000.00	0.00
Vet Land Tax Ref Bds Ser 2005	18,900,000.00			365,000.00	18,535,000.00	0.00
Vet Land Tax Ref Bds Ser 2006A	25,345,000.00			1,065,000.00	24,280,000.00	0.00
Vet Land Tax Ref Bds Ser 2006B	20,150,000.00			615,000.00	19,535,000.00	0.00
Vet Land Tax Ref Bds Ser 2006C	33,065,000.00			1,330,000.00	31,735,000.00	0.00
Vet Land Tax Ref Bds Ser 2010D	15,535,000.00			510,000.00	15,025,000.00	0.00
Vet Land Tax Ref Bds Ser 2014B-3		49,100,000.00		380,000.00		48,720,000.00
Vet Land Tax Ref Bds Ser 2014C-3		70,965,000.00				70,965,000.00
Vet Land Tax Ref Bds Ser 2014C-4		113,910,000.00				113,910,000.00
<b>Total, Veterans' Land Bonds</b>	<b>283,589,839.05</b>	<b>233,975,000.00</b>	<b>150,667.80</b>	<b>16,675,000.00</b>	<b>233,975,000.00</b>	<b>267,065,506.85</b>
<b>Total, General Obligation Bonds - Self-Supporting</b>	<b>2,384,443,138.49</b>	<b>1,064,990,000.00</b>	<b>187,368.36</b>	<b>95,530,000.00</b>	<b>915,285,000.00</b>	<b>2,438,805,506.85</b>
<b>Total, All Bonds (Tables 13 and 14)</b>	<b>2,384,443,138.49</b>	<b>1,064,990,000.00</b>	<b>187,368.36</b>	<b>95,530,000.00</b>	<b>915,285,000.00</b>	<b>2,438,805,506.85</b>



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Table 15

**DEBT SERVICE REQUIREMENTS BY BOND ISSUE**

<b>Bond Issue</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
	\$	\$	\$
<b>General Obligation Bonds - Self Supporting</b>			
<i>Veterans' Housing Bonds</i>			
Vet Hsg Bds Ser '94A-1	5,400,000.00	14,900.00	5,414,900.00
Vet Hsg Ref Bds Ser '95	24,505,000.00	22,987.50	24,527,987.50
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00	137,887.50	20,137,887.50
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00	218,896.50	25,218,896.50
Vet Hsg Fund II Bds Ser 2002A-2	31,310,000.00	280,402.50	31,590,402.50
Vet Hsg Fund II Bds Ser 2003A	28,450,000.00	210,160.00	28,660,160.00
Vet Hsg Fund II Bds Ser 2003B	29,725,000.00	166,785.00	29,891,785.00
Vet Hsg Fund II Bds Ser 2004A	29,280,000.00	137,825.00	29,417,825.00
Vet Hsg Fund II Bds Ser 2004B	32,460,000.00	222,115.25	32,682,115.25
Vet Hsg Fund II Bds Ser 2005A	32,035,000.00	157,721.25	32,192,721.25
Vet Hsg Fund II Bds Ser 2005B	31,725,000.00	157,133.75	31,882,133.75
Vet Hsg Fund II Bds Ser 2006A	33,875,000.00	225,085.50	34,100,085.50
Vet Hsg Fund II Bds Ser 2006D	35,710,000.00	197,997.50	35,907,997.50
Vet Hsg Fund II Bds Ser 2007A	35,745,000.00	205,960.00	35,950,960.00
Vet Hsg Fund II Bds Ser 2007B	37,870,000.00	298,352.25	38,168,352.25
Vet Hsg Fund II Bds Ser 2008A	37,700,000.00	222,663.75	37,922,663.75
Vet Hsg Fund II Bds Ser 2008B	38,915,000.00	188,294.00	39,103,294.00
Vet Hsg Fund II Bds Ser 2009A	41,280,000.00	16,881,575.00	58,161,575.00
Vet Hsg Fund II Bds Ser 2009B	43,245,000.00	19,042,925.00	62,287,925.00
Vet Hsg Fund II Bds Ser 2010A	66,545,000.00	27,981,425.00	94,526,425.00
Veterans Bonds Series 2010C	67,095,000.00	421,732.50	67,516,732.50
Veterans Bonds Series 2011A	67,290,000.00	418,953.75	67,708,953.75
Veterans Bonds Series 2011B	68,755,000.00	433,267.50	69,188,267.50
Veterans Bonds Series 2011C	70,040,000.00	443,762.50	70,483,762.50
Veterans Bonds Series 2012A	70,625,000.00	435,890.00	71,060,890.00
Veterans Bonds Series 2012B	95,715,000.00	571,787.50	96,286,787.50
Veterans Bonds Series 2013A	98,650,000.00	656,337.50	99,306,337.50
Veterans Bonds Series 2013B	148,125,000.00	943,552.50	149,068,552.50
Veterans Bonds Series 2013C	294,020,000.00	18,095,989.48	312,115,989.48
Veterans Bonds Series 2014A	150,000,000.00	1,006,536.25	151,006,536.25
Veterans Bonds Series 2014B-1	87,935,000.00	2,448,775.11	90,383,775.11
Veterans Bonds Series 2014B-2	25,085,000.00	583,257.22	25,668,257.22
Veterans Bonds Series 2014C-1	72,695,000.00	8,644,102.33	81,339,102.33
Veterans Bonds Series 2014C-2	194,935,000.00	11,802,707.76	206,737,707.76
<b>Total, Veterans' Housing Bonds</b>	<b>2,171,740,000.00</b>	<b>113,877,744.15</b>	<b>2,285,617,744.15</b>

(Continued on Table 16)

Table 16

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

<b>Bond Issue</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
	\$	\$	\$
<b>General Obligation Bonds - Self Supporting</b>			
<i>Veterans' Land Bonds</i>			
Vet Land Bds Ser '94	747,000.00		747,000.00
Vet Land Bds Ser '96	1,309,000.00		1,309,000.00
Vet Land Ref Bds Ser '99A	16,030,000.00	21,230.00	16,051,230.00
Vet Land Bds Ser 2002	15,485,000.00	117,269.25	15,602,269.25
Vet Land Tax Ref Bds Ser 2014B-3	48,720,000.00	1,486,635.35	50,206,635.35
Vet Land Tax Ref Bds Ser 2014C-3	70,965,000.00	4,422,436.54	75,387,436.54
Vet Land Tax Ref Bds Ser 2014C-4	113,910,000.00	4,638,581.52	118,548,581.52
 <i>Total, Veterans' Land Bonds</i>	 <b>267,166,000.00</b>	 <b>10,686,152.66</b>	 <b>277,852,152.66</b>
 <b>Total, General Obligation Bonds - Self-Supporting</b>	 <b>2,438,906,000.00</b>	 <b>124,563,896.81</b>	 <b>2,563,469,896.81</b>
 <b>Total, All Bonds (Tables 15 and 16)</b>	 <b>2,438,906,000.00</b>	 <b>124,563,896.81</b>	 <b>2,563,469,896.81</b>

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Table 17

<b>DEBT SERVICE REQUIREMENTS BY FISCAL YEAR</b>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest<sup>(1)</sup></b>	<b>Totals</b>
	\$	\$	\$
2015	115,129,000.00	14,632,255.41	129,761,255.41
2016	124,962,000.00	13,026,515.05	137,988,515.05
2017	135,245,000.00	12,444,625.85	147,689,625.85
2018	129,245,000.00	11,823,048.89	141,068,048.89
2019	136,340,000.00	11,178,218.34	147,518,218.34
2020-2024	659,265,000.00	45,160,995.67	704,425,995.67
2025-2029	568,280,000.00	12,554,297.20	580,834,297.20
2030-2034	348,280,000.00	3,301,955.15	351,581,955.15
2035-2039	149,605,000.00	367,786.50	149,972,786.50
2040-2044	72,555,000.00	74,198.75	72,629,198.75
2045	0.00	0.00	0.00
<b>Total Debt Service</b>	<b>2,438,906,000.00</b>	<b>124,563,896.81</b>	<b>2,563,469,896.81</b>

(1) Includes estimated interest expense on variable-rate debt.

Table 18

<b>BOND COVENANT RESERVE REQUIREMENTS</b>		
<b>Reserve Type</b>	<b>Reserve Requirement</b>	<b>Investments at Fair Value</b>
	\$	\$
<b>General Obligation Bonds - Self-Supporting</b>		
Veterans' Housing Fund I Bond Reserve	16,920,013.20 <sup>(1)</sup>	18,828,661.09 <sup>(2)</sup>
Veterans' Housing Assistance Fund I Mortgage Reserve	7,500,000.00 <sup>(3)</sup>	16,260,982.42 <sup>(4)</sup>
<b>Total, General Obligation Bonds - Self-Supporting</b>	<b>24,420,013.20</b>	<b>35,089,643.51</b>
<b>Total, All Bonds</b>	<b>24,420,013.20</b>	<b>35,089,643.51</b>

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

(2) 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, 2014.

(3) 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.

(4) 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, 2014.

## 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 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, 2014, were as shown in **Table 20** on page 68. 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 the 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 66 and 67, and in **Table 20** on page 68, the credit ratings of the board's counterparties range from AAA to A- by Standard & Poor's and Aa1 to Baa2 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 10 different counterparties, with no more than approximately 39 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 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 for a reason other than the exercise of a 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.

*Rollover risk.* The swap associated with the Vet Land Tax Ref Bds Ser 2000 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 68.

*Swap payments and associated debt.* Using rates as of August 31, 2014, 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 68, **Tables 23** and **24** on page 69. As rates and index relationships 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. Therefore, the fair value of those swaps at the end of the fiscal year and the associated change in fair value of those swaps during the fiscal year are accounted for as business-type activity in the appropriate *Proprietary Funds Combined Statement of Net Position as Deferred Inflow of Resources* and *Deferred Outflow of Resources*. At August 31, 2014, the fair value of swaps determined to be effective cash flow hedging derivative instruments was (\$251,942,048.31), and the change in fair value of those swaps during the fiscal year was (\$38,527,185.32) as shown in **Table 25** on page 70.

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 *Proprietary Funds Combined Statement of Net Position as Investment Derivative Instruments*, and the associated change in fair value of those swaps during the fiscal year is accounted for in the appropriate *Proprietary Funds Combined Statement of Revenues, Expenses, and Changes in Net Position as a Net Increase (Decrease) in Fair Value of Investments*. At August 31, 2014, the fair value of swaps determined to be investment derivative investments was \$136,779.47, and the change in fair value of those swaps during the fiscal year was \$33,071.84 as shown in **Table 25** on page 70.

Table 19

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received
	\$			
Vet Hsg Ref Bds Ser '95	\$24,505,000	11/29/1995	5.5200%	Actual Bond Rate
Vet Land Ref Bds Ser '99A	\$16,030,000	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	\$25,000,000	12/18/2001	4.3650%	68% of 1M LIBOR
Vet Land Bds Ser 2002	\$15,485,000	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	\$28,450,000	03/04/2003	3.3040%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2003B	\$29,725,000	10/22/2003	3.4030%	64.5% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2004B	\$32,460,000	09/15/2004	3.6800%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2005A	\$32,035,000	02/24/2005	3.2790%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006A	\$33,875,000	06/01/2006	3.5170%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006D	\$35,710,000	09/20/2006	3.6890%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007A	\$35,745,000	02/22/2007	3.6450%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007B	\$37,870,000	06/26/2007	3.7120%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008A	\$37,700,000	03/26/2008	3.1890%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008B	\$38,915,000	09/11/2008	3.2250%	68% of 1M LIBOR
Vet Bds Ser 2010C	\$67,095,000	08/20/2010	2.3095%	68% of 1M LIBOR
Vet Bds Ser 2011A	\$67,290,000	03/09/2011	2.6750%	68% of 1M LIBOR
Vet Bds Ser 2011B	\$68,755,000	08/25/2011	2.3670%	68% of 1M LIBOR
Vet Bds Ser 2011C	\$70,040,000	12/15/2011	1.9170%	68% of 3M LIBOR
Vet Bds Ser 2012A	\$70,625,000	05/23/2012	1.6920%	68% of 3M LIBOR
Vet Bds Ser 2012B	\$95,715,000	11/01/2012	1.4470%	68% of 3M LIBOR
Vet Bds Ser 2013A	\$98,650,000	03/20/2013	1.7000%	68% of 3M LIBOR
Vet Bds Ser 2013B	\$148,125,000	08/22/2013	2.1450%	68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	\$39,560,000	12/01/2006	5.4610%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	\$29,865,000	12/01/2007	4.6580%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	\$13,005,000	12/01/2009	6.2200%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	\$61,590,000	12/01/2009	5.4525%	100% of 6M LIBOR
Vet Bds Ser 2014A	\$150,000,000	03/03/2014	2.1790%	68% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	\$40,800,000	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	\$32,305,000	12/01/2004	5.3480%	100% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	\$12,890,000	12/01/2005	4.9290%	100% of 1M LIBOR
Vet Hsg Fund I/II Tax Ref Bds Ser 2014B-1 & C	\$22,030,000	12/01/2005	5.1450%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014B-3	\$30,565,000	12/01/2000	6.1060%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014B-3	\$18,155,000	12/01/2005	6.5170%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	\$17,695,000	12/01/2002	4.9100%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	\$20,870,000	08/01/2012	3.7600%	68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	\$38,570,000	06/01/2006	5.8300%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	\$17,580,000	06/01/2006	5.7900%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	\$60,880,000	06/01/2010	5.4010%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	\$41,365,000	12/01/2010	2.7900%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-3	\$24,280,000	06/01/2006	6.5400%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-3	\$15,025,000	12/01/2010	5.2090%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	\$24,325,000	12/01/2002	4.9350%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	\$18,520,000	12/01/2003	5.1230%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	\$19,795,000	12/01/2004	5.4550%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	\$19,535,000	06/01/2006	4.6100%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	\$31,735,000	12/01/2006	6.5130%	100% of 1M LIBOR
<b>Total</b>	<b>1,970,925,000</b>			

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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	(1,979,484.00)	12/01/2016	A- / Baa1
N/A	N/A	N/A	N/A	(1,796,431.00)	12/01/2018	A- / Baa1
N/A	N/A	N/A	N/A	(5,252,424.33)	12/01/2029	A- / Baa2
N/A	N/A	N/A	N/A	(7,969,741.41)	12/01/2033	AAA / Aa2
N/A	N/A	N/A	N/A	(3,646,923.41)	12/01/2032	A- / Baa2
N/A	N/A	N/A	N/A	(6,162,392.45)	06/01/2033	A+ / Aa3
N/A	N/A	N/A	N/A	(4,008,038.39)	06/01/2034	A+ / Aa3
N/A	N/A	N/A	N/A	(4,341,672.22)	06/01/2034	AAA / Aa2
N/A	N/A	N/A	N/A	(5,768,101.10)	12/01/2034	A+ / Aa3
N/A	N/A	N/A	N/A	(4,606,221.04)	06/01/2035	AAA / Aa2
N/A	N/A	N/A	N/A	(5,825,795.00)	12/01/2036	A+/Aa3
N/A	N/A	N/A	N/A	(6,693,650.43)	12/01/2036	A / A2
N/A	N/A	N/A	N/A	(6,861,016.18)	06/01/2037	AAA / Aa2
N/A	N/A	N/A	N/A	(7,399,745.75)	06/01/2038	A+ / Aa3
N/A	N/A	N/A	N/A	(5,507,738.00)	12/01/2038	A+/Aa3
N/A	N/A	N/A	N/A	(5,997,595.31)	12/01/2038	AAA / Aa2
N/A	N/A	N/A	N/A	(3,304,222.60)	12/01/2040	A- / Baa2
N/A	N/A	N/A	N/A	(5,871,627.00)	06/01/2041	A/A3
N/A	N/A	N/A	N/A	(3,777,099.69)	12/01/2041	A/A3
N/A	N/A	N/A	N/A	(594,224.96)	06/01/2042	AAA / Aa2
N/A	N/A	N/A	N/A	943,571.01	12/01/2042	AAA / Aa2
N/A	N/A	N/A	N/A	3,407,127.65	12/01/2042	AAA / Aa2
N/A	N/A	N/A	N/A	1,583,120.97	06/01/2043	AAA / Aa2
N/A	N/A	N/A	N/A	(6,021,659.68)	12/01/2043	AAA / Aa2
1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Mandatory	Periodic	2,652,000	(9,887,845.97)	12/01/2026	A+ / Aa3
1M LIBOR >= 7.00%; SIFMA/5Y ISDA CMS > 71%	Mandatory	Periodic	934,700	(8,114,798.49)	06/01/2029	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	612,000	(2,458,090.13)	12/01/2021	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	2,740,000	(17,012,542.25)	06/01/2031	A+ / Aa3
N/A	N/A	N/A	N/A	(6,648,426.50)	06/01/2044	AA-/Aa3
6M LIBOR > 7.00%	Mandatory	Periodic	4,470,000	(5,499,025.35)	06/01/2021	AAA / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	1,442,000	(3,489,987.05)	12/01/2024	A+ / Aa3
1M LIBOR >= 7.00%	Mandatory	Periodic	2,594,000	(4,661,394.40)	06/01/2020	A+ / Aa3
1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Mandatory	Periodic	484,000	(2,196,619.47)	12/01/2023	A+ / Aa3
1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Mandatory	Periodic	267,000			
1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Mandatory	Periodic	1,367,000	(4,676,952.30)	06/01/2026	A+ / Aa3
1M LIBOR >= 7.00%	Optional	Permanent	566,500			
6M LIBOR >= 7.00%	Mandatory	Periodic	2,700,000	(5,100,970.02)	12/01/2020	AAA / Aa2
6M LIBOR > 7.00%	Mandatory	Periodic	1,542,000	(5,271,129.23)	12/01/2026	A+ / Aa3
1M LIBOR >= 7.00%	Mandatory	Periodic	2,165,000	(2,698,848.71)	06/01/2023	AAA / Aa2
1M LIBOR >= 7.00%	Mandatory	Periodic	578,750	(5,005,308.00)	12/01/2033	A+ / Aa3
1M LIBOR >= 7.00%	Mandatory	Periodic	1,992,000	(10,269,093.30)	12/01/2026	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	1,493,000	(4,528,497.93)	12/01/2027	A+ / Aa3
1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Mandatory	Periodic	2,355,000	(19,063,846.14)	12/01/2031	A+ / Aa3
N/A	N/A	N/A	1,427,000			
6M LIBOR >= 7.00%	Mandatory	Periodic	N/A	(1,517,574.24)	06/01/2032	AAA / Aa2
1M LIBOR >= 7.00%; 6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Mandatory	Periodic	1,931,000	(7,649,298.78)	12/01/2027	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	465,850	(4,092,859.91)	12/01/2030	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	208,400			
6M LIBOR >= 7.00%	Mandatory	Periodic	2,785,000	(3,739,696.01)	12/01/2021	A- / Baa2
1M LIBOR >= 7.00%	Mandatory	Periodic	1,896,000	(3,193,540.49)	12/01/2023	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	2,075,000	(4,099,475.52)	12/01/2024	A- / Baa2
6M LIBOR >= 7.00%	Mandatory	Periodic	886,000	(3,393,623.88)	12/01/2026	AAA / Aa2
1M LIBOR >= 7.00%	Mandatory	Periodic	2,725,000	(10,220,619.92)	12/01/2027	A+ / Aa3
			<b>47,391,700</b>	<b>(251,942,048.31)</b>		

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	31,660,000.00	08/05/2002	131.25% of SIFMA	100% of 1M LIBOR	(878,821.52)	12/01/2032	A- / Baa2
Vet Hsf Fund II Ser 2009A	31,630,000.00	03/10/2009	100.00% of SIFMA	94.35% of 3M LIBOR	1,015,600.99	12/01/2023	AAA / Aa2
<b>Total</b>	<b>63,290,000.00</b>				<b>136,779.47</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 2014 DISCLOSURE TABLE**

Fiscal Year Ending 08-31-2014	Variable-Rate Bonds		Interest Rate	Totals
	Principal	Interest	Swaps, Net	
	\$	\$	\$	\$
2015	102,165,000.00	4,731,419.29	66,922,506.53	173,818,925.82
2016	115,850,000.00	4,483,455.22	63,031,334.17	183,364,789.39
2017	128,020,000.00	4,211,970.43	58,771,280.27	191,003,250.70
2018	122,635,000.00	3,887,034.43	55,206,041.41	181,728,075.84
2019	130,920,000.00	3,542,169.70	49,742,154.58	184,204,324.28
2020-2024	512,705,000.00	12,646,339.08	187,427,716.85	712,779,055.93
2025-2029	416,925,000.00	5,700,922.67	102,230,491.79	524,856,414.46
2030-2034	296,070,000.00	1,618,583.33	44,445,720.35	342,134,303.68
2035-2039	161,145,000.00	404,990.00	15,373,923.38	176,923,913.38
2040-2044	83,510,000.00	87,874.75	3,195,107.96	86,792,982.71
2045-2049	980,000.00	215.00	9,850.98	990,065.98
<b>Total</b>	<b>2,070,925,000.00</b>	<b>41,314,973.90</b>	<b>646,356,128.27</b>	<b>2,758,596,102.17</b>



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Table 23

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:  
ESTIMATED DEBT SERVICE REQUIREMENTS OF FIXED-RATE DEBT  
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2014 DISCLOSURE TABLE**

Fiscal Year Ending 8-31-14	Fixed-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
	\$	\$	\$	\$
2015		1,760,325.00	(53,898.03)	1,706,426.97
2016		1,760,325.00	(53,898.03)	1,706,426.97
2017		1,760,325.00	(53,898.03)	1,706,426.97
2018		1,760,325.00	(53,898.03)	1,706,426.97
2019		1,760,325.00	(53,898.03)	1,706,426.97
2020-2024	31,630,000.00	7,983,806.25	(242,541.12)	39,371,265.13
<b>Total</b>	<b>31,630,000.00</b>	<b>16,785,431.25</b>	<b>(512,031.27)</b>	<b>47,903,399.98</b>

Table 24

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:  
ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT  
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2014 DISCLOSURE TABLE**

Fiscal Year Ending 08-31-2014	Variable-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
	\$	\$	\$	\$
2015	1,010,000.00	204,314.49	(28,467.88)	1,185,846.61
2016	1,070,000.00	197,494.17	(27,517.58)	1,239,976.59
2017	1,135,000.00	190,263.98	(26,510.17)	1,298,753.81
2018	1,205,000.00	182,591.12	(25,441.08)	1,362,150.04
2019	1,280,000.00	174,442.81	(24,305.75)	1,430,137.06
2020-2024	7,715,000.00	730,839.92	(101,830.58)	8,344,009.34
2025-2029	10,435,000.00	435,402.02	(60,666.15)	10,809,735.87
2030-2034	7,810,000.00	86,926.30	(12,111.76)	7,884,814.54
<b>Total</b>	<b>31,660,000.00</b>	<b>2,202,274.81</b>	<b>(306,850.95)</b>	<b>33,555,423.86</b>

Table 25

<b>SUMMARY OF DERIVATIVE INSTRUMENTS</b>					
<b>Business-Type Activities</b>					
<b>Investment Derivatives</b>	<b>Changes in Fair Value</b>		<b>Fair Value at August 31, 2014</b>		<b>Notional Amount</b>
	<b>Classification</b>	<b>Amount</b>	<b>Classification</b>	<b>Amount</b>	
		\$		\$	\$
Basis Swaps	Investment Revenue	33,071.84	Investment	136,779.47	63,290,000.00
<b>Total, Investment Derivatives</b>		<b>33,071.84</b>		<b>136,779.47</b>	<b>63,290,000.00</b>
<b>Cash Flow Hedges</b>					
Pay-Fixed, Receive-Variable Interest Rate Swaps	Deferred Outflow	(26,962,380.25)	Debt	(257,875,867.94)	1,805,935,000.00
Interest Rate Swaps	Deferred Inflow	(11,564,805.07)	Debt	5,933,819.63	264,990,000.00
<b>Total, Cash Flow Hedges</b>		<b>(38,527,185.32)</b>		<b>(251,942,048.31)</b>	<b>2,070,925,000.00</b>
<b>Total, Business-Type Activities</b>		<b>(38,494,113.48)</b>		<b>(251,805,268.84)</b>	<b>2,134,215,000.00</b>

## NOTE 8: LEASES

GLO is not party to any long-term lease agreements for financing the purchase of capital assets as of August 31, 2014.

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 the right.

Future minimum rental payments under noncancelable operating leases having an initial term in excess of one year are as follows in **Table 27** on page 71.

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. Lease categories managed by GLO are summarized as follows:

*Commercial Leases and Easements (LC)* are issued for projects that produce revenue from the private use of

Table 26

### CURRENT PAYMENTS Governmental Activities

<b>Fund Type</b>	<b>Amount</b>
	\$
General Revenue Fund	1,033,686.75
Special Revenue Fund	912.71
Permanent Funds	223,665.46
<b>Total, Memorandum Only</b>	<b>1,258,264.92</b>

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. Contracts for LCs grant the applicant exclusive use of the site for the purposes specified in the contract.

*Coastal Easements (CE)* are issued by the Texas General Land Office 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

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piers, decks, docks, rip-rap, pilings, bulkheads, and boat lifts. CE's 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.

*Coastal Leases (CL)* are issued by the Texas General Land Office 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)* are issued by the Texas General Land Office 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.

*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)* 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, codified as TNRC, Chapter 33, Subchapter H, and the regulations set forth in Texas Administrative Code, Title 31, Chap. 15, Subchapter B. SD 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. SD may also be used for projects that do not fall into one of the other established categories.

*Cabin Leases (PC)* are issued by GLO pursuant to 31 Texas Administrative Code §155.4 and Chapter 33 t seq. of the TNRC. PC's 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

The historical cost of all internally managed properties available for leasing activity is \$354,280,521.77. The fair value of the properties is \$663,566,993.02. Because the permanent school fund is a permanent fund, real estate is held as an investment and is not depreciated.

Table 27

<b>FUTURE PAYMENTS Governmental Activities</b>	
<b><u>Year Ended August 31, 2014</u></b>	<b><u>Amount</u></b>
	\$
2015	550,398.77
2016	395,923.43
2017	258,523.74
2018	11,661.78
2019-2020	<u>1,731.36</u>
<b>Total Minimum Future</b>	
<b>Lease Rental Payments</b>	<b><u><u>1,218,239.08</u></u></b>

Contingent rental revenues from 20 leases in the amount of \$757,843.99 are reported as of August 31, 2014.

*Table 28* below 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.

## **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 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 Exhibits 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**

Tex. Const. Art. XIV, §1 established the Texas General Land Office, and Tex. Const. Art. IV, §1 created the office of commissioner of the Texas General Land Office therefore, the agency is not subject to abolishment.

Table 28

<b>FUTURE LEASE RECEIPTS FOR NON-CANCELABLE SURFACE LEASES</b>						
<b>Lease Categories</b>	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Years 2020 &amp; Beyond</b>
Coastal Easements	\$ 229,004.73	\$ 223,787.53	\$ 223,804.54	\$ 219,360.10	\$ 216,594.85	\$ 452,839.23
Coastal Leases	1,244.65	1,244.65	1,244.65	1,244.65	1,244.65	78,412.95
Commercial Leases and Easements	1,429,797.96	1,387,916.33	1,307,810.03	1,275,626.30	1,121,004.81	11,490,938.55
Miscellaneous Easements	303,373.06	538,999.09	173,623.89	119,860.75	120,682.33	722,445.43
Cabin Permit Fees	185,262.21	140,547.10	84,073.90	39,199.20	822.90	0.00
Surface Leases	3,099,941.93	2,655,894.49	2,264,415.31	2,126,676.25	2,075,010.32	26,258,280.39
<b>Total Lease Payments</b>	<b><u>5,248,624.54</u></b>	<b><u>4,948,389.19</u></b>	<b><u>4,054,972.32</u></b>	<b><u>3,781,967.25</u></b>	<b><u>3,535,359.86</u></b>	<b><u>39,002,916.55</u></b>

The 82<sup>nd</sup> Legislature, Regular Session passed Senate Bill 652 with effective date June 17, 2011, in which Section 4.04 amends Section 32.003 of the Texas Natural Resources 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 Veterans' 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 FUND** **BALANCES AND NET POSITION**

A one-time fund balance adjustment to fiscal 2014 beginning fund balance of restricted loans and contracts receivable necessitated a restatement of fund balance and net position in the amount of \$(85,533,088.63). The fiscal 2013 ending historical cost of capital assets was adjusted to include assets not previously included in the State Property Accounting System, necessitating a restatement to net position in the amount of \$424,750.00. These restatements are shown in *Table 29* below.

Table 29

<b>Governmental Funds</b>	
	<b>Governmental Funds</b>
	<b>\$</b>
Net Position, August 31, 2013	3,592,525,853.15
Restatements to Net Position	(85,108,338.63)
<b>Net Position, August 31, 2013 as restated</b>	<b>3,507,417,514.52</b>

## **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 Lnd 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, 2008A, 2008B, 2009A, 2009B, 2010A, 2010C, 2011A, 2011B, 2011C, 2012A, 2012B, 2013A, 2013B, 2014A, and Vet Lnd 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 bond issue subject to the provisions and after each subsequent five-year period thereafter. As of August 31, 2014, there is no rebate liability.

