



TEXAS GENERAL LAND OFFICE & TEXAS VETERANS' LAND BOARD

YEAR ENDED AUGUST 31

2017
UNAUDITED ANNUAL FINANCIAL REPORT
2017

George P. Bush
Commissioner & Chairman



TEXAS GENERAL LAND OFFICE VETERANS' LAND BOARD

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UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2017



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TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

INTRODUCTION

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2017



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TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

November 20, 2017

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, State Comptroller
Ursula Parks, Director, Legislative Budget Board
Lisa Collier, First Assistant State Auditor

Dear Governor Abbott, Comptroller Hegar, Ms. Parks and Ms. Collier:

I am pleased to submit the Texas General Land Office and Veterans Land Board (305) Annual Financial Report for the fiscal year ended August 31, 2017, in compliance with Texas Government Code Ann. §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,

GEORGE P. BUSH
Commissioner, General Land Office

Enclosure

TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

GENERAL PURPOSE FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2017



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

EXHIBIT I

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

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL	PERMANENT
	REVENUE	REVENUE	FUNDS
	FUNDS	FUNDS	
	(EXH. A-1)	(EXH. B-1)	(EXH. C-1)
	\$	\$	\$
ASSETS			
Current Assets:			
Cash:			
Cash on Hand	200.00		
Cash in Bank (Note 3)	10,000.00		998,682.08
Cash in State Treasury	34,482,117.71	769,706.20	3,399,051,387.28
Legislative Appropriation	29,368,011.85		
Receivables:			
Federal	19,381,272.87	325,144.17	
Interest and Dividends	23,572.34	1,137.45	3,778,495.65
Accounts	863,461.67		126,369,800.39
Interfund (Note 12)			
Due From:			
Other Funds	1,114,577.24	43,173.15	34,783.57
Other Agencies	21,657.64		
Consumable Inventories	29,570.44		99,946.00
Prepaid Items	177,703.86		487.95
Notes Receivable			13,494.63
Total Current Assets	85,472,145.62	1,139,160.97	3,530,347,077.55
Noncurrent Assets:			
Notes Receivable			105,098.27
Investments in Real Assets at Fair Value (Note 3)			5,311,740,605.49
Capital Assets (Note 2):			
Depreciable Capital Assets:			
Vehicles, Boats, and Aircraft			
Less Accumulated Depreciation			
Furniture and Equipment			
Less Accumulated Depreciation			
Buildings			
Less Accumulated Depreciation			
Facilities and Other Improvements			
Less Accumulated Depreciation			
Other Capital Assets			
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	5,311,845,703.76
TOTAL ASSETS	85,472,145.62	1,139,160.97	8,842,192,781.31

UNAUDITED

GOVERNMENTAL FUNDS			
GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			
TOTALS	ADJUSTMENTS		
(Memorandum Only)	CAPITAL	LONG-TERM	
2017	ASSETS	LIABILITIES	OTHER
\$	\$	\$	\$
200.00			
1,008,682.08			
3,434,303,211.19			
29,368,011.85			
19,706,417.04			
3,803,205.44			
127,233,262.06			
0.00			
1,192,533.96			
21,657.64			
129,516.44			
178,191.81			
13,494.63			
3,616,958,384.14	0.00	0.00	0.00
105,098.27			
5,311,740,605.49			
	6,968,837.82		
	(4,515,083.27)		
	6,407,464.55		
	(4,809,142.20)		
	64,748,318.60		
	(29,622,309.78)		
	276,021.77		
	(8,280.63)		
	15,000.00		
	(13,282.26)		
	441,960.95		
	15,880,304.28		
	7,219,600.19		
	969,156.96		
	(716,129.16)		
5,311,845,703.76	63,242,437.82	0.00	0.00
8,928,804,087.90	63,242,437.82	0.00	0.00

STATEMENT OF NET POSITION	
TOTALS	
(Memorandum Only)	
2017	2016
\$	\$
200.00	200.00
1,008,682.08	826,500.43
3,434,303,211.19	2,338,568,421.91
29,368,011.85	45,262,290.77
19,706,417.04	32,429,358.99
3,803,205.44	1,681,852.98
127,233,262.06	90,597,839.05
0.00	4,592.36
1,192,533.96	662,076.09
21,657.64	17,578.32
129,516.44	28,494.49
178,191.81	3,280,837.11
13,494.63	2,198,165.52
3,616,958,384.14	2,515,558,208.02
105,098.27	720,834.33
5,311,740,605.49	4,808,483,123.08
6,968,837.82	6,735,644.10
(4,515,083.27)	(4,188,064.73)
6,407,464.55	6,326,433.92
(4,809,142.20)	(4,738,444.84)
64,748,318.60	63,056,066.58
(29,622,309.78)	(27,001,672.07)
276,021.77	0.00
(8,280.63)	0.00
15,000.00	15,000.00
(13,282.26)	(11,782.38)
441,960.95	0.00
15,880,304.28	15,838,724.03
7,219,600.19	6,467,958.00
969,156.96	815,134.91
(716,129.16)	(585,446.92)
5,375,088,141.58	4,871,933,508.01
8,992,046,525.72	7,387,491,716.03
	-to next page

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

EXHIBIT I (concluded)

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

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL	PERMANENT
	REVENUE	REVENUE	FUNDS
	FUNDS	FUNDS	
	(EXH. A-1)	(EXH. B-1)	(EXH. C-1)
	\$	\$	\$
LIABILITIES AND FUND BALANCES			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources			
TOTAL DEFERRED OUTFLOWS	0.00	0.00	0.00
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts	19,007,978.41	322,784.42	8,351,711.68
Payroll	3,241,674.19	61,514.22	1,565,461.95
Interfund (Note 12)			
Retainage		7,985.84	
Due To:			
Other Funds	287,480.15	2,194.17	39,384.96
Other Agencies	642,512.18		25,923.63
Unearned Revenues	353,656.22		91,239,842.01
Employees' Compensable Leave (Note 5)			
Total Current Liabilities	23,533,301.15	394,478.65	101,222,324.23
Noncurrent Liabilities:			
Employees' Compensable Leave (Note 5)			
Total Noncurrent Liabilities	0.00	0.00	0.00
TOTAL LIABILITIES	23,533,301.15	394,478.65	101,222,324.23
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources			
TOTAL DEFERRED INFLOWS	0.00	0.00	0.00
FUND FINANCIAL STATEMENT - FUND BALANCES			
Fund Balances (Note 1):			
Nonspendable for Permanent Fund Corpus			7,153,059,268.57
Nonspendable for Inventory	29,570.44		99,946.00
Nonspendable for Prepaid	177,703.86		487.95
Restricted	2,727,486.74	744,682.32	1,587,810,754.56
Committed	31,511,516.58		
Unassigned	27,492,566.85		
TOTAL FUND BALANCES (Exhibit II)	61,938,844.47	744,682.32	8,740,970,457.08

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

GOVERNMENTAL FUNDS			
GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			
TOTALS	ADJUSTMENTS		
(Memorandum Only)	CAPITAL	LONG-TERM	
2017	ASSETS	LIABILITIES	OTHER
\$	\$	\$	\$
0.00			
0.00	0.00	0.00	0.00
27,682,474.51			
4,868,650.36			
0.00			
7,985.84			
329,059.28			
668,435.81			
91,593,498.23			
0.00		2,850,593.52	
125,150,104.03	0.00	2,850,593.52	0.00
0.00		2,509,246.49	
0.00	0.00	2,509,246.49	0.00
125,150,104.03	0.00	5,359,840.01	0.00
0.00			
0.00	0.00	0.00	0.00
7,153,059,268.57			
129,516.44			
178,191.81			
1,591,282,923.62			
31,511,516.58			
27,492,566.85			
8,803,653,983.87			
63,242,437.82		8,740,970,457.08	
	(5,359,840.01)	(8,740,970,457.08)	
63,242,437.82	(5,359,840.01)	0.00	

STATEMENT OF NET POSITION	
TOTALS	
(Memorandum Only)	
2017	2016
\$	\$
0.00	0.00
0.00	0.00
27,682,474.51	36,635,115.62
4,868,650.36	4,611,738.14
0.00	4,592.36
7,985.84	36,265.24
329,059.28	1,026,586.34
668,435.81	3,807,383.58
91,593,498.23	67,931,140.86
2,850,593.52	2,958,003.22
128,000,697.55	117,010,825.36
2,509,246.49	2,584,835.00
2,509,246.49	2,584,835.00
130,509,944.04	119,595,660.36
0.00	0.00
0.00	0.00
7,153,059,268.57	4,213,351,234.74
129,516.44	28,494.49
178,191.81	3,280,837.11
1,591,282,923.62	2,928,453,144.89
31,511,516.58	2,262,534.12
27,492,566.85	63,333,097.94
8,803,653,983.87	7,210,709,343.29
63,242,437.82	62,729,550.60
8,740,970,457.08	7,143,102,918.01
(8,746,330,297.09)	(7,148,645,756.23)
8,861,536,581.68	7,267,896,055.67

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

EXHIBIT II

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

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL	PERMANENT
	REVENUE	REVENUE	FUNDS
	FUNDS	FUNDS	
	(EXH. A-2)	(EXH. B-2)	(EXH. C-2)
REVENUES	\$	\$	\$
Legislative Appropriations:			
Original Appropriations	17,645,086.00		
Additional Appropriations	4,047,176.92		
Federal Revenues	210,702,688.94	1,539,387.16	
Federal Grant Pass-Through Revenues	822,794.49		
State Grant Pass-Through Revenues	577,791.07		
Licenses, Fees, and Permits	16,934,174.90		3,293,417.81
Interest and Other Investment Income	209,736.17	7,039.49	125,944,245.23
Gain (Loss) on Sale of Sovereign/Other Land			1,465,973.07
Net Increase (Decrease) in Fair Value of Investments			749,412,778.15
Land Income	16,790.00		939,053,152.90
Settlement of Claims	1,069.71		
Sales of Goods and Services	5,545,394.53		103,883,031.83
Other Revenues	7,043,751.81	24,639.14	205,102.72
TOTAL REVENUES	263,546,454.54	1,571,065.79	1,923,257,701.71
EXPENDITURES/EXPENSES			
Salaries and Wages	29,907,229.72	572,814.04	13,615,048.29
Payroll Related Costs	11,282,324.13	417,817.59	3,233,601.26
Professional Fees and Services	74,068,620.41	3,174,596.64	3,424,619.02
Travel	442,509.78	45,758.75	144,698.54
Materials and Supplies	1,288,155.71	163,060.20	99,655,794.95
Communication and Utilities	1,144,426.72	138,628.74	379,007.93
Repairs and Maintenance	2,303,277.44	28,977.93	1,003,641.21
Rentals and Leases (Note 8)	1,148,713.88	3,142.37	202,619.68
Printing and Reproduction	192,031.70	553.74	6,448.12
Claims and Judgments (Note 17)			
Federal Grant Pass-Through Expenditures	9,465,160.02		
State Grant Pass-Through Expenditures	156.86		
Intergovernmental Payments	123,637,053.71		
Public Assistance Payments	27,293,031.17		984,820.67
Other Expenditures	12,882,658.91	(22,740.84)	1,784,410.47
Capital Outlay	3,330,522.60	686,193.17	368,493.00
Depreciation Expense			
TOTAL EXPENDITURES/EXPENSES	298,385,872.76	5,208,802.33	124,803,203.14
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	(34,839,418.22)	(3,637,736.54)	1,798,454,498.57

UNAUDITED

GOVERNMENTAL FUNDS				STATEMENT OF ACTIVITIES	
TOTALS				TOTALS	
(Memorandum Only)	CAPITAL	LONG-TERM		(Memorandum Only)	
2017	ASSETS	LIABILITIES	OTHER	2017	2016
\$	\$	\$	\$	\$	\$
17,645,086.00				17,645,086.00	47,109,438.00
4,047,176.92				4,047,176.92	3,303,751.69
212,242,076.10				212,242,076.10	375,436,098.44
822,794.49				822,794.49	0.00
577,791.07				577,791.07	0.00
20,227,592.71				20,227,592.71	16,344,789.39
126,161,020.89				126,161,020.89	89,665,351.35
1,465,973.07				1,465,973.07	2,267,402.54
749,412,778.15				749,412,778.15	(84,882,469.62)
939,069,942.90				939,069,942.90	518,746,708.07
1,069.71				1,069.71	0.00
109,428,426.36				109,428,426.36	82,255,389.95
7,273,493.67				7,273,493.67	6,096,302.28
2,188,375,222.04	0.00	0.00	0.00	2,188,375,222.04	1,056,342,762.09
44,095,092.05		(182,998.21)		43,912,093.84	44,260,007.15
14,933,742.98				14,933,742.98	14,529,775.53
80,667,836.07				80,667,836.07	82,464,187.52
632,967.07				632,967.07	638,321.92
101,107,010.86				101,107,010.86	76,630,556.00
1,662,063.39				1,662,063.39	1,417,130.96
3,335,896.58				3,335,896.58	2,845,937.88
1,354,475.93				1,354,475.93	1,396,301.24
199,033.56				199,033.56	218,325.87
0.00				0.00	200,000.00
9,465,160.02				9,465,160.02	7,504,927.96
156.86				156.86	1,840.00
123,637,053.71				123,637,053.71	259,143,461.16
28,277,851.84				28,277,851.84	36,452,136.90
14,644,328.54				14,644,328.54	2,847,894.02
4,385,208.77	(4,385,208.77)			0.00	0.00
0.00	3,892,200.37			3,892,200.37	4,037,565.99
428,397,878.23	(493,008.40)	(182,998.21)	0.00	427,721,871.62	534,588,370.10
1,759,977,343.81	493,008.40	182,998.21	0.00	1,760,653,350.42	521,754,391.99

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

EXHIBIT II (concluded)

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

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL	PERMANENT
	REVENUE	REVENUE	FUNDS
	FUNDS	FUNDS	
	(EXH. A-2)	(EXH. B-2)	(EXH. C-2)
OTHER FINANCING SOURCES (USES)	\$	\$	\$
Transfers In	33,973,755.94	3,248,560.85	
Transfers Out	(3,366,259.33)	230,094.15	(200,000,000.00)
Sale of Capital Assets	89,805.00		3,795.00
Gain (Loss) on Sale of Capital Assets			
Increase (Decrease) in Net Assets - Due to Interagency Transfer of Capital Assets			
Capital Contributions			
Appropriations Lapsed	(567,499.12)		
TOTAL OTHER FINANCING SOURCES (USES)	30,129,802.49	3,478,655.00	(199,996,205.00)
NET CHANGE IN FUND BALANCES/NET POSITION	(4,709,615.73)	(159,081.54)	1,598,458,293.57
FUND FINANCIAL STATEMENT - FUND BALANCES			
FUND BALANCES - August 31, 2016	66,732,563.43	873,861.85	7,143,102,918.01
Restatements (Note 14)	(84,103.23)	29,902.01	(590,754.50)
FUND BALANCES - August 31, 2016, as restated	66,648,460.20	903,763.86	7,142,512,163.51
FUND BALANCES - August 31, 2017 (Exhibit I)	61,938,844.47	744,682.32	8,740,970,457.08

GOVERNMENT-WIDE STATEMENT OF NET POSITION

NET POSITION/NET CHANGE IN NET POSITION

NET POSITION - August 31, 2016

Restatements (Note 14)

NET POSITION - August 31, 2016, as restated

NET POSITION - August 31, 2017 (Exhibit I)

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

UNAUDITED

GOVERNMENTAL FUNDS				STATEMENT OF ACTIVITIES	
TOTALS				TOTALS	
(Memorandum Only)	GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			(Memorandum Only)	
2017	CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	2017	2016
\$	\$	\$	\$	\$	\$
37,222,316.79				37,222,316.79	27,566,351.46
(203,136,165.18)				(203,136,165.18)	(182,205,172.17)
93,600.00	(93,600.00)			0.00	4,140.00
0.00	61,433.61			61,433.61	58,143.18
0.00				0.00	1,820,752.00
0.00				0.00	3,972.00
(567,499.12)				(567,499.12)	(407,375.20)
(166,387,747.51)	(32,166.39)	0.00	0.00	(166,419,913.90)	(153,159,188.73)
1,593,589,596.30				1,594,233,436.52	368,595,203.26
7,210,709,343.29				7,210,709,343.29	4,940,477,281.63
(644,955.72)				(644,955.72)	1,909,609,382.76
7,210,064,387.57				7,210,064,387.57	6,850,086,664.39
8,803,653,983.87				8,804,297,824.09	7,218,681,867.65
1,593,589,596.30	460,842.01	182,998.21	0.00	1,594,233,436.52	368,595,203.26
7,210,709,343.29	62,729,550.60	(5,542,838.22)	0.00	7,267,896,055.67	4,989,723,754.75
(644,955.72)	52,045.21			(592,910.51)	1,909,577,097.66
7,210,064,387.57	62,781,595.81	(5,542,838.22)	0.00	7,267,303,145.16	6,899,300,852.41
8,803,653,983.87	63,242,437.82	(5,359,840.01)	0.00	8,861,536,581.68	7,267,896,055.67

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

EXHIBIT III

**COMBINED STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-1a)	VETERANS' LAND PROGRAM (EXH. D-1b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-1c)
ASSETS	\$	\$	\$
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank			
Cash on Hand		200.00	
Cash in State Treasury	84,333,266.77	4,667,471.44	17,734,955.77
Cash Equivalents	109,981,436.33	45,599,860.98	4,885,257.44
Securities Lending Collateral (Note 3)	57,663,215.55	47,714,758.78	
Investments - Securities at Market Value (Note 3)	286,577,442.20	1,994,740.00	15,924,742.50
Loans and Contracts Receivables:			
Land Contracts		1,191,142.95	
Mortgages	66,434,957.00	3,602,373.24	
Home Improvement Loans	1,779,007.97		
Receivables:			
Federal			12,435,115.87
Interest and Dividends Receivables:			
Investment Interest	752,198.14	188.32	10,945.28
Land Contracts		672,583.93	
Mortgages	6,784,264.17	1,270,151.62	
Home Improvement Loans	595,796.44		
Accounts Receivable (Net of Allowance for Uncollectibles)	9,364.44	23,989.37	1,851,762.50
Due from Other Funds	355,749.78	3,494.17	1,556.25
Consumable Inventories			
Prepaid Items	4,727,229.84		1,379.85
Total Current Assets	619,993,928.63	106,740,954.80	52,845,715.46
Noncurrent Assets:			
Investments:			
Securities at Market Value (Note 3)	220,227,076.18	192,306,041.52	
Derivative Instruments (Note 3)	638,363.41	(302,457.06)	
Hedging Derivative Instruments	4,226,114.00		
Loans and Contracts Receivables:			
Land Contracts		70,567,569.24	
Mortgages	2,153,359,639.21	252,371,169.62	
Home Improvement Loans	33,785,543.79		
Property Acquired Through Foreclosure (Note 33):			
Land Contracts		827,910.00	
Mortgages	60,638.00		
Capital Assets (Note 2):			
Depreciable Capital Assets:			
Furniture and Equipment		130,721.57	744,477.97
Less Accumulated Depreciation		(108,730.81)	(534,493.74)
Buildings			116,187,500.72
Less Accumulated Depreciation			(55,517,237.61)
Facilities and Other Improvements			22,963.00
Less Accumulated Depreciation			(6,696.90)

UNAUDITED

DISCRETELY PRESENTED COMPONENT UNIT FUND 9999 U/F (5002)	PROPRIETARY FUNDS	
	TOTALS	
	(Memorandum Only)	
	2017	2016
\$	\$	\$
919,639.00	919,639.00	991,997.00
	200.00	200.00
	106,735,693.98	83,772,004.99
	160,466,554.75	207,337,977.39
	105,377,974.33	28,222,582.50
	304,496,924.70	5,003,350.00
	1,191,142.95	7,398,041.94
	70,037,330.24	72,056,023.62
	1,779,007.97	1,532,619.46
	12,435,115.87	10,812,072.09
	763,331.74	1,153,144.23
	672,583.93	900,711.17
	8,054,415.79	9,304,779.27
	595,796.44	145,687.69
5,048.95	1,890,165.26	3,494,545.91
176,204.05	537,004.25	18,199,268.54
1,500.00	1,500.00	1,500.00
21,345.00	4,749,954.69	2,380,245.85
1,123,737.00	780,704,335.89	452,706,751.65
	412,533,117.70	438,988,790.85
	335,906.35	330,211.86
	4,226,114.00	0.00
	70,567,569.24	80,660,059.55
	2,405,730,808.83	2,561,617,687.38
	33,785,543.79	27,768,382.31
	827,910.00	1,299,680.00
	60,638.00	255,823.00
	875,199.54	713,772.38
	(643,224.55)	(470,251.34)
	116,187,500.72	116,283,716.90
	(55,517,237.61)	(51,037,507.64)
	22,963.00	22,963.00
	(6,696.90)	(5,548.86)

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

EXHIBIT III (concluded)

COMBINED STATEMENT OF NET POSITION
PROPRIETARY FUNDS

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-1a)	VETERANS' LAND PROGRAM (EXH. D-1b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-1c)
ASSETS (continued)	\$	\$	\$
Non-Depreciable Capital Assets:			
Construction in Progress			10,497,181.38
Land			4,039,500.00
Amortizable Intangible Assets:			
Computer Software		162,578.15	146,555.00
Less Accumulated Amortization		(162,578.15)	(146,555.00)
Total Noncurrent Assets	2,412,297,374.59	515,792,224.08	75,433,194.82
TOTAL ASSETS	3,032,291,303.22	622,533,178.88	128,278,910.28
DEFERRED OUTFLOW OF RESOURCES			
Hedging Derivative Instruments	190,322,072.23	32,368,887.00	
TOTAL DEFERRED OUTFLOW OF RESOURCES	190,322,072.23	32,368,887.00	0.00
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,507,848.19	249,875.79	11,538,155.55
Debt Service Interest Payable	1,231,696.41	162,890.62	
Due to Other Funds	355,749.78	43,173.15	1,556.00
Unearned Revenues		133,564.80	
Bonds Payable (Net of Unamortized Discounts and Premiums)			
General Obligation	147,639,810.16	21,570,000.00	
Obligations Under Securities Lending (Note 3)	57,663,215.55	47,714,758.78	
Total Current Liabilities	208,398,320.09	69,874,263.14	11,539,711.55
Noncurrent Liabilities:			
Bonds Payable (Net of Unamortized Discounts and Premiums)			
General Obligation	2,525,311,448.51	188,790,000.00	
Hedging Derivative Instruments	190,322,072.23	32,368,887.00	
Total Noncurrent Liabilities	2,715,633,520.74	221,158,887.00	0.00
TOTAL LIABILITIES	2,924,031,840.83	291,033,150.14	11,539,711.55
DEFERRED INFLOW OF RESOURCES			
Hedging Derivative Instruments	4,226,114.00		
TOTAL DEFERRED INFLOW OF RESOURCES	4,226,114.00	0.00	0.00
NET POSITION			
Invested in Capital Assets, Net of Related Debt		43,981.52	75,433,194.82
Restricted for the Veterans' Land Board	294,355,420.62	363,824,934.22	41,306,003.91
Restricted for Other			
TOTAL NET POSITION (Exhibit IV)	294,355,420.62	363,868,915.74	116,739,198.73

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

UNAUDITED

DISCRETELY PRESENTED COMPONENT UNIT FUND 9999 U/F (5002)	PROPRIETARY FUNDS	
	TOTALS	
	(Memorandum Only)	
	2017	2016
\$	\$	\$
	10,497,181.38	3,022,514.55
	4,039,500.00	4,039,500.00
	309,133.15	309,133.15
	(309,133.15)	(309,133.15)
0.00	3,003,522,793.49	3,183,489,793.94
1,123,737.00	3,784,227,129.38	3,636,196,545.59
	222,690,959.23	348,529,483.59
0.00	222,690,959.23	348,529,483.59
41,791.00	13,337,670.53	14,898,264.29
	1,394,587.03	1,781,699.71
1,000,000.00	1,400,478.93	17,835,326.07
18,425.00	151,989.80	137,462.49
	169,209,810.16	157,449,810.16
	105,377,974.33	28,222,582.50
1,060,216.00	290,872,510.78	220,325,145.22
	2,714,101,448.51	2,633,621,258.67
	222,690,959.23	348,529,483.59
0.00	2,936,792,407.74	2,982,150,742.26
1,060,216.00	3,227,664,918.52	3,202,475,887.48
	4,226,114.00	0.00
0.00	4,226,114.00	0.00
	75,477,176.34	72,569,158.99
	699,486,358.75	708,613,807.71
63,521.00	63,521.00	1,067,175.00
63,521.00	775,027,056.09	782,250,141.70

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

EXHIBIT IV

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

PROPRIETARY FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-2a)	VETERANS' LAND PROGRAM (EXH. D-2b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-2c)
OPERATING REVENUES	\$	\$	\$
Other Sale of Goods and Services:			
Payment from Residents			
Resident Payments (Net of Provisions for Bad Debt)			17,495,536.30
Medicare Reimbursements			
Medicare Reimbursements (Net of Provisions for Bad Debt)			7,720,731.46
Medicaid Revenues			
Medicaid Revenues (Net of Provisions for Bad Debt)			5,829,847.98
Other Assistance Payments			
Other Assistance Payments (Net of Provisions for Bad Debt)			449,464.14
Interest & Investment Income:			
Loan Programs	74,239,508.22	26,489,486.97	
Operating Federal Revenues - VA Per Diem			60,552,992.50
Other Revenues:			
Third Party Reimbursements			107,000.58
Revenue Transfers Within Fund			(100,000.00)
Miscellaneous Income	2,000.00	519,243.96	18,898.00
TOTAL OPERATING REVENUES	74,241,508.22	27,008,730.93	92,074,470.96
OPERATING EXPENSES			
Salaries and Wages			
Professional Fees and Services	1,272,671.73	1,569,966.10	75,587,722.23
Travel		3,207.12	112,943.31
Materials and Supplies		86,749.07	3,545,946.16
Communications and Utilities		927.08	30,778.30
Repairs and Maintenance		1,646.06	1,281,693.79
Rentals and Leases (Note 8)			775.00
Printing and Reproduction	1,093.84		
Depreciation and Amortization		2,777.76	5,284,558.09
Bad Debt Expense			
Debt Service Interest	75,803,711.88	11,712,198.63	981.04
Net Change in Pollution Remediation Obligation			
Claims and Losses			(499,507.84)
Other Operating Expenses	3,257,357.66	438,674.26	27,540.54
TOTAL OPERATING EXPENSES	80,334,835.11	13,816,146.08	85,373,430.62
OPERATING INCOME (LOSS) (Exhibit V)	(6,093,326.89)	13,192,584.85	6,701,040.34

UNAUDITED

DISCRETELY PRESENTED COMPONENT UNIT FUND 9999 U/F (5002)	PROPRIETARY FUNDS	
	TOTALS	
	(Memorandum Only)	
	2017	2016
\$	\$	\$
	17,495,536.30	15,897,085.20
	7,720,731.46	8,257,793.50
	5,829,847.98	8,385,338.18
	449,464.14	790,421.93
	100,728,995.19	93,394,656.93
	60,552,992.50	57,764,378.11
876.00	107,876.58	(2,492,976.95)
	(100,000.00)	10,896,282.95
	540,141.96	(7,649,710.37)
876.00	193,325,586.11	185,243,269.48
277,213.00	277,213.00	97,000.00
492,782.00	78,923,142.06	82,577,655.28
	116,150.43	147,207.76
67,567.00	3,700,262.23	3,731,497.40
	31,705.38	26,584.63
450.00	1,283,789.85	421,694.28
29,881.00	30,656.00	1,060.00
	1,093.84	3,689.22
	5,287,335.85	4,432,664.97
100,000.00	100,000.00	0.00
	87,516,891.55	84,392,546.28
	0.00	(1,530,000.00)
	(499,507.84)	0.00
49,797.00	3,773,369.46	5,632,454.97
1,017,690.00	180,542,101.81	179,934,054.79
(1,016,814.00)	12,783,484.30	5,309,214.69
		-to next page

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

EXHIBIT IV (concluded)

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

PROPRIETARY FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-2a)	VETERANS' LAND PROGRAM (EXH. D-2b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-2c)
<i>NONOPERATING REVENUES (EXPENSES)</i>	\$	\$	\$
Federal Revenues			4,034,349.65
Gifts/Pledges/Donations			50,716.35
Investment Income	3,711,441.57	4,379,595.16	242,794.06
Net Increase (Decrease) in Fair Value of Investments	(1,360,621.73)	(3,869,437.14)	99,291.56
Gain (Loss) on Land Loans, Housing Mortgage and Home Improvement Loans	(199,377.48)	222,029.65	
Borrower Rebate/Agent Fees - Securities Lending	(46,253.87)	(231,446.91)	
Capital Contributions			
<i>TOTAL NONOPERATING REVENUES (EXPENSES)</i>	2,105,188.49	500,740.76	4,427,151.62
<i>INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</i>	(3,988,138.40)	13,693,325.61	11,128,191.96
<i>OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</i>			
Transfers In	56,042,500.72	9,348,730.59	6,326,193.90
Transfers Out	(77,591,698.48)	(14,710,088.31)	(6,467,331.52)
<i>TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</i>	(21,549,197.76)	(5,361,357.72)	(141,137.62)
<i>CHANGE IN NET POSITION</i>	(25,537,336.16)	8,331,967.89	10,987,054.34
<i>NET POSITION - August 31, 2016</i>	319,892,756.78	355,537,181.33	105,753,028.59
Restatements (Note 14)		(233.48)	(884.20)
<i>NET POSITION - August 31, 2016, as Restated</i>	319,892,756.78	355,536,947.85	105,752,144.39
<i>NET POSITION - August 31, 2017 (Exhibit III)</i>	294,355,420.62	363,868,915.74	116,739,198.73

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

UNAUDITED

DISCRETELY PRESENTED COMPONENT UNIT FUND 9999 U/F (5002)	PROPRIETARY FUNDS	
	TOTALS	
	(Memorandum Only)	
	2017	2016
\$	\$	\$
	4,034,349.65	1,984,569.52
13,058.00	63,774.35	123,848.00
102.00	8,333,932.79	9,013,143.75
	(5,130,767.31)	22,919,222.74
	22,652.17	6,182,067.57
	(277,700.78)	(61,441.38)
	0.00	540,000.00
13,160.00	7,046,240.87	40,701,410.20
(1,003,654.00)	19,829,725.17	46,010,624.89
	71,717,425.21	12,381,895.25
	(98,769,118.31)	(37,174,572.03)
0.00	(27,051,693.10)	(24,792,676.78)
(1,003,654.00)	(7,221,967.93)	21,217,948.11
1,067,175.00	782,250,141.70	759,771,431.05
	(1,117.68)	1,260,762.54
1,067,175.00	782,249,024.02	761,032,193.59
63,521.00	775,027,056.09	782,250,141.70

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

EXHIBIT V

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-3a)	VETERANS' LAND PROGRAM (EXH. D-3b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-3c)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)	\$	\$	\$
OPERATING ACTIVITIES			
Receipts from Vet Homes Residents			16,936,902.53
Receipts from Veterans Administration			59,663,337.58
Receipts from Medicare			7,403,703.92
Receipts from Medicaid			6,302,133.60
Receipts from Gifts/Pledges/Donations			50,716.35
Receipts from Loan Payments	340,354,754.91	133,724,843.38	
Other Operating Cash Receipts	2,000.00	322,756.88	550,065.04
Loan Fundings	(117,406,208.52)	(88,830,065.37)	
Payments to Suppliers of Goods and Services	(4,019,058.47)	(2,337,692.91)	(81,417,520.63)
Payments to Employees for Services			
Payments for Other Expenses	9.78	(3,278.01)	370,188.07
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	218,931,497.70	42,876,563.97	9,859,526.46
NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Debt Issuance	250,000,000.00		
Proceeds from Other Financing Activities	1,152,886.90	71,128.45	209,899.65
Payments for Debt Service - Principal	(136,555,000.00)	(20,175,000.00)	
Payments for Debt Service - Interest	(77,173,470.47)	(11,759,301.77)	
Transfers from Other Funds	42,088,119.15	15,335,724.39	6,326,193.90
Transfers to Other Funds	(63,637,316.91)	(14,733,232.96)	(11,914,292.16)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	15,875,218.67	(31,260,681.89)	(5,378,198.61)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipts from Veterans Administration			3,300,960.79
Payments for Additions to Capital Assets		(25,000.00)	(7,047,426.87)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	0.00	(25,000.00)	(3,746,466.08)
INVESTING ACTIVITIES			
Proceeds from Interest and Investment Income	3,919,439.72	4,798,654.63	50,004.21
Proceeds from Sale of Investments	288,128,060.85	28,955,179.43	12,000,000.00
Payments to Acquire Investments	(566,196,686.14)	(14,975,942.50)	(27,841,048.06)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(274,149,185.57)	18,777,891.56	(15,791,043.85)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(39,342,469.20)	30,368,773.64	(15,056,182.08)
CASH AND CASH EQUIVALENTS - August 31, 2016	233,657,172.30	19,898,758.78	37,676,395.29
CASH AND CASH EQUIVALENTS - August 31, 2017	194,314,703.10	50,267,532.42	22,620,213.21

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2017	2016
\$	\$
16,936,902.53	17,152,344.49
59,663,337.58	58,002,863.81
7,403,703.92	8,311,222.70
6,302,133.60	7,819,036.49
50,716.35	52,041.00
474,079,598.29	596,014,120.31
874,821.92	1,118,212.44
(206,236,273.89)	(808,109,645.08)
(87,774,272.01)	(90,156,929.50)
0.00	(97,000.00)
366,919.84	(145,892.13)
271,667,588.13	(210,039,625.47)
250,000,000.00	250,000,000.00
1,433,915.00	0.00
(156,730,000.00)	(139,795,000.00)
(88,932,772.24)	(85,736,986.62)
63,750,037.44	137,147,515.97
(90,284,842.03)	(162,321,335.80)
(20,763,661.83)	(705,806.45)
3,300,960.79	1,982,970.56
(7,072,426.87)	(7,590,565.76)
(3,771,466.08)	(5,607,595.20)
8,768,098.56	9,307,655.26
329,083,240.28	209,350,895.42
(609,013,676.70)	(89,123,054.92)
(271,162,337.86)	129,535,495.76
(24,029,877.64)	(86,817,531.36)
291,232,326.37	377,927,713.74
267,202,448.73	291,110,182.38
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UNAUDITED
Texas General Land Office and Veterans' Land Board (305)

EXHIBIT V (concluded)

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-3a)	VETERANS' LAND PROGRAM (EXH. D-3b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-3c)
	\$	\$	\$
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
OPERATING INCOME (LOSS) (Exhibit IV)	(6,093,326.89)	13,192,584.85	6,701,040.34
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation and Amortization		2,777.76	5,284,558.09
Classification Differences	75,604,344.18	11,934,157.39	50,716.35
(Increase) Decrease in Receivables	864,159.93	302,881.79	449,349.89
(Increase) Decrease in Loans and Contracts	150,578,499.42	17,362,911.82	
(Increase) Decrease in Prepaid Items	(1,922,852.23)		(1,379.85)
(Increase) Decrease in Other Assets	(542,914.96)	471,720.00	2,642.25
Increase (Decrease) in Payables	129,620.05	(297,621.43)	(2,623,325.22)
Increase (Decrease) in Other Liabilities	313,968.20	(92,848.21)	(4,075.39)
TOTAL ADJUSTMENTS	225,024,824.59	29,683,979.12	3,158,486.12
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	218,931,497.70	42,876,563.97	9,859,526.46
NONCASH TRANSACTIONS			
Capital Appreciation Bond Interest Accretion			
Change in Fair Value of Investments	(1,360,621.73)	(3,914,674.91)	99,291.56
TOTAL NONCASH TRANSACTIONS	(1,360,621.73)	(3,914,674.91)	99,291.56

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

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2017	2016
\$	\$
13,800,298.30	5,554,255.69
5,287,335.85	4,432,664.97
87,589,217.92	89,093,813.27
1,616,391.61	(788,885.84)
167,941,411.24	(309,617,399.32)
(1,924,232.08)	(2,380,245.85)
(68,552.71)	9,221,789.64
(2,791,326.60)	3,055,142.94
217,044.60	(8,610,760.97)
257,867,289.83	(215,593,881.16)
271,667,588.13	(210,039,625.47)
0.00	(18,012.19)
(5,176,005.08)	13,532,588.55
(5,176,005.08)	13,514,576.36

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

EXHIBIT VI

COMBINED STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

		FIDUCIARY FUNDS	
		TOTALS	
	AGENCY FUNDS	(Memorandum Only)	
	(EXH. E-1)	2017	2016
	\$	\$	\$
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash in State Treasury	28,514.81	28,514.81	37,212.67
Receivables:			
Interest and Dividends	24.31	24.31	9.94
Accounts Receivable		0.00	9,085.49
Due From Other Funds		0.00	18,029.05
Total Current Assets	28,539.12	28,539.12	64,337.15
TOTAL ASSETS	28,539.12	28,539.12	64,337.15
LIABILITIES			
Current Liabilities:			
Funds Held for Others	28,539.12	28,539.12	64,337.15
Total Current Liabilities	28,539.12	28,539.12	64,337.15
TOTAL LIABILITIES	28,539.12	28,539.12	64,337.15
NET POSITION			
Funds Held in Trust for:			
Individuals, Organizations, and Other Governments	0.00	0.00	0.00
TOTAL NET POSITION	0.00	0.00	0.00

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, 2017



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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 allow VLB to provide loans to veterans buying homes in Texas. In 1997, Tex. Nat. Res. Code Ann., §164 was amended to allow VLB to construct and operate veterans nursing homes. In 2001, Tex. Nat. Res. Code Ann., §164 was again amended to provide for the State Veterans Cemetery Program. Tex. Nat. Res. Code Ann., chs. 11, 31, 32, 33, 40, 51, 52, 53, and 61 establish the administrative provisions, powers, and duties of GLO and the Land Commissioner.

BASIS OF PRESENTATION

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

FUND STRUCTURE

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

GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

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

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

General Fund (GAAP Fund Type 01)

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

Coastal Protection Fund (GAAP Fund Type 01)

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

Coastal Public Lands Management Fund (GAAP Fund Type 01)

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

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

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

Capital Trust Fund (GAAP Fund Type 01)

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

Specialty License Plate Trust Fund (GAAP Fund Type 01)

The specialty license plate general fund (Fund 0802) collects revenues from the sale of the specialty license plates.

- For every Adopt-A-Beach plate sold, the Adopt-A-Beach program will receive \$22.00 from the \$30.00 fee to aid in the volunteer effort to clean up Texas beaches.
- For every San Jacinto Texas Historic District plate sold, the San Jacinto Texas Historic District will receive \$22.00 from the \$30.00 fee to aid in the effort to revitalize the historical significance of the region.
- For every Buffalo Soldiers plate sold, the Buffalo Soldiers National Museum in Houston will receive \$22.00 from the \$30.00 fee to benefit and support the museum.
- For every Daughters of the American Revolution plate sold, the Texas Society of Daughters of the American Revolution will receive \$22.00 from the \$30.00 fee to support historic preservation, education and scholarships.
- For every Childhood Cancer Awareness plate sold, the General Land Office will receive \$22.00 from the \$30.00 fee to provide grants to benefit organizations operating in the state that raise awareness of, conduct research on, or provide services for persons diagnosed with childhood cancer. GLO currently has a contract with the Snowdrop Foundation to received such grants.
- For every Alamo plate sold, the General Land Office will receive \$22.00 from the \$30.00 fee to preserve the Alamo and provide education.

Alamo Complex Fund (GAAP Fund Type 01)

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

Veterans Financial Assistance Program Fund (GAAP Fund Type 02)

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

Permanent School Fund (GAAP Fund Type 19)

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

Capital Asset Adjustment Fund (GAAP Fund Type 11)

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

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

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

Other Adjustment Fund (GAAP Fund Type 21)

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

PROPRIETARY FUND TYPES

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

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

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

Veterans' Land Program Fund (GAAP Fund Type 05)

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

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

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

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

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

FIDUCIARY FUND TYPES

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

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

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

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

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

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

COMPONENT UNITS

Component units are legally separate organizations for which the elected officials of the primary government are either financially accountable or the nature and significance of their relationship with the agency is such that exclusion would cause the agency's financial statements to be misleading or incomplete. Texas General Land Office has one discrete component unit presented in the Combined Statement of Net Position and the Combined Statement of Revenues, Expenses, and Changes in Net Position.

Alamo Endowment Component Unit Fund (GAAP Fund Type 15)

The Alamo Endowment component unit fund (Fund 5002) presents the activities and balances of a discrete component unit, the Alamo Endowment and its affiliates, Remember the Alamo Foundation and Alamo Complex Management. Additional component unit information is presented annually in Note 19.

MEMORANDUM TOTALS

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

BASIS OF ACCOUNTING

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

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

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

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

The VLB, from time to time, enters into interest rate swap agreements to hedge 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* and GASB Statement No. 72, *Fair Value Measurement and Application*. 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, mineral interests (excluding hard minerals), and shares in external investment funds held for the benefit of the permanent school fund, and are carried at fair value.

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

The voluntary oil and gas royalty receivables are calculated from production reports or remittance advices; the payments and reporting of these royalties are not legally due until the second month after production occurs. The receivables for voluntary oil and gas royalties are established based on the information received in the remittance advices in September and October 2017 for the production months August 2017 and earlier.

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

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

Notes, loans, and contracts represent the receivable balance on all active housing assistance mortgages, home improvement

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

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

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

Capital assets are capitalized at cost, or if not purchased, at acquisition value as of the date of acquisition if the asset's individual cost or estimated fair value is greater than \$100,000 for buildings and \$5,000 for other capital assets, and estimated useful life is greater than one year. Depreciation is reported on all "exhaustible" assets. Capital assets are depreciated over the estimated useful life of the asset using the straight-line method. Capital assets of governmental funds are reported as expenditures. Adjustments are recorded in the capital asset adjustment fund type to convert these expenditures to capital assets for the government-wide financial statements.

Intangible assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Intangible assets are classified as capital assets and reported on the statement of net position only if they are identifiable. Purchased software is capitalized if the aggregate purchase exceeds \$100,000. 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. Intangible assets are depreciated over the estimated useful life of the asset using the straight-line method.

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

LIABILITIES

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

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

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

Unearned revenues represent 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 funds. Reimbursements are not displayed in the financial statements.

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

Note 2

CAPITAL ASSETS

A summary of changes in capital assets for governmental activities for the year ended August 31, 2017, is presented in **Table 1** on page 35. Changes in capital assets for business-type activities are presented in **Table 2** on page 36. Not included in the aforementioned tables, the General Land Office maintains a historical archive collection held for public exhibition, education, and public service. The collection includes approximately 36 million records dating back to 1561, including approximately 45,000 maps, sketches and plat maps. Artifacts in the archives collection are not sold, but preserved and kept in the historical collection. As such, the archives collection is not required to be capitalized and is exempt under GASB Statement No. 34 requirements.

Note 3

DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

AUTHORITY FOR INVESTMENTS AND SECURITIES LENDING

Investments are restricted as follows:

PERMANENT SCHOOL FUND

Tex. Nat. Res. Code Ann., §51.402 allows the board to use money designated under §51.401 to "add to a tract of public school land to form a tract of sufficient size to be manageable; to add contiguous land to public school land; to acquire, as public school land, interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests for the use and benefit of the permanent school fund; to protect, maintain, or enhance the value of public school land; to acquire interests in real estate; to pay reasonable fees for professional services related to permanent school fund investments; or to acquire, sell, lease, trade, improve, maintain, protect or use land, mineral or royalty interests, or real estate investments, an investment or interest in public infrastructure, or other interests, at such prices, and under such terms and conditions the board determines to be in the best interest of the permanent school fund." Before using funds for any of the above purposes, the board must determine that the use of the funds for the intended purpose is authorized, and by using the 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 security repurchase and reverse security repurchase agreements, direct obligations of the United States, certain mortgage obligations, bankers' acceptances, commercial paper, municipal obligations, collateralized mortgage obligations, and any other investment authorized for investment of state funds under Tex. Gov't Code

Table 1

CHANGES IN CAPITAL ASSETS

For the Year Ended August 31, 2017

GOVERNMENTAL ACTIVITIES	Balance 9/1/2016	Adjustments	Reclassifications			Additions	Deletions	Balance 8/31/2017
			Completed CIP	Incr-Int'gy Transfers	Decr-Int'gy Transfers			
<i>Non-depreciable Assets</i>								
Land and Land Improvements	6,467,958.00	6,000.00				755,332.19	(9,690.00)	7,219,600.19
Construction in Progress	0.00					441,960.95		441,960.95
Other Capital Assets	15,838,724.03					41,580.25		15,880,304.28
Total Non-depreciable Assets	22,306,682.03	6,000.00	0.00	0.00	0.00	1,238,873.39	(9,690.00)	23,541,865.42
<i>Depreciable Assets</i>								
Buildings and Building Improvements	63,056,066.58	(16.77)				1,692,268.79		64,748,318.60
Facilities and Other Improvements	0.00					276,021.77		276,021.77
Furniture and Equipment	6,326,433.92	(97,579.55)			(68,736.05)	483,549.07	(236,202.84)	6,407,464.55
Vehicles, Boats, and Aircraft	6,735,644.10	47,641.98			(42,249.00)	540,473.70	(312,672.96)	6,968,837.82
Other Capital Assets	15,000.00							15,000.00
Total Depreciable Assets								
at Historical Costs	76,133,144.60	(49,954.34)	0.00	0.00	(110,985.05)	2,992,313.33	(548,875.80)	78,415,642.74
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(27,001,672.07)	(29,237.14)				(2,591,400.57)		(29,622,309.78)
Facilities and Other Improvements	0.00					(8,280.63)		(8,280.63)
Furniture and Equipment	(4,738,444.84)	100,440.25			68,736.05	(474,353.26)	234,479.60	(4,809,142.20)
Vehicles, Boats, and Aircraft	(4,188,064.73)	24,796.44			42,249.00	(685,983.79)	291,919.81	(4,515,083.27)
Other Capital Assets	(11,782.38)					(1,499.88)		(13,282.26)
Total Accumulated Depreciation	(35,939,964.02)	95,999.55	0.00	0.00	110,985.05	(3,761,518.13)	526,399.41	(38,968,098.14)
Depreciable Assets, Net	40,193,180.58	46,045.21	0.00	0.00	0.00	(769,204.80)	(22,476.39)	39,447,544.60
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software	815,134.91					154,022.05		969,156.96
Total Amortizable Assets -								
Intangibles at Historical Costs	815,134.91	0.00	0.00	0.00	0.00	154,022.05	0.00	969,156.96
<i>Less Accumulated Amortization for</i>								
Intangible Computer Software	(585,446.92)					(130,682.24)		(716,129.16)
Total Accumulated Amortization	(585,446.92)	0.00	0.00	0.00	0.00	(130,682.24)	0.00	(716,129.16)
Amortizable Assets -								
Intangibles, Net	229,687.99	0.00	0.00	0.00	0.00	23,339.81	0.00	253,027.80
Governmental Activities								
Capital Assets, Net	62,729,550.60	52,045.21	0.00	0.00	0.00	493,008.40	(32,166.39)	63,242,437.82

Ann., §404.024. 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, "[t]he 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 security repurchase and reverse security repurchase agreements, direct obligations of the United States, certain mortgage 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 resolution or order of the board." There are currently no bonds outstanding in the Veterans'

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Table 2

CHANGES IN CAPITAL ASSETS

For the Year Ended August 31, 2017

BUSINESS-TYPE ACTIVITIES	Balance 9/1/2016	Adjustments	Reclassifications			Additions	Deletions	Balance 8/31/2017
			Completed CIP	Incr-Int'agy Transfers	Decr-Int'agy Transfers			
<i>Non-depreciable Assets</i>	\$	\$	\$	\$	\$	\$	\$	\$
Land and Land Improvements	4,039,500.00							4,039,500.00
Construction in Progress	3,022,514.55					7,474,666.83		10,497,181.38
Total Non-depreciable Assets	7,062,014.55	0.00	0.00	0.00	0.00	7,474,666.83	0.00	14,536,681.38
<i>Depreciable Assets</i>								
Buildings and Building Improvements	116,283,716.90					739,909.18	(836,125.36)	116,187,500.72
Facilities and Other Improvements	22,963.00							22,963.00
Furniture and Equipment	713,772.38	145,427.16				16,000.00		875,199.54
Vehicles, Boats, and Aircraft	0.00							0.00
Total Depreciable Assets at Historical Costs	117,020,452.28	145,427.16	0.00	0.00	0.00	755,909.18	(836,125.36)	117,085,663.26
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(51,037,507.64)					(5,220,051.85)	740,321.88	(55,517,237.61)
Facilities and Other Improvements	(5,548.86)					(1,148.04)		(6,696.90)
Furniture and Equipment	(470,251.34)	(106,837.25)				(66,135.96)		(643,224.55)
Vehicles, Boats, and Aircraft	0.00							0.00
Total Accumulated Depreciation	(51,513,307.84)	(106,837.25)	0.00	0.00	0.00	(5,287,335.85)	740,321.88	(56,167,159.06)
Depreciable Assets, Net	65,507,144.44	38,589.91	0.00	0.00	0.00	(4,531,426.67)	(95,803.48)	60,918,504.20
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software	309,133.15							309,133.15
Total Amortizable Assets - Intangibles at Historical Costs	309,133.15	0.00	0.00	0.00	0.00	0.00	0.00	309,133.15
<i>Less Accumulated Amortization for Intangible Computer Software</i>	(309,133.15)							(309,133.15)
Total Accumulated Amortization	(309,133.15)	0.00	0.00	0.00	0.00	0.00	0.00	(309,133.15)
Amortizable Assets - Intangibles, Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Business-Type Activities Capital Assets, Net	72,569,158.99	38,589.91	0.00	0.00	0.00	2,943,240.16	(95,803.48)	75,455,185.58

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, et seq. The CPF is invested in accordance with Tex. Gov't Code Ann. §404.024.

