



YEAR ENDED AUGUST 31

# 2018

UNAUDITED ANNUAL FINANCIAL REPORT

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

George P. Bush,  
Commissioner & Chairman



# TEXAS GENERAL LAND OFFICE VETERANS' LAND BOARD

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UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2018



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# INTRODUCTION

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2018



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**TEXAS GENERAL LAND OFFICE**  
GEORGE P. BUSH, COMMISSIONER

November 20, 2018

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 Annual Financial Report of the Texas General Land Office and Veterans Land Board (305) for the fiscal year ended August 31, 2018, 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, GLO Director of Financial Reporting and Accounting, at (512) 936-7531.

Sincerely,

GEORGE P. BUSH  
Commissioner, Texas General Land Office

Enclosure





TEXAS GENERAL LAND OFFICE  
VETERANS' LAND BOARD

GENERAL PURPOSE  
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2018



UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT I**

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

August 31, 2018

(With comparative memorandum totals for August 31, 2017)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL	PERMANENT
	REVENUE	REVENUE	FUNDS
	FUNDS	FUNDS	FUNDS
	(EXH. A-1)	(EXH. B-1)	(EXH. C-1)
	\$	\$	\$
<b>ASSETS</b>			
Current Assets:			
Cash:			
Cash on Hand	200.00		
Cash in Bank (Note 3)	18,623.85		742,307.58
Cash in State Treasury	35,566,431.59	3,584,114.71	4,247,303,312.43
Legislative Appropriation	106,961,318.58		
Receivables:			
Federal	43,593,390.73	1,091,874.27	
Interest and Dividends	44,724.27	5,927.10	7,577,222.64
Accounts	133,310.20	575,119.15	205,207,615.99
Due From:			
Other Funds	41,374,769.44	244,530.63	621,142.52
Other Agencies	44.27		
Consumable Inventories	37,984.47		
Prepaid Items	25,749.92	17.58	
Notes Receivable			14,614.66
Total Current Assets	<u>227,756,547.32</u>	<u>5,501,583.44</u>	<u>4,461,466,215.82</u>
Noncurrent Assets:			
Notes Receivable			90,483.61
Investments in Real Assets at Fair Value (Note 3)			5,814,735,904.36
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	<u>0.00</u>	<u>0.00</u>	<u>5,814,826,387.97</u>
<b>TOTAL ASSETS</b>	<u><u>227,756,547.32</u></u>	<u><u>5,501,583.44</u></u>	<u><u>10,276,292,603.79</u></u>

UNAUDITED

GOVERNMENTAL FUNDS TOTALS				STATEMENT OF NET POSITION TOTALS	
GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)				(Memorandum Only)	
(Memorandum Only)	CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	2018	2017
\$	\$	\$	\$	\$	\$
200.00				200.00	200.00
760,931.43				760,931.43	1,008,682.08
4,286,453,858.73				4,286,453,858.73	3,434,303,211.19
106,961,318.58				106,961,318.58	29,368,011.85
44,685,265.00				44,685,265.00	19,706,417.04
7,627,874.01				7,627,874.01	3,803,205.44
205,916,045.34				205,916,045.34	127,233,262.06
42,240,442.59				42,240,442.59	1,192,533.96
44.27				44.27	21,657.64
37,984.47				37,984.47	129,516.44
25,767.50				25,767.50	178,191.81
14,614.66				14,614.66	13,494.63
<u>4,694,724,346.58</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>4,694,724,346.58</u>	<u>3,616,958,384.14</u>
90,483.61				90,483.61	105,098.27
5,814,735,904.36				5,814,735,904.36	5,311,740,605.49
	7,184,663.32			7,184,663.32	6,968,837.82
	(5,202,212.56)			(5,202,212.56)	(4,515,083.27)
	7,088,053.78			7,088,053.78	6,407,464.55
	(5,191,413.07)			(5,191,413.07)	(4,809,142.20)
	64,748,318.60			64,748,318.60	64,748,318.60
	(32,153,249.94)			(32,153,249.94)	(29,622,309.78)
	2,576,467.99			2,576,467.99	276,021.77
	(125,840.61)			(125,840.61)	(8,280.63)
	15,000.00			15,000.00	15,000.00
	(14,765.88)			(14,765.88)	(13,282.26)
	556,868.00			556,868.00	441,960.95
	15,930,530.03			15,930,530.03	15,880,304.28
	7,214,800.19			7,214,800.19	7,219,600.19
	1,108,909.07			1,108,909.07	969,156.96
	(879,023.59)			(879,023.59)	(716,129.16)
<u>5,814,826,387.97</u>	<u>62,857,105.33</u>	<u>0.00</u>	<u>0.00</u>	<u>5,877,683,493.30</u>	<u>5,375,088,141.58</u>
<u>10,509,550,734.55</u>	<u>62,857,105.33</u>	<u>0.00</u>	<u>0.00</u>	<u>10,572,407,839.88</u>	<u>8,992,046,525.72</u>

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UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT I (concluded)**

COMBINED BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS

August 31, 2018

(With comparative memorandum totals for August 31, 2017)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL	PERMANENT
	REVENUE	REVENUE	FUNDS
	FUNDS	FUNDS	FUNDS
	(EXH. A-1)	(EXH. B-1)	(EXH. C-1)
	\$	\$	\$
<b>LIABILITIES AND FUND BALANCES</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources			
<b>TOTAL DEFERRED OUTFLOWS</b>	0.00	0.00	0.00
<b>LIABILITIES</b>			
Current Liabilities:			
Payables:			
Accounts	26,082,357.08	732,286.52	7,642,394.16
Payroll	4,068,041.67	118,269.68	1,225,214.24
Retainage			
Due To:			
Other Funds	41,282,901.54	720,739.69	576,386.34
Other Agencies	3,931,819.15	3,263,025.50	
Unearned Revenues	44,099,435.68		110,771,316.70
Employees' Compensable Leave (Note 5)			
<b>Total Current Liabilities</b>	<b>119,464,555.12</b>	<b>4,834,321.39</b>	<b>120,215,311.44</b>
Noncurrent Liabilities:			
Employees' Compensable Leave (Note 5)			
<b>Total Noncurrent Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL LIABILITIES</b>	<b>119,464,555.12</b>	<b>4,834,321.39</b>	<b>120,215,311.44</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources			
<b>TOTAL DEFERRED INFLOWS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>			
Fund Balances (Note 1):			
Nonspendable for Permanent Fund Corpus			8,120,551,832.19
Nonspendable for Inventory	37,984.47		
Nonspendable for Prepaid	25,749.92	17.58	
Restricted	3,348,810.50	667,244.47	2,035,525,460.16
Committed	30,924,701.19		
Unassigned	73,954,746.12		
<b>TOTAL FUND BALANCES (Exhibit II)</b>	<b>108,291,992.20</b>	<b>667,262.05</b>	<b>10,156,077,292.35</b>

**GOVERNMENT-WIDE STATEMENT**

**NET POSITION**

Invested in Capital Assets, Net of Related Debt

Restricted

Unrestricted

**TOTAL NET POSITION (Exhibit II)**

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

UNAUDITED

GOVERNMENTAL FUNDS TOTALS				STATEMENT OF NET POSITION TOTALS	
GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)					
(Memorandum Only)	ADJUSTMENTS			(Memorandum Only)	
2018	CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	2018	2017
\$	\$	\$	\$	\$	\$
0.00				0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
34,457,037.76				34,457,037.76	27,682,474.51
5,411,525.59				5,411,525.59	4,868,650.36
0.00				0.00	7,985.84
42,580,027.57				42,580,027.57	329,059.28
7,194,844.65				7,194,844.65	668,435.81
154,870,752.38				154,870,752.38	91,593,498.23
0.00		3,675,713.78		3,675,713.78	2,850,593.52
244,514,187.95	0.00	3,675,713.78	0.00	248,189,901.73	128,000,697.55
0.00		2,686,488.44		2,686,488.44	2,509,246.49
0.00	0.00	2,686,488.44	0.00	2,686,488.44	2,509,246.49
244,514,187.95	0.00	6,362,202.22	0.00	250,876,390.17	130,509,944.04
0.00				0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
8,120,551,832.19				8,120,551,832.19	7,153,059,268.57
37,984.47				37,984.47	129,516.44
25,767.50				25,767.50	178,191.81
2,039,541,515.13				2,039,541,515.13	1,591,282,923.62
30,924,701.19				30,924,701.19	31,511,516.58
73,954,746.12				73,954,746.12	27,492,566.85
10,265,036,546.60				10,265,036,546.60	8,803,653,983.87
	62,857,105.33		10,156,077,292.35	62,857,105.33	63,242,437.82
		(6,362,202.22)	(10,156,077,292.35)	10,156,077,292.35	8,740,970,457.08
	62,857,105.33	(6,362,202.22)	0.00	(10,162,439,494.57)	(8,746,330,297.09)
				10,321,531,449.71	8,861,536,581.68