#### **CLAIMS**

As of August 31, 2014, 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*  
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 complete 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 TPWD. The 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. The possible final amount is 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 *Severance*. 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. 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 wells 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 OAG is now handling the case. The likelihood of recovery is reasonably possible. The possible final amount is indeterminable at this time.

*Galveston Bay Energy LLC v. Tekoil & Gas Gulf Coast, LLC and Jerry Patterson* Through Tekoil's bankruptcy proceedings, Plaintiff acquired Tekoil's interest in specific oil, gas and/or mineral leases as well as Tekoil's interest in related easements in a Purchase and Sale Agreement (PSA) effectuated June 30, 2009. In 2010, Tekoil (Assignor) and Plaintiff (Assignee) executed an Assignment and Assumption Agreement of Multiple Miscellaneous Easements and Surface Leases to implement the PSA, which the GLO signed as Grantor. Plaintiff now seeks to have the Assignment and Assumption reformed, as it includes 18 miscellaneous easements related to leases that had terminated prior to the PSA effective date. Petition has been filed. The probability of liability is possible. The possible final amount of loss is undeterminable at this time.

*GLO v. UT Board of Regents, et al.* The agency 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. The agency 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, the 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 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 reasonable. 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. The probability of liability is possible. The possible final amount of loss is indeterminable at this time.

*Poretto v. Commissioner Dewhurst and Texas General Land Office, et al.* Plaintiffs assert ownership of certain acreage subject to GLO leases to the City of Galveston. District Court dismissed the case on a plea to the jurisdiction; the Court of Appeals reversed and remanded. At trial in January 2009, the jury found a taking by the State and awarded Plaintiffs \$5.012 million, including pre- and post-judgment interest. First Court of Appeals reversed and rendered judgment in the State's favor in August 2011, awarding the State appellate costs. Plaintiffs' motion for rehearing was denied. Plaintiffs subsequently filed bankruptcy and a petition for review before the Texas Supreme Court. On July 3, 2014, the Supreme Court affirmed the Court of Appeals decision that no taking had occurred on the part of the State, but reversed the judgment dismissing Plaintiffs' title claims and denying discovery sanctions against the State, remanding these issues to the trial court for judgment in accordance with its opinion. On July 18, 2014, Plaintiffs filed a motion for rehearing; the State filed its motion for rehearing on August 18, 2014. The probability of liability is remote, with the exception of the aforementioned discovery sanctions.

*State of Texas v. Larry Mark Polsky* The Agency sought an injunction against Defendant to cease ongoing construction activities in Cameron County, Texas, in violation of Section 63.091 of the Tex. Nat. Res. 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 the Agency's lead counsel, assessing a \$2,500 fine. After a jury trial, final judgment was entered in favor of the 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 3<sup>rd</sup> Court granted Plaintiff's opposed motion to supplement the reporter's record with the complete jury trial transcript by September 15, 2014. State's supplemental brief is due October 17, 2014. 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 7<sup>th</sup> Court of Appeals to address the remaining contested requirements of class certification. Appellate oral arguments were held on November 4, 2013. The probability of liability is reasonably possible. The possible final outcome of loss is indeterminable at this time.

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

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

*Texaco v. State, et al.* Plaintiff sued for determination of ownership of certain mineral interests located beneath a portion of Manahuila Creek in Goliad County, and also seeks an unspecified amount of attorney's fees. Settlement discussions are ongoing. The possible final amount of loss is indeterminable at this time.

*Texas General Land Office v. CDM Smith Inc. and the City of Galveston* The Agency 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. The 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 if 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 3<sup>rd</sup> Court of Appeals to mandamus Judge

Jenkins to rule on the pending jurisdictional pleas. The probability of liability is reasonably possible. The possible final amount of 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 the loss is undeterminable 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. The agency has claimed sovereign immunity and has cross-claimed against Sandridge, alleging that Sandridge entered into an agreement with Oxy USA, Inc., which deprives the GLO of royalties from disposition of carbon dioxide, which Sandridge is required to pay to the 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 the GLO and Plaintiffs on the Relinquishment Act Leases was granted. 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. The likelihood of recovery is reasonable at this time. The possible 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



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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* (GASB 53). As of August 31, 2013, 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 required to support the determination of the normal purchases and normal sales exception with regard to all SEMP contracts identified as derivatives under GASB 53 is maintained by the GLO in the applicable SEMP contract files.

### CONTRACTUAL COMMITMENTS

At August 31, 2014, the School Land Board had approximately \$1.37 billion in unfunded commitments outstanding to external investment managers.

### NOTE 16: SUBSEQUENT EVENTS

On July 24, 2014, the VLB entered into a forward-starting pay-fixed, receive-variable interest rate swap with a notional amount of \$100,000,000.00 in anticipation of the issuance of the State of Texas Veterans Bonds, Series 2014D. The effective date of the swap is September 10, 2014; the termination date is June 1, 2045; and under the terms of the swap, the VLB pays a fixed rate of 1.9395% and receives a variable rate equal to 68% of 1-month LIBOR. At August 31, 2014, the fair value of the swap was (\$1,691,864.46).

On September 2, 2014, the VLB delivered replacement liquidity facilities issued by The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch, for each of the State of Texas Adjustable Convertible Extendable Securities, Veterans' Housing Assistance Bonds, Series 1994A-1, the State of Texas Veterans' Housing Assistance Program, Fund I Series 1995 Refunding Bonds, and the State of Texas Veterans' Land Refunding Bonds,

Series 1999A. On September 3, 2014, the board delivered a replacement liquidity facility issued by The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch, for the State of Texas Veterans' Housing Assistance Program, Fund II Series 2001A-2 Bonds.

On September 10, 2014, the VLB issued its \$100,000,000.00 State of Texas Veterans Bonds, Series 2014D as referenced in **Table 30** below. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II.

Effective October 31, 2014, the liquidity facilities were extended to December 31, 2015, for each of the State of Texas Veterans' Housing Assistance Program, Fund II Series 2001C-2 Bonds, the State of Texas Veterans' Housing Assistance Program, Fund II Series 2004A Bonds, the State of Texas Veterans' Housing Assistance Program, Fund II Series 2005A Bonds, the State of Texas Veterans' Housing Assistance Program, Fund II Series 2005B Bonds, the State of Texas Veterans' Housing Assistance Program, Fund II Series 2007A Bonds, and State of Texas Veterans Bonds, Series 2012A.

On or about December 9, 2014, the VLB intends to replace the liquidity facilities for each of the State of Texas Veterans Bonds, Series 2011B and the State of Texas Veterans Bonds, Series 2011C with liquidity facilities provided by Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch. On or about December 17, 2014, the board intends to replace the liquidity facilities for each of the State of Texas Veterans' Housing Assistance Program, Fund II Series 2002A-2, the State of Texas Veterans' Housing Assistance Program, Fund II Series 2003A, the State of Texas Veterans' Housing Assistance Program, Fund II Series 2003B, with updated liquidity facilities provided by Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, which currently is the liquidity provider for these bonds.

Prior to August 31, 2014, the School Land Board (SLB) approved a new capital commitment to one externally-managed real assets investment fund in the amount of \$200 million that subsequently closed on September 1, 2014. Subsequent to August 31, 2014, the

Table 30

NEW BOND ISSUANCE				
BOND ISSUANCE	SERIES	AMOUNT	DATE OF ISSUANCE	PURPOSE
General Obligation Bonds	2014D	\$100,000,000	9/10/2014	To augment the Veterans' Housing Assistance Fund II

SLB approved new capital commitment to two externally-managed real assets investment funds in a total amount of \$225 million that have not yet closed.

In the November 2014 General Election, Commissioner Jerry Patterson did not seek re-election. Commissioner-elect George P. Bush was elected for a term beginning January 1, 2015, and extending through December 31, 2018.

## **NOTE 17:** **RISK MANAGEMENT**

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 the 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 \$1,000,000.00 per loss, with a \$50,000.00 deductible for employee theft and up to \$1,000,000.00 per loss, with a \$50,000.00 deductible for computer fraud.

The Statewide Volunteer Insurance Policy covers excess personal liability and excess automobile liability for six volunteers at \$3.99 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. Excess automobile liability insurance provides coverage that protects the registered volunteer driver for bodily injury or property damage claims arising from the volunteer's operation of his or her own vehicle, during their volunteer assignments, but not on the way to or from their assignment. This insurance is in excess of the greater of an amount equal to the applicable limits of liability to any other insurance

collectible by the insured; or, an amount equal to the minimum limit of liability required under the Motor Vehicle Financial Responsibility Laws of the state in which the accident occurs, whichever is less. Accident medical expenses for six volunteers at \$3.25 per volunteer is 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, coverages and 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* above shows the changes in the balances of the agency's claim liabilities during fiscal 2014, 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***

The Texas General Land Office did not pay on any new claims in fiscal 2014 arising from an automobile accident involving an agency employee, but did pay \$1,000 for a fiscal 2013 claim. There was one reported automobile accident that took place during fiscal 2014, however, the Office of the Attorney General denied their claim of \$850.37 for expenses, because there was no clear evidence against the GLO employee.

## **NOTE 18:** **MANAGEMENT DISCUSSION AND** **ANALYSIS (MATERIAL CHANGES** **TO AFR)**

### *FINANCIAL HIGHLIGHTS*

#### GOVERNMENT-WIDE HIGHLIGHTS

*Net Position Governmental Funds* – The assets of the agency's governmental funds exceeded its liabilities at August 31, 2014, by \$4,360,753,648.05 (presented as Net Position). Of this amount, \$4,272,649,902.26 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, 2014, by \$745,995,080.18. Of this amount, \$69,175,756.43 is invested in capital assets, net of related debt, while the remaining \$676,819,323.75 is restricted for the Veterans' Land Board programs.

In 2011, Governor Rick Perry designated the Texas General Land Office as the state agency responsible for the administration of the Community Development Block grant (CDBG) disaster recovery funding for the state of Texas. On September 1, 2011, the GLO received the appropriation authority which was previously shared by the Texas Department of Housing and Community Affairs (TDHCA) and the Texas Department of Rural Affairs (TDRA). This included all remaining CDBG disaster recovery funding associated with Hurricanes Katrina, Rita, Ike and Dolly.

Operational activities in the housing and land programs resulted in an operating loss of approximately \$11.6 million. Along with operational activities, the approximate income from investment activities of \$8.17 million, net increase in fair value of investments of \$28.97 million and net Transfers Out of \$18.02 million to fund administrative costs and to construct veterans cemeteries and veterans homes, contributed to an increase in net position of approximately \$7.41 million.

The State of Texas David A. Gloier Texas State Veterans Home Program operated at a profit of about \$10.69 million. With other non-operating revenues and Transfers Out of approximately \$3.63 million and \$8.26 million, respectively, the program increased net position by approximately \$6.07 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, a

Table 31

#### **CLAIM LIABILITIES**

	<b>Fiscal Year 2013</b>	<b>Fiscal Year 2014</b>
	\$	\$
<b>Beginning of Fiscal Year</b>	0.00	0.00
Current Year Claims and Changes in Estimates	3,279.21	1,000.00
Claim Payments	<u>(3,279.21)</u>	<u>(1,000.00)</u>
<b>Balance at Fiscal Year-End</b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>

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 permanent school fund and generate income for public education. Today, the Texas General Land Office manages approximately 13million 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 Resources 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 Resources 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 interests 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 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. Additionally, §51.402 states that the fair 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 fair value of the permanent school fund on that date.

Approximately \$299.2 million of capital commitments to externally managed real assets investment funds were funded between September 1, 2013 and August 31, 2014.

The current surface real property portfolio of the fund consists of 698,567.15 surface acres with a portfolio value of \$663,566,993.02. The sovereign portion of this is located primarily in west Texas. 423,751.90 acres of sovereign land represent 61 percent of the total portfolio acreage but are only valued at \$258,789,767.71, 39 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, most of which is landlocked, has little value other than for adjacent landowners who wish to increase their holdings. Over time these properties will likely be sold.

The August 31, 2013 ending historical cost basis for the fund's land surface portfolio was \$363,581,281.70. From September 1, 2013, to August 31, 2014, six new surface lands have been acquired. Contributions of approximately \$4.7 million were made to development projects. The historical cost basis of the fund's land surface portfolio at August 31, 2014, is \$354,280,521.77. 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 \$13,407,945.50.

Dispositions for the fiscal year ended August 31, 2014, equaled 8,656.98 acres, for a gain of approximately \$64.5 million. Approximately \$27.7 million of this gain

relates to a land trade of five parcels of desert land for a single parcel of commercial property in the El Paso area. Approximately \$20.9 million of the gain relates to the contribution of two parcels of property to form a new limited partnership.

## LOANS AND CONTRACTS RECEIVABLES

Loans and contracts receivables are divided between current and noncurrent assets. Current loans and contracts receivable for land contracts are \$9,768,054.33, land mortgages are \$2,573,519.31, housing mortgages are \$189,159,588.44, and home improvement loans are \$11,849,332.72. Noncurrent loans and contracts receivables for land contracts are \$127,089,213.49, land mortgages are \$170,663,393.44, housing mortgages are \$1,751,710,557.13, and home improvement loans are \$8,752,036.43.

## CAPITAL CONSTRUCTION

In compliance with the 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 \$3,607,630.70, buildings of \$45,095,238.22 less accumulated depreciation of (\$22,412,601.65), furniture and equipment of \$5,761,298.93 less accumulated depreciation of (\$4,320,301.18), vehicles, boats, and aircraft of \$4,576,479.21 less accumulated depreciation of (\$3,377,084.96), intangible computer software of \$988,393.78, less accumulated amortization of (\$507,609.39), and other assets of \$139,983.40.

The Veterans Home Revenue Bond Funds report non-depreciable assets for land of \$3,499,500.00, construction-in-progress of \$13,269,014.90, buildings of \$94,335,128.82 less accumulated depreciation of (\$42,215,052.08), furniture and equipment of \$618,166.28 less accumulated depreciation of (\$350,711.71), 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 (\$3,252.78), and intangible computer software of \$146,555.00, less accumulated amortization of (\$146,555.00).

## LONG-TERM DEBT

The agency's debt obligations associated with bonds increased by \$65,248,057.51. Changes in bonds payable is represented by \$1,075,875,689.15 of new issuances

## UNAUDITED

including premiums received, \$187,368.36 of accreted interest, \$95,530,000.00 of retired or matured bonds, including amortization of premiums, and \$915,285,000.00 of refunded or extinguished bonds. For additional details on bonds, see Schedules 2-A and 2-B.

### SIGNIFICANT COMMITMENTS

Between September 1, 2013, and August 31, 2014, the SLB closed on capital commitments to six externally managed real assets investment funds, separate accounts, or co-investment vehicles in a total amount of \$451.7 million. At August 31, 2014, 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 \$3.54 billion to fifty funds, and five co-investment vehicles, of which approximately \$1.37 billion remains unfunded. In addition, the SLB approved a new capital commitment to one externally managed real assets investment fund in a total amount of \$200 million that was not yet closed on August 31, 2014.

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

### BANKRUPTCIES

The agency has potential lost revenue for the permanent school fund due to two currently pending bankruptcy claims associated with mineral activity on state lands.

The agency has filed a claim of \$57,042.72 against Heritage Standard. The recoverable amount has yet to be determined.

The agency has been notified that it may have a claim of \$44,000.00 against Matagorda Island Gas Operations, LLC. The bankruptcy filing and the amount of the agency's recoverable claim, if any, are being assessed with the assistance of the Attorney General's office at the time of this report.

The agency had a claim amount of \$4,702,727.33 for oil and gas sales transactions related to Enron Corporation, of which none was accrued as revenue in the year of bankruptcy due to the unlikeliness of its collection. Revenues will be recognized in the years collections are received. The agency received and recognized total revenues of \$2,757,073.44 through August 31, 2014.

### **NOTE 19:** **THE FINANCIAL REPORTING** **ENTITY AND JOINT VENTURES**

The Texas General Land Office has no component units.

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.

### ***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). A total of \$571.293 acres of land in Fort Bend County is invested in the joint tenancy in common. 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 2014, a total of approximately \$4.7 million was contributed to fund development costs. Additionally, a payable of approximately \$461 thousand for development cost has been accrued as of August 31, 2014. The joint tenancy in common received an audit of its financial statements for the years ended December 31, 2012 and December 31, 2013. The report is available upon request. The August 31, 2014 financial statements of the joint tenancy have been consolidated into the PSF's 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, as a 95 percent limited partner. The Permanent School Fund contributed 1,031.52 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) as a 60 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.

## NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The GLO administers the HUD Community Development Block Grant Disaster Recovery (CDBG-DR) Program which provides rehabilitation projects or homes after a presidentially declared disaster through deferred forgivable loans. The original terms of the loans generally range from 3 to 30 years, and all such loans will be forgiven and become grants after the full term of the loan. Given the nature of these loans, they will no longer be recognized in the financial statements. During FY2014, a restatement was recorded to remove the remaining balance. The revenues and expenses associated with the grants will be recognized the year they are incurred.

## 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* on the right 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. 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

Table 32

<b>DONOR RESTRICTED ENDOWMENTS</b>	
	<b>Permanent School Fund (PSF)</b>
	<b>\$</b>
Restricted Income of the PSF	<u>4,323,658,104.78</u>
<b>Total Net PSF Assets at August 31, 2014</b>	<b><u><u>4,323,658,104.78</u></u></b>

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.

**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 84.

**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.

In fiscal 2014, deferred outflows of resources of \$257,875,867.94 and deferred inflows of resources of \$5,933,819.63 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

Table 33

**DEFERRED OUTFLOWS OF RESOURCES  
AND DEFERRED INFLOWS OF RESOURCES**

<b>As of August 31, 2014</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	\$	\$
<b>Governmental Activities</b>		
Deferred Revenues		10,721,469.07
<b>Total, Governmental Activities</b>	<b>0.00</b>	<b>10,721,469.07</b>
<b>Business-Type Activities</b>		
Hedging Derivative Instruments	257,875,867.94	5,933,819.63
<b>Total, Business-Type Activities</b>	<b>257,875,867.94</b>	<b>5,933,819.63</b>
<b>Total, Governmental and Business-Type Activities</b>	<b>257,875,867.94</b>	<b>16,655,288.70</b>

Table 34

**DISAGGREGATION OF SIGNIFICANT RECEIVABLES AND PAYABLES**

	<b>Receivables</b>
<b>Federal Receivables</b>	\$
<i>Governmental Funds</i>	
Department of Interior	7,628,388.26
Department of Commerce	758,176.42
Department of Housing and Urban Development	48,050,150.98
Department of Veterans Affairs - Cemeteries	1,934,083.08
US Environmental Protection Agency	67,717.78
Department of Homeland Security	880,029.37
U.S. Coast Guard National Pollution Funds Center	197,356.22
<b>Total Net Federal Receivables</b>	<b>59,515,902.11</b>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
<b>Current Federal Receivables</b>	<b>59,515,902.11</b>
<i>Proprietary Funds</i>	
Department of Veterans Affairs - State Veterans Homes	8,653,245.61
<b>Total Net Federal Receivables</b>	<b>8,653,245.61</b>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
<b>Current Federal Receivables</b>	<b>8,653,245.61</b>
<b>Accounts Receivables</b>	
<i>Governmental Funds</i>	
Gas Royalties	27,027,022.25
Oil Royalties	64,087,124.32
State Energy Marketing Program	8,633,554.46
Leases	1,245,178.36
Other Revenues	12,106,681.31
<b>Total Net Accounts Receivable</b>	<b>113,099,560.70</b>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
<b>Current Accounts Receivable</b>	<b>113,099,560.70</b>
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	14,538.05
Veterans' Land Contracts	259,203.54
Texas State Veterans Homes (net of allowances)	2,935,269.88
<b>Total Net Accounts Receivable</b>	<b>3,209,011.47</b>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
<b>Current Accounts Receivable</b>	<b>3,209,011.47</b>
<b>Payables</b>	\$
<b>Accounts Payable</b>	
<i>Governmental Funds</i>	
State Energy Marketing Program	4,689,570.16
State Veterans Cemetery Program	1,519,989.75
General Governmental Expenditures	52,478,110.61
<b>Total Accounts Payable</b>	<b>58,687,670.52</b>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
<b>Current Accounts Payable</b>	<b>58,687,670.52</b>
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	8,509,773.47
Veterans' Land Contracts	8,640,906.58
Veterans Homes	3,507,253.32
<b>Total Accounts Payable</b>	<b>20,657,933.37</b>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
<b>Current Accounts Payable</b>	<b>20,657,933.37</b>



## UNAUDITED

Statement No. 65, the governmental fund reported deferred inflows of resources of \$10,721,469.07 related to its deferred revenues for amounts not collected within 60 days after year end, as presented in Exhibit I.

### **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 holds title to lands under contracts for deed in the land program. A voluntary group credit life insurance program is available to contract holders. The Veterans' Land Board 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 80percent 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, 2014, are presented in **Table 35** to the right.

Table 35

<b>HOUSING AND LAND MORTGAGES</b>		
<b>Type</b>	<b>Number</b>	<b>Percent of Total Number of Loans</b>
Conventional	2,469	14.63
FHA	594	3.52
VA	10,099	59.85
Other	3,712	22.00
<b>Total</b>	<b>16,874</b>	<b>100.00</b>

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 you "in full" (meaning they accept conveyance of the property, which is usually the case), they generally pay 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 if they are outside of VA's guidelines or incurred outside of the VA established timelines. In summary, if the property is conveyed, the investor's loss is usually minimal. For VA housing mortgages where VA does not accept conveyance they pay the 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, 2014, are listed in **Table 36** on page 86.

At August 31, 2014, there were 1,085 home improvement loans with an outstanding balance on the administrator's books of \$19,581,439.79 (adjusted for timing differences of \$1,019,929.18, the outstanding principal balance on Exhibit III is \$20,601,368.97).

Table 36

<b>HOUSING AND LAND MORTGAGES SECURED BY LIENS</b>			
<u>Type of Lien</u>	<u>Total Number</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Total Number of Loans</u>
First	16,779	\$ 2,107,111,269.03	99.44
Second	95	1,821,217.70	0.56
<b>Totals per Administrator</b>	<b>16,874</b>	<b>2,108,932,486.73</b>	<b>100.00</b>
Adjustment for Timing Differences		13,879,869.32	
<b>Outstanding Principal Balance (Exh. III)</b>		<b>2,122,812,356.05</b> <sup>(1)</sup>	

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

Table 37

<b>PROPERTY ACQUIRED THROUGH FORECLOSURE</b>				
<u>Type</u>	<u>Total Number of Loans</u>	<u>Through Foreclosure/ Forfeiture</u>	<u>Principal Balance</u>	<u>Percent of Total Number of Loans</u>
			\$	
Land Contracts	9,257	99	2,705,555.00	1.07
Land Mortgages	3,436	0	0.00	0.00
Housing Mortgages	13,438	10	690,537.00	0.07

UNAUDITED

**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, 2014, as listed in **Table 37** on page 86.

Based on Veterans' Contract for Deed Land Program history, it is projected that of the accounts delinquent in excess of 90 days, 89 land contracts for deed could result in foreclosure, 51 land mortgage and 312 housing mortgages could result in foreclosures, and insurance proceeds could be collected on 17 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, 2014.

Table 38

<b>DELINQUENCIES IN EXCESS OF 90 DAYS</b>				
<b>Type</b>	<b>Number of Loans</b>	<b>Number Delinquent</b>	<b>Balance of Delinquencies</b>	<b>Total Number of Loans</b>
			\$	
Land Contracts	9,257	59	966,921.89	0.64
Land Mortgages	3,436	34	1,681,514.92	0.99
Housing Mortgages	13,438	207	23,909,629.98	1.54
Home Improvement Loans	1085	11	152,833.03	1.01

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TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

COMBINING  
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2014



**EXHIBIT A-1**

*COMBINING BALANCE SHEET*

*GENERAL AND CONSOLIDATED FUNDS*

August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	GENERAL			
	GENERAL REVENUE FUND (0001) U/F (0001)	GENERAL REVENUE FUND (0001) U/F (3691)	GENERAL REVENUE FUND (0001) U/F (1101)	GENERAL REVENUE FUND (0001) U/F (1111)
<i><b>ASSETS</b></i>	\$	\$	\$	\$
Current Assets:				
Cash on Hand				
Cash in Bank (Note 3)				
Cash in State Treasury		3.21		
Legislative Appropriation	39,178,278.29			694,344.38
Receivables:				
Federal	8,461,668.64		276,528.31	47,753,376.99
Interest and Dividends				
Accounts	72,312.17			
Due From:				
Other Funds	600,978.33			232,253.94
Other Agencies	145,268.84			
Consumable Inventories	52,059.30			
Prepaid Items				
Notes Receivable				
Total Current Assets	48,510,565.57	3.21	276,528.31	48,679,975.31
Noncurrent Assets:				
Notes Receivable				
Total Noncurrent Assets	0.00	0.00	0.00	0.00
<i><b>TOTAL ASSETS</b></i>	48,510,565.57	3.21	276,528.31	48,679,975.31
<i><b>LIABILITIES</b></i>				
Current Liabilities:				
Payables:				
Accounts	1,269,938.72		276,528.31	47,402,630.55
Payroll	393,453.36			552,562.20
Due To:				
Other Funds		3.21		
Other Agencies	3,034,539.63			23,284.40
Unearned Revenues	344.89			
Total Current Liabilities	4,698,276.60	3.21	276,528.31	47,978,477.15
<i><b>TOTAL LIABILITIES</b></i>	4,698,276.60	3.21	276,528.31	47,978,477.15

UNAUDITED

CONSOLIDATED ACCOUNTS					
COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)	VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	DEPARTMENTAL SUSPENSE FUND (0900) U/F (0900)(0902)	DIRECT DEPOSIT CORRECTION ACCOUNT FUND (0980) U/F (0980)(0981)
\$	\$	\$	\$	\$	\$
		200.00			
		10,000.00			
7,392,157.95	565,866.59	2,980,280.15	5,929,347.06		
1,090,245.09		711.31			
	14,760.70				
			100.00		
8,482,403.04	580,627.29	2,991,191.46	5,929,447.06	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
8,482,403.04	580,627.29	2,991,191.46	5,929,447.06	0.00	0.00
313,629.21	2,246.16	225,137.52			
822,207.63		1,694,832.81			
4,721.30		0.25			
489,943.95			286,340.14		
	129,991.83		8,080.01		
1,630,502.09	132,237.99	1,919,970.58	294,420.15	0.00	0.00
1,630,502.09	132,237.99	1,919,970.58	294,420.15	0.00	0.00

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**EXHIBIT A-1 (continued)**

*COMBINING BALANCE SHEET*

*GENERAL AND CONSOLIDATED FUNDS*

August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	CONSOLIDATED ACCOUNTS			TOTALS	
	DEDICATED	DEDICATED	DEDICATED		
	SPECIALTY	ALAMO	ALAMO EWING		
	LICENSE	COMPLEX	HALSELL		
	PLATES	GRANT			
	FUND (5140)	FUND (5152)	FUND (5152)	(EXH. I)	
	U/F (0014)	U/F (5152)	U/F (5252)	2014	2013
	\$	\$	\$	\$	\$
<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		2,041,924.53	284,179.17	19,193,758.66	36,530,240.89
Legislative Appropriation				39,872,622.67	32,688,758.01
Receivables:					
Federal				57,581,819.03	37,116,001.43
Interest and Dividends				711.31	805.70
Accounts				87,072.87	54,062.86
Due From:					
Other Funds				833,332.27	333,487.04
Other Agencies	42,632.40			187,901.24	432,964.08
Consumable Inventories				52,059.30	48,770.50
Prepaid Items		800,000.00		800,000.00	800,000.00
Notes Receivable				0.00	2,130.52
Total Current Assets	42,632.40	2,841,924.53	284,179.17	118,619,477.35	108,017,421.03
Noncurrent Assets:					
Notes Receivable				0.00	85,533,088.63
Total Noncurrent Assets	0.00	0.00	0.00	0.00	85,533,088.63
<b>TOTAL ASSETS</b>	42,632.40	2,841,924.53	284,179.17	118,619,477.35	193,550,509.66
<b>LIABILITIES</b>					
Current Liabilities:					
Payables:					
Accounts	983.47	292,690.69	10,828.71	49,794,613.34	35,745,278.18
Payroll				3,463,056.00	3,645,807.68
Due To:					
Other Funds				4,724.76	333,891.27
Other Agencies				3,834,108.12	1,231,730.82
Unearned Revenues				138,416.73	328,997.07
Total Current Liabilities	983.47	292,690.69	10,828.71	57,234,918.95	41,285,705.02
<b>TOTAL LIABILITIES</b>	983.47	292,690.69	10,828.71	57,234,918.95	41,285,705.02