UNEARNED TRUST FUNDS

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

DEPOSITS

Carrying amounts of bank accounts at August 31, 2017, are listed in **Table 3** on page 37. These amounts consist of cash and cash equivalents in local banks. These amounts are included on the Combined Balance Sheet/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, 2017 exposed to custodial credit risk.

INVESTMENTS

Per GASB 72, fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." GASB 72 establishes Fair Value Hierarchy that includes three levels of inputs based on the reliability and objectivity of the information:

Level 1 – inputs are quoted prices (unadjusted in active markets for assets or liabilities identical to the ones being measured). Level 1 inputs receive the highest priority.

Level 2 – inputs are observable for similar assets or liabilities, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information).

Level 3 – inputs are unobservable (for example: management's assumption of the default rate among underlying mortgage-backed security). Level 3 inputs receive the lowest priority.

GASB 72 identifies the following three acceptable valuation approaches to determine the fair value: market approach, cost approach, and income approach. These three approaches are consistent with generally accepted valuation methodologies. While all three are not applicable to all assets or liabilities accounted for at fair value, where appropriate and possible, one or more valuation techniques may be used.

VETERANS' LAND BOARD

The Veterans' Land Board (VLB) is responsible for the investment of money in Housing Assistance Fund I, Housing Assistance Fund II, the Land Fund, the State of Texas David A. Gloier Texas State Veterans Home Program, and the Veterans' Mortgage Revenue Bond Program. Pursuant to applicable law, money in the funds and programs may be invested in the following instruments: investment agreements; repurchase agreements; reverse repurchase agreements; direct obligations of or obligations guaranteed by the United States; direct obligations of or obligations guaranteed by the Federal National Mortgage Association (FNMA), the Federal Farm Credit System (FFCS), the Student Loan Marketing Association (SLMA), the Federal Home Loan Mortgage Corporation (FHLMC), or any of their successors; certain bankers' acceptances issued by banks having the highest short-term credit rating of a nationally recognized rating firm; commercial paper having the highest short-term credit rating of a nationally recognized rating firm; option contracts (other than naked-options or uncovered-options); state and local bonds, including revenue bonds issued under Tex. Nat. Res. Code Ann., §164, or mutual funds composed of such bonds; deposits insured

Table 3

DEPOSITS

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES	
Cash in Bank - Carrying Amount	\$ 1,008,682.08
Cash in Bank per AFR	\$ 1,008,682.08
Current Assets Cash in Bank	\$ 1,008,682.08
DISCRETE COMPONENT UNIT	
Cash in Bank - Carrying Amount	\$ 919,639.00
Cash in Bank per AFR	\$ 919,639.00
Discrete Component Unit Current Assets Cash in Bank	\$ 919,639.00

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 and GASB 72. The VLB's written Investment Policy Statement (IPS) permits the chief investment officer to purchase, sell, or trade investments in any of the funds or programs in accordance with applicable legal and IPS limitations and imposes upon the chief investment officer, a "prudent person" standard. The IPS dictates certain portfolio diversification requirements and instructs the chief investment officer to invest assets in a manner that maximizes total return, while providing the liquidity and cash flow necessary to fund the programs administered by the Veterans' Land Board. The IPS requires that certificates of deposit and repurchase agreements be collateralized by direct obligations of or guaranteed by the United States or by obligations of agencies and instrumentalities of the United States, except that certificates of deposit may also be collateralized by state of Texas general obligation bonds and certain Texas state and local bonds (or mutual funds consisting of such), which are rated "A" or better by a nationally recognized rating firm. The collateralization level is 102 percent of fair value of principal plus accrued interest, and the IPS requires the collateral to be marked to market daily to ensure compliance with the 102 percent requirement. Finally, the IPS permits investment in bonds issued, assumed, or guaranteed by the state of Israel, which are permitted investments for state funds by the State Treasury. The VLB's IPS will be revised from time to time if such revisions are determined by the VLB to be in the best interest of its programs.

As stated in its IPS, the VLB's "general investment objective is to invest its assets in a manner that maximizes total return, while providing the liquidity and cash flow necessary to fund the

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

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

Interest Rate Risk. The investment portfolio's interest rate risk is controlled primarily through cash flow matching. This technique involves projecting cash flow needs and investing in securities that mature at or near the time of the projected cash flow requirements. As a result, the weighted average maturity and modified duration of the portfolio are maintained in a flexible manner and typically range from two to five years. At August 31, 2017, the weighted average maturity of the portfolio was approximately 4.74 years, and the modified duration was approximately 4.56 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, 2017, 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, 2017, 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. State Street also serves as the investment custodian for the State of Texas David A. Gloier Texas State Veterans Home Program.

As of August 31, 2017, 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 \$1,051,401,216.10; the fair value of the total portfolio of investments in the State of Texas David A. Gloier Texas State Veterans Home Program was \$38,544,955.71. The VLB does not anticipate the need to sell any investments prior to their maturity 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, 2017, can be found in **Table 4** on page 39 and **Table 5** on page 40.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those types of securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is often used to value infrequently-traded securities based on the securities' relationship to benchmark quoted prices.

Investment derivative instruments classified in Level 2 of the fair value hierarchy are valued using an income approach based upon the present value of future implied cash flows that considers observable inputs related to benchmark interest rates and credit default swap pricing.

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. Investments of the Permanent School Fund/SLB are reported at fair value and are summarized in **Table 7** on page 42.

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.

Table 4

INVESTMENT PORTFOLIO AT FAIR VALUE**LAND AND HOUSING ASSISTANCE FUNDS**

	Fair Value Hierarchy			Net Asset Value	Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
<u>Investment Type</u>	\$	\$	\$	\$	\$
U.S. Treasury Securities	115,727,644.21				115,727,644.21
U.S. Treasury Strips	72,086,068.80				72,086,068.80
U.S. Government Agency Obligations	253,558,069.98				253,558,069.98
Money Market Mutual Fund	57,144,873.40				57,144,873.40
Commercial Paper	186,236,412.20				186,236,412.20
Taxable Municipals	146,902,586.25				146,902,586.25
Investment Derivative Instruments		335,906.35			335,906.35
International Obligations		25,030,942.37			25,030,942.37
Securities Lending - Cash Collateral Investment Pool ⁽³⁾	105,377,974.33				105,377,974.33
Total Investments	937,033,629.17	25,366,848.72	0.00	0.00	962,400,477.89
Cash in State Treasury ⁽²⁾					89,000,738.21
Total Investments and Cash in State Treasury					1,051,401,216.10
Consisting of the following:					
Cash Equivalents					155,581,297.31
Current Investments					288,572,182.20
Noncurrent Investments					412,869,024.05
Securities Lending Collateral ⁽³⁾					105,377,974.33
Total Investments per Exhibits					962,400,477.89

⁽¹⁾ Includes \$14,753,839.15 and \$17,418,244.64 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 to the Fund I Mortgage Reserve may generally be used for any lawful purpose permitted for monies in Housing Fund I.

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

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

With regard to externally managed investments, the Investment Policy authorizes an Investment Advisory Committee (IAC) to review potential investments and make recommendations to the SLB for the investment of money in the RESFA. The current IAC is comprised of four members, chaired by the chief investment officer of the Texas General Land Office. The IAC meets periodically to review potential investments and works in conjunction with the SLB's real assets investment advisor, currently The Townsend Group, to evaluate potential investments

and make recommendations to the SLB for the investment of money in the RESFA. Following the formulation of recommendations by the IAC, the chairman of the IAC makes formal presentations and recommendations to the SLB for its consideration and approval.

Internally managed real assets investment acquisitions and dispositions are sourced and evaluated by Texas General Land

Table 5

INVESTMENT PORTFOLIO AT FAIR VALUE

VETERANS HOMES PROGRAMS		Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Net Asset Value	Fair Value
Investment Type	Inputs	Inputs	Inputs		
Money Market Mutual Fund	\$ 1,396,037.44	\$	\$	\$	\$ 1,396,037.44
U.S. Government Agency Obligations	1,990,200.00				1,990,200.00
Commercial Paper	17,423,762.50				17,423,762.50
Total Investments	20,809,999.94	0.00	0.00	0.00	20,809,999.94
Cash in State Treasury ⁽¹⁾					17,734,955.77
Total Investments and Cash in State Treasury					38,544,955.71
Consisting of the following:					
Cash Equivalents					4,885,257.44
Current Investments					15,924,742.50
Total Investments per Exhibits					20,809,999.94

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

Office staff and are then formally presented to the IAC and the SLB for consideration and approval.

The SLB's general investment objective is to invest money in the RESFA in land, interests in real estate, mineral or royalty interests, real assets investments, investments or interest in public infrastructure, or other interest, in a manner that seeks to maximize returns within the framework of the prudent investor standard. Given the typical nature of real assets investments, it is expected that the real assets investment portfolio managed by the SLB will be characterized by a long-term investment horizon and will be relatively 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 net asset value from State Street Summary of Investments – External Portfolio at June 30, 2017, and adjusting it for cash transactions that transpired during July and August 2017.

Real assets investments include 67 commingled closed-end funds, commingled open-end funds, separate accounts, and co-investment vehicles that invest in private-market real assets transactions across the energy, infrastructure, and real estate sectors of the real assets investment universe. The fair values of the investments in this category have been determined using the net asset value (NAV) per share (or its equivalent) of the board's ownership interest in partners' capital. These types of investments generate some income over the lives of the associated partnerships, but are generally illiquid until the underlying assets are liquidated. It is expected that most of the underlying assets of these partnerships will be liquidated over the next 12 years. The investments measured at the NAV per share (or its equivalent), including unfunded commitments, are presented in **Table 6** on page 41. Additionally, investments measured at the NAV are included in **Table 7** on page 42.

The fair valuation process of the fund's land surface value is based on using level 3 inputs. Level 3 inputs consist of market data from a variety of sources and surveys tempered with known transactions in the subject's competing marketplace. These values are based on estimated appraised values or are independently

Table 6

INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)

(\$ in millions)

	Fair Value	Unfunded Commitments
	\$	\$
REAL ASSETS INVESTMENTS		
Energy	1,191.12	865
Infrastructure	583.66	596
Real Estate	1,013.25	583
Total Investments Measured at the NAV	<u>2,788.03</u>	<u>2,044</u>

determined by the staff in Appraisal Services using a combination of actual sales and 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. Since the majority of PSF Lands are vacant, the market approach to value is utilized and applied to the aggregate of properties located in a specific land class and region throughout the state. Except for cases where the asset has income production over and above the amount to offset holding costs, then both the market and income approaches to value are utilized.

The fair value of the Fund's interests in oil and gas is determined by using the present value technique of the income approach and is based upon an industry-standard 3P reserve report (i.e. proved, possible, and probable reserves) prepared by a third-party expert, W.D. Von Gonten & Co., a Houston-based petroleum engineering firm widely recognized as an industry expert in oil and gas reserve evaluation and valuation. Employing a methodology for estimating reserves that conforms to all standards established by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers, Von Gonten estimated future revenues from those estimated reserves and then discounted those revenues at 10 percent to arrive at a non-risk-adjusted total reserve valuation of \$2,346,353,552.

The properties evaluated for the purposes of this reserve estimate are located throughout Texas and produce from various conventional and unconventional reservoirs. The property set includes approximately 13,732 active Proved Developed Producing (PDP) wells with an estimated discounted future net revenue value of \$881,238,447; 713 gross Proved Undeveloped (PUD) locations with an estimated discounted future net revenue value of \$835,676,046; 1,299 Probable Undeveloped (PROB) locations with an estimated discounted future net revenue value of \$453,150,795; 527 gross Possible Undeveloped (POSS) locations with an estimated discounted future net revenue value of \$122,167,953; and 296 gross Contingent Resources (CONT) locations with an estimated discounted future net revenue value of \$54,120,311. With regard to Proved Reserves, there should be at least a 90 percent probability that the quantities actually

recovered will equal or exceed the estimate; for Probable Reserves, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimate; for Possible Reserves, there should be at least a 10 percent probability that the quantities actually recovered will equal or exceed the estimate. Contingent Resources are potentially recoverable but are not currently considered to be commercially recoverable due to one or more contingencies. Hard minerals are not included in the estimate and are not included in the fair value due to their immateriality.

In accordance with Comptroller Reporting Requirements, the non-risk-adjusted reserve valuation for each component of the total non-risk-adjusted future net revenue value provided by Von Gonten is further adjusted by certain mean factors from the 2017 *Annual Survey of Parameters Used in Property Evaluation* report prepared by the Society of Petroleum Evaluation Engineers (SPEE). Proved developed and Proved undeveloped reserves are adjusted using a factor of 1.000; Probable reserves are adjusted using a factor of 0.310; Possible reserves are adjusted using a factor of 0.105; Contingent resources are excluded. The risk-adjusted mineral reserve valuation is \$1,870,218,874.52.

JOINT VENTURES

The General Land Office is a party to multiple direct single-asset real estate transactions held in its discretionary internally-managed real estate portfolio. A discussion of these can be found in Note 19. The method for determining the fair value of each uses either the income or market approach and Level 3 inputs. The fair values are included in Discretionary Internal Investments in **Table 7** on page 42.

REVERSE PURCHASE AGREEMENTS

Investments in reverse repurchase agreements are authorized by the Tex. Nat. Res. Code Ann., §161.173. This section states, "money may be invested in direct security repurchase agreements made with state or national banks that have main offices or branch offices in this state or with primary dealers as approved by the Federal Reserve System." During fiscal 2016, the VLB entered into no reverse repurchase agreements. As of August 31, 2017, there are no outstanding reverse repurchase agreements.

SECURITIES LENDING

The VLB is authorized to participate in securities lending transactions by the Tex. Nat. Res. Code Ann. §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

Table 7

INVESTMENT PORTFOLIO AT FAIR VALUE

PERMANENT SCHOOL FUND		Fair Value Hierarchy				
<u>Investment Type</u>	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	Fair Value	
Domestic Equity	\$ 2,093,911.12	\$	\$	\$	\$ 2,093,911.12	
Investments in Real Assets						
Sovereign Lands			270,878,019.97		270,878,019.97	
Discretionary Internal Investments			265,248,075.97		265,248,075.97	
Other Lands			115,277,294.43		115,277,294.43	
Minerals ^{(1), (2)}			1,870,218,874.56 ⁽⁵⁾		1,870,218,874.56	
Investments with External Managers						
Energy				1,191,116,720.53	1,191,116,720.53	
Real Estate				1,013,250,545.94	1,013,250,545.94	
Infrastructure				583,657,162.97	583,657,162.97	
Total Investments ⁽³⁾	2,093,911.12	0.00	2,521,622,264.93	2,788,024,429.44	5,311,740,605.49	
Cash in State Treasury ⁽⁴⁾					3,399,051,387.28	
Total Investments and Cash in State Treasury					8,710,791,992.77	
Consisting of the following:						
Noncurrent Investments					5,311,740,605.49	
Total Investments per Exhibits					5,311,740,605.49	

⁽¹⁾ Historical cost of investments at August 31, 2017 was: Common Stock \$4,713,599.59; Sovereign Lands \$840,275.01; Discretionary Internal Investments \$203,810,574.16; Other Lands \$42,992,255.00; Minerals \$13,432,925.10; and Investments with External Managers \$2,797,051,339.51.

⁽²⁾ Includes an estimated 1,000,000.00 acres in freshwater rivers.

⁽³⁾ Includes an estimated 1,747,600.00 in excess acreage.

⁽⁴⁾ Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the state of Texas

⁽⁵⁾ Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers. Further explanation of the methodology for valuing mineral investments is described in Note 3.

required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was located in the U.S., 102 percent of the fair value of the loaned securities; or (ii) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the U.S., 105 percent of the fair value of the loaned securities.

The VLB did not impose any restrictions on the amount of loans that State Street made on its behalf during the fiscal year. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Also, there were no significant violations of legal or contractual provisions and no losses during the fiscal year resulting from the default of any borrowers or State Street. State Street indemnifies the VLB for the value of loaned securities in the event that a borrower defaults and fails to return borrowed securities when due. State Street will utilize collateral held to purchase replacement securities. If the replacement securities have appreciated to a value that exceeds

the value of the collateral held, State Street is responsible for funding the shortfall.

During the fiscal year, VLB and the borrowers maintained the right to terminate all securities lending transactions upon notice. 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 pool. As of August 31, 2017, the pool had an average duration of 22.10 days and an average weighted maturity of 135.78 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, 2017, 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, 2017, were \$105,377,974.33 and \$103,382,726.81, 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:

- a. Determining Fair Value. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- b. Policy for Utilizing Amortized Cost Method. Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the Fund's investments at fair value for reporting purposes.
- c. Regulatory Oversight. The Fund is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the Fund), is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of VLB's position in the Fund is not the same as the value of the Fund shares.
- d. Involuntary Participation. There was no involuntary participation in an external investment pool by the VLB for the fiscal year.
- e. Necessary Information. Not applicable.
- f. Income Assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

Note 4

SHORT-TERM DEBT

Not applicable.

Note 5

LONG-TERM LIABILITIES

The changes noted in **Table 8** below occurred in long-term liabilities during the year ended August 31, 2017.

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, 2017.

Table 8

CHANGES IN LONG-TERM LIABILITIES

For the Year Ended August 31, 2017

	Balance 09-01-2016	Additions	Deductions	Balance 08-31-2017	Amounts Due Within One Year	Amounts Due Thereafter
GOVERNMENTAL ACTIVITIES						
Employees' Compensable Leave	5,542,838.22	3,970,877.76	4,153,875.97	5,359,840.01	2,850,593.52	2,509,246.49
Total, Governmental Activities	5,542,838.22	3,970,877.76	4,153,875.97	5,359,840.01	2,850,593.52	2,509,246.49
BUSINESS-TYPE ACTIVITIES						
General Obligation Bonds Payable	2,782,245,000.00	250,000,000.00	156,730,000.00	2,875,515,000.00	168,180,000.00	2,707,335,000.00
Unamortized Premium	8,826,068.83	0.00	1,029,810.16	7,796,258.67	1,029,810.16	6,766,448.51
Total, Business-Type Activities	2,791,071,068.83	250,000,000.00	157,759,810.16	2,883,311,258.67	169,209,810.16	2,714,101,448.51
Total, Governmental and Business-Type Activities	2,796,613,907.05	253,970,877.76	161,913,686.13	2,888,671,098.68	172,060,403.68	2,716,610,695.00

EMPLOYEE COMPENSABLE LEAVE

A state employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal or separation from state employment, provided the employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Position.

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 9** 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 Tex. Const., Article III, §49-b may not in the aggregate exceed \$1,000,000,000.00, of which \$795,720,000.00 remains unissued.

BONDS ISSUED

GENERAL OBLIGATIONS BONDS

During fiscal 2017, 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.

\$250,000,000 State of Texas Veterans Bonds, Series 2017

Issue Date: January 19, 2017

Sr. Manager: Jefferies

True Interest Cost: Variable-Rate

Net Proceeds: \$249,687,377.15

Costs of Issuance: \$312,622.85

The Series 2017 Bonds were issued to augment the Veterans' Housing Assistance Fund II.

DEMAND BONDS

Included in long-term debt are the outstanding principal amounts of several issues of general obligation variable-rate demand bonds backed by the full faith and credit of the state of Texas, as described below. A summary of the liquidity agreements has been provided in **Table 10** on page 45.

\$7,135,000 State of Texas Veterans' Land Refunding Bonds, Series 1999A

The bonds were issued pursuant to a resolution adopted by the board on April 6, 1999, in the original aggregate principal amount of \$40,025,000.00. The proceeds of the bonds were used to refund the outstanding State of Texas Veterans' Land Bonds, Series 1989. The bonds are currently in the weekly mode.

Table 9

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
1951		75,000,000
1956		100,000,000
1967		200,000,000
1973		100,000,000
1977		200,000,000
1981		250,000,000
1983		300,000,000
1983		500,000,000
1985		500,000,000
1993		250,000,000
1993		500,000,000
1995		500,000,000
2001		500,000,000
TOTAL		4,000,000,000
\$ 4,000,000,000.00 ⁽¹⁾	Amount Authorized	
(210,360,000.00)	Outstanding balance (Land)	
(2,672,951,258.67)	Outstanding balance (Housing)	
\$ 1,116,688,741.33 ⁽²⁾	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.

Table 10

VETERANS' LAND BOARD LIQUIDITY FACILITIES

As of August 31, 2017

Liquidity Provider	Bond Transaction	Available Principal Commitment at 8-31-2017	Liquidity Agreement Expiration Date
Landesbank Hessen - Thüringen Girozentrale	1) Vet Bonds Series 2011C	59,945,000.00	12-31-2019
	2) Vet Bonds Series 2016	242,375,000.00	01-20-2021
		<u>302,320,000.00</u>	
Bank of Tokyo - Mitsubishi UFJ	1) Vet Land Ref Bonds Series 99A	7,135,000.00	09-04-2018
		<u>7,135,000.00</u>	
State Street Bank and Trust Company	1) Vet Bonds Series 2014D	90,760,000.00	09-07-2018
		<u>90,760,000.00</u>	
Mizuho Bank, LTD	1) Vet Bonds Series 2015B	119,160,000.00	07-19-2019
		<u>119,160,000.00</u>	
Sumitomo Mitsui Banking Corporation	1) Vet Bonds Series 2017	249,690,000.00	01-18-2022
		<u>249,690,000.00</u>	
Grand Total		<u>769,065,000.00</u>	

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 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, 2017, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$59,945,000 State of Texas Veterans Bonds, Series 2011C

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

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wilmington Trust, National Association. The board's remarketing agent, Morgan Stanley & Co. LLP, is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale. Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on December 31, 2019. The liquidity provider receives an annual fee of 0.32 percent. As of August 31, 2017, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$90,760,000 State of Texas Veterans Bonds, Series 2014D

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

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

Under a standby bond purchase agreement between the board and State Street Bank and Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on September 7, 2018. The liquidity provider receives an annual fee of 0.35 percent. As of August 31, 2017, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$119,160,000 State of Texas Veterans Bonds, Series 2015B

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

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

Under a standby bond purchase agreement between the board and Mizuho Bank, LTD, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 19, 2019. The liquidity provider receives an annual fee of 0.34 percent. As of August 31, 2017, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$242,375,000 State of Texas Veterans Bonds, Series 2016

The bonds were issued pursuant to a resolution adopted by the board on July 30, 2015, in the original aggregate principal amount of \$250,000,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on January 20, 2021. The liquidity provider receives an annual fee of 0.28 percent. As of August 31, 2017, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$249,690,000 State of Texas Veterans Bonds, Series 2017

The bonds were issued pursuant to a resolution adopted by the board on July 28, 2016, in the original aggregate principal amount of \$250,000,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank, National Association. The board's remarketing agent, Jefferies, 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 January 18, 2022. The liquidity provider receives an annual fee of 0.30 percent. As of August 31, 2017, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

VARIABLE-RATE BOND MODE CHANGES

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

The mode changes were undertaken primarily to take advantage of a unique opportunity provided by a large institutional investor to convert several of the outstanding VLB tax-exempt floating-rate bonds that reset weekly through a remarketing process into tax-exempt indexed floaters which are reset monthly at 68% of 1-month LIBOR plus various fixed spreads. (The spreads result in amounts that are less than the amounts previously paid by the board for liquidity and remarketing expenses on the associated bonds and are expected to generate approximately \$3.6 million in savings over the life of the direct purchase mode.) In addition, the transactions were also particularly attractive for the following reasons: (1) eliminated the need for liquidity facilities and remarketing services with regard to the refunding bonds; (2) freed up approximately \$365 million in existing liquidity facilities to use in conjunction with future new-money VLB variable-rate transactions; and (3) eliminated the pricing, market access, and counterparty risk associated with having to extend or negotiate new liquidity facilities two or more times over the next 5-7 years.

On October 29, 2015, the board approved the implementation of a series of mode changes with respect to several existing VLB variable-rate bond issues that converted the bond issues from a weekly mode to a direct purchase mode for the next 7-10 years. The bond issues converted to direct purchase mode were: Veterans' Housing Assistance Program, Fund II Series 2001A-2 Bonds, Veterans' Housing Assistance Program, Fund II Series 2002A-2 Bonds, Veterans' Housing Assistance Program, Fund II Series 2003A Bonds, Veterans' Housing Assistance Program, Fund

II Series 2003B Bonds, Veterans' Housing Assistance Program, Fund II Series 2004B Bonds, Veterans' Housing Assistance Program, Fund II Series 2006A Bonds, Veterans' Housing Assistance Program, Fund II 2006D Bonds, Veterans' Housing Assistance Program, Fund II 2007B Bonds, Veterans Bonds, Series 2011A, Veterans Bonds, Series 2011B, Veterans Bonds, Series 2012B, Veterans Bonds, Series 2013A, Veterans Bonds, Series 2013B, Veterans Bonds, Series 2014A, and Veterans Bonds, Series 2015A. The mode changes were implemented on December 15, 2015.

The mode changes were undertaken primarily to take advantage of a unique opportunity provided by a large institutional investor to convert several of the outstanding VLB tax-exempt floating-rate bonds that reset weekly through a remarketing process into tax-exempt indexed floaters which are reset monthly at 68% of 1-month LIBOR plus various fixed spreads. (The spreads result in amounts that are less than the amounts previously paid by the board for liquidity and remarketing expenses on the associated bonds and are expected to generate approximately \$3.2 million in saving over the life of the direct purchase mode.) In addition, the transactions were also particularly attractive for the following reasons: (1) eliminated the need for liquidity facilities and remarketing services with regard to the refunding bonds; (2) freed up approximately \$945 million in existing liquidity facilities to use in conjunction with future new-money VLB variable-rate transactions; and (3) eliminated the pricing, market access, and counterparty risk associated with having to extend or negotiate new liquidity facilities three or more times over the next 7-10 years.

DEFEASED BONDS OUTSTANDING – LAND

Advance refunding bonds totaling \$716,545,000.00 have been issued to defease Veterans' Land Bonds. At August 31, 2017, \$15,500,000.00 of the defeased bonds remained outstanding. The proceeds of the refundings, together with additional securities and cash owned by the board, were deposited with the board's escrow agents pursuant to the special escrow fund agreements. These agreements provide that the special escrow funds are irrevocably pledged to the payment of principal and interest on the refunded bonds. The escrow agent will retire the remaining defeased debt as it matures. Details of the refunding transactions are outlined in **Table 11** on page 50.

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.

ADMINISTRATION OF LOAN PROGRAMS

Under the Veterans' Land Program, eligible veterans may qualify for a loan of up to \$150,000.00 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, 2017 is 7.25 percent.

In May 2007, a nationally recognized loan servicing organization began servicing the loans in the Veterans' Land Program. Texas Senate Joint Resolution 14, 68th 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, 69th 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, 73rd 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, 74th 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, 77th 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 \$424,100.00. The interest rates for these loans are currently reset weekly after the close of business on the last business day of the week at a variable spread below a constructed benchmark that approximates current FHA/VA marketing rates. In May 1986, the Housing Assistance Program was expanded to include home improvement loans. Home improvements, which are originated by the Veterans' Land Board, can be financed for a period of 2 to 20 years for a principal amount of up to \$50,000.00. Interest rates for these loans are currently 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.

Additional financial information related to the VLB loan programs is available in Note 33 on page 77.

OUTSTANDING BONDS

Outstanding land and housing assistance general obligation bonds are repaid from land, housing, and home improvement loan principal and interest receipts, and investment earnings. Schedules 2-A through 2-G present bond activity during fiscal 2017. Annual interest accretion on capital appreciation bonds is reported in the Bonds Issued column of Schedule 2-A. As of August 31, 2017, the GLO does not have any capital appreciation bonds.

A summary of bonds outstanding, excluding unamortized premium, at August 31, 2017, and the issue and final maturity dates are presented in **Table 12** on page 51 and a summary of bond transactions is presented in **Table 13** on page 52.

DEBT SERVICE REQUIREMENTS

Table 14 on page 53 and **Table 15** on page 54 represent principal and interest due on bonds from the period of September 1, 2017, through final maturity on December 1, 2047. The information is disclosed by bond issue and fiscal year, respectively.

RESERVE REQUIREMENTS

Bond resolutions and trust indentures provide for the maintenance of reserve funds for certain series. The reserve funds serve to ensure that interest and/or principal payments will be met on any payment date in the event that available funds are insufficient. Monies in these funds will ultimately be used to retire the last outstanding bonds of each respective issue. The bond reserve fund requirements and the reserve fund balances at August 31, 2017, are shown in **Table 16** on page 54.

Note 7

DERIVATIVE INSTRUMENTS

PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS

Objective of the swaps. The board is currently a party to 53 pay-fixed, receive-variable interest rate swaps that are associated with 37 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 periodic 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. Regarding the swap associated with Vet Land Tax Ref Bds Ser 2000 (now a part of Vet Bds Tax Ref Ser 2014B-3), 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, 2017, are shown in **Table 18** on pages 56 and 57.

PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS

Objective of the swaps. The board is currently a party to two pay-variable, receive-variable interest rate swaps that are associated with one taxable variable-rate bond issue and one tax-exempt fixed-rate bond issue. The swap associated with the taxable bonds is a LIBOR-to-SIFMA basis swap, and effectively converts the

variable rate on the associated taxable variable-rate bond issues from a LIBOR (taxable) based rate to a SIFMA (tax-exempt) based rate. The swap associated with the tax-exempt bonds is a SIFMA-to-LIBOR basis swap. These swaps are expected to generate an effective lower borrowing cost to the board over the life of the swaps.

Terms, fair values, and credit ratings. The terms, fair values, and counterparty credit ratings related to the outstanding variable-to-variable swaps as of August 31, 2017, are shown in **Table 19** on page 58. The notional amounts and amortization schedules of the swaps match those of the associated funds.

SWAP TRANSACTIONS

Fair Value. The fair value measurements of the board's swap transactions were calculated by an independent third-party swap advisory consultant using the Income Approach, as described in Statement No. 72 of the Governmental Accounting Standards Board (GASB 72). Using observable inputs from interest rate markets and credit default swap prices, the fair value measurements are determined based upon the present value of future implied cash flows. Since the inputs to these fair value measurements are observable from market data sources, they constitute Level 2 measurements, as described in GASB 72.

The fair values for interest rate swaps that are considered liabilities of the VLB are developed by considering the contracts as assets of the VLB's counterparties. The VLB is a State of Texas general obligation bond issuer; therefore, in developing the fair value measurements using the present value of future implied cash flows, credit default swap spreads for the State of Texas are used to make a credit valuation adjustment (CVA) in order to reflect non-performance risk by the VLB. For interest rate swaps that are considered assets of the VLB, credit default swap spreads for the relevant counterparties are similarly used to make a CVA to reflect non-performance risk by each of the VLB's counterparties.

For the VLB, the credit default swap spreads that are used in the CVA calculations are for the State of Texas as of August 31, 2017, as reflected in market data from subscription-based sources. The VLB's bonds are reference securities for the State of Texas credit default swaps. For each of the VLB's counterparties, the credit spreads that are used in the CVA calculations are based on credit default swap spreads for each counterparty's parent company as of August 31, 2017, as reflected in market data from subscription-based sources.

Credit risk. The board mitigates the credit risk associated with its swaps by entering into transactions with several highly-rated counterparties. As shown in **Table 18** on pages 56 and 57 and in **Table 19** on page 58, the credit ratings of the board's counterparties range from AA- to BBB+ by Standard & Poor's and Aa2 to Baa1 by Moody's Investors Service.

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The board also mitigates its concentration of credit risk by diversifying its swap portfolio across several different counterparties. The board's currently outstanding swaps are spread among ten different counterparties, with no more than approximately 27 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 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.

Table 11

DEFEASED BONDS OUTSTANDING – LAND and HOUSING PROGRAMS

	Land Program 1985 Refunding	Land Program 1986 Refunding	Housing Program 2010 Refunding	Total Refunding
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
Total Defeased Debt	216,000,000.00	573,813,000.00	52,330,000.00	842,143,000.00
Total Retired by Escrow Agent at 8-31-2017	216,000,000.00	558,313,000.00	52,330,000.00	826,643,000.00
Outstanding Defeased Debt	0.00	15,500,000.00	0.00	15,500,000.00
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	

Table 12

OUTSTANDING BONDS

Issue	Issue Date	Final Maturity Date	Bonds Outstanding 08-31-2017
			\$
General Obligation Bonds - Self-Supporting			
<i>Veterans' Housing Bonds</i>			
(Proceeds used to provide housing and home improvement loans to eligible Texas veterans.)			
Vet Hsg Ref Bds Ser '95	10-31-1995	12-01-2016	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	24,265,000.00
Vet Hsg Fund II Bds Ser 2002A-2	07-10-2002	06-01-2033	29,790,000.00
Vet Hsg Fund II Bds Ser 2003A	03-04-2003	06-01-2034	23,015,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-2003	06-01-2034	24,255,000.00
Vet Hsg Fund II Bds Ser 2004A	04-07-2004	12-01-2034	23,850,000.00
Vet Hsg Fund II Bds Ser 2004B	09-15-2004	12-01-2034	26,775,000.00
Vet Hsg Fund II Bds Ser 2005A	02-24-2005	06-01-2035	26,375,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-2005	06-01-2036	26,030,000.00
Vet Hsg Fund II Bds Ser 2006A	06-01-2006	12-01-2036	28,715,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-2006	12-01-2036	30,200,000.00
Vet Hsg Fund II Bds Ser 2007A	02-22-2007	06-01-2037	30,375,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-2007	06-01-2038	32,025,000.00
Vet Hsg Fund II Bds Ser 2008A	03-26-2008	12-01-2028	31,990,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-2008	12-01-2038	33,120,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-2009	12-01-2023	35,360,000.00
Vet Hsg Fund II Bds Ser 2009B	09-03-2009	12-01-2024	37,645,000.00
Vet Hsg Fund II Bds Ser 2010A	02-25-2010	12-01-2031	56,880,000.00
Veterans Bonds Series 2010C	08-20-2010	12-01-2031	57,855,000.00
Veterans Bonds Series 2011A	03-09-2011	06-01-2041	57,655,000.00
Veterans Bonds Series 2011B	08-25-2011	12-01-2041	58,840,000.00
Veterans Bonds Series 2011C	12-15-2011	06-01-2042	59,945,000.00
Veterans Bonds Series 2012A	05-23-2012	12-01-2042	60,065,000.00
Veterans Bonds Series 2012B	11-01-2012	12-01-2042	80,300,000.00
Veterans Bonds Series 2013A	03-20-2013	06-01-2043	85,295,000.00
Veterans Bonds Series 2013B	08-22-2013	12-01-2043	128,785,000.00
Veterans Bonds Tax Ref Ser 2013C	10-24-2013	06-01-2031	271,590,000.00
Veterans Bonds Ser 2014A	02-26-2014	06-01-2044	133,125,000.00
Veterans Bonds Tax Ref Ser 2014B-1	04-01-2014	12-01-2024	58,160,000.00
Veterans Bonds Tax Ref Ser 2014B-2	04-01-2014	12-01-2024	19,975,000.00
Veterans Bonds Tax Ref Ser 2014C-1	07-01-2014	12-01-2033	67,880,000.00
Veterans Bonds Tax Ref Ser 2014C-2	07-01-2014	12-01-2033	168,975,000.00
Veterans Bonds Ser 2014D	09-10-2014	06-01-2045	90,760,000.00
Veterans Bonds Ser 2015A	02-11-2015	06-01-2045	114,060,000.00
Veterans Bonds Ser 2015B	07-22-2015	06-01-2046	119,160,000.00
Veterans Bonds Ser 2016	01-21-2016	12-01-2046	242,375,000.00
Veterans Bonds Ser 2017	01-19-2017	12-01-2047	249,690,000.00
Total, Veterans' Housing Bonds			2,665,155,000.00
General Obligation Bonds - Self-Supporting			
<i>Veterans' Land Bonds</i>			
(Proceeds used to provide land loans to eligible Texas veterans.)			
Vet Land Ref Bds Ser '99A	04-28-1999	12-01-2018	7,135,000.00
Vet Land Bds Ser 2002	02-21-2002	12-01-2032	13,820,000.00
Vet Land Tax Ref Bds Ser 2014B-3	04-01-2014	12-01-2024	34,770,000.00
Vet Land Tax Ref Bds Ser 2014C-3	07-01-2014	12-01-2033	62,355,000.00
Vet Land Tax Ref Bds Ser 2014C-4	07-01-2014	12-01-2033	92,280,000.00
Total, Veterans' Land Bonds			210,360,000.00
Total, General Obligation Bonds - Self-Supporting			2,875,515,000.00

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Table 13

BOND TRANSACTIONS

	\$	\$	\$	\$	\$	\$	\$
General Obligation Bonds - Self-Supporting							
<i>Veterans' Housing Bonds</i>							
Vet Hsg Ref Bds Ser '95	8,945,000.00			8,945,000.00			0.00
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00			0.00			20,000,000.00
Vet Hsg Fund II Bds Ser 2001C-2	24,640,000.00			375,000.00			24,265,000.00
Vet Hsg Fund II Bds Ser 2002A-2	30,375,000.00			585,000.00			29,790,000.00
Vet Hsg Fund II Bds Ser 2003A	24,775,000.00			1,760,000.00			23,015,000.00
Vet Hsg Fund II Bds Ser 2003B	26,035,000.00			1,780,000.00			24,255,000.00
Vet Hsg Fund II Bds Ser 2004A	25,600,000.00			1,750,000.00			23,850,000.00
Vet Hsg Fund II Bds Ser 2004B	28,625,000.00			1,850,000.00			26,775,000.00
Vet Hsg Fund II Bds Ser 2005A	28,215,000.00			1,840,000.00			26,375,000.00
Vet Hsg Fund II Bds Ser 2005B	27,860,000.00			1,830,000.00			26,030,000.00
Vet Hsg Fund II Bds Ser 2006A	30,370,000.00			1,655,000.00			28,715,000.00
Vet Hsg Fund II Bds Ser 2006D	31,980,000.00			1,780,000.00			30,200,000.00
Vet Hsg Fund II Bds Ser 2007A	32,085,000.00			1,710,000.00			30,375,000.00
Vet Hsg Fund II Bds Ser 2007B	33,930,000.00			1,905,000.00			32,025,000.00
Vet Hsg Fund II Bds Ser 2008A	33,800,000.00			1,810,000.00			31,990,000.00
Vet Hsg Fund II Bds Ser 2008B	34,955,000.00			1,835,000.00			33,120,000.00
Vet Hsg Fund II Bds Ser 2009A	37,290,000.00			1,930,000.00			35,360,000.00
Vet Hsg Fund II Bds Ser 2009B	39,380,000.00			1,735,000.00			37,645,000.00
Vet Hsg Fund II Bds Ser 2010A	60,000,000.00			3,120,000.00			56,880,000.00
Veterans Bonds Series 2010C	60,870,000.00			3,015,000.00			57,855,000.00
Veterans Bonds Series 2011A	60,790,000.00			3,135,000.00			57,655,000.00
Veterans Bonds Series 2011B	62,060,000.00			3,220,000.00			58,840,000.00
Veterans Bonds Series 2011C	63,235,000.00			3,290,000.00			59,945,000.00
Veterans Bonds Series 2012A	63,540,000.00			3,475,000.00			60,065,000.00
Veterans Bonds Series 2012B	85,720,000.00			5,420,000.00			80,300,000.00
Veterans Bonds Series 2013A	90,350,000.00			5,055,000.00			85,295,000.00
Veterans Bonds Series 2013B	136,035,000.00			7,250,000.00			128,785,000.00
Veterans Bonds Tax Ref Ser 2013C	280,030,000.00			8,440,000.00			271,590,000.00
Veterans Bonds Series 2014A	140,320,000.00			7,195,000.00			133,125,000.00
Veterans Bonds Tax Ref Ser 2014B-1	68,665,000.00			10,505,000.00			58,160,000.00
Veterans Bonds Tax Ref Ser 2014B-2	25,085,000.00			5,110,000.00			19,975,000.00
Veterans Bonds Tax Ref Ser 2014C-1	69,590,000.00			1,710,000.00			67,880,000.00
Veterans Bonds Tax Ref Ser 2014C-2	178,530,000.00			9,555,000.00			168,975,000.00
Veterans Bonds Series 2014D	95,385,000.00			4,625,000.00			90,760,000.00
Veterans Bonds Series 2015A	119,595,000.00			5,535,000.00			114,060,000.00
Veterans Bonds Series 2015B	123,345,000.00			4,185,000.00			119,160,000.00
Veterans Bonds Series 2016	249,705,000.00			7,330,000.00			242,375,000.00
Veterans Bonds Series 2016		250,000,000.00		310,000.00			249,690,000.00
Total, Veterans' Housing Bonds	2,551,710,000.00	250,000,000.00	0.00	136,555,000.00	0.00	0.00	2,665,155,000.00
General Obligation Bonds - Self-Supporting							
<i>Veterans' Land Bonds</i>							
Vet Land Ref Bds Ser '99A	10,325,000.00			3,190,000.00			7,135,000.00
Vet Land Bds Ser 2002	14,400,000.00			580,000.00			13,820,000.00
Vet Land Tax Ref Bds Ser 2014B-3	39,775,000.00			5,005,000.00			34,770,000.00
Vet Land Tax Ref Bds Ser 2014C-3	65,395,000.00			3,040,000.00			62,355,000.00
Vet Land Tax Ref Bds Ser 2014C-4	100,640,000.00			8,360,000.00			92,280,000.00
Total, Veterans' Land Bonds	230,535,000.00	0.00	0.00	20,175,000.00	0.00	0.00	210,360,000.00
Total, General Obligation Bonds - Self-Supporting	2,782,245,000.00	250,000,000.00	0.00	156,730,000.00	0.00	0.00	2,875,515,000.00

Table 14

DEBT SERVICE REQUIREMENTS BY BOND ISSUE

Bond Issue	Principal	Interest	Total Debt Service
	\$	\$	\$
General Obligation Bonds - Self Supporting			
<i>Veterans' Housing Bonds</i>			
Vet Hsg Ref Bds Ser '95	0.00	0.00	0.00
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00	2,293,488.59	22,293,488.59
Vet Hsg Fund II Bds Ser 2001C-2	24,265,000.00	3,609,331.38	27,874,331.38
Vet Hsg Fund II Bds Ser 2002A-2	29,790,000.00	4,164,880.02	33,954,880.02
Vet Hsg Fund II Bds Ser 2003A	23,015,000.00	2,875,483.53	25,890,483.53
Vet Hsg Fund II Bds Ser 2003B	24,255,000.00	3,054,641.74	27,309,641.74
Vet Hsg Fund II Bds Ser 2004A	23,850,000.00	2,420,433.60	26,270,433.60
Vet Hsg Fund II Bds Ser 2004B	26,775,000.00	3,544,629.80	30,319,629.80
Vet Hsg Fund II Bds Ser 2005A	26,375,000.00	2,815,614.28	29,190,614.28
Vet Hsg Fund II Bds Ser 2005B	26,030,000.00	2,813,781.23	28,843,781.23
Vet Hsg Fund II Bds Ser 2006A	28,715,000.00	3,783,133.43	32,498,133.43
Vet Hsg Fund II Bds Ser 2006D	30,200,000.00	3,996,224.66	34,196,224.66
Vet Hsg Fund II Bds Ser 2007A	30,375,000.00	3,872,755.12	34,247,755.12
Vet Hsg Fund II Bds Ser 2007B	32,025,000.00	4,322,023.12	36,347,023.12
Vet Hsg Fund II Bds Ser 2008A	31,990,000.00	3,983,070.20	35,973,070.20
Vet Hsg Fund II Bds Ser 2008B	33,120,000.00	4,239,898.96	37,359,898.96
Vet Hsg Fund II Bds Ser 2009A	35,360,000.00	10,958,312.50	46,318,312.50
Vet Hsg Fund II Bds Ser 2009B	37,645,000.00	12,019,375.00	49,664,375.00
Vet Hsg Fund II Bds Ser 2010A	56,880,000.00	18,975,975.00	75,855,975.00
Veterans Bonds Series 2010C	57,855,000.00	7,670,016.11	65,525,016.11
Veterans Bonds Series 2011A	57,655,000.00	8,755,267.88	66,410,267.88
Veterans Bonds Series 2011B	58,840,000.00	9,087,515.38	67,927,515.38
Veterans Bonds Series 2011C	59,945,000.00	5,521,280.00	65,466,280.00
Veterans Bonds Series 2012A	60,065,000.00	7,895,613.33	67,960,613.33
Veterans Bonds Series 2012B	80,300,000.00	11,816,605.69	92,116,605.69
Veterans Bonds Series 2013A	85,295,000.00	13,935,663.07	99,230,663.07
Veterans Bonds Series 2013B	128,785,000.00	19,833,767.02	148,618,767.02
Veterans Bonds Series 2013C	271,590,000.00	33,100,856.38	304,690,856.38
Veterans Bonds Series 2014A	133,125,000.00	20,275,076.26	153,400,076.26
Veterans Bonds Series 2014B-1	58,160,000.00	3,196,513.82	61,356,513.82
Veterans Bonds Series 2014B-2	19,975,000.00	524,503.97	20,499,503.97
Veterans Bonds Series 2014C-1	67,880,000.00	17,364,955.52	85,244,955.52
Veterans Bonds Series 2014C-2	168,975,000.00	21,656,470.20	190,631,470.20
Veterans Bonds Series 2014D	90,760,000.00	8,519,952.50	99,279,952.50
Veterans Bonds Series 2015A	114,060,000.00	18,729,516.28	132,789,516.28
Veterans Bonds Series 2015B	119,160,000.00	11,937,440.00	131,097,440.00
Veterans Bonds Series 2016	242,375,000.00	17,528,580.00	259,903,580.00
Veterans Bonds Series 2017	249,690,000.00	19,313,620.00	269,003,620.00
Total, Veterans' Housing Bonds	2,665,155,000.00	350,406,265.57	3,015,561,265.57
General Obligation Bonds - Self Supporting			
<i>Veterans' Land Bonds</i>			
Vet Land Ref Bds Ser '99A	7,135,000.00	60,320.25	7,195,320.25
Vet Land Bds Ser 2002	13,820,000.00	1,535,353.60	15,355,353.60
Vet Land Tax Ref Bds Ser 2014B-3	34,770,000.00	2,070,390.03	36,840,390.03
Vet Land Tax Ref Bds Ser 2014C-3	62,355,000.00	8,192,574.06	70,547,574.06
Vet Land Tax Ref Bds Ser 2014C-4	92,280,000.00	7,511,540.97	99,791,540.97
Total, Veterans' Land Bonds	210,360,000.00	19,370,178.91	229,730,178.91
Total, General Obligation Bonds - Self-Supporting	2,875,515,000.00	369,776,444.48	3,245,291,444.48
Total, All Bonds	2,875,515,000.00	369,776,444.48	3,245,291,444.48

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Table 15

DEBT SERVICE REQUIREMENTS BY FISCAL YEAR

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Totals</u>
	\$	\$	\$
2018	168,180,000.00	41,077,614.84	209,257,614.84
2019	188,605,000.00	38,643,516.31	227,248,516.31
2020	192,810,000.00	35,923,801.75	228,733,801.75
2021	183,625,000.00	33,289,678.18	216,914,678.18
2022	177,410,000.00	30,760,205.93	208,170,205.93
2023-2027	862,490,000.00	107,847,933.64	970,337,933.64
2028-2032	520,925,000.00	51,227,695.92	572,152,695.92
2033-2037	347,785,000.00	22,579,124.66	370,364,124.66
2038-2042	181,330,000.00	7,623,324.44	188,953,324.44
2043-2047	52,085,000.00	802,468.81	52,887,468.81
2048	270,000.00	1,080.00	271,080.00
Total Debt Service	2,875,515,000.00	369,776,444.48	3,245,291,444.48

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

Table 16

BOND COVENANT RESERVE REQUIREMENTS

<u>Reserve Type</u>	<u>Reserve Requirement</u>	<u>Investments at Fair Value</u>
	\$	\$
General Obligation Bonds - Self-Supporting		
Veterans' Housing Fund I Bond Reserve	13,348,232.74 ⁽¹⁾	14,753,839.15 ⁽²⁾
Veterans' Housing Assistance Fund I Mortgage Reserve	7,500,000.00 ⁽³⁾	17,418,244.64 ⁽⁴⁾
Total, General Obligation Bonds - Self-Supporting	20,848,232.74	32,172,083.79
Total, All Bonds	20,848,232.74	32,172,083.79

⁽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 determine as of the close of the market on August 31, 2017.