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT II**

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

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL	PERMANENT
	REVENUE	REVENUE	FUNDS
	FUNDS	FUNDS	FUNDS
	(EXH. A-2)	(EXH. B-2)	(EXH. C-2)
<b>REVENUES</b>	\$	\$	\$
Legislative Appropriations:			
Original Appropriations	27,406,896.00		
Additional Appropriations	607,972.47		
Federal Revenues (Sch. 1-A)	250,394,974.71	1,885,354.10	
Federal Grant Pass-Through Revenues (Sch. 1-A)	171,549,970.30		
State Grant Pass-Through Revenues (Sch. 1-B)	9,940,050.19		
Licenses, Fees, and Permits	16,249,986.35		1,350,706.23
Interest and Other Investment Income	387,729.58	48,747.20	163,550,084.66
Gain (Loss) on Sale of Sovereign/Other Land			2,423,027.89
Net Increase (Decrease) in Fair Value of Investments			517,001,932.01
Land Income	20,890.00	5,411,129.53	994,513,240.51
Settlement of Claims (Note 17)	4,000.00		
Sales of Goods and Services	5,644,758.82		67,196,837.09
Other Revenues	1,909,989.22	2,405.00	13,256.34
<b>TOTAL REVENUES</b>	<b>484,117,217.64</b>	<b>7,347,635.83</b>	<b>1,746,049,084.73</b>
<b>EXPENDITURES/EXPENSES</b>			
Salaries and Wages	33,865,432.30	1,159,144.31	11,939,628.61
Payroll Related Costs	11,397,906.26	851,936.92	3,435,909.63
Professional Fees and Services	348,653,679.68	4,412,448.29	4,711,453.24
Travel	598,008.90	37,153.51	186,908.71
Materials and Supplies	2,601,254.74	145,134.99	66,704,252.52
Communication and Utilities	1,166,611.14	150,755.86	544,778.74
Repairs and Maintenance	1,418,806.60	79,929.81	1,208,415.01
Rentals and Leases (Note 8)	1,625,890.61	14,460.18	253,129.25
Printing and Reproduction	236,809.81		1,089.82
Claims and Judgments (Note 17)	2,602.08		
Federal Grant Pass-Through Expenditures (Sch. 1-A)	6,872,955.15		
State Grant Pass-Through Expenditures (Sch. 1-B)	124,106.12		
Intergovernmental Payments	104,438,778.67		
Public Assistance Payments	9,092,689.82		11,332.58
Other Expenditures	14,449,172.26	32,047.50	6,730,437.37
Capital Outlay	1,028,083.59	2,457,232.61	214,913.94
Depreciation Expense			
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>537,572,787.73</b>	<b>9,340,243.98</b>	<b>95,942,249.42</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>(53,455,570.09)</b>	<b>(1,992,608.15)</b>	<b>1,650,106,835.31</b>

UNAUDITED

GOVERNMENTAL FUNDS TOTALS				STATEMENT OF ACTIVITIES TOTALS	
GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)					
(Memorandum Only)	CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
2018				2018	2017
\$	\$	\$	\$	\$	\$
27,406,896.00				27,406,896.00	17,645,086.00
607,972.47				607,972.47	4,047,176.92
252,280,328.81				252,280,328.81	212,242,076.10
171,549,970.30				171,549,970.30	822,794.49
9,940,050.19				9,940,050.19	577,791.07
17,600,692.58				17,600,692.58	20,227,592.71
163,986,561.44				163,986,561.44	126,161,020.89
2,423,027.89				2,423,027.89	1,465,973.07
517,001,932.01				517,001,932.01	749,412,778.15
999,945,260.04				999,945,260.04	939,069,942.90
4,000.00				4,000.00	1,069.71
72,841,595.91				72,841,595.91	109,428,426.36
1,925,650.56				1,925,650.56	7,273,493.67
<u>2,237,513,938.20</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,237,513,938.20</u>	<u>2,188,375,222.04</u>
46,964,205.22		1,002,362.21		47,966,567.43	43,912,093.84
15,685,752.81				15,685,752.81	14,933,742.98
357,777,581.21				357,777,581.21	80,667,836.07
822,071.12				822,071.12	632,967.07
69,450,642.25				69,450,642.25	101,107,010.86
1,862,145.74				1,862,145.74	1,662,063.39
2,707,151.42				2,707,151.42	3,335,896.58
1,893,480.04				1,893,480.04	1,354,475.93
237,899.63				237,899.63	199,033.56
2,602.08				2,602.08	0.00
6,872,955.15				6,872,955.15	9,465,160.02
124,106.12				124,106.12	156.86
104,438,778.67				104,438,778.67	123,637,053.71
9,104,022.40				9,104,022.40	28,277,851.84
21,211,657.13				21,211,657.13	14,644,328.54
3,700,230.14	(3,700,230.14)			0.00	0.00
0.00	4,082,838.84			4,082,838.84	3,892,200.37
<u>642,855,281.13</u>	<u>382,608.70</u>	<u>1,002,362.21</u>	<u>0.00</u>	<u>644,240,252.04</u>	<u>427,721,871.62</u>
<u>1,594,658,657.07</u>	<u>(382,608.70)</u>	<u>(1,002,362.21)</u>	<u>0.00</u>	<u>1,593,273,686.16</u>	<u>1,760,653,350.42</u>

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UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT II (concluded)**

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

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL	PERMANENT
	REVENUE	REVENUE	FUNDS
	FUNDS	FUNDS	FUNDS
	(EXH. A-2)	(EXH. B-2)	(EXH. C-2)
<b>OTHER FINANCING SOURCES (USES)</b>	\$	\$	\$
Transfers In	106,111,737.18	8,039,575.35	14,551,182.08
Transfers Out	(45,582,854.51)	(6,124,927.47)	(249,551,182.08)
Sale of Capital Assets	1,318,518.82	540.00	
Gain (Loss) on Sale of Capital Assets			
Increase (Decrease) in Net Assets - Due to Interagency Transfer of Capital Assets			
Capital Contributions			
Legislative Financing Sources (Note 12)	38,600,000.00		
Appropriations Lapsed	(640,027.38)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>99,807,374.11</b>	<b>1,915,187.88</b>	<b>(235,000,000.00)</b>
<b>NET CHANGE IN FUND BALANCES/NET POSITION</b>	<b>46,351,804.02</b>	<b>(77,420.27)</b>	<b>1,415,106,835.31</b>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>			
<b>FUND BALANCES - August 31, 2017</b>	61,938,844.47	744,682.32	8,740,970,457.08
Restatements (Note 14)	1,343.71		(0.04)
<b>FUND BALANCES - August 31, 2017, as restated</b>	<b>61,940,188.18</b>	<b>744,682.32</b>	<b>8,740,970,457.04</b>
<b>FUND BALANCES - August 31, 2018 (Exhibit I)</b>	<b>108,291,992.20</b>	<b>667,262.05</b>	<b>10,156,077,292.35</b>

**GOVERNMENT-WIDE STATEMENT OF NET POSITION**

**NET POSITION/NET CHANGE IN NET POSITION**

**NET POSITION - August 31, 2017**

Restatements (Note 14)