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**EXHIBIT A-1 (continued)**

*COMBINING BALANCE SHEET*

*GENERAL AND CONSOLIDATED FUNDS*

August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	GENERAL			
	GENERAL REVENUE FUND (0001) U/F (0001)	GENERAL REVENUE FUND (0001) U/F (3691)	GENERAL REVENUE FUND (0001) U/F (1101)	GENERAL REVENUE FUND (0001) U/F (1111)
<b>DEFERRED INFLOWS OF RESOURCES</b>	\$	\$	\$	\$
Deferred Inflows of Resources	6,922.32			
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	6,922.32	0.00	0.00	0.00
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
Fund Balances (Note 1):				
Non-Spendable for Inventory	52,059.30			
Non-Spendable for Prepaid Items				
Restricted	13,030,793.10			701,498.16
Committed				
Unassigned	30,722,514.25			
<b>TOTAL FUND BALANCES (Exhibit A-2)</b>	43,805,366.65	0.00	0.00	701,498.16

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

UNAUDITED

CONSOLIDATED ACCOUNTS					
COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)	VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	DEPARTMENTAL SUSPENSE FUND (0900) U/F (0900)(0902)	DIRECT DEPOSIT CORRECTION ACCOUNT FUND (0980) U/F (0980)(0981)
\$	\$	\$	\$	\$	\$
	3,465.60				
0.00	3,465.60	0.00	0.00	0.00	0.00
6,851,900.95	444,923.70	1,071,220.88	5,635,026.91		
6,851,900.95	444,923.70	1,071,220.88	5,635,026.91	0.00	0.00
- to next page					

**EXHIBIT A-1 (concluded)**

*COMBINING BALANCE SHEET*

*GENERAL AND CONSOLIDATED FUNDS*

August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	CONSOLIDATED ACCOUNTS			TOTALS	
	DEDICATED	DEDICATED	DEDICATED		
	SPECIALTY	DEDICATED	ALAMO EWING		
	LICENSE	ALAMO	HALSELL		
	PLATES	COMPLEX	GRANT		
	FUND (5140)	FUND (5152)	FUND (5152)	(EXH. I)	
	U/F (0014)	U/F (5152)	U/F (5252)	2014	2013
<b>DEFERRED INFLOWS OF RESOURCES</b>	\$	\$	\$	\$	\$
Deferred Inflows of Resources				10,387.92	0.00
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	0.00	0.00	0.00	10,387.92	0.00
<b>FUND FINANCIAL STATEMENT - FUND</b>					
<b>BALANCES</b>					
Fund Balances (Note 1):					
Non-Spendable for Inventory				52,059.30	48,770.50
Non-Spendable for Prepaid Items		800,000.00		800,000.00	800,000.00
Restricted				14,803,512.14	89,472,794.14
Committed	41,648.93	1,749,233.84	273,350.46	14,996,084.79	30,951,785.75
Unassigned				30,722,514.25	30,991,454.25
<b>TOTAL FUND BALANCES (Exhibit A-2)</b>	41,648.93	2,549,233.84	273,350.46	61,374,170.48	152,264,804.64

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

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**EXHIBIT A-2**

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

For the year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	GENERAL			
	GENERAL REVENUE FUND (0001) U/F (0001)	GENERAL REVENUE FUND (0001) U/F (3691)	GENERAL REVENUE FUND (0001) U/F (1101)	GENERAL REVENUE FUND (0001) U/F (1111)
	\$	\$	\$	\$
<b>REVENUES</b>				
Legislative Appropriations:				
Original	3,140,062.00			
Additional Appropriations	2,514,413.72			(91,456.09)
Federal Revenues (Sch. 1A)	29,535,564.26		5,329,542.11	380,213,002.68
Federal Grant Pass-Through Revenues (Sch. 1A)	593,354.03			
State Grant Pass-Through Revenues (Sch. 1B)	232,589.37			
Licenses, Fees, and Permits	1,282,717.64			
Interest and Other Investment Income		18.99		
Land Income				
Settlement of Claims				
Sale of Goods and Services	103,426.00			
Other Revenues	2,725,445.23			
<b>TOTAL REVENUES</b>	<b>40,127,572.25</b>	<b>18.99</b>	<b>5,329,542.11</b>	<b>380,121,546.59</b>
<b>EXPENDITURES</b>				
Salaries and Wages	5,716,071.00		39,172.23	5,165,158.73
Payroll Related Costs	2,808,755.38		10,088.21	1,276,813.20
Professional Fees and Services	3,891,130.21		4,094,128.39	89,841,564.77
Travel	85,036.08			97,945.87
Materials and Supplies	809,356.27			(167,655.64)
Communication and Utilities	90,673.78			157,587.51
Repairs and Maintenance	516,138.91			158,202.09
Rentals and Leases (Note 8)	34,132.22			540,181.20
Printing and Reproduction	24,031.10			882.32
Claims and Judgments				17,857.75
Federal Grant Pass-Through Expenditures (Sch. 1A)	4,382,610.59			415,124.25
State Grant Pass-Through Expenditures (Sch. 1B)	35,258.11			
Intergovernmental Payments	3,234,585.44		1,159,888.28	269,326,497.86
Public Assistance Payments	15,190,873.68			12,486,581.11
Other Expenditures	1,838,992.53		26,265.00	93,358.33
Capital Outlay	142,234.31			199,558.35
<b>TOTAL EXPENDITURES</b>	<b>38,799,879.61</b>	<b>0.00</b>	<b>5,329,542.11</b>	<b>379,609,657.70</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,327,692.64</b>	<b>18.99</b>	<b>0.00</b>	<b>511,888.89</b>

UNAUDITED

CONSOLIDATED ACCOUNTS				
COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)	VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	DEDICATED SPECIALTY LICENSE PLATES FUND (5140) U/F (0014)
\$	\$	\$	\$	\$
3,132,279.69				
6,166,544.82	266,820.23	(134.25) 7,131.38	213.01 14,700.00	14,698.98
557,603.95		1,362.08		
9,856,428.46	266,820.23	8,359.21	14,913.01	14,698.98
5,697,728.86	56,335.31	15,456,136.16		
1,530,831.36	(10,878.75)	3,928,791.72		
2,427,441.08		512,156.16		
199,059.03	942.72	213,631.42		
367,327.58	11,886.76	295,157.40		
203,089.13	2,513.76	290,319.19		1,056.32
391,709.89	9,749.94	236,110.12		
304,784.79		122,404.56		
32,647.87	5.98	17,333.85		
1,000.00				
1,088,517.12				
658,746.60				
579,866.30				3,837.76
402,147.49	7,631.22	1,775,215.12		2,392.20
496,309.59		22,963.77		
14,381,206.69	78,186.94	22,870,219.47	0.00	7,286.28
(4,524,778.23)	188,633.29	(22,861,860.26)	14,913.01	7,412.70

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**EXHIBIT A-2 (continued)**

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

For the year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	CONSOLIDATED ACCOUNTS			
	DEDICATED			
	DEDICATED	ALAMO EWING		
	ALAMO	HALSELL		
	COMPLEX	GRANT		
	FUND (5152)	FUND (5152)	TOTALS	
	U/F (5152)	U/F (5252)	(EXH. II)	
			2014	2013
	\$	\$	\$	\$
<b>REVENUES</b>				
Legislative Appropriations:				
Original			3,140,062.00	823,390.00
Additional Appropriations			2,422,957.63	4,846,413.50
Federal Revenues (Sch. 1A)			418,210,388.74	359,657,847.18
Federal Grant Pass-Through Revenues (Sch. 1A)			593,354.03	42,900.00
State Grant Pass-Through Revenues (Sch. 1B)			232,589.37	1,356,764.65
Licenses, Fees, and Permits	5,136.00		7,735,783.42	717,042.05
Interest and Other Investment Income	43.98	81.92	7,489.28	83,426.84
Land Income			14,700.00	14,600.00
Settlement of Claims			0.00	1,005,000.00
Sale of Goods and Services	3,225,982.42		3,329,408.42	3,063,743.16
Other Revenues	648,901.39		3,933,312.65	2,121,164.64
<b>TOTAL REVENUES</b>	<b>3,880,063.79</b>	<b>81.92</b>	<b>439,620,045.54</b>	<b>373,732,292.02</b>
<b>EXPENDITURES</b>				
Salaries and Wages			32,130,602.29	30,199,952.68
Payroll Related Costs			9,544,401.12	8,529,827.83
Professional Fees and Services	186,531.30	180,956.13	101,133,908.04	99,054,681.33
Travel			596,615.12	633,381.31
Materials and Supplies	144,648.72		1,460,721.09	2,772,333.56
Communication and Utilities	128,709.45		873,949.14	711,369.45
Repairs and Maintenance	260,302.85		1,572,213.80	1,097,103.47
Rentals and Leases (Note 8)	32,183.98		1,033,686.75	1,180,858.55
Printing and Reproduction	46,347.09		121,248.21	181,907.66
Claims and Judgments			18,857.75	90,779.21
Federal Grant Pass-Through Expenditures (Sch. 1A)			5,886,251.96	9,350,149.82
State Grant Pass-Through Expenditures (Sch. 1B)			35,258.11	55,000.00
Intergovernmental Payments	457.56		274,380,175.74	220,781,995.73
Public Assistance Payments			28,261,158.85	63,028,335.03
Other Expenditures	3,066,683.16	7,290.37	7,219,975.42	6,223,834.50
Capital Outlay	20,950.00		882,016.02	1,236,946.22
<b>TOTAL EXPENDITURES</b>	<b>3,886,814.11</b>	<b>188,246.50</b>	<b>465,151,039.41</b>	<b>445,128,456.35</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>    REVENUES OVER EXPENDITURES</b>	<b>(6,750.32)</b>	<b>(188,164.58)</b>	<b>(25,530,993.87)</b>	<b>(71,396,164.33)</b>



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**EXHIBIT A-2 (continued)**

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

For the year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	GENERAL			
	GENERAL REVENUE FUND (0001) U/F (0001)	GENERAL REVENUE FUND (0001) U/F (3691)	GENERAL REVENUE FUND (0001) U/F (1101)	GENERAL REVENUE FUND (0001) U/F (1111)
<b>OTHER FINANCING SOURCES (USES)</b>	\$	\$	\$	\$
Transfers In	11,233,960.00			(423,666.63)
Transfers Out	(1,972,225.33)	(8,241.10)		
Sale of Capital Assets				
Appropriations Lapsed				(4,107.44)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	9,261,734.67	(8,241.10)	0.00	(427,774.07)
<b>NET CHANGE IN FUND BALANCE</b>	10,589,427.31	(8,222.11)	0.00	84,114.82
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
<b>FUND BALANCES - August 31, 2013</b>	33,215,939.34	8,222.11	0.00	86,150,471.97
Restatements (Note 14, Note 20)				(85,533,088.63)
<b>FUND BALANCE - August 31, 2013, As Restated</b>	33,215,939.34	8,222.11	0.00	617,383.34
<b>FUND BALANCES - August 31, 2014 (Exhibit A-1)</b>	43,805,366.65	0.00	0.00	701,498.16

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

UNAUDITED

CONSOLIDATED ACCOUNTS				
COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)	VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	DEDICATED SPECIALTY LICENSE PLATES FUND (5140) U/F (0014)
\$	\$	\$	\$	\$
		22,794,695.67	760,274.96	
403,666.63			(13,483,429.47)	
			872,521.05	
403,666.63	0.00	22,794,695.67	(11,850,633.46)	0.00
(4,121,111.60)	188,633.29	(67,164.59)	(11,835,720.45)	7,412.70
10,973,012.55	256,290.41	1,138,385.47	17,470,747.36	34,236.23
10,973,012.55	256,290.41	1,138,385.47	17,470,747.36	34,236.23
6,851,900.95	444,923.70	1,071,220.88	5,635,026.91	41,648.93

**EXHIBIT A-2 (concluded)**

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

For the year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	CONSOLIDATED ACCOUNTS			
	DEDICATED ALAMO COMPLEX FUND (5152) U/F (5152)	DEDICATED ALAMO EWING HALSELL GRANT FUND (5152) U/F (5252)		
			TOTALS	
			(EXH. II) 2014	2013
<b>OTHER FINANCING SOURCES (USES)</b>	\$	\$	\$	\$
Transfers In			34,365,264.00	32,400,475.89
Transfers Out			(15,060,229.27)	(3,924,401.63)
Sale of Capital Assets			872,521.05	6,647,142.10
Appropriations Lapsed			(4,107.44)	(417.96)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		0.00 0.00	20,173,448.34	35,122,798.40
<b>NET CHANGE IN FUND BALANCE</b>		(6,750.32) (188,164.58)	(5,357,545.53)	(36,273,365.93)
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
<b>FUND BALANCES - August 31, 2013</b>	2,555,984.16	461,515.04	152,264,804.64	188,538,170.57
Restatements (Note 14, Note 20)			(85,533,088.63)	0.00
<b>FUND BALANCE - August 31, 2013, As Restated</b>	2,555,984.16	461,515.04	66,731,716.01	188,538,170.57
<b>FUND BALANCES - August 31, 2014 (Exhibit A-1)</b>	2,549,233.84	273,350.46	61,374,170.48	152,264,804.64

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

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**EXHIBIT B-1**

*COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS*

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6000)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6001)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6002)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6003)
<b>ASSETS</b>	\$	\$	\$	\$
Current Assets:				
Cash (Note 3):				
Cash in State Treasury	209,917.90	69,240.90	279,386.66	99,564.27
Receivables:				
Federal			1,560,806.92	198,862.22
Interest and Dividends	62.14	19.09	114.23	41.01
Due From:				
Other Funds	0.65		490,567.50	532,631.03
Total Current Assets	209,980.69	69,259.99	2,330,875.31	831,098.53
<b>TOTAL ASSETS</b>	209,980.69	69,259.99	2,330,875.31	831,098.53
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Payables:				
Vouchers and Accounts			1,100,687.30	180,665.84
Payroll		9,408.33		
Retainage	162,465.42			
Due To:				
Other Funds	47,515.27		1,471,840.92	173,740.22
Total Current Liabilities	209,980.69	9,408.33	2,572,528.22	354,406.06
<b>TOTAL LIABILITIES</b>	209,980.69	9,408.33	2,572,528.22	354,406.06
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
Fund Balances (Note 1):				
Restricted		59,851.66	(241,652.91)	476,692.47
<b>TOTAL FUND BALANCES (Exhibit B-2)</b>	0.00	59,851.66	(241,652.91)	476,692.47
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	209,980.69	69,259.99	2,330,875.31	831,098.53

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

UNAUDITED

TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6004)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6005)	TOTALS (EXH. I)	
\$	\$	2014	2013
		\$	\$
44,358.97	157,326.14	859,794.84	385,464.58
19,384.00	155,029.94	1,934,083.08	965,985.36
13.34	48.06	297.87	100.33
38,000.00	47,515.27	1,108,714.45	461,046.94
101,756.31	359,919.41	3,902,890.24	1,812,597.21
101,756.31	359,919.41	3,902,890.24	1,812,597.21
89,913.19	148,723.42	1,519,989.75	599,655.30
		9,408.33	45,691.12
	38,058.55	200,523.97	263,777.12
	134,758.59	1,827,855.00	682,742.67
89,913.19	321,540.56	3,557,777.05	1,591,866.21
89,913.19	321,540.56	3,557,777.05	1,591,866.21
11,843.12	38,378.85	345,113.19	220,731.00
11,843.12	38,378.85	345,113.19	220,731.00
101,756.31	359,919.41	3,902,890.24	1,812,597.21

**EXHIBIT B-2**

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

*SPECIAL REVENUE FUNDS*

For the Year Ended August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6000)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6001)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6002)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6003)
	\$	\$	\$	\$
<b>REVENUES</b>				
Federal Revenues			2,043,686.91	322,962.22
Interest and Other Investment Income		261.00	1,077.40	400.58
Sale of Goods and Services			109,474.00	34,974.00
Other Revenues		180.00	1.00	350.00
<b>TOTAL REVENUES</b>	0.00	441.00	2,154,239.31	358,686.80
<b>EXPENDITURES</b>				
Salaries and Wages		307,211.83		
Payroll Related Costs		374,492.33		
Professional Fees and Services			845,032.84	561,870.76
Travel		1,466.44	745.37	13,785.17
Materials and Supplies		59.10	28,256.12	12,433.06
Communication and Utilities		35.50	48,128.09	14,129.34
Repairs and Maintenance			9,763.52	7,085.44
Rentals and Leases (Note 8)				
Other Expenditures		8,125.77	3,465.05	115.41
Capital Outlay			2,505,334.64	241,609.44
<b>TOTAL EXPENDITURES</b>	0.00	691,390.97	3,440,725.63	851,028.62
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	0.00	(690,949.97)	(1,286,486.32)	(492,341.82)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		737,019.59	2,369,416.33	1,126,412.35
Transfers Out			(1,471,840.92)	(173,745.20)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	0.00	737,019.59	897,575.41	952,667.15
<b>NET CHANGE IN FUND BALANCE</b>	0.00	46,069.62	(388,910.91)	460,325.33
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
<b>FUND BALANCES - August 31, 2013</b>	0.00	13,782.04	147,258.00	16,367.14
<b>FUND BALANCES - August 31, 2014 (Exhibit B-1)</b>	0.00	59,851.66	(241,652.91)	476,692.47

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



UNAUDITED

TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6004)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6005)	TOTALS (EXH. II)	
\$	\$	2014	2013
78,589.00	146,333.52	2,591,571.65	1,574,963.81
317.17	561.46	2,617.61	1,623.28
27,586.00	41,008.00	213,042.00	217,726.00
3,270.00	120.00	3,921.00	3,975.00
109,762.17	188,022.98	2,811,152.26	1,798,288.09
		307,211.83	477,075.17
		374,492.33	323,523.85
521,592.40	585,065.56	2,513,561.56	2,398,792.28
2,297.37	3,318.46	21,612.81	13,490.26
11,128.91	19,447.06	71,324.25	102,518.46
22,375.55	17,435.00	102,103.48	112,088.51
3,632.72		20,481.68	24,763.39
912.71		912.71	0.00
4.15	17.11	11,727.49	14,712.38
	6,100.33	2,753,044.41	1,002,412.11
561,943.81	631,383.52	6,176,472.55	4,469,376.41
(452,181.64)	(443,360.54)	(3,365,320.29)	(2,671,088.32)
436,535.00	604,163.11	5,273,546.38	2,969,211.91
(3,484.00)	(134,773.78)	(1,783,843.90)	(249,443.64)
433,051.00	469,389.33	3,489,702.48	2,719,768.27
(19,130.64)	26,028.79	124,382.19	48,679.95
30,973.76	12,350.06	220,731.00	172,051.05
11,843.12	38,378.85	345,113.19	220,731.00

**EXHIBIT C-1a**

*COMBINING STATEMENT OF NET POSITION*

*VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS*

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS REF SER '95 FUND (0567) U/F (0567)	VET BDS TAX REF FUND (0590) U/F (0590)
	\$	\$	\$	\$
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents (Note 3)				
Cash in State Treasury	1,261,126.77	1,638.83	1,549,279.07	4,452,118.64
Cash Equivalents	52,594,581.37	13,712.58	34,686.99	4,636,581.85
Securities Lending Collateral (Note 3)	1,489,528.80			18,244,395.00
Investments - Securities at Market Value (Note 3)	44,983,600.00			5,997,960.00
Loans Receivables:				
Housing Mortgages	2,326,558.20		505,678.61	3,469,076.83
Home Improvement Loans	4,278.98		9,112.26	432,002.47
Interest and Dividends Receivables:				
Investment Interest	1,385.70	3.43		183,927.15
Housing Mortgages Interest	435,480.19		87,727.14	824,805.42
Home Improvement Loans Interest	4,764.84		1,087.31	47,328.88
Accounts Receivable (Net of Allowance for Uncollectibles)			10,864.14	3,673.91
Due from Other Funds	45,592.75		15,000,000.00	14,208.17
Prepaid Items				
Total Current Assets	103,146,897.60	15,354.84	17,198,435.52	38,306,078.32
Noncurrent Assets:				
Investments - Securities at Market Value (Note 3)	6,003,900.00			77,024,334.95
Derivative Instruments				
Hedging Derivative Instrument				
Loans Receivables:				
Housing Mortgages	79,270,443.62		13,404,796.92	117,007,026.35
Home Improvement Loans	70,782.52		150,734.07	3,577,166.98
Property Acquired Through Foreclosure - Housing Mortgages (Note 30)	31,235.00		49,073.00	268,073.00
Total Noncurrent Assets	85,376,361.14	0.00	13,604,603.99	197,876,601.28
<b>TOTAL ASSETS</b>	188,523,258.74	15,354.84	30,803,039.51	236,182,679.60
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Hedging Derivative Instruments			1,979,484.00	22,158,605.14
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	0.00	0.00	1,979,484.00	22,158,605.14
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	608,644.04		53,074.88	352,137.74
Debt Service Interest Payable			338,169.00	31,209.22
Due to Other Funds	80,000,000.00		2,259.11	
Bonds Payable (Net of Unamortized Discounts and Premiums)				
General Obligation			7,390,000.00	10,960,000.00
Accretion				
Obligations Under Securities Lending (Note 3)	1,489,528.80			18,244,395.00
Total Current Liabilities	82,098,172.84	0.00	7,783,502.99	29,587,741.96
Noncurrent Liabilities:				
Bonds Payable (Net of Unamortized Discounts and Premiums)				
General Obligation			17,115,000.00	149,670,000.00
Accretion				
Hedging Derivative Instruments			1,979,484.00	22,158,605.14
Total Noncurrent Liabilities	0.00	0.00	19,094,484.00	171,828,605.14
<b>TOTAL LIABILITIES</b>	82,098,172.84	0.00	26,877,986.99	201,416,347.10
<b>DEFERRED INFLOW OF RESOURCES</b>				
Hedging Derivative Instruments				
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	0.00	0.00	0.00	0.00
<b>NET POSITION</b>				
Restricted for the Veterans' Land Board	106,425,085.90	15,354.84	5,904,536.52	56,924,937.64
<b>TOTAL NET POSITION (Exhibit C-2a)</b>	106,425,085.90	15,354.84	5,904,536.52	56,924,937.64

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

UNAUDITED

VET BDS SER '94A1 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (Note <sup>1</sup> )	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. III)	
\$	\$	\$	\$	\$	2014	2013
1,289.33	76,459,138.34	6,743,386.06			90,467,977.04	105,745,241.57
513,574.63	18,349,864.95	4,151,321.34	1,330,688.39	2,377,433.87	84,002,445.97	237,511,714.56
	2,040,457.50	37,547,650.00	361,020.00		59,683,051.30	50,538,247.50
	2,998,980.00	4,997,250.00			58,977,790.00	94,991,800.00
	167,217,069.18	15,641,205.62			189,159,588.44	51,100,191.62
	919,122.66	10,484,816.35			11,849,332.72	986,175.09
10,427.22	100,500.89	299,688.33	30,094.79	39,705.11	665,732.62	578,370.33
	7,364,166.04	5,621,090.71			14,333,269.50	14,510,506.99
	147,186.39	47,127.63			247,495.05	202,207.67
	80,008,405.86				14,538.05	37,008.13
7.40	1,145.62				95,068,206.78	78,577,515.82
525,298.58	355,606,037.43	85,533,536.04	1,721,803.18	2,417,138.98	1,153.02	7,311.73
					604,470,580.49	634,786,291.01
5,839,037.15	60,491,680.00	113,248,189.65	17,497,972.70	13,883,548.55	293,988,663.00	227,510,579.65
	1,015,600.99				1,015,600.99	1,227,075.38
	5,933,819.63				5,933,819.63	17,498,624.70
	1,067,232,931.10	474,795,359.14			1,751,710,557.13	1,690,012,272.32
	10,029,818.08	(5,076,465.22)			8,752,036.43	16,879,484.80
		92,782.00			441,163.00	445,726.00
5,839,037.15	1,144,703,849.80	583,059,865.57	17,497,972.70	13,883,548.55	2,061,841,840.18	1,953,573,762.85
6,364,335.73	1,500,309,887.23	668,593,401.61	19,219,775.88	16,300,687.53	2,666,312,420.67	2,588,360,053.86
	102,611,392.04	78,921,818.59			205,671,299.77	176,203,213.88
0.00	102,611,392.04	78,921,818.59	0.00	0.00	205,671,299.77	176,203,213.88
3,158.15	4,059,678.31	3,433,080.35			8,509,773.47	10,201,708.64
	6,739,622.71	199,114.22			7,308,115.15	3,201,502.59
	20,872.80	15,045,074.87			95,068,206.78	78,188,393.12
400,000.00	66,024,810.16	13,650,000.00			98,424,810.16	79,333,734.16
	2,040,457.50	37,547,650.00	361,020.00		0.00	551,076.00
403,158.15	78,885,441.48	69,874,919.44	361,020.00	0.00	59,683,051.30	50,538,247.50
					268,993,956.86	222,014,662.01
5,000,000.00	1,412,025,878.99	500,390,000.00			2,084,200,878.99	2,032,920,689.15
					0.00	(36,700.56)
	102,611,392.04	78,921,818.59			205,671,299.77	176,203,213.88
5,000,000.00	1,514,637,271.03	579,311,818.59	0.00	0.00	2,289,872,178.76	2,209,087,202.47
5,403,158.15	1,593,522,712.51	649,186,738.03	361,020.00	0.00	2,558,866,135.62	2,431,101,864.48
	5,933,819.63				5,933,819.63	17,498,624.70
0.00	5,933,819.63	0.00	0.00	0.00	5,933,819.63	17,498,624.70
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
961,177.58	3,464,747.13	98,328,482.17	18,858,755.88	16,300,687.53	307,183,765.19	333,461,403.26

Note<sup>1</sup> U/F (0808 - 0826, 0831 - 0837)

# **EXHIBIT C-1b**

## *COMBINING STATEMENT OF NET POSITION VETERANS' LAND PROGRAM PROPRIETARY FUNDS*

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	VET LAND REF BDS REF SER '91 TAX '00, '02-'06, & '10D FUND (0571) U/F (0571) (9000) (9001)	VET LAND BDS REF SER '99A FUND (0626) U/F (0626)	VET LAND BDS SER '94 FUND (0381) U/F (0381)
	\$	\$	\$
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand	200.00		
Cash in State Treasury	12,995,111.51	34,071.96	1,596.36
Cash Equivalents	17,926,783.45	98,668.08	392,436.30
Securities Lending Collateral (Note 3)	23,372,191.30		
Investments - Securities at Market Value (Note 3)	4,999,850.00		
Loans Receivables:			
Land Contracts	8,993,389.02	542,605.63	
Land Mortgages	2,573,519.31		
Interest and Dividends Receivables:			
Investment Interest	973,198.31	24,293.05	25.35
Land Contracts	3,020,192.96	50,457.67	
Land Mortgages	1,641,844.29		
Accounts Receivable (Net of Allowance for Uncollectibles)	240,838.14	14,725.31	
Due from Other Funds	12,590,556.64	4,000,000.00	1,000,000.00
Deferred Charges		21.96	
Total Current Assets	89,327,674.93	4,764,843.66	1,394,058.01
Noncurrent Assets:			
Investments - Securities at Market Value (Note 3)	236,403,921.17	7,465,648.20	
Derivative Instruments	(878,821.52)		
Loans Receivables:			
Land Contracts	116,915,857.15	4,350,377.81	
Land Mortgages	170,663,393.44		
Property Acquired Through Foreclosure (Note 31)			
Land Contracts	2,675,457.00	30,099.00	
Amortizable Intangible Assets:			
Computer Software	162,578.15		
Less Accumulated Amortization	(162,578.15)		
Total Noncurrent Assets	525,779,807.24	11,846,125.01	0.00
<b>TOTAL ASSETS</b>	615,107,482.17	16,610,968.67	1,394,058.01
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Hedging Derivative Instruments	46,761,213.76	1,796,431.00	
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	46,761,213.76	1,796,431.00	0.00
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	8,533,083.71	6,422.25	
Debt Service Interest Payable	250,172.17		
Due to Other Funds	22,136,198.53		
Unearned Revenues	282,979.63	2,151.89	
Bonds Payable (Net of Unamortized Discounts and Premiums):			
General Obligation	13,065,000.00	2,745,000.00	196,408.71
Accretion			550,591.29
Obligations Under Securities Lending (Note 3)	23,372,191.30		
Total Current Liabilities	67,639,625.34	2,753,574.14	747,000.00