⁽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, 2017.

Termination risk. The board or the counterparties may terminate any of the swaps if the other party fails to perform under the terms of the respective swap agreements. The board also has the right to terminate any of the swaps at any time without cause. In addition, the swap associated with the Vet Land Tax Ref Bds Ser 2000 (now a part of Vet Bds Tax Ref Ser 2014B-3), provides the counterparty with the option to terminate the swap under certain conditions. If any of the swaps are terminated, the associated variable-rate bonds would no longer have a synthetic fixed rate, and the board would be subject to interest rate risk to the extent that the variable-rate bonds were not hedged with another swap or with variable-rate assets on the board's balance sheet. Also, if at the time of termination option held by a counterparty, a swap has a negative fair value, the board would owe the respective counterparty a termination payment equal to the swap's fair value.

Rollover risk. The swap associated with the Vet Land Tax Ref Bds Ser 2000 (now a part of Vet Bds Tax Ref Ser 2014B-3), provides the counterparty with the option to terminate the swap under certain conditions at any time. If this swap is terminated through the counterparty's exercise of its option, the associated variable-rate bonds would no longer have a synthetic fixed rate, and the board would be subject to interest rate risk to the extent that the variable-rate bonds were not hedged with another swap or with variable-rate assets on the board's balance sheet. Bonds that are exposed to such rollover risk are shown in **Table 20** on page 58.

Swap payments and associated debt. Using rates as of August 31, 2017, 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 21** on page 58, and **Tables 22** and **23** on page 59. As rates and index relationship vary in the future, so will the resulting actual interest payments and net swap payments.

HEDGE EFFECTIVENESS OF DERIVATIVE TRANSACTIONS

Using the consistent critical terms method and the synthetic instrument method described in GASB No. 53, *Hedge Effectiveness Testing of Derivative Transactions*, the board determined that all of its pay-fixed, receive-variable interest rate swaps are effective cash flow hedging derivative instruments and thus eligible for hedge accounting treatment. The fair value of those swaps at the end of the fiscal year and the associated change in fair value of those swaps are accounted for as business-type activity in the appropriate *Combined Statement of Net Position – Proprietary Funds as Deferred Inflow of Resources and Deferred Outflow of Resources*. At August 31, 2017, the fair value of swaps determined to be effective cash flow hedging derivative instruments was (\$218,464,845.23), and the change in fair value of those swaps during the fiscal year was (\$121,612,410.65) as shown in **Table 17** below.

All of the board's pay-variable, receive-variable interest rate swaps are accounted for as investment derivative instruments. Therefore, the fair value of those swaps at the end of the fiscal year is accounted for as business-type activity in the appropriate *Combined Statement of Net Position – Proprietary Funds as Derivative Instruments*, and the associated change in fair value of those swaps during the fiscal year is accounted for in the appropriate *Combined Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds as a Net Increase (Decrease) in Fair Value of Investments*. At August 31, 2017, the fair value of swaps determined to be derivative investments was \$335,906.35, and the change in fair value of those swaps during the fiscal year was \$67,506.05 as shown in **Table 17** below.

Table 17

SUMMARY OF DERIVATIVE INSTRUMENTS

Changes in Fair Value		Fair Value at August 31, 2017		Notional
Classification	Amount	Classification	Amount	Amount
	\$		\$	\$
Investment Revenue	67,506.05	Investment	335,906.35	60,075,000.00
	<u>67,506.05</u>		<u>335,906.35</u>	<u>60,075,000.00</u>
Deferred Outflow	(125,838,524.36)	Debt	(222,690,959.23)	2,268,260,000.00
Deferred Inflow	4,226,114.00	Debt	4,226,114.00	181,915,000.00
	<u>(121,612,410.36)</u>		<u>(218,464,845.23)</u>	<u>2,450,175,000.00</u>
	<u>(121,544,904.31)</u>		<u>(218,128,938.88)</u>	<u>2,510,250,000.00</u>

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Table 18

PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received
	\$			
Vet Hsg Ref Bds Ser '95	-	11/29/1995	5.5200%	Actual Bond Rate
Vet Land Ref Bds Ser '99A	7,135,000	06/01/1999	5.1120%	68% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000	03/22/2001	4.2590%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2001C-2	24,265,000	12/18/2001	4.3650%	68% of 1M LIBOR
Vet Land Bds Ser 2002	13,820,000	02/21/2002	4.1400%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2002A-2	23,405,000	07/10/2002	3.8725%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2003A	23,015,000	03/04/2003	3.3040%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2003B	24,255,000	10/22/2003	3.4030%	64.5% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2004B	26,775,000	09/15/2004	3.6800%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2005A	26,375,000	02/24/2005	3.2790%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006A	28,715,000	06/01/2006	3.5170%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006D	30,200,000	09/20/2006	3.6890%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007A	30,375,000	02/22/2007	3.6450%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007B	32,025,000	06/26/2007	3.7120%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008A	31,990,000	03/26/2008	3.1890%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008B	33,120,000	09/11/2008	3.2250%	68% of 1M LIBOR
Vet Bds Ser 2010C	57,855,000	08/20/2010	2.3095%	68% of 1M LIBOR
Vet Bds Ser 2011A	57,655,000	03/09/2011	2.6750%	68% of 1M LIBOR
Vet Bds Ser 2011B	58,840,000	08/25/2011	2.3670%	68% of 1M LIBOR
Vet Bds Ser 2011C	59,945,000	12/15/2011	1.9170%	68% of 3M LIBOR
Vet Bds Ser 2012A	60,065,000	05/23/2012	1.6920%	68% of 3M LIBOR
Vet Bds Ser 2012B	80,300,000	11/01/2012	1.4470%	68% of 3M LIBOR
Vet Bds Ser 2013A	85,295,000	03/20/2013	1.7000%	68% of 3M LIBOR
Vet Bds Ser 2013B	128,785,000	08/22/2013	2.1450%	68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	33,495,000	12/01/2006	5.4610%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	25,290,000	12/01/2007	4.6580%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	8,610,000	12/01/2009	6.2200%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	54,195,000	12/01/2009	5.4525%	100% of 6M LIBOR
Vet Bds Ser 2014A	133,125,000	03/03/2014	2.1790%	68% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	24,345,000	12/01/2003	5.1900%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	14,025,000	06/01/2004	5.4500%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014B-1 & B-2	21,610,000	12/01/2004	5.3480%	100% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	9,800,000	12/01/2005	4.9290%	100% of 1M LIBOR
Vet Hsg Fund I/II Tax Ref Bds Ser 2014B-1 & C-2	18,015,000	12/01/2005	5.1450%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014B-3	19,300,000	12/01/2000	6.1060%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014B-3	15,470,000	12/01/2005	6.5170%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	12,880,000	12/01/2002	4.9100%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	19,255,000	08/01/2012	3.7600%	68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	32,560,000	06/01/2006	5.8300%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	14,990,000	06/01/2006	5.7900%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	55,815,000	06/01/2010	5.4010%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	30,950,000	12/01/2010	2.7900%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-3	20,595,000	06/01/2006	6.5400%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-3	13,315,000	12/01/2010	5.2090%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	18,435,000	12/01/2002	4.9350%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	13,850,000	12/01/2003	5.1230%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	15,955,000	12/01/2004	5.4550%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	16,915,000	06/01/2006	4.6100%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	27,125,000	12/01/2006	6.5130%	100% of 1M LIBOR
Vet Bds Ser 2014D	90,760,000	09/10/2014	1.9395%	68% of 1M LIBOR
Vet Bds Ser 2015A	114,060,000	02/11/2015	1.5100%	68% of 1M LIBOR
VetBds Ser 2015B	119,160,000	07/22/2015	1.7710%	68% of 1M LIBOR
VetBds Ser 2016	242,375,000	12/01/2016	1.5640%	68% of 1M LIBOR
Vet Bds Ser 2017	249,690,000	08/01/2017	1.1750%	68% of 1M LIBOR + 0.085%
Total	\$ 2,450,175,000			

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	-	12/01/2016	BBB+ / Baa1
N/A	N/A	N/A	N/A	(294,483.00)	12/01/2018	BBB+ / Baa1
N/A	N/A	N/A	N/A	(4,528,055.00)	12/01/2029	BBB+ / Baa1
N/A	N/A	N/A	N/A	(7,329,129.00)	12/01/2033	AA- / Aa2
N/A	N/A	N/A	N/A	(3,040,803.00)	12/01/2032	BBB+ / A3
N/A	N/A	N/A	N/A	(5,877,237.00)	06/01/2033	A+ / Aa3
N/A	N/A	N/A	N/A	(3,239,031.00)	06/01/2034	A+ / Aa3
N/A	N/A	N/A	N/A	(3,367,871.23)	06/01/2034	AA- / Aa2
N/A	N/A	N/A	N/A	(4,678,167.00)	12/01/2034	A+ / Aa3
N/A	N/A	N/A	N/A	(3,856,593.00)	06/01/2035	AA- / Aa2
N/A	N/A	N/A	N/A	(5,135,463.00)	12/01/2036	AA / Aa3
N/A	N/A	N/A	N/A	(5,833,820.00)	12/01/2036	A+ / A1
N/A	N/A	N/A	N/A	(6,009,587.00)	06/01/2037	AA- / Aa2
N/A	N/A	N/A	N/A	(6,367,459.00)	06/01/2038	A+ / Aa3
N/A	N/A	N/A	N/A	(5,116,227.00)	12/01/2038	AA / Aa3
N/A	N/A	N/A	N/A	(5,565,552.00)	12/01/2038	AA- / Aa2
N/A	N/A	N/A	N/A	(4,485,020.00)	12/01/2040	BBB+ / A3
N/A	N/A	N/A	N/A	(6,418,734.00)	06/01/2041	A- / Baa2
N/A	N/A	N/A	N/A	(4,919,771.00)	12/01/2041	A- / Baa2
N/A	N/A	N/A	N/A	(2,467,222.00)	06/01/2042	AA- / Aa2
N/A	N/A	N/A	N/A	(1,197,251.00)	12/01/2042	AA- / Aa2
N/A	N/A	N/A	N/A	(109,873.00)	12/01/2042	AA- / Aa2
N/A	N/A	N/A	N/A	(1,700,173.00)	06/01/2043	AA- / Aa2
N/A	N/A	N/A	N/A	(8,944,291.00)	12/01/2043	AA- / Aa2
1M LIBOR >= 7.00%;	Mandatory	Periodic	2,652,000	(6,463,466.00)	12/01/2026	A+ / Aa3
6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%			1,017,500			
1M LIBOR >= 7.00%;	Mandatory	Periodic	934,700	(7,062,838.00)	06/01/2029	A+ / Aa3
SIFMA/SY ISDA CMS > 71%			1,020,000			
6M LIBOR >= 7.00%	Mandatory	Periodic	612,000	(966,911.00)	12/01/2021	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	2,740,000	(13,448,407.00)	06/01/2031	A+ / Aa3
N/A	N/A	N/A	N/A	(9,764,700.00)	06/01/2044	AA- / Aa2
6M LIBOR > 7.00%	Mandatory	Periodic	4,470,000	(1,775,206.00)	06/01/2021	AA- / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	1,442,000	(2,064,256.00)	12/01/2024	A+ / Aa3
1M LIBOR >= 7.00%	Mandatory	Periodic	2,594,000	(1,168,896.00)	06/01/2020	A+ / Aa3
1M LIBOR >= 7.00%;	Mandatory	Periodic	484,000	(1,170,526.00)	12/01/2023	A+ / Aa3
6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%			267,000			
1M LIBOR >= 7.00%;	Mandatory	Periodic	1,367,000	(2,962,635.00)	06/01/2026	A+ / Aa3
6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%			566,500			
1M LIBOR >= 7.00%	Optional	Permanent	2,700,000	(1,753,434.00)	12/01/2020	AA- / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	1,542,000	(3,537,899.00)	12/01/2026	A+ / Aa3
6M LIBOR > 7.00%	Mandatory	Periodic	2,165,000	(1,331,118.00)	06/01/2023	AA- / Aa2
1M LIBOR >= 7.00%	Mandatory	Periodic	578,750	(4,351,366.00)	12/01/2033	AA / Aa3
1M LIBOR >= 7.00%	Mandatory	Periodic	1,992,000	(6,621,774.00)	12/01/2026	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	1,493,000	(3,126,022.00)	12/01/2027	A+ / Aa3
1M LIBOR >= 7.00%;	Mandatory	Periodic	2,355,000	(15,892,545.00)	12/01/2031	A+ / Aa3
6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%			1,427,000			
N/A	N/A	N/A	N/A	(1,579,993.00)	06/01/2032	AA- / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	1,931,000	(5,285,835.00)	12/01/2027	A+ / Aa3
1M LIBOR >= 7.00%;	Mandatory	Periodic	465,850	(3,268,685.00)	12/01/2030	A+ / Aa3
6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%			208,400			
6M LIBOR >= 7.00%	Mandatory	Periodic	2,785,000	(1,817,546.00)	12/01/2021	BBB+ / A3
1M LIBOR >= 7.00%	Mandatory	Periodic	1,896,000	(1,661,707.00)	12/01/2023	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	2,075,000	(2,338,712.00)	12/01/2024	BBB+ / A3
6M LIBOR >= 7.00%	Mandatory	Periodic	886,000	(2,269,163.00)	12/01/2026	AA- / Aa2
1M LIBOR >= 7.00%	Mandatory	Periodic	2,725,000	(7,100,620.00)	12/01/2027	A+ / Aa3
N/A	N/A	N/A	N/A	(4,560,548.00)	06/01/2045	AA- / Aa2
N/A	N/A	N/A	N/A	(965,881.00)	06/01/2045	A- / Baa2
N/A	N/A	N/A	N/A	(4,116,176.00)	06/01/2046	AA- / Aa2
N/A	N/A	N/A	N/A	(3,782,282.00)	12/01/2046	AA- / Aa2
N/A	N/A	N/A	N/A	4,226,114.00	12/01/2047	A+ / A1
			\$ 47,391,700	\$ (218,464,845.23)		

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Table 19

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	\$28,445,000	08/05/2002	131.25% of SIFMA	100% of 1M LIBOR	(302,457.06)	12/01/2032	BBB+ / A3
Vet Hsf Fund II Ser 2009A	\$31,630,000	03/10/2009	100.00% of SIFMA	94.35% of 3M LIBOR	638,363.41	12/01/2023	AA- / Aa2
Total	60,075,000.00				335,906.35		

Table 20

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 21

**ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2017**

Fiscal Year Ending August 31	Variable-Rate Bonds		Interest Rate	Totals
	Principal	Interest	Swaps, Net	
	\$	\$	\$	\$
2018	157,115,000.00	29,950,054.20	44,605,639.19	231,670,693.39
2019	170,300,000.00	27,864,514.87	40,974,713.07	239,139,227.94
2020	169,030,000.00	25,685,864.35	37,299,042.51	232,014,906.86
2021	160,030,000.00	23,555,566.86	33,819,584.34	217,405,151.20
2022	151,480,000.00	21,548,426.09	30,600,155.38	203,628,581.47
2023-2027	646,180,000.00	81,185,901.98	109,813,614.95	837,179,516.93
2028-2032	470,890,000.00	45,037,282.17	52,696,215.68	568,623,497.85
2033-2037	291,465,000.00	21,029,341.91	19,907,180.99	332,401,522.90
2038-2042	181,330,000.00	7,623,324.44	6,426,236.29	195,379,560.73
2043-2047	52,085,000.00	802,468.81	695,268.38	53,582,737.19
2048-2052	270,000.00	1,080.00	340.83	271,420.83
Total	2,450,175,000.00	284,283,825.68	376,837,991.61	3,111,296,817.29

Table 22

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:
ESTIMATED DEBT SERVICE REQUIREMENTS OF FIXED-RATE DEBT
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2017**

Fiscal Year Ending August 31	Fixed-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
	\$	\$	\$	\$
2018	0.00	1,760,325.00	(193,994.83)	1,566,330.17
2019	0.00	1,760,325.00	(193,994.83)	1,566,330.17
2020	0.00	1,760,325.00	(193,994.83)	1,566,330.17
2021	0.00	1,760,325.00	(193,994.83)	1,566,330.17
2022	0.00	1,760,325.00	(193,994.83)	1,566,330.17
2023-2027	31,630,000.00	2,702,831.25	(290,992.25)	34,041,839.00
2027-2032	0.00	0.00	0.00	0.00
Total	31,630,000.00	11,504,456.25	(1,260,966.40)	41,873,489.85

Table 23

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:
ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2017**

Fiscal Year Ending August 31	Variable-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
	\$	\$	\$	\$
2018	1,205,000.00	482,140.22	(54,235.80)	1,632,904.42
2019	1,280,000.00	460,624.22	(51,815.47)	1,688,808.75
2020	1,365,000.00	437,722.88	(49,239.31)	1,753,483.57
2021	1,445,000.00	413,392.92	(46,502.43)	1,811,890.49
2022	1,535,000.00	387,591.40	(43,599.99)	1,878,991.05
2023-2027	9,250,000.00	1,490,275.20	(167,640.58)	10,572,634.62
2028-2032	10,995,000.00	568,204.22	(63,917.11)	11,499,287.11
2033-2037	1,370,000.00	11,861.94	(1,334.35)	1,380,527.59
2038-2042	0.00	0.00	0.00	0.00
2043-2047	0.00	0.00	0.00	0.00
2048-2052	0.00	0.00	0.00	0.00
Total	28,445,000.00	4,251,813.00	(478,285.04)	32,218,527.60

Note 8

LEASES

Texas General Land Office is not party to any long-term lease agreements for financing the purchase of capital assets as of August 31, 2017.

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 24** and **Table 25** below. Future minimum rental payments under non-cancelable operating leases having an initial term in excess of one year are presented in **Table 26** on the right.

Table 24

CURRENT PAYMENTS	
GOVERNMENTAL ACTIVITIES	
Fund Type	Amount
	\$
General Revenue Fund	1,148,713.88
Special Revenue Fund	3,142.37
Permanent Funds	202,619.68
Total, Memorandum Only	1,354,475.93

Table 25

CURRENT PAYMENTS	
BUSINESS TYPE ACTIVITIES	
Fund Type	Amount
	\$
Veterans Financial Assistance Program	775.00
Total, Memorandum Only	775.00

OPERATING LEASE REVENUE

Included in the revenues reported in the financial statements are operating lease rentals managed by GLO in the amount of \$11,451,462.38. 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

Table 26

FUTURE PAYMENTS	
GOVERNMENTAL ACTIVITIES	
Year Ended August 31	Amount
	\$
2018	1,196,167.34
2019	707,746.32
2020	656,504.44
2021	462,504.51
2022	359,007.96
Total Future Minimum	
Lease Rental Payments	3,381,930.57

authorized. **Table 27** on page 61 is a schedule of estimated future lease receipts by lease type, presented in the aggregate, and for each of the five succeeding years. The amounts include known lease escalation provisions. Lease categories managed by GLO are summarized as follows:

COMMERCIAL LEASES AND EASEMENTS (LC)

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

COASTAL EASEMENTS (CE)

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

COASTAL LEASES (CL)

Coastal leases (CL) are issued pursuant to TNRC §33.103(1) and 33.105. CLs are issued to state agencies, eligible cities or counties, nonprofit tax-exempt organizations, or scientific or educational entities to authorize the use of state-owned land for public recreation, estuarine preserves, wildlife preserves, or scientific research activities. CLs grant the applicant limited exclusive use of the property for the purposes stated within the contract. GLO may

issue other grants of interest for use of the same property, so long as it does not interfere with the current leaseholder's activities.

SURFACE LEASES (SL)

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

MISCELLANEOUS EASEMENTS (ME)

Miscellaneous easements (ME) are issued on both coastal submerged lands and state-owned uplands tracts for projects which require a right-of-way (ROW) for access across, through, or under 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 contract terms or failure to submit payment for the required land-use fees may result in delinquent penalties and/or termination of the contract. Removal of the structures may also be required at the expense of the lease/easement holder. Obtaining said leases and easements from GLO does not exempt the applicant from complying with all other applicable local, state, and federal permitting requirements.

SPECIAL DOCUMENTS (SD)

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

CABIN LEASES (PC)

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

Table 27

FUTURE LEASE RECEIPTS FOR NON-CANCELABLE LEASES

Lease Categories	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Years 2023 & Beyond
	\$	\$				
Coastal Easements	313,678.35	319,873.76	302,422.87	263,598.41	199,631.97	317,252.32
Coastal Leases	1,244.65	1,244.65	1,244.65	1,244.65	1,244.65	74,679.00
Commercial Leases and Easements	1,560,144.85	1,560,535.64	1,514,588.10	1,446,021.34	1,358,841.39	8,700,414.13
Miscellaneous Easements	304,403.60	306,303.18	236,001.54	253,011.28	232,047.01	937,675.44
Cabin Permit Fees	221,792.59	178,463.50	128,768.80	65,391.80	0.00	0.00
Special Documents	5,000.00	10,000.00	10,000.00	10,000.00	10,000.00	20,000.00
Surface Leases	2,957,162.08	3,231,850.90	2,889,477.82	3,005,267.08	2,468,115.15	22,873,567.92
Alamo Plaza	1,279,734.37	1,304,251.35	1,014,716.89	879,993.85	706,068.56	1,457,818.76
Total Lease Payments	6,643,160.49	6,912,522.98	6,097,220.67	5,924,528.41	4,975,948.73	34,381,407.57

ALAMO PLAZA

Alamo Plaza leases are commercial leases within the Crockett, Palace and Woolworth buildings located in San Antonio, Texas. Alamo Plaza leases are existing leases from prior ownership of the building upon GLO's acquisition in fiscal 2016. The lease income provides revenue to support the function and mission of the Alamo. It includes office, retail and restaurant space.

LEASING ACTIVITY

All PSF lands are evaluated for lease potential. The historical cost of all internally managed properties is \$247,643,104.17. The fair value of the properties is \$651,403,390.37. Sovereign and non-sovereign real estate in the permanent school fund is held as an investment and is not depreciated. Contingent rental revenues from 24 leases in the amount of \$978,597.54 are reported as of August 31, 2017.

Due to Hurricane Harvey's coastal destruction, the agency has since offered rental waivers on qualifying commercial leases for fiscal 2018. As a result, the projected revenues for fiscal 2018 in **Table 27** have been reduced.

Note 9

PENSION PLANS

Not applicable.

Note 10

DEFERRED COMPENSATION

Not applicable.

Note 11

POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not applicable.

Note 12

INTERFUND ACTIVITY AND TRANSACTIONS

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

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

Note 13

CONTINUANCE SUBJECT TO REVIEW

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

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

Under Texas Natural Resource Code, Section 161.0111, the 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 12th year thereafter.

Note 14

ADJUSTMENTS TO FUND BALANCES AND NET POSITION

During fiscal 2017, adjustments and corrections were made that required the restatement of beginning fund balance and net position. These restatements and adjustments are presented in **Table 28** below.

GOVERNMENTAL FUNDS AND GOVERNMENTAL ACTIVITIES

GENERAL FUND

A restatement of (\$16.77) was necessary in Fund 0001 to correct a payable related to building improvements in a prior period. A restatement of \$84,120.00 was made in Fund 0027 to account for assets received and put in service in a prior year.

PERMANENT SCHOOL FUND

Multiple restatements were made in Fund 0013 during fiscal 2017 with a net effect of (\$590,754.50). A restatement of (\$633,494.43) was required to be consistent in how the agency accounts for distributions from partnerships in which the GLO is a limited partner. An additional restatement of (\$1,333,339.07) was

required to account for two land conveyances that occurred in a prior year that were not previously recorded.

A distribution received on August 15, 2016 was originally identified and recorded as return of capital. During fiscal 2017, it was changed to interest income based on new information received from the investment manager, resulting in a restatement for \$1,376,079.00.

SPECIAL REVENUE FUNDS

A restatement of \$29,902.01 was made for Appropriated Fund 0374 to correct prior year retainage payable balances related to construction projects at GLO's veterans' cemeteries.

GOVERNMENTAL ACTIVITIES

An adjustment of \$6,000.00 was made to Capital Assets for the inclusion of land that was not previously recorded. The land was subsequently sold in fiscal 2017.

The restatement of (\$16.77) in Fund 0001 also required an adjustment to Capital Assets for the same amount.

Furniture and Equipment balances and the associated accumulated depreciation balances were adjusted \$105,721.57 and (\$105,721.57), respectively for the correction of capital assets from a governmental fund to a proprietary fund.

Additional adjustments to Capital Assets include (\$15,586.00) and \$15,586.00 to correct for asset trade-in values and accumulated depreciation, respectively, that should have been disposed of in a

Table 28

RESTATEMENT TO FUND BALANCE AND NET POSITION

	September 1, 2016, As Previously Reported	Restatements	September 1, 2016, As Restated
GOVERNMENTAL FUNDS AND GOVERNMENTAL ACTIVITIES			
Major Funds:			
General Fund	66,732,563.43	(84,103.23)	66,648,460.20
Permanent School Fund	7,143,102,918.01	(590,754.50)	7,142,512,163.51
Total Major Funds	7,209,835,481.44	(674,857.73)	7,209,160,623.71
Nonmajor Funds:			
Special Revenue Funds	873,861.85	29,902.01	903,763.86
Total Nonmajor Funds	873,861.85	29,902.01	903,763.86
Governmental Activities Adjustments:			
Capital Assets	62,729,550.60	52,045.21	62,781,595.81
Long-Term Liabilities	(5,542,838.22)	0.00	(5,542,838.22)
Total Governmental Act. Adj.	57,186,712.38	52,045.21	57,238,757.59
Total Governmental Activities	7,267,896,055.67	(592,910.51)	7,267,303,145.16
BUSINESS TYPE ACTIVITIES			
Nonmajor Funds:			
Enterprise Funds	781,183,191.70	(1,117.68)	781,182,074.02
Total Nonmajor Funds	781,183,191.70	(1,117.68)	781,182,074.02
Total Business Type Activities	781,183,191.70	(1,117.68)	781,182,074.02
TOTAL REPORTING ENTITY	8,050,146,422.37	(594,028.19)	8,049,552,394.18

prior period; \$67,870.00 and \$4,568.42 related accumulated depreciation for boat motors purchased in a prior period that were corrected to a capitalized asset; and \$3,500.00 net of (\$32.40) related accumulated depreciation for a prior period asset not previously recorded. Additional accumulated depreciation was corrected for (\$29,844.04).

BUSINESS TYPE ACTIVITIES

Restatements were made in Appropriated Fund 0374 to move cash equivalent balances and asset balances between agency funds (within the same appropriated fund) for \$12,274,634.66 \$7,884,651.19, respectively. However, these adjustments net to zero at the Appropriated Fund level.

Capital asset balances and related depreciation accounts were adjusted in Fund 0652 for assets not previously recorded. The net effect of these restatements totaled (\$884.20).

Fund 0571's beginning net position was adjusted \$25,000.00 to account for an asset from fiscal 2016 not previously recorded. The depreciation expense of (\$231.48) was also adjusted for this asset. A related adjustment was made for (\$25,000.00) to correct the payable for said asset.

Furniture and Equipment balances and the associated accumulated depreciation balances were adjusted \$105,721.57 and (\$105,721.57), respectively for the correction of capital assets from a governmental fund to a proprietary fund.

Additionally, a (\$2.00) adjustment was necessary to adjust a cash equivalent balance due to an accounting error in a previous period.

Note 15

CONTINGENCIES AND COMMITMENTS

SIGNIFICANT COMMITMENTS

ARBITRAGE REBATE PAYABLE

Earnings on portions of Vet Hsg Bds Reserve Fund, Vet Hsg Bds Mortgage Reserve Fund, and all of Vet Land Ref Bds Ser '99A, Vet Hsg Fund II Bds Ser 2000C, 2001A-2, 2001C-2, 2002A-2, 2003A, 2003B, 2004A, 2004B, 2005A, 2005B, 2006A, 2006D, 2007A, 2007B, 2008B, 2009A, 2009B, 2010A, 2010C, 2011A, 2011B, 2011C, 2012A, 2012B, 2013A, 2013B, 2014A, 2014D, 2015A, 2015B, 2016, 2017, and Vet Land Bds Ser 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, 2017, there is no rebate liability.

CONTRACTUAL COMMITMENTS

At August 31, 2017, the School Land Board had approximately \$2.0 billion in unfunded capital commitments outstanding to external investment managers.

CONTINGENCIES

FEDERAL ASSISTANCE

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

INVESTMENT INCENTIVE COMPENSATION PLAN

The Performance Incentive Compensation Pay Plan (Plan) for fiscal 2017 was adopted by Texas Land Commissioner, George P. Bush, and Chief Clerk, Anne Idsal, to cover the plan year effective July 1, 2016 through June 30, 2017. The Plan enables the agency to remain competitive in its efforts to attract, retain, and motivate high caliber investment staff. The purpose of the Plan is to provide the opportunity for investment division employees to earn incentive pay based on the GLO-managed portion of the Permanent School Fund investment portfolio's performance and the investment division employees' job performance. Any earned performance incentive compensation pay is paid over the subsequent 2-year period. For Plan year ended June 30, 2017, the outstanding liability is estimated not to exceed \$312,082.70. Payments for the 2017 Plan will occur after the end of the Plan year, with the first payment as early as December 2017. A portion of the incentive compensation can only be earned following a year in which the GLO-managed portion of the Permanent School Fund investment portfolio experienced a positive return. In addition, division employees must remain employed by the land office up to and on the dates designated in the Plan in order to earn and receive payment. The Executive Compensation Committee may cancel or modify the Plan at any time.

CLAIMS

As of August 31, 2017, 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:

Aderholt, et al. v. U.S. Bureau of Land Management (BLM), et al.

GLO intervened in quiet title action (brought by private property owners against BLM) to protect its mineral interests in PSF acreage in Wilbarger County. A petition was filed November 16, 2015. State of Texas (by/through the OAG) moved to intervene on November 18, 2015; GLO filed its Motion to Intervene/Complaint in Intervention on December 1, 2015. On December 21, 2015, Plaintiffs filed a response in support of GLO & State's Motions to Intervene. Via extensions, BLM filed responses to both motions on December 22, 2015; GLO & the State filed replies January 12, 2016. On January 19, 2016, the federal Defendants filed a motion to dismiss and memorandum in support. All parties collaborated on a Rule 26 scheduling report and discovery stipulations. On February 26, 2016, Defendants filed a motion for partial dismissal of Plaintiffs' Amended Complaint. Interventions were granted March 14 (State) and March 24 (GLO); Original Complaints filed March 28 (State) and March 30 (GLO). On May 27 and 31 respectively, Defendants filed motions to dismiss Amended Complaints filed by the State and the GLO; responses to which were filed June 17 (State) and June 21 (GLO). By order issued June 29, 2016, the Court denied the motion to dismiss on all but two of Plaintiffs' claims (Counties' taxing interest/QTa claim and 5th Amendment claim). On July 5, 2016, Defendants filed a Reply in Support of their Motion to Dismiss the GLO. On July 13, 2016, Defendants filed their answer to Plaintiffs' First Amended Complaint. Unopposed Motion to Amend the Scheduling Order was granted at the July 21, 2016 hearing, extending all deadlines out four months. By order dated July 27, 2016, the Court deferred ruling on the motion to dismiss/GLO's QTa claim until trial; on August 5, 2016, the Court denied Defendants' motion to dismiss the State. Tracts inspected by BLM after court intervention addressing objections raised by landowner Plaintiffs and denying Plaintiffs' Motion for Protective Order. On December 5, 2016, the court granted the parties' joint motion and ordered mediation by magistrate – held January 10, 2017. On April 4, 2017, BLM filed with the court a Notice of Suspension of Surveys currently underway of Indian trust allotment land in Oklahoma (Red River north bank), predicated on the basis of uncertainty as to whether doctrines of erosion, accretion and evulsion were appropriately considered; otherwise allowing for the possibility of error in survey methodology used and in identifying the Gradient Boundary. BLM summary judgment motion as to GLO's claim filed June 5, 2017; response filed June 26, 2017. Trial reset on the court's four-week docket beginning September 25, 2017; pretrial conference held September 20, 2017, trial setting cancelled; DOJ settlement acceptance status reports filed October 4 and 11, 2017; settlement approval pending. Court-ordered third status report filed October 20, 2017, proffering a settlement decision or status report by October 30, 2017. The probability of liability is reasonably possible. The possible final amount of loss 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 as well as 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, 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/accordance with *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. A summary judgment hearing was held on January 27, 2015. On February 19, 2015, the GLO filed its reply brief in support of its plea to the jurisdiction and a cross motion for summary judgment on Plaintiffs' claims. On April 20, 2015, the GLO filed a Plea to the Jurisdiction and a Motion for Summary Judgment on the issue of attorney's fees. On June 22, 2015, the court heard all motions but dismissed only Brannan's takings claims as against the Village of Surfside and its mayor. In October and November of 2015, Plaintiffs filed multiple supplemental motions and memoranda and attempted to set a hearing to facilitate the court's decision-making. By rulings issued November 18, 2015 on motions properly before the court, the State's jurisdictional pleas/summary judgment motions regarding 1) non-entitlement to attorney's fees and 2) Plaintiffs' takings claims were granted; and all of Plaintiffs' motions were denied except Brannan's motion for separate trial only on her takings claim – all of which was memorialized by order dated January 4, 2016. Plaintiffs' multiple motions for declarations filed subsequent to the November rulings were heard on January 25, 2016. On February 1, 2016, Plaintiffs filed 3 additional motions, noticing a hearing for February 23, 2016. On February 16, 2016, the GLO filed responses and a jurisdictional plea, the latter of which was also argued at the reset March 29, 2016 hearing. On July 8, 2016, Plaintiffs filed Supplemental Pleadings specific to Angela Mae Brannan. On August 18, 2016, a new claim was filed via "Motion

on a Taking” specific only to Angela Mae Brannan, simultaneously noticing a request that her claims be tried in October 2016 and a docket call for same on September 9, 2016. On September 8, 2016, the GLO served additional discovery and filed a jurisdictional plea on Ms. Brannan’s declaratory judgment claims, setting the latter for a September 27, 2016 hearing, which subsequently pushed. On September 9, 2016, the court ordered the parties to mediate within 30 days Ms. Brannan’s remaining takings claims, and set same for trial on November 14, 2016; mediation subsequently cancelled and trial setting passed. On December 2, 2016, Ms. Brannan filed her opposition to the GLO’s jurisdictional plea on her declaratory judgment claims; hearing on which was held February 27, 2017 (along with GLO’s motion to strike Pedestrian Beach, LLC’s petition in intervention filed December 13, 2016, and motion to sever Plaintiffs’ New-Property Claims if Agreed Order as to same not signed/entered, as well as Plaintiffs’ Motion for Relief from Unfair Discovery Practice). On March 27, 2017, the court signed an order granting the GLO’s motion to sever all new property claims (from original cases) and sua sponte severing all declaratory judgment causes of action in all cases (from takings claims) into Cause No. 91156-CV, but abated discovery and conveyed an intent to rule on all pending motions regardless. On April 25, 2017, the court heard and granted GLO’s motion to dismiss Plaintiffs’ anthropogenic erosion claims, but denied GLO’s summary judgment motion as to revetment claims (limitations). Agreements in principle reached on 10 original properties with takings compensation claims. On September 20, 2017, the court issued rulings striking Pedestrian Beach, LLC’s Petition in Intervention; granting the GLO’s jurisdictional pleas as to new properties added by October 2015 supplemental pleadings and as to Angela Mae Brannan’s declaratory judgment claims; and denying four of Plaintiffs’ pending declaratory judgment motions. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

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

Plaintiff claims that in 1874 the State of Texas improperly revoked a land patent granted to Plaintiff’s heirs. The GLO filed its answer on August 31, 2015. On September 2, 2015, the GLO and OAG jointly filed a plea to the jurisdiction and motion to dismiss, both of which were heard on October 6, 2015. By Order dated October 14, 2015, the court granted both joint pleadings and dismissed all claims. Motions for New Trial were filed on November 2, 2015 (Intervenors) and November 12, 2015 (Plaintiffs). Plaintiffs filed their notice of appeal on December 28, 2015 – the day their motion was overruled by operation of law. On February 16, 2016, Intervenors filed a Notice of Non-suit, intending to withdraw from the appeal. After full briefing, oral argument held November 16, 2016. Third Court of Appeals affirmed the dismissal in an opinion issued February 24, 2017; on March 10, 2017, Galan filed a motion for rehearing and motion for en banc reconsideration; both of which were denied on March 21, 2017. Via extension, (corrected) Petition for Review refiled June 8, 2017; denied July 21, 2017. Via extensions, rehearing motion filed August 22, 2017; denied September 29, 2017.

Galveston Bay Energy, LLC v. Tekoil & Gas Gulf Coast, LLC, et al.

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. On October 15, 2014, the GLO filed a Motion to Transfer Venue and Following Original Answer. On August 27, 2015, Plaintiff filed a Motion to Reopen the chapter 11 Case and Enforce Sale Order; on September 24, 2015, the bankruptcy court denied GBE’s Motion, effectively returning the matter to Chambers County District Court. On April 12, 2016, GBE filed a voluntary chapter 11 petition, staying the district court proceedings. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

GKM Mineral Partners, LP f/k/a Mitchell Mineral Partnership v. SandRidge Energy, Inc., et al.

Plaintiff/Lessor (and GLO agent) alleges that Defendant/Lessee SandRidge has failed to pay royalties in full under an oil and gas lease for property in Terrell County. On November 25, 2014, the agency filed its Plea in Intervention. Plaintiff filed a First Amended Petition on February 2, 2015; on February 24, 2015, Defendants SandRidge Tertiary, LLC filed an Answer and Trinity CO₂ LLC filed a Motion to Dismiss. On March 9, 2015, the court granted Defendants’ Motion to Transfer Venue to Pecos County. On May 16, 2016, SandRidge Energy, Inc. and SandRidge Exploration & Production, LLC filed voluntary chapter 11 petitions, staying state court proceedings. On May 24, 2016, the GLO filed a First Amended Plea in Intervention in tandem with Plaintiff’s Second Amended Petition to add Occidental West Texas Overthrust, Inc. as a Defendant based on lease assignments, contemporaneously filing a motion to sever the bankruptcy-filing SandRidge entities. On July 19, 2016, Occidental filed a plea in abatement; plea to the jurisdiction/for abstention and its original answer. SandRidge Debtors and the GLO will stipulate to lifting the bankruptcy stay to allow the litigation to proceed to final judgment; collection of any monetary judgment remains stayed/will be handled in accordance with the bankruptcy plan. Discovery is currently in progress. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

GLO v. USFWS, DOI, et al.

Suit for declaratory judgment/injunctive relief as regards Federal Defendants’ denial of the Petition to Delist from the Endangered Species Act the Golden-Cheeked Warbler. Petition filed June 5, 2017. On August 1, 2017, The Travis Audubon Society, Texas Ornithological Society, Center for Biological Diversity and Defenders of Wildlife collectively filed a motion to intervene, to which both GLO and Defendants filed motions in

opposition. Defendants' Motion to Dismiss (12(b)(1) and (6)) filed September 11, 2017; GLO filed response to same and its First Amended Complaint on September 21, 2017, in response to which Defendants filed a motion to partially dismiss same on October 5, 2017. GLO filed its response on October 19, 2017. On October 11, 2017, Intervenor filed a proposed answer to Plaintiff's Amended Complaint. A hearing on intervention and dismissal motions is set for November 16, 2017. The probability of liability is possible. The possible final amount of loss is indeterminable at this time.

GLO v. UT Board of Regents, et al.

The GLO received legislative permission to file a declaratory action in Travis County against the UT Board of Regents – the University Fund manager – regarding the PSF land/University Land boundary in Pecos County. GLO filed an Amended Petition on February 5, 2014. On May 12, 2014, a hearing was held on the Board of Regents' Motion to Dismiss and special exceptions, all of which were denied via orders signed and entered 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. The GLO filed a Motion for Summary Judgment on September 18, 2014. Defendants/Cross Plaintiffs filed a Motion for Summary Judgment on October 23, 2014; to which the GLO filed a response on November 6, 2014. All motions were heard November 13, 2014; on November 21, 2014, the court issued a letter ruling and subsequently signed and entered an order on December 5, 2014, granting the GLO's motion and denying the Board's motion. Mediation was held June 11, 2015 and settlement discussions are ongoing. On September 16, 2015, the GLO filed a motion (which Cross-Plaintiffs filed subsequent motions to join) to sever its claims as against the Board in order to render the court's prior order granting the GLO's summary judgment motion final and appealable. The probability of liability is remotely possible. The possible final amount of loss is indeterminable at this time.

Krieter v. Unknown Claimants of Interest in Land

Although not specifically named as a defendant, Commissioner Bush in his official capacity was served and identified as a "potential claimant" in a lawsuit seeking declaratory relief as to whether an identified 8.47 acre stretch of the Medina River constitutes public property, as well as injunctive relief thereto. Petition filed April 21, 2017; answered June 7, 2017, including a jurisdictional plea. The probability of liability is remote. The possible final amount of loss is indeterminable at this time.

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

Plaintiff filed a trespass to try title suit, asserting ownership to certain property involving the tidally influenced boundary in Chambers County, and alleging that the Commissioner, through ultra vires acts, has wrongfully asserted jurisdiction, title and right to possession and control over watercourses or 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. Lone Oak's Motion to Retain was granted November 19, 2015. On April 14, 2016, Plaintiff filed a motion to substitute counsel and subsequently substituted Commissioner Bush for Patterson and non-suited all other remaining Defendants. Rule 166 Conference held June 30, 2016: claims related to all but one tract severed and abated. On October 26, 2016, the court granted Lone Oak's summary judgment motion, denying the Commissioner's motion. Judgment entered January 26, 2017, following hearing on same. GLO noticed appeal on February 24, 2017; assigned to 1st Court of Appeals. GLO Brief filed July 14, 2017; by extensions, Lone Oak Brief filed October 2, 2017; GLO Reply Brief due November 22, 2017. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

Presidio Holdings, LLC, et al. v. Green River Resources, Inc., et al.

Plaintiffs sued to have certain oil, gas, and mineral leases declared terminated. The GLO's Answer and Plea to the Jurisdiction were filed on August 7, 2015. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

Signal Drilling, LLC, et al. v. New-Tex Operating, LLC, et al.

Plaintiff sued for injunctive relief and compensation for alleged interest in oil, gas, and mineral leases. Answer filed October 26, 2015. On December 4, 2015, New-Tex Defendants filed a First Amended Answer and a Second Amended Counterclaim. On December 24, 2015, Signal propounded discovery on the agency and filed a Second Amended Petition and Applications for Receivership and Injunctive Relief, in which Jaten Oil Company is also named as a Plaintiff and multiple causes of action are alleged as against the GLO and Commissioner Bush. On January 15, 2016, the GLO filed its First Amended Answer/Jurisdictional Plea. On March 21, 2016, the court granted without hearing an opposed motion for continuance on the GLO's plea hearing, previously reset for March 23, 2016. On April 19, 2016, the agency filed a First Amended Motion for Protective Order in response to Signal's attempt to serve a second set of discovery requests; GLO's plea hearing reset for June 8, 2016. On June 7, 2016, the court signed an order as to Signal's nonsuit without prejudice of all claims against the GLO and Commissioner Bush. On September 8, 2016, the GLO filed its jurisdictional plea as to Jaten/Riparia claims, noticing a hearing for October 19, 2016. On September 29, 2016, Signal filed a motion for partial summary judgment as against the New-Tex Defendants, also to be heard October 19, 2016. On October 13, 2016, the court signed an order on Jaten/Riparia's nonsuit without prejudice of all claims against the State, the GLO and Commissioner Bush, removing all State Defendants from the litigation and mooted the need for the October 19th jurisdictional plea hearing. On November 22,

2016, the New-Tex Defendants filed a motion to dismiss (absence of the State as an indispensable party) and a partial summary judgment motion for a declaration that the subject Jaten Top Lease is void as violative of the rule against perpetuities. On December 8, 2016, Signal filed a Third Amended Petition, naming Ponderosa Operating, LLC and Ponderosa Energy, LLC as defendants, to which New-Tex allegedly assigned its (subject) leasehold interest effective as of May 1, 2016. Ponderosa Energy filed its answer on December 26, 2016, denying property ownership and arguing indispensability of the State as necessary party. On January 26, 2017, Ponderosa Operating, LLC filed a plea in abatement. On February 21, 2017, Signal filed its First Supplemental Petition and Application for Declaratory Relief, seeking in part to bring the State and Commissioner Bush back into the litigation (not seeking “to (re)assert affirmative claims for relief against the [GLO], but rather merely add them ... as a necessary and indispensable party”); and Ponderosa Operating, LLC filed an amended plea in abatement. Signal served its supplemental petition on the Commissioner and the agency on March 16, 2017; answer due April 10, 2017. On March 30, 2017, Signal filed a Motion for Modification of Temporary Injunction Order, noticing a hearing for April 5, 2017. The GLO filed its answer early, including a jurisdictional plea for which a motion to shorten time was also filed to have it heard contemporaneously; however, the court continued the plea, allowing for limited jurisdictional discovery in the interim and dissolved the prior injunction between Signal and New-Tex, the former of which entered into a new agreement as to timelines by when assignee Ponderosa is to timely deposit royalties into the court registry. GLO plea heard September 12, 2017; continuance granted as to Plaintiffs’ partial summary judgment motions previously set for late September. GLO plea denied October 12, 2017; notice of appeal due November 1, 2017. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

State v. Riemer

State alleged unlawful fencing of the Canadian River bed below Sanford Dam; Riemer filed multiple counterclaims. Trial court denied the State's plea to the jurisdiction. 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 to the Seventh Court of Appeals to address the remaining contested class certification requirements. Appellate oral arguments were held on November 4, 2013. In an opinion issued November 26, 2014, the 7th Court affirmed the denial of class certification. On January 9, 2015, Riemer filed a petition for review with the Texas Supreme Court; the State filed its response on February 9, 2015; and Riemer filed a reply on February 24, 2015. In response to the

Court’s request for merits briefing (and via extensions granted), Riemer filed on July 1, 2015; the State filed its Response on August 20, 2015 and Riemer filed a Reply on September 25, 2015. On October 23, 2015, the Court denied Riemer’s petition. Riemer’s motion for rehearing was filed December 7, 2015, and denied January 8, 2016. On February 27, 2017, Riemer filed in district court its 14th Amended Counterclaim and 12th Amended Third Party Petition, as well as motions for partial summary judgment on limitations and navigability. Hearing held May 22, 2017, wherein both Riemer partial summary judgments were granted. On September 20, 2017, Plaintiffs filed a motion to sever (properties – albeit not specifically identified – west of the Borger-Stinnett Highway from those east); case reassigned to Judge Brancheau, who requested case status briefs. Motion to Sever and State’s plea hearing set for November 1, 2017. The probability of liability is reasonably possible. 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 GLO 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/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: CDM essentially re-pled its Galveston County lawsuit, bringing in the GLO and identified staff as third-party Defendants, and Galveston seeks declarations as to the duties of the parties under the contract and that the GLO is ultimately responsible for payment. CDM served a second request for production on November 22, 2013. GLO (on behalf of the Agency as well as named third-party Defendants) and Galveston filed jurisdictional pleas, and the GLO also filed a Motion to Dismiss. Pursuant to a Rule 11 Agreement, the parties agreed not to oppose a stay of proceedings if any interlocutory appeal was filed. All pending motions were heard April 15, 2014. On May 16, 2014, the request for special assignment was denied because Judge Scott Jenkins was contemplating abating the entire case sua sponte and had asked all parties to brief the abatement issue. On July 25, 2014, the Court notified all parties of its intent to abate and/or stay the case pending the outcome of the Galveston County litigation, requesting proposed orders – which CDM provided to the court on August 1, 2014. On August 12, 2014, the Court ordered the case temporarily abated and/or stayed pending resolution of the Galveston County lawsuit. On September 9, 2014, the State filed a petition in the Third Court of Appeals to mandamus Judge Jenkins to rule on the pending jurisdictional pleas. On November

5, 2014, both mandamus petitions were denied. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

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

The agency is one of a multitude of defendants from which, pursuant to CERCLA and the Texas Solid Waste Disposal Act, Plaintiff seeks cost recovery and contribution for past and future costs incurred for response activities undertaken and to be undertaken at the U.S. Oil Recovery Superfund Site - property located at 200 North Richey Street and 400 North Richey Street in Pasadena, Harris County - as well as any area where hazardous substances migrating from the Superfund Site come to be located. Plaintiff further seeks declarations as to each Defendant's liability and an allocation of past and future response costs among all parties. Summons and Complaint served May 18, 2015, but a standing order from the court prohibited the GLO from answering until November 14, 2015. On July 31, 2015, Plaintiff filed its First Amended Complaint. By Order entered August 25, 2015, the deadline for the GLO to file its Answer was December 31, 2015, before which time parties were not to file dispositive or default judgment motions. The State Defendants' motion for leave to file their motion to dismiss was denied December 23, 2015. On February 1, 2016, Plaintiff filed a 2nd Amended Complaint – adding new parties and amending others – and a motion to extend deadlines. State Defendants filed their 12(b) motion August 1, 2016. Response filed October 31, 2016; Reply filed November 30, 2016. On March 24, 2017, the motion to dismiss was denied. State Defendants filed a Motion to Correct Order, for which expedited briefing was ordered: Response filed April 24, 2017; Reply filed April 26, 2017; State's 12(b)(1) Motion to Dismiss denied May 5, 2017; Notice of Appeal filed May 26, 2017 and formally docketed in the Fifth Circuit on June 5, 2017. Opening Brief filed August 22, 2017; USOR Brief filed October 20, 2017. The probability of liability is remote. The possible final amount of loss is indeterminable at this time.