**NET POSITION - August 31, 2017, as restated**

**NET POSITION - August 31, 2018 (Exhibit I)**

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



UNAUDITED

GOVERNMENTAL FUNDS TOTALS				STATEMENT OF ACTIVITIES TOTALS	
GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS) ADJUSTMENTS					
(Memorandum Only)	CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
2018				2018	2017
\$	\$	\$	\$	\$	\$
128,702,494.61				128,702,494.61	37,222,316.79
(301,258,964.06)	(2,445.00)			(301,261,409.06)	(203,136,165.18)
1,319,058.82	(1,319,058.82)			0.00	0.00
0.00	(759,106.29)			(759,106.29)	61,433.61
0.00	2,053,059.53			2,053,059.53	0.00
0.00	21,400.00			21,400.00	0.00
38,600,000.00				38,600,000.00	0.00
(640,027.38)				(640,027.38)	(567,499.12)
<u>(133,277,438.01)</u>	<u>(6,150.58)</u>	<u>0.00</u>	<u>0.00</u>	<u>(133,283,588.59)</u>	<u>(166,419,913.90)</u>
<u>1,461,381,219.06</u>				<u>1,459,990,097.57</u>	<u>1,594,233,436.52</u>
8,803,653,983.87				8,803,653,983.87	7,210,709,343.29
<u>1,343.67</u>				<u>1,343.67</u>	<u>(644,955.72)</u>
<u>8,803,655,327.54</u>				<u>8,803,655,327.54</u>	<u>7,210,064,387.57</u>
<u>10,265,036,546.60</u>				<u>10,263,645,425.11</u>	<u>8,804,297,824.09</u>
1,461,381,219.06	(388,759.28)	(1,002,362.21)	0.00	1,459,990,097.57	1,594,233,436.52
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
1,343.67	3,426.79			4,770.46	(592,910.51)
<u>8,803,655,327.54</u>	<u>63,245,864.61</u>	<u>(5,359,840.01)</u>	<u>0.00</u>	<u>8,861,541,352.14</u>	<u>7,267,303,145.16</u>
<u>10,265,036,546.60</u>	<u>62,857,105.33</u>	<u>(6,362,202.22)</u>	<u>0.00</u>	<u>10,321,531,449.71</u>	<u>8,861,536,581.68</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT III**

**COMBINED STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

August 31, 2018

(With comparative memorandum totals for August 31, 2017)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-1a)	VETERANS' LAND PROGRAM (EXH. D-1b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-1c)
	\$	\$	\$
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank			
Cash on Hand		200.00	
Cash in State Treasury	71,927,542.91	3,697,993.22	30,329,119.70
Cash Equivalents	480,299,674.41	20,846,335.56	1,078,382.28
Securities Lending Collateral (Note 3)	25,330,297.81	30,120,837.50	
Investments - Securities at Market Value (Note 3)	503,960.00		3,953,894.44
Loans and Contracts Receivables:			
Land Contracts		984,809.25	
Mortgages	62,170,620.30	4,327,322.72	
Home Improvement Loans	1,908,776.78		
Receivables:			
Federal			20,828,328.39
Interest and Dividends Receivables:			
Investment Interest	1,542,377.59	610,966.90	102,879.43
Land Contracts		564,094.81	
Mortgages	7,333,557.57	1,345,076.26	
Home Improvement Loans	460,046.58		
Accounts Receivable (Net of Allowance for Uncollectibles)	5,126.56	1,657,424.48	2,125,172.82
Due from Other Funds	2,492,297.22	722,040.89	16,534,591.43
Consumable Inventories			
Prepaid Items	25,304,626.51	486.58	548.22
<b>Total Current Assets</b>	<b>679,278,904.24</b>	<b>64,877,588.17</b>	<b>74,952,916.71</b>
Noncurrent Assets:			
Investments:			
Securities at Market Value (Note 3)	217,300,193.21	167,366,696.82	
Derivative Instruments (Note 3)	1,029,728.88	(42,765.74)	
Hedging Derivative Instruments	27,676,286.00		
Loans and Contracts Receivables:			
Land Contracts		56,966,007.04	
Mortgages	2,139,776,516.06	295,591,710.55	
Home Improvement Loans	36,094,174.39		
Property Acquired Through Foreclosure (Note 33):			
Land Contracts		1,022,975.00	
Mortgages	709,636.00		
Capital Assets (Note 2):			
Depreciable Capital Assets:			
Furniture and Equipment		130,721.57	891,551.51
Less Accumulated Depreciation		(111,508.57)	(618,661.92)
Buildings			123,427,104.12
Less Accumulated Depreciation			(61,008,780.43)
Facilities and Other Improvements			22,963.00
Less Accumulated Depreciation			(7,844.94)

UNAUDITED

DISCRETELY PRESENTED COMPONENT UNIT FUND 9999 U/F (5002)	PROPRIETARY FUNDS	
	TOTALS	
	(Memorandum Only)	
	2018	2017
\$	\$	\$
241,502.00	241,502.00	919,639.00
	200.00	200.00
	105,954,655.83	106,735,693.98
	502,224,392.25	160,466,554.75
	55,451,135.31	105,377,974.33
	4,457,854.44	304,496,924.70
	984,809.25	1,191,142.95
	66,497,943.02	70,037,330.24
	1,908,776.78	1,779,007.97
	20,828,328.39	12,435,115.87
	2,256,223.92	763,331.74
	564,094.81	672,583.93
	8,678,633.83	8,054,415.79
	460,046.58	595,796.44
25,000.00	3,812,723.86	1,890,165.26
6,375.00	19,755,304.54	537,004.25
	0.00	1,500.00
19,922.00	25,325,583.31	4,749,954.69
292,799.00	819,402,208.12	780,704,335.89
	384,666,890.03	412,533,117.70
	986,963.14	335,906.35
	27,676,286.00	4,226,114.00
	56,966,007.04	70,567,569.24
	2,435,368,226.61	2,405,730,808.83
	36,094,174.39	33,785,543.79
	1,022,975.00	827,910.00
	709,636.00	60,638.00
	1,022,273.08	875,199.54
	(730,170.49)	(643,224.55)
	123,427,104.12	116,187,500.72
	(61,008,780.43)	(55,517,237.61)
	22,963.00	22,963.00
	(7,844.94)	(6,696.90)

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UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT III (concluded)**

COMBINED STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

August 31, 2018

(With comparative memorandum totals for August 31, 2017)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-1a)	VETERANS' LAND PROGRAM (EXH. D-1b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-1c)
	\$	\$	\$
<b>ASSETS (continued)</b>			
Non-Depreciable Capital Assets:			
Construction in Progress			25,892,280.69
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	2,422,586,534.54	520,923,836.67	92,638,112.03
<b>TOTAL ASSETS</b>	<b>3,101,865,438.78</b>	<b>585,801,424.84</b>	<b>167,591,028.74</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Hedging Derivative Instruments	97,395,835.15	19,191,959.03	
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>97,395,835.15</b>	<b>19,191,959.03</b>	<b>0.00</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	657,716.99	1,257,979.74	13,644,821.64
Debt Service Interest Payable	285,636.91	119,354.94	
Due to Other Funds	2,492,297.22	1,637,058.97	15,172,862.88
Unearned Revenues		164,379.13	
Bonds Payable (Net of Unamortized Discounts and Premiums)			
General Obligation	168,999,810.16	23,100,000.00	
Obligations Under Securities Lending (Note 3)	25,330,297.81	30,120,837.50	
Total Current Liabilities	197,765,759.09	56,399,610.28	28,817,684.52
Noncurrent Liabilities:			
Bonds Payable (Net of Unamortized Discounts and Premiums)			
General Obligation	2,606,311,638.35	165,690,000.00	
Hedging Derivative Instruments	97,395,835.15	19,191,959.03	
Total Noncurrent Liabilities	2,703,707,473.50	184,881,959.03	0.00
<b>TOTAL LIABILITIES</b>	<b>2,901,473,232.59</b>	<b>241,281,569.31</b>	<b>28,817,684.52</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Hedging Derivative Instruments	27,676,286.00		
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>27,676,286.00</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt		19,213.00	92,638,112.03
Restricted for the Veterans' Land Board	270,111,755.34	363,692,601.56	46,135,232.19
Restricted for Other			
<b>TOTAL NET POSITION (Exhibit IV)</b>	<b>270,111,755.34</b>	<b>363,711,814.56</b>	<b>138,773,344.22</b>

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)	
	2018	2017
\$	\$	\$
	25,892,280.69	10,497,181.38
	4,039,500.00	4,039,500.00
	309,133.15	309,133.15
	(309,133.15)	(309,133.15)
0.00	3,036,148,483.24	3,003,522,793.49
292,799.00	3,855,550,691.36	3,784,227,129.38
	116,587,794.18	222,690,959.23
0.00	116,587,794.18	222,690,959.23
14,766.00	15,575,284.37	13,337,670.53
	404,991.85	1,394,587.03
116,275.00	19,418,494.07	1,400,478.93
25,389.00	189,768.13	151,989.80
	192,099,810.16	169,209,810.16
	55,451,135.31	105,377,974.33
156,430.00	283,139,483.89	290,872,510.78
	2,772,001,638.35	2,714,101,448.51
	116,587,794.18	222,690,959.23
0.00	2,888,589,432.53	2,936,792,407.74
156,430.00	3,171,728,916.42	3,227,664,918.52
	27,676,286.00	4,226,114.00
0.00	27,676,286.00	4,226,114.00
	92,657,325.03	75,477,176.34
	679,939,589.09	699,486,358.75
136,369.00	136,369.00	63,521.00
136,369.00	772,733,283.12	775,027,056.09