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850) (0852) \$	TOTALS	
	(EXH. III)	
	2014	2013
\$	\$	\$
	200.00	200.00
234,673.66	13,265,453.49	1,791,199.74
506,855.75	18,924,743.58	30,535,239.02
	23,372,191.30	39,075,504.85
	4,999,850.00	0.00
232,059.68	9,768,054.33	11,447,601.08
	2,573,519.31	1,998,500.97
103.10	997,619.81	883,960.30
48,147.60	3,118,798.23	2,727,338.68
	1,641,844.29	792,450.56
3,640.09	259,203.54	705,217.37
15,000,000.00	32,590,556.64	20,982,202.95
0.00	21.96	166.21
<u>16,025,479.88</u>	<u>111,512,056.48</u>	<u>110,939,581.73</u>
	243,869,569.37	258,221,708.44
	(878,821.52)	(1,036,786.00)
5,822,978.53	127,089,213.49	150,235,042.21
	170,663,393.44	138,391,513.02
	2,705,556.00	2,712,556.36
	162,578.15	162,578.15
	(162,578.15)	(162,475.63)
<u>5,822,978.53</u>	<u>543,448,910.78</u>	<u>548,524,136.55</u>
<u>21,848,458.41</u>	<u>654,960,967.26</u>	<u>659,463,718.28</u>
3,646,923.41	52,204,568.17	54,710,273.81
<u>3,646,923.41</u>	<u>52,204,568.17</u>	<u>54,710,273.81</u>
101,400.62	8,640,906.58	3,758,247.24
160,269.75	410,441.92	295,308.14
	22,136,198.53	15,664,236.63
1,343.87	286,475.39	217,914.77
750,497.60	16,756,906.31	15,731,575.35
426,502.40	977,093.69	943,424.65
0.00	23,372,191.30	39,075,504.85
<u>1,440,014.24</u>	<u>72,580,213.72</u>	<u>75,686,211.63</u>

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

*COMBINING STATEMENT OF NET POSITION*

*VETERANS' LAND PROGRAM PROPRIETARY FUNDS*

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

**LIABILITIES (continued)**

Noncurrent Liabilities:

Bonds Payable (Net of Unamortized Discounts and Premiums):

General Obligation

Accretion

Hedging Derivative Instrument

Total Noncurrent Liabilities

**TOTAL LIABILITIES**

**NET POSITION**

Invested in Capital Assets, Net of Related Debt

Restricted for the Veterans' Land Board

**TOTAL NET POSITION (Exhibit C-2b)**

VET LAND REF BDS REF SER '89, '90, '91, TAX REF '98A, '98B, & '99B FUND (0571) U/F (0571) (9000) (9001)	VET LAND BDS REF SER '99A FUND (0626) U/F (0626)	VET LAND BDS SER '94 FUND (0381) U/F (0381)
\$	\$	\$
220,530,000.00	13,285,000.00	
		(12,092.95)
46,761,213.76	1,796,431.00	
267,291,213.76	15,081,431.00	(12,092.95)
334,930,839.10	17,835,005.14	734,907.05
326,937,856.83	572,394.53	659,150.96
326,937,856.83	572,394.53	659,150.96

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

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850)(0852)	TOTALS	
	(EXH. III)	
	2014	2013
\$	\$	\$
15,168,329.50	248,983,329.50	265,740,235.81
360,270.30	348,177.35	1,174,603.24
3,646,923.41	52,204,568.17	54,710,273.81
19,175,523.21	301,536,075.02	321,625,112.86
20,615,537.45	374,116,288.74	397,311,324.49
	0.00	102.52
4,879,844.37	333,049,246.69	316,862,565.08
4,879,844.37	333,049,246.69	316,862,667.60

TEXAS GENERAL LAND OFFICE  
AND VETERANS' LAND BOARD

UNAUDITED

**EXHIBIT C-1c**

*COMBINING STATEMENT OF NET POSITION*

*DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM*

August 31, 2014

(With comparative memorandum totals for August 31, 2013)

	TEMPLE FUND (0374) U/F (0650)	FLORESVILLE FUND (0374) U/F (0651)	BONHAM FUND (0374) U/F (0660)	BIG SPRING FUND (0374) U/F (0661)	SERIES 2002 FUND (0374) U/F (0665)
<b>ASSETS</b>	\$	\$	\$	\$	\$
Current Assets:					
Cash and Cash Equivalents (Note 3):					
Cash in State Treasury	3,686,874.97	6,020,074.86	2,020,696.36	3,072,774.10	360,841.78
Cash Equivalents					
Receivables:					
Federal Receivables	2,727,223.42	1,504,605.89	1,078,831.67	598,021.41	
Interest Receivables	1,148.65	1,863.68	484.40	958.52	154.71
Accounts Receivable	372,572.96	485,601.27	933,945.64	655,475.28	
Allowance for Doubtful Accounts	(171,559.14)	(202,017.12)	(450,181.61)	(381,839.90)	
Due from Other Funds	24.50				0.25
Total Current Assets	6,616,285.36	7,810,128.58	3,583,776.46	3,945,389.41	360,996.74
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable Capital Assets:					
Vehicles, Boats, and Aircraft		46,501.14			
Less Accumulated Depreciation		(46,501.14)			
Furniture and Equipment	35,704.17	83,503.05	94,335.69	46,332.96	
Less Accumulated Depreciation	(20,367.00)	(44,677.33)	(46,685.52)	(19,209.22)	
Buildings	10,816,311.94	10,584,217.37	10,476,498.29	10,128,639.89	
Less Accumulated Depreciation	(6,422,184.45)	(6,284,378.10)	(6,031,923.20)	(5,904,535.50)	
Facilities and Other Improvements					
Less Accumulated Depreciation					
Non-Depreciable Capital Assets:					
Construction in Progress	3,019,796.25	3,585,536.33	3,254,839.22	3,058,953.52	
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)	
Total Non-Current Assets	7,909,260.91	7,990,201.32	7,902,064.48	7,350,181.65	0.00
<b>TOTAL ASSETS</b>	14,525,546.27	15,800,329.90	11,485,840.94	11,295,571.06	360,996.74
<b>LIABILITIES</b>					
Current Liabilities:					
Payables:					
Vouchers and Accounts Payable (Note 1)	1,148,427.44	1,493,293.00	2,110,624.91	1,102,515.54	(861.86)
Retainage Payable	158,326.86	104,941.07	131,952.51	112,495.66	
Due to Other Funds	1,111,290.56	698,001.69	519,060.67	43,104.93	351,654.80
Total Current Liabilities	2,418,044.86	2,296,235.76	2,761,638.09	1,258,116.13	350,792.94
<b>TOTAL LIABILITIES</b>	2,418,044.86	2,296,235.76	2,761,638.09	1,258,116.13	350,792.94
<b>NET POSITION</b>					
Invested in Capital Assets, Net of Related Debt	7,909,260.91	7,990,201.32	7,902,064.48	7,350,181.65	
Restricted for the Texas State Veterans' Home Program	4,198,240.50	5,513,892.82	822,138.37	2,687,273.28	10,203.80
<b>TOTAL NET POSITION</b>	12,107,501.41	13,504,094.14	8,724,202.85	10,037,454.93	10,203.80

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



UNAUDITED

SURPLUS FUND (0374) U/F (0698)	TYLER 35% FUND (0374) U/F (0656)	FED ARRA 65% FUND (0374) U/F (6656)	MCALLEN FUND (0374) U/F (0652)	EL PASO FUND (0374) U/F (0653)	AMARILLO FUND (0374) U/F (0654)	TOTALS (EXH III) 2014                      2013	
\$	\$	\$	\$	\$	\$	\$	\$
	3,833,799.30	9,295.98	8,185,613.51	10,914,206.04	632,356.26	38,736,533.16 0.00	28,719,907.13 8,393,037.65
	422,586.18		533,572.38	745,750.98	1,042,653.68	8,653,245.61	11,316,040.79
	1,037.02	2.81	2,456.03	3,158.56	182.36	11,446.74	7,355.62
	785,300.91		1,018,709.59	362,607.38	539,335.13	5,153,548.16	5,658,704.12
	(240,643.53)		(562,504.60)	(35,748.08)	(173,784.30)	(2,218,278.28)	(2,285,702.62)
	1,078,738.90				347,029.54	1,425,793.19	912,070.90
0.00	5,880,818.78	9,298.79	9,177,846.91	11,989,974.88	2,387,772.67	51,762,288.58	52,721,413.59
						46,501.14	46,501.14
						(46,501.14)	(46,501.14)
	79,349.67	147,363.68	46,994.20	55,246.26	29,336.60	618,166.28	513,657.19
	(55,365.48)	(102,824.06)	(32,499.35)	(12,697.21)	(16,386.54)	(350,711.71)	(266,177.95)
	5,911,004.34	10,457,161.77	11,819,162.06	10,945,549.21	13,196,583.95	94,335,128.82	94,600,128.82
	(853,808.68)	(1,521,974.64)	(5,461,932.37)	(4,776,165.74)	(4,958,149.40)	(42,215,052.08)	(37,766,241.64)
					22,963.00	22,963.00	112,963.00
					(3,252.78)	(3,252.78)	(10,354.74)
			129,622.89	166,302.77	53,963.92	13,269,014.90	6,352,510.40
			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)
0.00	5,081,179.85	8,979,726.75	7,801,347.43	7,028,235.29	9,133,558.75	69,175,756.43	67,035,985.08
0.00	10,961,998.63	8,989,025.54	16,979,194.34	19,018,210.17	11,521,331.42	120,938,045.01	119,757,398.67
(8,395,241.66)	1,346,020.80		1,595,562.36	1,493,587.68	1,613,325.11	3,507,253.32	13,420,728.15
						507,716.10	248,109.86
8,395,241.66			21,488.51	21,150.10	14.37	11,161,007.29	6,391,551.82
0.00	1,346,020.80	0.00	1,617,050.87	1,514,737.78	1,613,339.48	15,175,976.71	20,060,389.83
0.00	1,346,020.80	0.00	1,617,050.87	1,514,737.78	1,613,339.48	15,175,976.71	20,060,389.83
	5,081,179.85	8,979,726.75	7,801,347.43	7,028,235.29	9,133,558.75	69,175,756.43	67,035,985.08
	4,534,797.98	9,298.79	7,560,796.04	10,475,237.10	774,433.19	36,586,311.87	32,661,023.76
0.00	9,615,977.83	8,989,025.54	15,362,143.47	17,503,472.39	9,907,991.94	105,762,068.30	99,697,008.84

**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, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS REF SER '95 FUND (0567) U/F (0567)	VET BDS TAX REF FUND (0590) U/F (0590)
<b>OPERATING REVENUES</b>	\$	\$	\$	\$
Interest on Housing Mortgages	3,011,344.08		677,764.69	5,568,267.02
Interest on Home Improvement Loans	5,131.71		6,303.77	144,299.50
Gain (Loss) on Housing Mortgage and Home Improvement Loans	(3,244,630.99)		250.25	23,568.56
Miscellaneous Income	3,000.00			247.62
<b>TOTAL OPERATING REVENUES</b>	(225,155.20)	0.00	684,318.71	5,736,382.70
<b>OPERATING EXPENSES</b>				
Professional Fees and Services	123,703.26		17,888.28	384,556.93
Printing and Reproduction				261.46
Debt Service Interest		36,700.56	1,863,025.69	6,621,248.87
Other Operating Expenses		400.00	55,596.37	923,221.26
<b>TOTAL OPERATING EXPENSES</b>	123,703.26	37,100.56	1,936,510.34	7,929,288.52
<b>OPERATING INCOME (LOSS) (Exhibit C-3a)</b>	(348,858.46)	(37,100.56)	(1,252,191.63)	(2,192,905.82)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	38,802.85	65.00	6,093.98	535,168.09
Net Increase (Decrease) in Fair Value of Investments	176,374.50			5,598,812.53
Interest Expense				
Settlement of Claims				
Borrower Rebate/Agent Fees - Securities Lending	(3,604.65)			(9,162.61)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	211,572.70	65.00	6,093.98	6,124,818.01
<b>INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS</b>	(137,285.76)	(37,035.56)	(1,246,097.65)	3,931,912.19
<b>OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>				
Transfers In	3,742,000.00	(40,000.00)	7,110,000.00	7,381,086.66
Transfers Out	(14,040,000.00)	(311.50)	(46,689.89)	(5,863,690.74)
<b>TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	(10,298,000.00)	(40,311.50)	7,063,310.11	1,517,395.92
<b>CHANGE IN NET POSITION</b>	(10,435,285.76)	(77,347.06)	5,817,212.46	5,449,308.11
<b>NET POSITION - August 31, 2013</b>	116,860,371.66	92,701.90	87,324.06	51,475,629.53
<b>NET POSITION - August 31, 2014 (Exhibit C-1a)</b>	106,425,085.90	15,354.84	5,904,536.52	56,924,937.64

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

UNAUDITED

VET BDS SER '94A1 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (Note <sup>1</sup> )	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. IV)	
\$	\$	\$	\$	\$	2014	2013
	36,687,576.06	20,820,970.56			66,765,922.41	65,671,852.99
	239,064.20	141,599.57			536,398.75	477,439.88
	(112,921.96)	36,216.94			(3,297,517.20)	1,467,057.67
					3,247.62	0.00
0.00	36,813,718.30	20,998,787.07	0.00	0.00	64,008,051.58	67,616,350.54
	706,855.01	1,798,516.60			3,031,520.08	1,919,413.09
	2,216.57	1,590.79			4,068.82	1,955.41
3,685.17	39,975,313.98	18,954,935.30			67,454,909.57	59,068,314.60
12,444.52	5,944,979.97	1,867,729.54	132.42		8,804,504.08	10,951,977.05
16,129.69	46,629,365.53	22,622,772.23	132.42	0.00	79,295,002.55	71,941,660.15
(16,129.69)	(9,815,647.23)	(1,623,985.16)	(132.42)	0.00	(15,286,950.97)	(4,325,309.61)
49,671.31	498,600.57	967,640.91	346,708.91	407,784.25	2,850,535.87	2,566,059.79
219,643.75	(97,824.54)	9,685,022.51	1,483,888.65	489,428.50	17,555,345.90	(16,392,556.35)
	(29.02)				(29.02)	0.00
	(1,621.78)	(21,481.97)	(251.38)	(745.42)	0.00	1,359,805.79
					(36,867.81)	(68,647.53)
269,315.06	399,125.23	10,631,181.45	1,830,346.18	896,467.33	20,368,984.94	(12,535,338.30)
253,185.37	(9,416,522.00)	9,007,196.29	1,830,213.76	896,467.33	5,082,033.97	(16,860,647.91)
400,000.00	29,010,262.36	6,498,262.36	304,082.79		54,405,694.17	62,756,587.41
(8,647.66)	(16,208,262.36)	(32,099,139.36)			(68,266,741.51)	(72,003,932.75)
391,352.34	12,802,000.00	(25,600,877.00)	304,082.79	0.00	(13,861,047.34)	(9,247,345.34)
644,537.71	3,385,478.00	(16,593,680.71)	2,134,296.55	896,467.33	(8,779,013.37)	(26,107,993.25)
316,639.87	79,269.13	114,922,162.88	16,724,459.33	15,404,220.20	315,962,778.56	342,070,771.81
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

Note1 U/F (0808 - 0826, 0831 - 0837)

**EXHIBIT C-2b**

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

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VET LAND REF BDS REF SER '91 TAX '00, '02-'06, & '10D FUND (0571) U/F (0571) (9000) (9001)	VET LAND BDS REF SER '99A FUND (0626) U/F (0626)	VET LAND BDS SER '94 FUND (0381) U/F (0381)
	\$	\$	\$
<b>OPERATING REVENUES</b>			
Interest on Land Loans	21,487,380.89	355,408.44	
Gain (Loss) on Land Loans	(1,415,642.33)	(2,054.38)	
Miscellaneous Income	469,531.66		
<b>TOTAL OPERATING REVENUES</b>	<b>20,541,270.22</b>	<b>353,354.06</b>	<b>0.00</b>
<b>OPERATING EXPENSES</b>			
Professional Fees and Services	1,195,519.46		
Travel			
Materials and Supplies	74,605.76		
Repairs and Maintenance	22,500.00		
Printing and Reproduction	664.94		
Depreciation and Amortization	102.52		
Debt Service Interest	11,929,821.24	850,299.41	58,237.04
Other Operating Expenses	1,829,531.08	34,307.41	450.00
<b>TOTAL OPERATING EXPENSES</b>	<b>15,052,745.00</b>	<b>884,606.82</b>	<b>58,687.04</b>
<b>OPERATING INCOME (LOSS) (Exhibit C-3b)</b>	<b>5,488,525.22</b>	<b>(531,252.76)</b>	<b>(58,687.04)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	5,068,845.48	245,908.92	113.29
Net Increase (Decrease) in Fair Value of Investments	11,089,295.64	325,879.10	
Settlement of Claims	0.00		
Borrower Rebate/Agent Fees-Sec. Lending	(21,443.87)	(56.36)	
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>16,136,697.25</b>	<b>571,731.66</b>	<b>113.29</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS</b>	<b>21,625,222.47</b>	<b>40,478.90</b>	<b>(58,573.75)</b>
<b>OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>			
Transfers In	29,729,507.49	1,700,000.00	645,000.00
Transfers Out	(41,196,605.56)	(1,170,302.00)	
<b>TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	<b>(11,467,098.07)</b>	<b>529,698.00</b>	<b>645,000.00</b>
<b>CHANGE IN NET POSITION</b>	<b>10,158,124.40</b>	<b>570,176.90</b>	<b>586,426.25</b>
<b>NET POSITION - August 31, 2013</b>	<b>316,779,732.43</b>	<b>2,217.63</b>	<b>72,724.71</b>
<b>NET POSITION - August 31, 2014 (Exhibit C-1b)</b>	<b>326,937,856.83</b>	<b>572,394.53</b>	<b>659,150.96</b>

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

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850) (0852)	TOTALS	
	(EXH. IV)	
	2014	2013
\$	\$	\$
381,763.60	22,224,552.93	21,369,052.39
(33,736.63)	(1,451,433.34)	2,996,313.44
	469,531.66	427,998.10
348,026.97	21,242,651.25	24,793,363.93
638,355.45	1,833,874.91	1,350,398.33
	0.00	368.75
	74,605.76	52,873.71
	22,500.00	5,150.00
	664.94	0.00
	102.52	8,566.80
891,537.90	13,729,895.59	13,834,423.62
78,782.77	1,943,071.26	2,003,702.96
1,608,676.12	17,604,714.98	17,255,484.17
(1,260,649.15)	3,637,936.27	7,537,879.76
1,500.69	5,316,368.38	5,621,725.42
	11,415,174.74	(14,389,219.03)
	0.00	1,359,805.78
	(21,500.23)	(30,072.43)
1,500.69	16,710,042.89	(7,437,760.26)
(1,259,148.46)	20,347,979.16	100,119.50
6,131,000.00	38,205,507.49	10,335,226.11
	(42,366,907.56)	(22,160,688.43)
6,131,000.00	(4,161,400.07)	(11,825,462.32)
4,871,851.54	16,186,579.09	(11,725,342.82)
7,992.83	316,862,667.60	328,588,010.42
4,879,844.37	333,049,246.69	316,862,667.60

**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, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	TEMPLE FUND (0374) U/F (0650)	FLORESVILLE FUND (0374) U/F (0651)	BONHAM FUND (0374) U/F (0660)	BIG SPRING FUND (0374) U/F (0661)	SERIES 2002 FUND (0374) U/F (0665)
<b>OPERATING REVENUES</b>	\$	\$	\$	\$	\$
Charges for Services:					
Veterans Administration Per Diem	9,726,088.20	7,032,430.29	4,852,036.58	5,285,141.45	
Resident Payments (Net of Provisions for Bad Debt)	2,572,098.10	2,987,776.36	3,187,734.75	2,148,467.10	
Medicare Reimbursements (Net of Provisions for Bad Debt)	758,091.63	996,146.11	1,665,635.26	254,141.57	
Medicaid Revenues (Net of Provisions for Bad Debt)	503,292.67	786,933.97	1,013,167.20	721,649.22	
Other Assistance Payments (Net of Provisions for Bad Debt)		34,427.06	31,532.69	20,245.99	
Third Party Reimbursements	1,509.92	1,752.75		31.00	
Miscellaneous Income	1,391.15	56.39	656.88	1,369.13	
<b>TOTAL OPERATING REVENUES</b>	<b>13,562,471.67</b>	<b>11,839,522.93</b>	<b>10,750,763.36</b>	<b>8,431,045.46</b>	<b>0.00</b>
<b>OPERATING EXPENSES</b>					
Professional Fees and Services	9,185,842.13	9,373,979.90	9,614,581.20	7,257,135.23	
Travel	8,249.71	11,730.30	21,697.77	32,717.90	
Materials and Supplies	445,613.28	505,216.10	316,746.92	176,628.98	
Communications and Utilities	2,902.47	2,440.99	2,718.40	2,941.44	
Repairs and Maintenance	92,562.66	57,159.92	129,456.84	107,853.29	
Depreciation and Amortization	469,741.99	465,189.71	460,364.56	442,822.62	
Interest Expense	33.09	105.13	57.56	4.80	
Other Operating Expenses	1,036.98	7,979.02	2,167.78	5,034.15	
<b>TOTAL OPERATING EXPENSES</b>	<b>10,205,982.31</b>	<b>10,423,801.07</b>	<b>10,547,791.03</b>	<b>8,025,138.41</b>	<b>0.00</b>
<b>OPERATING INCOME (LOSS) (Exhibit C-3c)</b>	<b>3,356,489.36</b>	<b>1,415,721.86</b>	<b>202,972.33</b>	<b>405,907.05</b>	<b>0.00</b>
<b>NONOPERATING REVENUES/(EXPENSES)</b>					
Federal Revenues	1,913,050.50	848,509.36	702,565.45	108,785.32	
Gifts/Pledges/Donations	870.00	3,475.00	3,300.00	4,477.28	
Investment Income	10,148.96	20,059.43	4,657.13	11,536.16	2,368.43
<b>TOTAL NONOPERATING REVENUES/(EXPENSES)</b>	<b>1,924,069.46</b>	<b>872,043.79</b>	<b>710,522.58</b>	<b>124,798.76</b>	<b>2,368.43</b>
<b>INCOME/(LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS</b>	<b>5,280,558.82</b>	<b>2,287,765.65</b>	<b>913,494.91</b>	<b>530,705.81</b>	<b>2,368.43</b>
<b>OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>					
Transfers In	2,971,443.58	2,506,571.02	2,327,668.77	2,264,054.61	
Transfers Out	(2,708,729.69)	(2,528,737.12)	(2,407,021.09)	(1,708,480.52)	(861.86)
<b>TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	<b>262,713.89</b>	<b>(22,166.10)</b>	<b>(79,352.32)</b>	<b>555,574.09</b>	<b>(861.86)</b>
<b>CHANGE IN NET POSITION</b>	<b>5,543,272.71</b>	<b>2,265,599.55</b>	<b>834,142.59</b>	<b>1,086,279.90</b>	<b>1,506.57</b>
<b>NET POSITION, August 31, 2013</b>	<b>6,564,228.70</b>	<b>11,238,494.59</b>	<b>7,890,060.26</b>	<b>8,951,175.03</b>	<b>8,697.23</b>
<b>NET POSITION - August 31, 2014 (Exhibit C-1c)</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>

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

UNAUDITED

SURPLUS FUND (0374) U/F (0698)	TYLER 35% FUND (0374) U/F (0656)	FED ARRA 65% FUND (0374) U/F (6656)	MCALLEN FUND (0374) U/F (0652)	EL PASO FUND (0374) U/F (0653)	AMARILLO FUND (0374) U/F (0654)	TOTALS (EXH IV) 2014                      2013	
\$	\$	\$	\$	\$	\$	\$	\$
	4,444,399.48		5,041,920.25	8,008,667.70	4,433,689.77	48,824,373.72	41,800,821.09
	1,802,143.87		2,671,797.44	2,973,822.46	2,510,862.70	20,854,702.78	21,603,661.88
	501,855.82		1,175,581.72	1,013,281.70	1,375,202.69	7,739,936.50	8,395,766.33
	2,770,762.19		1,952,948.57	1,692,538.68	873,852.50	10,315,145.00	10,240,840.18
	242,136.01		247,479.14	78,488.55	70,931.71	725,241.15	580,525.90
	72.00		1,326.00		41.79	4,733.46	9,314.45
			2,637.70	4,138.85		10,250.10	14,882.87
0.00	9,761,369.37	0.00	11,093,690.82	13,770,937.94	9,264,581.16	88,474,382.71	82,645,812.70
	7,407,633.19		9,313,190.34	9,342,239.44	8,043,228.20	69,537,829.63	65,798,553.88
	12,410.86		18,707.82	21,558.69	24,937.14	152,010.19	39,707.87
	376,807.22	(8,568.32)	409,745.05	569,491.63	241,606.10	3,033,286.96	2,789,711.86
	2,247.25		2,933.35	2,449.79	1,994.20	20,627.89	0.00
	41,393.60		29,184.38	19,520.84	7,912.49	485,044.02	722,531.45
	300,581.90	574,389.02	599,385.62	549,244.76	670,317.06	4,532,037.24	4,542,201.34
	33.98		59.89	55.35	103.32	453.12	17.23
	2,054.60		908.39	891.16	940.70	21,012.78	171,665.30
0.00	8,143,162.60	565,820.70	10,374,114.84	10,505,451.66	8,991,039.21	77,782,301.83	74,064,388.93
0.00	1,618,206.77	(565,820.70)	719,575.98	3,265,486.28	273,541.95	10,692,080.88	8,581,423.77
	1,075.36		9,153.69	(97,655.98)	14.37	3,485,498.07	4,309,133.30
	1,462.00		2,029.74	3,232.33	5,611.00	24,457.35	28,395.00
3,065.87	8,109.99	35.39	28,123.15	34,671.74	2,194.44	124,970.69	88,101.07
3,065.87	10,647.35	35.39	39,306.58	(59,751.91)	7,819.81	3,634,926.11	4,425,629.37
3,065.87	1,628,854.12	(565,785.31)	758,882.56	3,205,734.37	281,361.76	14,327,006.99	13,007,053.14
(8,395,241.66)	896,367.98 (90,000.00)		105,693.94 (574,215.15)	215,256.22 (586,953.32)	40,763.95 (589,527.19)	11,327,820.07 (19,589,767.60)	2,397,001.94 (4,088,544.09)
(8,395,241.66)	806,367.98	0.00	(468,521.21)	(371,697.10)	(548,763.24)	(8,261,947.53)	(1,691,542.15)
(8,392,175.79)	2,435,222.10	(565,785.31)	290,361.35	2,834,037.27	(267,401.48)	6,065,059.46	11,315,510.99
8,392,175.79	7,180,755.73	9,554,810.85	15,071,782.12	14,669,435.12	10,175,393.42	99,697,008.84	88,381,497.85
0.00	9,615,977.83	8,989,025.54	15,362,143.47	17,503,472.39	9,907,991.94	105,762,068.30	99,697,008.84

**EXHIBIT C-3a**

**STATEMENT OF CASH FLOWS**

**VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS**

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS REF SER '95 FUND (0567) U/F (0567)	VET BDS TAX REF FUND (0590) U/F (0590)
	\$	\$	\$	\$
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)</b>				
<b>OPERATING ACTIVITIES</b>				
Receipts from Loan Payments	77,210,436.73		3,786,076.08	26,730,637.15
Other Operating Cash Receipts				247.62
Fundings for Mortgage and Home Improvement Loans	(59,974,549.03)		(9,090.22)	(18,587,089.21)
Payments to Suppliers of Goods and Services	(149,441.49)	(400.00)	(83,414.53)	(1,439,769.88)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>17,086,446.21</b>	<b>(400.00)</b>	<b>3,693,571.33</b>	<b>6,704,025.68</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance				163,395,000.00
Proceeds from Other Financing Activities				
Payments for Debt Service - Principal		(760,000.00)	(6,810,000.00)	(171,090,000.00)
Payments for Debt Service - Interest			(1,535,816.94)	(6,619,845.40)
Transfers from Other Funds	3,742,000.00	760,000.00	3,110,000.00	7,770,089.99
Transfers to Other Funds	(11,840,000.00)	(311.50)	(46,689.89)	(5,863,690.74)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(8,098,000.00)</b>	<b>(311.50)</b>	<b>(5,282,506.83)</b>	<b>(12,408,446.15)</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from Interest and Investment Income	145,661.92	63.99	6,907.74	518,030.78
Proceeds from Sale of Investments	103,400,000.00			19,000,000.00
Payments to Acquire Investments	(124,332,986.30)			(20,004,485.00)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(20,787,324.38)</b>	<b>63.99</b>	<b>6,907.74</b>	<b>(486,454.22)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(11,798,878.17)</b>	<b>(647.51)</b>	<b>(1,582,027.76)</b>	<b>(6,190,874.69)</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2013</b>	<b>65,654,586.31</b>	<b>15,998.92</b>	<b>3,165,993.82</b>	<b>15,279,575.18</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>