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

Plaintiff/Lessor Wesley West Mineral alleged that Defendant/Lessee SandRidge failed to pay royalties. The GLO claimed sovereign immunity and cross-claimed, alleging that SandRidge entered into an agreement with Oxy USA, Inc., depriving GLO of royalties from disposition of carbon dioxide, which SandRidge is required to pay the GLO under the Relinquishment Act. The District Court granted partial summary judgment for SandRidge regarding the proper interpretation of the Citation oil and gas lease; SandRidge's cross-motion for summary judgment against GLO and Plaintiffs' motion for clarification of the summary judgment as it relates to SandRidge's royalty obligations was denied. The parties agreed on a motion and order for interlocutory appeal of the summary judgment ruling; oral arguments were held at the 8th Court of Appeals on May 15, 2014. In an opinion issued November 19, 2014, the 8th Court affirmed the trial court's judgment as regards the State leases. On December 17, 2014, the GLO filed a Motion for

Rehearing/Motion for En Banc Reconsideration; on December 18, 2014, Co-Appellants Wesley West Minerals and Longfellow Ranch Partners filed their Motion for En Banc Reconsideration. On January 9, 2015, the 8th Court requested that Appellees file a response to Appellants' motions - due by February 2, 2015. On February 13, 2015, the 8th Court denied all pending Appellant motions. On March 30, 2015, Petitioners (including the GLO) filed Supreme Court Petitions for Review. On April 14, 2015, SandRidge filed a Conditional Cross-Petition, to which Longfellow filed a Response on May 21, 2015. On July 31, 2015, SandRidge filed Court-requested Responses to both Petitions; on August 24, 2015, Petitioners filed their respective Replies. On September 11, 2015, the Court requested merits briefing: via extensions, Petitioners filed their briefs on November 2, 2015, and SandRidge filed its Response on December 14, 2015. Longfellow filed a Response to the Conditional Cross-Petition on November 23, 2015; to which SandRidge filed a Reply on December 9, 2015. Via extension, Petitioners filed Replies on January 19, 2016. On May 16, 2016, SandRidge Energy, Inc. and SandRidge Exploration & Production, LLC filed voluntary chapter 11 petitions and a Notice of Suggestion on Pendency of Bankruptcy and Automatic Stay of Proceedings; the Supreme Court abated the Petition for Review. On July 7, 2016, the GLO filed a motion to substitute parties (Occidental West Texas Overthrust, Inc. for SandRidge), sever the latter and reinstate the appeal, to which both SandRidge and Oxy noticed objections. On September 27, 2016, Overthrust filed a Plea in Abatement, Jurisdictional Plea, Request for Abstention and Original Answer in the Pecos County district court proceeding. On December 20, 2016, the bankruptcy court signed and entered the parties' stipulation to modify the Plan of Reorganization injunction, allowing the litigation to proceed to final judgment; collection of any monetary judgment remains stayed/will be handled in accordance with the bankruptcy plan. Appeal reinstated on January 6, 2017. All petitions denied on March 10, 2017; motions for rehearing filed on April 11, 2017; via extension, Court-requested response filed July 10, 2017; replies filed by GLO (August 24) and co-petitioners (August 29); rehearing denied September 1, 2017; 8th Court mandate issued October 5, 2017. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

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

DERIVATIVES

As a function of its normal business operations, the State Energy Marketing Program (SEMP) of the GLO enters into contracts for the purchase and sale of natural gas, the sale of oil, and the delivery of natural gas and electric energy to certain Public Retail Customers (PRCs). Some of these contracts are derivatives, as defined under GASB Statement No. 53, *Accounting and Reporting*

for *Derivative Instruments*. As of August 31, 2017, all SEMP contracts identified as derivatives under GASB 53 also qualify for the normal purchases and normal sales exception described in Paragraph 14 of GASB 53. Therefore, all SEMP contracts identified as derivatives under GASB 53 are not subject to the requirements of GASB 53. The documentation supporting the determination of the normal purchases and normal sales exception with regard to GASB 53 is maintained by GLO in the applicable SEMP contract files.

Note 16

SUBSEQUENT EVENTS

On July 27, 2017, the VLB authorized the issuance and sale of State of Texas Veterans Bonds, Series 2018 in one or more installments in an aggregate principal amount not to exceed \$250,000,000. Accordingly, the VLB expects to issue its \$250,000,000 State of Texas Veterans' Bonds, Series 2018 as referenced in **Table 29** below. The proceeds of the bonds will be used to augment the Veterans' Housing Assistance Fund II.

Hurricane Harvey made landfall along the middle Texas coast on August 25, 2017 and continued to impact most of the Texas coastal regions for several days. On September 14, 2017, the Governor tasked the General Land Office with short-term housing recovery efforts in coordination with the Federal Emergency Management Agency (FEMA). This is in addition to the long-term recovery work that GLO manages for the state and has undertaken in previous disasters as part of the Federal Department of Housing and Urban Development's (HUD) Community Development Block Grant – Disaster Recovery program (CDBG-DR). At publication, Texas has been allocated approximately \$5.024 billion from HUD to help with the long-term housing and infrastructure recovery from Hurricane Harvey.

During October 2017, the VLB replaced CitiMortgage, Inc. as the administrator of the Veterans' Housing Assistance Program with Gateway Mortgage Group, LLC as administrator of loan originations and Nationstar Mortgage as administrator of master servicing.

On November 1, 2017, the VLB replaced State Street Bank and Trust Company and Mizuho Bank, LTD, as liquidity providers on the State of Texas Veterans Bonds, Series 2014D and the State of

Texas Veterans Bonds, Series 2015B, respectively, with the Federal Home Loan Bank of Dallas.

On November 1, 2017, the VLB closed on the sale to NexBank SSB of approximately 2,300 loans with an unpaid principal balance of approximately \$369 million in the Veterans' Housing Assistance Program.

Note 17

RISK MANAGEMENT

INSURANCE POLICIES

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

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

The Statewide Volunteer Insurance Policy covers excess personal liability for three volunteers at \$8.55 per volunteer. Excess Personal Liability covers losses associated with volunteer liability up to \$1 million per occurrence, subject to an annual aggregate per named organization. This policy provides protection for a personal injury or a property damage liability claim arising from the performance of the registered volunteer's duties, however only covers claims that occur during assignment – not on the way to or from the volunteer's assignment. This coverage is in excess of, and non-contributing with any other valid or collectible insurance the volunteer may have. Accident medical expenses for three volunteers at \$9.30 per volunteer are also provided for under the Statewide Volunteer Insurance Policy with a Benefit Maximum of \$100,000. The provider will not pay more than the Benefit Maximum for all losses per Accidental Death & Dismemberment Covered Accident. If, in the absence of this provision, the provider would pay more than Benefit Maximum

Table 29

NEW BOND ISSUANCE

BOND ISSUANCE	SERIES	AMOUNT	ANTICIPATED DATE OF ISSUANCE	PURPOSE
General Obligation Bonds	2018	\$ 250,000,000	TBD	To augment the Veterans' Housing Assistance Fund II

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

The agency is not involved in any risk pools with other government entities. During fiscal 2017, the agency recognized a loss of \$499,507.84 related to an insurance recovery of an asset with a net book value less than the insurance proceeds for the replacement of the asset.

WORKERS' COMPENSATION CLAIMS

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

RISK FINANCING

In fiscal 2017, the Texas General Land Office did not pay any claims related to attorneys' fees.

Note 18

MANAGEMENT'S DISCUSSION AND ANALYSIS

AGENCY HIGHLIGHTS

During fiscal 2017, the General Land Office purchased the building located at 713 E. Houston Street in San Antonio, Texas for inclusion in implementation of the Alamo Master Plan.

FINANCIAL HIGHLIGHTS

Net Position, Governmental Funds

The assets of the agency's governmental funds exceeded its liabilities at August 31, 2017 by \$8,861,536,581.68 (presented as Net Position in Exhibits I and II). Of this amount, \$8,740,970,457.08 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, 2017 by \$775,027,056.09 (as presented in Exhibits III and IV). Of this amount, \$75,477,176.34 is invested in capital assets, net of related debt, \$63,521.00 is restricted for the discretely presented component unit, and the remaining \$699,486,358.75 is restricted for the Veterans' Land Board programs.

Operational activities in the housing and land programs resulted in operating income of approximately \$7.1 million. Along with operational activities, the approximate income from investment activities of \$8.1 million, net decrease in fair value of investments of \$5.2 million, and net Transfers Out of \$26.9 million to fund administrative costs and to construct veterans' cemeteries and veterans' homes, contributed to a decrease in net position of approximately \$17.2 million.

The State of Texas David A. Gloier State Veterans Home Program operated at a profit of about \$6.7 million. With other non-operating revenues and transfers out of approximately \$4.4 million and \$141 thousand, respectively, the program increased net position by approximately \$11 million.

PSF INVESTMENT ACTIVITY

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

In 1985, the School Land Board was authorized to use land sale proceeds to acquire other interests in real property. In the ensuing years, the board's investment authority has been modified and expanded several times. Currently, §51.401 of the Natural Resource Code states that, "The board may designate funds received from any land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the permanent school fund under the constitution and laws of this state together with the mineral estate in riverbeds, channels, and the tidelands, including islands, for deposit in the Real Estate Special Fund Account of the permanent school fund in the State Treasury..."

Section 51.402 of the Natural Resource Code allows the board to use money designated under §51.401 to "add to a tract of public school land to form a tract of sufficient size to be manageable; to add contiguous land to public school land; to acquire, as public school land, interests in real property for biological, commercial,

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

Approximately \$571.1 million of capital commitments to externally-managed real assets investment funds were funded between September 1, 2016 and August 31, 2017.

The current surface real property portfolio of the fund consists of 663,849.53 surface acres with a portfolio value of \$651,403,390.37. The sovereign portion of this is located primarily in west Texas. 408,347.73 acres of sovereign land represent 61.5 percent of the total portfolio acreage but are only valued at \$270,878,019.97, 41.6 percent of the total portfolio value. Some of this property, though marginally suitable, has been leased for grazing and hunting purposes. The remainder of the sovereign land, most of which is land-locked, has little value other than for adjacent landowners who wish to increase their holdings. Over time, these properties will likely be sold.

The mineral reserve valuation of the permanent school fund's interest in oil and gas minerals is conducted by a third-party entity on an annual basis. The fair value is determined using Comptroller guidelines for adjusting the reserve report by mean risk adjustment factors provided by the Society of Petroleum Evaluation Engineers.

The August 31, 2017 ending historical cost basis for the fund's land surface portfolio was \$247,643,104.17. Contributions of approximately \$2.3 million were made to development projects. The permanent school fund also manages approximately 13 million acres of Relinquishment Act, submerged, free royalty, and mineral reserved lands, and mineral estates on surface lands representing a basis of \$13,432,925.10.

Dispositions for the fiscal year ended August 31, 2017, equaled 9,549.639 acres, for a loss of approximately \$11.9 million.

LOANS AND CONTRACTS RECEIVABLE

Loans and contracts receivables are divided between current and noncurrent assets. Current loans and contracts receivable for land contracts are \$1,191,142.95, land mortgages are \$3,602,373.24, housing mortgages are \$66,434,957.00, and home improvement loans are \$1,779,007.97. Noncurrent loans and contracts receivable for land contracts are \$70,567,569.24, land mortgages are \$252,371,169.62, housing mortgages are \$2,153,359,639.21, and home improvement loans are \$33,785,543.79.

CAPITAL ASSETS

In compliance with GASB Statement No. 34, depreciable assets are reported along with accumulated depreciation. Governmental funds report non-depreciable assets for land of \$7,219,600.19, construction in progress of \$441,960.95, and other assets of \$15,880,304.28.

Governmental funds report depreciable assets: buildings of \$64,748,318.60 less accumulated depreciation of (\$29,622,309.78), furniture and equipment of \$6,407,464.55 less accumulated depreciation of (\$4,809,142.20), vehicles, boats and aircraft of \$6,968,837.82 less accumulated depreciation of (\$4,515,083.27), intangible computer software of \$969,156.96 less accumulated amortization of (\$716,129.16), facilities and other improvements of \$276,021.77 less accumulated depreciation of (\$8,280.63), and other assets of \$15,000 less accumulated depreciation of (\$13,282.26).

The Veterans' Home Revenue Bond Funds report non-depreciable assets for land of \$4,039,500.00, and construction in progress of \$10,497,181.38. The Veterans' Home Revenue Bond Funds report depreciable assets: buildings of \$116,187,500.72 less accumulated depreciation of (\$55,517,237.61), furniture and equipment of \$744,477.97 less accumulated depreciation of (\$534,493.74), facilities and other improvements of \$22,963.00 less accumulated depreciation of (\$6,696.90), and intangible computer software of \$146,555.00 less accumulated depreciation of (\$146,555.00).

LONG-TERM DEBT

The agency's debt obligations associated with bonds increased by \$93,270,000.00. Changes in bonds payable is represented by \$250,000,000.00 of new issuances including premiums received, and \$156,730,000.00 of retired or matured bonds, including amortization of premiums. For additional details, see Schedules 2-A and 2-B.

SIGNIFICANT COMMITMENTS

Between September 1, 2016 and August 31, 2017, the SLB closed on capital commitments to seven externally-managed real assets investment funds, separate accounts, or co-investment vehicles in a total amount of approximately \$942 million. At August 31, 2017, the SLB had approved and closed on total capital commitments,

net of any capital commitments associated with any investments that were subsequently sold or dissolved, of approximately \$5.64 billion to 59 funds and eight co-investment vehicles, of which approximately \$2.04 billion remains unfunded. There were no new capital commitments to externally-managed real assets investment funds or co-investment vehicles that were not yet closed at August 31, 2017.

On August 8, 2016, the SLB adopted a resolution that releases \$490 million from the Real Estate Special Fund Account (RESFA) during fiscal 2018 and fiscal 2019 to the State Board of Education for investment in the PSF. The funds are scheduled to be released in four quarterly installments of \$58.75 million each on the 25th day (or next succeeding business day if the 25th is not a business day) of November 2017, February 2018, May 2018, and August 2018, and four quarterly installments of \$63.75 million each on the 25th day (or next succeeding business day if the 25th is not a business day) of November 2018, February 2019, April 2019, and August 2019, respectively.

On April 4, 2017, the SLB adopted a resolution that releases \$300 million from the Real Estate Special Fund Account (RESFA) during fiscal 2018 and fiscal 2019 to the State Board of Education for investment in the PSF. The funds are scheduled to be released in four quarterly installments of \$75 million each on the 25th day (or next succeeding business day if the 25th is not a business day) of November 2018, February 2019, May 2019, and August 2019, respectively.

BANKRUPTCIES

The agency had filed proofs of claim in these pending bankruptcies for the following amounts:

- a. Energy & Exploration Partners, LLC - \$46,310.41
- b. Linc USA GP - \$5,579.39
- c. SandRidge Energy, Inc. and SandRidge Exploration & Production, LLC - \$23,995,494 in each bankruptcy proceeding
- d. Penn Virginia Corp - \$54,845.35 (filed 11/2/2016)
- e. Breitburn Energy Partners LP - \$52,382.89 (filed 11/2/2016)
- f. Galveston Bay Energy, LLC - \$10,702.58 (filed 11/7/2016)

Any revenues received from these bankruptcy proceedings will be recognized in the year collections are received.

Prior to fiscal 2017, the agency had a claim amount of \$4,702,727.33 for oil and gas sales transactions related to Enron Corporations, of which none was accrued as revenue in the year of bankruptcy due to the unlikelihood of its collection. Revenues will be recognized in the year collections are received. The agency has received \$2,765,691.55 through August 31, 2017.

Note 19

THE FINANCIAL REPORTING ENTITY

RELATED ORGANIZATIONS

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.

TENANCY IN COMMON

In July 2007, a one-half tenancy in common interest was formed between the School Land Board and Cherokee Sugar Land, LP, for the use and benefit of the Permanent School Fund (PSF). This joint tenancy in common was formed to develop the combined tracts of land over several years. The PSF will pay one-half of the development cost, and will participate in one-half of all income. Imperial Johnson, LLC, the development manager, submits an annual budget to the PSF for approval. During fiscal 2017, a total of approximately \$1.8 million was contributed to fund development costs. Additionally, a payable of approximately \$49 thousand for development costs has been accrued as of August 31, 2017. Audits of the 2016 and 2017 financials of the joint tenancy in common have been engaged. Once completed, the reports will be available upon request. The August 31, 2017 financial statements of the joint tenancy in common have been consolidated into the PSF financial statements.

JOINT VENTURES

In 2005, the Permanent School Fund (PSF) acquired 1,984 acres located in New Braunfels, Texas fee simple, associated with a Development/Disposition Agreement with RS New Braunfels, LTD and RS New Braunfels, Two, LTD. The purpose of the contractual agreement was for the agent to obtain necessary entitlements to enhance the value and marketability of the assets. Audits of the 2016 and 2017 financial statements have been engaged. Once completed, the reports will be available upon request.

In August 2012, Galveston Preserve at West Beach, Ltd., a Texas limited partnership, was formed between MP Marquette Galveston LLC and Marquette Preserve, LP, LLC – both Texas limited liability companies – and the School Land Board for the use and benefit of the Permanent School Fund. The School Land Board is a 95 percent limited partner. The Permanent School Fund contributed 1,031.52 acres to the partnership. The acreage will be used for a mixed use residential/commercial development. The 2016 financial statements were compiled by an independent accounting firm and are available upon request. An audit of the 2017 financials has been engaged. Once completed, the report will be available upon request.

In April 2014, Grand Parkway 1358, LP, a Texas limited partnership, was formed between Johnson GP 1358, LLC and Johnson 1258 Investors LLC – both Texas limited liability companies – and the School Land Board for the use and benefit of the Permanent School Fund (PSF). The School Land Board is a 95 percent limited partner. The development, known as Harvest Green, will be a mixed use residential/commercial development located near Sugarland, Texas. The PSF contributed 1,343.679 acres of land to the partnership. The general partner, and other limited partners, will secure third-party financing debt in the form of development loans to fund the development and infrastructure for the project. The infrastructure for the master planned development began in late 2014. Audits of the 2016 and 2017 financial statements have been engaged. Once completed, the reports will be available upon request.

In May 2017, 290 WR Holdings LP, a Texas limited partnership was formed between Johnson WR Investors LLC, Johnson WR GP LLC, and the School Land Board for the use and benefit of the Permanent School Fund (PSF). The partnership acquired 1,617 acres located in northwest Houston. The property is planned for a future master planned community. Construction is scheduled to begin in approximately two years.

DISCRETELY PRESENTED COMPONENT UNITS

The Texas Natural Resources Code Ch. 31.451(d) authorizes the Texas General Land Office to participate in the establishment of and partner with a qualifying nonprofit organization for purposes which include raising funds for or providing services or other benefits for the preservation and maintenance of the Alamo complex. The land office may contract with the organization for the performance of any activity.

The Alamo Endowment, a Texas 501(c)(3) non-profit corporation, was created to provide resources and support for the preservation and maintenance of the Alamo Complex and its contents located in San Antonio, Texas. The organization's goals are to promote the Alamo Complex and provide for the preservation, education, management and restoration of the Alamo Complex, including raising of funds to achieve these purposes.

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

The Alamo Endowment provides consolidated audited financial statements for the period July 1 through June 30 of each year to

the Texas General Land Office for inclusion as a discrete component unit in its annual financial statements. These audited financial statements can be obtained directly from The Alamo Endowment's administrative offices at PO Box 2099, San Antonio, TX 78297.

Alamo Complex Management (ACM), an affiliate of the Alamo Endowment, was organized for the exclusive benefit of, to perform the functions of, and to carry out and support the general charitable purposes of the Alamo Endowment. Alamo Complex Management, as a supporting organization of the Alamo Endowment, has contracted with the Endowment for the preservation, management, education, maintenance, operation and restoration of the Alamo Complex. As such, the Endowment delegated to ACM the day-to-day management of the Alamo Complex, including personnel, education, grounds, maintenance, security, events, and programming. Alamo Complex Management is a blended component unit of the Alamo Endowment and is included as such in the consolidated financial statements of the Endowment.

Remember the Alamo Foundation, an affiliate of the Alamo Endowment, was organized for the sole purposes of benefiting the Alamo Endowment with the focus on charitable and educational purposes. Remember the Alamo Foundation is a blended component unit of the Alamo Endowment and is included as such in the consolidated financial statements of the Endowment.

During the fiscal year, GLO reimbursed ACM for expenses related to the operation and maintenance of the Alamo and all revenues received by ACM are transferred to the Treasury for the benefit of the Alamo. The expenditures and revenues of the Alamo Complex are presented in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance.

Note 20

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

ACCOUNTABILITY

A deficit net position was reported in fiscal 2017 in Appropriated Fund 0383 and 0385 is the result of liabilities for bonds payable exceeding asset balances.

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 30** 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.

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

Note 23

EXTRAORDINARY AND SPECIAL ITEMS

Not applicable.

Table 30

DONOR RESTRICTED ENDOWMENTS

	Permanent School Fund (PSF)
	\$
Nonspendable Corpus of the Fund	7,153,059,268.57
Nonspendable for Inventory	99,946.00
Nonspendable for Prepaid Items	487.95
Restricted Income of the Fund	1,587,810,754.56
Balance at Fiscal Year-End	8,740,970,457.08

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 31** on page 76.

Note 25

TERMINATION BENEFITS

The GLO offered a financial incentive to employees who were willing and eligible to retire from the agency. The incentive was a one-time payment of \$15,000. Eligibility requirements included provisions regarding tenure with the GLO and eligibility to retire by August 31, 2017. A total of 13 employees participated in the program. The agency's expenditure for this program was \$195,000. One employee was eligible to retire September 30, 2017 and was paid \$15,000 from 2018 funds.

Note 26

SEGMENT INFORMATION

Not applicable.

Table 31

DISAGGREGATION OF SIGNIFICANT RECEIVABLES AND PAYABLES

August 31, 2017

	<u>Receivables</u>
Federal Receivables	\$
<i>Governmental Funds</i>	
Department of Commerce	643,690.09
Department of Housing and Urban Development	17,897,695.77
Department of Veterans Affairs - Cemeteries	325,144.17
US Environmental Protection Agency	57,009.81
Department of Homeland Security	780,985.80
U.S. Coast Guard National Pollution Funds Center	1,891.40
Total Net Federal Receivables	<u><u>19,706,417.04</u></u>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
Current Federal Receivables	<u><u>19,706,417.04</u></u>
<i>Proprietary Funds</i>	
Department of Veterans Affairs - State Veterans Homes	12,435,115.87
Total Net Federal Receivables	<u><u>12,435,115.87</u></u>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
Current Federal Receivables	<u><u>12,435,115.87</u></u>
Accounts Receivables	
<i>Governmental Funds</i>	
Gas Royalties	43,797,587.66
Oil Royalties	61,649,179.92
State Energy Marketing Program	13,533,694.40
Leases	1,194,793.97
Other Revenues	7,058,006.11
Total Net Accounts Receivable	<u><u>127,233,262.06</u></u>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
Current Accounts Receivable	<u><u>127,233,262.06</u></u>
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	6,784,264.17
Veterans' Home Improvement Loans	595,796.44
Veterans' Land Contracts	672,583.93
Veterans' Land Mortgages	1,270,151.62
Texas State Veterans Homes (<i>net of allowances</i>)	1,851,762.50
Total Net Accounts Receivable	<u><u>11,174,558.66</u></u>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
Current Accounts Receivable	<u><u>11,174,558.66</u></u>
	<u><u>Payables</u></u>
Accounts Payable	\$
<i>Governmental Funds</i>	
State Energy Marketing Program	6,577,007.84
State Veterans Cemetery Program	322,784.42
General Governmental Expenditures	20,782,682.25
Total Accounts Payable	<u><u>27,682,474.51</u></u>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
Current Accounts Payable	<u><u>27,682,474.51</u></u>
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	1,507,848.19
Veterans' Land Contracts	249,875.79
Veterans Homes	11,538,155.55
Total Accounts Payable	<u><u>13,295,879.53</u></u>

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 32** on the right.

In fiscal 2017, deferred outflows of resources of \$222,690,959.23 and deferred inflows of resources (\$4,226,114.00) related to its hedging derivative instruments in the business-type activities. Additional details can be found in Note 7.

Note 29

TROUBLED DEBT RESTRUCTURING

Not applicable.

Note 30

NON-EXCHANGE FINANCIAL GUARANTEES

Not applicable.

Note 31

TAX ABATEMENTS

Not applicable.

Table 32

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of August 31, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$	\$
Business-Type Activities		
Hedging Derivative Instruments	222,690,959.23	(4,226,114.00)
Total,		
Business-Type Activities	<u>222,690,959.23</u>	<u>(4,226,114.00)</u>

Note 32

FUND BALANCES

Governmental Accounting Standards Board (GASB) Statement 54 establishes financial reporting standards for fund balances. Each fund type defaults to a specific classification at year end, as determined by the Comptroller of Public Accounts. The General Land Office has restrictions/covenants causing fund balances to be classified as other than their default classification, as shown in **Table 33** on page 78.

Note 33

VLB LOAN PROGRAMS

PROGRAM OVERVIEW

The Veterans' Land Board (VLB) offers two programs to eligible Texas veterans: the Housing Assistance Program and the Land Program. The Housing Assistance Program consists of the Housing Program to be used toward the purchase of homes in the State and the Home Improvement Program to be used toward making qualified improvements to homes in the State. The Land Program consists of purchasing land for resale to veterans or making land mortgage loans to veterans. The Veterans Land Loan Program is the only one of its kind in the country, providing Texas veterans with the opportunity to purchase land at below-market interest rates while only requiring a minimum 5 percent down payment.

Table 33

GOVERNMENTAL FUND BALANCES

GAAP Fund	Fund	AFR GASB 54 Class	Amount	Citation	Comments
GENERAL FUNDS					
0001	1101	Restricted	\$ 181,900.00	Federal CFDA 14.218	Federal funds; restrictions are externally imposed by federal government agencies.
0001	1102	Restricted	\$ -	Federal CFDA 14.228	Federal funds; restrictions are externally imposed by federal government agencies.
0001	1103	Restricted	\$ -	Federal CFDA 14.228	Federal funds; restrictions are externally imposed by federal government agencies.
0001	1111	Restricted	\$ 332,502.69	Federal CFDA 14.228	Federal funds; restrictions are externally imposed by federal government agencies.
0001	2001	Committed	\$ -	TEX. Gov't Code Ann. Sec. 2252.032	Retainage and interest earned on retainage
0027	0027	Committed	\$ 16,622,311.73	NRC Sec. 40.151	Coastal Protection Fund; used only for carrying out the purposes of NRC Chapter 40 and of Subchapter H, Chapter 33.
0450	0450	Committed	\$ 409,904.78	NRC Sec. 33.015	Restricted for Coastal Public Lands Management
0522	0522	Restricted	\$ 691,962.53	TEX. CONST. Art. III, Sec. 49-b	Created by the State's Constitution for the specific purpose of administering the Veterans' Land Program.
0543	0543	Committed	\$ 11,094,071.01	TEX. Gov't Code Ann. Sec. 2201	Texas Capital Trust Fund
0802	0015	Committed	\$ 20,908.86	Transportation Code Sec. 504.665	License Plate Trust Fund
0900	0902	Assigned	\$ -		Texas Comptroller of Public Accounts Reporting Requirements
5152	5152	Committed	\$ 3,364,320.20	NRC Sec. 31.454 (e)	Alamo Complex Fund
PERMANENT FUNDS					
0044	0007	Restricted	\$ 52,149,188.24	General Appropriations Act, HB1, 84th Legislature, Regular Session, Article VI, p.25	Appropriation for management of the Permanent School Fund
0044	0010	Restricted	\$ 23,127,764.71	NRC Sec. 53.155 and Sec. 52.297	
0044	0013	Restricted	\$ 1,512,533,801.61	NRC Sec. 51.401 and Sec. 51.402	

HOUSING PROGRAM

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 is below 80 percent and insurance is not required. Home improvement loans that are \$25,000 or less and secured by first or second liens are insured under the U.S. Department of Housing and Urban Development (HUD) Title I insurance program.

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

For VA-insured housing mortgages, assuming the VA pays "in full" (VA accepts conveyance of the property, which is usually the case), the VA pays 100 percent of principal plus interest through

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

From the inception of the Housing Program in 1984 through August 31, 2017, a total of 92,089 home loans aggregating \$9,952,756,740.19 and 4,960 home improvement loans aggregating \$85,255,564 have been made to veterans. As of August 31, 2017, 13,060 home loans were outstanding with a principal balance of \$2,217,826,519.75 and 1,666 home improvement loans were outstanding with a principal balance of \$33,968,378.48. During the fiscal year, 396 home loans aggregating \$103,46,954 and 404 home improvement loans

aggregating \$11,763,831 were made to veterans in the state, as presented in **Table 34** on the right.

At August 31, 2017, there were 1,666 home improvement loans with an outstanding balance on the administrator's books of \$33,968,378.48 (adjusted for timing differences of \$1,596,173.28 the outstanding principal balance on Exhibit III is \$35,564,551.76).

LAND PROGRAM

Under the land program, each land loan must be for a tract of at least one acre and for a maximum maturity of 30 years. Such loans are made after the value of the land to be purchased is determined and is inspected by an appraiser, and the application is reviewed and approved by the Board and its staff. These loans were traditionally originated in the contract for deed form ("contract form").

In addition to the contract form of loans, the Board also makes land loans pursuant to a promissory note secured by a deed of trust ("mortgage form"). Effective December 1, 2007, the Board discontinued making land loans in the contract form and began making all loans in the mortgage form.

From the inception of the Land Program through August 31, 2017, 8,148 land loans have been funded with a total principal amount of \$307,128,544.50. During the fiscal year, 1,237 land mortgage loans aggregating \$84,987,212.19 were made to veterans, as presented in **Table 34** on the right.

Housing and land loan program information as of August 31, 2017 is presented in **Table 35** below and **Table 36** on page 80.

Table 34

LOANS PURCHASED DURING FISCAL YEAR 2017

Loan Type	Loan Principal	Number of Loans
Housing Mortgage	\$ 103,466,954.00	396
Home Improvement	11,763,831.00	404
Land Mortgage	84,987,212.19	1,237
Total Loans	\$ 200,217,997.19	2,037

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, 2017, as listed in **Table 37** on page 81.

Land mortgage loans in the Land Program 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. Land program loans have traditionally been in the contract for deed form. If a veteran defaults on a land loan in the contract for deed form, the Board is entitled to declare the related land forfeited by the veteran, and resell the forfeited land to finance the purchase price of forfeited land tracts by veterans and non-veterans.

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

Table 35

VLB LOANS RECEIVABLE

As of August 31, 2017

HOUSING PROGRAM

	Principal Receivable	Interest Receivable	Total Program Receivable
Housing Mortgage	\$ 2,219,855,234.21	\$ 6,784,264.17	\$ 2,226,639,498.38
Home Improvement	35,564,551.76	595,796.44	36,160,348.20
Total Housing Program Loans Receivable	\$ 2,255,419,785.97	\$ 7,380,060.61	\$ 2,262,799,846.58

LAND PROGRAM

	Principal Receivable	Interest Receivable	Total Program Receivable
Land Mortgage	\$ 255,973,542.86	\$ 1,270,151.62	\$ 257,243,694.48
Land Contract for Deed (CFD)	72,586,622.19	672,583.93	73,259,206.12
Total Land Program Loans Receivable	\$ 328,560,165.05	\$ 1,942,735.55	\$ 330,502,900.60
Total All Programs	\$ 2,583,979,951.02	\$ 9,322,796.16	\$ 2,593,302,747.18

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.

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 on page 81 shows land contract for deeds, land mortgages, housing mortgages, and home improvement loans delinquent in excess of 90 days at August 31, 2017.

Table 36

VLB PROGRAM LOANS OUTSTANDING

As of August 31, 2017

LOANS BY LOAN TYPE

	Total Number	Outstanding Principal Balance	Percent of Total Principal Balance
HOME MORTGAGE LOANS			
Conventional			
CitiMortgage	1,763	\$ 251,498,613.34	9.74%
Bank of America 0%	155	2,028,716.46	0.08%
FHA	408	36,086,856.64	1.40%
VA	10,710	1,927,481,130.89	74.64%
Other	179	2,759,916.88	0.11%
Total	13,215	\$ 2,219,855,234.21	85.96%
HOME IMPROVEMENT LOANS			
Conventional	1	\$ 3,847.55	0.00%
FHA	1,512	28,029,774.80	1.09%
Other	153	5,934,756.13	0.23%
Total	1,666	\$ 33,968,378.48	1.32%
LAND LOANS			
Land Mortgages	4,192	\$ 255,973,542.86	9.91%
Contracts for Deed	5,346	72,586,622.19	2.81%
Total	9,538	\$ 328,560,165.05	12.72%
Grand Total	24,419	\$ 2,582,383,777.74	100.00%

LOANS BY LIEN TYPE

	Total Number	Outstanding Principal Balance	Percent of Total Principal Balance
1st LIEN			
Housing CitiMortgage	13,003	\$ 2,217,141,600.98	85.86%
Housing Bank of America 0%	155	2,028,716.46	0.08%
Home Improvement	1,666	33,968,378.48	1.32%
Land Mortgage	4,192	255,973,542.86	9.91%
Land Contract for Deed	5,346	72,586,622.19	2.81%
Total	24,362	\$ 2,581,698,860.97	99.97%
2nd LIEN			
Housing CitiMortgage	57	\$ 684,916.77	0.03%
Total	57	\$ 684,916.77	0.03%
Grand Total	24,419	\$ 2,582,383,777.74	100.00%

Table 37

PROPERTY ACQUIRED THROUGH FORECLOSURE

At August 31, 2017

Loan Type	Number of Loans	Foreclosure/Forfeiture	Principal Balance	Percent of Principal Balance
Housing Mortgage	13,215	4	\$ 60,638.00	7%
Home Improvement	1,666	0	0.00	0%
Land Contracts	5,346	33	827,911.00	93%
Land Mortgage	4,192	0	0.00	0%
Total	24,419	37	\$ 888,549.00	100%

Table 38

DELINQUENT AND DEFAULT LOANS

At August 31, 2017

	Land CFDs		Land Mortgages		Bank of America Housing Mortgages		CitiMortgage Housing Mortgages		CitiMortgage Home Improvement	
	Count	Principal Balance	Count	Principal Balance	Count	Principal Balance	Count	Principal Balance	Count	Principal Balance
Loan Status		\$		\$		\$		\$		\$
Current	4,815	65,884,063.62	4,120	252,151,341.22	118	1,472,344.55	12,444	2,122,840,442.32	1,611	32,889,868.21
31 to 60 Days Delinquent	0	0.00	0	0.00	16	214,192.40	289	44,145,820.96	25	553,052.68
61 to 90 Days Delinquent	291	3,170,829.37	28	1,372,795.30	6	81,851.75	114	18,079,049.10	13	245,426.41
91 + Days Delinquent	74	1,214,518.67	44	2,449,406.34	7	114,979.17	148	23,165,877.70	17	280,031.18
Foreclosure	133	1,489,299.93	0	0.00	4	84,710.30	65	9,595,327.67	0	0.00
RE owned	33	827,910.61	0	0.00	4	60,638.29	0	0.00	0	0.00
Totals	5,346	\$ 72,586,622.20	4,192	\$ 255,973,542.86	155	\$ 2,028,716.46	13,060	\$ 2,217,826,517.75	1,666	\$ 33,968,378.48

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TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

COMBINING
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2017



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

EXHIBIT A-1

COMBINING BALANCE SHEET
GENERAL AND CONSOLIDATED FUNDS

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	GENERAL					
	GENERAL REVENUE FUND (0001) U/F (0001)	GENERAL REVENUE FUND (0001) U/F (1101)	GENERAL REVENUE FUND (0001) U/F (1102)	GENERAL REVENUE FUND (0001) U/F (1103)	GENERAL REVENUE FUND (0001) U/F (1111)	COASTAL PROTECTION FUND (0027) U/F (0027)
ASSETS	\$	\$	\$	\$	\$	\$
Current Assets:						
Cash on Hand						
Cash in Bank (Note 3)						
Cash in State Treasury						17,500,472.86
Legislative Appropriation	29,077,148.89		(100.64)		290,963.60	
Receivables:						
Federal	1,521,121.52	1,656,729.26	124,806.02	107,670.16	15,268,354.61	702,591.30
Interest and Dividends						18,686.38
Accounts	67,477.85					151,368.25
Due From:						
Other Funds	11,971.63				101,381.53	
Other Agencies						
Consumable Inventories	29,570.44					
Prepaid Items						1,405.83
Total Current Assets	30,707,290.33	1,656,729.26	124,705.38	107,670.16	15,660,699.74	18,374,524.62
Noncurrent Assets:						
Notes Receivable						
Total Noncurrent Assets	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS	30,707,290.33	1,656,729.26	124,705.38	107,670.16	15,660,699.74	18,374,524.62
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows of Resources						
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00
LIABILITIES						
Current Liabilities:						
Payables:						
Accounts	1,153,473.11	1,470,446.30			14,849,371.59	667,127.33
Payroll	503,048.19				410,245.30	741,044.89
Interfund (Note 12)						
Due To:						
Other Funds	1,983.35	4,382.96	56,125.22	39,090.00		
Other Agencies	156.86		68,580.16	68,580.16	68,580.16	339,534.84
Unearned Revenues	5,370.01					3,100.00
Total Current Liabilities	1,664,031.52	1,474,829.26	124,705.38	107,670.16	15,328,197.05	1,750,807.06
TOTAL LIABILITIES	1,664,031.52	1,474,829.26	124,705.38	107,670.16	15,328,197.05	1,750,807.06
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows of Resources						
TOTAL DEFERRED INFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00
FUND FINANCIAL STATEMENT - FUND						
BALANCES						
Fund Balances (Note 1):						
Non-Spendable for Inventory	29,570.44					
Non-Spendable for Prepaid Items						1,405.83
Restricted	1,521,121.52	181,900.00			332,502.69	
Committed						16,622,311.73
Unassigned	27,492,566.85					
TOTAL FUND BALANCES (Exhibit A-2)	29,043,258.81	181,900.00	0.00	0.00	332,502.69	16,623,717.56

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

UNAUDITED

CONSOLIDATED ACCOUNTS						TOTALS	
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)	LICENSE PLATE TRUST FUND (0802) U/F (0015)	DEDICATED ALAMO COMPLEX FUND (5152) U/F (5152)	(EXH. I)	
\$	\$	\$	\$	\$	\$	2017	2016
	200.00					200.00	200.00
	10,000.00					10,000.00	10,000.00
575,476.45	2,502,814.59	11,200,443.02	152,039.53		2,550,871.26	34,482,117.71	22,122,589.53
						29,368,011.85	45,262,290.77
	1,847.60			24.88	3,013.48	19,381,272.87	31,824,674.58
21,415.59					623,199.98	23,572.34	12,023.48
						863,461.67	155,355.81
	159.84		1,000.00		1,000,064.24	1,114,577.24	102,522.23
				21,657.64		21,657.64	17,578.32
						29,570.44	28,494.49
	93.98				176,204.05	177,703.86	1,001,337.13
596,892.04	2,515,116.01	11,200,443.02	153,039.53	21,682.52	4,353,353.01	85,472,145.62	100,537,066.34
						0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
596,892.04	2,515,116.01	11,200,443.02	153,039.53	21,682.52	4,353,353.01	85,472,145.62	100,537,066.34
						0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1,709.26	253,602.87		6,697.64	773.66	604,776.65	19,007,978.41	26,263,358.66
17,879.43	1,569,456.38					3,241,674.19	3,248,646.42
						0.00	4,592.36
	0.25		9,694.32		176,204.05	287,480.15	101,889.70
		97,080.00				642,512.18	3,792,437.41
167,398.57		9,292.01	136,647.57		31,848.06	353,656.22	393,578.36
186,987.26	1,823,059.50	106,372.01	153,039.53	773.66	812,828.76	23,533,301.15	33,804,502.91
186,987.26	1,823,059.50	106,372.01	153,039.53	773.66	812,828.76	23,533,301.15	33,804,502.91
						0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	93.98				176,204.05	29,570.44	28,494.49
	691,962.53					177,703.86	1,001,337.13
409,904.78		11,094,071.01		20,908.86	3,364,320.20	2,727,486.74	107,099.75
						31,511,516.58	2,262,534.12
						27,492,566.85	63,333,097.94
409,904.78	692,056.51	11,094,071.01	0.00	20,908.86	3,540,524.25	61,938,844.47	66,732,563.43

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

EXHIBIT A-2

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

GENERAL AND CONSOLIDATED FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	GENERAL					COASTAL	
	GENERAL REVENUE FUND (0001) U/F (0001)	GENERAL REVENUE FUND (0001) U/F (1101)	GENERAL REVENUE FUND (0001) U/F (1102)	GENERAL REVENUE FUND (0001) U/F (1103)	GENERAL REVENUE FUND (0001) U/F (1111)	COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)
REVENUES	\$	\$	\$	\$	\$	\$	
Legislative Appropriations:							
Original	17,645,086.00						
Additional Appropriations	4,109,058.15				(61,881.23)		
Federal Revenues (Sch. 1A)	24,436,146.89	6,350,467.02	348,702.61	180,461.34	176,110,397.05	3,276,514.03	
Federal Grant Pass-Through Revenues (Sch. 1A)	822,794.49						
State Grant Pass-Through Revenues (Sch. 1B)	577,791.07						
Licenses, Fees, and Permits	1,733,328.88					14,882,866.45	288,017.36
Interest and Other Investment Income						162,223.19	
Land Income							
Settlement of Claims						1,069.71	
Sale of Goods and Services	109,483.50					62.50	
Other Revenues	6,433,215.83					268,276.93	
TOTAL REVENUES	55,866,904.81	6,350,467.02	348,702.61	180,461.34	176,048,515.82	18,591,012.81	288,017.36
EXPENDITURES							
Salaries and Wages	4,881,307.62	14,377.64	173,557.89	86,432.97	3,540,317.54	5,684,955.53	165,683.33
Payroll Related Costs	4,079,721.82	3,970.58	45,786.86	22,523.91	1,018,544.68	2,080,663.27	35,522.88
Professional Fees and Services	45,149,765.92	25,987.09			26,655,184.07	1,602,849.95	70.00
Travel	81,595.04		9,035.51		62,745.04	153,630.28	1,745.19
Materials and Supplies	250,088.88		47,194.92		52,324.66	185,209.99	3,074.87
Communication and Utilities	200,895.12				126,013.47	307,699.86	5,508.93
Repairs and Maintenance	1,451,405.27				154,616.17	197,829.62	10,944.72
Rentals and Leases (Note 8)	31,522.51				564,192.33	360,733.07	
Printing and Reproduction	32,853.57				5,942.66	31,340.71	
Claims and Judgments							
Federal Grant Pass-Through Expenditures (Sch. 1A)	2,892,722.46		68,580.16	68,580.16	5,466,190.71	969,086.53	
State Grant Pass-Through Expenditures (Sch. 1B)	156.86						
Intergovernmental Payments	1,877,430.94	6,303,453.97			115,105,538.05	350,630.75	
Public Assistance Payments	4,209,493.35				22,560,487.52	512,507.18	
Other Expenditures	3,812,519.60		4,547.27	2,924.30	361,286.38	1,970,749.47	6,816.61
Capital Outlay	2,787,013.04					338,995.18	
TOTAL EXPENDITURES	71,738,492.00	6,347,789.28	348,702.61	180,461.34	175,673,383.28	14,746,881.39	229,366.53
EXCESS (DEFICIENCY) OF							
REVENUES OVER EXPENDITURES	(15,871,587.19)	2,677.74	0.00	0.00	375,132.54	3,844,131.42	58,650.83
OTHER FINANCING SOURCES (USES)							
Transfers In							
Transfers Out	(1,894,472.00)						
Sale of Capital Assets	56,300.63					24,054.37	
Appropriations Lapsed	(567,499.12)						
TOTAL OTHER FINANCING SOURCES (USES)	(2,405,670.49)	0.00	0.00	0.00	0.00	24,054.37	0.00
NET CHANGE IN FUND BALANCE	(18,277,257.68)	2,677.74	0.00	0.00	375,132.54	3,868,185.79	58,650.83
FUND FINANCIAL STATEMENT - FUND BALANCES							
FUND BALANCES - August 31, 2016	47,320,499.72	179,222.26	0.00	0.00	(42,629.85)	12,839,651.77	351,253.95
Restatements (Note 14)	16.77					(84,120.00)	
FUND BALANCE - August 31, 2016, As Restated	47,320,516.49	179,222.26	0.00	0.00	(42,629.85)	12,755,531.77	351,253.95
FUND BALANCES - August 31, 2017 (Exhibit A-1)	29,043,258.81	181,900.00	0.00	0.00	332,502.69	16,623,717.56	409,904.78

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

UNAUDITED

CONSOLIDATED ACCOUNTS				TOTALS (EXH. II)	
VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	LICENSE PLATES TRUST FUND (0802) U/F (0015)	DEDICATED ALAMO COMPLEX FUND (5152) U/F (5152)	2017	2016
\$	\$	\$	\$	\$	\$
				17,645,086.00	47,109,438.00
				4,047,176.92	3,303,751.69
				210,702,688.94	374,099,431.96
				822,794.49	0.00
				577,791.07	0.00
(200.00)		25,541.21	4,621.00	16,934,174.90	12,681,459.23
15,343.66		225.00	31,944.32	209,736.17	119,767.99
	16,790.00			16,790.00	7,497.99
				1,069.71	0.00
			5,435,848.53	5,545,394.53	5,558,292.99
6,254.24			336,004.81	7,043,751.81	5,853,468.08
21,397.90	16,790.00	25,766.21	5,808,418.66	263,546,454.54	448,733,107.93
15,360,597.20				29,907,229.72	30,704,302.30
3,995,781.82			(191.69)	11,282,324.13	10,802,015.40
358,724.98			276,038.40	74,068,620.41	75,223,551.06
130,700.88		2,169.63	888.21	442,509.78	514,762.40
516,968.60		1,925.50	231,368.29	1,288,155.71	1,428,794.39
156,930.25			347,379.09	1,144,426.72	984,464.62
210,285.85			278,195.81	2,303,277.44	2,365,125.78
123,143.04			69,122.93	1,148,713.88	1,181,302.88
39,984.94		4,776.01	77,133.81	192,031.70	197,245.33
				0.00	200,000.00
				9,465,160.02	7,504,927.96
				156.86	1,840.00
		10,543.12		123,637,053.71	259,143,461.16
1,917,634.90		0.19	4,806,180.19	27,293,031.17	36,452,136.90
198,726.78			5,787.60	12,882,658.91	7,594,112.83
23,009,479.24	0.00	19,414.45	6,091,902.64	3,330,522.60	15,359,087.13
(22,988,081.34)	16,790.00	6,351.76	(283,483.98)	298,385,872.76	449,657,130.14
24,911,031.43	9,026,010.51		36,714.00	(34,839,418.22)	(924,022.21)
(1,337,993.33)	(97,080.00)		(36,714.00)		
	9,450.00			33,973,755.94	23,994,140.40
				(3,366,259.33)	(6,814,468.86)
				89,805.00	77,426.84
				(567,499.12)	(407,375.20)
23,573,038.10	8,938,380.51	0.00	0.00	30,129,802.49	16,849,723.18
584,956.76	8,955,170.51	6,351.76	(283,483.98)	(4,709,615.73)	15,925,700.97
107,099.75	2,138,900.50	14,557.10	3,824,008.23	66,732,563.43	50,523,746.00
				(84,103.23)	283,116.46
107,099.75	2,138,900.50	14,557.10	3,824,008.23	66,648,460.20	50,806,862.46
692,056.51	11,094,071.01	20,908.86	3,540,524.25	61,938,844.47	66,732,563.43