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT IV**

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

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-2a)	VETERANS' LAND PROGRAM (EXH. D-2b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-2c)
	\$	\$	\$
<b>OPERATING REVENUES</b>			
Other Sale of Goods and Services:			
Payment from Residents			
Resident Payments (Net of Provisions for Bad Debt)			16,496,693.09
Medicare Reimbursements			
Medicare Reimbursements (Net of Provisions for Bad Debt)			6,746,244.80
Medicaid Revenues			
Medicaid Revenues (Net of Provisions for Bad Debt)			8,641,942.65
Other Assistance Payments			
Other Assistance Payments (Net of Provisions for Bad Debt)			647,475.67
Interest & Investment Income:			
Loan Programs	63,503,148.79	22,423,268.58	
Operating Federal Revenues - VA Per Diem			66,310,387.04
Other Revenues:			
Third Party Reimbursements			29,616.47
Revenue Transfers Within Fund	(500.00)		1,000.00
Miscellaneous Income	11,900.00	648,259.10	10,594.40
<b>TOTAL OPERATING REVENUES</b>	<b>63,514,548.79</b>	<b>23,071,527.68</b>	<b>98,883,954.12</b>
<b>OPERATING EXPENSES</b>			
Salaries and Wages			78,201,221.53
Professional Fees and Services	1,915,452.69	1,837,433.26	122,392.12
Travel			4,430,757.14
Materials and Supplies	6,077.32	110,413.00	40,538.26
Communications and Utilities			781,406.84
Repairs and Maintenance	10,944.00	352,944.00	1,105.00
Rentals and Leases (Note 8)			
Printing and Reproduction	818.19		
Depreciation and Amortization		2,777.76	5,582,010.82
Bad Debt Expense			
Debt Service Interest	79,018,698.41	11,137,287.83	438.75
Claims and Judgments (Note 17)			
Other Operating Expenses	2,628,336.32	313,932.57	49,388.20
<b>TOTAL OPERATING EXPENSES</b>	<b>83,580,326.93</b>	<b>13,754,788.42</b>	<b>89,209,258.66</b>
<b>OPERATING INCOME (LOSS) (Exhibit V)</b>	<b>(20,065,778.14)</b>	<b>9,316,739.26</b>	<b>9,674,695.46</b>

UNAUDITED

DISCRETELY PRESENTED COMPONENT UNIT FUND 9999 U/F (5002)	PROPRIETARY FUNDS TOTALS (Memorandum Only)	
	2018	2017
	\$	\$
	16,496,693.09	17,495,536.30
	6,746,244.80	7,720,731.46
	8,641,942.65	5,829,847.98
	647,475.67	449,464.14
	85,926,417.37	100,728,995.19
	66,310,387.04	60,552,992.50
122,865.00	152,481.47	107,876.58
	500.00	(100,000.00)
	670,753.50	540,141.96
<u>122,865.00</u>	<u>185,592,895.59</u>	<u>193,325,586.11</u>
189,445.00	189,445.00	277,213.00
123,738.00	82,077,845.48	78,923,142.06
	122,392.12	116,150.43
22,548.00	4,569,795.46	3,700,262.23
3,468.00	44,006.26	31,705.38
	1,145,294.84	1,283,789.85
7,514.00	8,619.00	30,656.00
	818.19	1,093.84
	5,584,788.58	5,287,335.85
25,000.00	25,000.00	100,000.00
	90,156,424.99	87,516,891.55
	0.00	(499,507.84)
21,944.00	3,013,601.09	3,773,369.46
<u>393,657.00</u>	<u>186,938,031.01</u>	<u>180,542,101.81</u>
<u>(270,792.00)</u>	<u>(1,345,135.42)</u>	<u>12,783,484.30</u>

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UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT IV (concluded)**

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

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-2a)	VETERANS' LAND PROGRAM (EXH. D-2b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-2c)
	\$	\$	\$
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal Revenues			14,158,728.30
Gifts/Pledges/Donations			41,273.80
Investment Income	9,764,320.84	5,727,470.41	661,299.74
Net Increase (Decrease) in Fair Value of Investments	(54,098.67)	(4,234,545.01)	93,348.49
Gain (Loss) on Land Loans, Housing Mortgage and Home Improvement Loans	3,649,994.75	(442,326.62)	
Borrower Rebate/Agent Fees - Securities Lending	(519,731.86)	(209,897.33)	(1,565.03)
Gain/(Loss) on Sale of Capital Asset			5.00
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>12,840,485.06</b>	<b>840,701.45</b>	<b>14,953,090.30</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	<b>(7,225,293.08)</b>	<b>10,157,440.71</b>	<b>24,627,785.76</b>
<b>OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>			
Transfers In	35,719,362.52	6,012,848.79	34,872,582.53
Transfers Out	(52,737,734.72)	(18,072,502.73)	(37,488,918.18)
<b>TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	<b>(17,018,372.20)</b>	<b>(12,059,653.94)</b>	<b>(2,616,335.65)</b>
<b>CHANGE IN NET POSITION</b>	<b>(24,243,665.28)</b>	<b>(1,902,213.23)</b>	<b>22,011,450.11</b>
<b>NET POSITION - August 31, 2017</b>	<b>294,355,420.62</b>	<b>363,869,140.74</b>	<b>116,739,198.73</b>
Restatements (Note 14)	0.00	1,744,887.05	22,695.38
<b>NET POSITION - August 31, 2017, as Restated</b>	<b>294,355,420.62</b>	<b>365,614,027.79</b>	<b>116,761,894.11</b>
<b>NET POSITION - August 31, 2018 (Exhibit III)</b>	<b>270,111,755.34</b>	<b>363,711,814.56</b>	<b>138,773,344.22</b>

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)	
	2018	2017
\$	\$	\$
	14,158,728.30	4,034,349.65
358,344.00	399,617.80	63,774.35
	16,153,090.99	8,333,932.79
	(4,195,295.19)	(5,130,767.31)
	3,207,668.13	22,652.17
	(731,194.22)	(277,700.78)
	5.00	0.00
<u>358,344.00</u>	<u>28,992,620.81</u>	<u>7,046,240.87</u>
<u>87,552.00</u>	<u>27,647,485.39</u>	<u>19,829,725.17</u>
	76,604,793.84	71,717,425.21
	(108,299,155.63)	(98,769,118.31)
<u>0.00</u>	<u>(31,694,361.79)</u>	<u>(27,051,693.10)</u>
87,552.00	(4,046,876.40)	(7,221,967.93)
63,521.00	775,027,281.09	782,250,141.70
(14,704.00)	1,752,878.43	(1,117.68)
<u>48,817.00</u>	<u>776,780,159.52</u>	<u>782,249,024.02</u>
<u>136,369.00</u>	<u>772,733,283.12</u>	<u>775,027,056.09</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT V**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-3a)	VETERANS' LAND PROGRAM (EXH. D-3b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-3c)
	\$	\$	\$
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)</b>			
<b>OPERATING ACTIVITIES</b>			
Receipts from Vet Homes Residents			19,073,510.62
Receipts from Veterans Administration			64,356,741.67
Receipts from Medicare			7,053,673.58
Receipts from Medicaid			8,747,894.14
Receipts from Gifts/Pledges/Donations			41,273.80
Receipts from Loan Payments	663,313,871.09	82,286,209.74	
Other Operating Cash Receipts	1,300.00	450,196.34	687,147.99
Loan Fundings	(602,872,376.61)	(89,245,659.88)	
Payments to Suppliers of Goods and Services	(4,653,326.82)	(2,402,944.11)	(83,570,634.63)
Payments to Employees for Services			(95,814.78)
Payments for Other Expenses		(6.13)	(116,007.05)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>55,789,467.66</b>	<b>(8,912,204.04)</b>	<b>16,177,785.34</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Proceeds from Debt Issuance	250,000,000.00		
Proceeds from Other Financing Activities	1,305,053.06	94,750.61	413,648.01
Payments for Debt Service - Principal	(146,610,000.00)	(21,570,000.00)	
Payments for Debt Service - Interest	(81,101,808.03)	(11,178,577.49)	
Transfers from Other Funds	37,371,362.52	5,113,061.18	20,448,844.44
Transfers to Other Funds	(53,989,734.72)	(16,479,244.70)	(24,427,815.64)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>6,974,872.83</b>	<b>(44,020,010.40)</b>	<b>(3,565,323.19)</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Receipts from Veterans Administration			5,609,322.06
Payments for Additions to Capital Assets			(21,652,844.54)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>0.00</b>	<b>0.00</b>	<b>(16,043,522.48)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from Interest and Investment Income	40,570,729.76	4,878,400.76	153,399.37
Proceeds from Sale of Investments	781,100,096.98	41,266,176.71	31,904,956.67
Payments to Acquire Investments	(526,522,653.01)	(18,935,366.67)	(19,840,006.94)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>295,148,173.73</b>	<b>27,209,210.80</b>	<b>12,218,349.10</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>357,912,514.22</b>	<b>(25,723,003.64)</b>	<b>8,787,288.77</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2017</b>	<b>194,314,703.10</b>	<b>50,267,532.42</b>	<b>22,620,213.21</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2018</b>	<b>552,227,217.32</b>	<b>24,544,528.78</b>	<b>31,407,501.98</b>