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



UNAUDITED

VET BDS SER '94A1 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) (U/F <sup>1</sup> )	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. V)	
\$	\$	\$	\$	\$	2014	2013
\$	\$	\$	\$	\$	\$	\$
	133,457,873.54	95,029,927.59			336,214,951.09	457,004,894.90
	0.00				247.62	0.00
	(329,181,065.33)	(67,009,237.11)			(474,761,030.90)	(461,553,470.50)
(11,210.64)	(7,288,696.95)	(4,339,371.97)	(132.42)		(13,312,437.88)	(12,496,891.21)
(11,210.64)	(203,011,888.74)	23,681,318.51	(132.42)	0.00	(151,858,270.07)	(17,045,466.81)
	150,000,000.00	517,620,000.00			831,015,000.00	349,990,000.00
					0.00	1,359,805.79
(400,000.00)	(53,920,000.00)	(527,185,000.00)			(760,165,000.00)	(67,635,000.00)
(3,663.97)	(37,213,707.40)	(18,962,238.02)			(64,335,271.73)	(59,885,997.90)
400,000.00	15,010,262.36	6,498,262.36	304,082.79		37,594,697.50	56,867,584.08
(8,647.66)	(16,208,262.36)	(17,099,139.36)			(51,066,741.51)	(66,503,932.75)
(12,311.63)	57,668,292.60	(39,128,115.02)	304,082.79	0.00	(6,957,315.74)	214,192,459.22
46,258.95	601,236.12	895,444.28	349,286.06	409,428.28	2,972,318.12	2,511,670.25
2,220,000.00	102,000,000.00	26,000,000.00	1,500,000.00	4,425,000.00	258,545,000.00	196,521,323.57
(2,500,000.00)	(93,496,411.05)	(27,154,383.06)	(1,000,000.00)	(3,000,000.00)	(271,488,265.41)	(328,479,210.58)
(233,741.05)	9,104,825.07	(258,938.78)	849,286.06	1,834,428.28	(9,970,947.29)	(129,446,216.76)
(257,263.32)	(136,238,771.07)	(15,705,735.29)	1,153,236.43	1,834,428.28	(168,786,533.10)	67,700,775.65
772,127.28	231,047,774.36	26,600,442.69	177,451.96	543,005.59	343,256,956.11	275,556,180.48
514,863.96	94,809,003.29	10,894,707.40	1,330,688.39	2,377,433.87	174,470,423.01	343,256,956.13

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<sup>1</sup> U/F (0808 - 0826, 0831 - 0837)

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

**STATEMENT OF CASH FLOWS**

**VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS**

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS REF SER '95 FUND (0567) U/F (0567)	VET BDS TAX REF FUND (0590) 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>	(348,858.46)	(37,100.56)	(1,252,191.63)	(2,192,905.82)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Classification Differences		36,700.56	1,863,025.69	6,621,248.87
(Increase) Decrease in Receivables	287,862.85		82,614.25	1,050,190.46
(Increase) Decrease in Loans and Contracts	17,187,536.39		3,031,734.36	2,822,055.76
(Increase) Decrease in Other Assets	117,698.48		(49,072.98)	(129,615.94)
Increase (Decrease) in Payables	36,403.51		15,202.54	(1,275,775.98)
Increase (Decrease) in Other Liabilities	(194,196.56)		2,259.10	(191,171.67)
<b>TOTAL ADJUSTMENTS</b>	<b>17,435,304.67</b>	<b>36,700.56</b>	<b>4,945,762.96</b>	<b>8,896,931.50</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>17,086,446.21</b>	<b>(400.00)</b>	<b>3,693,571.33</b>	<b>6,704,025.68</b>
<b>NONCASH TRANSACTIONS</b>				
Capital Appreciation Bond Interest Accretion		(36,700.56)		
Change in Fair Value of Investments	176,374.50			5,598,812.53
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>176,374.50</b>	<b>(36,700.56)</b>	<b>0.00</b>	<b>5,598,812.53</b>

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

UNAUDITED

VET BDS SER '94A1 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) (U/F <sup>1</sup> )	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. V)	
\$	\$	\$	\$	\$	2014	2013
					\$	\$
(16,129.69)	(9,815,647.23)	(1,623,985.16)	(132.42)		(15,286,950.97)	(4,325,309.61)
3,685.17	39,975,313.98	18,954,930.45			67,454,904.72	59,068,314.60
	(2,922,075.02)	1,655,827.65			154,420.19	21,396,749.25
	(231,477,002.23)	6,191,658.83			(202,244,016.89)	(95,725,113.84)
	(144,014.27)	280,499.42			75,494.71	1,096,732.78
1,233.88	1,353,529.29	(1,822,528.41)			(1,691,935.17)	2,249,682.10
	18,006.74	44,915.73			(320,186.66)	(806,522.09)
4,919.05	(193,196,241.51)	25,305,303.67	0.00	0.00	(136,571,319.10)	(12,720,157.20)
(11,210.64)	(203,011,888.74)	23,681,318.51	(132.42)	0.00	(151,858,270.07)	(17,045,466.81)
					(36,700.56)	(82,784.48)
219,643.75	(97,824.54)	9,685,022.51	1,483,888.65	489,428.50	17,555,345.90	(16,392,556.35)
219,643.75	(97,824.54)	9,685,022.51	1,483,888.65	489,428.50	17,518,645.34	(16,475,340.83)

<sup>1</sup> U/F (0808 - 0826, 0831 - 0837)

**EXHIBIT C-3b**

**STATEMENT OF CASH FLOWS**

**VETERANS' LAND PROGRAM PROPRIETARY FUNDS**

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VET LAND REF BDS REF SER '91 TAX '00, '02-'06, & '10D FUND (0571) U/F (0571) (9000) (9001)	VET LAND BDS REF SER '99A FUND (0626) U/F (0626)	VET LAND BDS SER '94 FUND (0381) U/F (0381)
	\$	\$	\$
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)</b>			
<b>OPERATING ACTIVITIES</b>			
Receipts from Loan Payments	66,143,145.09	1,352,143.92	
Other Operating Cash Receipts	1,349,922.99		
Fundings for Land Loans	(56,831,091.11)		
Payments to Suppliers of Goods and Services	(3,296,857.97)	89,518.83	(450.00)
Payments for Other Expenses		(0.65)	
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	7,365,119.00	1,441,662.10	(450.00)
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Proceeds from Debt Issuance	233,975,000.00		
Proceeds from Other Financing Activities			
Payments for Debt Service - Principal	(246,205,000.00)	(2,550,000.00)	(747,000.00)
Payments for Debt Service - Interest	(11,972,660.37)	(850,249.45)	
Transfers from Other Funds	14,134,356.45	2,600,000.00	745,000.00
Transfers to Other Funds	(31,413,742.06)	(1,170,302.00)	
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	(41,482,045.98)	(1,970,551.45)	(2,000.00)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payments for Additional Capital Assets	(4,894.25)		
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(4,894.25)	0.00	0.00
<b>INVESTING ACTIVITIES</b>			
Proceeds from Interest and Investment Income	25,878,313.74	246,712.29	90.53
Proceeds from Sale of Investments	46,801,640.52		
Payments to Acquire Investments	(37,401,762.30)		
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	35,278,191.96	246,712.29	90.53
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,156,370.73	(282,177.06)	(2,359.47)
<b>CASH AND CASH EQUIVALENTS - August 31, 2013</b>	29,765,724.23	414,917.10	396,392.13
<b>CASH AND CASH EQUIVALENTS - August 31, 2014</b>	30,922,094.96	132,740.04	394,032.66

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850) (0852) \$	TOTALS	
	(EXH. V)	
	2014	2013
	\$	\$
1,228,434.25	68,723,723.26	66,736,718.32
(17,003.57)	1,349,922.99	274,613.98
(762,031.44)	(56,848,094.68)	(45,686,459.68)
(77.66)	(3,969,820.58)	(2,782,152.53)
	(78.31)	28,263.92
449,321.58	9,255,652.68	18,570,984.01
0.00	233,975,000.00	0.00
(510,000.00)	0.00	1,359,805.78
(1,279,958.73)	(250,012,000.00)	(15,667,000.00)
0.00	(14,102,868.55)	(13,649,309.51)
331,000.00	17,479,356.45	5,539,820.51
	(32,253,044.06)	(22,777,873.15)
(1,458,958.73)	(44,913,556.16)	(45,194,556.37)
	(4,894.25)	171,879.90
0.00	(4,894.25)	171,879.90
1,561.26	26,126,677.82	2,740,419.37
0.00	46,801,640.52	97,679,006.14
0.00	(37,401,762.30)	(74,869,333.59)
1,561.26	35,526,556.04	25,550,091.92
(1,008,075.89)	(136,241.69)	(901,600.54)
1,749,605.30	32,326,638.76	33,228,239.30
741,529.41	32,190,397.07	32,326,638.76

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

**STATEMENT OF CASH FLOWS**

**VETERANS' LAND PROGRAM PROPRIETARY FUNDS**

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	VET LAND REF BDS REF SER '89, '90, '91, TAX REF '98A, '98B, & '99B FUND (0571) U/F (0571) (9000) (9001)	VET LAND BDS REF SER '99A FUND (0626) U/F (0626)	VET LAND BDS SER '94 FUND (0381) U/F (0381)
	\$	\$	\$
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>OPERATING INCOME (LOSS) (Exhibit C-2b)</b>	5,488,525.22	(531,252.76)	(58,687.04)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Depreciation and Amortization	102.52		
Classification Differences	11,928,304.36	850,298.76	58,237.04
(Increase) Decrease in Receivables	(9,193,452.68)	(5,383.14)	
(Increase) Decrease in Loans and Contracts	(10,029,977.64)	1,154,720.43	
(Increase) Decrease in Other Assets	41,184.99	(28,044.63)	
Increase (Decrease) in Payables	7,988,095.10	(287.09)	
Increase (Decrease) in Other Liabilities	1,142,337.13	1,610.53	
<b>TOTAL ADJUSTMENTS</b>	<b>1,876,593.78</b>	<b>1,972,914.86</b>	<b>58,237.04</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>7,365,119.00</b>	<b>1,441,662.10</b>	<b>(450.00)</b>
<b>NONCASH TRANSACTIONS</b>			
Capital Appreciation Bond Interest Accretion			(58,237.04)
Change in Fair Value of Investments	11,089,295.64	325,879.10	
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>11,089,295.64</b>	<b>325,879.10</b>	<b>(58,237.04)</b>

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

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850) (0852) \$	TOTALS	
	(EXH. V)	
	2014	2013
	\$	\$
(1,260,649.15)	3,637,936.27	7,537,879.76
	102.52	8,566.80
891,460.24	13,728,300.40	13,944,742.51
10,406.83	(9,188,428.99)	(915,200.29)
853,733.92	(8,021,523.29)	(3,663,717.38)
	13,140.36	1,784,463.94
(44,893.22)	7,942,914.79	(131,152.10)
(737.04)	1,143,210.62	5,400.77
1,709,970.73	5,617,716.41	11,033,104.25
449,321.58	9,255,652.68	18,570,984.01
(92,430.76)	(150,667.80)	(222,543.53)
	11,415,174.74	(14,389,219.03)
(92,430.76)	11,264,506.94	(14,611,762.56)

**EXHIBIT C-3c**

**STATEMENT OF CASH FLOWS**

**DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM**

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	TEMPLE FUND (0374) U/F (0650)	FLORESVILLE FUND (0374) U/F (0651)	BONHAM FUND (0374) U/F (0660)	BIG SPRING FUND (0374) U/F (0661)	SERIES 2002 FUND (0374) U/F (0665)
	\$	\$	\$	\$	\$
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)</b>					
<b>OPERATING ACTIVITIES</b>					
Receipts from Residents	2,595,669.31	3,103,808.46	3,237,013.82	2,158,355.92	(553,860.11)
Receipts from Veterans Administration	8,960,912.11	8,162,052.35	5,688,780.98	5,302,445.50	
Receipts from Medicare	794,156.52	1,040,948.98	1,669,256.32	203,045.85	
Receipts from Medicaid	516,649.47	786,522.55	1,078,790.48	733,977.93	
Receipts from Gifts/Pledges/Donations	870.00	3,475.00	3,300.00	1,048,709.85	
Other Operating Cash Receipts	2,901.07	42,136.48	53,125.58	24,553.73	
Payments to Suppliers of Goods and Services	(10,506,089.31)	(10,722,908.70)	(10,091,836.09)	(7,401,937.29)	
Payment for Other Expenses	(7,985.33)	(11,206.82)	(21,885.92)	(32,319.90)	(861.86)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>2,357,083.84</b>	<b>2,404,828.30</b>	<b>1,616,545.17</b>	<b>2,036,831.59</b>	<b>(554,721.97)</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds	2,839,059.33	1,205,838.37	1,202,132.05	1,253,879.89	
Transfers to Other Funds	(1,807,189.96)	(2,040,486.26)	(2,097,711.25)	(1,875,126.43)	
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>1,031,869.37</b>	<b>(834,647.89)</b>	<b>(895,579.20)</b>	<b>(621,246.54)</b>	<b>0.00</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Receipts from Veterans Administration	902,849.52	1,409,665.14	1,278,415.93	55,579.46	
Payments for Additions to Capital Assets	(2,648,163.14)	(1,307,552.72)	(1,415,170.89)	(1,389,026.47)	
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(1,745,313.62)</b>	<b>102,112.42</b>	<b>(136,754.96)</b>	<b>(1,333,447.01)</b>	<b>0.00</b>
<b>INVESTING ACTIVITIES</b>					
Receipts from Interest and Investment Income	9,428.53	19,328.66	5,441.29	11,421.63	2,275.64
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>9,428.53</b>	<b>19,328.66</b>	<b>5,441.29</b>	<b>11,421.63</b>	<b>2,275.64</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,653,068.12</b>	<b>1,691,621.49</b>	<b>589,652.30</b>	<b>93,559.67</b>	<b>(552,446.33)</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2013</b>	<b>2,033,806.85</b>	<b>4,328,453.37</b>	<b>1,431,044.06</b>	<b>2,979,214.43</b>	<b>913,288.11</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>



UNAUDITED

SURPLUS FUND (0374) U/F (0698)	TYLER 35% FUND (0374) U/F (0656)	FED ARRA 65% FUND (0374) U/F (6656)	MCALLEN FUND (0374) U/F (0652)	EL PASO FUND (0374) U/F (0653)	AMARILLO FUND (0374) U/F (0654)	TOTALS (EXH V) 2014                      2013	
\$	\$	\$	\$	\$	\$	\$	\$
	1,845,278.55		2,716,421.63	3,032,799.48	2,537,639.56	20,673,126.62	21,917,217.99
	4,849,742.06		5,871,299.68	7,895,619.05	4,081,453.83	50,812,305.56	35,749,604.05
	473,241.15		1,262,147.16	1,061,016.13	1,440,119.94	7,943,932.05	7,950,264.91
	2,689,919.09		1,953,963.63	1,711,615.89	883,260.81	10,354,699.85	10,346,893.66
	1,462.00		2,029.74	3,232.33	5,611.00	1,068,689.92	28,395.00
	237,762.55		243,485.18	77,456.23	84,087.82	765,508.64	563,597.71
	(8,020,976.29)		(9,678,873.90)	(9,741,374.40)	(8,374,042.81)	(74,538,038.79)	(64,858,391.74)
(8,395,241.66)	(11,204.46)		(17,377.19)	(20,138.76)	(21,657.37)	(8,539,879.27)	(67,994.84)
(8,395,241.66)	2,065,224.65	0.00	2,353,095.93	4,020,225.95	636,472.78	8,540,344.58	11,629,586.74
	896,367.98		93,359.12	96,450.14	40,763.95	7,627,850.83	6,096,971.18
	(470,600.61)		(732,536.12)	(751,772.01)	(788,539.54)	(10,563,962.18)	(2,304,135.16)
0.00	425,767.37	0.00	(639,177.00)	(655,321.87)	(747,775.59)	(2,936,111.35)	3,792,836.02
						3,646,510.05	1,675,258.91
	(805,105.75)		(91,173.18)	(129,850.44)	36,022.19	(7,750,020.40)	(5,707,102.44)
0.00	(805,105.75)	0.00	(91,173.18)	(129,850.44)	36,022.19	(4,103,510.35)	(4,031,843.53)
3,065.87	8,622.39	81.86	27,437.59	33,585.44	2,176.60	122,865.50	87,049.53
3,065.87	8,622.39	81.86	27,437.59	33,585.44	2,176.60	122,865.50	87,049.53
(8,392,175.79)	1,694,508.66	81.86	1,650,183.34	3,268,639.08	(73,104.02)	1,623,588.38	11,477,628.76
8,392,175.79	2,139,290.64	9,214.12	6,535,430.17	7,645,566.96	705,460.28	37,112,944.78	25,635,316.02
0.00	3,833,799.30	9,295.98	8,185,613.51	10,914,206.04	632,356.26	38,736,533.16	37,112,944.78

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

**STATEMENT OF CASH FLOWS**

**DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM**

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	TEMPLE FUND (0374) U/F (0650)	FLORESVILLE FUND (0374) U/F (0651)	BONHAM FUND (0374) U/F (0660)	BIG SPRING FUND (0374) U/F (0661)	SERIES 2002 FUND (0374) U/F (0665)
	\$	\$	\$	\$	\$
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
<b>OPERATING INCOME (LOSS) (Exhibit C-2c)</b>	3,356,489.36	1,415,721.86	202,972.33	405,907.05	0.00
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Depreciation and Amortization	469,741.99	465,189.71	460,364.56	442,822.62	
Classification Differences	870.00	3,475.00	3,300.00	1,048,709.85	
(Increase) Decrease in Receivables	(650,063.84)	805,482.02	1,062,137.79	(79,866.94)	
Increase (Decrease) in Allowance for Doubtful Accounts	(66,874.84)	(177,819.96)	(116,995.66)	31,897.75	
(Increase) Decrease in Other Assets	1,120.33	615,032.05		7,017.50	2.75
Increase (Decrease) in Payables	(754,199.16)	(722,252.38)	4,766.15	180,343.76	(861.86)
Increase (Decrease) in Other Liabilities					(553,862.86)
<b>TOTAL ADJUSTMENTS</b>	(999,405.52)	989,106.44	1,413,572.84	1,630,924.54	(554,721.97)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2,357,083.84</u>	<u>2,404,828.30</u>	<u>1,616,545.17</u>	<u>2,036,831.59</u>	<u>(554,721.97)</u>
<b>NONCASH TRANSACTIONS</b>					
Change in Fair Value of Investments					
<b>TOTAL NONCASH TRANSACTIONS</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

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

UNAUDITED

[illegible]

**EXHIBIT D-1**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS**

August 31, 2014

	BALANCE 09-01-2013	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2014
<b>UNAPPROPRIATED RECEIPTS</b>	\$	\$	\$	\$
<i>GENERAL REVENUE FUND (0001)</i>				
<i>U/F (0111)</i>				
<b>ASSETS</b>				
Current Assets:				
Cash in State Treasury	0.00	15,428,161.91	15,428,161.91	0.00
Accounts Receivable	287,213.69	188,784.77	287,213.69	188,784.77
Due from Other Funds	45,561.07	44,528.46	45,561.07	44,528.46
Total Current Assets	<u>332,774.76</u>	<u>15,661,475.14</u>	<u>15,760,936.67</u>	<u>233,313.23</u>
<b>TOTAL ASSETS</b>	<u>332,774.76</u>	<u>15,661,475.14</u>	<u>15,760,936.67</u>	<u>233,313.23</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Funds Held for Others	<u>332,774.76</u>	<u>15,661,475.14</u>	<u>15,760,936.67</u>	<u>233,313.23</u>
Total Current Liabilities	<u>332,774.76</u>	<u>15,661,475.14</u>	<u>15,760,936.67</u>	<u>233,313.23</u>
<b>TOTAL LIABILITIES</b>	<u>332,774.76</u>	<u>15,661,475.14</u>	<u>15,760,936.67</u>	<u>233,313.23</u>
<b>OTHER AGENCY FUNDS</b>				
<i>CHILD SUPPORT ADDENDA DEDUCTS - SUSPENSE (0807)</i>				
<i>U/F (8070)</i>				
<b>ASSETS</b>				
Current Assets:				
Cash in State Treasury	<u>10,971.75</u>	<u>102,613.73</u>	<u>106,938.83</u>	<u>6,646.65</u>
Total Current Assets	<u>10,971.75</u>	<u>102,613.73</u>	<u>106,938.83</u>	<u>6,646.65</u>
<b>TOTAL ASSETS</b>	<u>10,971.75</u>	<u>102,613.73</u>	<u>106,938.83</u>	<u>6,646.65</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Funds Held for Others	<u>10,971.75</u>	<u>102,613.73</u>	<u>106,938.83</u>	<u>6,646.65</u>
Total Current Liabilities	<u>10,971.75</u>	<u>102,613.73</u>	<u>106,938.83</u>	<u>6,646.65</u>
<b>TOTAL LIABILITIES</b>	<u>10,971.75</u>	<u>102,613.73</u>	<u>106,938.83</u>	<u>6,646.65</u>
<b>PURCHASE/LEASE LAND VACANCY TRUST</b>				
<i>ACCOUNT (0873) U/F (0873)</i>				
<b>ASSETS</b>				
Current Assets:				
Cash in State Treasury	9,599.58	11,399.76	11,003.80	9,995.54
Receivable - Interest and Dividends	2.40	3.78	2.40	3.78
Total Current Assets	<u>9,601.98</u>	<u>11,403.54</u>	<u>11,006.20</u>	<u>9,999.32</u>
<b>TOTAL ASSETS</b>	<u>9,601.98</u>	<u>11,403.54</u>	<u>11,006.20</u>	<u>9,999.32</u>

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UNAUDITED

**EXHIBIT D-1 (concluded)**

	BALANCE 09-01-2013	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2014
<b>LIABILITIES</b>	\$	\$	\$	\$
Current Liabilities:				
Funds Held for Others	9,601.98	11,403.54	11,006.20	9,999.32
Total Current Liabilities	9,601.98	11,403.54	11,006.20	9,999.32
<b>TOTAL LIABILITIES</b>	9,601.98	11,403.54	11,006.20	9,999.32
<b>LOCAL FUNDS (9999) U/F (9999, 9991, 9993)</b>				
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Cash in Bank (Note 3)	10,320.56	833.00	11,153.56	0.00
Total Current Assets	10,320.56	833.00	11,153.56	0.00
<b>TOTAL ASSETS</b>	10,320.56	833.00	11,153.56	0.00
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	4,707.75	0.00	4,707.75	0.00
Funds Held for Others	5,612.81	833.00	6,445.81	0.00
Total Current Liabilities	10,320.56	833.00	11,153.56	0.00
<b>TOTAL LIABILITIES</b>	10,320.56	833.00	11,153.56	0.00
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Cash in Bank (Note 3)	10,320.56	833.00	11,153.56	0.00
Cash in State Treasury	20,571.33	15,542,175.40	15,546,104.54	16,642.19
Receivables:				
Interest and Dividends	2.40	3.78	2.40	3.78
Accounts Receivable	287,213.69	188,784.77	287,213.69	188,784.77
Due From Other Funds	45,561.07	44,528.46	45,561.07	44,528.46
Total Current Assets	363,669.05	15,776,325.41	15,890,035.26	249,959.20
<b>TOTAL ASSETS</b>	363,669.05	15,776,325.41	15,890,035.26	249,959.20
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	4,707.75	0.00	4,707.75	0.00
Funds Held for Others	358,961.30	15,776,325.41	15,885,327.51	249,959.20
Total Current Liabilities	363,669.05	15,776,325.41	15,890,035.26	249,959.20
<b>TOTAL LIABILITIES</b>	363,669.05	15,776,325.41	15,890,035.26	249,959.20

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, 2014



**SCHEDULE 1-A****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended August 31, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	IDENTIFYING NUMBER	PASS-THROUGH FROM		
			AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT
			\$	\$	
<b>U.S. DEPARTMENT OF COMMERCE</b>					
<b>Direct Programs:</b>					
Coastal Zone Management Administration Awards	11.419				
Pass-Through To:					
Texas Cooperative Extension					
Texas Agricultural Experiment Station					
Texas A&M University					
Texas A&M University - Galveston					
University of Texas at Austin					
Lamar University - Beaumont					
University of Texas - Pan American					
University of Houston - Clear Lake					
Texas A&M University - Corpus Christi					
Other Non-State Entities					
<b>Direct Programs:</b>					
Coastal Services Center	11.473				
Pass-Through To:					
University of Texas at Austin					
<b>Total U.S. Department of Commerce</b>				0.00	0.00
<b>U.S. DEPARTMENT OF DEFENSE</b>					
<b>Direct Programs:</b>					
Basic, Applied, and Adv. Research in Science and Eng.	12.630				
<b>Total U.S. Department of Defense</b>				0.00	0.00
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
<b>Direct Programs:</b>					
Community Development Block Grants/Entitlement Grants	14.218				
Pass-Through To:					
Other Non-State Entities					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228				
Pass-Through To:					
Texas Water Development Board					
Other Non-State Entities					
Community Development Block Grants/Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269				
<b>Total U.S. Department of Housing and Urban Development</b>				0.00	0.00
<b>U.S. DEPARTMENT OF THE INTERIOR</b>					
<b>Direct Programs:</b>					
Gulf of Mexico Energy Security Act (GOMESA)	15.435				
Other Non-State Entities					
<b>Direct Programs:</b>					
Coastal Program	15.630				
<b>Direct Programs:</b>					
Federal Oil and Gas Royalty Management	15.427				
<b>Direct Programs:</b>					
Coastal Wetlands Planning, Protection and Restoration Act	15.614				



UNAUDITED

TOTAL		PASS-THROUGH TO			TOTAL	
DIRECT PROGRAM AMOUNT	PASS-THROUGH FROM & DIRECT PROGRAM	AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT	EXPENDITURES AMOUNT	PASS-THROUGH TO & EXPENDITURES
\$	\$		\$	\$	\$	\$
178,752.34	178,752.34				178,752.34	178,752.34
(402.63)	(402.63)	555	(402.63)			(402.63)
96,892.18	96,892.18	556	96,892.18			96,892.18
50,245.45	50,245.45	711	50,245.45			50,245.45
122,128.34	122,128.34	718	122,128.34			122,128.34
152,595.19	152,595.19	721	152,595.19			152,595.19
3,159.00	3,159.00	734	3,159.00			3,159.00
28,755.44	28,755.44	736	28,755.44			28,755.44
40,164.63	40,164.63	759	40,164.63			40,164.63
503,620.00	503,620.00	760	503,620.00			503,620.00
1,334,157.89	1,334,157.89			1,334,157.89		1,334,157.89
15,954.51	15,954.51				15,954.51	15,954.51
77.88	77.88	721	77.88			77.88
2,526,100.22	2,526,100.22		997,235.48	1,334,157.89	194,706.85	2,526,100.22
8.36	8.36				8.36	8.36
8.36	8.36		0.00	0.00	8.36	8.36
4,180,773.52	4,180,773.52				4,180,773.52	4,180,773.52
1,169,192.28	1,169,192.28			1,169,192.28		1,169,192.28
80,422,701.56	80,422,701.56				80,422,701.56	80,422,701.56
415,124.25	415,124.25	580	415,124.25			415,124.25
301,366,371.51	301,366,371.51			301,366,371.51		301,366,371.51
852.68	852.68				852.68	852.68
387,555,015.80	387,555,015.80		415,124.25	302,535,563.79	84,604,327.76	387,555,015.80
61,676.10	61,676.10				61,676.10	61,676.10
333,637.92	333,637.92			333,637.92		333,637.92
817.12	817.12				817.12	817.12
161,649.37	161,649.37				161,649.37	161,649.37
13,614.38	13,614.38				13,614.38	13,614.38

**SCHEDULE 1-A (continued)****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended August 31, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	IDENTIFYING NUMBER	PASS-THROUGH FROM		
			AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT
			\$	\$	
<b>Direct Programs:</b>					
National Wildlife Refuge Fund - Refuge Revenue Sharing	15.659				
<b>Direct Programs:</b>					
Coastal Impact Assistance Program (CIAP)	15.668				
Pass-Through To:					
Texas Railroad Commission					
Texas Water Development Board					
Texas A&M Agrilife Research					
Texas Commission on Environmental Quality					
University of Texas at Austin					
Texas A&M University - Corpus Christi					
Texas Parks and Wildlife Department					
Other Non-State Entities					
<b>Total U.S. Department of the Interior</b>				0.00	0.00
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>					
<b>Direct Programs:</b>					
Grants to States for Construction of State Home Facilities	64.005				
<b>Direct Programs:</b>					
Veterans State Nursing Home Care	64.015				
<b>Direct Programs:</b>					
Burial Expenses Allowance for Veterans	64.101				
<b>Direct Programs:</b>					
State Cemetery Grants	64.203				
<b>Total U.S. Department of Veterans Affairs</b>				0.00	0.00
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>					
<b>Direct Programs:</b>					
Beach Monitoring and Notification Program	66.472				
Implementation Grants					
Pass-Through To:					
Lamar University - Beaumont					
University of Texas - Pan American					
Texas A&M University - Corpus Christi					
Other Non-State Entities					
<b>Total U.S. Environmental Protection Agency</b>				0.00	0.00
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
<b>Direct Programs:</b>					
Disaster Grants - Public Assistance	97.036				
Pass-Through From:					
Disaster Grants - Public Assistance					
(Presidentially Declared Disasters)					
Texas Department of Public Safety			405	593,354.03	
Other Non-State Entities		10-206-000-4101			600,000.00
Port Security Grant Program	97.056				
<b>Total U.S. Department of Homeland Security</b>				593,354.03	600,000.00
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				593,354.03	600,000.00

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DIRECT PROGRAM AMOUNT	TOTAL PASS-THROUGH FROM & DIRECT PROGRAM	PASS-THROUGH TO			EXPENDITURES AMOUNT	TOTAL PASS-THROUGH TO & EXPENDITURES
		AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT		
\$	\$	\$	\$	\$	\$	\$
210,936.06	210,936.06				210,936.06	210,936.06
4,525,828.98	4,525,828.98				4,525,828.98	4,525,828.98
135,500.66	135,500.66	455	135,500.66			135,500.66
114,948.92	114,948.92	580	114,948.92			114,948.92
38,656.09	38,656.09	556	38,656.09			38,656.09
852,420.02	852,420.02	582	852,420.02			852,420.02
427,548.33	427,548.33	721	427,548.33			427,548.33
90,693.95	90,693.95	760	90,693.95			90,693.95
2,722,764.74	2,722,764.74	802	2,722,764.74			2,722,764.74
16,387,313.31	16,387,313.31			16,387,313.31		16,387,313.31
26,078,005.95	26,078,005.95		4,382,532.71	16,720,951.23	4,974,522.01	26,078,005.95
3,483,512.14	3,483,512.14				3,483,512.14	3,483,512.14
48,826,359.65	48,826,359.65				48,826,359.65	48,826,359.65
1,965,828.87	1,965,828.87				1,965,828.87	1,965,828.87
625,742.78	625,742.78				625,742.78	625,742.78
54,901,443.44	54,901,443.44		0.00	0.00	54,901,443.44	54,901,443.44
4,406.05	4,406.05				4,406.05	4,406.05
20,088.00	20,088.00	734	20,088.00			20,088.00
71,271.52	71,271.52	736	71,271.52			71,271.52
0.00	0.00	760	0.00			0.00
201,537.81	201,537.81			201,537.81		201,537.81
297,303.38	297,303.38		91,359.52	201,537.81	4,406.05	297,303.38
829,046.55	829,046.55				829,046.55	829,046.55
	593,354.03				593,354.03	593,354.03
	600,000.00				600,000.00	600,000.00
106,007.43	106,007.43				106,007.43	106,007.43
935,053.98	2,128,408.01		0.00	0.00	2,128,408.01	2,128,408.01
472,292,931.13	473,486,285.16		5,886,251.96	320,792,210.72	146,807,822.48	473,486,285.16

**SCHEDULE 1-A (concluded)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended August 31, 2014

**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)		420,801,960.39
Federal Pass-Through Revenues (Exhibit II)		593,354.03
Federal Non-Operating Revenues (Exhibit IV)		3,485,498.07
Federal Revenues (Exhibit IV)		48,824,373.72
Subtotal		<u>473,705,186.21</u>
Reconciling Items:		
U.S. Coast Guard National Pollution Funds Center		<u>(218,901.05)</u>
<b>TOTAL PASS-THROUGH TO AND EXPENDITURES PER FEDERAL SCHEDULE</b>		<u><u>473,486,285.16</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**

**Total Federal Deferred Revenue 08/31/2014** 163,338.59

**NOTE 8 - SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)**

Not Applicable - Agency 529 Only.