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

EXHIBIT B-1

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	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)
ASSETS	\$	\$	\$	\$
Current Assets:				
Cash (Note 3):				
Cash in State Treasury	10,029.89	97,249.66	510,383.56	65,473.59
Receivables:				
Federal			160,955.43	32,772.00
Interest and Dividends	455.83	78.42	280.67	118.83
Due From:				
Other Funds				
Total Current Assets	10,485.72	97,328.08	671,619.66	98,364.42
TOTAL ASSETS	10,485.72	97,328.08	671,619.66	98,364.42
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current Liabilities:				
Payables:				
Vouchers and Accounts		3,024.98	130,705.11	60,001.39
Payroll		61,514.22		
Retainage	7,985.84			
Due To:				
Other Funds			2,127.43	
Total Current Liabilities	7,985.84	64,539.20	132,832.54	60,001.39
TOTAL LIABILITIES	7,985.84	64,539.20	132,832.54	60,001.39
FUND FINANCIAL STATEMENT - FUND BALANCES				
Fund Balances (Note 1):				
Restricted	2,499.88	32,788.88	538,787.12	38,363.03
TOTAL FUND BALANCES (Exhibit B-2)	2,499.88	32,788.88	538,787.12	38,363.03
TOTAL LIABILITIES AND FUND BALANCES	10,485.72	97,328.08	671,619.66	98,364.42

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)	
		2017	2016
		\$	\$
(42,022.61)	128,592.11	769,706.20	1,120,242.36
59,831.74	71,585.00	325,144.17	604,684.41
21.55	182.15	1,137.45	942.31
43,173.15		43,173.15	549,784.46
61,003.83	200,359.26	1,139,160.97	2,275,653.54
61,003.83	200,359.26	1,139,160.97	2,275,653.54
60,937.09	68,115.85	322,784.42	394,377.88
		61,514.22	58,794.50
		7,985.84	36,265.24
66.74		2,194.17	912,354.07
61,003.83	68,115.85	394,478.65	1,401,791.69
61,003.83	68,115.85	394,478.65	1,401,791.69
(0.00)	132,243.41	744,682.32	873,861.85
(0.00)	132,243.41	744,682.32	873,861.85
61,003.83	200,359.26	1,139,160.97	2,275,653.54

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

EXHIBIT B-2

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

SPECIAL REVENUE FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	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)
REVENUES	\$	\$	\$	\$
Federal Revenues			651,582.38	147,867.07
Interest and Other Investment Income		592.94	2,574.74	1,192.85
Sale of Goods and Services				
Other Revenues			(5,000.00)	(469.02)
TOTAL REVENUES	0.00	592.94	649,157.12	148,590.90
EXPENDITURES				
Salaries and Wages		572,814.04		
Payroll Related Costs		417,817.59		
Professional Fees and Services		894.68	1,166,674.13	603,152.62
Travel		12,055.66	15,460.10	5,991.24
Materials and Supplies		26,911.60	61,380.40	18,240.57
Communication and Utilities		21,829.98	53,726.14	16,524.72
Repairs and Maintenance			7,496.83	18,313.00
Rentals and Leases (Note 8)		1,387.61	584.92	584.92
Printing and Reproduction			553.74	
Other Expenditures		4,504.07	(11,581.35)	(10,547.00)
Capital Outlay		30,513.45	365,978.95	13,679.00
TOTAL EXPENDITURES	0.00	1,088,728.68	1,660,273.86	665,939.07
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0.00	(1,088,135.74)	(1,011,116.74)	(517,348.17)
OTHER FINANCING SOURCES (USES)				
Transfers In		1,078,535.86	671,805.04	502,590.37
Transfers Out		(33,594.70)	243,449.36	20,306.23
TOTAL OTHER FINANCING SOURCES (USES)	0.00	1,044,941.16	915,254.40	522,896.60
NET CHANGE IN FUND BALANCE	0.00	(43,194.58)	(95,862.34)	5,548.43
FUND FINANCIAL STATEMENT - FUND BALANCES				
FUND BALANCES - August 31, 2016	18,208.13	75,983.46	638,149.46	
Restatements (Note 14)	(15,708.25)		(3,500.00)	32,814.60
Fund Balances - August 31, 2016, As Restated	2,499.88	75,983.46	634,649.46	32,814.60
FUND BALANCES - August 31, 2017 (Exhibit B-1)	2,499.88	32,788.88	538,787.12	38,363.03

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)	
\$		\$		2017	2016
447,143.71	292,794.00			1,539,387.16	1,336,666.48
749.36	1,929.60			7,039.49	6,935.35
				0.00	50,098.06
7,237.77	22,870.39			24,639.14	27,124.00
455,130.84	317,593.99			1,571,065.79	1,420,823.89
				572,814.04	568,901.96
				417,817.59	478,783.14
653,760.21	750,115.00			3,174,596.64	3,199,083.94
5,868.10	6,383.65			45,758.75	15,910.84
28,943.15	27,584.48			163,060.20	106,798.30
24,182.80	22,365.10			138,628.74	125,890.12
1,744.15	1,423.95			28,977.93	56,074.49
584.92				3,142.37	7,911.73
				553.74	654.57
(1,237.46)	(3,879.10)			(22,740.84)	54,232.59
276,021.77				686,193.17	51,853.31
989,867.64	803,993.08			5,208,802.33	4,666,094.99
(534,736.80)	(486,399.09)			(3,637,736.54)	(3,245,271.10)
495,043.30	500,586.28			3,248,560.85	3,562,879.89
(66.74)				230,094.15	(381,372.14)
494,976.56	500,586.28			3,478,655.00	3,181,507.75
(39,760.24)	14,187.19			(159,081.54)	(63,763.35)
39,760.24	101,760.56			873,861.85	2,177,912.20
	16,295.66			29,902.01	(1,240,287.00)
39,760.24	118,056.22			903,763.86	937,625.20
(0.00)	132,243.41			744,682.32	873,861.85

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

EXHIBIT C-1

**COMBINING BALANCE SHEET
PERMANENT FUNDS**

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	PERMANENT FUNDS FUND (0044) U/F (0007)	PERMANENT FUNDS FUND (0044) U/F (0010)	PERMANENT FUNDS FUND (0044) U/F (0013)
ASSETS	\$	\$	\$
Current Assets:			
Cash (Note 3):			
Cash in Bank			998,682.08
Cash in State Treasury	54,985,084.67	30,030,498.18	3,314,035,804.43
Receivables:			
Interest and Dividends			3,778,495.65
Accounts Interfund	6,450,633.26	174,593.07	119,744,574.06
Due From:			
Other Funds	29,192.57	100.00	5,491.00
Consumable Inventories			99,946.00
Prepaid Items	487.95		
Land Sale Notes Receivable			13,494.63
Total Current Assets	61,465,398.45	30,205,191.25	3,438,676,487.85
Noncurrent Assets:			
Land Sale Notes Receivable			105,098.27
Investments in Real Assets at Fair Value (Note 3)			5,311,740,605.49
Total Noncurrent Assets	0.00	0.00	5,311,845,703.76
TOTAL ASSETS	61,465,398.45	30,205,191.25	8,750,522,191.61
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows of Resources			
TOTAL DEFERRED OUTFLOW OR RESOURCES	0.00	0.00	0.00
LIABILITIES			
Current Liabilities:			
Payables:			
Vouchers and Accounts	715,080.48	91,240.66	7,545,390.54
Payroll	1,517,738.84		47,723.11
Due To:			
Other Funds			39,384.96
Other Agencies			25,923.63
Unearned Revenues	7,082,902.94	6,986,185.88	77,170,753.19
Total Current Liabilities	9,315,722.26	7,077,426.54	84,829,175.43
Non-Current Liabilities:			
Total Non-Current Liabilities	0.00	0.00	0.00
TOTAL LIABILITIES	9,315,722.26	7,077,426.54	84,829,175.43
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows of Resources			
TOTAL DEFERRED INFLOW OR RESOURCES	0.00	0.00	0.00
FUND FINANCIAL STATEMENT - FUND BALANCES			
Fund Balances (Note 1):			
Non-Spendable for Permanent Fund Corpus			7,153,059,268.57
Non-Spendable for Inventory			99,946.00
Non-Spendable for Prepaid	487.95		
Restricted	52,149,188.24	23,127,764.71	1,512,533,801.61
TOTAL FUND BALANCES (Exhibit C-2)	52,149,676.19	23,127,764.71	8,665,693,016.18

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

TOTALS	
(EXH. I)	
2017	2016
\$	
998,682.08	816,500.43
3,399,051,387.28	2,315,325,590.02
3,778,495.65	1,668,887.19
126,369,800.39	90,442,483.24
0.00	4,592.36
34,783.57	9,769.40
99,946.00	0.00
487.95	2,279,499.98
13,494.63	2,198,165.52
3,530,347,077.55	2,412,745,488.14
105,098.27	720,834.33
5,311,740,605.49	4,808,483,123.08
5,311,845,703.76	4,809,203,957.41
8,842,192,781.31	7,221,949,445.55
0.00	0.00
0.00	0.00
8,351,711.68	9,977,379.08
1,565,461.95	1,304,297.22
39,384.96	12,342.57
25,923.63	14,946.17
91,239,842.01	67,537,562.50
101,222,324.23	78,846,527.54
0.00	0.00
101,222,324.23	78,846,527.54
0.00	8,367,027.76
0.00	8,367,027.76
7,153,059,268.57	4,213,351,234.74
99,946.00	0.00
487.95	2,279,499.98
1,587,810,754.56	2,927,472,183.29
8,740,970,457.08	7,143,102,918.01

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

EXHIBIT C-2

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

PERMANENT FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	PERMANENT FUNDS FUND (0044) U/F (0007)	PERMANENT FUNDS FUND (0044) U/F (0010)	PERMANENT FUNDS FUND (0044) U/F (0013)
REVENUES	\$	\$	\$
Licenses, Fees, and Permits	781,517.19		2,511,900.62
Interest and Other Investment Income	2,324,103.85		123,620,141.38
Gain (Loss) on Sale of Sovereign Land			1,465,973.07
Net Increase (Decrease) in Fair Value of Investments			749,412,778.15
Land Income	6,015,454.99	7,978,265.57	925,059,432.34
Sales of Goods and Services			103,883,031.83
Other Revenues	19,868,788.04	(2,750,005.77)	(16,913,679.55)
TOTAL REVENUES	28,989,864.07	5,228,259.80	1,889,039,577.84
EXPENDITURES/EXPENSES			
Salaries and Wages	12,485,575.70		1,129,472.59
Payroll Related Costs	3,096,893.89		136,707.37
Professional Fees and Services	1,054,107.09	302,903.59	2,067,608.34
Travel	117,498.40	2,370.66	24,829.48
Materials and Supplies	858,866.24	428.81	98,796,499.90
Communication and Utilities	372,786.63		6,221.30
Repairs and Maintenance	996,636.01	2,317.87	4,687.33
Rentals and Leases	202,619.68		
Printing and Reproduction	6,448.12		
Public Assistance Payments		984,820.67	
Other Expenditures	836,680.83	(769,736.71)	1,717,466.35
Capital Outlay	368,493.00		
TOTAL EXPENDITURES/EXPENSES	20,396,605.59	523,104.89	103,883,492.66
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	8,593,258.48	4,705,154.91	1,785,156,085.18
OTHER FINANCING SOURCES (USES)			
Transfers In			
Transfers Out			(200,000,000.00)
Sale of Capital Assets	3,795.00		
TOTAL OTHER FINANCING SOURCES (USES)	3,795.00	0.00	(200,000,000.00)
NET CHANGE IN FUND BALANCE/NET POSITION	8,597,053.48	4,705,154.91	1,585,156,085.18
FUND FINANCIAL STATEMENT - FUND BALANCE			
FUND BALANCE - August 31, 2016	43,552,622.71	18,422,609.80	7,081,127,685.50
Restatements (Note 14)			(590,754.50)
FUND BALANCE - August 31, 2016, As Restated	43,552,622.71	18,422,609.80	7,080,536,931.00
FUND BALANCE - August 31, 2017 (Exhibit C-1)	52,149,676.19	23,127,764.71	8,665,693,016.18

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

TOTALS	
(EXH. II)	
2017	2016
\$	
3,293,417.81	3,848,968.41
125,944,245.23	91,472,872.27
1,465,973.07	2,267,402.54
749,412,778.15	(84,881,558.95)
939,053,152.90	522,432,937.23
103,883,031.83	76,978,246.83
205,102.72	215,710.20
1,923,257,701.71	612,334,578.53
13,615,048.29	13,313,663.25
3,233,601.26	3,248,976.99
3,424,619.02	4,041,552.52
144,698.54	107,648.68
99,655,794.95	75,094,963.31
379,007.93	306,776.22
1,003,641.21	424,737.61
202,619.68	207,086.63
6,448.12	20,425.97
984,820.67	0.00
1,784,410.47	(4,800,451.40)
368,493.00	612,844.97
124,803,203.14	92,578,224.75
1,798,454,498.57	519,756,353.78
0.00	9,331.17
(200,000,000.00)	(175,009,331.17)
3,795.00	4,387.50
(199,996,205.00)	(174,995,612.50)
1,598,458,293.57	344,760,741.28
7,143,102,918.01	4,887,775,623.43
(590,754.50)	1,910,566,553.30
7,142,512,163.51	6,798,342,176.73
8,740,970,457.08	7,143,102,918.01

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

EXHIBIT D-1a

COMBINING STATEMENT OF NET POSITION

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	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)
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash and Cash Equivalents (Note 3)				
Cash in State Treasury	7,185,406.54			4,950,960.22
Cash Equivalents	42,418,628.41			1,169,069.59
Securities Lending Collateral (Note 3)	26,105,625.00			10,466,250.00
Investments - Securities at Market Value (Note 3)	69,892,300.00			1,995,020.00
Loans Receivables:				
Housing Mortgages	1,326,828.82			4,247,397.65
Home Improvement Loans	1,024.27			249,206.13
Investment Interest	124,229.08	7.69		87,186.16
Housing Mortgages Interest	106,133.59			739,222.78
Home Improvement Loans Interest	354.46			38,268.19
Accounts Receivable (Net of Allowance for Uncollectibles)				4,319.44
Due from Other Funds	245,511.06			
Prepaid Items	276,249.79			
Total Current Assets	147,682,291.02	7.69	0.00	23,946,900.16
Noncurrent Assets:				
Investments - Securities at Market Value (Note 3)	1,004,000.00			48,195,980.39
Derivative Instruments (Note 3)				
Hedging Derivative Instrument				
Loans Receivables:				
Housing Mortgages	43,115,948.42			132,544,626.85
Home Improvement Loans	19,452.10			4,732,730.07
Property Acquired Through Foreclosure - Housing Mortgages (Note 33)				60,638.00
Total Noncurrent Assets	44,139,400.52	0.00	0.00	185,533,975.31
TOTAL ASSETS	191,821,691.54	7.69	0.00	209,480,875.47
DEFERRED OUTFLOW OF RESOURCES				
Hedging Derivative Instruments			0.00	12,154,921.39
TOTAL DEFERRED OUTFLOW OF RESOURCES	0.00	0.00	0.00	12,154,921.39
LIABILITIES				
Current Liabilities:				
Accounts Payable	34,591.17			265,264.36
Debt Service Interest Payable				5,555.54
Due to Other Funds	7.42			267,543.27
Bonds Payable (Net of Unamortized Discounts and Premiums)				
General Obligation				12,975,000.00
Obligations Under Securities Lending (Note 3)	26,105,625.00			10,466,250.00
Total Current Liabilities	26,140,223.59	0.00	0.00	23,979,613.17
Noncurrent Liabilities:				
Bonds Payable (Net of Unamortized Discounts and Premiums)				
General Obligation				113,065,000.00
Hedging Derivative Instruments				12,154,921.39
Total Noncurrent Liabilities	0.00	0.00	0.00	125,219,921.39
TOTAL LIABILITIES	26,140,223.59	0.00	0.00	149,199,534.56
DEFERRED INFLOW OF RESOURCES				
Hedging Derivative Instruments				
TOTAL DEFERRED INFLOW OF RESOURCES	0.00	0.00	0.00	0.00
NET POSITION				
Restricted for the Veterans' Land Board	165,681,467.95	7.69		72,436,262.30
TOTAL NET POSITION (Exhibit D-2a)	165,681,467.95	7.69	0.00	72,436,262.30

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 ¹)	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)	
\$	\$	\$	\$	\$	2017	2016
	63,357,121.66	8,839,778.35			84,333,266.77	63,605,642.42
	64,865,343.10	415,806.49	699,390.95	413,197.79	109,981,436.33	170,051,529.88
	15,397,407.29	4,672,500.00		1,021,433.26	57,663,215.55	17,221,270.00
	202,715,122.20	9,975,100.00	1,499,925.00	499,975.00	286,577,442.20	2,001,340.00
	47,599,572.36	13,261,158.17			66,434,957.00	68,110,185.88
	925,414.74	603,362.83			1,779,007.97	1,532,619.46
	386,367.15	92,854.45	17,815.81	43,737.80	752,198.14	463,919.45
	3,594,183.69	2,344,724.11			6,784,264.17	8,102,034.33
	517,625.72	39,548.07			595,796.44	145,687.69
	5,045.00				9,364.44	5,862.96
	63,567.19	46,671.53			355,749.78	41,781.58
	3,196,894.09	1,254,085.96			4,727,229.84	2,380,245.85
0.00	402,623,664.19	41,545,589.96	2,217,131.76	1,978,343.85	619,993,928.63	333,662,119.50
	60,522,990.00	81,444,510.74	12,554,523.20	16,505,071.85	220,227,076.18	229,806,764.04
	638,363.41	0.00			638,363.41	622,191.80
	4,226,114.00				4,226,114.00	0.00
	1,546,771,274.05	430,927,789.89			2,153,359,639.21	2,308,526,459.74
	17,574,761.26	11,458,600.36			33,785,543.79	27,768,382.31
					60,638.00	255,823.00
0.00	1,629,733,502.72	523,830,900.99	12,554,523.20	16,505,071.85	2,412,297,374.59	2,566,979,620.89
0.00	2,032,357,166.91	565,376,490.95	14,771,654.96	18,483,415.70	3,032,291,303.22	2,900,641,740.39
	120,336,113.23	57,831,037.61			190,322,072.23	303,947,626.59
0.00	120,336,113.23	57,831,037.61	0.00	0.00	190,322,072.23	303,947,626.59
	643,890.79	564,101.87			1,507,848.19	1,378,228.14
	1,118,705.86	107,435.01			1,231,696.41	1,571,635.06
	88,199.09				355,749.78	41,781.58
	108,809,810.16	25,855,000.00			147,639,810.16	137,274,810.16
	15,397,407.29	4,672,500.00		1,021,433.26	57,663,215.55	17,221,270.00
0.00	126,058,013.19	31,199,036.88	0.00	1,021,433.26	208,398,320.09	157,487,724.94
	1,977,561,448.51	434,685,000.00			2,525,311,448.51	2,423,261,258.67
	120,336,113.23	57,831,037.61			190,322,072.23	303,947,626.59
0.00	2,097,897,561.74	492,516,037.61	0.00	0.00	2,715,633,520.74	2,727,208,885.26
0.00	2,223,955,574.93	523,715,074.49	0.00	1,021,433.26	2,924,031,840.83	2,884,696,610.20
	4,226,114.00				4,226,114.00	0.00
0.00	4,226,114.00	0.00	0.00	0.00	4,226,114.00	0.00
	(75,488,408.79)	99,492,454.07	14,771,654.96	17,461,982.44	294,355,420.62	319,892,756.78
0.00	(75,488,408.79)	99,492,454.07	14,771,654.96	17,461,982.44	294,355,420.62	319,892,756.78

Note¹ U/F (0808 - 0826, 0831 - 0843)

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

EXHIBIT D-1b

COMBINING STATEMENT OF NET POSITION

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	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)
	\$	\$
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3):		
Cash on Hand	200.00	
Cash in State Treasury	4,300,310.02	156,170.82
Cash Equivalents	45,498,196.90	99,461.86
Securities Lending Collateral (Note 3)	47,616,730.53	98,028.25
Investments - Securities at Market Value (Note 3)	1,994,740.00	
Loans Receivables:		
Land Contracts	1,116,958.77	40,241.19
Land Mortgages	3,602,373.24	
Interest and Dividends Receivables:		
Investment Interest		
Land Contracts	643,902.45	14,191.96
Land Mortgages	1,270,151.62	
Accounts Receivable (Net of Allowance for Uncollectibles)	21,457.21	1,157.44
Due from Other Funds	3,494.17	
Total Current Assets	106,068,514.91	409,251.52
Noncurrent Assets:		
Investments - Securities at Market Value (Note 3)	184,844,393.12	7,461,648.40
Derivative Instruments (Note 3)	(302,457.06)	
Loans Receivables:		
Land Contracts	64,733,027.82	2,233,454.41
Land Mortgages	252,371,169.62	
Property Acquired Through Foreclosure (Note 33)		
Land Contracts	814,552.00	2,928.00
Depreciable Capital Assets (Note 2):		
Furniture and Equipment	130,721.57	
Less Accumulated Depreciation	(108,730.81)	
Amortizable Intangible Assets (Note 2):		
Computer Software	162,578.15	
Less Accumulated Amortization	(162,578.15)	
Total Noncurrent Assets	502,482,676.26	9,698,030.81
TOTAL ASSETS	608,551,191.17	10,107,282.33
DEFERRED OUTFLOW OF RESOURCES		
Hedging Derivative Instruments	29,033,601.00	294,483.00
TOTAL DEFERRED OUTFLOW OF RESOURCES	29,033,601.00	294,483.00

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0852)	TOTALS (EXH. III)	
	2017	2016
\$	\$	\$
	200.00	200.00
210,990.60	4,667,471.44	1,988,412.56
2,202.22	45,599,860.98	17,910,146.22
	47,714,758.78	11,001,312.50
	1,994,740.00	3,002,010.00
33,942.99	1,191,142.95	7,398,041.94
	3,602,373.24	3,945,837.74
188.32	188.32	676,766.82
14,489.52	672,583.93	900,711.17
	1,270,151.62	1,202,744.94
1,374.72	23,989.37	166,853.64
	3,494.17	5,878,789.80
<u>263,188.37</u>	<u>106,740,954.80</u>	<u>54,071,827.33</u>
	192,306,041.52	209,182,026.81
	(302,457.06)	(291,979.94)
3,601,087.01	70,567,569.24	80,660,059.55
	252,371,169.62	253,091,227.64
10,430.00	827,910.00	1,299,680.00
	130,721.57	0.00
	(108,730.81)	0.00
	162,578.15	162,578.15
	(162,578.15)	(162,578.15)
<u>3,611,517.01</u>	<u>515,792,224.08</u>	<u>543,941,014.06</u>
<u>3,874,705.38</u>	<u>622,533,178.88</u>	<u>598,012,841.39</u>
3,040,803.00	32,368,887.00	44,581,857.00
<u>3,040,803.00</u>	<u>32,368,887.00</u>	<u>44,581,857.00</u>

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

EXHIBIT D-1b (concluded)

COMBINING STATEMENT OF NET POSITION

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	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)
LIABILITIES		
Current Liabilities:		
Accounts Payable	244,418.31	5,457.48
Debt Service Interest Payable	162,890.62	
Due to Other Funds	43,173.15	
Unearned Revenues	132,123.67	523.41
Bonds Payable (Net of Unamortized Discounts and Premiums):		
General Obligation	17,530,000.00	3,435,000.00
Obligations Under Securities Lending (Note 3)	47,616,730.53	98,028.25
Total Current Liabilities	65,729,336.28	3,539,009.14
Noncurrent Liabilities:		
Bonds Payable (Net of Unamortized Discounts and Premiums):		
General Obligation	171,875,000.00	3,700,000.00
Hedging Derivative Instrument	29,033,601.00	294,483.00
Total Noncurrent Liabilities	200,908,601.00	3,994,483.00
TOTAL LIABILITIES	266,637,937.28	7,533,492.14
DEFERRED INFLOW OF RESOURCES		
Deferred Inflow of Resources		
TOTAL DEFERRED INFLOW OF RESOURCES	0.00	0.00
NET POSITION		
Invested in Capital Assets, Net of Related Debt	43,981.52	
Restricted for the Veterans' Land Board	370,902,873.37	2,868,273.19
TOTAL NET POSITION (Exhibit D-2b)	370,946,854.89	2,868,273.19

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

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0852)	TOTALS (EXH. III)	
	2017	2016
	249,875.79	525,502.62
	162,890.62	210,064.65
	43,173.15	66,317.80
917.72	133,564.80	137,462.49
605,000.00	21,570,000.00	20,175,000.00
	47,714,758.78	11,001,312.50
605,917.72	69,874,263.14	32,115,660.06
13,215,000.00	188,790,000.00	210,360,000.00
3,040,803.00	32,368,887.00	44,581,857.00
16,255,803.00	221,158,887.00	254,941,857.00
16,861,720.72	291,033,150.14	287,057,517.06
	0.00	0.00
0.00	0.00	0.00
	43,981.52	0.00
(9,946,212.34)	363,824,934.22	355,537,181.33
(9,946,212.34)	363,868,915.74	355,537,181.33

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

EXHIBIT D-1c

COMBINING STATEMENT OF NET POSITION
DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

August 31, 2017

(With comparative memorandum totals for August 31, 2016)

	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)	SURPLUS FUND (0374) U/F (0698)
	\$	\$	\$	\$	\$	\$
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3):						
Cash in State Treasury	3,929,137.24	3,230,737.97	835,608.86	32,191.91	1,555.75	1,065,526.25
Cash Equivalents						4,885,257.44
Investments - Securities at Market Value (Note 3)						15,924,742.50
Receivables:						
Federal Receivables	1,402,701.41	917,558.81	1,016,152.54	930,629.87		
Interest Receivables	3,969.40	3,262.60	1,581.72	269.12	1,492.16	(11,797.32)
Accounts Receivable	124,855.44	201,185.45	396,336.85	368,508.29		
Allowance for Doubtful Accounts	(9,544.60)	(86,058.28)	(267,270.87)	(117,173.79)		
Due from Other Funds					0.25	
Prepaid Items			363.95			
Total Current Assets	5,451,118.89	4,266,686.55	1,982,773.05	1,214,425.40	3,048.16	21,863,728.87
Non-Current Assets:						
Capital Assets (Note 2):						
Depreciable Capital Assets:						
Furniture and Equipment	50,945.10	83,503.05	112,795.53	46,332.96		
Less Accumulated Depreciation	(34,861.20)	(68,468.59)	(77,099.93)	(36,821.86)		
Buildings	15,043,077.19	15,221,167.95	16,288,859.62	15,045,505.34		
Less Accumulated Depreciation	(8,021,111.48)	(7,872,423.64)	(7,661,001.89)	(7,446,635.74)		
Facilities and Other Improvements						
Less Accumulated Depreciation						
Non-Depreciable Capital Assets:						
Construction in Progress	585,057.02					
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	8,103,106.63	7,429,778.77	8,818,553.33	7,648,380.70	0.00	0.00
TOTAL ASSETS	13,554,225.52	11,696,465.32	10,801,326.38	8,862,806.10	3,048.16	21,863,728.87
LIABILITIES						
Current Liabilities:						
Payables:						
Vouchers and Accounts Payable (Note 1)	1,088,865.63	1,159,031.32	1,196,943.25	958,272.48		
Due to Other Funds					1,556.00	
Total Current Liabilities	1,088,865.63	1,159,031.32	1,196,943.25	958,272.48	1,556.00	0.00
Non-Current Liabilities:						
Employees' Compensable Leave (Note 5)						
Total Non-Current Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	1,088,865.63	1,159,031.32	1,196,943.25	958,272.48	1,556.00	0.00
NET POSITION						
Invested in Capital Assets, Net of Related Debt	8,103,106.63	7,429,778.77	8,818,553.33	7,648,380.70		
Restricted for the Texas State Veterans' Home Program	4,362,253.26	3,107,655.23	785,829.80	256,152.92	1,492.16	21,863,728.87
TOTAL NET POSITION	12,465,359.89	10,537,434.00	9,604,383.13	7,904,533.62	1,492.16	21,863,728.87

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

UNAUDITED

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)	HOUSTON FUND (0374) U/F (0657)	TOTALS (EXH III)	
\$	\$	\$	\$	\$	\$	2017	2016
4,411,066.34		1,865,363.30	2,689,575.10	(424,854.98)	99,048.03	17,734,955.77 4,885,257.44 15,924,742.50	18,300,094.00 19,376,301.29 0.00
598,616.60		2,259,078.98	2,428,247.92	1,485,340.95	1,396,788.79	12,435,115.87	10,812,072.09
6,348.98		2,352.67	3,197.21	156.00	112.74	10,945.28	12,457.96
831,526.07		455,303.91	274,692.61	261,496.45		2,913,905.07	4,753,339.67
(288,258.23)		(124,710.72)	(63,084.95)	(106,041.13)		(1,062,142.57)	(1,562,572.36)
1,556.00						1,556.25	12,278,833.16
155.98		50.00	544.96		264.96	1,379.85	0.00
5,561,011.74	0.00	4,457,438.14	5,333,172.85	1,216,097.29	1,496,214.52	52,845,715.46	63,970,525.81
262,343.13		69,699.79	69,070.26	49,788.15		744,477.97	713,772.38
(207,502.05)		(46,579.56)	(36,960.00)	(26,200.55)		(534,493.74)	(470,251.34)
16,368,166.11		12,964,104.49	12,175,434.11	13,081,185.91		116,187,500.72	116,283,716.90
(4,891,318.60)		(7,139,322.72)	(6,261,637.73)	(6,223,785.81)		(55,517,237.61)	(51,037,507.64)
				22,963.00		22,963.00	22,963.00
				(6,696.90)		(6,696.90)	(5,548.86)
228,479.47		2,493,372.31	2,327,699.38	1,451,570.81	3,411,002.39	10,497,181.38	3,022,514.55
		1,300,000.00	650,000.00	808,500.00	540,000.00	4,039,500.00	4,039,500.00
		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)
11,760,168.06	0.00	9,641,274.31	8,923,606.02	9,157,324.61	3,951,002.39	75,433,194.82	72,569,158.99
17,321,179.80	0.00	14,098,712.45	14,256,778.87	10,373,421.90	5,447,216.91	128,278,910.28	136,539,684.80
2,173,034.56		1,341,753.79	1,396,378.01	828,782.98	1,395,093.53	11,538,155.55	13,059,429.52
						1,556.00	17,727,226.69
2,173,034.56	0.00	1,341,753.79	1,396,378.01	828,782.98	1,395,093.53	11,539,711.55	30,786,656.21
						0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2,173,034.56	0.00	1,341,753.79	1,396,378.01	828,782.98	1,395,093.53	11,539,711.55	30,786,656.21
11,760,168.06		9,641,274.31	8,923,606.02	9,157,324.61	3,951,002.39	75,433,194.82	72,569,158.99
3,387,977.18		3,115,684.35	3,936,794.84	387,314.31	101,120.99	41,306,003.91	33,183,869.60
15,148,145.24	0.00	12,756,958.66	12,860,400.86	9,544,638.92	4,052,123.38	116,739,198.73	105,753,028.59

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

EXHIBIT D-2a

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

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	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)
OPERATING REVENUES	\$	\$	\$	\$
Interest on Housing Mortgages	1,651,415.22		167,468.30	5,254,586.75
Interest on Home Improvement Loans	1,376.98		1,423.70	143,425.93
Interest on Land Contracts				
Miscellaneous Income	2,000.00			
TOTAL OPERATING REVENUES	1,654,792.20	0.00	168,892.00	5,398,012.68
OPERATING EXPENSES				
Professional Fees and Services	26,766.13		4,615.66	95,239.39
Printing and Reproduction				
Debt Service Interest			246,882.00	5,800,006.67
Other Operating Expenses	78,885.15		17,642.44	2,064.84
TOTAL OPERATING EXPENSES	105,651.28	0.00	269,140.10	5,897,310.90
OPERATING INCOME (LOSS) (Exhibit D-3a)	1,549,140.92	0.00	(100,248.10)	(499,298.22)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	309,153.62	48.94	5,997.56	368,439.67
Net Increase (Decrease) in Fair Value of Investments	666,497.30		(19.79)	(1,016,505.56)
Gain (Loss) on Housing Mortgage and Home Improvement Loans	2,492.33		70.00	(62,435.85)
Borrower Rebate/Agent Fees - Securities Lending	(6,940.22)			(32,835.98)
TOTAL NONOPERATING REVENUES (EXPENSES)	971,203.03	48.94	6,047.77	(743,337.72)
INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS	2,520,343.95	48.94	(94,200.33)	(1,242,635.94)
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS				
Transfers In	11,862,847.02		10,076,964.93	17,500,716.17
Transfers Out	(14,468,550.00)	(13,991.62)	(11,665,686.80)	(9,305,356.00)
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	(2,605,702.98)	(13,991.62)	(1,588,721.87)	8,195,360.17
CHANGE IN NET POSITION	(85,359.03)	(13,942.68)	(1,682,922.20)	6,952,724.23
NET POSITION - August 31, 2016	165,766,826.98	13,950.37	1,682,922.20	65,483,538.07
Restatements (Note 14)				
NET POSITION - August 31, 2016, as Restated	165,766,826.98	13,950.37	1,682,922.20	65,483,538.07
NET POSITION - August 31, 2017 (Exhibit D-1a)	165,681,467.95	7.69	0.00	72,436,262.30

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

UNAUDITED

VET BDS TAX-EXEMPT FUND (0383) U/F (Note ¹)	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)	
\$	\$	\$	\$	2017	2016
49,743,159.58	16,875,257.89			73,691,887.74	76,247,182.43
167,065.07	234,328.80			547,620.48	943,069.57
0.00				0.00	62.51
				2,000.00	0.00
49,910,224.65	17,109,586.69	0.00	0.00	74,241,508.22	77,190,314.51
793,246.33	352,804.22			1,272,671.73	1,804,996.59
1,093.84				1,093.84	1,123.58
50,556,199.27	19,200,623.94			75,803,711.88	71,661,073.38
3,145,851.60	12,907.26		6.37	3,257,357.66	5,187,876.01
54,496,391.04	19,566,335.42	0.00	6.37	80,334,835.11	78,655,069.56
(4,586,166.39)	(2,456,748.73)	0.00	(6.37)	(6,093,326.89)	(1,464,755.05)
1,868,056.84	544,769.20	212,460.18	402,515.56	3,711,441.57	4,090,103.01
826,975.49	(1,654,935.47)	144,183.74	(326,817.44)	(1,360,621.73)	15,079,916.99
(18,350.42)	(121,153.54)			(199,377.48)	7,558,939.11
(45,358.30)	41,141.92	(2,047.46)	(213.83)	(46,253.87)	(57,174.74)
2,631,323.61	(1,190,177.89)	354,596.46	75,484.29	2,105,188.49	26,671,784.37
(1,954,842.78)	(3,646,926.62)	354,596.46	75,477.92	(3,988,138.40)	25,207,029.32
10,951,972.60	5,650,000.00			56,042,500.72	2,318,676.64
(18,677,972.60)	(20,303,980.00)	(3,156,161.46)		(77,591,698.48)	(117,099,744.09)
(7,726,000.00)	(14,653,980.00)	(3,156,161.46)	0.00	(21,549,197.76)	(114,781,067.45)
(9,680,842.78)	(18,300,906.62)	(2,801,565.00)	75,477.92	(25,537,336.16)	(89,574,038.13)
(65,807,566.01)	117,793,360.69	17,573,219.96	17,386,504.52	319,892,756.78	409,446,319.37
				0.00	20,475.54
(65,807,566.01)	117,793,360.69	17,573,219.96	17,386,504.52	319,892,756.78	409,466,794.91
(75,488,408.79)	99,492,454.07	14,771,654.96	17,461,982.44	294,355,420.62	319,892,756.78

Note ¹ U/F (0808 - 0826, 0831 - 0843)

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

EXHIBIT D-2b

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

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	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 TAX-EXEMPT FUND (0385) U/F (0852)
OPERATING REVENUES	\$	\$	\$
Interest on Land Loans	26,109,997.93	139,288.40	240,200.64
Miscellaneous Income	519,243.96		
TOTAL OPERATING REVENUES	26,629,241.89	139,288.40	240,200.64
OPERATING EXPENSES			
Salaries and Wages			
Professional Fees and Services	1,260,681.99		309,284.11
Travel	3,207.12		
Materials and Supplies	86,749.07		
Communications and Utilities	927.08		
Repairs and Maintenance	1,646.06		
Depreciation and Amortization	2,777.76		
Debt Service Interest	10,628,430.45	441,160.15	642,608.03
Net Change in Pollution Remediation Obligation			
Other Operating Expenses	393,071.60	43,677.66	1,925.00
TOTAL OPERATING EXPENSES	12,377,491.13	484,837.81	953,817.14
OPERATING INCOME (LOSS) (Exhibit D-3b)	14,251,750.76	(345,549.41)	(713,616.50)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	4,155,150.28	222,488.96	1,955.92
Net Increase (Decrease) in Fair Value of Investments	(3,641,941.65)	(227,495.65)	0.16
Gain (Loss) on Land Loans	265,500.62	(13,349.33)	(30,121.64)
Borrower Rebate/Agent Fees-Sec. Lending	(231,054.05)	(392.86)	
TOTAL NONOPERATING REVENUES (EXPENSES)	547,655.20	(18,748.88)	(28,165.56)
INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS	14,799,405.96	(364,298.29)	(741,782.06)
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS			
Transfers In	4,978,730.59	3,443,000.00	927,000.00
Transfers Out	(13,662,088.31)	(713,000.00)	(335,000.00)
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	(8,683,357.72)	2,730,000.00	592,000.00
CHANGE IN NET POSITION	6,116,048.24	2,365,701.71	(149,782.06)
NET POSITION - August 31, 2016	364,831,040.13	502,571.48	(9,796,430.28)
Restatements (Note 14)	(233.48)		
NET POSITION - August 31, 2016, as Restated	364,830,806.65	502,571.48	(9,796,430.28)
NET POSITION - August 31, 2017 (Exhibit D-1b)	370,946,854.89	2,868,273.19	(9,946,212.34)

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

TOTALS	
(EXH. IV)	
2017	2016
\$	\$
26,489,486.97	16,204,342.42
519,243.96	(7,696,826.54)
27,008,730.93	8,507,515.88
0.00	97,000.00
1,569,966.10	1,488,511.07
3,207.12	4,023.28
86,749.07	67,724.50
927.08	481.40
1,646.06	13,075.00
2,777.76	0.00
11,712,198.63	12,730,802.52
0.00	(1,530,000.00)
438,674.26	334,740.91
13,816,146.08	13,206,358.68
13,192,584.85	(4,698,842.80)
4,379,595.16	4,693,361.62
(3,869,437.14)	7,839,968.52
222,029.65	(1,376,871.54)
(231,446.91)	(4,266.64)
500,740.76	11,152,191.96
13,693,325.61	6,453,349.16
9,348,730.59	979,240.24
(14,710,088.31)	93,475,953.40
(5,361,357.72)	94,455,193.64
8,331,967.89	100,908,542.80
355,537,181.33	254,628,638.53
(233.48)	0.00
355,536,947.85	254,628,638.53
363,868,915.74	355,537,181.33

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

EXHIBIT D-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, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	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)	SURPLUS FUND (0374) U/F (0698)
OPERATING REVENUES	\$	\$	\$	\$	\$	\$
Charges for Services:						
Veterans Administration Per Diem	9,436,331.48	8,591,998.57	7,011,775.28	5,348,794.07		
Resident Payments (Net of Provisions for Bad Debt)	2,197,224.00	2,376,894.72	2,366,657.55	1,657,689.24		
Medicare Reimbursements (Net of Provisions for Bad Debt)	516,082.45	1,146,292.53	907,765.96	879,015.45		
Medicaid Revenues (Net of Provisions for Bad Debt)	374,869.25	406,431.97	382,547.71	337,737.26		
Other Assistance Payments (Net of Provisions for Bad Debt)	(3,984.13)	3,064.63	2,813.97	40,179.68		
Third Party Reimbursements	121.00	1,877.75				
Revenue Transfers Within Fund	(1,021,037.99)	(1,000,000.00)		866,661.48		2,458,338.52
Miscellaneous Income	23.80	484.77	4,507.60	6,157.36		
TOTAL OPERATING REVENUES	11,499,629.86	11,527,044.94	10,676,068.07	9,136,234.54	0.00	2,458,338.52
OPERATING EXPENSES						
Professional Fees and Services	9,430,049.62	10,308,547.72	10,074,577.71	8,296,438.64		
Travel	3,216.85	3,501.07	14,060.49	14,480.10		
Materials and Supplies	403,537.66	574,729.22	351,584.75	274,921.54		
Communications and Utilities	4,540.63	4,046.06	3,664.02	4,479.24		
Repairs and Maintenance	247,643.77	169,832.11	30,237.00	86,219.78		22,500.00
Rentals and Leases (Note 8)						
Printing and Reproduction						
Depreciation and Amortization	654,896.16	665,047.38	714,506.72	655,562.88		
Interest Expense	150.66	47.60	211.51	28.07		
Claims and Losses						
Other Operating Expenses	304.98	484.53	300.00	361.65		
TOTAL OPERATING EXPENSES	10,744,340.33	11,726,235.69	11,189,142.20	9,332,491.90	0.00	22,500.00
OPERATING INCOME (LOSS) (Exhibit D-3c)	755,289.53	(199,190.75)	(513,074.13)	(196,257.36)	0.00	2,435,838.52
NONOPERATING REVENUES/(EXPENSES)						
Federal Revenues	(25,869.62)	(89,201.44)	(57,352.50)	(39,533.42)		
Gifts/Pledges/Donations	8,880.00	11,000.00	2,062.00	7,985.00		
Investment Income	39,974.33	32,839.48	17,448.99	5,246.35	(19,393.83)	51,123.39
Net Increase (Decrease) in Fair Value of Investments						99,291.56
Capital Contributions						
TOTAL NONOPERATING REVENUES/(EXPENSES)	22,984.71	(45,361.96)	(37,841.51)	(26,302.07)	(19,393.83)	150,414.95
INCOME/(LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS	778,274.24	(244,552.71)	(550,915.64)	(222,559.43)	(19,393.83)	2,586,253.47
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS						
Transfers In	751,211.97	806,949.64	11,976.43	953,521.81		22,500.00
Transfers Out	(175,180.35)	(668,893.76)	(419,311.15)	(817,805.55)		(136,265.51)
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	576,031.62	138,055.88	(407,334.72)	135,716.26	0.00	(113,765.51)
CHANGE IN NET POSITION	1,354,305.86	(106,496.83)	(958,250.36)	(86,843.17)	(19,393.83)	2,472,487.96
NET POSITION, August 31, 2016	11,111,054.03	10,643,930.83	10,562,633.49	7,991,376.79	12,295,520.65	7,116,606.25
Restatements (Note 14)					(12,274,634.66)	12,274,634.66
NET POSITION - AUGUST 31, 2016, as RESTATED	11,111,054.03	10,643,930.83	10,562,633.49	7,991,376.79	20,885.99	19,391,240.91
NET POSITION - August 31, 2017 (Exhibit D-1c)	12,465,359.89	10,537,434.00	9,604,383.13	7,904,533.62	1,492.16	21,863,728.87

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

UNAUDITED

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)	HOUSTON FUND (0374) U/F (0657)	TOTALS (EXH IV)	
\$	\$	\$	\$	\$	\$	2017	2016
7,251,089.28		7,732,485.22	10,385,842.09	4,794,676.51		60,552,992.50	57,764,378.11
1,889,183.82		2,653,431.69	2,350,887.06	2,003,568.22		17,495,536.30	15,897,085.20
444,991.55		1,571,209.16	979,583.06	1,275,791.30		7,720,731.46	8,257,793.50
2,043,634.85		1,193,943.53	822,881.13	267,802.28		5,829,847.98	8,385,338.18
255,325.32		(57.99)	73,503.60	78,619.06		449,464.14	790,421.93
25.3		3,627.03		1,349.50	100,000.00	107,000.58	6,430.75
(1,000,000.00)			(1,000,000.00)	596,037.99		(100,000.00)	8,396,282.95
1,842.92		2,501.66	3,379.89			18,898.00	47,641.47
10,886,093.04	0.00	13,157,140.30	13,616,076.83	9,017,844.86	100,000.00	92,074,470.96	99,545,372.09
9,093,829.99		10,960,858.16	11,119,934.69	8,164,446.73	(1,860,961.03)	75,587,722.23	79,051,987.62
16,346.18		17,743.71	26,956.03	14,421.92	2,216.96	112,943.31	143,184.48
424,363.90		535,133.67	651,603.80	330,071.62		3,545,946.16	3,657,676.90
2,470.11		4,651.80	4,488.05	2,438.39		30,778.30	26,103.23
158,592.24		321,687.96	84,720.53	160,260.40		1,281,693.79	408,619.28
650.00				125.00		775.00	1,060.00
						0.00	2,565.64
852,709.44		575,747.97	507,397.93	658,689.61		5,284,558.09	4,432,664.97
197.50		74.79	132.62	138.29		981.04	670.38
				(499,507.84)		(499,507.84)	0.00
50.07		305.29	15,525.48	21.94	10,186.60	27,540.54	102,986.05
10,549,209.43	0.00	12,416,203.35	12,410,759.13	8,831,106.06	(1,848,557.47)	85,373,430.62	87,827,518.55
336,883.61	0.00	740,936.95	1,205,317.70	186,738.80	1,948,557.47	6,701,040.34	11,717,853.54
		1,314,720.46	1,420,522.93	114,274.45	1,396,788.79	4,034,349.65	1,984,569.52
5,552.68		7,136.67	2,125.00	5,975.00		50,716.35	52,041.00
49,054.16		23,979.44	39,239.08	2,611.84	670.83	242,794.06	229,557.12
						99,291.56	(662.77)
						0.00	540,000.00
54,606.84	0.00	1,345,836.57	1,461,887.01	122,861.29	1,397,459.62	4,427,151.62	2,805,504.87
391,490.45	0.00	2,086,773.52	2,667,204.71	309,600.09	3,346,017.09	11,128,191.96	14,523,358.41
		1,374,089.21	2,136,321.47	105,691.20	163,932.17	6,326,193.90	9,083,978.37
(273,750.00)		(1,029,000.83)	(2,377,987.23)	(567,722.09)	(1,415.05)	(6,467,331.52)	(13,550,781.34)
(273,750.00)	0.00	345,088.38	(241,665.76)	(462,030.89)	162,517.12	(141,137.62)	(4,466,802.97)
117,740.45	0.00	2,431,861.90	2,425,538.95	(152,430.80)	3,508,534.21	10,987,054.34	10,056,555.44
7,145,753.60	7,884,651.19	10,325,980.96	10,434,861.91	9,697,069.72	543,589.17	105,753,028.59	95,696,473.15
7,884,651.19	(7,884,651.19)	(884.20)				(884.20)	0.00
15,030,404.79	0.00	10,325,096.76	10,434,861.91	9,697,069.72	543,589.17	105,752,144.39	95,696,473.15
15,148,145.24	0.00	12,756,958.66	12,860,400.86	9,544,638.92	4,052,123.38	116,739,198.73	105,753,028.59

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

EXHIBIT D-3a

STATEMENT OF CASH FLOWS

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	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)
	\$	\$	\$	\$
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)				
OPERATING ACTIVITIES				
Receipts from Loan Payments	7,556,193.65		818,062.56	24,304,761.67
Other Operating Cash Receipts	2,000.00			
Fundings for Mortgage and Home Improvement Loans	(7,444,687.25)		(151.59)	(7,773,689.37)
Payments to Suppliers of Goods and Services	(105,925.04)		(24,189.76)	(97,025.70)
Payments for Other Expenses				
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,581.36	0.00	793,721.21	16,434,046.60
NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Debt Issuance				
Proceeds from Other Financing Activities	116,670.60		7,444.01	40,760.58
Payments for Debt Service - Principal			(8,945,000.00)	(12,215,000.00)
Payments for Debt Service - Interest			(246,882.00)	(5,819,828.07)
Transfers from Other Funds	12,262,847.02		6,753,368.93	6,469,930.60
Transfers to Other Funds	(14,868,550.00)	(13,991.62)	(634,901.23)	(5,981,760.00)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(2,489,032.38)	(13,991.62)	(3,065,970.29)	(17,505,896.89)
INVESTING ACTIVITIES				
Proceeds from Interest and Investment Income	512,722.21	48.70	1.38	326,882.83
Proceeds from Sale of Investments	69,999,165.84			7,210,000.00
Payments to Acquire Investments	(138,654,839.66)			(1,994,392.22)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(68,142,951.61)	48.70	1.38	5,542,490.61
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(70,624,402.63)	(13,942.92)	(2,272,247.70)	4,470,640.32
CASH AND CASH EQUIVALENTS - August 31, 2016	120,228,437.58	13,942.92	2,272,247.70	1,649,389.49
CASH AND CASH EQUIVALENTS - August 31, 2017	49,604,034.95	0.00	0.00	6,120,029.81