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2018	2017
\$	\$
19,073,510.62	16,936,902.53
64,356,741.67	59,663,337.58
7,053,673.58	7,403,703.92
8,747,894.14	6,302,133.60
41,273.80	50,716.35
745,600,080.83	474,079,598.29
1,138,644.33	874,821.92
(692,118,036.49)	(206,236,273.89)
(90,626,905.56)	(87,774,272.01)
(95,814.78)	0.00
(116,013.18)	366,919.84
<u>63,055,048.96</u>	<u>271,667,588.13</u>
250,000,000.00	250,000,000.00
1,813,451.68	1,433,915.00
(168,180,000.00)	(156,730,000.00)
(92,280,385.52)	(88,932,772.24)
62,933,268.14	63,750,037.44
(94,896,795.06)	(90,284,842.03)
<u>(40,610,460.76)</u>	<u>(20,763,661.83)</u>
5,609,322.06	3,300,960.79
(21,652,844.54)	(7,072,426.87)
<u>(16,043,522.48)</u>	<u>(3,771,466.08)</u>
45,602,529.89	8,768,098.56
854,271,230.36	329,083,240.28
(565,298,026.62)	(609,013,676.70)
<u>334,575,733.63</u>	<u>(271,162,337.86)</u>
340,976,799.35	(24,029,877.64)
<u>267,202,448.73</u>	<u>291,232,326.37</u>
<u>608,179,248.08</u>	<u>267,202,448.73</u>

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UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT V (concluded)**

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. D-3a)	VETERANS' LAND PROGRAM (EXH. D-3b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. D-3c)
	\$	\$	\$
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>OPERATING INCOME (LOSS) (Exhibit IV)</b>	(20,065,778.14)	9,316,739.26	9,674,695.46
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Depreciation and Amortization		2,777.76	5,582,010.82
Classification Differences	82,932,016.89	12,936,157.34	41,273.80
(Increase) Decrease in Receivables	(409,305.66)	(1,599,870.63)	(117,216.60)
(Increase) Decrease in Loans and Contracts	15,409,060.44	(30,137,594.51)	
(Increase) Decrease in Prepaid Items	(20,577,396.67)	(486.58)	831.63
(Increase) Decrease in Other Assets	(2,785,545.44)	(194,016.20)	(2,109,292.59)
Increase (Decrease) in Payables	(850,131.20)	939,793.27	995,493.98
Increase (Decrease) in Other Liabilities	2,136,547.44	(175,703.75)	2,109,988.84
<b>TOTAL ADJUSTMENTS</b>	<b>75,855,245.80</b>	<b>(18,228,943.30)</b>	<b>6,503,089.88</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>55,789,467.66</b>	<b>(8,912,204.04)</b>	<b>16,177,785.34</b>
<b>NONCASH TRANSACTIONS</b>			
Change in Fair Value of Investments	(4,815,004.75)	(4,300,901.87)	93,348.49
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>(4,815,004.75)</b>	<b>(4,300,901.87)</b>	<b>93,348.49</b>

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

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2018	2017
\$	\$
(1,074,343.42)	13,800,298.30
5,584,788.58	5,287,335.85
95,909,448.03	87,589,217.92
(2,126,392.89)	1,616,391.61
(14,728,534.07)	167,941,411.24
(20,577,051.62)	(1,924,232.08)
(5,088,854.23)	(68,552.71)
1,085,156.05	(2,791,326.60)
4,070,832.53	217,044.60
<u>64,129,392.38</u>	<u>257,867,289.83</u>
<u>63,055,048.96</u>	<u>271,667,588.13</u>
<u>(9,022,558.13)</u>	<u>(5,176,005.08)</u>
<u>(9,022,558.13)</u>	<u>(5,176,005.08)</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT VI**

COMBINED STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

August 31, 2018

(With comparative memorandum totals for August 31, 2017)

	FIDUCIARY FUNDS		
	AGENCY FUNDS (EXH. E-1)	TOTALS	
		(Memorandum Only)	
	2018	2017	
	\$	\$	\$
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents:			
Cash in State Treasury	17,711.08	17,711.08	28,514.81
Receivables:			
Interest and Dividends	18.77	18.77	24.31
Total Current Assets	<u>17,729.85</u>	<u>17,729.85</u>	<u>28,539.12</u>
<b>TOTAL ASSETS</b>	<u><u>17,729.85</u></u>	<u><u>17,729.85</u></u>	<u><u>28,539.12</u></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Funds Held for Others	17,729.85	17,729.85	28,539.12
Total Current Liabilities	<u>17,729.85</u>	<u>17,729.85</u>	<u>28,539.12</u>
<b>TOTAL LIABILITIES</b>	<u><u>17,729.85</u></u>	<u><u>17,729.85</u></u>	<u><u>28,539.12</u></u>
<b>NET POSITION</b>			
Funds Held in Trust for:			
Individuals, Organizations, and Other Governments	0.00	0.00	0.00
<b>TOTAL NET POSITION</b>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2018



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# Note 1

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## 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 receive 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.

### **Economic Stabilization Fund (GAAP Fund Type 01)**

The Economic Stabilization Fund (ESF) (Fund 0599) consists of appropriation during the 85<sup>th</sup> Legislative Regular Session for the Alamo Master Plan. Additional ESF funds were appropriated to the GLO for Hurricane Harvey disaster-related funding during fiscal 2018.

### **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.

### **County Road Oil and Gas Trust Fund (GAAP Fund Type 02)**

The county road oil and gas trust fund (Fund 0808) consists of money received from the leasing of oil and gas under lands owned by the state that were or may be acquired by a county to

construct a county road. Money is to be disbursed twice a year to the appropriate county for road maintenance purposes.

### **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, 0384, 0529 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 Trust, Inc. (formerly known as 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 2018 for the production months August 2018 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.

The agency does not have deep discount bonds to report at August 31, 2018.

*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.

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## INTERFUND ACTIVITY AND TRANSACTIONS

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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.

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## Note 2

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### CAPITAL ASSETS

A summary of changes in capital assets for governmental activities for the year ended August 31, 2018, 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.

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## Note 3

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### DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

### AUTHORITY FOR INVESTMENTS AND SECURITIES LENDING

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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

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' Mortgage Revenue Bond Program. Tex. Nat. Res. Code Ann., §164.1732 authorizes the VLB to engage in securities lending.