**SCHEDULE 1-B**

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

For the Year Ended August 31, 2014

	TOTAL STATE PASS-THROUGH FROM/TO STATE AGENCIES
	\$
<b>STATE PASS-THROUGH FROM:</b>	
Texas Department of Public Safety (Agency 405)	
Intergovernmental Cooperative Reimbursement Agreement	
HB 4586 Blue Water Highway Restoration	75,535.50
Texas Commission on Environmental Quality (Agency 582)	
Intergovernmental Cooperative Reimbursement Agreement	
Virginia Point Shoreline Protection Project	93,669.28
Texas Parks and Wildlife Department (Agency 802)	
Intergovernmental Cooperative Reimbursement Agreement	
Estuarine Restoration Breakwater at Bird Island Cove in West Galveston Bay	63,384.59
<b>TOTAL STATE PASS-THROUGH FROM OTHER AGENCIES (EXHIBIT II)</b>	<b>232,589.37</b>
<b>STATE PASS-THROUGH TO:</b>	
Texas A&M University at Galveston (Agency 718)	
CMP Cycle 14 - Updating Long-Term Change Rates of the Texas Gulf Shoreline	35,258.11
<b>TOTAL STATE PASS-THROUGH TO OTHER AGENCIES (EXHIBIT II)</b>	<b>35,258.11</b>

**SCHEDULE 2-A**

**MISCELLANEOUS BOND INFORMATION**

For the Year Ended August 31, 2014

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	BONDS ISSUED TO DATE	RANGE OF INTEREST RATES		YIELDS		TERMS OF VARIABLE INTEREST RATES	SCHEDULED		FIRST CALL DATE <sup>(1)</sup>
				ON CAPITAL APPRECIATION BONDS			MATURITIES		
							FIRST YEAR	LAST YEAR	
<b>General Obligation Bonds - Self-Supporting \$</b>									
<i>Veterans' Housing Assistance Bonds</i>									
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	05-01-2014
Veterans Bonds, Tax Ref Ser 2014B-2	25,085,000.00	VAR	VAR			Monthly	2014	2024	05-01-2014
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	2033	07-01-2014
<b>Total, Veterans' Housing Assistance Bonds</b>	3,427,690,000.00								

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**SCHEDULE 2-A (concluded)**

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	BONDS ISSUED TO DATE	RANGE OF INTEREST RATES		YIELDS		TERMS OF VARIABLE INTEREST RATES	SCHEDULED MATURITIES		FIRST CALL DATE <sup>(1)</sup>
				ON CAPITAL APPRECIATION BONDS			FIRST YEAR	LAST YEAR	
<b>General Obligation Bonds -</b>	\$								
<b>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	11,937,907.05			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	9,550,599.80			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	2033	07-01-2014
Vet Land Tax Ref Bds Ser 2014C-4	113,910,000.00	VAR	VAR			Monthly	2014	2033	07-01-2014
<b>Total, Veterans' Land Bonds</b>	<u>671,963,506.85</u>								
<b>Total, General Obligation Bonds -</b>									
<b>Self-Supporting</b>	<u>4,099,653,506.85</u>								
<b>Total, All Bonds</b>	<u><u>4,099,653,506.85</u></u>								

<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.

**SCHEDULE 2-B****CHANGES IN BONDED INDEBTEDNESS**

For the Year Ended August 31, 2014

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	BONDS OUTSTANDING 09-01-2013	BONDS ISSUED FY 2014 <sup>(1)</sup>	BONDS MATURED OR RETIRED	BONDS REFUNDED OR EXTINGUISHED	BONDS OUTSTANDING 08-31-2014
<b>General Obligation Bonds - Self-Supporting</b>	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds</i>					
Vet Hsg Bds Ser '94A-1	5,800,000.00		400,000.00		5,400,000.00
Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00			55,000,000.00	0.00
Vet Hsg Ref Bds Ser '94C <sup>(1)</sup>	723,299.44	36,700.56	760,000.00		0.00
Vet Hsg Ref Bds Ser '95	31,315,000.00		6,810,000.00		24,505,000.00
Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00			25,000,000.00	0.00
Vet Hsg Fund II Tax Bds Ser '99A-1	295,000.00			295,000.00	0.00
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00			150,000,000.00	0.00
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				25,000,000.00
Vet Hsg Fund II Bds Ser 2002A-2	31,715,000.00		405,000.00		31,310,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B	19,110,000.00		1,415,000.00	17,695,000.00	0.00
Vet Hsg Fund II Bds Ser 2003A	30,360,000.00		1,910,000.00		28,450,000.00
Vet Hsg Fund II Bds Ser 2003B	31,640,000.00		1,915,000.00		29,725,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003	45,590,000.00		2,355,000.00	43,235,000.00	0.00
Vet Hsg Fund II Bds Ser 2004A	31,220,000.00		1,940,000.00		29,280,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000.00			16,535,000.00	0.00
Vet Hsg Fund II Bds Ser 2004B	34,445,000.00		1,985,000.00		32,460,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C	7,220,000.00			7,220,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2004D	25,085,000.00			25,085,000.00	0.00
Vet Hsg Fund II Bds Ser 2005A	34,020,000.00		1,985,000.00		32,035,000.00
Vet Hsg Fund II Bds Ser 2005B	33,775,000.00		2,050,000.00		31,725,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	24,870,000.00		1,160,000.00	23,710,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2005D	11,540,000.00			11,540,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000.00			38,570,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C	18,330,000.00		750,000.00	17,580,000.00	0.00
Vet Hsg Fund II Bds Ser 2006A	35,745,000.00		1,870,000.00		33,875,000.00
Vet Hsg Fund II Bds Ser 2006D	37,680,000.00		1,970,000.00		35,710,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00			39,560,000.00	0.00
Vet Hsg Fund II Bds Ser 2007A	37,725,000.00		1,980,000.00		35,745,000.00
Vet Hsg Fund II Bds Ser 2007B	39,915,000.00		2,045,000.00		37,870,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	31,025,000.00			31,025,000.00	0.00
Vet Hsg Fund II Bds Ser 2008A	39,825,000.00		2,125,000.00		37,700,000.00
Vet Hsg Fund II Bds Ser 2008B	41,075,000.00		2,160,000.00		38,915,000.00
Vet Hsg Fund II Ser 2009A	43,350,000.00		2,070,000.00		41,280,000.00
Vet Hsg Fund II Ser 2009B	45,395,000.00		2,150,000.00		43,245,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C	77,015,000.00			77,015,000.00	0.00
Vet Hsg Fund II Bds Ser 2010A	69,890,000.00		3,345,000.00		66,545,000.00
Veterans Bonds, Tax Ref Ser 2010B	62,485,000.00		1,605,000.00	60,880,000.00	0.00
Veterans Bonds, Ser 2010C	70,300,000.00		3,205,000.00		67,095,000.00
Veterans Bonds, Tax Ref Ser 2010E	44,700,000.00		3,335,000.00	41,365,000.00	0.00
Veterans Bonds, Ser 2011A	70,585,000.00		3,295,000.00		67,290,000.00
Veterans Bonds, Ser 2011B	71,870,000.00		3,115,000.00		68,755,000.00
Veterans Bonds, Ser 2011C	72,865,000.00		2,825,000.00		70,040,000.00
Veterans Bonds, Ser 2012A	73,420,000.00		2,795,000.00		70,625,000.00
Veterans Bonds, Ser 2012B	99,280,000.00		3,565,000.00		95,715,000.00
Veterans Bonds, Ser 2013A	99,995,000.00		1,345,000.00		98,650,000.00
Veterans Bonds, Ser 2013B	149,995,000.00		1,870,000.00		148,125,000.00
Veterans Bonds, Tax Ref Ser 2013C		297,600,000.00	3,580,000.00		294,020,000.00
Veterans Bonds, Ser 2014A		150,000,000.00			150,000,000.00
Veterans Bonds, Tax Ref Ser 2014B-1		90,700,000.00	2,765,000.00		87,935,000.00
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			72,695,000.00
Veterans Bonds, Tax Ref Ser 2014C-2		194,935,000.00			194,935,000.00
<b>Total, Veterans' Housing Assistance Bonds</b>	<b>2,100,853,299.44</b>	<b>831,051,700.56</b>	<b>78,855,000.00</b>	<b>681,310,000.00</b>	<b>2,171,740,000.00</b>



UNAUDITED

UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	GAIN/LOSS ON REFUNDING	NET BONDS OUTSTANDING 08-31-2014	AMOUNTS DUE WITHIN ONE YEAR
\$	\$	\$	\$	\$
			5,400,000.00	400,000.00
			0.00	0.00
			0.00	0.00
			24,505,000.00	7,390,000.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			20,000,000.00	0.00
			25,000,000.00	5,000.00
			31,310,000.00	430,000.00
			0.00	0.00
			28,450,000.00	1,860,000.00
			29,725,000.00	1,870,000.00
			0.00	0.00
			29,280,000.00	1,870,000.00
			0.00	0.00
			32,460,000.00	1,940,000.00
			0.00	0.00
			0.00	0.00
			32,035,000.00	1,935,000.00
			31,725,000.00	1,970,000.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			33,875,000.00	1,790,000.00
			35,710,000.00	1,895,000.00
			0.00	0.00
			35,745,000.00	1,870,000.00
			37,870,000.00	1,990,000.00
			0.00	0.00
			37,700,000.00	2,000,000.00
			38,915,000.00	2,030,000.00
1,859,595.21			43,139,595.21	2,221,037.28
3,050,409.84			46,295,409.84	2,307,600.96
			0.00	0.00
5,975,684.10			72,520,684.10	3,856,171.92
			0.00	0.00
			67,095,000.00	3,150,000.00
			0.00	0.00
			67,290,000.00	3,290,000.00
			68,755,000.00	3,390,000.00
			70,040,000.00	3,425,000.00
			70,625,000.00	3,505,000.00
			95,715,000.00	4,695,000.00
			98,650,000.00	3,670,000.00
			148,125,000.00	5,275,000.00
			294,020,000.00	6,250,000.00
			150,000,000.00	3,785,000.00
			87,935,000.00	9,455,000.00
			25,085,000.00	0.00
			72,695,000.00	1,505,000.00
			194,935,000.00	7,400,000.00
10,885,689.15	0.00	0.00	2,182,625,689.15	98,424,810.16
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**SCHEDULE 2-B (concluded)**  
**CHANGES IN BONDED INDEBTEDNESS**  
For the Year Ended August 31, 2014***BUSINESS-TYPE ACTIVITIES***

DESCRIPTION OF ISSUE	BONDS OUTSTANDING 09-01-2013	BONDS ISSUED FY 2014(1)	BONDS MATURED OR RETIRED	BONDS REFUNDED OR EXTINGUISHED	BONDS OUTSTANDING 08-31-2014
<b><i>General Obligation Bonds - Self-Supporting (concluded)</i></b>	\$	\$	\$	\$	\$
<b><i>Veterans' Land Bonds</i></b>					
Vet Land Bds Ser '94 <sup>(1)</sup>	1,423,670.01	58,237.04	747,000.00		734,907.05
Vet Land Bds Ser '96 <sup>(1)</sup>	1,766,169.04	92,430.76	638,000.00		1,220,599.80
Vet Land Ref Bds Ser '99A	18,580,000.00		2,550,000.00		16,030,000.00
Vet Land Tax Bds Ser 2000A	15,950,000.00		495,000.00	15,455,000.00	0.00
Vet Land Tax Ref Bds Ser 2000	33,810,000.00		3,245,000.00	30,565,000.00	0.00
Vet Land Bds Ser 2002	15,995,000.00		510,000.00		15,485,000.00
Vet Land Tax Bds Ser 2002A	16,660,000.00		455,000.00	16,205,000.00	0.00
Vet Land Tax Ref Bds Ser 2002	26,060,000.00		1,735,000.00	24,325,000.00	0.00
Vet Land Tax Ref Bds Ser 2003	19,885,000.00		1,365,000.00	18,520,000.00	0.00
Vet Land Tax Ref Bds Ser 2004	20,465,000.00		670,000.00	19,795,000.00	0.00
Vet Land Tax Ref Bds Ser 2005	18,900,000.00		365,000.00	18,535,000.00	0.00
Vet Land Tax Ref Bds Ser 2006A	25,345,000.00		1,065,000.00	24,280,000.00	0.00
Vet Land Tax Ref Bds Ser 2006B	20,150,000.00		615,000.00	19,535,000.00	0.00
Vet Land Tax Ref Bds Ser 2006C	33,065,000.00		1,330,000.00	31,735,000.00	0.00
Vet Land Tax Ref Ser 2010D	15,535,000.00		510,000.00	15,025,000.00	0.00
Vet Land Tax Ref Bds Ser 2014B-3		49,100,000.00	380,000.00		48,720,000.00
Vet Land Tax Ref Bds Ser 2014C-3		70,965,000.00			70,965,000.00
Vet Land Tax Ref Bds Ser 2014C-4		113,910,000.00			113,910,000.00
<b><i>Total, Veterans' Land Bonds</i></b>	<b>283,589,839.05</b>	<b>234,125,667.80</b>	<b>16,675,000.00</b>	<b>233,975,000.00</b>	<b>267,065,506.85</b>
<b><i>Total, General Obligation Bonds - Self-Supporting</i></b>	<b>2,384,443,138.49</b>	<b>1,065,177,368.36</b>	<b>95,530,000.00</b>	<b>915,285,000.00</b>	<b>2,438,805,506.85</b>

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

UNAUDITED

UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	GAIN/LOSS ON REFUNDING	NET BONDS OUTSTANDING 08-31-2014	AMOUNTS DUE WITHIN ONE YEAR
\$	\$	\$	\$	\$
			734,907.05	747,000.00
			1,220,599.80	647,000.00
			16,030,000.00	2,745,000.00
			0.00	0.00
			0.00	0.00
			15,485,000.00	530,000.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			48,720,000.00	4,305,000.00
			70,965,000.00	2,700,000.00
			113,910,000.00	6,060,000.00
0.00	0.00	0.00	267,065,506.85	17,734,000.00
10,885,689.15	0.00	0.00	2,449,691,196.00	116,158,810.16

TEXAS GENERAL LAND OFFICE  
AND VETERANS' LAND BOARD

UNAUDITED

**SCHEDULE 2-C**

**DEBT SERVICE REQUIREMENTS**

August 31, 2014

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	2015	2016	2017	2018	2019
<b>General Obligation Bonds - Self-Supporting</b>	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds</i>					
Vet Hsg Bds Ser '94A-1 - Principal	400,000.00	400,000.00	500,000.00	500,000.00	500,000.00
Vet Hsg Bds Ser '94A-1 - Interest	2,600.00	2,400.00	2,175.00	1,925.00	1,675.00
Vet Hsg Ref Bds Ser '95 - Principal	7,390,000.00	8,170,000.00	8,945,000.00	0.00	0.00
Vet Hsg Ref Bds Ser '95 - Interest	12,486.00	7,818.00	2,683.50	0.00	0.00
Vet Hsg Fund II Bds Ser 2001A-2 - Principal	0.00	0.00	0.00	0.00	0.00
Vet Hsg Fund II Bds Ser 2001A-2 - Interest	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
Vet Hsg Fund II Bds Ser 2001C-2 - Principal	5,000.00	355,000.00	375,000.00	390,000.00	410,000.00
Vet Hsg Fund II Bds Ser 2001C-2 - Interest	15,000.00	14,944.50	14,728.50	14,500.50	14,263.50
Vet Hsg Fund II Bds Ser 2002A-2 - Principal	430,000.00	505,000.00	585,000.00	620,000.00	645,000.00
Vet Hsg Fund II Bds Ser 2002A-2 - Interest	21,841.75	21,539.00	21,161.00	20,746.25	20,307.00
Vet Hsg Fund II Bds Ser 2003A - Principal	1,860,000.00	1,815,000.00	1,760,000.00	1,710,000.00	1,655,000.00
Vet Hsg Fund II Bds Ser 2003A - Interest	22,384.00	20,906.00	19,466.00	18,068.00	16,710.00
Vet Hsg Fund II Bds Ser 2003B - Principal	1,870,000.00	1,820,000.00	1,780,000.00	1,730,000.00	1,690,000.00
Vet Hsg Fund II Bds Ser 2003B - Interest	17,553.00	16,438.50	15,352.50	14,292.00	13,260.00
Vet Hsg Fund II Bds Ser 2004A - Principal	1,870,000.00	1,810,000.00	1,750,000.00	1,700,000.00	1,660,000.00
Vet Hsg Fund II Bds Ser 2004A - Interest	14,405.00	13,477.50	12,580.00	11,711.25	10,866.25
Vet Hsg Fund II Bds Ser 2004B - Principal	1,940,000.00	1,895,000.00	1,850,000.00	1,810,000.00	1,770,000.00
Vet Hsg Fund II Bds Ser 2004B - Interest	22,380.75	21,029.75	19,712.00	18,424.00	17,164.00
Vet Hsg Fund II Bds Ser 2005A - Principal	1,935,000.00	1,885,000.00	1,840,000.00	1,790,000.00	1,750,000.00
Vet Hsg Fund II Bds Ser 2005A - Interest	15,773.75	14,812.50	13,876.25	12,962.50	12,072.50
Vet Hsg Fund II Bds Ser 2005B - Principal	1,970,000.00	1,895,000.00	1,830,000.00	1,770,000.00	1,715,000.00
Vet Hsg Fund II Bds Ser 2005B - Interest	15,612.50	14,637.50	13,698.75	12,791.25	11,913.75
Vet Hsg Fund II Bds Ser 2006A - Principal	1,790,000.00	1,715,000.00	1,655,000.00	1,605,000.00	1,565,000.00
Vet Hsg Fund II Bds Ser 2006A - Interest	20,055.00	18,993.00	17,973.00	16,987.50	16,030.50
Vet Hsg Fund II Bds Ser 2006D - Principal	1,895,000.00	1,835,000.00	1,780,000.00	1,730,000.00	1,685,000.00
Vet Hsg Fund II Bds Ser 2006D - Interest	17,615.00	16,675.00	15,765.00	14,881.25	14,022.50
Vet Hsg Fund II Bds Ser 2007A - Principal	1,870,000.00	1,790,000.00	1,710,000.00	1,645,000.00	1,595,000.00
Vet Hsg Fund II Bds Ser 2007A - Interest	17,637.50	16,712.50	15,827.50	14,981.25	14,165.00
Vet Hsg Fund II Bds Ser 2007B - Principal	1,990,000.00	1,950,000.00	1,905,000.00	1,865,000.00	1,820,000.00
Vet Hsg Fund II Bds Ser 2007B - Interest	26,159.00	24,773.00	23,415.00	22,090.25	20,791.75
Vet Hsg Fund II Bds Ser 2008A - Principal	2,000,000.00	1,900,000.00	1,810,000.00	1,735,000.00	1,675,000.00
Vet Hsg Fund II Bds Ser 2008A - Interest	18,598.75	17,611.25	16,672.50	15,777.50	14,917.50
Vet Hsg Fund II Bds Ser 2008B - Principal	2,030,000.00	1,930,000.00	1,835,000.00	1,760,000.00	1,685,000.00
Vet Hsg Fund II Bds Ser 2008B - Interest	15,359.00	14,557.00	13,795.00	13,069.00	12,373.00
Vet Hsg Fund II Bds Ser 2009A - Principal	2,020,000.00	1,970,000.00	1,930,000.00	1,890,000.00	1,840,000.00
Vet Hsg Fund II Bds Ser 2009A - Interest	2,059,562.50	1,973,712.50	1,889,987.50	1,807,962.50	1,727,637.50
Vet Hsg Fund II Bds Ser 2009B - Principal	2,010,000.00	1,855,000.00	1,735,000.00	1,640,000.00	1,550,000.00
Vet Hsg Fund II Bds Ser 2009B - Interest	3,121,587.50	1,989,350.00	1,912,612.50	1,841,250.00	1,761,500.00
Vet Hsg Fund II Bds Ser 2010A - Principal	3,325,000.00	3,220,000.00	3,120,000.00	3,030,000.00	2,940,000.00
Vet Hsg Fund II Bds Ser 2010A - Interest	3,136,550.00	3,005,650.00	2,863,250.00	2,724,650.00	2,590,550.00
Veterans Bonds, Series 2010C - Principal	3,150,000.00	3,075,000.00	3,015,000.00	2,950,000.00	2,895,000.00
Veterans Bonds, Series 2010C - Interest	33,151.25	31,585.00	30,056.25	28,556.25	27,090.00
Veterans Bonds, Series 2011A - Principal	3,290,000.00	3,210,000.00	3,135,000.00	3,055,000.00	2,990,000.00
Veterans Bonds, Series 2011A - Interest	33,231.25	31,596.25	30,001.25	28,443.75	26,923.75
Veterans Bonds, Series 2011B - Principal	3,390,000.00	3,305,000.00	3,220,000.00	3,130,000.00	3,055,000.00
Veterans Bonds, Series 2011B - Interest	33,951.25	32,266.25	30,625.00	29,026.25	27,470.00
Veterans Bonds, Series 2011C - Principal	3,425,000.00	3,380,000.00	3,290,000.00	3,200,000.00	3,115,000.00
Veterans Bonds, Series 2011C - Interest	34,596.25	32,882.50	31,203.75	29,570.00	27,980.00
Veterans Bonds, Series 2012A - Principal	3,505,000.00	3,580,000.00	3,475,000.00	3,375,000.00	3,270,000.00
Veterans Bonds, Series 2012A - Interest	34,892.50	33,108.75	31,332.50	29,607.50	27,933.75

UNAUDITED

2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
3,100,000.00	0.00	0.00	0.00	0.00	0.00	5,400,000.00
4,125.00	0.00	0.00	0.00	0.00	0.00	14,900.00
0.00	0.00	0.00	0.00	0.00	0.00	24,505,000.00
0.00	0.00	0.00	0.00	0.00	0.00	22,987.50
6,965,000.00	11,725,000.00	1,310,000.00	0.00	0.00	0.00	20,000,000.00
53,707.50	23,787.00	393.00	0.00	0.00	0.00	137,887.50
3,005,000.00	5,545,000.00	14,915,000.00	0.00	0.00	0.00	25,000,000.00
66,964.50	55,492.50	23,002.50	0.00	0.00	0.00	218,896.50
5,555,000.00	11,600,000.00	11,370,000.00	0.00	0.00	0.00	31,310,000.00
93,527.00	62,875.75	18,404.75	0.00	0.00	0.00	280,402.50
7,605,000.00	6,500,000.00	5,545,000.00	0.00	0.00	0.00	28,450,000.00
64,542.00	36,136.00	11,948.00	0.00	0.00	0.00	210,160.00
7,880,000.00	7,035,000.00	5,920,000.00	0.00	0.00	0.00	29,725,000.00
51,645.00	29,173.50	9,070.50	0.00	0.00	0.00	166,785.00
7,660,000.00	6,825,000.00	5,925,000.00	80,000.00	0.00	0.00	29,280,000.00
42,402.50	24,280.00	8,082.50	20.00	0.00	0.00	137,825.00
8,290,000.00	7,475,000.00	6,785,000.00	645,000.00	0.00	0.00	32,460,000.00
67,872.00	40,180.00	15,127.00	225.75	0.00	0.00	222,115.25
8,105,000.00	7,190,000.00	6,405,000.00	1,135,000.00	0.00	0.00	32,035,000.00
47,757.50	28,555.00	11,493.75	417.50	0.00	0.00	157,721.25
7,925,000.00	6,965,000.00	6,145,000.00	1,510,000.00	0.00	0.00	31,725,000.00
47,221.25	28,565.00	11,991.25	702.50	0.00	0.00	157,133.75
7,490,000.00	7,315,000.00	7,635,000.00	3,105,000.00	0.00	0.00	33,875,000.00
66,421.50	44,322.00	22,006.50	2,296.50	0.00	0.00	225,085.50
8,015,000.00	7,510,000.00	7,335,000.00	3,925,000.00	0.00	0.00	35,710,000.00
57,820.00	38,398.75	19,850.00	2,970.00	0.00	0.00	197,997.50
7,520,000.00	7,275,000.00	7,605,000.00	4,735,000.00	0.00	0.00	35,745,000.00
59,277.50	40,867.50	22,382.50	4,108.75	0.00	0.00	205,960.00
8,535,000.00	7,715,000.00	7,045,000.00	5,045,000.00	0.00	0.00	37,870,000.00
85,485.75	56,948.50	31,043.25	7,645.75	0.00	0.00	298,352.25
7,755,000.00	7,285,000.00	7,360,000.00	6,180,000.00	0.00	0.00	37,700,000.00
62,571.25	43,827.50	25,635.00	7,052.50	0.00	0.00	222,663.75
7,770,000.00	7,310,000.00	7,475,000.00	7,120,000.00	0.00	0.00	38,915,000.00
52,225.00	37,204.00	22,536.00	7,176.00	0.00	0.00	188,294.00
31,630,000.00	0.00	0.00	0.00	0.00	0.00	41,280,000.00
7,422,712.50	0.00	0.00	0.00	0.00	0.00	16,881,575.00
6,910,000.00	27,545,000.00	0.00	0.00	0.00	0.00	43,245,000.00
7,728,000.00	688,625.00	0.00	0.00	0.00	0.00	19,042,925.00
13,570,000.00	37,340,000.00	0.00	0.00	0.00	0.00	66,545,000.00
10,986,025.00	2,674,750.00	0.00	0.00	0.00	0.00	27,981,425.00
13,680,000.00	12,555,000.00	11,685,000.00	10,970,000.00	3,120,000.00	0.00	67,095,000.00
114,381.25	81,488.75	51,130.00	22,741.25	1,552.50	0.00	421,732.50
13,925,000.00	12,460,000.00	11,235,000.00	10,220,000.00	3,770,000.00	0.00	67,290,000.00
113,028.75	79,917.50	50,196.25	23,296.25	2,318.75	0.00	418,953.75
14,140,000.00	12,475,000.00	11,060,000.00	9,855,000.00	5,125,000.00	0.00	68,755,000.00
115,355.00	81,935.00	52,391.25	26,136.25	4,111.25	0.00	433,267.50
14,390,000.00	12,615,000.00	11,105,000.00	9,810,000.00	5,710,000.00	0.00	70,040,000.00
117,487.50	83,568.75	53,781.25	27,518.75	5,173.75	0.00	443,762.50
14,950,000.00	12,860,000.00	11,010,000.00	9,460,000.00	5,140,000.00	0.00	70,625,000.00
116,265.00	81,305.00	51,297.50	25,558.75	4,588.75	0.00	435,890.00