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

UNAUDITED

VET BDS TAX-EXEMPT FUND (0383) (U/F ¹)	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)	
				2017	2016
\$	\$	\$	\$	\$	\$
225,223,866.31	82,451,870.72			340,354,754.91	513,875,085.95
(77,708,772.95)	(24,478,907.36)			2,000.00	0.00
(3,424,273.84)	(367,637.76)		(6.37)	(117,406,208.52)	(726,739,772.87)
				(4,019,058.47)	(7,568,818.33)
9.78				9.78	0.00
144,090,829.30	57,605,325.60	0.00	(6.37)	218,931,497.70	(220,433,505.25)
250,000,000.00				250,000,000.00	250,000,000.00
804,302.69	183,709.02			1,152,886.90	0.00
(92,290,000.00)	(23,105,000.00)			(136,555,000.00)	(121,560,000.00)
(51,860,168.35)	(19,246,592.05)			(77,173,470.47)	(73,013,970.24)
10,951,972.60	5,650,000.00			42,088,119.15	105,357,676.64
(18,677,972.60)	(20,303,980.00)	(3,156,161.46)		(63,637,316.91)	(117,099,744.09)
98,928,134.34	(56,821,863.03)	(3,156,161.46)	0.00	15,875,218.67	43,683,962.31
1,111,209.02	404,160.14	1,173,313.44	391,102.00	3,919,439.72	4,309,193.28
198,100,000.00	5,000,000.00	3,478,895.01	4,340,000.00	288,128,060.85	168,510,755.46
(408,574,995.15)	(10,971,961.11)	(1,500,373.50)	(4,500,124.50)	(566,196,686.14)	(80,442,602.83)
(209,363,786.13)	(5,567,800.97)	3,151,834.95	230,977.50	(274,149,185.57)	92,377,345.91
33,655,177.51	(4,784,338.40)	(4,326.51)	230,971.13	(39,342,469.20)	(84,372,197.03)
94,567,287.25	14,039,923.24	703,717.46	182,226.66	233,657,172.30	318,029,369.33
128,222,464.76	9,255,584.84	699,390.95	413,197.79	194,314,703.10	233,657,172.30

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¹ U/F (0808 - 0826, 0831 - 0843)

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

EXHIBIT D-3a (concluded)

STATEMENT OF CASH FLOWS

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	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)
	\$	\$	\$	\$
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS) (Exhibit D-2a)	1,549,140.92	0.00	(100,248.10)	(499,298.22)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Classification Differences	2,492.33		(7,460,237.57)	13,444,760.39
(Increase) Decrease in Receivables	569,180.10		48,782.08	(410,258.36)
(Increase) Decrease in Loans and Contracts	(1,301,452.25)		8,257,439.49	3,270,386.59
(Increase) Decrease in Prepaid Items	(276,249.79)			
(Increase) Decrease in Other Assets	(217,774.75)		49,916.97	145,323.00
Increase (Decrease) in Payables	(317,762.62)		(1,931.66)	249,365.33
Increase (Decrease) in Other Liabilities	7.42			233,767.87
TOTAL ADJUSTMENTS	(1,541,559.56)	0.00	893,969.31	16,933,344.82
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,581.36	0.00	793,721.21	16,434,046.60
NONCASH TRANSACTIONS				
Change in Fair Value of Investments	666,497.30		(19.79)	(1,016,505.56)
TOTAL NONCASH TRANSACTIONS	666,497.30	0.00	(19.79)	(1,016,505.56)

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

UNAUDITED

VET BDS TAX-EXEMPT FUND (0383) (U/F ¹)	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)	
\$	\$	\$	\$	2017	2016
(4,586,166.39)	(2,456,748.73)	0.00	(6.37)	(6,093,326.89)	(1,464,755.05)
50,537,858.63	19,079,470.40			75,604,344.18	79,217,973.21
657,389.58	(933.47)			864,159.93	215,198.57
98,544,723.74	41,807,401.85			150,578,499.42	(295,256,264.63)
(804,536.70)	(842,065.74)			(1,922,852.23)	(2,380,245.85)
(477,135.69)	(43,244.49)			(542,914.96)	303,419.64
138,503.22	61,445.78			129,620.05	(1,099,675.50)
80,192.91				313,968.20	30,844.36
148,676,995.69	60,062,074.33	0.00	0.00	225,024,824.59	(218,968,750.20)
144,090,829.30	57,605,325.60	0.00	(6.37)	218,931,497.70	(220,433,505.25)
826,975.49	(1,654,935.47)	144,183.74	(326,817.44)	(1,360,621.73)	15,079,916.99
826,975.49	(1,654,935.47)	144,183.74	(326,817.44)	(1,360,621.73)	15,079,916.99

¹ U/F (0808 - 0826, 0831 - 0843)

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

EXHIBIT D-3b

STATEMENT OF CASH FLOWS

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	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)
	\$	\$
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)		
OPERATING ACTIVITIES		
Receipts from Loan Payments	131,946,116.58	757,507.86
Other Operating Cash Receipts	322,756.88	
Fundings for Land Loans	(88,830,065.37)	
Payments to Suppliers of Goods and Services	(1,921,638.49)	(38,252.47)
Payments to Employees for Services	0.00	
Payments for Other Expenses	(3,278.01)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	41,513,891.59	719,255.39
NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Other Financing Activities	68,133.76	1,131.49
Payments for Debt Service - Principal	(16,405,000.00)	(3,190,000.00)
Payments for Debt Service - Interest	(10,675,533.59)	(441,160.15)
Transfers from Other Funds	10,965,724.39	3,443,000.00
Transfers to Other Funds	(13,685,232.96)	(713,000.00)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(29,731,908.40)	(900,028.66)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for Additional Capital Assets	(25,000.00)	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(25,000.00)	0.00
INVESTING ACTIVITIES		
Proceeds from Interest and Investment Income	4,552,469.52	246,159.61
Proceeds from Sale of Investments	28,955,179.43	
Payments to Acquire Investments	(14,975,942.50)	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	18,531,706.45	246,159.61
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,288,689.64	65,386.34
CASH AND CASH EQUIVALENTS - August 31, 2016	19,510,017.28	190,246.34
CASH AND CASH EQUIVALENTS - August 31, 2017	49,798,706.92	255,632.68

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0852)	TOTALS (EXH. V)	
	2017	2016
\$	\$	\$
1,021,218.94	133,724,843.38	82,139,034.36
	322,756.88	498,483.62
	(88,830,065.37)	(81,369,872.21)
(377,801.95)	(2,337,692.91)	(1,914,254.60)
	0.00	(97,000.00)
	(3,278.01)	(4,023.28)
643,416.99	42,876,563.97	(747,632.11)
1,863.20	71,128.45	0.00
(580,000.00)	(20,175,000.00)	(18,235,000.00)
(642,608.03)	(11,759,301.77)	(12,723,016.38)
927,000.00	15,335,724.39	20,928,668.69
(335,000.00)	(14,733,232.96)	(29,808,728.80)
(628,744.83)	(31,260,681.89)	(39,838,076.49)
	(25,000.00)	0.00
0.00	(25,000.00)	0.00
25.50	4,798,654.63	4,749,944.49
	28,955,179.43	29,840,139.96
	(14,975,942.50)	(8,558,172.10)
25.50	18,777,891.56	26,031,912.35
14,697.66	30,368,773.64	(14,553,796.25)
198,495.16	19,898,758.78	34,452,555.03
213,192.82	50,267,532.42	19,898,758.78
		-to next page

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

EXHIBIT D-3b (concluded)

STATEMENT OF CASH FLOWS

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

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)
\$	\$

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

OPERATING INCOME (LOSS) (Exhibit D-2b)	14,251,750.76	(345,549.41)
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**ADJUSTMENTS TO RECONCILE OPERATING INCOME
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Depreciation and Amortization	2,777.76	
Classification Differences	10,893,860.18	427,810.82
(Increase) Decrease in Receivables	293,531.55	4,653.71
(Increase) Decrease in Loans and Contracts	15,966,921.34	613,208.89
(Increase) Decrease in Other Assets	435,029.00	13,350.00
Increase (Decrease) in Payables	(236,486.07)	5,457.48
Increase (Decrease) in Other Liabilities	(93,492.93)	323.90

TOTAL ADJUSTMENTS	27,262,140.83	1,064,804.80
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	41,513,891.59	719,255.39
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NONCASH TRANSACTIONS

Change in Pollution Remediation Obligation		
Capital Appreciation Bond Interest Accretion		
Change in Fair Value of Investments	(3,641,941.65)	(227,495.65)

TOTAL NONCASH TRANSACTIONS	(3,641,941.65)	(227,495.65)
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The accompanying notes to the financial statements are an integral part of this exhibit.

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0852) \$	TOTALS (EXH. V)	
	2017	2016
	\$	\$
(713,616.50)	13,192,584.85	(4,698,842.80)
	2,777.76	0.00
612,486.39	11,934,157.39	9,823,799.06
4,696.53	302,881.79	215,947.59
782,781.59	17,362,911.82	(14,361,134.69)
23,341.00	471,720.00	8,881,596.95
(66,592.84)	(297,621.43)	(359,600.20)
320.82	(92,848.21)	(249,398.02)
1,357,033.49	29,683,979.12	3,951,210.69
643,416.99	42,876,563.97	(747,632.11)
	0.00	(1,530,000.00)
	0.00	(27,260.54)
0.16	(3,869,437.14)	7,839,968.52
0.16	(3,869,437.14)	6,282,707.98

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

EXHIBIT D-3c

STATEMENT OF CASH FLOWS

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	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)	SURPLUS FUND (0374) U/F (0698)
	\$	\$	\$	\$	\$	\$
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)						
OPERATING ACTIVITIES						
Receipts from Residents	2,292,869.96	2,390,607.52	2,326,378.72	1,649,430.96	(2,713.60)	
Receipts from Veterans Administration	9,359,532.81	8,565,991.33	6,984,038.89	5,249,376.45		
Receipts from Medicare	500,199.95	1,122,815.96	853,086.53	783,867.88		
Receipts from Medicaid	388,887.91	392,837.96	420,880.13	391,448.45		
Receipts from Gifts/Pledges/Donations	8,880.00	11,000.00	2,062.00	7,985.00		
Other Operating Cash Receipts	(1,020,893.19)	(997,244.88)	7,040.19	915,314.22		2,458,338.52
Payments to Suppliers of Goods and Services	(10,071,139.73)	(10,975,219.28)	(11,292,482.34)	(8,762,126.30)		(22,500.00)
Payment for Other Expenses	(3,367.51)	(3,729.47)	(15,541.19)	(15,923.38)		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,454,970.20	507,059.14	(714,537.07)	219,373.28	(2,713.60)	2,435,838.52
NONCAPITAL FINANCING ACTIVITIES						
Proceeds from Other Noncapital Financing Activities	38,256.64	31,660.76	17,331.39	5,243.84	(20,619.38)	28,513.62
Transfers from Other Funds	751,211.97	806,949.64	11,976.43	953,521.81		22,500.00
Transfers to Other Funds	(1,730,431.00)	(1,756,833.51)	(1,415,230.33)	(1,648,740.38)	1,555.75	(136,265.51)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(940,962.39)	(918,223.11)	(1,385,922.51)	(689,974.73)	(19,063.63)	(85,251.89)
CAPITAL AND RELATED FINANCING ACTIVITIES						
Receipts from Veterans Administration	1,025,281.05	993,983.89	593,228.48	688,467.37		
Payments for Additions to Capital Assets	(586,745.84)	(88,774.84)	(2,188.36)	(147,613.45)		
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	438,535.21	905,209.05	591,040.12	540,853.92	0.00	0.00
INVESTING ACTIVITIES						
Receipts from Interest and Investment Income						50,004.21
Proceeds from Sale of Investments						12,000,000.00
Payments to Acquire Investments						(27,841,048.06)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	0.00	0.00	0.00	0.00	0.00	(15,791,043.85)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	952,543.02	494,045.08	(1,509,419.46)	70,252.47	(21,777.23)	(13,440,457.22)
CASH AND CASH EQUIVALENTS - August 31, 2016	2,976,594.22	2,736,692.89	2,345,028.32	(38,060.56)	23,332.98	19,391,240.91
CASH AND CASH EQUIVALENTS - August 31, 2017	3,929,137.24	3,230,737.97	835,608.86	32,191.91	1,555.75	5,950,783.69

UNAUDITED

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)	HOUSTON FUND (0374) U/F (0657)	TOTALS (EXH V)	
\$	\$	\$	\$	\$	\$	2017	2016
1,402,200.42		2,585,729.11	2,287,416.00	2,004,983.44		16,936,902.53	17,152,344.49
7,222,769.80		7,633,548.52	10,307,911.10	4,340,168.68		59,663,337.58	58,002,863.81
311,827.16		1,556,193.83	937,218.58	1,338,494.03		7,403,703.92	8,311,222.70
2,264,286.63		1,271,186.38	884,049.21	288,556.93		6,302,133.60	7,819,036.49
5,552.68		7,136.67	2,125.00	5,975.00		50,716.35	52,041.00
(693,083.64)		6,128.69	(920,629.84)	695,094.97	100,000.00	550,065.04	742,008.81
(9,521,927.44)		(11,834,732.22)	(12,036,265.58)	(8,772,385.29)	1,871,257.55	(81,417,520.63)	(80,673,856.57)
(18,745.76)		(21,152.70)	(26,995.66)	479,563.87	(3,920.13)	370,188.07	(141,868.85)
972,879.85	0.00	1,204,038.28	1,434,828.81	380,451.63	1,967,337.42	9,859,526.46	11,263,791.88
45,171.20		21,626.77	38,975.82	3,177.55	561.44	209,899.65	0.00
		1,374,089.21	2,136,321.47	105,691.20	163,932.17	6,326,193.90	10,738,754.65
(273,750.00)		(1,647,839.21)	(2,419,831.47)	(885,511.45)	(1,415.05)	(11,914,292.16)	(15,412,862.91)
(228,578.80)	0.00	(252,123.23)	(244,534.18)	(776,642.70)	163,078.56	(5,378,198.61)	(4,674,108.26)
(35,629.78)		(1,350,297.72)	(2,108,706.06)	(696,435.58)	(2,031,035.24)	3,300,960.79	1,982,970.56
						(7,047,426.87)	(7,590,565.76)
(35,629.78)	0.00	(1,350,297.72)	(2,108,706.06)	(696,435.58)	(2,031,035.24)	(3,746,466.08)	(5,607,595.20)
						50,004.21	248,517.49
						12,000,000.00	11,000,000.00
						(27,841,048.06)	0.00
0.00	0.00	0.00	0.00	0.00	0.00	(15,791,043.85)	11,248,517.49
708,671.27	0.00	(398,382.67)	(918,411.43)	(1,092,626.65)	99,380.74	(15,056,182.08)	12,230,605.91
3,702,395.07	0.00	2,263,745.97	3,607,986.53	667,771.67	(332.71)	37,676,395.29	25,445,789.38
4,411,066.34	0.00	1,865,363.30	2,689,575.10	(424,854.98)	99,048.03	22,620,213.21	37,676,395.29
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UNAUDITED
Texas General Land Office and Veterans' Land Board (305)

EXHIBIT D-3c (concluded)

STATEMENT OF CASH FLOWS

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	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)	SURPLUS FUND (0374) U/F (0698)
	\$	\$	\$	\$	\$	\$
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
OPERATING INCOME (LOSS) (Exhibit D-2c)	755,289.53	(199,190.75)	(513,074.13)	(196,257.36)	0.00	2,435,838.52
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Depreciation and Amortization	654,896.16	665,047.38	714,506.72	655,562.88		
Classification Differences	8,880.00	11,000.00	2,062.00	7,985.00		
(Increase) Decrease in Receivables	(9,269.71)	14,232.52	442,610.25	(46,430.63)		
(Increase) Decrease in Other Assets	2,714.60		1,482.90		0.75	
(Increase) Decrease in Prepaid Expenses			(363.95)			
Increase (Decrease) in Payables	42,459.62	15,969.99	(1,361,760.86)	(201,486.61)		
Increase (Decrease) in Other Liabilities					(2,714.35)	
TOTAL ADJUSTMENTS	699,680.67	706,249.89	(201,462.94)	415,630.64	(2,713.60)	0.00
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,454,970.20	507,059.14	(714,537.07)	219,373.28	(2,713.60)	2,435,838.52
NONCASH TRANSACTIONS						
Change in Fair Value of Investments						99,291.56
TOTAL NONCASH TRANSACTIONS	0.00	0.00	0.00	0.00	0.00	99,291.56

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

UNAUDITED

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)	HOUSTON FUND (0374) U/F (0657)	TOTALS (EXH V)	
\$	\$	\$	\$	\$	\$	2017	2016
336,883.61	0.00	740,936.95	1,205,317.70	186,738.80	1,948,557.47	6,701,040.34	11,717,853.54
852,709.44		575,747.97	507,397.93	658,689.61		5,284,558.09	4,432,664.97
5,552.68		7,136.67	2,125.00	5,975.00		50,716.35	52,041.00
269,106.89		(4,431.20)	68,720.37	(285,188.60)		449,349.89	(1,220,032.00)
(1,556.00)						2,642.25	36,773.05
(155.98)		(50.00)	(544.96)		(264.96)	(1,379.85)	0.00
(489,660.79)		(115,302.11)	(346,826.19)	(185,763.18)	19,044.91	(2,623,325.22)	4,636,698.63
			(1,361.04)			(4,075.39)	(8,392,207.31)
635,996.24	0.00	463,101.33	229,511.11	193,712.83	18,779.95	3,158,486.12	(454,061.66)
972,879.85	0.00	1,204,038.28	1,434,828.81	380,451.63	1,967,337.42	9,859,526.46	11,263,791.88
						99,291.56	(662.77)
0.00	0.00	0.00	0.00	0.00	0.00	99,291.56	(662.77)

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

EXHIBIT E-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended August 31, 2017

	BALANCE 09-01-2016	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2017
UNAPPROPRIATED RECEIPTS	\$	\$	\$	\$
GENERAL REVENUE FUND (0001)				
U/F (0111)				
ASSETS				
Current Assets:				
Cash in State Treasury	0.00	6,623,049.10	6,623,049.10	0.00
Accounts Receivable	50,597.11	0.00	50,597.11	0.00
Due from Other Funds	567.78	0.00	567.78	0.00
Total Current Assets	51,164.89	6,623,049.10	6,674,213.99	0.00
TOTAL ASSETS	<u>51,164.89</u>	<u>6,623,049.10</u>	<u>6,674,213.99</u>	<u>0.00</u>
LIABILITIES				
Current Liabilities:				
Funds Held for Others	50,806.14	6,623,049.10	6,673,855.24	0.00
Unearned Revenue	358.75	0.00	358.75	0.00
Total Current Liabilities	51,164.89	6,623,049.10	6,674,213.99	0.00
TOTAL LIABILITIES	<u>51,164.89</u>	<u>6,623,049.10</u>	<u>6,674,213.99</u>	<u>0.00</u>
OTHER AGENCY FUNDS				
CHILD SUPPORT ADDENDA DEDUCTS - SUSPENSE (0807)				
U/F (8070)				
ASSETS				
Current Assets:				
Cash in State Treasury	6,973.00	91,416.58	91,938.21	6,451.37
Total Current Assets	6,973.00	91,416.58	91,938.21	6,451.37
TOTAL ASSETS	<u>6,973.00</u>	<u>91,416.58</u>	<u>91,938.21</u>	<u>6,451.37</u>
LIABILITIES				
Current Liabilities:				
Funds Held for Others	6,973.00	91,416.58	91,938.21	6,451.37
Total Current Liabilities	6,973.00	91,416.58	91,938.21	6,451.37
TOTAL LIABILITIES	<u>6,973.00</u>	<u>91,416.58</u>	<u>91,938.21</u>	<u>6,451.37</u>

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EXHIBIT E-1 (concluded)

	BALANCE 09-01-2016	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2017
PURCHASE/LEASE LAND VACANCY TRUST	\$	\$	\$	\$
ACCOUNT (0873) U/F (0873)				
ASSETS				
Current Assets:				
Cash in State Treasury	17,076.57	11,758.64	6,771.77	22,063.44
Receivable - Interest and Dividends	11.99	24.31	11.99	24.31
Total Current Assets	17,088.56	11,782.95	6,783.76	22,087.75
TOTAL ASSETS	17,088.56	11,782.95	6,783.76	22,087.75
LIABILITIES				
Current Liabilities:				
Funds Held for Others	17,088.56	11,782.95	6,783.76	22,087.75
Total Current Liabilities	17,088.56	11,782.95	6,783.76	22,087.75
TOTAL LIABILITIES	17,088.56	11,782.95	6,783.76	22,087.75
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash in State Treasury	24,049.57	6,726,224.32	6,721,759.08	28,514.81
Receivables:				
Interest and Dividends	11.99	24.31	11.99	24.31
Accounts Receivable	50,597.11	0.00	50,597.11	0.00
Due From Other Funds	567.78	0.00	567.78	0.00
Total Current Assets	75,226.45	6,726,248.63	6,772,935.96	28,539.12
TOTAL ASSETS	75,226.45	6,726,248.63	6,772,935.96	28,539.12
LIABILITIES				
Current Liabilities:				
Funds Held for Others	74,867.70	6,726,248.63	6,772,577.21	28,539.12
Unearned Revenue	358.75	0.00	358.75	0.00
Total Current Liabilities	75,226.45	6,726,248.63	6,772,935.96	28,539.12
TOTAL LIABILITIES	75,226.45	6,726,248.63	6,772,935.96	28,539.12

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, 2017



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

SCHEDULE 1-A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA NUMBER	NSE NAME/ IDENTIFYING NUMBER	PASS-THROUGH FROM			DIRECT PROGRAM AMOUNT
			AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT	
				\$	\$	\$
NON-CLUSTERED PROGRAMS						
U.S. DEPARTMENT OF COMMERCE						
Direct Programs:						
Coastal Zone Management Administration Awards	11.419					893,329.83
Pass-Through To:						
Texas A&M AgriLife Extension Service						141,142.69
Texas A&M University						20,730.92
Texas A&M University - Galveston						(942.54)
University of Texas at Austin						72,486.94
Other Non-State Entities						1,059,775.93
Total U.S. Department of Commerce				0.00	0.00	2,186,523.77
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Direct Programs:						
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228					34,995,629.17
Pass-Through To:						
Texas Water Development Board						769,107.35
Lamar University						4,628,503.20
University of Texas at Austin						205,740.48
Other Non-State Entities						137,666,025.57
Total U.S. Department of Housing and Urban Development				0.00	0.00	178,265,005.77
U.S. DEPARTMENT OF THE INTERIOR						
Direct Programs:						
Federal Oil and Gas Royalty Management	15.427					(3,189.09)
State and Tribal Coordination						
Direct Programs:						
Gulf of Mexico Energy Security Act (GoMESA)	15.435					96,937.31
Direct Programs:						
Coastal Wetlands Planning, Protection and Restoration	15.614					
Pass-Through From:						
Texas Parks and Wildlife Department			802	344,474.85		
Direct Programs:						
Coastal Impact Assistance	15.668					12,599,019.37
Pass-Through To:						
Railroad Commission of Texas						30,000.00
Texas Water Development Board						56,824.66
Texas Commission on Environmental Quality						1,758,926.10
University of Texas at Austin						124,155.93
Texas Parks and Wildlife Department						841,279.73
Other Non-State Entities						4,419,815.60
Pass-Through From:						
Brazoria County/ 14-279-000-8447					100,000.00	
Cameron County/ 13-333-004-9203					3,698.96	
Jefferson County/ 13-242-000-7440					2,696,283.44	
Total U.S. Department of the Interior				344,474.85	2,799,982.40	19,923,769.61

UNAUDITED

TOTAL PASS-THROUGH FROM & DIRECT PROGRAM	PASS-THROUGH TO				TOTAL PASS-THROUGH TO & EXPENDITURES
	AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT	EXPENDITURES AMOUNT	
\$		\$	\$	\$	\$
893,329.83				893,329.83	893,329.83
141,142.69	555	141,142.69			141,142.69
20,730.92	711	20,730.92			20,730.92
(942.54)	718	(942.54)			(942.54)
72,486.94	721	72,486.94			72,486.94
1,059,775.93			1,059,775.93		1,059,775.93
2,186,523.77		233,418.01	1,059,775.93	893,329.83	2,186,523.77
34,995,629.17				34,995,629.17	34,995,629.17
769,107.35	580	769,107.35			769,107.35
4,628,503.20	734	4,628,503.20			4,628,503.20
205,740.48	721	205,740.48			205,740.48
137,666,025.57			137,666,025.57		137,666,025.57
178,265,005.77		5,603,351.03	137,666,025.57	34,995,629.17	178,265,005.77
(3,189.09)				(3,189.09)	(3,189.09)
96,937.31				96,937.31	96,937.31
344,474.85				344,474.85	344,474.85
12,599,019.37				12,599,019.37	12,599,019.37
30,000.00	455	30,000.00			30,000.00
56,824.66	580	56,824.66			56,824.66
1,758,926.10	582	1,758,926.10			1,758,926.10
124,155.93	721	124,155.93			124,155.93
841,279.73	802	841,279.73			841,279.73
4,419,815.60			4,419,815.60		4,419,815.60
100,000.00				100,000.00	100,000.00
3,698.96				3,698.96	3,698.96
2,696,283.44				2,696,283.44	2,696,283.44
23,068,226.86		2,811,186.42	4,419,815.60	15,837,224.84	23,068,226.86

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

SCHEDULE 1-A (continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA NUMBER	NSE NAME/ IDENTIFYING NUMBER	PASS-THROUGH FROM			DIRECT PROGRAM AMOUNT
			AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT	
				\$	\$	\$
GENERAL SERVICES ADMINISTRATION						
Pass Through From:						
Donation of Federal Surplus Personal Property (Non-monetary)	39.003					
Pass-Through From:						
Texas Facilities Commission			303	579.50		
Total General Services Administration				579.50	0.00	0.00
U.S. DEPARTMENT OF VETERANS AFFAIRS						
Direct Programs:						
Grants to States for Construction of State Home Facilities	64.005					4,034,349.65
Direct Programs:						
Veterans State Nursing Home Care	64.015					60,552,992.50
Direct Programs:						
Burial Expenses Allowance for Veterans	64.101					1,032,453.00
Direct Programs:						
State Cemetery Grants	64.203					506,934.16
Total U.S. Department of Veterans Affairs				0.00	0.00	66,126,729.31
U.S. ENVIRONMENTAL PROTECTION AGENCY						
Direct Programs:						
Beach Monitoring and Notification Program Implementation Grants	66.472					376,358.10
Pass-Through To:						
Other Non-State Entities						(49,668.00)
Total U.S. Environmental Protection Agency				0.00	0.00	326,690.10
U.S. DEPARTMENT OF HOMELAND SECURITY						
Direct Programs:						
Disaster Grants - Public Assistance	97.036					
Pass-Through From:						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)						
Texas Department of Public Safety			405	478,319.64		
Total U.S. Department of Homeland Security				478,319.64	0.00	0.00
RESEARCH & DEVELOPMENT CLUSTER						
U.S. DEPARTMENT OF COMMERCE						
Direct Programs:						
Coastal Zone Management Administration Awards	11.419					
Pass-Through To:						
Texas A&M Engineering Experiment Station						39,557.78
Texas A&M University - Kingsville						46,595.82
University of Texas - Rio Grand Valley						827.48
Texas State University						15,290.58
Texas A&M University - Corpus Christi						633,396.86
Total U.S. Department of Commerce				0.00	0.00	735,668.52
U.S. DEPARTMENT OF THE INTERIOR						
Direct Programs:						
Coastal Impact Assistance	15.668					
Pass-Through To:						
Texas A&M Agrilife Research						81,536.04
Total U.S. Department of the Interior				0.00	0.00	81,536.04
CDBG ENTITLEMENT GRANTS CLUSTER						
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Direct Programs:						
Community Development Block Grants/Entitlement Grants	14.218					52,427.12
Pass-Through To:						
Other Non-State Entities						6,303,453.97
Total U.S. Department of Housing and Urban Development				0.00	0.00	6,355,881.09
TOTAL EXPENDITURES OF FEDERAL AWARDS				823,373.99	2,799,982.40	274,001,804.21

UNAUDITED

TOTAL PASS-THROUGH FROM & DIRECT PROGRAM	PASS-THROUGH TO				TOTAL PASS-THROUGH TO & EXPENDITURES
	AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT	EXPENDITURES AMOUNT	
\$	\$	\$	\$	\$	
579.50				579.50	579.50
579.50		0.00	0.00	579.50	579.50
4,034,349.65				4,034,349.65	4,034,349.65
60,552,992.50				60,552,992.50	60,552,992.50
1,032,453.00				1,032,453.00	1,032,453.00
506,934.16				506,934.16	506,934.16
66,126,729.31		0.00	0.00	66,126,729.31	66,126,729.31
376,358.10				376,358.10	376,358.10
(49,668.00)			(49,668.00)		(49,668.00)
326,690.10		0.00	(49,668.00)	376,358.10	326,690.10
478,319.64				478,319.64	478,319.64
478,319.64		0.00	0.00	478,319.64	478,319.64
39,557.78	712	39,557.78			39,557.78
46,595.82	732	46,595.82			46,595.82
827.48	746	827.48			827.48
15,290.58	754	15,290.58			15,290.58
633,396.86	760	633,396.86			633,396.86
735,668.52		735,668.52	0.00	0.00	735,668.52
81,536.04	556	81,536.04			81,536.04
81,536.04		81,536.04	0.00	0.00	81,536.04
52,427.12				52,427.12	52,427.12
6,303,453.97			6,303,453.97		6,303,453.97
6,355,881.09		0.00	6,303,453.97	52,427.12	6,355,881.09
277,625,160.60		9,465,160.02	149,399,403.07	118,760,597.51	277,625,160.60

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

SCHEDULE 1-A (concluded)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2017

NOTE 1 - NON-MONETARY ASSISTANCE

The pass-through of federal surplus personal property is presented at 22.47 percent of the federal cost of \$2,579.00. The surplus property is passed through from the Texas Facilities Commission (TFC). The federal grantor agency is the General Services Administration (GSA) and the CFDA number is 39.003. Its estimated fair value upon acquisition was \$579.50.

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)		212,242,076.10
Federal Pass-Through Revenues (Exhibit II)		822,794.49
Federal Non-Operating Revenues (Exhibit IV)		4,034,349.65
Federal Revenues (Exhibit IV)		60,552,992.50
Subtotal		<u>277,652,212.74</u>
Reconciling Items:		
U.S. Coast Guard National Pollution Funds Center		(27,631.64)
Donation of Federal Surplus Personal Property CFDA 39.003		<u>579.50</u>
TOTAL PASS-THROUGH TO AND EXPENDITURES PER FEDERAL SCHEDULE		<u><u>277,625,160.60</u></u>

NOTE 3 - STUDENT LOANS

Not Applicable.

NOTE 4 - DEPOSITORY LIBRARIES FOR GOVERNMENTAL PUBLICATIONS

Not Applicable.

NOTE 5 - UNEMPLOYMENT INSURANCE FUNDS

Not Applicable

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

Not Applicable

NOTE 7 - FEDERAL DEFERRED REVENUE

Total Federal Deferred Revenue 08/31/2017	<u><u>0.00</u></u>
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NOTE 8 - DISASTER GRANTS - PUBLIC ASSISTANCE

After a presidentially declared disaster, FEMA provides Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA 97.036) to reimburse eligible costs associated with repair, replacement or restoration of disaster-damaged facilities. The federal government makes reimbursements in the form of cost-shared grants that require state matching funds. In fiscal 2017, FEMA approved \$303,834.60 in eligible expenditures that were incurred in a prior year, and are included in SEFA.

NOTE 9 - ECONOMIC ADJUSTMENT ASSISTANCE

Not Applicable

NOTE 10 - 10 PERCENT DE MINIMIS INDIRECT COST RATE

Agency 305 does not use the 10 percent de minimis indirect cost rate, but rather a fixed rate approved by our cognizant agency.

SCHEDULE 1-B**SCHEDULE OF STATE PASS-THROUGH GRANTS FROM/TO STATE AGENCIES**

For the Year Ended August 31, 2017

	TOTAL STATE PASS-THROUGH FROM/TO STATE AGENCIES
	\$
STATE PASS-THROUGH FROM:	
Texas Parks and Wildlife Department (Agency 802)	
Intergovernmental Cooperative Reimbursement Agreement	
Mad Island Wildlife Management Area Shoreline Protection	500,000.00
Dickinson Bayou Wetland Restoration	77,791.07
	<u>577,791.07</u>
TOTAL STATE PASS-THROUGH FROM OTHER AGENCIES (EXHIBIT II)	<u><u>577,791.07</u></u>
STATE PASS-THROUGH TO:	
Texas Parks and Wildlife Department (Agency 802)	
CEPRA 1572 - Dickinson Bayou Wetland Restoration	156.86
	<u>156.86</u>
TOTAL STATE PASS-THROUGH TO OTHER AGENCIES (EXHIBIT II)	<u><u>156.86</u></u>

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

SCHEDULE 2-A

MISCELLANEOUS BOND INFORMATION
For the Year Ended August 31, 2017

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS ISSUED TO DATE	RANGE OF INTEREST RATES		YIELDS ON CAPITAL APPRECIATION BONDS	TERMS OF VARIABLE INTEREST RATES	SCHEDULED MATURITIES		FIRST CALL DATE ⁽¹⁾
						FIRST YEAR	LAST YEAR	
General Obligation Bonds - Self-Supporting	\$							
<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	04-01-2014
Veterans Bonds, Tax Ref Ser 2014B-2	25,085,000.00	VAR	VAR		Monthly	2016	2020	04-01-2014
Veterans Bonds, Tax Ref Ser 2014C-1	72,695,000.00	VAR	VAR		Monthly	2014	2033	07-01-2014
Veterans Bonds, Tax Ref Ser 2014C-2	194,935,000.00	VAR	VAR		Monthly	2014	2032	07-01-2014
Veterans Bonds, Ser 2014D	100,000,000.00	VAR	VAR		Weekly	2014	2045	09-10-2014
Veterans Bonds, Ser 2015A	125,000,000.00	VAR	VAR		Weekly	2015	2045	02-11-2015
Veterans Bonds, Ser 2015B	125,000,000.00	VAR	VAR		Weekly	2015	2046	07-22-2015
Veterans Bonds, Ser 2016	250,000,000.00	VAR	VAR		Weekly	2016	2046	01-21-2016
Veterans Bonds, Ser 2017	250,000,000.00	VAR	VAR		Weekly	2017	2047	01-19-2017
Total, Veterans' Housing Assistance Bonds	4,277,690,000.00							

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SCHEDULE 2-A (concluded)

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS ISSUED TO DATE	RANGE OF INTEREST RATES	YIELDS ON CAPITAL APPRECIATION BONDS	TERMS OF VARIABLE INTEREST RATES	SCHEDULED MATURITIES		FIRST CALL DATE ⁽¹⁾
					FIRST YEAR	LAST YEAR	
General Obligation Bonds - Self-Supporting (concluded)	\$						
<i>Veterans' Land Bonds</i>							
Vet Land Bds Ser '94	29,400,000.00	5.250%	6.400%		1996	2024	12-01-2004
Vet Land Bds Ser '94	11,950,000.00			5.500% 6.600%	1999	2014	N/A
Vet Land Bds Ser '96	30,000,000.00	3.350%	5.250%		1996	2026	06-01-2006
Vet Land Bds Ser '96	9,639,000.00			4.470% 5.670%	2001	2016	N/A
Vet Land Ref Bds Ser '99A	40,025,000.00	VAR	VAR	Weekly	1999	2018	04-28-1999
Vet Land Tax Bds Ser 2000A	20,000,000.00	VAR	VAR	Weekly	2001	2030	07-26-2000
Vet Land Tax Ref Bds Ser 2000	39,960,000.00	VAR	VAR	Weekly	2010	2020	11-15-2000
Vet Land Bds Ser 2002	20,000,000.00	VAR	VAR	Weekly	2003	2032	02-21-2002
Vet Land Tax Bds Ser 2002A	20,000,000.00	VAR	VAR	Weekly	2003	2032	02-21-2002
Vet Land Tax Ref Bds Ser 2002	27,685,000.00	VAR	VAR	Weekly	2012	2032	11-06-2002
Vet Land Tax Ref Bds Ser 2003	29,285,000.00	VAR	VAR	Weekly	2004	2023	11-20-2003
Vet Land Tax Ref Bds Ser 2004	24,755,000.00	VAR	VAR	Weekly	2005	2024	11-18-2004
Vet Land Tax Ref Bds Ser 2005	22,795,000.00	VAR	VAR	Weekly	2006	2026	11-16-2005
Vet Land Tax Ref Bds Ser 2006A	31,030,000.00	VAR	VAR	Weekly	2006	2027	05-10-2006
Vet Land Tax Ref Bds Ser 2006B	24,035,000.00	VAR	VAR	Weekly	2006	2026	05-10-2006
Vet Land Tax Ref Bds Ser 2006C	41,050,000.00	VAR	VAR	Weekly	2006	2027	11-15-2006
Vet Land Tax Ref Ser 2010D	16,480,000.00	VAR	VAR	Weekly	2010	2030	11-18-2010
Vet Land Tax Ref Ser 2014B-3	49,100,000.00	VAR	VAR	Monthly	2014	2024	04-01-2014
Vet Land Tax Ref Bds Ser 2014C-3	70,965,000.00	VAR	VAR	Monthly	2014	2030	07-01-2014
Vet Land Tax Ref Bds Ser 2014C-4	113,910,000.00	VAR	VAR	Monthly	2014	2027	07-01-2014
Total, Veterans' Land Bonds	672,064,000.00						
Total, General Obligation Bonds - Self-Supporting	4,949,754,000.00						
Total, All Bonds	4,949,754,000.00						

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

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

SCHEDULE 2-B

CHANGES IN BONDED INDEBTEDNESS
For the Year Ended August 31, 2017

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS OUTSTANDING 09-01-2016	BONDS ISSUED FY 2017	BONDS MATURED OR RETIRED	BONDS REFUNDED OR EXTINGUISHED	PAR VALUE ADJUSTMENTS	BONDS OUTSTANDING 08-31-2017
General Obligation Bonds - Self-Supporting	\$	\$	\$	\$		\$
<i>Veterans' Housing Assistance Bonds</i>						
Vet Hsg Ref Bds Ser '95	8,945,000.00		8,945,000.00			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	24,640,000.00		375,000.00			24,265,000.00
Vet Hsg Fund II Bds Ser 2002A-2	30,375,000.00		585,000.00			29,790,000.00
Vet Hsg Fund II Bds Ser 2003A	24,775,000.00		1,760,000.00			23,015,000.00
Vet Hsg Fund II Bds Ser 2003B	26,035,000.00		1,780,000.00			24,255,000.00
Vet Hsg Fund II Bds Ser 2004A	25,600,000.00		1,750,000.00			23,850,000.00
Vet Hsg Fund II Bds Ser 2004B	28,625,000.00		1,850,000.00			26,775,000.00
Vet Hsg Fund II Bds Ser 2005A	28,215,000.00		1,840,000.00			26,375,000.00
Vet Hsg Fund II Bds Ser 2005B	27,860,000.00		1,830,000.00			26,030,000.00
Vet Hsg Fund II Bds Ser 2006A	30,370,000.00		1,655,000.00			28,715,000.00
Vet Hsg Fund II Bds Ser 2006D	31,980,000.00		1,780,000.00			30,200,000.00
Vet Hsg Fund II Bds Ser 2007A	32,085,000.00		1,710,000.00			30,375,000.00
Vet Hsg Fund II Bds Ser 2007B	33,930,000.00		1,905,000.00			32,025,000.00
Vet Hsg Fund II Bds Ser 2008A	33,800,000.00		1,810,000.00			31,990,000.00
Vet Hsg Fund II Bds Ser 2008B	34,955,000.00		1,835,000.00			33,120,000.00
Vet Hsg Fund II Ser 2009A	37,290,000.00		1,930,000.00			35,360,000.00
Vet Hsg Fund II Ser 2009B	39,380,000.00		1,735,000.00			37,645,000.00
Vet Hsg Fund II Bds Ser 2010A	60,000,000.00		3,120,000.00			56,880,000.00
Veterans Bonds, Ser 2010C	60,870,000.00		3,015,000.00			57,855,000.00
Veterans Bonds, Ser 2011A	60,790,000.00		3,135,000.00			57,655,000.00
Veterans Bonds, Ser 2011B	62,060,000.00		3,220,000.00			58,840,000.00
Veterans Bonds, Ser 2011C	63,235,000.00		3,290,000.00			59,945,000.00
Veterans Bonds, Ser 2012A	63,540,000.00		3,475,000.00			60,065,000.00
Veterans Bonds, Ser 2012B	85,720,000.00		5,420,000.00			80,300,000.00
Veterans Bonds, Ser 2013A	90,350,000.00		5,055,000.00			85,295,000.00
Veterans Bonds, Ser 2013B	136,035,000.00		7,250,000.00			128,785,000.00
Veterans Bonds, Tax Ref Ser 2013C	280,030,000.00		8,440,000.00			271,590,000.00
Veterans Bonds, Ser 2014A	140,320,000.00		7,195,000.00			133,125,000.00
Veterans Bonds, Tax Ref Ser 2014B-1	68,665,000.00		10,505,000.00			58,160,000.00
Veterans Bonds, Tax Ref Ser 2014B-2	25,085,000.00		5,110,000.00			19,975,000.00
Veterans Bonds, Tax Ref Ser 2014C-1	69,590,000.00		1,710,000.00			67,880,000.00
Veterans Bonds, Tax Ref Ser 2014C-2	178,530,000.00		9,555,000.00			168,975,000.00
Veterans Bonds, Ser 2014D	95,385,000.00		4,625,000.00			90,760,000.00
Veterans Bonds, Ser 2015A	119,595,000.00		5,535,000.00			114,060,000.00
Veterans Bonds, Ser 2015B	123,345,000.00		4,185,000.00			119,160,000.00
Veterans Bonds, Ser 2016	249,705,000.00		7,330,000.00			242,375,000.00
Veterans Bonds, Ser 2017		250,000,000.00	310,000.00			249,690,000.00
Total, Veterans' Housing Assistance Bonds	2,551,710,000.00	250,000,000.00	136,555,000.00	0.00	0.00	2,665,155,000.00
<i>Veterans' Land Bonds</i>						
Vet Land Ref Bds Ser '99A	10,325,000.00		3,190,000.00			7,135,000.00
Vet Land Bds Ser 2002	14,400,000.00		580,000.00			13,820,000.00
Vet Land Tax Ref Bds Ser 2014B-3	39,775,000.00		5,005,000.00			34,770,000.00
Vet Land Tax Ref Bds Ser 2014C-3	65,395,000.00		3,040,000.00			62,355,000.00
Vet Land Tax Ref Bds Ser 2014C-4	100,640,000.00		8,360,000.00			92,280,000.00
Total, Veterans' Land Bonds	230,535,000.00	0.00	20,175,000.00	0.00	0.00	210,360,000.00
Total, General Obligation Bonds - Self-Supporting	2,782,245,000.00	250,000,000.00	156,730,000.00	0.00	0.00	2,875,515,000.00

UNAUDITED

UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	OTHER ADJUSTMENTS	NET BONDS OUTSTANDING 08-31-2017	AMOUNTS DUE WITHIN ONE YEAR
\$	\$	\$	\$	\$
			0.00	0.00
			20,000,000.00	0.00
			24,265,000.00	390,000.00
			29,790,000.00	620,000.00
			23,015,000.00	1,710,000.00
			24,255,000.00	1,730,000.00
			23,850,000.00	1,700,000.00
			26,775,000.00	1,810,000.00
			26,375,000.00	1,790,000.00
			26,030,000.00	1,770,000.00
			28,715,000.00	1,605,000.00
			30,200,000.00	1,730,000.00
			30,375,000.00	1,645,000.00
			32,025,000.00	1,865,000.00
			31,990,000.00	1,735,000.00
			33,120,000.00	1,760,000.00
1,256,483.37			36,616,483.37	2,091,037.28
2,157,606.96			39,802,606.96	1,937,600.96
4,382,168.34			61,262,168.34	3,561,171.92
			57,855,000.00	2,950,000.00
			57,655,000.00	3,055,000.00
			58,840,000.00	3,130,000.00
			59,945,000.00	3,200,000.00
			60,065,000.00	3,375,000.00
			80,300,000.00	5,090,000.00
			85,295,000.00	4,920,000.00
			128,785,000.00	7,030,000.00
			271,590,000.00	8,185,000.00
			133,125,000.00	7,175,000.00
			58,160,000.00	11,155,000.00
			19,975,000.00	7,320,000.00
			67,880,000.00	1,820,000.00
			168,975,000.00	10,350,000.00
			90,760,000.00	4,955,000.00
			114,060,000.00	6,035,000.00
			119,160,000.00	5,560,000.00
			242,375,000.00	15,285,000.00
			249,690,000.00	7,600,000.00
7,796,258.67	0.00	0.00	2,672,951,258.67	147,639,810.16
			7,135,000.00	3,435,000.00
			13,820,000.00	605,000.00
			34,770,000.00	5,395,000.00
			62,355,000.00	3,235,000.00
			92,280,000.00	8,900,000.00
0.00	0.00	0.00	210,360,000.00	21,570,000.00
7,796,258.67	0.00	0.00	2,883,311,258.67	169,209,810.16