Table 1

**CHANGES IN CAPITAL ASSETS**

For the Year Ended August 31, 2018

GOVERNMENTAL ACTIVITIES	Balance 9/1/2017	Adjustments	Reclassifications			Additions	Deletions	Balance 8/31/2018
			Completed CIP	Incr-Int'agy Transfers	Decr-Int'agy Transfers			
<i>Non-depreciable Assets</i>								
Land and Land Improvements	7,219,600.19			8,213.00		21,400.00	(34,413.00)	7,214,800.19
Construction in Progress	441,960.95		(670,095.60)			785,002.65		556,868.00
Other Capital Assets	15,880,304.28					50,225.75		15,930,530.03
<b>Total Non-depreciable Assets</b>	<b>23,541,865.42</b>	<b>0.00</b>	<b>(670,095.60)</b>	<b>8,213.00</b>	<b>0.00</b>	<b>856,628.40</b>	<b>(34,413.00)</b>	<b>23,702,198.22</b>
<i>Depreciable Assets</i>								
Buildings and Building Improvements	64,748,318.60			15,685,915.09			(15,685,915.09)	64,748,318.60
Infrastructure	0.00			1,439,236.71			(1,439,236.71)	0.00
Facilities and Other Improvements	276,021.77		670,095.60	1,108,136.96		1,630,350.62	(1,108,136.96)	2,576,467.99
Furniture and Equipment	6,407,464.55	(8,783.71)		139,934.13		823,006.35	(273,567.54)	7,088,053.78
Vehicles, Boats, and Aircraft	6,968,837.82	23,000.00				271,892.66	(79,067.16)	7,184,663.32
Other Capital Assets	15,000.00							15,000.00
<b>Total Depreciable Assets at Historical Costs</b>	<b>78,415,642.74</b>	<b>14,216.29</b>	<b>670,095.60</b>	<b>18,373,222.89</b>	<b>0.00</b>	<b>2,725,249.63</b>	<b>(18,585,923.46)</b>	<b>81,612,503.69</b>
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(29,622,309.78)			(13,641,068.56)		(2,553,492.83)	13,663,621.23	(32,153,249.94)
Infrastructure	0.00			(1,439,236.71)			1,439,236.71	0.00
Facilities and Other Improvements	(8,280.63)			(1,108,136.96)		(117,559.98)	1,108,136.96	(125,840.61)
Furniture and Equipment	(4,809,142.20)	9,210.50		(139,934.13)		(525,114.78)	273,567.54	(5,191,413.07)
Vehicles, Boats, and Aircraft	(4,515,083.27)	(20,000.00)				(722,293.20)	55,163.91	(5,202,212.56)
Other Capital Assets	(13,282.26)					(1,483.62)		(14,765.88)
<b>Total Accumulated Depreciation</b>	<b>(38,968,098.14)</b>	<b>(10,789.50)</b>	<b>0.00</b>	<b>(16,328,376.36)</b>	<b>0.00</b>	<b>(3,919,944.41)</b>	<b>16,539,726.35</b>	<b>(42,687,482.06)</b>
<b>Depreciable Assets, Net</b>	<b>39,447,544.60</b>	<b>3,426.79</b>	<b>670,095.60</b>	<b>2,044,846.53</b>	<b>0.00</b>	<b>(1,194,694.78)</b>	<b>(2,046,197.11)</b>	<b>38,925,021.63</b>
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software	969,156.96					139,752.11		1,108,909.07
<b>Total Amortizable Assets - Intangibles at Historical Costs</b>	<b>969,156.96</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>139,752.11</b>	<b>0.00</b>	<b>1,108,909.07</b>
<i>Less Accumulated Amortization for Intangible Computer Software</i>								
	(716,129.16)					(162,894.43)		(879,023.59)
<b>Total Accumulated Amortization</b>	<b>(716,129.16)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(162,894.43)</b>	<b>0.00</b>	<b>(879,023.59)</b>
<b>Amortizable Assets - Intangibles, Net</b>	<b>253,027.80</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(23,142.32)</b>	<b>0.00</b>	<b>229,885.48</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>63,242,437.82</b>	<b>3,426.79</b>	<b>0.00</b>	<b>2,053,059.53</b>	<b>0.00</b>	<b>(361,208.70)</b>	<b>(2,080,610.11)</b>	<b>62,857,105.33</b>

### 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, 2018, 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, 2018 exposed to custodial credit risk.

Table 2

#### CHANGES IN CAPITAL ASSETS For the Year Ended August 31, 2018

BUSINESS-TYPE ACTIVITIES	Balance 9/1/2017	Adjustments	Reclassifications			Additions	Deletions	Balance 8/31/2018
			Completed CIP	Incr-Int'gy Transfers	Decr-Int'gy Transfers			
<i>Non-depreciable Assets</i>								
Land and Land Improvements	4,039,500.00							4,039,500.00
Construction in Progress	10,497,181.38		(7,086,178.99)			22,481,278.30		25,892,280.69
<b>Total Non-depreciable Assets</b>	<b>14,536,681.38</b>	<b>0.00</b>	<b>(7,086,178.99)</b>	<b>0.00</b>	<b>0.00</b>	<b>22,481,278.30</b>	<b>0.00</b>	<b>29,931,780.69</b>
<i>Depreciable Assets</i>								
Buildings and Building Improvements	116,187,500.72		7,086,178.99			153,424.41		123,427,104.12
Facilities and Other Improvements	22,963.00							22,963.00
Furniture and Equipment	875,199.54	39,860.60				113,212.94	(6,000.00)	1,022,273.08
Vehicles, Boats, and Aircraft	0.00							0.00
<b>Total Depreciable Assets at Historical Costs</b>	<b>117,085,663.26</b>	<b>39,860.60</b>	<b>7,086,178.99</b>	<b>0.00</b>	<b>0.00</b>	<b>266,637.35</b>	<b>(6,000.00)</b>	<b>124,472,340.20</b>
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(55,517,237.61)					(5,491,542.82)		(61,008,780.43)
Facilities and Other Improvements	(6,696.90)					(1,148.04)		(7,844.94)
Furniture and Equipment	(643,224.55)	(848.22)				(92,097.72)	6,000.00	(730,170.49)
Vehicles, Boats, and Aircraft	0.00							0.00
<b>Total Accumulated Depreciation</b>	<b>(56,167,159.06)</b>	<b>(848.22)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(5,584,788.58)</b>	<b>6,000.00</b>	<b>(61,746,795.86)</b>
<b>Depreciable Assets, Net</b>	<b>60,918,504.20</b>	<b>39,012.38</b>	<b>7,086,178.99</b>	<b>0.00</b>	<b>0.00</b>	<b>(5,318,151.23)</b>	<b>0.00</b>	<b>62,725,544.34</b>
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software	309,133.15							309,133.15
<b>Total Amortizable Assets - Intangibles at Historical Costs</b>	<b>309,133.15</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>309,133.15</b>
<i>Less Accumulated Amortization for Intangible Computer Software</i>								
	(309,133.15)							(309,133.15)
<b>Total Accumulated Amortization</b>	<b>(309,133.15)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(309,133.15)</b>
<b>Amortizable Assets - Intangibles, Net</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>75,455,185.58</b>	<b>39,012.38</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>17,163,127.07</b>	<b>0.00</b>	<b>92,657,325.03</b>



## 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 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

Table 3

DEPOSITS	
<b>GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES</b>	
Cash in Bank - Carrying Amount	\$ 760,931.43
Cash in Bank per AFR	\$ 760,931.43
Current Assets Cash in Bank	\$ 760,931.43
<b>DISCRETE COMPONENT UNIT</b>	
Cash in Bank - Carrying Amount	\$ 241,502.00
Cash in Bank per AFR	\$ 241,502.00
Discrete Component Unit Current Assets Cash in Bank	\$ 241,502.00

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, 2018, the weighted average maturity of the portfolio was approximately 5.44 years, and the modified duration was approximately 4.98 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, 2018, 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, 2018, 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, 2018, 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 \$1,018,380,494.58; the fair value of the total portfolio of investments in the State of Texas David A. Gloier Texas State Veterans Home Program was \$35,361,396.42. 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, 2018, 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.