TEXAS GENERAL LAND OFFICE  
AND VETERANS' LAND BOARD

UNAUDITED

**SCHEDULE 2-C (concluded)**

August 31, 2014

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	2015	2016	2017	2018	2019
<b>General Obligation Bonds -</b>	\$	\$	\$	\$	\$
<b>Self-Supporting (continued)</b>					
<i>Veterans' Housing Assistance Bonds (concluded)</i>					
Veterans Bonds, Series 2012B - Principal	4,695,000.00	5,300,000.00	5,420,000.00	5,090,000.00	4,810,000.00
Veterans Bonds, Series 2012B - Interest	47,298.75	44,860.00	42,171.25	39,503.75	36,995.00
Veterans Bonds, Series 2013A - Principal	3,670,000.00	4,630,000.00	5,055,000.00	4,920,000.00	4,565,000.00
Veterans Bonds, Series 2013A - Interest	48,930.00	46,945.00	44,556.25	42,015.00	39,602.50
Veterans Bonds, Series 2013B - Principal	5,275,000.00	6,815,000.00	7,250,000.00	7,030,000.00	6,820,000.00
Veterans Bonds, Series 2013B - Interest	72,828.75	69,988.75	66,477.50	62,880.00	59,391.25
Veterans Bonds, Tax Ref Ser 2013C - Principal	6,250,000.00	7,740,000.00	8,440,000.00	8,185,000.00	15,205,000.00
Veterans Bonds, Tax Ref Ser 2013C - Interest	1,865,709.89	1,827,568.10	1,783,729.37	1,735,694.34	1,691,212.54
Veterans Bonds, Series 2014A - Principal	3,785,000.00	5,895,000.00	7,195,000.00	7,175,000.00	6,945,000.00
Veterans Bonds, Series 2014A - Interest	74,630.00	72,422.50	69,277.50	65,657.50	62,101.25
Veterans Bonds, Tax Ref Ser 2014B-1 - Principal	9,455,000.00	9,815,000.00	10,505,000.00	11,155,000.00	10,250,000.00
Veterans Bonds, Tax Ref Ser 2014B-1 - Interest	488,926.33	431,816.30	377,000.45	318,980.90	259,373.08
Veterans Bonds, Tax Ref Ser 2014B-2 - Principal	0.00	0.00	5,110,000.00	7,320,000.00	8,025,000.00
Veterans Bonds, Tax Ref Ser 2014B-2 - Interest	136,581.56	136,581.56	133,730.81	100,825.01	60,086.44
Veterans Bonds, Tax Ref Ser 2014C-1 - Principal	1,505,000.00	1,600,000.00	1,710,000.00	1,820,000.00	1,940,000.00
Veterans Bonds, Tax Ref Ser 2014C-1 - Interest	514,319.94	506,581.19	498,349.29	489,349.89	479,067.57
Veterans Bonds, Tax Ref Ser 2014C-2 - Principal	7,400,000.00	9,005,000.00	9,555,000.00	10,350,000.00	11,205,000.00
Veterans Bonds, Tax Ref Ser 2014C-2 - Interest	1,204,683.63	1,163,410.35	1,117,154.93	1,066,616.16	1,007,520.72
<b>Total, Veterans' Housing Assistance Bonds</b>	<b>110,623,892.35</b>	<b>117,764,650.00</b>	<b>126,272,397.60</b>	<b>118,350,796.30</b>	<b>123,374,967.60</b>
<i>Veterans' Land Bonds</i>					
Vet Land Bds Ser '94 - Principal	747,000.00	0.00	0.00	0.00	0.00
Vet Land Bds Ser '96 - Principal	647,000.00	662,000.00	0.00	0.00	0.00
Vet Land Ref Bds Ser '99A - Principal	2,745,000.00	2,960,000.00	3,190,000.00	3,435,000.00	3,700,000.00
Vet Land Ref Bds Ser '99A - Interest	7,328.75	5,902.50	4,365.00	2,708.75	925.00
Vet Land Bds Ser 2002 - Principal	530,000.00	555,000.00	580,000.00	605,000.00	635,000.00
Vet Land Bds Ser 2002 - Interest	10,654.00	10,274.25	9,877.00	9,462.25	9,028.25
Vet Land Tax Ref Ser 2014B-3 - Principal	4,305,000.00	4,640,000.00	5,005,000.00	5,395,000.00	5,815,000.00
Vet Land Tax Ref Ser 2014B-3 - Interest	269,312.95	245,011.21	218,812.81	190,567.66	160,112.02
Vet Land Tax Ref Ser 2014-C3 - Principal	2,700,000.00	2,870,000.00	3,040,000.00	3,235,000.00	3,450,000.00
Vet Land Tax Ref Ser 2014-C3 - Interest	458,453.39	440,320.52	421,056.39	400,644.62	378,888.45
Vet Land Tax Ref Ser 2014-C4 - Principal	6,060,000.00	7,210,000.00	8,360,000.00	8,900,000.00	9,500,000.00
Vet Land Tax Ref Ser 2014-C4 - Interest	657,613.97	625,356.57	588,117.05	543,869.31	494,297.02
<b>Total, Veterans' Land Bonds</b>	<b>19,137,363.06</b>	<b>20,223,865.05</b>	<b>21,417,228.25</b>	<b>22,717,252.59</b>	<b>24,143,250.74</b>
<b>Total, General Obligation Bonds - Self-Supporting</b>	<b>129,761,255.41</b>	<b>137,988,515.05</b>	<b>147,689,625.85</b>	<b>141,068,048.89</b>	<b>147,518,218.34</b>
<b>Total, All Bonds</b>	<b>129,761,255.41</b>	<b>137,988,515.05</b>	<b>147,689,625.85</b>	<b>141,068,048.89</b>	<b>147,518,218.34</b>

UNAUDITED

2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
20,800,000.00	16,880,000.00	14,045,000.00	11,855,000.00	6,820,000.00	0.00	95,715,000.00
151,593.75	104,370.00	65,458.75	32,925.00	6,611.25	0.00	571,787.50
19,315,000.00	16,035,000.00	14,720,000.00	14,500,000.00	11,240,000.00	0.00	98,650,000.00
166,793.75	122,783.75	84,431.25	48,093.75	12,186.25	0.00	656,337.50
31,135,000.00	26,695,000.00	22,845,000.00	19,510,000.00	14,750,000.00	0.00	148,125,000.00
248,188.75	175,487.50	113,187.50	59,918.75	15,203.75	0.00	943,552.50
112,360,000.00	123,825,000.00	12,015,000.00	0.00	0.00	0.00	294,020,000.00
6,501,101.90	2,572,293.81	118,679.53	0.00	0.00	0.00	18,095,989.48
31,700,000.00	27,185,000.00	23,295,000.00	19,945,000.00	16,880,000.00	0.00	150,000,000.00
260,847.50	186,815.00	123,350.00	68,982.50	22,452.50	0.00	1,006,536.25
32,750,000.00	4,005,000.00	0.00	0.00	0.00	0.00	87,935,000.00
559,601.72	13,076.33	0.00	0.00	0.00	0.00	2,448,775.11
4,630,000.00	0.00	0.00	0.00	0.00	0.00	25,085,000.00
15,451.84	0.00	0.00	0.00	0.00	0.00	583,257.22
9,120,000.00	0.00	55,000,000.00	0.00	0.00	0.00	72,695,000.00
2,207,379.45	2,078,450.00	1,870,605.00	0.00	0.00	0.00	8,644,102.33
62,625,000.00	58,165,000.00	26,630,000.00	0.00	0.00	0.00	194,935,000.00
3,967,973.37	1,945,158.42	330,190.18	0.00	0.00	0.00	11,802,707.76
602,520,752.28	527,470,637.81	336,637,664.96	149,972,786.50	72,629,198.75	0.00	2,285,617,744.15
0.00	0.00	0.00	0.00	0.00	0.00	747,000.00
0.00	0.00	0.00	0.00	0.00	0.00	1,309,000.00
0.00	0.00	0.00	0.00	0.00	0.00	16,030,000.00
0.00	0.00	0.00	0.00	0.00	0.00	21,230.00
3,625,000.00	4,530,000.00	4,425,000.00	0.00	0.00	0.00	15,485,000.00
37,906.75	23,702.00	6,364.75	0.00	0.00	0.00	117,269.25
18,120,000.00	5,440,000.00	0.00	0.00	0.00	0.00	48,720,000.00
384,980.94	17,837.76	0.00	0.00	0.00	0.00	1,486,635.35
20,880,000.00	24,355,000.00	10,435,000.00	0.00	0.00	0.00	70,965,000.00
1,515,570.21	729,577.52	77,925.44	0.00	0.00	0.00	4,422,436.54
55,835,000.00	18,045,000.00	0.00	0.00	0.00	0.00	113,910,000.00
1,506,785.49	222,542.11	0.00	0.00	0.00	0.00	4,638,581.52
101,905,243.39	53,363,659.39	14,944,290.19	0.00	0.00	0.00	277,852,152.66
704,425,995.67	580,834,297.20	351,581,955.15	149,972,786.50	72,629,198.75	0.00	2,563,469,896.81
704,425,995.67	580,834,297.20	351,581,955.15	149,972,786.50	72,629,198.75	0.00	2,563,469,896.81

**SCHEDULE 2-D**

**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE**

For the Year Ended August 31, 2014

**BUSINESS-TYPE ACTIVITIES**

**General Obligation Bonds - Self Supporting**

APPLICATION OF FUNDS		
DESCRIPTION OF ISSUE	PRINCIPAL	INTEREST
	\$	\$
Veterans' Housing Assistance Bonds	78,855,000.00	64,335,229.11
Veterans' Land Bonds	16,675,000.00	13,464,853.20
<b>TOTAL</b>	<b>95,530,000.00</b>	<b>77,800,082.31</b>



TEXAS GENERAL LAND OFFICE  
AND VETERANS' LAND BOARD

UNAUDITED

**SCHEDULE 2-E**

**DEFEASED BONDS OUTSTANDING**

August 31, 2014

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	YEAR DEFEASED	PAR VALUE OUTSTANDING 08-31-2014
<i>General Obligation Bonds - Self-Supporting</i>		\$
<i>Veterans' Land and Housing Bonds</i>		
Vet Land Bds Ser '76	1985	5,000,000.00
Vet Land Bds Ser '82	1986	15,500,000.00
<i>Total, Veterans' Land and Housing Bonds</i>		20,500,000.00

TEXAS GENERAL LAND OFFICE  
AND VETERANS' LAND BOARD

UNAUDITED

**SCHEDULE 2-F**

**EARLY EXTINGUISHMENT AND REFUNDING**

For the Year Ended August 31, 2014

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	CATEGORY	AMOUNT EXTINGUISHED OR REFUNDED	FOR REFUNDING ONLY		
			REFUNDING ISSUE PAR VALUE	CASH FLOW INCREASE (DECREASE)	ECONOMIC GAIN/ (LOSS)
		\$	\$	\$	\$
<b>General Obligation Bonds - Self-Supporting</b>					
<i>Veterans' Housing Bonds</i>					
Vet Hsg Fund II Tax Bds Ser '99A-1	Early Extinguishment	295,000.00			
Vet Hsg Tax Ref Bds Ser '94A-2	Current Refunding	55,000,000.00			
Vet Hsg Fund II Tax Bds Ser '97B-2	Current Refunding	25,000,000.00			
Vet Hsg Fund II Tax Bds Ser '99A-2	Current Refunding	150,000,000.00			
Vet Hsg Fund I Tax Ref Bds Ser 2002B	Current Refunding	17,695,000.00			
Vet Hsg Fund I Tax Ref Bds Ser 2003	Current Refunding	43,235,000.00			
Vet Hsg Fund I Tax Ref Bds Ser 2004	Current Refunding	16,535,000.00			
Vet Hsg Fund I Tax Ref Bds Ser 2004C	Current Refunding	7,220,000.00			
Vet Hsg Fund II Tax Ref Bds Ser 2004D	Current Refunding	25,085,000.00			
Vet Hsg Fund I Tax Ref Bds Ser 2005C	Current Refunding	23,710,000.00			
Vet Hsg Fund II Tax Ref Bds Ser 2005D	Current Refunding	11,540,000.00			
Vet Hsg Fund II Tax Ref Bds Ser 2006B	Current Refunding	38,570,000.00			
Vet Hsg Fund II Tax Ref Bds Ser 2006C	Current Refunding	17,580,000.00			
Vet Hsg Fund II Tax Ref Bds Ser 2006E	Current Refunding	39,560,000.00			
Vet Hsg Fund II Tax Ref Bds Ser 2007C	Current Refunding	31,025,000.00			
Vet Hsg Fund II Tax Ref Bds Ser 2009C	Current Refunding	77,015,000.00			
Veterans Bonds, Tax Ref Ser 2010B	Current Refunding	60,880,000.00			
Veterans Bonds, Tax Ref Ser 2010E	Current Refunding	41,365,000.00			
<i>Total, Veterans' Housing Bonds</i>		681,310,000.00	0.00	0.00	0.00
<i>Veterans' Land Bonds</i>					
Vet Land Tax Bds Ser 2000A	Current Refunding	15,455,000.00			
Vet Land Tax Ref Bds Ser 2000	Current Refunding	30,565,000.00			
Vet Land Tax Bds Ser 2002A	Current Refunding	16,205,000.00			
Vet Land Tax Ref Bds Ser 2002	Current Refunding	24,325,000.00			
Vet Land Tax Ref Bds Ser 2003	Current Refunding	18,520,000.00			
Vet Land Tax Ref Bds Ser 2004	Current Refunding	19,795,000.00			
Vet Land Tax Ref Bds Ser 2005	Current Refunding	18,535,000.00			
Vet Land Tax Ref Bds Ser 2006A	Current Refunding	24,280,000.00			
Vet Land Tax Ref Bds Ser 2006B	Current Refunding	19,535,000.00			
Vet Land Tax Ref Bds Ser 2006C	Current Refunding	31,735,000.00			
Veterans Bonds, Tax Ref Ser 2010D	Current Refunding	15,025,000.00			
<i>Total, Veterans' Land Bonds</i>		233,975,000.00	0.00	0.00	0.00
<b>Total, General Obligation Bonds - Self-Supporting</b>		915,285,000.00	0.00	0.00	0.00
<b>Total, Business-Type Activities</b>		915,285,000.00	0.00	0.00	0.00

**SCHEDULE 2-G****DATA ON BOND ISSUES - BY SERIES**

Period from October 1, 1949 through August 31, 2014

**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 08-31-2014
<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	4,200,000.00	400,000.00	5,400,000.00
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	56,120,000.00	7,865,000.00	24,505,000.00
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			25,000,000.00
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	6,990,000.00		31,310,000.00
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	21,550,000.00		28,450,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-03	06-01-34	3.40300	50,000,000.00	20,275,000.00		29,725,000.00
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	20,720,000.00		29,280,000.00
Vet Hsg Fund II Bds Ser 2004B	09-15-04	12-01-34	3.68000	50,000,000.00	17,540,000.00		32,460,000.00
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			0.00
Vet Hsg Fund II Bds Ser 2005A	02-24-05	06-01-35	3.27900	50,000,000.00	17,965,000.00		32,035,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-05	06-01-36	3.08700	50,000,000.00	18,275,000.00		31,725,000.00
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	16,125,000.00		33,875,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-06	12-01-36	3.68900	50,000,000.00	14,290,000.00		35,710,000.00
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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**SCHEDULE 2-G (continued)**

*DATA ON BOND ISSUES - BY SERIES*

Period from October 1, 1949 through August 31, 2014

**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 08-31-2014
<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	14,255,000.00		35,745,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-07	06-01-38	3.71200	50,000,000.00	12,130,000.00		37,870,000.00
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	12,300,000.00		37,700,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-08	12-01-38	3.22500	50,000,000.00	11,085,000.00		38,915,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-09	12-01-23	4.33660	51,859,595.21	8,720,000.00		43,139,595.21
Vet Hsg Fund II Bds Ser 2009B	09-03-09	12-01-24	4.00000	53,050,409.84	6,755,000.00		46,295,409.84
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	80,970,684.10	8,450,000.00		72,520,684.10
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	7,900,000.00		67,095,000.00
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	7,705,000.00		67,290,000.00
Veterans Bonds, Series 2011B	08-25-11	12-01-41	2.36700	74,995,000.00	6,240,000.00		68,755,000.00
Veterans Bonds, Series 2011C	12-15-11	06-01-42	1.91700	74,995,000.00	4,955,000.00		70,040,000.00
Veterans Bonds, Series 2012A	05-23-12	12-01-42	1.69200	74,995,000.00	4,370,000.00		70,625,000.00
Veterans Bonds, Series 2012B	11-01-12	12-01-42	1.44700	100,000,000.00	4,285,000.00		95,715,000.00
Veterans Bonds, Series 2013A	03-20-13	06-01-43	1.70000	99,995,000.00	1,345,000.00		98,650,000.00
Veterans Bonds, Series 2013B	08-22-13	12-01-43	2.14500	149,995,000.00	1,870,000.00		148,125,000.00
Veterans Bonds, Tax Ref Ser 2013C	10-24-13	06-01-31	Floating	297,600,000.00	3,580,000.00		294,020,000.00
Veterans Bonds, Ser 2014A	02-26-14	06-01-44	2.18000	150,000,000.00			150,000,000.00
Veterans Bonds, Tax Ref Ser 2014B-1	04-01-14	12-01-24	Floating	90,700,000.00	2,765,000.00		87,935,000.00
Veterans Bonds, Tax Ref Ser 2014B-2	04-01-14	12-01-24	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			72,695,000.00
Veterans Bonds, Tax Ref Ser 2014C-2	07-01-14	12-01-33	Floating	194,935,000.00			194,935,000.00
<b>Total, Veterans' Housing Assistance Bonds</b>				5,394,935,689.15	1,011,640,000.00	2,200,670,000.00	2,182,625,689.15
<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
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

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 08-31-2014
<b>General Obligation Bonds - Self-Supporting (concluded)</b>				\$	\$	\$	\$
<i>Veterans' Land Bonds (concluded)</i>							
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	41,337,907.05	15,848,000.00	24,755,000.00	734,907.05
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	39,550,599.80	14,295,000.00	24,035,000.00	1,220,599.80
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	23,995,000.00		16,030,000.00
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	4,515,000.00		15,485,000.00
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	380,000.00		48,720,000.00
Vet Land Tax Ref Ser 2014C-3	07-01-14	12-01-33	Floating	70,965,000.00			70,965,000.00
Vet Land Tax Ref Ser 2014C-4	07-01-14	12-01-33	Floating	113,910,000.00			113,910,000.00
<b>Total, Veterans' Land Bonds</b>				3,152,437,506.85	1,091,029,000.00	1,794,343,000.00	267,065,506.85
<b>Total, General Obligation Bonds - Self-Supporting</b>				8,547,373,196.00	2,102,669,000.00	3,995,013,000.00	2,449,691,196.00
<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>				44,280,000.00	22,485,000.00	21,795,000.00	0.00
<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>				260,092,515.00	170,850,000.00	89,242,515.00	0.00
<b>Total, Revenue Bonds - Self-Supporting</b>				304,372,515.00	193,335,000.00	111,037,515.00	0.00
<b>Total, All Bonds</b>				8,851,745,711.00	2,296,004,000.00	4,106,050,515.00	2,449,691,196.00

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

**SCHEDULE 2-G (concluded)**

*DATA ON BOND ISSUES - BY SERIES*

Period from October 1, 1949 through August 31, 2014

**BUSINESS-TYPE ACTIVITIES**

		\$
Note:	Veterans' Housing Assistance Bonds maturing within one year	98,424,810.16
	Veterans' Housing Assistance Accretion Bonds maturing within one year	0.00
	Veterans' Land Bonds maturing within one year	16,756,906.31
	Veterans' Land Accretion Bonds maturing within one year	<u>977,093.69</u>
	Subtotal	<u>116,158,810.16</u>
	Veterans' Housing Assistance Bonds maturing subsequent to one year	2,084,200,878.99
	Veterans' Housing Assistance Bonds Accretion maturing subsequent to one year	0.00
	Veterans' Land Bonds maturing subsequent to one year	248,983,329.50
	Veterans' Land Bonds Accretion maturing subsequent to one year	<u>348,177.35</u>
	Subtotal	<u>2,333,532,385.84</u>
	Total (Exh. III)	<u><u>2,449,691,196.00</u></u>

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TEXAS GENERAL LAND OFFICE  
AND VETERANS' LAND BOARD

UNAUDITED

**SCHEDULE 3**

*DETAIL OF ADDITIONS AND DEDUCTIONS*

*AGENCY FUNDS*

August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	UNAPPROPRIATED RECEIPTS	OTHER AGENCY FUNDS
	GENERAL REVENUE FUND (0001) U/F (0111)	CHILD SUPPORT ADDENDA DEDUCTS SUSPENSE (0807) U/F (8070)
	\$	\$
<b>BALANCES, September 1, 2013</b>	332,774.76	10,971.75
<b>ADDITIONS</b>		
Royalty and Rental Collections	15,367,218.95	
Taxes	472.38	
Interest and Investment Income	(7,267.39)	
Outer Continental Shelf Settlement Receipts	300,811.20	
Land Sales	50.00	
Veterans Service Fees and Down Payments		
Patent Recording Fees		
Land Vacancy Applications		
Payroll Deductions		102,613.73
<b>TOTAL ADDITIONS</b>	15,661,475.14	102,613.73
<b>DEDUCTIONS</b>		
Office Fees		
Child Support Payments		106,938.83
Land Vacancy Expenses		
Transfers to Treasury	15,760,936.67	
<b>TOTAL DEDUCTIONS</b>	15,760,936.67	106,938.83
<b>BALANCES, August 31, 2014(EXH. D-1)</b>	233,313.23	6,646.65



UNAUDITED

OTHER AGENCY FUNDS		TOTALS	
PURCH/LEASE		(Memorandum Only)	
LAND VAC TRUST	LOCAL		
ACCOUNT (0873)	FUNDS (9999)		
U/F (0873)	U/F (9999, 9991, 9993)	2014	2013
\$	\$	\$	\$
9,601.98	10,320.56	363,669.05	725,836.68
		15,367,218.95	11,237,975.74
		472.38	373.80
53.54		(7,213.85)	(34,180.56)
		300,811.20	300,954.88
		50.00	0.00
	50.00	50.00	0.00
	783.00	783.00	577.00
11,350.00		11,350.00	6,400.00
		102,613.73	127,631.37
11,403.54	833.00	15,776,325.41	11,639,732.23
	801.00	801.00	273.00
		106,938.83	126,363.07
11,006.20		11,006.20	3,419.02
	10,352.56	15,771,289.23	11,871,844.77
11,006.20	11,153.56	15,890,035.26	12,001,899.86
9,999.32	0.00	249,959.20	363,669.05

## SCHEDULE 4

### SUMMARY OF TEXAS GENERAL LAND OFFICE

### DEPOSITS TO OTHER AGENCIES - BY FUND AND AGENCY

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	TOTALS	
	2014	2013
<i>GENERAL REVENUE FUND (FUND 0001/AGENCY 320)</i>	\$	\$
Receipts from Mineral Sources:		
Oil Royalty	0.00	25.28
Gas Royalty	0.00	20.33
<b>TOTAL AGENCY 320</b>	<b>0.00</b>	<b>45.61</b>
<i>GENERAL REVENUE FUND (FUND 0001/AGENCY 644)</i>		
Receipts from Mineral Sources:		
Oil Royalty	42,054.33	44,828.39
Gas Royalty	32,868.11	37,904.81
Mineral Lease Bonus	49,360.00	6,000.00
Mineral Lease Rental	0.00	1,468.30
<b>TOTAL AGENCY 644</b>	<b>124,282.44</b>	<b>90,201.50</b>
<i>GENERAL REVENUE FUND (FUND 0001/AGENCY 696)</i>		
Receipts from Mineral Sources:		
Oil Royalty	16,671,607.45	19,169,267.80
Gas Royalty	5,793,023.95	4,119,953.41
Mineral Lease Bonus	2,330,744.50	3,942,869.39
Mineral Lease Rental	153,729.96	64,608.00
Shut-In Mineral Royalty	7,680.00	6,596.10
Receipts from Misc. Interest and Other Collections:		
Interest	0.00	1,516.45
<b>TOTAL AGENCY 696</b>	<b>24,956,785.86</b>	<b>27,304,811.15</b>
<i>GENERAL REVENUE FUND (FUND 0001/AGENCY 808)</i>		
Receipts from Mineral Sources:		
Mineral Lease Bonus	165,265.70	0.00
<b>TOTAL AGENCY 808</b>	<b>165,265.70</b>	<b>0.00</b>
<i>GENERAL REVENUE FUND (FUND 0001/AGENCY 902)</i>		
Receipts from Mineral Sources:		
Oil Royalty	9,768,359.05	7,596,554.56
Gas Royalty	3,559,511.55	2,229,092.32
Mineral Lease Bonus	2,097,076.10	1,717,198.91
Mineral Lease Rental	(5,139.05)	239.00
Shut-In Mineral Royalty	1,639.55	4,484.73
Outer Continental Shelf Judgment	300,811.20	339,562.18
Compensatory Royalty	0.00	2,400.00
Receipts from Misc. Interest and Other Collections:		
Interest	6,372.31	13,772.85
State of Texas Sales Tax	472.38	373.80
<b>TOTAL AGENCY 902</b>	<b>15,729,103.09</b>	<b>11,903,678.35</b>
<b>TOTAL GENERAL REVENUE FUND</b>	<b>40,975,437.09</b>	<b>39,298,736.61</b>
<i>SPECIALTY LICENSE PLATES FUND (FUND 5140/AGENCY 305/601)</i>		
Receipts from Specialty License Plates:		
Specialty License Plates	14,698.98	13,958.50
<b>TOTAL SPECIALTY LICENSE PLATES FUND</b>	<b>14,698.98</b>	<b>13,958.50</b>

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**SCHEDULE 4 (continued)**

	TOTALS	
	2014	2013
<i>STATE HIGHWAY FUND (FUND 0006/AGENCY 601)</i>	\$	\$
Receipts from Mineral Sources:		
Oil Royalty	6,546,053.97	7,395,550.62
Gas Royalty	5,385,939.55	3,735,586.15
Mineral Lease Bonus	483,126.73	3,170,915.19
Hard Mineral Royalty	350.94	1,339.06
Shut-In Mineral Royalty	3,916.69	3,251.11
Compensatory Royalty	3,514.46	0.00
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	43,373.50	44,358.00
Receipts from Misc. Interest and Other Collections:		
Interest	4,894.19	13,915.74
<b>TOTAL STATE HIGHWAY FUND</b>	<b>12,476,394.68</b>	<b>14,364,915.87</b>
<i>PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305)</i>		
Receipts from Mineral Sources:		
Oil Royalty	264,074,279.89	199,031,554.89
Gas Royalty	122,138,948.63	94,274,266.06
Oil & Gas Lease Bonus	150,608,976.82	75,854,904.05
Oil & Gas Lease Rental	80,286,055.87	9,936,127.97
Mining Lease Royalty	878,184.03	828,346.80
Mining Lease Rental and Bonus	78,033.13	121,073.13
Shut-In Mineral Royalty	392,507.36	731,100.78
Compensatory Royalty	134,236.00	0.00
Water Royalties	0.00	8,232.78
Talc Royalty	76,059.45	136,764.53
Prospect Permits	29,596.41	12,883.75
Outer Continental Shelf Judgment	601,622.37	679,124.36
Miscellaneous Rentals, Royalty, and Easements	1,995,716.86	1,765,351.24
Receipts from Real Asset Investments:		
Internal Investment Receipts - Return of Capital	65,068,505.18	3,724,264.40
Internal Investment Receipts - Capital Gains	20,985,240.38	10,506,153.54
Internal Investment Receipts - Note Principal	38,277.10	51,167.65
Internal Investment Receipts - Note Interest	14,526.00	18,556.94
Internal Investment Receipts - Misc.	0.00	419,580.42
External Investment Receipts - Return of Capital	256,978,471.36	147,042,323.80
External Investment Receipts - Capital Gains	117,475,573.22	68,424,687.62
External Investment Receipts - Dividend	8,747,958.24	9,072,749.85
External Investment Receipts - Misc.	64,126,614.77	49,037,863.60
Receipts from State Energy Marketing Program:		
SEMP Receipts for Third Party Purchases	63,618,592.45	50,934,013.03
State Power Program	5,192,129.86	8,437,621.58
Receipts from Surface Rentals, Easements, and Damages:		
Surface Damage Fees	2,888,754.76	3,004,818.87
Surface Lease Rental	2,299,865.57	2,308,044.65
Coastal Private S-T Lease Rental	354,094.72	391,050.41
Coastal Public S-T Lease Rental	1,244.65	2,444.65
Coastal Commercial	1,625,569.92	1,286,016.48
Coastal Miscellaneous Easements	3,403,964.47	3,241,710.83
Land Easement Rental, Riverbeds	221,553.73	379,722.46
Wind Lease Bonus	27,150.48	91,251.94
Wind Lease Royalties	968.04	11,683.28