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

SCHEDULE 2-C
DEBT SERVICE REQUIREMENTS

August 31, 2017

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	2018	2019	2020	2021	2022
General Obligation Bonds - Self-Supporting	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds</i>					
Vet Hsg Ref Bds Ser '95 - Principal	0.00	0.00	0.00	0.00	0.00
Vet Hsg Ref Bds Ser '95 - Interest	0.00	0.00	0.00	0.00	0.00
Vet Hsg Fund II Bds Ser 2001A-2 - Principal	0.00	0.00	390,000.00	805,000.00	1,455,000.00
Vet Hsg Fund II Bds Ser 2001A-2 - Interest	270,120.12	270,120.12	270,120.12	262,185.34	251,177.94
Vet Hsg Fund II Bds Ser 2001C-2 - Principal	390,000.00	410,000.00	435,000.00	445,000.00	590,000.00
Vet Hsg Fund II Bds Ser 2001C-2 - Interest	300,402.17	295,492.30	290,333.83	284,895.70	279,302.19
Vet Hsg Fund II Bds Ser 2002A-2 - Principal	620,000.00	645,000.00	685,000.00	720,000.00	760,000.00
Vet Hsg Fund II Bds Ser 2002A-2 - Interest	400,284.23	391,809.20	382,962.76	373,609.84	363,750.44
Vet Hsg Fund II Bds Ser 2003A - Principal	1,710,000.00	1,655,000.00	1,610,000.00	1,565,000.00	1,525,000.00
Vet Hsg Fund II Bds Ser 2003A - Interest	352,461.51	325,970.33	300,337.47	275,406.89	251,100.54
Vet Hsg Fund II Bds Ser 2003B - Principal	1,730,000.00	1,690,000.00	1,650,000.00	1,610,000.00	1,575,000.00
Vet Hsg Fund II Bds Ser 2003B - Interest	371,735.05	344,892.73	318,674.65	293,080.81	268,111.21
Vet Hsg Fund II Bds Ser 2004A - Principal	1,700,000.00	1,660,000.00	1,615,000.00	1,570,000.00	1,530,000.00
Vet Hsg Fund II Bds Ser 2004A - Interest	291,141.87	270,135.15	249,656.71	229,706.55	210,315.75
Vet Hsg Fund II Bds Ser 2004B - Principal	1,810,000.00	1,770,000.00	1,730,000.00	1,690,000.00	1,660,000.00
Vet Hsg Fund II Bds Ser 2004B - Interest	410,749.92	382,659.12	355,192.56	328,350.24	302,093.15
Vet Hsg Fund II Bds Ser 2005A - Principal	1,790,000.00	1,750,000.00	1,705,000.00	1,660,000.00	1,620,000.00
Vet Hsg Fund II Bds Ser 2005A - Interest	322,247.94	300,122.54	278,494.34	257,456.55	236,947.03
Vet Hsg Fund II Bds Ser 2005B - Principal	1,770,000.00	1,715,000.00	1,675,000.00	1,625,000.00	1,585,000.00
Vet Hsg Fund II Bds Ser 2005B - Interest	317,990.71	296,176.04	274,982.88	254,318.00	234,243.54
Vet Hsg Fund II Bds Ser 2006A - Principal	1,605,000.00	1,565,000.00	1,540,000.00	1,510,000.00	1,490,000.00
Vet Hsg Fund II Bds Ser 2006A - Interest	382,388.79	360,846.71	339,811.11	319,113.16	298,786.61
Vet Hsg Fund II Bds Ser 2006D - Principal	1,730,000.00	1,685,000.00	1,650,000.00	1,630,000.00	1,600,000.00
Vet Hsg Fund II Bds Ser 2006D - Interest	401,972.52	378,775.95	356,153.39	333,936.02	312,022.53
Vet Hsg Fund II Bds Ser 2007A - Principal	1,645,000.00	1,595,000.00	1,550,000.00	1,520,000.00	1,500,000.00
Vet Hsg Fund II Bds Ser 2007A - Interest	372,434.08	352,142.10	332,471.61	313,298.32	294,466.87
Vet Hsg Fund II Bds Ser 2007B - Principal	1,865,000.00	1,820,000.00	1,780,000.00	1,745,000.00	1,705,000.00
Vet Hsg Fund II Bds Ser 2007B - Interest	426,215.78	401,162.14	376,716.26	352,810.62	329,377.70
Vet Hsg Fund II Bds Ser 2008A - Principal	1,735,000.00	1,675,000.00	1,620,000.00	1,575,000.00	1,545,000.00
Vet Hsg Fund II Bds Ser 2008A - Interest	370,140.33	349,964.72	330,492.91	311,607.61	293,220.82
Vet Hsg Fund II Bds Ser 2008B - Principal	1,760,000.00	1,685,000.00	1,625,000.00	1,580,000.00	1,545,000.00
Vet Hsg Fund II Bds Ser 2008B - Interest	383,248.66	362,838.44	343,249.33	324,334.70	305,918.60
Vet Hsg Fund II Bds Ser 2009A - Principal	1,890,000.00	1,840,000.00	0.00	0.00	0.00
Vet Hsg Fund II Bds Ser 2009A - Interest	1,807,962.50	1,727,637.50	1,635,637.50	1,635,637.50	1,635,637.50
Vet Hsg Fund II Bds Ser 2009B - Principal	1,640,000.00	1,550,000.00	1,480,000.00	1,420,000.00	1,375,000.00
Vet Hsg Fund II Bds Ser 2009B - Interest	1,841,250.00	1,761,500.00	1,685,750.00	1,613,250.00	1,543,375.00
Vet Hsg Fund II Bds Ser 2010A - Principal	3,030,000.00	2,940,000.00	2,845,000.00	2,750,000.00	2,735,000.00
Vet Hsg Fund II Bds Ser 2010A - Interest	2,724,650.00	2,590,550.00	2,460,150.00	2,334,500.00	2,197,375.00
Veterans Bonds, Series 2010C - Principal	2,950,000.00	2,895,000.00	2,835,000.00	2,785,000.00	2,735,000.00
Veterans Bonds, Series 2010C - Interest	669,929.91	635,531.67	601,719.93	568,612.00	536,090.56
Veterans Bonds, Series 2011A - Principal	3,055,000.00	2,990,000.00	2,915,000.00	2,850,000.00	2,780,000.00
Veterans Bonds, Series 2011A - Interest	768,322.82	727,264.57	687,151.73	648,018.09	609,728.58
Veterans Bonds, Series 2011B - Principal	3,130,000.00	3,055,000.00	2,975,000.00	2,900,000.00	2,825,000.00
Veterans Bonds, Series 2011B - Interest	784,057.32	742,019.88	701,029.16	661,118.92	622,221.64
Veterans Bonds, Series 2011C - Principal	3,200,000.00	3,115,000.00	3,035,000.00	2,955,000.00	2,875,000.00
Veterans Bonds, Series 2011C - Interest	473,120.00	447,680.00	422,920.00	398,820.00	375,340.00
Veterans Bonds, Series 2012A - Principal	3,375,000.00	3,270,000.00	3,175,000.00	3,075,000.00	2,990,000.00
Veterans Bonds, Series 2012A - Interest	694,592.26	655,326.07	617,232.88	580,283.37	544,477.53
Veterans Bonds, Series 2012B - Principal	5,090,000.00	4,810,000.00	4,570,000.00	4,345,000.00	4,140,000.00
Veterans Bonds, Series 2012B - Interest	1,067,075.57	999,309.20	935,189.46	874,243.62	816,269.10

UNAUDITED

2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	2048	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
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
11,075,000.00	6,275,000.00	0.00	0.00	0.00	0.00	20,000,000.00
840,748.84	129,016.11	0.00	0.00	0.00	0.00	2,293,488.59
4,140,000.00	12,565,000.00	5,290,000.00	0.00	0.00	0.00	24,265,000.00
1,256,393.72	836,290.63	66,220.84	0.00	0.00	0.00	3,609,331.38
10,035,000.00	13,270,000.00	3,055,000.00	0.00	0.00	0.00	29,790,000.00
1,505,682.93	715,615.52	31,165.10	0.00	0.00	0.00	4,164,880.02
6,930,000.00	5,895,000.00	2,125,000.00	0.00	0.00	0.00	23,015,000.00
916,189.25	412,622.64	41,394.92	0.00	0.00	0.00	2,875,483.53
7,360,000.00	6,590,000.00	2,050,000.00	0.00	0.00	0.00	24,255,000.00
984,661.02	438,372.74	35,113.53	0.00	0.00	0.00	3,054,641.74
7,105,000.00	6,360,000.00	2,310,000.00	0.00	0.00	0.00	23,850,000.00
777,559.32	355,653.70	36,264.55	0.00	0.00	0.00	2,420,433.60
7,785,000.00	7,050,000.00	3,280,000.00	0.00	0.00	0.00	26,775,000.00
1,135,102.41	554,169.06	76,313.34	0.00	0.00	0.00	3,544,629.80
7,540,000.00	6,700,000.00	3,610,000.00	0.00	0.00	0.00	26,375,000.00
893,997.22	449,500.14	76,848.52	0.00	0.00	0.00	2,815,614.28
7,300,000.00	6,530,000.00	3,830,000.00	0.00	0.00	0.00	26,030,000.00
888,279.55	457,113.57	90,676.94	0.00	0.00	0.00	2,813,781.23
7,320,000.00	7,480,000.00	6,205,000.00	0.00	0.00	0.00	28,715,000.00
1,195,180.17	699,003.30	188,003.58	0.00	0.00	0.00	3,783,133.43
7,685,000.00	7,395,000.00	6,825,000.00	0.00	0.00	0.00	30,200,000.00
1,242,890.25	735,233.17	235,240.83	0.00	0.00	0.00	3,996,224.66
7,305,000.00	7,435,000.00	7,825,000.00	0.00	0.00	0.00	30,375,000.00
1,197,134.03	742,786.12	268,021.99	0.00	0.00	0.00	3,872,755.12
8,025,000.00	7,295,000.00	6,700,000.00	1,090,000.00	0.00	0.00	32,025,000.00
1,312,378.56	793,376.58	319,585.86	10,399.62	0.00	0.00	4,322,023.12
7,405,000.00	7,275,000.00	7,555,000.00	1,605,000.00	0.00	0.00	31,990,000.00
1,200,712.79	772,714.16	339,583.68	14,633.18	0.00	0.00	3,983,070.20
7,420,000.00	7,340,000.00	7,745,000.00	2,420,000.00	0.00	0.00	33,120,000.00
1,263,966.89	834,120.76	394,010.91	28,210.67	0.00	0.00	4,239,898.96
31,630,000.00	0.00	0.00	0.00	0.00	0.00	35,360,000.00
2,515,800.00	0.00	0.00	0.00	0.00	0.00	10,958,312.50
30,180,000.00	0.00	0.00	0.00	0.00	0.00	37,645,000.00
3,574,250.00	0.00	0.00	0.00	0.00	0.00	12,019,375.00
42,580,000.00	0.00	0.00	0.00	0.00	0.00	56,880,000.00
6,668,750.00	0.00	0.00	0.00	0.00	0.00	18,975,975.00
12,985,000.00	12,000,000.00	11,245,000.00	7,425,000.00	0.00	0.00	57,855,000.00
2,212,484.30	1,478,186.08	794,942.58	172,519.08	0.00	0.00	7,670,016.11
13,015,000.00	11,695,000.00	10,605,000.00	7,750,000.00	0.00	0.00	57,655,000.00
2,504,587.44	1,667,080.08	911,689.16	231,425.41	0.00	0.00	8,755,267.88
13,110,000.00	11,595,000.00	10,315,000.00	8,935,000.00	0.00	0.00	58,840,000.00
2,560,806.08	1,722,893.55	979,928.19	313,440.64	0.00	0.00	9,087,515.38
13,290,000.00	11,680,000.00	10,305,000.00	9,490,000.00	0.00	0.00	59,945,000.00
1,545,620.00	1,043,900.00	602,140.00	211,740.00	0.00	0.00	5,521,280.00
13,660,000.00	11,715,000.00	10,055,000.00	8,555,000.00	195,000.00	0.00	60,065,000.00
2,220,724.66	1,471,998.36	830,249.79	279,584.73	1,143.68	0.00	7,895,613.33
18,240,000.00	15,125,000.00	12,670,000.00	10,530,000.00	780,000.00	0.00	80,300,000.00
3,297,760.94	2,165,654.09	1,223,373.99	432,462.38	5,267.34	0.00	11,816,605.69

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

SCHEDULE 2-C (concluded)

August 31, 2017

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	2018	2019	2020	2021	2022
General Obligation Bonds - Self-Supporting (continued)	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds (concluded)</i>					
Veterans Bonds, Series 2013A - Principal	4,920,000.00	4,565,000.00	4,280,000.00	4,035,000.00	3,835,000.00
Veterans Bonds, Series 2013A - Interest	1,134,909.43	1,069,742.98	1,009,134.79	952,206.98	898,419.33
Veterans Bonds, Series 2013B - Principal	7,030,000.00	6,820,000.00	6,615,000.00	6,415,000.00	6,220,000.00
Veterans Bonds, Series 2013B - Interest	1,698,514.82	1,604,276.70	1,512,841.06	1,424,207.93	1,338,208.46
Veterans Bonds, Tax Ref Ser 2013C - Principal	8,185,000.00	15,205,000.00	22,945,000.00	23,210,000.00	22,185,000.00
Veterans Bonds, Tax Ref Ser 2013C - Interest	4,633,442.48	4,504,693.18	4,183,956.66	3,798,055.44	3,408,496.59
Veterans Bonds, Series 2014A - Principal	7,175,000.00	6,945,000.00	6,735,000.00	6,530,000.00	6,335,000.00
Veterans Bonds, Series 2014A - Interest	1,732,752.56	1,636,691.12	1,543,601.01	1,453,313.39	1,365,760.74
Veterans Bonds, Tax Ref Ser 2014B-1 - Principal	11,155,000.00	10,250,000.00	10,990,000.00	8,255,000.00	4,175,000.00
Veterans Bonds, Tax Ref Ser 2014B-1 - Interest	909,687.53	731,668.71	561,596.07	377,204.36	270,109.73
Veterans Bonds, Tax Ref Ser 2014B-2 - Principal	7,320,000.00	8,025,000.00	4,630,000.00	0.00	0.00
Veterans Bonds, Tax Ref Ser 2014B-2 - Interest	300,378.94	178,713.15	45,411.88	0.00	0.00
Veterans Bonds, Tax Ref Ser 2014C-1 - Principal	1,820,000.00	1,940,000.00	2,070,000.00	2,200,000.00	2,345,000.00
Veterans Bonds, Tax Ref Ser 2014C-1 - Interest	1,214,835.87	1,184,649.98	1,152,210.29	1,116,895.22	1,079,267.85
Veterans Bonds, Tax Ref Ser 2014C-2 - Principal	10,350,000.00	11,205,000.00	11,485,000.00	11,795,000.00	13,710,000.00
Veterans Bonds, Tax Ref Ser 2014C-2 - Interest	2,854,980.91	2,681,493.59	2,494,037.63	2,300,897.83	2,089,133.53
Veterans Bonds, Series 2014D - Principal	4,955,000.00	4,800,000.00	4,650,000.00	4,500,000.00	4,355,000.00
Veterans Bonds, Series 2014D - Interest	707,148.75	668,300.50	630,676.75	594,238.00	558,984.25
Veterans Bonds, Series 2015A - Principal	6,035,000.00	5,840,000.00	5,665,000.00	5,500,000.00	5,330,000.00
Veterans Bonds, Series 2015A - Interest	1,519,965.50	1,439,098.31	1,360,797.26	1,284,859.76	1,211,218.28
Veterans Bonds, Series 2015B - Principal	5,560,000.00	6,005,000.00	5,825,000.00	5,650,000.00	5,480,000.00
Veterans Bonds, Series 2015B - Interest	942,780.00	896,700.00	849,020.00	802,780.00	757,920.00
Veterans Bonds, Series 2016 - Principal	15,285,000.00	20,530,000.00	20,320,000.00	18,555,000.00	16,935,000.00
Veterans Bonds, Series 2016 - Interest	1,911,740.00	1,777,060.00	1,610,920.00	1,451,960.00	1,306,840.00
Veterans Bonds, Series 2017 - Principal	7,600,000.00	15,590,000.00	20,780,000.00	20,510,000.00	18,700,000.00
Veterans Bonds, Series 2017 - Interest	1,987,760.00	1,908,820.00	1,771,800.00	1,603,800.00	1,443,420.00
Total, Veterans' Housing Assistance Bonds	184,363,390.85	201,156,834.70	205,352,433.99	192,474,012.76	182,584,128.59
<i>Veterans' Land Bonds</i>					
Vet Land Ref Bds Ser '99A - Principal	3,435,000.00	3,700,000.00	0.00	0.00	0.00
Vet Land Ref Bds Ser '99A - Interest	44,965.25	15,355.00	0.00	0.00	0.00
Vet Land Bds Ser 2002 - Principal	605,000.00	635,000.00	665,000.00	690,000.00	725,000.00
Vet Land Bds Ser 2002 - Interest	168,022.53	160,315.93	152,236.43	143,815.10	135,020.87
Vet Land Tax Ref Ser 2014B-3 - Principal	5,395,000.00	5,815,000.00	6,275,000.00	6,760,000.00	1,545,000.00
Vet Land Tax Ref Ser 2014B-3 - Interest	538,584.69	448,095.50	350,511.51	243,876.21	175,456.96
Vet Land Tax Ref Ser 2014-C3 - Principal	3,235,000.00	3,450,000.00	3,675,000.00	3,900,000.00	4,155,000.00
Vet Land Tax Ref Ser 2014-C3 - Interest	1,057,920.49	1,000,472.34	939,214.52	874,103.72	804,880.22
Vet Land Tax Ref Ser 2014-C4 - Principal	8,900,000.00	9,500,000.00	10,115,000.00	10,790,000.00	17,240,000.00
Vet Land Tax Ref Ser 2014-C4 - Interest	1,514,731.03	1,367,442.85	1,209,405.32	1,038,870.39	805,719.30
Total, Veterans' Land Bonds	24,894,223.99	26,091,681.62	23,381,367.78	24,440,665.42	25,586,077.35
Total, General Obligation Bonds - Self-Supporting	209,257,614.84	227,248,516.32	228,733,801.77	216,914,678.18	208,170,205.94
Total, All Bonds	209,257,614.84	227,248,516.32	228,733,801.77	216,914,678.18	208,170,205.94

UNAUDITED

2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	2048	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
17,015,000.00	15,105,000.00	14,465,000.00	14,665,000.00	2,410,000.00	0.00	85,295,000.00
3,765,575.02	2,684,351.93	1,689,972.44	708,963.96	22,386.21	0.00	13,935,663.07
28,395,000.00	24,320,000.00	20,785,000.00	17,725,000.00	4,460,000.00	0.00	128,785,000.00
5,489,750.96	3,699,361.60	2,166,970.61	858,779.22	40,855.66	0.00	19,833,767.02
126,580,000.00	53,280,000.00	0.00	0.00	0.00	0.00	271,590,000.00
11,049,349.72	1,522,862.31	0.00	0.00	0.00	0.00	33,100,856.38
28,910,000.00	24,780,000.00	21,230,000.00	18,160,000.00	6,325,000.00	0.00	133,125,000.00
5,605,531.41	3,782,119.82	2,219,677.84	881,840.71	53,787.66	0.00	20,275,076.26
13,335,000.00	0.00	0.00	0.00	0.00	0.00	58,160,000.00
346,247.42	0.00	0.00	0.00	0.00	0.00	3,196,513.82
0.00	0.00	0.00	0.00	0.00	0.00	19,975,000.00
0.00	0.00	0.00	0.00	0.00	0.00	524,503.97
2,505,000.00	0.00	55,000,000.00	0.00	0.00	0.00	67,880,000.00
5,068,876.06	5,037,092.50	1,511,127.75	0.00	0.00	0.00	17,364,955.52
65,300,000.00	45,130,000.00	0.00	0.00	0.00	0.00	168,975,000.00
7,065,088.00	2,170,838.71	0.00	0.00	0.00	0.00	21,656,470.20
19,765,000.00	16,740,000.00	14,090,000.00	11,785,000.00	5,120,000.00	0.00	90,760,000.00
2,304,430.00	1,578,696.50	965,913.25	451,346.75	60,217.75	0.00	8,519,952.50
24,315,000.00	20,850,000.00	17,855,000.00	15,280,000.00	7,390,000.00	0.00	114,060,000.00
5,026,967.83	3,493,259.97	2,178,720.77	1,053,198.09	161,430.51	0.00	18,729,516.28
25,050,000.00	21,525,000.00	18,495,000.00	15,895,000.00	9,675,000.00	0.00	119,160,000.00
3,162,120.00	2,225,400.00	1,420,340.00	728,740.00	151,640.00	0.00	11,937,440.00
64,675,000.00	40,205,000.00	24,440,000.00	14,385,000.00	7,045,000.00	0.00	242,375,000.00
4,766,600.00	2,655,040.00	1,353,700.00	572,320.00	122,400.00	0.00	17,528,580.00
71,225,000.00	44,050,000.00	26,645,000.00	15,635,000.00	8,685,000.00	270,000.00	249,690,000.00
5,267,860.00	2,947,420.00	1,524,600.00	673,720.00	183,340.00	1,080.00	19,313,620.00
892,820,056.79	545,521,743.70	369,176,790.96	188,953,324.44	52,887,468.81	271,080.00	3,015,561,265.57
0.00	0.00	0.00	0.00	0.00	0.00	7,135,000.00
0.00	0.00	0.00	0.00	0.00	0.00	60,320.25
4,140,000.00	5,180,000.00	1,180,000.00	0.00	0.00	0.00	13,820,000.00
528,585.74	240,023.30	7,333.70	0.00	0.00	0.00	1,535,353.60
8,980,000.00	0.00	0.00	0.00	0.00	0.00	34,770,000.00
313,865.17	0.00	0.00	0.00	0.00	0.00	2,070,390.03
25,265,000.00	18,675,000.00	0.00	0.00	0.00	0.00	62,355,000.00
2,816,085.05	699,897.72	0.00	0.00	0.00	0.00	8,192,574.06
33,915,000.00	1,820,000.00	0.00	0.00	0.00	0.00	92,280,000.00
1,559,340.88	16,031.20	0.00	0.00	0.00	0.00	7,511,540.97
77,517,876.84	26,630,952.22	1,187,333.70	0.00	0.00	0.00	229,730,178.91
970,337,933.63	572,152,695.92	370,364,124.66	188,953,324.44	52,887,468.81	271,080.00	3,245,291,444.48
970,337,933.63	572,152,695.92	370,364,124.66	188,953,324.44	52,887,468.81	271,080.00	3,245,291,444.48

SCHEDULE 2-D

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2017

BUSINESS-TYPE ACTIVITIES

General Obligation Bonds - Self Supporting

APPLICATION OF FUNDS		
DESCRIPTION OF ISSUE	PRINCIPAL	INTEREST
	\$	\$
Veterans' Housing Assistance Bonds	136,555,000.00	77,173,470.47
Veterans' Land Bonds	20,175,000.00	11,759,301.77
TOTAL	156,730,000.00	88,932,772.24

SCHEDULE 2-E**DEFEASED BONDS OUTSTANDING**

August 31, 2017

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	YEAR DEFEASED	PAR VALUE OUTSTANDING 08-31-2017
		\$
General Obligation Bonds - Self-Supporting		
<i>Veterans' Land and Housing Bonds</i>		
Vet Land Bds Ser '82	1986	15,500,000.00
Total, Veterans' Land and Housing Bonds		15,500,000.00

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

Period from October 1, 1949 through August 31, 2017

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	DATE OF BONDS	FINAL BOND MATURITY DATE	TRUE INTEREST COST (PERCENT)	BONDS ISSUED	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2017
General Obligation Bonds - Self-Supporting				\$	\$	\$	\$
<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	5,000,000.00	5,000,000.00	0.00
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	88,490,000.00		0.00
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 II 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	735,000.00		24,265,000.00
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	8,510,000.00		29,790,000.00
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	26,985,000.00		23,015,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-03	06-01-34	3.40300	50,000,000.00	25,745,000.00		24,255,000.00
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	26,150,000.00		23,850,000.00
Vet Hsg Fund II Bds Ser 2004B	09-15-04	12-01-34	3.68000	50,000,000.00	23,225,000.00		26,775,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004	05-20-04	12-01-24	5.45000	19,550,000.00	3,015,000.00	16,535,000.00	0.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C	11-18-04	12-01-18	5.34800	7,220,000.00		7,220,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2004D	11-18-04	06-01-20	5.34800	31,705,000.00	6,620,000.00	25,085,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser 2004E	11-18-04	12-01-06	5.34800	4,945,000.00	4,945,000.00		0.00
Vet Hsg Fund II Bds Ser 2005A	02-24-05	06-01-35	3.27900	50,000,000.00	23,625,000.00		26,375,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-05	06-01-36	3.08700	50,000,000.00	23,970,000.00		26,030,000.00
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	21,285,000.00		28,715,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-06	12-01-36	3.68900	50,000,000.00	19,800,000.00		30,200,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	11-15-06	12-01-26	5.46100	39,560,000.00		39,560,000.00	0.00

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

SCHEDULE 2-G (continued)

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2017

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	DATE OF BONDS	FINAL BOND MATURITY DATE	TRUE INTEREST COST (PERCENT)	BONDS ISSUED	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2017
General Obligation Bonds - Self-Supporting (continued)				\$	\$	\$	\$
<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	19,625,000.00		30,375,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-07	06-01-38	3.71200	50,000,000.00	17,975,000.00		32,025,000.00
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	18,010,000.00		31,990,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-08	12-01-38	3.22500	50,000,000.00	16,880,000.00		33,120,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-09	12-01-23	4.33660	51,256,483.37	14,640,000.00		36,616,483.37
Vet Hsg Fund II Bds Ser 2009B	09-03-09	12-01-24	4.00000	52,157,606.96	12,355,000.00		39,802,606.96
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	79,377,168.34	18,115,000.00		61,262,168.34
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	17,140,000.00		57,855,000.00
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	17,340,000.00		57,655,000.00
Veterans Bonds, Series 2011B	08-25-11	12-01-41	2.36700	74,995,000.00	16,155,000.00		58,840,000.00
Veterans Bonds, Series 2011C	12-15-11	06-01-42	1.91700	74,995,000.00	15,050,000.00		59,945,000.00
Veterans Bonds, Series 2012A	05-23-12	12-01-42	1.69200	74,995,000.00	14,930,000.00		60,065,000.00
Veterans Bonds, Series 2012B	11-01-12	12-01-42	1.44700	100,000,000.00	19,700,000.00		80,300,000.00
Veterans Bonds, Series 2013A	03-20-13	06-01-43	1.70000	99,995,000.00	14,700,000.00		85,295,000.00
Veterans Bonds, Series 2013B	08-22-13	12-01-43	2.14500	149,995,000.00	21,210,000.00		128,785,000.00
Veterans Bonds, Tax Ref Ser 2013C	10-24-13	06-01-31	Floating	297,600,000.00	26,010,000.00		271,590,000.00
Veterans Bonds, Ser 2014A	02-26-14	06-01-44	2.17900	150,000,000.00	16,875,000.00		133,125,000.00
Veterans Bonds, Tax Ref Ser 2014B-1	04-01-14	12-01-24	Floating	90,700,000.00	32,540,000.00		58,160,000.00
Veterans Bonds, Tax Ref Ser 2014B-2	04-01-14	12-01-24	Floating	25,085,000.00	5,110,000.00		19,975,000.00
Veterans Bonds, Tax Ref Ser 2014C-1	07-01-14	12-01-33	Floating	72,695,000.00	4,815,000.00		67,880,000.00
Veterans Bonds, Tax Ref Ser 2014C-2	07-01-14	12-01-33	Floating	194,935,000.00	25,960,000.00		168,975,000.00
Veterans Bonds, Ser 2014D	09-10-14	06-01-45	1.93950	100,000,000.00	9,240,000.00		90,760,000.00
Veterans Bonds, Ser 2015A	02-11-15	06-01-45	1.51000	125,000,000.00	10,940,000.00		114,060,000.00
Veterans Bonds, Ser 2015B	07-22-15	06-01-46	1.77100	125,000,000.00	5,840,000.00		119,160,000.00
Veterans Bonds, Ser 2016	01-21-16	12-01-46	1.56400	250,000,000.00	7,625,000.00		242,375,000.00
Veterans Bonds, Ser 2017	01-19-17	12-01-47	1.17500	250,000,000.00	310,000.00		249,690,000.00
Total, Veterans' Housing Assistance Bonds				6,241,846,258.67	1,371,490,000.00	2,197,405,000.00	2,672,951,258.67
Veterans' Land Bonds							
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	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	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	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	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	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	0.00

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UNAUDITED

SCHEDULE 2-G (concluded)

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	DATE OF BONDS	FINAL BOND MATURITY DATE	TRUE INTEREST COST (PERCENT)	BONDS ISSUED	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2017
General Obligation Bonds - Self-Supporting (concluded)				\$	\$	\$	\$
<i>Veterans' Land Bonds (concluded)</i>							
Vet Land Bds Ser '83A	06-01-83	06-01-01	7.76000	50,000,000.00		50,000,000.00	0.00
Vet Land Bds Ser '84	08-01-84	06-01-09	10.12300	75,000,000.00		75,000,000.00	0.00
Vet Land Bds Ser '85A	07-01-85	06-01-07	8.07560	75,000,000.00		75,000,000.00	0.00
Vet Land Bds Ser '85B	07-01-85	06-01-07	8.07560	100,000,000.00		100,000,000.00	0.00
Vet Land Bds Ser '89	04-01-89	12-01-18	7.61600	45,000,000.00	4,975,000.00	40,025,000.00	0.00
Vet Land Bds Ser '93	01-01-93	12-01-23	6.50710	35,000,000.00	5,715,000.00	29,285,000.00	0.00
Vet Land Bds Ser '94	04-15-94	12-01-24	6.31070	41,350,000.00	16,595,000.00	24,755,000.00	0.00
Vet Land Tax Bds Ser '95	03-15-95	12-01-26	8.17990	25,000,000.00	2,205,000.00	22,795,000.00	0.00
Vet Land Tax Bds Ser '96	01-01-96	12-01-27	6.91376	35,000,000.00	3,970,000.00	31,030,000.00	0.00
Vet Land Bds Ser '96	02-01-96	12-01-26	5.35913	39,639,000.00	15,604,000.00	24,035,000.00	0.00
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	32,890,000.00		7,135,000.00
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	6,180,000.00		13,820,000.00
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	14,330,000.00		34,770,000.00
Vet Land Tax Ref Ser 2014C-3	07-01-14	12-01-33	Floating	70,965,000.00	8,610,000.00		62,355,000.00
Vet Land Tax Ref Ser 2014C-4	07-01-14	12-01-33	Floating	113,910,000.00	21,630,000.00		92,280,000.00
Total, Veterans' Land Bonds				<u>3,152,538,000.00</u>	<u>1,147,835,000.00</u>	<u>1,794,343,000.00</u>	<u>210,360,000.00</u>
Total, General Obligation Bonds - Self-Supporting				<u>9,394,384,258.67</u>	<u>2,519,325,000.00</u>	<u>3,991,748,000.00</u>	<u>2,883,311,258.67</u>
Revenue Bonds - Self-Supporting							
<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
Total, Veterans' Homes Revenue Bonds				<u>44,280,000.00</u>	<u>22,485,000.00</u>	<u>21,795,000.00</u>	<u>0.00</u>
<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
Total, Veterans' Mortgage Revenue Bonds				<u>260,092,515.00</u>	<u>170,850,000.00</u>	<u>89,242,515.00</u>	<u>0.00</u>
Total, Revenue Bonds - Self-Supporting				<u>304,372,515.00</u>	<u>193,335,000.00</u>	<u>111,037,515.00</u>	<u>0.00</u>
Total, All Bonds				<u>9,698,756,773.67</u>	<u>2,712,660,000.00</u>	<u>4,102,785,515.00</u>	<u>2,883,311,258.67</u>
							\$
Note:	Veterans' Housing Assistance Bonds maturing within one year						147,639,810.16
	Veterans' Land Bonds maturing within one year						<u>21,570,000.00</u>
	Subtotal						<u>169,209,810.16</u>
	Veterans' Housing Assistance Bonds maturing subsequent to one year						2,525,311,448.51
	Veterans' Land Bonds maturing subsequent to one year						<u>188,790,000.00</u>
	Subtotal						<u>2,714,101,448.51</u>
	Total (Exh. III)						<u>2,883,311,258.67</u>

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

SCHEDULE 3

DETAIL OF ADDITIONS AND DEDUCTIONS

AGENCY FUNDS

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	UNAPPROPRIATED RECEIPTS	OTHER AGENCY FUNDS		TOTALS (Memorandum Only)	
	GENERAL REVENUE FUND (0001) U/F (0111)	CHILD SUPPORT ADDENDA DEDUCTS SUSPENSE (0807) U/F (8070)	PURCH/LEASE LAND VAC TRUST ACCOUNT (0873) U/F (0873)	2017	2016
	\$	\$	\$	\$	\$
BALANCES, September 1, 2016	51,164.89	6,973.00	17,088.56	75,226.45	64,337.15
ADDITIONS					
Royalty and Rental Collections	6,589,391.94			6,589,391.94	6,412,545.82
Taxes	394.35			394.35	474.37
Interest and Investment Income			222.95	222.95	173.79
Outer Continental Shelf Settlement Receipts	33,262.81			33,262.81	40,661.04
Land Vacancy Applications			11,560.00	11,560.00	17,514.72
Payroll Deductions		91,416.58		91,416.58	103,259.17
TOTAL ADDITIONS	6,623,049.10	91,416.58	11,782.95	6,726,248.63	6,574,628.91
DEDUCTIONS					
Child Support Payments		91,938.21		91,938.21	104,954.49
Land Vacancy Expenses			6,783.76	6,783.76	29,139.52
Transfers to Treasury	6,674,213.99			6,674,213.99	6,429,630.88
Miscellaneous				0.00	14.72
TOTAL DEDUCTIONS	6,674,213.99	91,938.21	6,783.76	6,772,935.96	6,563,739.61
BALANCES, August 31, 2017 (EXH. E-1)	0.00	6,451.37	22,087.75	28,539.12	75,226.45

SCHEDULE 4**SUMMARY OF TEXAS GENERAL LAND OFFICE****DEPOSITS TO OTHER AGENCIES - BY FUND AND AGENCY**

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	TOTALS	
	2017	2016
GENERAL REVENUE FUND (FUND 0001/AGENCY 644)		
Receipts from Mineral Sources:		
Oil Royalty	22,768.70	15,094.52
Gas Royalty	14,590.58	10,413.74
Mineral Lease Bonus	(10,230.00)	0.00
Mineral Lease Rental	(2,800.00)	0.00
TOTAL AGENCY 644	24,329.28	25,508.26
GENERAL REVENUE FUND (FUND 0001/AGENCY 696)		
Receipts from Mineral Sources:		
Oil Royalty	3,033,183.73	3,331,302.04
Gas Royalty	2,269,362.70	2,011,629.41
Mineral Lease Bonus	24,765.81	244,783.10
Mineral Lease Rental	93,619.58	81,216.26
TOTAL AGENCY 696	5,420,931.82	5,668,930.81
GENERAL REVENUE FUND (FUND 0001/AGENCY 808)		
Receipts from Mineral Sources:		
Oil Royalty	72,339.75	0.00
Gas Royalty	45,118.86	44,762.58
TOTAL AGENCY 808	117,458.61	44,762.58
GENERAL REVENUE FUND (FUND 0001/AGENCY 902)		
Receipts from Mineral Sources:		
Oil Royalty	4,372,462.89	4,549,487.04
Gas Royalty	2,124,580.74	1,760,105.62
Mineral Lease Bonus	115,970.35	74,588.21
Mineral Lease Rental	0.00	261.00
Shut-In Mineral Royalty	27,172.00	4,053.60
Outer Continental Shelf Judgment	33,546.72	40,661.04
Hard Mineral Bonus & Rental	13,748.60	0.00
Receipts from Misc. Interest and Other Collections:		
State of Texas Sales Tax	481.29	474.37
TOTAL AGENCY 902	6,687,962.59	6,429,630.88
TOTAL GENERAL REVENUE FUND	12,250,682.30	12,168,832.53
SPECIALTY LICENSE PLATES FUND (FUND 0802/AGENCY 305/608)		
Receipts from Specialty License Plates:		
Specialty License Plates	0.00	1,539.95
Unexpended Balance Forward	0.00	(5,732.23)
TOTAL SPECIALTY LICENSE PLATES FUND	0.00	(4,192.28)

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

SCHEDULE 4 (continued)

	TOTALS	
	2017	2016
STATE HIGHWAY FUND (FUND 0006/AGENCY 601)	\$	\$
Receipts from Mineral Sources:		
Oil Royalty	6,989,678.83	5,903,536.25
Gas Royalty	3,335,203.34	2,822,495.60
Mineral Lease Bonus	(214,320.30)	1,311,971.67
Mineral Lease Rental	(3,100.18)	8,685.00
Hard Mineral Royalty	403.55	1,082.99
Shut-In Mineral Royalty	295.65	12,560.93
Hard Mineral Bonus & Rental	0.00	3,100.00
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	45,936.00	415,825.00
Receipts from Misc. Interest and Other Collections:		
Interest	0.00	2,425.92
TOTAL STATE HIGHWAY FUND	10,154,096.89	10,481,683.36
PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305)		
Receipts from Mineral Sources:		
Oil Royalty	306,991,086.82	199,584,616.57
Gas Royalty	162,393,206.76	114,597,481.39
Oil & Gas Lease Bonus	397,062,119.30	175,483,498.20
Oil & Gas Lease Rental	34,149,147.37	28,178,429.66
Mining Lease Royalty	889,155.27	685,114.32
Mining Lease Rental and Bonus	73,557.45	135,220.58
Shut-In Mineral Royalty	201,322.51	616,393.19
Water Royalties	0.00	391,547.53
Talc Royalty	38,329.20	219,281.48
Prospect Permits	17,480.50	8,741.97
Outer Continental Shelf Judgment	67,093.46	81,322.07
Miscellaneous Rentals, Royalty, and Easements	2,369,898.71	1,674,471.12
Receipts from Real Asset Investments:		
Internal Investment Receipts - Return of Capital	42,230,338.06	27,188,321.26
Internal Investment Receipts - Capital Gains	6,502,427.94	19,436,600.25
Internal Investment Receipts - Note Principal	14,442.23	8,561.89
Internal Investment Receipts - Note Interest	11,801.19	9,155.86
Internal Investment Receipts - Misc.	6,837,965.47	0.00
External Investment Receipts - Return of Capital	485,126,115.05	223,533,378.56
External Investment Receipts - Capital Gains	317,278,370.65	96,198,449.77
External Investment Receipts - Dividend	7,237.02	-
External Investment Receipts - Misc.	85,341,670.72	66,300,389.20
Receipts from State Energy Marketing Program:		
SEMP Receipts for Third Party Purchases	104,499,116.71	77,913,822.18
State Power Program	4,339,766.87	4,378,110.77
Receipts from Surface Rentals, Easements, and Damages:		
Surface Damage Fees	7,845,772.40	4,122,785.96
Surface Lease Rental	2,934,707.64	3,336,788.44
Coastal Private S-T Lease Rental	388,549.57	376,982.16
Coastal Public S-T Lease Rental	0.00	1,219.65
Coastal Commercial	1,538,098.07	1,474,205.96
Coastal Miscellaneous Easements	2,818,841.72	1,972,496.46
Land Easement Rental, Riverbeds	255,589.95	255,854.85
Wind Lease Bonus	0.00	5,587.50

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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, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	TOTALS	
	2017	2016
PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305) (continued)	\$	\$
Rental of Land - Escrow Consideration	50.00	110,800.00
Receipts from Surface Rentals, Easements, and Damages (continued):		
Solar Surface Lease Rental or Bonus	16,460.00	114,824.00
Uplands Commercial	2,010,584.96	1,844,002.52
Uplands Miscellaneous Easements	3,336,910.11	1,777,078.90
Receipts from Misc. Interest and Other Collections:		
Interest	31,555,982.07	19,637,298.33
Miscellaneous	1,086,856.49	9,302,922.75
Land Office Administrative Fees	2,512,746.44	2,101,238.22
TOTAL AGENCY 305	2,012,742,798.68	1,083,056,993.52
TOTAL PERMANENT SCHOOL FUND	2,012,742,798.68	1,083,056,993.52
STATE PARKS FUND (FUND 0064/AGENCY 802)		
Receipts from Mineral Sources:		
Oil Royalty	318,946.86	219,364.73
Gas Royalty	1,205,552.71	978,111.54
Mineral Lease Bonus	0.00	26,415.60
Mineral Lease Rental	0.00	7,404.80
Shut-In Mineral Royalty	1,396.02	0.00
TOTAL STATE PARKS FUND	1,525,895.59	1,231,296.67
MIDWESTERN UNIVERSITY MINERAL FUND (FUND 0412/AGENCY 735)		
Receipts from Mineral Sources:		
Oil Royalty	5,057.07	7,269.14
TOTAL MIDWESTERN UNIVERSITY MINERAL FUND	5,057.07	7,269.14
CAPITAL TRUST FUND (FUND 0543/AGENCY 537)		
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	73,357.66	26,463.84
TOTAL AGENCY 537	73,357.66	26,463.84
CAPITAL TRUST FUND (FUND 0543/AGENCY 539)		
Receipts from Mineral Sources:		
Oil Royalty	896,220.24	1,193,554.05
Gas Royalty	237,895.92	184,342.32
Mineral Lease Rental	0.00	1,200.00
Mineral Lease Bonus	0.00	252.50
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	53,247.00	38,067.00
Receipts from Real Asset Investments:		
Land Sales	7,380,574.00	0.00
TOTAL AGENCY 539	8,567,937.16	1,417,415.87
TOTAL CAPITAL TRUST FUND	8,641,294.82	1,443,879.71

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

SCHEDULE 4 (concluded)

	TOTALS	
	2017	2016
OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 710)	\$	\$
Receipts from Mineral Sources:		
Oil Royalty	2,556,976.85	3,317,323.71
Gas Royalty	969,386.56	990,582.28
TOTAL AGENCY 710	3,526,363.41	4,307,905.99
OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 733)		
Receipts from Mineral Sources:		
Oil Royalty	23,933.35	23,429.04
TOTAL AGENCY 733	23,933.35	23,429.04
TOTAL OTHER AGENCY LOCAL FUND ROYALTIES FUND	3,550,296.76	4,331,335.03
GAME, FISH, AND WATER SAFETY FUND (FUND 0930/AGENCY 802)		
Receipts from Mineral Sources:		
Oil Royalty	183,917.98	268,559.57
Gas Royalty	1,019,807.49	186,715.87
Mineral Lease Bonus	25,355.92	150,570.44
Mineral Lease Rental	2,732.18	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	79,111.98	0.00
TOTAL GAME, FISH, AND WATER SAFETY FUND	1,310,925.55	605,845.88
WORKFORCE COMMISSION FEDERAL FUND (FUND 5026/AGENCY 320)		
Receipts from Mineral Sources:		
Oil Royalty	101.73	119.43
Gas Royalty	50.75	40.69
Mineral Lease Bonus	6,580.50	0.00
TOTAL WORKFORCE COMMISSION FEDERAL FUND	6,732.98	160.12
TOTAL, ALL FUNDS (Schedule 5)	2,050,187,780.64	1,113,323,103.68

SCHEDULE 5**SUMMARY OF TEXAS GENERAL LAND OFFICE
DEPOSITS TO OTHER AGENCIES - BY SOURCE**

For the Year Ended August 31, 2017

(With comparative memorandum totals for the year ended August 31, 2016)

	TOTALS	
	2017	2016
RECEIPTS FROM MINERAL SOURCES	\$	\$
Oil Royalty	325,466,674.80	218,413,656.09
Gas Royalty	173,614,756.41	123,586,681.04
Mineral Lease Bonus	397,010,241.58	177,292,079.72
Mineral Lease Rental	34,239,598.95	28,277,196.72
Mining Lease Royalty	889,155.27	685,114.32
Mining Lease Rental and Bonus	73,557.45	135,220.58
Water Royalties	0.00	391,547.53
Talc Royalty	38,329.20	219,281.48
Hard Mineral Royalty	14,152.15	4,182.99
Shut-In Mineral Royalty	230,186.18	633,007.72
Prospect Permits	17,480.50	8,741.97
Outer Continental Shelf Judgment	100,640.18	121,983.11
Miscellaneous Rentals, Royalty, and Easements	2,369,898.71	1,674,471.12
TOTAL RECEIPTS FROM MINERAL SOURCES	934,064,671.38	551,443,164.39
RECEIPTS FROM REAL ASSET INVESTMENTS		
Internal Investment Receipts	55,596,974.89	46,642,639.26
External Investment Receipts	887,753,393.44	386,032,217.53
Other Land Sales	7,380,574.00	0.00
TOTAL RECEIPTS FROM REAL ASSET INVESTMENTS	950,730,942.33	432,674,856.79
RECEIPTS FROM STATE ENERGY MARKETING PROGRAM		
SEMP Receipts for Third Party Purchases	104,499,116.71	77,913,822.18
State Power Program	4,339,766.87	4,378,110.77
TOTAL RECEIPTS FROM STATE ENERGY MARKETING PROGRAM	108,838,883.58	82,291,932.95
RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES		
Surface Damage Fees	7,845,772.40	4,122,785.96
Uplands Commercial	2,010,584.96	1,844,002.52
Coastal Commercial	1,538,098.07	1,474,205.96
Coastal S-T Lease Rental	388,549.57	378,201.81
Easements	6,155,751.83	3,749,575.36
Surface Lease Rental	2,934,707.64	3,336,788.44
Rental of Land	428,180.61	847,010.69
Wind Lease Bonus	0.00	5,587.50
Solar Surface Lease Rental or Bonus	16,460.00	114,824.00
TOTAL RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES	21,318,105.08	15,872,982.24
RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS		
Interest	31,635,094.05	19,639,724.25
State of Texas Sales Tax	481.29	474.37
Land Office Administrative Fees	2,512,746.44	2,101,238.22
Miscellaneous	1,086,856.49	9,297,190.52
Specialty License Plates	0.00	1,539.95
TOTAL RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS	35,235,178.27	31,040,167.31
TOTAL, ALL SOURCES (Schedule 4)	2,050,187,780.64	1,113,323,103.68

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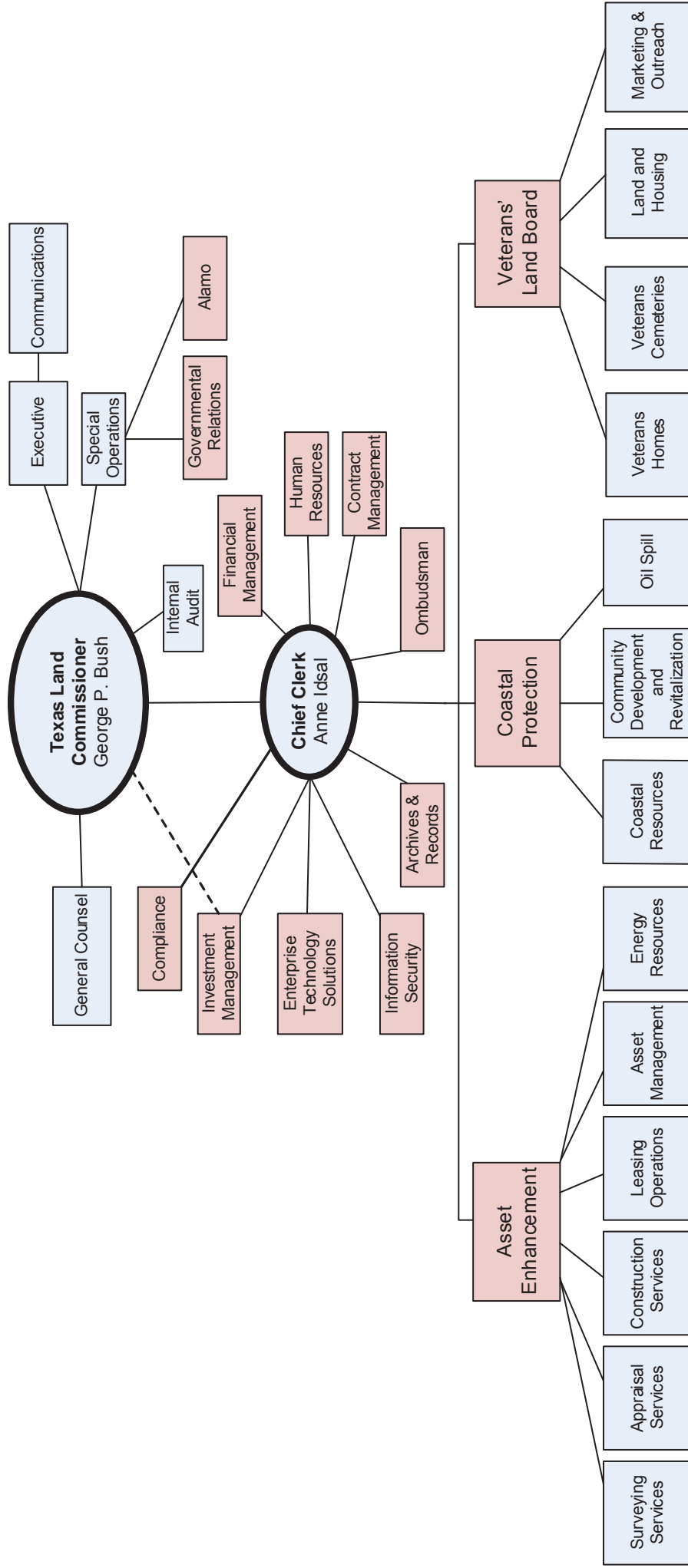
TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

ADDENDUM

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2017



General Land Office and Veterans' Land Board



ADDENDUM

AGENCY AND GENERAL COMMENTS

The Texas General Land Office (GLO) serves as the manager and/or trustee in varying duties and responsibilities of over 18.4 million acres of state-owned land consisting of the following:

Description of Acreage	Number of Acres
Freshwater Rivers (estimated)	1,000,000.000
Rivers, Creeks, Bayous (tidal)	9,274.960
Bays, Inlets, Coves	1,462,168.720
Gulf of Mexico	2,441,568.950
Surveyed School Lands	408,347.730
Lakes	67,934.330
Islands	18,051.840
Relinquishment Act Land (mineral interest)	6,322,123.030
Free Royalty Land	818,719.530
Surface Sold and All or Part Minerals Reserved	399,014.660
Surface Only Acquired	109,201.390
Surface Acquired and All or Part Minerals Acquired	145,997.710
Small Tracts	0.320
Escheated Lands	75.770
Court Judgments	54,083.900
Gifts	19.730
Undivided Interest	207.200
State Real Property Inventory	1,218,977.664
Permanent University Fund	2,108,104.170
Excess (estimated)	1,747,600.000
Veterans' Land Board (land contracts)	157,754.490
Total (estimated)	18,489,226.094

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 commissioner of the Texas General Land Office is a state official elected by the voters of Texas to a four-year term. The Honorable George P. Bush was elected in the November 2014 General Election for a term beginning January 1, 2015 through December 31, 2018.

BOARDS & COMMISSIONS

The Land Commissioner is tasked with serving as a member and Chairman of numerous boards and commissions that are responsible for state lands, coastal resources, veterans benefits, and alternative fuels. A primary responsibility of the land commissioner is to assist in the supervision and management of the public lands of Texas as chairman of the various boards that are responsible for leasing state-owned lands. Two of the more important of these boards, in terms of land area managed and lease revenues collected, are the School Land Board and the Board for Lease of University Lands.