The Investment Policy authorizes an Investment Advisory Committee (IAC) to review potential externally-managed private-markets real asset 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

Table 4

**INVESTMENT PORTFOLIO AT FAIR VALUE**

LAND AND HOUSING ASSISTANCE FUNDS	Fair Value Hierarchy			Net Asset Value	Fair Value
	Level 1	Level 2	Level 3		
	Inputs	Inputs	Inputs		
<b>Investment Type</b>	\$	\$	\$	\$	\$
U.S. Treasury Securities	50,932,266.21				50,932,266.21
U.S. Treasury Strips	69,503,937.90				69,503,937.90
U.S. Government Agency Obligations	311,870,601.47				311,870,601.47
Money Market Mutual Fund	90,368,199.14				90,368,199.14
Commercial Paper	199,205,810.53				199,205,810.53
Taxable Municipals	141,687,304.25				141,687,304.25
Investment Derivative Instruments		986,963.14			986,963.14
International Obligations		22,748,740.50			22,748,740.50
Securities Lending - Cash Collateral Investment Pool <sup>(3)</sup>	55,451,135.31				55,451,135.31
<b>Total Investments</b>	<b>919,019,254.81</b>	<b>23,735,703.64</b>	<b>0.00</b>	<b>0.00</b>	<b>942,754,958.45</b>
Cash in State Treasury <sup>(2)</sup>					75,625,536.13
<b>Total Investments and Cash in State Treasury</b>					<b>1,018,380,494.58</b>
Consisting of the following:					
Cash Equivalents					501,146,009.97
Current Investments					503,960.00
Noncurrent Investments					385,653,853.17
Securities Lending Collateral <sup>(3)</sup>					55,451,135.31
<b>Total Investments per Exhibits</b>					<b>942,754,958.45</b>

<sup>(1)</sup> Includes \$13,699,713.87 and \$17,481,086.46 in the Fund I Bond Reserve and the Fund I Mortgage Reserve, respectively. The Bond and Mortgage Reserves are pledged only to support the Fund I Housing Assistance Bonds. As long as the Fund I Bond Reserve contains an amount equal to maximum average annual debt service requirements on the Fund I Housing Assistance Bonds, (i) any excess may be released from the Fund I Bond Reserve but will otherwise be considered as part of Housing Fund I, and (ii) any investment earnings relating to the Fund I Bond Reserve are automatically released from the Fund I Bond Reserve but are otherwise considered as part of Housing Fund I. Investment earnings relating the Fund I Mortgage Reserve may generally be used for any lawful purpose permitted for monies in Housing Fund I.

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

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

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

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

The SLB's general investment objective is to invest money in the RESFA in land, interests in real estate, mineral or royalty interests, real assets investments, investments or interest in public infrastructure, or other interest, in a manner that seeks to maximize returns within the framework of the prudent investor

Table 5

<b>INVESTMENT PORTFOLIO AT FAIR VALUE</b>					
<b>VETERANS HOMES PROGRAMS</b>					
	<b>Fair Value Hierarchy</b>			<b>Net Asset Value</b>	<b>Fair Value</b>
	<b>Level 1 Inputs</b>	<b>Level 2 Inputs</b>	<b>Level 3 Inputs</b>		
<b>Investment Type</b>	\$	\$	\$	\$	\$
Money Market Mutual Fund	85,048.67				85,048.67
Commercial Paper	4,947,228.05				4,947,228.05
<b>Total Investments</b>	<b>5,032,276.72</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>5,032,276.72</b>
Cash in State Treasury <sup>(1)</sup>					30,329,119.70
<b>Total Investments and Cash in State Treasury</b>					<b>35,361,396.42</b>
Consisting of the following:					
Cash Equivalents					1,078,382.28
Current Investments					3,953,894.44
<b>Total Investments per Exhibits</b>					<b>5,032,276.72</b>

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

standard. Given the typical nature of private-markets 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 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 regarding the SLB's externally managed real assets investments and by Texas General Land Office staff regarding 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, 2018 and adjusting it for cash transactions that transpired during July and August 2018.

Real assets investments include 68 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. Except for open-ended funds, most of the partnerships have specific termination dates, and it is expected that most of the current 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 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.

Table 6

**INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)**

**Investments with External Investment Managers by Sector**

Energy	\$ 1,410,926,052.63
Real Estate	1,126,231,963.77
Infrastructure	589,499,967.66
<b>Total PSF (SLB) investments</b>	<b>\$ 3,126,657,984.06</b>

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice	Liquidity Expectation
<b>Investments with External Investment Managers</b>					
Energy	\$ 1,410,926,052.63	\$ 940,950,886.96	None	None	2-12 years
Real Estate:					2-12 years
Closed-End	719,224,202.21	522,258,529.32	None	None	2-12 years
Open-End	407,007,761.56		Quarterly	45-90 days	2-12 years
Infrastructure	589,499,967.66	1,124,960,213.77	None	None	2-12 years
<b>Total Investments measures at NAV</b>	<b>\$ 3,126,657,984.06</b>	<b>\$ 2,588,169,630.05</b>			

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 \$2,473,095,161.

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 13,620 active Proved Developed Producing (PDP) wells with an estimated discounted future net revenue value of \$1,064,368,478; 543 Proved Undeveloped (PUD) locations with an estimated discounted future net revenue value of \$757,707,388; 1,138 Probable Undeveloped (PROB) locations with an estimated discounted future net revenue value of \$496,436,974; 372 Possible Undeveloped (POSS) locations with an estimated discounted future net revenue value of \$106,447,987; and 215 Contingent Resources (CONT) locations with an estimated discounted future net revenue value of \$48,134,334. For 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 2018 *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 1.00; Probable reserves are adjusted using a factor of 0.37; Possible reserves are adjusted using a factor of 0.16; Contingent resources are excluded. The risk-adjusted mineral reserve valuation is \$2,022,789,224.30.

**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, 2018, there are no outstanding reverse repurchase agreements.

Table 7

**INVESTMENT PORTFOLIO AT FAIR VALUE**

PERMANENT SCHOOL FUND	Fair Value Hierarchy			Net Asset Value	Fair Value
	Level 1	Level 2	Level 3		
	Inputs	Inputs	Inputs		
<b>Investment Type</b>					
Domestic Equity	\$ 4,202,598.28	\$	\$	\$	\$ 4,202,598.28
Investments in Real Assets					
Sovereign Lands			258,601,709.45		258,601,709.45
Discretionary Internal Investments			273,423,877.01		273,423,877.01
Other Lands			129,060,511.26		129,060,511.26
Minerals <sup>(1), (2)</sup>			2,022,789,224.30 <sup>(5)</sup>		2,022,789,224.30
Investments with External Managers					
Energy				1,410,926,052.63	1,410,926,052.63
Real Estate				1,126,231,963.77	1,126,231,963.77
Infrastructure				589,499,967.66	589,499,967.66
<b>Total Investments <sup>(3)</sup></b>	<b>4,202,598.28</b>	<b>0.00</b>	<b>2,683,875,322.02</b>	<b>3,126,657,984.06</b>	<b>5,814,735,904.36</b>
Cash in State Treasury <sup>(4)</sup>					4,247,303,312.43
<b>Total Investments and Cash in State Treasury</b>					<b>10,062,039,216.79</b>
Consisting of the following:					
Noncurrent Investments					5,814,735,904.36
<b>Total Investments per Exhibits</b>					<b>5,814,735,904.36</b>

<sup>(1)</sup> Historical cost of investments at August 31, 2018 was: Common Stock \$7,524,402.09; Sovereign Lands \$839,662.54; Discretionary Internal Investments \$195,694,233.57; Other Lands \$42,310,596.17; Minerals \$13,433,167.04; and Investments with External Managers \$2,983,315,082.32.

<sup>(2)</sup> Includes an estimated 1,000,000.00 acres in freshwater rivers.

<sup>(3)</sup> Includes an estimated 1,747,600.00 in excess acreage.

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

<sup>(5)</sup> 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.

## 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 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 if 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, 2018, the pool had an

average duration of 16.25 days and an average weighted maturity of 112 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, 2018, 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, 2018, were \$55,451,135.31 and \$54,454,623.13, 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.

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## Note 4

### SHORT-TERM DEBT

Not applicable.

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## Note 5

### LONG-TERM LIABILITIES

The changes noted in **Table 8** on page 44 occurred in long-term liabilities during the year ended August 31, 2018.

### BONDS PAYABLE

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, 2018.

### 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.

Table 8

**CHANGES IN LONG-TERM LIABILITIES**

For the Year Ended August 31, 2018

GOVERNMENTAL ACTIVITIES	Balance			Balance 08-31-2018	Amounts Due	
	09-01-2017	Additions	Deductions		Within One Year	Thereafter
Employees' Compensable Leave	\$ 5,359,840.01	\$ 5,396,827.41	\$ 4,394,465.20	\$ 6,362,202.22	\$ 3,675,713.78	\$ 2,686,488.44
<b>Total, Governmental Activities</b>	<b>5,359,840.01</b>	<b>5,396,827.41</b>	<b>4,394,465.20</b>	<b>6,362,202.22</b>	<b>3,675,713.78</b>	<b>2,686,488.44</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
General Obligation Bonds Payable	2,875,515,000.00	250,000,000.00	168,180,000.00	2,957,335,000.00	191,070,000.00	2,766,265,000.00
Unamortized Premium	7,796,258.67	0.00	1,029,810.16	6,766,448.51	1,029,810.16	5,736,638.35
<b>Total, Business-Type Activities</b>	<b>2,883,311,258.67</b>	<b>250,000,000.00</b>	<b>169,209,810.16</b>	<b>2,964,101,448.51</b>	<b>192,099,810.16</b>	<b>2,772,001,638.35</b>
<b>Total, Governmental and Business-Type Activities</b>	<b>2,888,671,098.68</b>	<b>255,396,827.41</b>	<b>173,604,275.36</b>	<b>2,970,463,650.73</b>	<b>195,775,523.94</b>	<b>2,774,688,126.79</b>

## 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 page 45 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 2018, 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 2018**

Issue Date: June 28, 2018

Sr. Manager: Jefferies

True Interest Cost: Variable-Rate

Net Proceeds: \$249,677,835.81

Costs of Issuance: \$322,164.19

The Series 2018 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 46.