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**SCHEDULE 4 (continued)**

*SUMMARY OF TEXAS GENERAL LAND OFFICE*

*DEPOSITS TO OTHER AGENCIES - BY FUND AND AGENCY*

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	TOTALS	
	2014	2013
<i>PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305) (continued)</i>	\$	\$
Rental of Land - Escrow Consideration	0.00	500.00
Receipts from Surface Rentals, Easements, and Damages (continued):		
Uplands Commercial	2,108,714.17	2,107,452.59
Uplands Miscellaneous Easements	890,883.59	811,514.38
Receipts from Misc. Interest and Other Collections:		
Interest	10,546,645.31	7,245,557.13
Miscellaneous	10,373,789.02	292,123.91
Land Office Administrative Fees	1,101,175.19	484,127.98
<b>TOTAL AGENCY 305</b>	<b>1,259,384,479.00</b>	<b>752,706,732.33</b>
<b>TOTAL PERMANENT SCHOOL FUND</b>	<b>1,259,384,479.00</b>	<b>752,706,732.33</b>
<i>STATE PARKS FUND (FUND 0064/AGENCY 802)</i>		
Receipts from Mineral Sources:		
Oil Royalty	549,996.55	704,657.19
Gas Royalty	2,738,560.84	2,631,618.04
Mineral Lease Bonus	0.00	188,425.39
Mineral Lease Rental	0.00	9,669.00
Receipts from Misc. Interest and Other Collections:		
Interest	3,929.98	10,360.00
<b>TOTAL STATE PARKS FUND</b>	<b>3,292,487.37</b>	<b>3,544,729.62</b>
<i>TEXAS A &amp; M UNIVERSITY MINERAL INVESTMENT FUND (FUND 0095/AGENCY 710)</i>		
Receipts from Mineral Sources:		
Gas Royalty	0.00	6,951.97
Receipts from Misc. Interest and Other Collections:		
Interest	0.00	18,147.88
<b>TOTAL TEXAS A &amp; M UNIVERSITY MINERAL INVESTMENT FUND</b>	<b>0.00</b>	<b>25,099.85</b>
<i>TEXAS TECH UNIVERSITY SPECIAL MINERAL FUND (FUND 0269/AGENCY 733)</i>		
Receipts from Mineral Sources:		
Oil Royalty	0.00	10,314.32
<b>TOTAL TEXAS TECH UNIVERSITY SPECIAL MINERAL FUND</b>	<b>0.00</b>	<b>10,314.32</b>
<i>MIDWESTERN UNIVERSITY MINERAL FUND (FUND 0412/AGENCY 735)</i>		
Receipts from Mineral Sources:		
Oil Royalty	20,760.42	11,669.05
<b>TOTAL MIDWESTERN UNIVERSITY MINERAL FUND</b>	<b>20,760.42</b>	<b>11,669.05</b>
<i>CAPITAL TRUST FUND (FUND 0543/AGENCY 537)</i>		
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	33,661.00	31,471.00
<b>TOTAL AGENCY 537</b>	<b>33,661.00</b>	<b>31,471.00</b>

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**SCHEDULE 4 (concluded)**

	TOTALS	
	2014	2013
	\$	\$
<i>CAPITAL TRUST FUND (FUND 0543/AGENCY 539)</i>		
Receipts from Mineral Sources:		
Oil Royalty	121,637.62	114,498.44
Gas Royalty	334,255.92	278,625.02
Mineral Lease Rental	15,721.65	(204.40)
Mineral Lease Bonus	202,905.24	321,556.00
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	40,702.00	142,946.00
<i>TOTAL AGENCY 539</i>	<u>715,222.43</u>	<u>857,421.06</u>
<b><i>TOTAL CAPITAL TRUST FUND</i></b>	<u>748,883.43</u>	<u>888,892.06</u>
<i>OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 710)</i>		
Receipts from Mineral Sources:		
Oil Royalty	4,081,476.25	306,805.07
Gas Royalty	1,130,745.57	318,269.68
<i>TOTAL AGENCY 710</i>	<u>5,212,221.82</u>	<u>625,074.75</u>
<i>OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 733)</i>		
Receipts from Mineral Sources:		
Oil Royalty	69,694.01	16,002.31
<i>TOTAL AGENCY 733</i>	<u>69,694.01</u>	<u>16,002.31</u>
<i>OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 771)</i>		
Receipts from Mineral Sources:		
Mineral Lease Bonus	16,249.90	0.00
Mineral Lease Rental	(8,124.90)	0.00
<i>TOTAL AGENCY 771</i>	<u>8,125.00</u>	<u>0.00</u>
<b><i>TOTAL OTHER AGENCY LOCAL FUND ROYALTIES FUND</i></b>	<u>5,290,040.83</u>	<u>641,077.06</u>
<i>GAME, FISH, AND WATER SAFETY FUND (FUND 0930/AGENCY 802)</i>		
Receipts from Mineral Sources:		
Oil Royalty	995,056.77	152,951.58
Gas Royalty	1,113,738.29	60,004.72
Mineral Lease Bonus	123,550.00	76,945.58
Mineral Lease Rental	2,154.00	359.30
<b><i>TOTAL GAME, FISH, AND WATER SAFETY FUND</i></b>	<u>2,234,499.06</u>	<u>290,261.18</u>
<i>WORKFORCE COMMISSION FEDERAL FUND (FUND 5026/AGENCY 320)</i>		
Receipts from Mineral Sources:		
Oil Royalty	436.64	183.18
Gas Royalty	41.08	114.53
Receipts from Sales of Real Property:		
Other Sale of Real Property	729,825.20	0.00
<b><i>TOTAL WORKFORCE COMMISSION FEDERAL FUND</i></b>	<u>730,302.92</u>	<u>297.71</u>
<b><i>TOTAL, ALL FUNDS (Schedule 5)</i></b>	<u>1,325,167,983.78</u>	<u>811,796,684.16</u>

**SCHEDULE 5**

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

For the Year Ended August 31, 2014

(With comparative memorandum totals for the year ended August 31, 2013)

	TOTALS	
	2014	2013
<i>RECEIPTS FROM MINERAL SOURCES</i>	\$	\$
Oil Royalty	302,941,412.95	234,561,814.65
Gas Royalty	142,227,633.49	107,703,073.22
Mineral Lease Bonus	156,077,254.99	85,278,814.51
Mineral Lease Rental	80,449,622.18	10,012,267.17
Mining Lease Royalty	878,184.03	828,346.80
Mining Lease Rental and Bonus	78,033.13	121,073.13
Compensatory Royalty	137,750.46	2,400.00
Water Royalties	0.00	8,232.78
Talc Royalty	76,059.45	136,764.53
Hard Mineral Royalty	350.94	1,339.06
Shut-In Mineral Royalty	405,743.60	745,432.72
Prospect Permits	29,596.41	12,883.75
Outer Continental Shelf Judgment	902,433.57	1,018,686.54
Miscellaneous Rentals, Royalty, and Easements	1,995,716.86	1,765,351.24
<b>TOTAL RECEIPTS FROM MINERAL SOURCES</b>	<b>686,199,792.06</b>	<b>442,196,480.10</b>
<i>RECEIPTS FROM REAL ASSET INVESTMENTS</i>		
Internal Investment Receipts	86,106,548.66	14,719,722.95
External Investment Receipts	447,328,617.59	273,577,624.87
Sale of Building	729,825.20	0.00
<b>TOTAL RECEIPTS FROM REAL ASSET INVESTMENTS</b>	<b>534,164,991.45</b>	<b>288,297,347.82</b>
<i>RECEIPTS FROM STATE ENERGY MARKETING PROGRAM</i>		
SEMP Receipts for Third Party Purchases	63,618,592.45	50,934,013.03
State Power Program	5,192,129.86	8,437,621.58
<b>TOTAL RECEIPTS FROM STATE ENERGY MARKETING PROGRAM</b>	<b>68,810,722.31</b>	<b>59,371,634.61</b>
<i>RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES</i>		
Surface Damage Fees	2,888,754.76	3,004,818.87
Uplands Commercial	2,108,714.17	2,107,452.59
Coastal Commercial	1,625,569.92	1,286,016.48
Coastal S-T Lease Rental	355,339.37	393,495.06
Easements	4,294,848.06	4,053,225.21
Surface Lease Rental	2,299,865.57	2,308,044.65
Rental of Land	339,290.23	598,997.46
Wind Lease Royalties	968.04	11,683.28
Wind Lease Bonus	27,150.48	91,251.94
Solar Surface Lease Rental or Bonus	0.00	0.00
<b>TOTAL RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES</b>	<b>13,940,500.60</b>	<b>13,854,985.54</b>
<i>RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS</i>		
Interest	10,561,841.79	7,285,651.90
State of Texas Sales Tax	472.38	373.80
Land Office Administrative Fees	1,101,175.19	484,127.98
Miscellaneous	10,373,789.02	292,123.91
Specialty License Plates	14,698.98	13,958.50
<b>TOTAL RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS</b>	<b>22,051,977.36</b>	<b>8,076,236.09</b>
<b>TOTAL, ALL SOURCES (Schedule 4)</b>	<b>1,325,167,983.78</b>	<b>811,796,684.16</b>

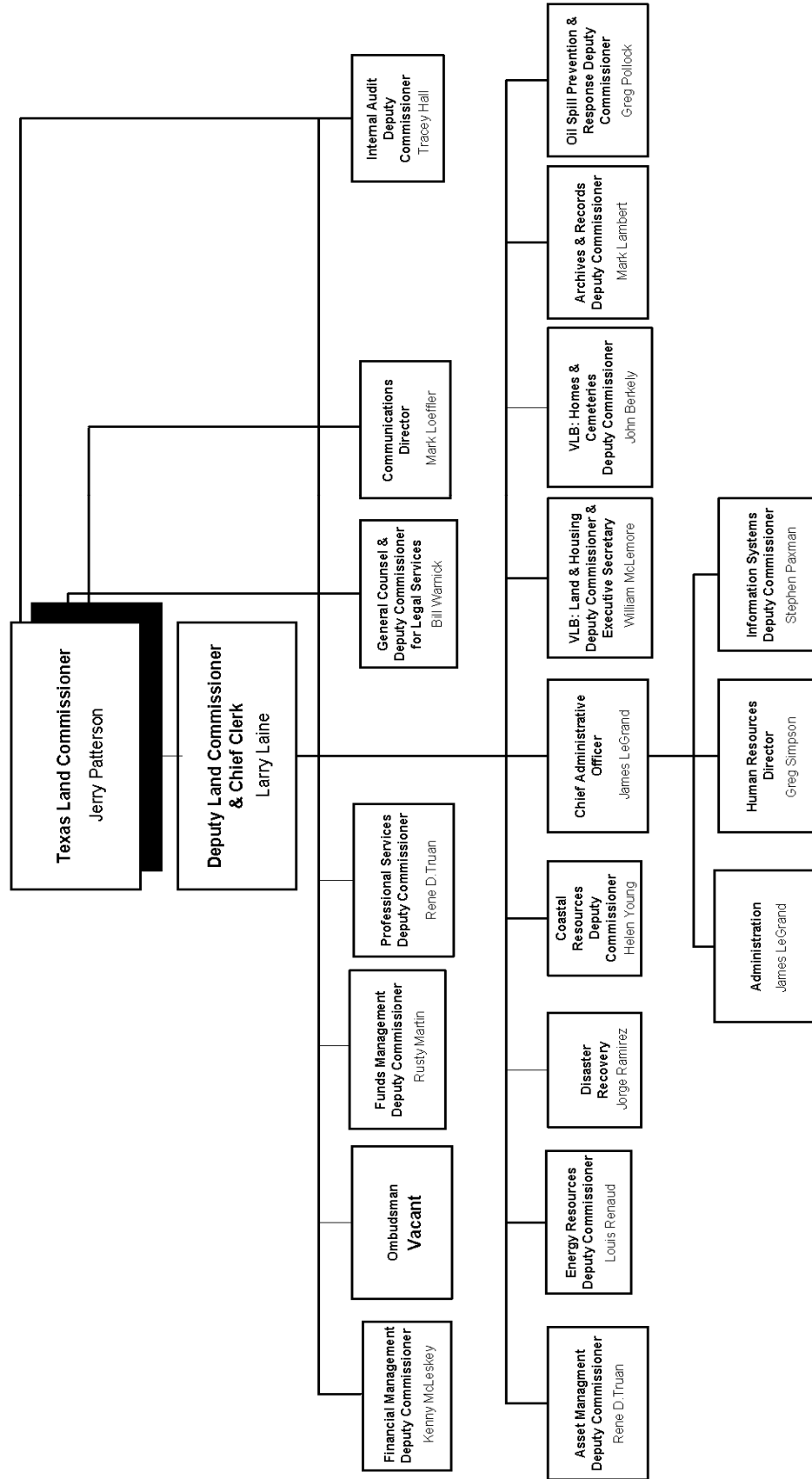
TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

ADDENDUM

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2014



# General Land Office/Veterans' Land Board





## ADDENDUM

### **ORGANIZATIONAL AND GENERAL COMMENTS**

The Texas General Land Office serves as the manager and/or trustee, in varying duties and responsibilities, of almost 19 million acres of state-owned land consisting of the following:

<b>Description of Acreage</b>	<b>Number of Acres</b>
Freshwater Rivers (estimated)	1,000,000.000
Rivers, Creeks, Bayous (tidal)	8,676.710
Bays, Inlets, Coves	1,461,375.540
Gulf of Mexico	2,441,568.950
Surveyed School Lands	423,751.900
Lakes	68,601.330
Islands	18,051.840
Navigation Districts	89,132.730
Relinquishment Act Land (mineral interest)	6,322,989.460
Free Royalty Land	818,880.680
Surface Sold and All or Part Minerals Reserved	362,817.420
Surface Acquired and All or Part Minerals Acquired	267,119.100
Small Tracts	0.320
Escheated Lands	162.270
Court Judgments	51,352.120
Gifts	19.730
Undivided Interest	7,514.140
State Real Property Inventory	1,559,615.300
Permanent University Fund	2,109,190.870
Excess (estimated)	1,747,600.000
Veterans' Land Board (land contracts)	214,690.000
<b>Total (estimated)</b>	<b>18,973,110.410</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 214,690.00 acres

of veterans' land contracts to 9,257 qualified Texas veterans. Additionally, the Veterans' Land Board holds 3,436 land mortgages, 13,438 housing mortgages and 1,085 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. The commissioner was re-elected in the November 2006 General Election for a term beginning January 1, 2007, and extending through December 31, 2010. The commissioner was re-elected in the November 2010 General Election for a term beginning January 1, 2011, and extending through December 31, 2014.

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.

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 \$30.00 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 year 2014. Expenses related to citizen members are paid from legislative appropriations granted to the Texas General Land Office. The citizen members serving at August 31, 2014, were:

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

(1) Mr. Herrmann continues to serve until successor is appointed.

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.

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, 2014, were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
John D. White	Houston	02-01-2015
Brenda Pejovich	Dallas	02-01-2017
Ernest Aliseda	McAllen	02-01-2019

The land commissioner serves as chairman of the Boards for Lease of the Texas Parks and Wildlife Department and Texas Department of Criminal Justice. 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.

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

The Board for Lease of Texas Department of Criminal Justice consists of the land commissioner; 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.

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

Lands owned by state agencies and institutions, other than those previously mentioned, are leased for mineral development through the School Land Board.

Mineral lease sales conducted during the 2014 fiscal year by the Texas General Land Office for various state land boards and/or commissions are presented on the following page.

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, comprises 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 year 2014. The citizen members serving on this board at August 31, 2014, were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Alan K. Sandersen	Missouri City	12-29-2014
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 182.

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MINERAL LEASE SALES FISCAL YEAR 2014

Lease Sale Date <sup>(1)</sup>	Number of Leases Awarded	Total Acres Leased	Total of High Bids Accepted	Average Bonus per Acre
			\$	\$
<b>School Land Board</b>				
<b>Surveyed School Land</b>				
<i>Oil and Gas</i>				
October 1, 2013 <sup>(2)</sup>	40	7,062.98	3,150,407.89	446.05
January 7, 2014 <sup>(2)</sup>	27	3,853.31	9,988,293.00	2,592.13
July 1, 2014 <sup>(2)</sup>	80	8,774.85	16,439,777.05	1,873.51
<b>Total</b>	<b>147</b>	<b>19,691.14</b>	<b>29,578,477.94</b>	<b>1,502.12</b>
<b>Special Boards for Lease</b>				
<b>Texas Department of Aging &amp; Disability Service</b>				
<i>Oil and Gas</i>				
October 1, 2013	2	222.22	202,905.24	913.08
<b>Total</b>	<b>2</b>	<b>222.22</b>	<b>202,905.24</b>	<b>913.08</b>
<b>Texas Department of Criminal Justice</b>				
<i>Oil and Gas</i>				
October 1, 2013	12	4,889.84	1,655,778.62	338.62
January 7, 2014	3	1,009.71	462,015.88	457.57
<b>Total</b>	<b>15</b>	<b>5,899.55</b>	<b>2,117,794.50</b>	<b>358.98</b>
<b>Texas Parks and Wildlife</b>				
<i>Oil and Gas</i>				
October 1, 2013	1	247.10	123,550.00	500.00
<b>Total</b>	<b>1</b>	<b>247.10</b>	<b>123,550.00</b>	<b>500.00</b>
<b>Texas School for the Blind &amp; Visually Impaired</b>				
<i>Oil and Gas</i>				
July 1, 2014	1	27.08	8,125.00	300.04
<b>Total</b>	<b>1</b>	<b>27.08</b>	<b>8,125.00</b>	<b>300.04</b>
<b>Texas Youth Commission</b>				
<i>Oil and Gas</i>				
January 7, 2014	1	197.44	49,360.00	250.00
<b>Total</b>	<b>1</b>	<b>197.44</b>	<b>49,360.00</b>	<b>250.00</b>
<b>Texas Department of Transportation</b>				
<i>Oil and Gas</i>				
January 7, 2014	1	2.68	5,365.00	2,001.87
<b>Total</b>	<b>1</b>	<b>2.68</b>	<b>5,365.00</b>	<b>2,001.87</b>

<sup>(1)</sup> No lease sale held on 04/02/14

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

Land program loans receivable, including properties acquired through forfeiture at August 31, 2014:

	<u>Land Contract for Deed (CFD)</u>	<u>Land Mortgage</u>	<u>Total Land Program Loans</u>
	\$	\$	\$
Principal Receivable	139,562,823.82	173,236,912.75	312,799,736.57
Interest Receivable	<u>3,118,798.23</u>	<u>1,641,844.29</u>	<u>4,760,642.52</u>
<b>Total Land Program Loans Receivable</b>	<b><u>142,681,622.05</u></b>	<b><u>174,878,757.04</u></b>	<b><u>317,560,379.09</u></b>

Data applicable to land mortgages and contract for deeds closed under the land program are as follows:

	<u>Contract for Deed Since Program Inception *</u>	<u>Land Mortgage Year Ended August 31, 2014</u>	<u>Land Mortgage Since Program Inception</u>
Total Acres Purchased	4,981,195.33	12,007.79	59,628.18
Total Purchase Price	\$1,807,224,246.13	\$57,074,624.00	\$ 239,281,883.53
Average Price Per Acre	\$362.81	\$4,753.13	\$4,012.90
Number of New Loans	122,499	1,000	4,542

Housing program loans receivable, including properties acquired through foreclosure at August 31, 2014:

	<u>Housing Mortgage</u>	<u>Home Improvement</u>	<u>Total Housing Program Loans</u>
	\$	\$	\$
Principal Receivable	1,941,311,308.57	20,601,368.97	1,961,912,677.54
Interest Receivable	<u>14,333,269.50</u>	<u>247,495.05</u>	<u>14,580,764.55</u>
<b>Total Housing Program Loans Receivable</b>	<b><u>1,955,644,578.07</u></b>	<b><u>20,848,864.02</u></b>	<b><u>1,976,493,442.09</u></b>

Housing program loans purchased during fiscal year 2014:

	<u>Housing Mortgage</u>	<u>Home Improvement</u>	<u>Total Housing Program Loans</u>
Housing Loan Principal	\$ 477,056,450.91	\$ 5,307,701.00	\$482,364,151.91
Number of Housing Loans	2,029	231	2,260

\* The last new Contract for Deed was on 06/02/2008.

## UNAUDITED

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 conversion fund to make grants, loans and finance 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.

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.

The land commissioner, along with the lieutenant governor, the Speaker of the House of Representatives, the attorney general, and the comptroller of public accounts is a member 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.

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 the 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.

## **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 agencies 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 reside 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 35 million documents and 80,000 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 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, working with the Communications Department, created two temporary exhibits at the Alamo. The first highlighted the Missions of Texas, while the second one 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, as well as 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 on-going 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 un-sold 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 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 the Grant Programs and Support Division, the Coastal Erosion Planning and Response Act Program, and the Beach Access and Dune Protection Program .

The Grant Programs and Support division 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, MMS 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.

Another program that this division oversees is 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.

The Grant Programs and Support division administers the Environmental Protection Agency (EPA) Beach Act federal funds, which support the Texas Beach Watch Program. The division coordinates with the Office of Communications on events held under this program.

In addition, the Grant Programs and Support division 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 19th cycle and the Texas General Land Office has been awarded approximately \$2.48 million for CMP authorized projects with sub recipients along the coast.

The Grant Programs and Support division also houses the hazard mitigation program that works with other 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 the Conrad Blucher Institute for Surveying and Science (CBI) at Texas A&M University-Corpus Christi. This program operates out of the Grant Programs and Support division. CBI performs the work and has commenced the installation of a modern, state-of-the-art water-level measurement system along the Texas coast. The first measurement systems installed by CBI 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 CBI 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,

The Grant Programs and Support division also oversees the 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 that are 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 as they applied to the state 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 received more than \$2.5 million in federal funding to implement the program and meet the requirements of the BEACH Act.

The Texas Beach Watch Program is funded by the EPA and administered by the Texas General Land Office to monitor 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 167 stations at approximately 67 recreational beaches along the Texas coast in Aransas, Brazoria, Cameron, Galveston,

Jefferson, Kleberg, 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 Beach Watch monitored gulf beaches.

The Grant Programs and Support 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 that all files are scanned and complete for proper storage, retention and for future use.

The state Coastal Erosion Planning and Response Act (CEPRA) Program was created by 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 \$106 million for the CEPRA program through fiscal year 2014. 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 \$326 million. Erosion response projects conducted by the division 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.



## **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.

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 technical assistance, oversight, and monitoring of all aspects of grant management from application, to implementation, and all the way to closeout.

The Finance division is comprised of two departments: Accounting & Contacts, and Processing & Reporting. This division processes an average of \$35-40 million in reimbursements each month. Its main function is to carry out the financial and fiscal tasks of the program, manage all contracts and work orders, and ensure related reporting and tracking systems are complete and accurate.

## **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 two divisions: Minerals Leasing and Energy Marketing. 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 year 2014, the General Land Office received a total of almost \$152 million in oil and gas lease bonus revenue for the PSF, along with over \$80 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 year 2013, 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 2014, Mineral Leasing finalized a wind lease with Duke Energy for a wind turbine project on PSF lands in Starr County. Discussions with established solar power companies continued in West Texas. Issues related to the joint use of the surface in West Texas by the wind and oil and gas industries are being worked out. Baryonyx, an offshore wind lessee, has terminated their Rio Grande site near South Padre Island for economic reasons.

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 oil, gas and other minerals 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 year 2014, the power program generated over \$5.48 million in contributions to the Permanent School Fund, while servicing over 367 unique customers at over 15,330 meters.

## ***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 Financial Subsidiary Operations.

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 Financial Subsidiary Operations 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 surface and mineral leases under the stewardship of the agency. The division also conducts field audits and account reconciliations (volume and due vs. paid) to assess the accuracy of the royalty computations and payments being reported to the agency, as well as to ensure the contractual and regulatory compliance of the operators of the veterans homes.

## ***FUNDS MANAGEMENT***

The Funds 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, Funds Management plans and 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. Funds 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;
- coordinates leave administration, such as processing requests under the Family and Medical Leave Act 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 works to remain current in its 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 the computer hardware and software inventory and licensing agreements. Major services provided by this division include all software related training is provided by the IS BTS Training staff which includes customized classes as well as 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 it's expertise with software applications and business data to enhance customer service, solve business problems, and make staff 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.

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 Administration 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 (OSPRE) 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.

OSPRE 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.

OSPRE 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 year 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 US 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 7 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 these 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 or 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 ASSESMENT (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 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. The Trustees also provide information on threatened or endangered species and their habitat, archaeological, cultural and historic sites, and other natural resources and land areas under their jurisdiction.

Since the NRDA program's inception, natural resource restoration projects valued at more than \$32 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 2014, the GLO NRDA section worked on over 30 active NRDA 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 nearly 5 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 on ten early restoration projects in Phases 1 and 2. None of those projects are in Texas. However, BP and the trustees have agreed to an additional 64 in Phase 3, including five projects for Texas to compensate for lost recreational use of natural resources. The projects include three offshore artificial

reefs and two redevelopment projects for coastal State Parks at a cost of about \$18 million. 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. In November 2013, NFWF's GEBF awarded \$8.8 million in Round 1 restoration funding for Texas coastal projects. From the \$8.8 million, the GLO was awarded \$2,489,200 for a marsh restoration project in Galveston Island State Park on West Galveston Bay. The project is currently in the engineering and design phase. In August 2014, NFWF awarded Texas \$34,493,800 million to acquire and preserve the historic 17,000-acre Powderhorn Ranch on Matagorda Bay in Calhoun County. 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 2 awards in November 2014.

BP and the other RPs for DWH will be liable for substantial civil fines under the Clean Water Act. Transocean settled its civil penalty liability with the Justice Department in January 2013, agreeing to pay \$1 billion. BP, which has been found grossly negligent, reckless, and engaged in intentional misconduct in its handling of the DWH wellhead blowout, could be liable for a fine of up to \$4,300 per barrel. If the volume of oil discharged is determined to be in the range of 4.5 million gallons, BP's fine could be as high as \$18 billion. Clean Water Act fines of this nature go into the Oil Spill Liability Trust Fund (OSLTF), which is used to pay for oil spill response and cleanup. In 2011 and 2012, many argued that the OSLTF did not need such a windfall and

that the DWH civil fines would be better spent for coastal restoration on the Gulf Coast.

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 Council, awarded as grants under the Comprehensive Plan for projects that protect and restore the Gulf Coast ecosystem. 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. 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. 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 is receiving \$800 million from the Transocean settlement. Plans are underway to distribute the funding, but it may be months to years before RESTORE funding is disbursed as the Treasury Department, the Council, and the Gulf Coast states move slowly towards implementing the required projects, programs, and processes.



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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 fine is imposed, Texas stands to gain well over \$100 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 year 2014, 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 year 2015, appraisers will continue assessing the value and utilization of another of the 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 year 2014.

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 is responsible for over 699,226.03 acres of Permanent School Fund land located throughout 139 counties in Texas. The staff is located in Austin, as well as in the Alpine Field Office. Uplands Leasing issues surface leases for grazing, hunting, crop production, recreation, timber management, and various commercial purposes. Currently there are 1,821 active upland surface leases, commercial leases, and miscellaneous easements on 617,291 acres of Permanent School Fund land. The Uplands range specialists completed 292 inspections in fiscal year 2014.

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 year 2014, 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 year 2014 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 699,226.03 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 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 Veteran's Land Board is comprised of two program areas, the Veteran Land and Housing Program and the Veteran Homes and 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) 2014 fiscal year began with several key leadership changes to include: the appointment of a new VLB Deputy Commissioner & Executive Secretary, the hiring of new Loan Operations Director, Loan Origination Manager, and Loss Mitigation Manager. During this transition the new leadership and management team reassessed the existing strategic plan in the context of current statewide market conditions; loan

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operational capacity; and the fiscal year 2014 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 decided 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 decided 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 on-going 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 AND CEMETERIES PROGRAM***

The Deputy Commissioner of the Texas State Veterans Homes and Cemeteries Program (TSVH&C), along with the Program Manager 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. The Deputy Commissioner also oversees the planning process for additional homes. TSVH&C 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.

The Deputy Commissioner for TSVH&C also oversees, along with the program Director, 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.