SCHOOL LAND BOARD

The School Land Board includes the land commissioner, who serves as chairman, and two citizen members who are appointed for a two-year term. One member is appointed by the attorney general and the other by the governor. Citizen members received a \$30 per diem allowance and actual travel expenses (not exceeding the maximum meals and lodging rates based on the federal travel regulations issued by the Texas Comptroller of Public Accounts) while in the performance of their official duties during fiscal 2017. Expenses related to citizen members are paid from legislative appropriations granted to the Texas General Land Office. The citizen members serving at August 31, 2017 were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Gilbert Burciaga	Austin	08/29/2017
Michael Scott Rohrman	Dallas	08/31/2019

Lands owned by state agencies and institutions, other than those previously maintained, are leased for mineral development through the School Land Board. Mineral lease sales conducted during the fiscal 2017 by the Texas General Land Office for various state land boards and/or commissions are presented on page 150.

BOARD FOR LEASE OF UNIVERSITY LANDS

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

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, 2017 were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Charles Schwartz	Houston	02/01/2019
Ernest Aliseda	Austin	02/01/2019
Kevin Eltife	Austin	02/01/2019

Mineral Lease Sales

Fiscal Year 2017

Lease Sale Date ⁽¹⁾	Number of Leases Awarded	Total Acres Leased	Total of High Bids Accepted	Average Bonus per Acre
School Land Board				
Surveyed School Land				
<i>Oil and Gas</i>			\$	\$
January 17, 2017 ⁽²⁾	57	13,715.78	81,867,622.19	5,968.86
August 1, 2017	23	8,880.54	41,928,938.95	4,721.44
Total	80	22,596.32	123,796,561.14	5,478.62
Special Boards for Lease				
Texas Department of Criminal Justice				
<i>Oil and Gas</i>			\$	\$
August 1, 2017	2	151.94	24,765.81	163.00
Total	2	151.94	24,765.81	163.00
Texas Workforce Commission				
<i>Oil and Gas</i>			\$	\$
July 19, 2016	1	0.64	6,580.50	10,282.03
Total	1	0.64	6,580.50	10,282.03

⁽¹⁾ No lease sales were held in October 2016 or April 2017

⁽²⁾ Includes RAL Tracts

BOARD FOR LEASE OF THE TEXAS PARKS AND WILDLIFE DEPARTMENT

The land commissioner serves as chairman of the Board for Lease of the Texas Parks and Wildlife Department. The Board for Lease of the Texas Parks and Wildlife Department consists of the land commissioner, the chairman of the Texas Parks and Wildlife Commission, and one citizen member appointed by the governor, with concurrence of the Senate, for a two-year term. The members of the Board at August 31, 2017 were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
T. Dan Friedkin	Houston	02/01/2017 ⁽¹⁾
<i>Chairman, Texas Parks and Wildlife Commission</i>		
Clifton E. "Cliff" Bickerstaff	Amarillo	09/01/2017

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

BOARD FOR LEASE OF TEXAS DEPARTMENT OF CRIMINAL JUSTICE

The Board for Lease of Texas Department of Criminal Justice consists of the land commissioner, as chairman, the chairman of the Texas Board of Criminal Justice, and one citizen member appointed by the governor, with concurrence of the Senate, for a two-year term. The members of the Board at August 31, 2017 were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Dale Wainwright	Austin	02/01/2021
<i>Chairman, Texas Board of Criminal Justice</i>		
Erin E. Lunceford	Houston	09/01/2017

VETERANS' LAND BOARD

The Veterans' Land Board was created by constitutional amendment in 1946 to oversee the Veterans' Land Program. The land commissioner, who serves as chairman, along with two citizens appointed by the governor comprise the membership of this board. Citizen members are appointed to four-year terms, with one term expiring every even-numbered year. Citizen members were eligible to receive actual travel expenses while in the performance of their official duties during fiscal 2017.

The citizen members serving on this board at August 31, 2017 were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Andrew J. Cobos	Houston	12/29/2018
Grant Austin Moody	San Antonio	12/29/2020

Data applicable to land, housing and home improvement loan program activities of the Veterans' Land Board are presented on page 151.

ALTERNATIVE FUELS COUNCIL

The land commissioner, the three commissioners of the Railroad Commission of Texas, the chairman of the Texas Building and Procurement Commission and the chairman of the Texas Commission on Environmental Quality are members of the Alternative Fuels Council. The Alternative Fuels Council was created by Tex. Nat. Res. Code, Ch. 113, Subchapter J. The council is charged with coordinating a comprehensive program for state agencies in support of the use of environmentally

beneficial alternative fuels. The council administers the alternative fuels programs to support and encourage the use of alternative fuels. Legal issues primarily relate to whether and how state or federal laws or regulations apply to council activities or grants.

TEXAS BOARD OF PROFESSIONAL LAND SURVEYING

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

LEGISLATIVE REDISTRICTING BOARD OF TEXAS

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

COASTAL LAND ADVISORY BOARD

Established in 2006 by Governor Rick Perry, the Coastal Land Advisory Board provides recommendations to the Governor on the best use of state funds in the Texas Coastal Impact Assistance Program (CIAP). The Board is also responsible for preparing the Texas CIAP Plan and any amendments to the plan, which the Governor submits to the U.S. Fish and Wildlife Service. The Governor designated the Texas General Land Office as the administrative agency for CIAP. The Land Commissioner serves as Chairman of the Board and includes two members of the Coastal Advisory Committee. The board members at August 31, 2017 were:

Member

Toby Baker

Texas Commission on Environmental Quality

Barry T. Smitherman

COASTAL COORDINATION ADVISORY COMMITTEE

The 82nd legislature passed and the Governor signed into law a bill implementing the transfer of duties from the Coastal Coordination Council to the Land Commissioner. The bill also required the Land Commissioner to establish a Coastal Coordination Advisory Committee (CCAC) by January 1, 2012. The Advisory Committee is comprised of representatives appointed by the eight state natural resource agencies and from public members appointed by the Land Commissioner. The terms of office for the CCAC members will align with the Coastal Zone Management Act (CZMA) Section 309 five-year assessment of the Coastal Management Program (CMP). The members of the CCAC at August 31, 2017 were:

<u>Member</u>	<u>Term Expires</u>
Commissioner Dude Payne	2015 ⁽¹⁾
<i>Local Elected Official Appointee</i>	
Jerry Mohn	2015 ⁽¹⁾
<i>Local Business Appointee</i>	
George Deshotels	2015 ⁽¹⁾
<i>Local Resident Appointee</i>	
Vacant	
<i>Local Agricultural Grantee</i>	
Brian Koch	2015 ⁽¹⁾
<i>Texas State Soil and Water Conservation Board</i>	
Leslie Savage	2020
<i>Railroad Commission of Texas</i>	
Carla Guthrie	2020
<i>Texas Water Development Board</i>	
Pamela Plotkin	2020
<i>Texas Sea Grant College Program</i>	
Ross Melinchuk	2020
<i>Texas Parks and Wildlife Commission</i>	
Jodi Bechtel	2020
<i>Texas Transportation Commission</i>	
Stephen Tatum	2020
<i>Texas Commission on Environmental Quality</i>	

(1) Member will serve until a replacement is appointed.

TEXAS STATE VETERANS CEMETERY COMMITTEE

Established in 1991 by the 72nd Texas Legislature, the Texas State Veterans Cemetery Committee is responsible for the creation of guidelines to determine the location and size of veterans' cemeteries, and the eligibility for burial in a veterans' cemetery. The committee is composed of six members. The three-member board of the VLB is joined by the Chairman of the Texas Veterans Commission (TVC) and two representatives of the veterans' community, with the Land Commissioner serving as Chairman. The committee members at August 31, 2017 were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Eliseo (Al) Cantu	Corpus Christi	December 2019
Andrew J. Cobos	Houston	December 2018
Grant Austin Moody	San Antonio	December 2020

NATURAL RESOURCE DAMAGE RESTORATION TRUST FUND

The Texas General Land Office is a trustee for natural resources under the Comprehensive Environmental Response, Compensation, and Liability Act, 42 USC §9607(f) and the Oil Pollution Act of 1990, 33 USC §2706(f). This designation authorizes the Texas General Land Office to assess damages for injuries to natural resources resulting from any spilling, leaking, dumping, leaching, or other disposal of oil and hazardous substances. Natural resource trustees are statutorily required to keep money collected as damages in separate accounts to be used only for the restoration of the injured natural resources. In some instances, administrative funding agreements are executed at the initiation of a natural resource damage assessment, and accounts are established that also allow the remuneration of administrative costs. The majority of the accounts have been set up for this purpose. The Texas General Land Office, together with two other state natural resource trustees – the Texas Parks and Wildlife Department and the Texas Commission on Environmental Quality – created a Natural Resource Damage Restoration Trust Fund in the State Treasury Safekeeping Trust Company to ensure that the funds are used only for designated purposes as required by federal law. Each account bears interest and is subject to minimal management fees. All three state trustee agencies must authorize the establishment of an individual account and approve any expenditure.

ORGANIZATIONAL HIGHLIGHTS AND PROGRAM AREA DESCRIPTIONS

The land commissioner, together with the deputy land commissioner and chief clerk, the general counsel, the ombudsman, the agency directors, 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.

Alamo

The General Land Office is responsible for the preservation, maintenance, and restoration of the Alamo Complex and its contents. GLO is responsible for the protection of the historical and architectural integrity of the exterior, interior, and grounds of the Alamo Complex. GLO is committed to turning the Shrine of Texas History into a world class destination worthy of the memory of the brave Texans who paid the ultimate price for the freedom of Texas. GLO has entered into a historic agreement with the Alamo Endowment and the City of San Antonio to create a Master Plan to develop the future of the Alamo. GLO provided a report on the Alamo Master Plan and comprehensive needs assessment to the legislature during the 85th Regular Session in 2017. GLO contracted with Alamo Complex Management to provide the daily oversight, operation and management of the Alamo.

Archives and Records

The Archives and Records program area is responsible for the permanent records (archives) of the Texas General Land Office, including the agency's map collection, the agency records management program, the Office of Veterans Records, and providing document scanning services for the agency. The program also preserves and provides access to the original land grants and land patent records issued by the various governments of Texas: the Crown of Spain, the Republic of Mexico, the Republic of Texas, and the State of Texas. The program also manages records of mineral lease files and files pertaining to the management of state-owned lands, with the Office of Veterans Records providing file storage and tracking of veterans' loan records.

In compliance with legislative and Texas State Library and Archives Commission requirements, Archives and Records administer the agency's records retention schedule to ensure access to the records of the various departments within GLO and publications produced by the GLO. Other duties include processing permanent correspondence for filming and indexing; preserving records and other materials documenting the history of the Texas General Land Office and Texas public lands; and assisting customers doing genealogical, historical, mineral and land title, and other types of research.

The program also provides high-quality copies and reproductions of documents and maps to customers, both internal and external. Document reproduction charges are used to conserve the 36 million documents and 45,000 maps, sketches and drawings housed at the GLO. The program's outreach efforts include an annual history symposium, several publications, an online blog, 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 operates a program entitled *Save Texas History!* that leverages private funding in the form of corporate, non-profit and individual donations, and 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 has 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 STAAR elements and utilize many archival documents and maps available at the GLO, as well as increased online access to these resources.

During the past year, Archives and Records, in collaboration with the Houston Museum of Natural Science (HSMN) in Houston and the Bob Bullock Texas State History Museum in Austin, created two temporary map exhibits. *Mapping Texas: From Frontier to Lone Star State*, held at the HSMN, highlighted 40 maps and documents from the Archives of the Texas General Land Office,

the Witte Museum and from private collectors Frank and Carol Holcomb; *Mapping Texas: Collections from the General Land Office*, at the Bullock Museum, featured Texas County Maps by Eltea Armstrong, the most prolific draftsman of the 20th century at the General Land Office. These exhibits utilized documents and maps from the GLO Archives, augmented with items from the Witte Museum and other loaning institutions and collectors.

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 the 16th century, 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 through less use. 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 Enhancement

The Asset Enhancement program area consists of the following divisions: Asset Management, Appraisal Services, Construction Services, Energy Resources, Leasing Operations, and Surveying Services.

ASSET MANAGEMENT

The Asset Management program area is comprised of three divisions: Portfolio Management, Inventory and Sovereign Disposition Management, and Commercial Leasing.

Portfolio Management, under the direction and oversight of the School Land Board, acquires real property for the purposes of value appreciation and ongoing revenue production through lease revenues for the Permanent School Fund (PSF). This area identifies potential targets for both acquisition and disposition of investment properties, performs due diligence on the properties, develops and executes asset management and disposition plans, and negotiates the terms of the transaction.

Inventory and Sovereign 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. Relating to this activity, the area maintains an inventory of other agency land holdings. Also within this activity, the agency conducts a continuous effort to dispose of unsold rural lands dedicated to the Permanent School Fund by sealed bid and direct sale.

Archeological evaluations of proposed land for sale in accordance with the Texas Antiquities Code are either performed by contract personnel or are routed to the Texas Historical Commission for comprehensive review prior to the sale.

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.

APPRAISAL SERVICES

The Appraisal Division's primary function is to provide property values, market studies and feasibility analysis to the Asset Enhancement 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. This service incorporates a highest and best use analysis that addresses property utilization in the most economical way.

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 4,909 reports on properties having a total market value of over \$832 million.

CONSTRUCTION SERVICES

The Construction Services Division is responsible for managing all construction projects for the agency, planning and maintenance for nine (9) 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.

ENERGY RESOURCES

Energy Resources is responsible for five broad functions related to state-owned minerals: leasing mineral lands; monitoring and processing royalties and lease payments; reviewing information from companies that produce the minerals from state-owned

lands to ensure proper prices and volumes have been reported; marketing natural 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 seven sections: Minerals & Royalty State Energy Marketing, Minerals Audit, Minerals Review, Energy Inspections, Energy Geoscience and Water Resources.

The Minerals & Royalty section issues geophysical 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.

During fiscal 2017, the General Land Office received over \$386 million in oil and gas lease bonus revenue for the PSF, more than twice the previous fiscal year. Over \$34 million in delay rentals were also deposited in fiscal 2017. 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 in recent years, much of this revenue was derived from leasing acreage in the developing Wolfcamp/Bone Spring (Wolfbone) play area in West Texas. A new play, which includes a significant amount of PSF land, in West Texas but targeting the Woodford and Barnett Shale formations, is currently being developed in Southern Reeves County.

The State Energy Marketing Program (SEMP) markets and 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 electricity and 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 or to customers. Much of the state lands managed and administered by the Texas General Land Office in certain areas are rich in oil and gas.

The State Power Program was authorized with the passage of Senate Bill 7, and was effective September 1, 1999 when the electric utility market in Texas was restructured

The Minerals Audit Section conducts field audits to determine if oil and natural gas royalties have been properly paid. The Minerals Review Section performs account volume reconciliations to assess the accuracy of the royalty computations and payments being reported to the agency.

The Energy Inspection Section physically inspects oil and gas activity on PSF land to monitor production facilities and ensure proper metering of oil and natural gas production on state-owned minerals. The Energy Geoscience Section reviews oil and natural gas commingling issues and offset obligations; performs engineering and geological reviews and issues hard mineral leases and prospect permits.

The Water Resources Section leases PSF lands to generate revenue to the state. If the project is developed, the state collects royalty payments based on the amount of water sold from the facility. In fiscal 2017, Solaris Midstream leased PSF property in West Texas and drilled two supply wells for hydraulic fracturing.

LEASING OPERATIONS

Uplands Leasing has responsibility for 663,946.28 acres of Permanent School Fund land located throughout 140 counties in Texas. The division has four areas of emphasis consisting of surface leasing, right-of-way easements, technical support and a field office located in Alpine, Texas.

Staff members are in Austin and the Alpine Field Office. Leasing Operations staff issues surface leases for grazing, hunting, crop production, recreation, timber management, and some commercial purposes. Currently there are 221 active upland surface leases and 97 Special Documents authorizing a variety of uses on 606,568.38 acres of Permanent School Fund land. The Uplands range specialists completed 235 inspections in fiscal 2017.

Leasing Operations is responsible for the overall management of activities involving the use of state-owned 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 upland property, and negotiates and issues instruments of authorization for the use of state-owned land. Leasing Operations 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 Right of Way team issues easements on both coastal submerged lands and state-owned uplands for projects which require a right-of-way on, across, under, or over state-owned lands, pursuant to Texas Natural Resource Code (TNRC) §51.291. These easement contracts cover activities, such as oil and gas pipelines, subsurface easements, water lines, power lines, communication lines, roads, and certain other structures and uses, for the purposes specified in the contract. Currently there are 3,797 active easements on submerged and upland state-owned lands.

This division also leases PSF lands to 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.

SURVEYING SERVICES

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 daily.

The primary focus of Surveying is to define the boundaries of Permanent School Fund lands, county boundaries, and occasionally, the boundaries of the state. These boundaries include, but are not limited to, the boundaries of approximately 687,000 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.

The licensed professional staff routinely provides consultations and advice for a wide range of surveying related issues facing the General Land Office. The lands of the Permanent School Fund, managed by the GLO face many contests and challenges. Surveying staff provides knowledge of the historic and current laws and practices affecting the boundaries of Permanent School Fund lands and assists in the decision-making processes at all administration levels of the agency.

The Surveying staff is instrumental in addressing boundary questions regarding 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.

Coastal Protection

The Coastal Protection program area consists of the Coastal Resources division, the Disaster Recovery division, and the Oil Spill division.

COASTAL RESOURCES

Coastal Resources, a division of Coastal Protection, is responsible for a number of initiatives designed to foster sound stewardship of natural resources and to promote economic growth along the Texas coast. Coastal Resources is comprised of Grant Programs, the Coastal Erosion Planning and Response Act Program, Natural Resource Damage Assessment (NRDA), Texas Beach Watch, Texas Coastal Ocean Observation Network, Adopt-A-Beach, the Upper and Lower Coast Field Offices, and the Beach Access and Dune Protection Program.

Grant Programs administers the Coastal Impact Assistance Program (CIAP). The Energy Policy Act of 2005 authorized \$250 million in CIAP funding to be divided annually among the coastal states of Alabama, Alaska, California, Louisiana, Mississippi, and Texas for fiscal years 2007 through 2010. On April 16, 2007, the Minerals Management Service (now known as the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE)) released individual CIAP allocation amounts for fiscal years 2007 and 2008. The State of Texas received \$48,591,202.09 for each fiscal year 2007 and 2008. As administer of the State funding, the Texas General Land Office (GLO) was awarded \$31,584,281.36 of this amount, and the 18 coastal counties were awarded a collective total of \$17,006,920.73. For fiscal years 2009 and 2010, the State of Texas received \$70,924,780.81. Of that amount, the GLO was awarded \$46,101,107.53 and the 18 coastal counties were awarded a collective total of \$24,823,673.

Grant Programs also oversees the Coastal Preserve program, the conservation of designated state-owned, environmentally sensitive estuarine areas on the Texas coast. This program also manages a database on resource management codes available to potential users of coastal public land as guidance for development.

Grant Programs administers the Coastal Erosion Planning and Response Act (CEPRA) Program was created in the 76th Texas Legislature. This program represents the first coastal erosion program in Texas and entails a coordinated effort of state, federal, and local entities to conduct erosion response projects and related studies for the 367 miles of Texas Gulf beaches and the more than 3,300 miles of bay shoreline. Texas beaches suffer from the highest erosion rates in the country. The Texas Legislature has appropriated approximately \$187.7 million for

the CEPRA program through fiscal 2017. 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 \$414.8 million. Erosion response projects include beach nourishment, dune restoration, shoreline protection, marsh restoration, structure and debris removal, demonstration projects and supporting studies on shoreline change, sand source permitting, and economic/natural resource benefits.

Grant Programs administers the Texas Coastal Management Program (CMP), which was approved by the National Oceanic and Atmospheric Administration (NOAA) in January 1997. The program is designed to coordinate the stewardship of Texas' abundant coastal resources. Through the CMP and its Coastal Coordination Advisory Committee, the program has established a set of goals and policies for the management of coastal natural resources. The CMP goals and policies are implemented through the consistency review of federal agency permitting, the review of federal agency activities and funding decisions, and the review of certain listed state agency actions. The program also implements the CMP goals and policies through the coordination of state agency activities, and through funding under the CMP grant program, of local projects to preserve, protect, enhance, or restore coastal natural resources.

In the 22nd cycle of the Coastal Management Program (CMP) grants program, the Texas General Land Office (GLO) was awarded approximately \$2.52 million to administer the CMP program and provide grant funding to eligible sub-recipients for authorized CMP projects along the coast. As program administrator for the State of Texas, the GLO is updating Chapters 501, 504, and 505 in Title 31 of the Texas Administrative Code to comply with changes to the Coastal Coordination Act, enacted through Senate Bill 656 under the 82nd Texas Legislature. The proposed rules reflect the abolishment of the Coastal Coordination Council, the transfer of the Council's functions to the GLO and the Land Commissioner, and the creation of the Coastal Coordination Advisory Committee by rule.

Coastal Resources also houses the hazard mitigation program that works with the Texas Division of Emergency Management's State Hazard Mitigation Team to implement state and federal coastal hazard mitigation efforts, including Federal Emergency Management Agency (FEMA) grants.

The Tide Gauge Program began in 1989 at Texas A&M University-Corpus Christi. The first measurement systems installed were intended to provide real-time water-level and meteorological information to the City of Corpus Christi to assist local officials with preparations for incoming hurricanes and tropical storms. From this initial work, other state agencies, including the Texas General Land Office and the Texas Water Development Board, began contracting with Texas A&M University-Corpus Christi to provide similar information for other areas along the Texas coast. Following a Texas Legislative mandate in 1991, this network of

water level gauges became the Texas Coastal Ocean Observation Network (TCOON). As a result, TCOON expanded from initially three stations in Corpus Christi in 1989 to over 40 stations by 1992, currently there are 34 operating stations along the coast.

Coastal Resources administers the Texas Beach Watch program. The Beaches Environmental Assessment and Coastal Health (BEACH) Act was passed by Congress in 2000 to protect public health in coastal recreational waters. The Beach Act requires that states, in cooperation with EPA, develop and implement a program to monitor coastal recreation waters adjacent to beaches used by the public and to notify the public if water quality standards for pathogens and pathogen indicators are exceeded. In July 2001, the Office of the Governor appointed the Texas General Land Office as the lead state agency responsible for implementing the provisions of the BEACH Act because of its existing Beach Watch Program, which started in the late 1990s as a water-quality monitoring program funded by the Coastal Management Program. To date, the Texas Beach Watch Program has been awarded \$6.8 million in federal EPA funding to implement the program and meet the requirements of the BEACH Act.

The Texas Beach Watch Program works with local governments to issue advisories, warning the public not to swim in affected waters. Water samples are collected from 164 stations at 62 recreational beaches along the Texas coast in Aransas, Brazoria, Cameron, Galveston, Harris, Jefferson, Matagorda, Nueces, and San Patricio counties. Water samples are collected weekly during the peak beach season, which runs from May through September, and every two weeks during the rest of the year. The one exception occurs in March when weekly sampling is conducted to coincide with spring break at Texas Beach Watch monitored gulf beaches.

The Beach Access and Dune Protection Program, fosters sound stewardship of coastal natural resources. The program assists local governments and coastal property owners in managing the Texas coast so that both the private landowners' interests and the public's right of access, and use of, the public beaches are protected.

The Beach Maintenance Reimbursement Fund provides partial reimbursements to eligible coastal communities for expenses incurred in maintaining clean, safe and healthy beaches. The Beach User Fee program allows for local governments to collect fees in exchange for providing services to beach users in general.

The Texas Adopt-A-Beach Program is an all-volunteer effort started by the Texas General Land Office (GLO) in 1986 to rid the state's publicly owned beaches of trash and raise public awareness of the problems associated with marine debris. Twice each year - in the fall and spring, volunteers check in at sites along the coast to pick up trash. Two annual regional winter

cleanups also take place in mid-February at South Padre Island and the Coastal Bend.

The Adopt-A-Beach Program also administers the Beach Adopter Program, which invites interested individuals and volunteer groups to adopt a section of beach in their local community. Each adopter agrees to clean their stretch of beach at least three times a year for a two-year commitment.

The success of the program, both as a beach cleanup effort and as an educational and public awareness campaign, has won it national recognition and has prompted the development of similar programs in all 55 U.S. states and territories and more than 100 foreign countries. Since the program began, more than 517,000 volunteers have removed 9,500 tons of trash from Texas beaches.

The Coastal Resources division directs the preparation of required program reports, studies, performance measures and plans, such as Legislative Budget Board reports, legislative reports, NOAA reports and other reports to educate the public about the success of Coastal Resources programs. The division is also responsible for the management of records for the Coastal Resources division. This involves ensuring all files are scanned and complete for proper storage, retention and for future use.

The Upper and Lower Coast Field Offices work directly with Commercial Leasing, and together, during fiscal 2017, managed over 8,900 coastal instruments. The Upper Coast Field Office is located in La Porte, Texas, and is geographically responsible for all activities north of the 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 1,631 inspections in fiscal 2017 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 GLO is one of the three Texas state agencies designated by the governor as natural resources trustees under The Oil Pollution Act of 1990, 33 U.S.C. 2701-2720 (OPA), Comprehensive Environmental Response Compensation, and Liability Act, 42 U.S.C. 9622 (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 caused by the responsible party's release of oil or hazardous substances into the environment. Before and during an active spill or release, the trustees identify and prioritize natural resources at risk to help ensure their protection during the emergency response. Trustees provide technical assistance to responders, including information on appropriate response techniques in environmentally sensitive areas and techniques of wildlife recovery and rehabilitation.

Following a spill or release, there are three main components to the NRDA process:

- **Pre-assessment:** Trustees determine whether injury to natural resources has occurred. This work includes collecting time sensitive data, reviewing scientific literature about the type of oil spilled or the hazardous substances released, and determining the types of injuries that may have occurred.
- **Injury Assessment and Planning:** Trustees perform scientific and economic studies to assess and quantify the injuries and the loss of natural resource services. Trustees develop a restoration plan to identify restoration projects that will offset the injury.
- **Restoration:** Trustees work with the Responsible Party (RP) and the public to select and implement restoration projects. Examples of restoration include acquiring land and protecting its natural state, improving fishing access sites, and restoring lost habitat. The RP pays the full cost of the response, assessment, and restoration.

Trustees encourage the responsible parties to work cooperatively and jointly with them throughout the pre-assessment, assessment and planning, and restoration phases of the NRDA process. This reduces assessment costs and increases restoration value.

Since the NRDA program's inception, natural resource restoration projects valued at more than \$75 million have been implemented or are planned on behalf of the public as a result of NRDA settlements for the restoration of injured natural resources.

Deepwater Horizon Spill Civil Penalties. In addition to other active cases, the GLO's NRDA staff has been working with state and federal trustees since 2010 on the biggest NRDA case in

history – the Deepwater Horizon oil spill (DWH). On April 4, 2015, the federal court approved the settlement with BP and entered a consent decree resolving the civil claims associated with the spill for more than \$20 billion. The settlement includes claims under the Clean Water Act, Natural Resource Damages under Oil Pollution Act, and economic damages sought by the impacted states, including Texas.

The trustees are currently implementing seven projects in Texas to compensate for lost recreational use of natural resources, injury to sea turtles, and injury to birds. The recreational projects include three offshore artificial reefs and two redevelopment projects for coastal State Parks at a cost of about \$18 million. The compensation of injury to birds includes the construction and restoration of four rookery islands at a cost of about \$20 million. In addition, to compensate for the injury to sea turtles, the trustees will implement projects that will enhance sea turtle nesting patrols, the rescue and salvage network, and enforcement of Turtle Exclusion Device requirements to reduce by-catch of sea turtles in Texas. The sea turtle restoration projects will cost over \$15 million to implement in Texas. The DWH NRDA process will continue until the damages are decided by a federal court, or until BP reaches a settlement agreement with the trustees.

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 Greg Abbott has designated Toby Baker, Commissioner of Texas Commission on Environmental Quality, as the Texas representative on the Council.

Thirty percent of the Trust Fund will be administered by the Gulf Coast Ecosystem Restoration Council, awarded as grants under the Comprehensive Plan for projects that protect and restore the Gulf Coast ecosystem (Bucket 2). Thirty percent of the Trust Fund will be allocated to the Gulf Coast States under a formula

described in the RESTORE Act and spent according to Council-approved individual State Expenditure Plans (Bucket 3). Thirty-five percent of the RESTORE Act funds will be allocated in equal shares to each Gulf Coast state to be spent for any eligible purpose under the RESTORE Act and the state's multi-year Implementation Plan (Bucket 1). The remaining five percent will be split equally between two programs created by the Act: The Gulf Coast Ecosystem Restoration Science Program and the Centers for Excellence Research Grants Program. The Trust Fund received \$800 million from the Transocean, \$128 million from Andarko, and \$4.4 billion from BP settlements. Plans are currently underway to distribute the funding over 15 years. The council recently released a draft of initial Funding Priorities for Bucket 2 which includes several projects in Texas. The GLO was awarded \$968,000 and will implement the Texas Beneficial Use/Marsh Restoration Project that will fund engineering and design to facilitate the beneficial use of dredge material for marsh restoration on the Upper Coast of Texas. GLO staff will continue to work with Commissioner Baker to select projects and implement the RESTORE Act in Texas.

Deepwater Horizon Spill Criminal Penalties. The U.S. Department of Justice entered into criminal plea bargain agreements with two of the DWH RPs, BP and Transocean. A third RP, Halliburton, has negotiated a criminal plea agreement with the Justice Department, which is still being reviewed by the federal court. BP agreed to pay \$2.35 billion and Transocean agreed to pay \$150 million in criminal penalties. The National Fish and Wildlife Foundation (NFWF), a non-governmental grant making organization, was charged with the distribution and spending of the criminal fines through grants within each of the five affected Gulf states. NFWF has set up the Gulf Environmental Benefit Fund (GEBF) to receive the criminal penalties and provide grant funding for the states.

Under the terms of the BP and Transocean plea agreements, Texas will receive around \$203 million over five years. NFWF is consulting extensively with NRDA staff at GLO, TPWD, and TCEQ to develop projects for possible funding. To date, NFWF has awarded over \$70.4 million to fund 22 projects in Texas. From the \$70.4 million the GLO was awarded, over \$6.6 million is for three projects which include marsh restoration and breakwaters in Galveston Island State Park and an erosion protection project for Virginia Point Prairie Preserve. NFWF is currently working with the NRDA staff from GLO, TPWD and TCEQ on requests to fund an additional \$15 million in coastal restoration projects in Texas.

COMMUNITY DEVELOPMENT AND REVITALIZATION

The Community Development and Revitalization (CDR) program manages all aspects of Community Development Block Grants for Disaster Recovery (CDBG-DR) received from the United States Department of Housing and Urban Development (HUD) as a result of hurricanes, wildfires, floods and other national disaster declarations. 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 consists of four divisions: Program Development & Contract Services, Program Oversight, Finance, and Quality Assurance & Process improvement. The program also has a separate team dedicated to environmental review and program integration, as well as legal support that reviews Federal and State guidelines to ensure compliance. These functions report directly to the program Staff Director.

The Program Development and Contract Services division is comprised of two departments. Program Development manages the business operations of the program and serves as the liaison for public, governmental, and internal customers. This includes the creation of all program reports for the GLO Commissioner, GLO executives, the Governor's office, Legislators and other external parties. They also do long-term planning and oversee the development and maintenance of the policies and procedures of the program while also conducting work on special projects and operations. Contracts Services manages and monitors all contract processes and procedures while also ensuring that contracts comply with Federal and State laws.

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 CDBG-DR grants while serving the customer and citizens of Texas. Their work includes project management support, programmatic technical assistance, oversight, and monitoring of all aspects of grant management from grantee application, to implementation, and all the way to closeout. Program Services responsibilities include management of construction and inspections, Section 3 compliance, and Fair Housing Activity Statement program compliance.

The Finance division oversees Accounting and Contracts Administration. It's the main function of the Finance division to carry out the accounts payable, operational budget planning, and financial reporting tasks of the program.

The Quality Assurance & Process Improvement division is responsible for conducting audits of CDBG-DR grantees while also ensuring that all parties comply with CDBG-DR guidelines. They are also responsible for identifying programmatic areas where process improvements can enhance the business process of the CDR program. The process, reports, and improvements group facilitates and supports CDR's information technology projects and handles HUD DRGR reporting.

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 authorizes 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 equipment is maintained by field personnel in a ready condition and is available to supplement spill contractor and industry-owned equipment, as well as for emergency response in the event of a natural disaster.

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 575 facilities currently 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 3,500 company accounts representing over 26,000 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 daily patrolling for discharges, and monitoring the loading and offloading of petroleum products at refineries. Oil Spill's Small Spill Education Program provides information to vessel owners and operators about the environmental damage caused by small chronic spills, and to provide practical prevention measures. The Small Spill Education Program supports *Operation Scupper Plug* to furnish fuel docks and fishermen with sorbent materials to prevent the accidental discharge of diesel and gasoline during fueling operations.

The Oil Spill program supports fixed and portable bilge reclamation facilities for public use. Located in Aransas Pass, Brownsville, Corpus Christi, Fulton, Palacios, Port Aransas, Port

Isabel, Port Mansfield, Rockport and Seadrift, the bilge 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 oil is then recycled. More than 85,600 gallons of contaminated water were cleaned in fiscal 2017.

To promote a safer, cleaner marine environment, the Oil Spill Program supports two vessel removal initiatives to rid the coast of pollution, fuel and navigational hazards. The Derelict Vessel Removal Program (DVR) documents, determines ownership and removes derelict vessels for salvage and destruction as funding resources are available. Since 2005, the DVR program has documented 1,157 derelict vessels coast-wide, and assisted with removal of 960 vessels. Although the number fluctuates as vessels are added and removed, currently, 194 vessels remain.

The Oil Spill Vessel Turn-In Program (VTIP) eliminates potential pollution sources from Texas coastal areas by providing public opportunities to relinquish derelict vessels at no cost. The VTIP initiative creates partnerships with other public entities for fuel removal, salvage and destruction of derelict vessels and, to date, has facilitated the removal of 343 boats totaling 5,861 linear feet. Based on an estimated removal cost of \$250 per linear foot, eight GLO-sponsored VTIP events have saved taxpayers more than 1.46 million dollars.

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.

Office of Compliance

The Office of Compliance is responsible for working with agency staff to ensure the GLO has policies and procedures in place that comply with state and federal statutes, rules, regulations and policies. Following is overview of the divisions responsibilities:

- Conflict checks. Conduct conflict checks on donated gifts, donated travel, potential donors for special campaigns, vendors, potential vendors, outside employment, and other potential conflicts.
- Contract reporting requirements. Work with Procurement and Contracts Management to develop and implement procedures that ensure the GLO is meeting the contract reporting requirements per state statutes.
- Ethics policy development and training. Develop and disseminate ethics statements, policies, training, and any necessary forms related to GLO, SLB or VLB ethics policies. Provide guidance to staff related to agency ethics policies.
- Procurements and Grants Review Committee. Coordinate and facilitate the Procurements and Grants Review Committee Meetings. The purpose of this committee is to examine proposed procurements, projects, contracts, and grants to determine whether they are in the best interest of the GLO.
- Compliance with contract rules. Work with GLO's Contract Management Division to develop and inventory of all contracting rules applicable to the GLO, including any relevant procurement rules. Assist with the development of policies, procedures, and guides related to contract management. Work with agency staff to ensure those responsible for project management, contract management, and procurement understand their responsibilities and are accurately and timely meeting those responsibilities.
- Compliance with audit responses. Follow up with Internal Audit and the audited division to ensure the divisions are adequately implementing corrective actions. Provide assistance as needed to divisions regarding corrective action implementation.
- Compliance with new legislation. Work with Governmental Relations to ensure any necessary changes to agency policies and procedures are implemented in compliance with any new legislative requirements.
- Compliance with agency reporting requirements. Maintain the GLO's list of reports that are required by state or federal statute, rule, or policy. Track the submission status of the reports and send reminders to applicable GLO staff of upcoming due dates.
- Special projects. Work with programs and divisions to implement solutions to policies, procedures, or processes that incorporate best practices and ensure compliance

with state and federal statutes, rules, regulations, and policies.

Contract Management Division

To streamline efficiencies and to ensure consistency, the GLO consolidated contract management responsibilities for commodities and services into a single division – the Contract Management Division (CMD) – in the spring of 2016. The goal was and continues to be, compliance with the State of Texas Contract Management Guide and to ensure compliance with all statutes, rules, and policies related to contract development and management. In the fall of 2017, contract managers from the Community Development and Revitalization division of the GLO joined CMD, to ensure a consistent methodology of contract management.

Today, the division consists of six contract managers, two contract specialists (drafters), a manager, and a Director. Together the team manages over 3,000 active contracts or work orders.

Enterprise Technology Solutions

Enterprise Technology Solutions (ETS) is responsible for all aspects of information technology strategic planning and operations for the GLO. The program supports the GLO by providing tools and services that enhance and harmonize the people, processes, and technologies that drive agency business. ETS serves the agency in three primary roles:

- **Technology Consultant** - ETS understands the mission, goals, and priorities of each agency program so that we can offer options and advice regarding technology and process changes that support and improve mission performance.
- **Guardian** - ETS establishes policies and procedures regarding the purchase, implementation, and use of technology resources in accordance with Legislation, Administrative Code, and Agency Rules.
- **Service Provider** - ETS provides computing devices, data center services, and other key technology hardware and software services when and where they are needed.

ETS Divisions and Teams include:

Strategic Technology Services consists of the Technology Project Portfolio Management Office (PPMO), Technology Training, and Business Services. Business Services handles all technology related purchases for the agency, oversight of the ETS budget, legislative reporting, software inventory and licensing agreements, operational activities that serve as audit points throughout several agency processes, and ETS administrative support.

Technology Integration Services (TIS) is responsible for planning, designing, managing and securing the agency data communications network, servers, personal computers, and peripherals. Major activities of TIS include providing tier 1 - 3 technical support, design and administration of the network, servers, and databases, maintaining internet, intranet and regional connectivity, administering the electronic communication system, and ensuring system fault tolerance and business continuity.

Applications Development builds software solutions that enable the agency's customers and staff members to be efficient and effective by automating manual processes, providing modern tools that deliver new capabilities, and enabling automated systems to communicate behind-the-scenes.

Technology Analysis Services (TAS) houses the agency's software quality assurance and business analysis capabilities. Business Analysts (BAs) in TAS serve as technology consultants for the agency's business units. The BAs drive innovation and automation efforts by understanding agency business goals and processes and recommending strategic and tactical technology solutions that deliver improved performance for the agency's missions.

Geographic Information Systems (GIS) provides geospatial tools, data and analyses to GLO staff, other government entities, and the public. The GIS team researches and develops geospatial data, maintains and administers all GIS data layers for the agency, creates custom hardcopy and digital map products, and develops, manages, and administers GIS databases, applications and servers.

Office of Information Security

Office of Information Security (OIS) is focused on the identification, management, and mitigation of information security risks and vulnerabilities within the GLO enterprise. The Office covers but is not limited to: privacy, compliance, information assurance, policy and standards security awareness, threat management, risk management, and incident management.

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, Revenue Administration, Support Services, and Procurement and Historically Underutilized Business program coordination.

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.

The Budget & Planning division prepares and maintains the agency's operating budget and FTEs, employee leave and payroll, strategic plan, performance measures, fiscal notes, and legislative appropriation requests. The division also responds to inquiries from the Legislative Budget Board (LBB), Office of the Governor, Comptroller of Public Accounts and other entities.

The Cash Management division manages the receipt and disbursement of cash by accurately and timely recording cash related transactions to the agency's accounting and procurement systems. 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 Cash Management division is also responsible for maintaining the agency's capital, controlled, and inventoried asset records.

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 Annual Report of Non-Financial Data and Unaudited Annual Financial Report (AFR).

The Revenue Administration division performs the compliance and control functions necessary to ensure subsidiary and revenue transactions are appropriately recorded in the subsidiary and general ledger for accurate and complete reporting. These areas of responsibility include monitoring The Alamo financials, the internally managed real assets investment portfolio, accounting for surface leasing receivables and mineral leasing royalty receivables. The division also assesses penalty and interest for late production reports and late royalty payments.

The Support Services division 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 support

services staff also serves as the agency liaison for telecommunications, facilities management, and fleet management; manages the agency's warehouse space. The Stephen F. Austin building receptionist is also part of this division.

The Procurement division is responsible for the agency's purchasing and travel. The procurement department 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 travel office assists employees with travel arrangements and ensures compliance with state travel regulations.

The HUB Coordinator is responsible for the agency's Historically Underutilized Business program.

Office of General Counsel

The Office of General Counsel provides legal advice and counsel to the Land Commissioner, School Land Board, Veterans' Land Board, Coastal Land Advisory Board, Boards for Lease, and all agency divisions. The program consists of six practice groups: Coastal and Public Lands; Oil, Gas & Energy; Open Government; Litigation; General Law and Support Services.

The Coastal and Public Lands group provides advice regarding the purchase and sale of land, land trades, commercial leases, surface leases, and general legal matters and issues relating to coastal public lands. This group 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 and coastal public lands. The group 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 Oil, Gas & Energy group 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 General Law group provides legal services for contracting, purchasing, open records, open meetings, rulemaking, ethics, the Community Development Block Grant Disaster Recovery Program, the Veterans Land Board, 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.

Governmental Relations

The Governmental Relations and Policy division facilitates communication between the General Land Office and governmental entities at the local, state and federal level. The division monitors legislative issues before the Texas Legislature and the United States Congress, as well as serving as the primary agency interface with other elected and appointed officials, boards and commissions. The division provides information and analysis to key decision makers on policy measures which may affect the GLO's missions and performance.

The division also analyzes legislative proposals and communicates possible impacts to agency program areas and budgets to legislative and executive offices at all levels of government. The division also provides information and training with respect to fulfilling requests for information from officials and staff and testifying before legislative bodies. The division works closely with the executive team and the Financial Management division in the preparation of the biennial Legislative Appropriations Request (LAR) as well as other budgetary and performance measure reports.

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, reviews hiring recommendations, and administers the agency's intern programs;
- 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 leadership capacity;
- 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 (FMLA) and applications for sick leave pool;
- responds to inquiries from the Texas Workforce Commission Human Rights division, Equal Employment Opportunity Commission, Department of Labor, and similar entities and represents the agency in hearings regarding unemployment compensation benefits;
- 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;
- coordinates employee safety program and training for the agency to ensure compliance with OSHA and other regulations and limit agency liability; and
- coordinates special projects for the agency, including employee recognition events such as the annual GLO service awards recognition ceremony.

Because the law as it relates to the employer/employee relationship is constantly changing, HR staff work to remain current in their knowledge of all facets of human resources management and responds appropriately.

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.

Investment Management

The Investment Management program area is responsible for all strategic and tactical financial operations related to the financing mechanisms associated with the programs administered by the Veterans' Land Board of the State of Texas (VLB). Within that construct, Investment Management plans and manages the issuance of all tax-exempt and taxable bonds for the VLB and hedges associated interest rate risk by entering into interest rate swaps and other bond enhancement agreements. In addition, it oversees the financial operations of the VLB loan programs, including the certification and sale of GNMA pass-through mortgage-backed securities in the secondary market. Investment

Management also manages the Veterans' Land Board investment portfolio to maximize return and minimize risk, while ensuring that programmatic liquidity and cash flow needs are satisfied. The program also ensures that the Veterans' Land Board investment portfolio maintains compliance with federal arbitrage regulations. Also, the program negotiates contract terms of management and operations agreements with operators of the veterans homes in the David A. Gloier Texas State Veterans Home Program, and manages all aspects of the revenue bonds associated with the financing of veterans homes, including cash flow projections, debt service coverage analyses, and recommendations to the VLB concerning the structure of resident room rates.

In addition, the program manages the portion of the Permanent School Fund (PSF) real assets investment portfolio that is allocated to externally-managed real assets investment funds and separate account managers. In this role, the program is responsible for screening potential investments, performing due diligence in conjunction with the PSF's investment advisory consultant, scheduling and managing PSF Investment Advisory Committee (IAC) meetings, presenting recommendations to the School Land Board (SLB), maintaining the PSF Real Assets Investment Policy Statement, managing the PSF's external accounting/custody/performance measurement entity, managing relationships with external investment fund managers, and preparing and presenting Quarterly Investment Reports to the IAC and SLB.

The program also assists other General Land Office divisions and program areas with complex financial planning and analysis.

Ombudsman

The Ombudsman Office provides a safe way for current employees, staff or management, of the Texas General Land Office to raise questions, concerns, suggestions or ideas confidentially, and without fear of retaliation. A principal interest of the office is to assist the agency and employees in the

facilitation of fair and equitable resolutions involving workplace disputes and other matters. At least quarterly, the office provides executive management with general statistical information about concerns or trends observed during the period. The office provides its services in a confidential, independent, impartial and informal manner.

Veterans' Land Board (VLB)

The Veterans' Land Board is comprised of four divisions: the Veteran Land and Housing Program, the Veteran Homes Program, the Veteran Cemeteries Program, and the Marketing and Outreach division.

VETERANS LAND AND HOUSING PROGRAM

The Veterans Land Board (VLB) fiscal 2017 reassessment of the existing strategic plan in the context of current statewide market conditions; loan operational capacity; and the fiscal 2017 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 million cap). As such, the leadership team continued to promote a short term (less than five year) marketing strategy that would create demand for land loans while meeting demand for housing and home improvement loans. Subsequently, the team recommended to continue and the Deputy Commissioner approved seven key team performance goals that continued to promote that approach.

The Loan Operations team 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 Operations team receives and tracts 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 improvement loan releases of lien as well as documents related to land, housing and home improvement 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 public the opportunity to purchase foreclosed tracts not sold to veterans during forfeited land sales four times per year.

MARKETING PROGRAM

The team continued to apply more non-traditional outreach and awareness tactics to reach more of today's 1.7 million Texas veterans as a result of changing demographics and the availability of new technology. As such, the VLB expanded the employment of social media in combination with traditional media to inform not just the honorably discharged Veteran as our market customer but now included in our market focus and calculations those active, reserve and national guard military members as equally important constituencies.

The Texas Veterans Land Board (VLB) debuted its new VLB Mobile Benefits Center in fiscal 2017. This new state-of-the-art RV travels across Texas helping the VLB staff spread the word to Texas veterans about the benefits and services they have earned by serving their country. Among the services the Mobile Benefits Center provides is information assistance applying for low interest land, home and home improvement loans.

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 Marketing/Customer Service division develops and implements the VLB marketing communications strategy to meet VLB goals. Responsible for managing non-traditional and paid media efforts, media relations, outreach activities and business development initiatives, the division also responds to inquiries about the VLB, TVC and VA programs, benefits and services. By legislative decree, the VLB and the TVC established a joint call service center to support Texas veterans and military members. The statewide, toll-free call service center is actively staffed from 7:30 a.m. to 5:30 p.m. on weekdays, with an ongoing response to callers who leave inquiries after hours on weekends/holidays.

The division maintains and updates the VLB Web site and the VLB blog; oversees VLB's social media activities; manages text messaging; and email marketing initiatives. Additionally, the division maintains veteran, lender, and real estate agent databases to provide support for marketing activities.

The Administration division 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.

VETERANS HOMES PROGRAM

The Deputy Director of the Texas State Veterans Homes Program (TSVH), along with the Program Administrator and staff oversees the operation of long-term skilled care nursing homes in Amarillo, Floresville, Temple, Big Spring, Bonham, El Paso, McAllen, and Tyler. Also, a new veterans nursing home located in Houston is currently under construction. The total licensed capacity of the eight homes is 1,152 residents comprised of Veterans, their spouses, and Gold Star Parents. The Deputy Director also oversees the planning process for additional homes. TSVH provides public information about the Texas State Veterans Home Program to communities, hospitals, veterans' organizations, and other interested persons and groups throughout the state of Texas.

A professional long-term health care company under contract with the board operates each home. Each home also relies on very close cooperation with a nearby Veterans Administration Medical Center to meet specific health care needs of the Veteran residents admitted to each home. The division also acts as a liaison between the contracted operators and the residents to maintain the necessary close cooperative relationship between the Veterans' Land Board and the United States Department of Veterans Affairs.

VETERANS CEMETERY PROGRAM

The Deputy Director for TSVH oversees the operation of the cemetery program created to meet the burial needs of Texas veterans. The program currently operates a state veterans' cemetery in Killeen, Mission, Abilene and Corpus Christi. The four cemeteries have a combined capacity for 137,000 internments.

ALAMO ENDOWMENT

The Alamo Endowment is a private, nonprofit Texas corporation organized for charitable and educational purposes. It assists the General Land Office in the preservation, management, education, maintenance, operation and restoration of the Alamo Complex. The Board of Directors is comprised of citizen members appointed by the land commissioner, who serves as Chairman. The members of the board at August 31, 2017 were:

Member

Esperanza "Hope" Andrade
Ramona Bass
Francisco G. Cigarroa, M.D.
James D. (Jim) Dannenbaum
Red McCombs
Lew Moorman
Nancy Perot
Ambassador Jeanne Phillips
William Eugene (Gene) Powell
Welcome W. Wilson, Jr.

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