#### **\$3,700,000 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.

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 November 30, 2018. The liquidity provider receives an annual fee of 0.35 percent. As of August 31, 2018, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$13,215,000 State of Texas Veterans' Land Bonds, Series 2002**

The bonds were issued pursuant to a resolution adopted by the board on January 29, 2002, in the original aggregate principal amount of \$20,000,000.00. The proceeds of the bonds were used to fund land loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, TD Securities, 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 Public Lending 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 July 24, 2023. The liquidity provider receives an annual fee of 0.33 percent. As of August 31, 2018, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$31,360,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2008B Bonds**

The bonds were issued pursuant to a resolution adopted by the board on July 31, 2008, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the

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
<b>TOTAL</b>		<b>4,000,000,000</b>
\$	4,000,000,000.00 <sup>(1)</sup>	Amount Authorized
	(188,790,000.00)	Outstanding balance (Land)
	<u>(2,775,311,448.51)</u>	Outstanding balance (Housing)
\$	<u>1,035,898,551.49</u> <sup>(2)</sup>	Amount remaining to issue

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

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

bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, TD Securities, 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 Public Lending Corporation, the tender agent is entitled to request an amount from the

Table 10

**VETERANS' LAND BOARD LIQUIDITY FACILITIES**

As of August 31, 2018

Liquidity Provider	Bond Transaction	Available Principal Commitment at 8-31-2018	Liquidity Agreement Expiration Date
Landesbank Hessen - Thüringen Girozentrale	1) Vet Bonds Series 2011C	56,745,000.00	12-31-2019
	2) Vet Bonds Series 2016	227,090,000.00	01-20-2021
		<u>283,835,000.00</u>	
Bank of Tokyo - Mitsubishi UFJ	1) Vet Land Ref Bonds Series 99A	3,700,000.00	11-30-2018
		<u>3,700,000.00</u>	
Federal Home Loan Bank of Dallas	1) Vet Bonds Series 2014D	85,805,000.00	11-01-2022
	2) Vet Bonds Series 2015B	113,600,000.00	11-01-2022
	3) Vet Bonds Series 2018	250,000,000.00	06-27-2023
		<u>449,405,000.00</u>	
State Street Bank and Trust Company	1) Vet Land Bds Ser 2002	13,215,000.00	07-24-2023
	2) Vet Hsg Fund II Series 2008B	31,360,000.00	07-24-2023
	3) Vet Hsg Fund II Series 2010C	54,905,000.00	07-24-2023
		<u>99,480,000.00</u>	
Sumitomo Mitsui Banking Corporation	1) Vet Bonds Series 2017	242,090,000.00	01-18-2022
		<u>242,090,000.00</u>	
<b>Grand Total</b>		<u><u>1,078,510,000.00</u></u>	

liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 24, 2023. The liquidity provider receives an annual fee of 0.33 percent. As of August 31, 2018, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$54,905,000 State of Texas Veterans Bonds, Fund II Series 2010C**

The bonds were issued pursuant to a resolution adopted by the board on July 22, 2010, in the original aggregate principal amount of \$74,995,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, TD Securities, 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 Public Lending 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 July 24, 2023. The liquidity provider receives an annual fee of 0.33 percent. As of August 31, 2018, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$56,745,000 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, 2018, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$85,805,000 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 Federal Home Loan Bank of Dallas, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on November 1, 2022. The liquidity provider receives an annual fee of 0.20 percent. As of August 31, 2018, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$113,600,000 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 Federal Home Loan Bank of Dallas, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on November 1, 2022. The liquidity provider receives an annual fee of 0.20 percent. As of August 31, 2018, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$227,090,000 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, 2018, there were no purchased bonds held by the

liquidity provider under the terms of the liquidity agreement.

**\$242,090,000 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, 2018, there were no purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$250,000,000 State of Texas Veterans Bonds, Series 2018**

The bonds were issued pursuant to a resolution adopted by the board on July 27, 2017, 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 Federal Home Loan Bank of Dallas, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on June 27, 2023. The liquidity provider receives an annual fee of 0.20 percent. As of August 31, 2018, 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 demand bond issues ("VRDBs") 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.

The Tax Cuts and Jobs Act passed by the U.S. Congress in December 2017 triggered an unanticipated interest rate adjustment mechanism related to the bonds described above that were converted to a direct purchase mode in 2015 that is projected to produce a significant negative economic impact on the bonds, if left in the current Index Interest Rate mode. Consequently, on April 26, 2018, the board approved the conversion of the interest rate mode on all the issues described above from their current Index Interest Rate mode back to their original Weekly Interest Rate mode. The conversion process was structured in three tranches. The first tranche closed on July 23, 2018 in a principal amount of \$99,480,000, comprised of the Veterans' Housing Assistance Fund II Bonds, Series 2008B and 2010C, and the Veterans' Land Bonds, Series 2002. TD Securities is the remarketing agent and State Street Public Lending Corporation is the liquidity provider on the VRDBs. Tranche 2 was subsequently closed on September 26, 2018, and Tranche 3 was closed on November 15, 2018. Details related to these two subsequent tranches are described in Note 16 on page 73.

## DEFEASED BONDS OUTSTANDING – LAND

Advance refunding bonds totaling \$716,545,000.00 have been issued to defease Veterans' Land Bonds. At August 31, 2018, \$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 52.

In the opinion of the board's bond counsel, because 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 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

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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. The loan rate in the program at August 31, 2018 was 7.25 percent. The board may also provide financing for veterans for the purchase of foreclosed land tracts from the board. Higher rates of interest are charged to non-veterans for the purchase of foreclosed land tracts, as permitted by law.

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

In January 1984, the Veterans' Land Board began providing housing loans. Currently under this program, eligible Texas veterans may qualify for a loan of up to \$453,100.00. 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.

Nationstar Mortgage is currently the administrator of the Veterans' Housing Assistance Program. Housing loans are originated by Gateway Mortgage and are 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 82.

## 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 2018. Annual interest accretion on capital appreciation bonds is reported in the Bonds Issued column of Schedule 2-A. As of August 31, 2018, the GLO does not have any capital appreciation bonds.

A summary of bonds outstanding, excluding unamortized premium, at August 31, 2018, and the issue and final maturity dates are presented in **Table 12** on page 53 and a summary of bond transactions is presented in **Table 13** on page 54.

## DEBT SERVICE REQUIREMENTS

**Table 14** on page 55 and **Table 15** on page 56 represent principal and interest due on bonds from the period of September 1, 2018, through final maturity on December 1, 2049. 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 if 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, 2018, are shown in **Table 16** on page 56.

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# Note 7

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## DERIVATIVE INSTRUMENTS

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

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*Objective of the swaps.* The board is currently a party to 54 pay-fixed, receive-variable interest rate swaps that are associated with 38 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, 2018, are shown in **Table 18** on pages 58 and 59.

## 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, 2018, are shown in **Table 19** on page 60. 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) to reflect potential 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, 2018, 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, 2018, 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 58 and 59 and in **Table 19** on page 60, 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.

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 eleven different counterparties, with no more than approximately 25 percent of the total notional amount of swaps outstanding being associated with any single counterparty.

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

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

UNAUDITED  
Texas General Land Office and Veterans' Land Board

Table 11

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

	<b>Land Program 1985 Refunding</b>	<b>Land Program 1986 Refunding</b>	<b>Housing Program 2010 Refunding</b>	<b>Total Refunding</b>
Series Defeased	1976-1982	1951-1972A, 1978-1985B, and 1983 Refunding	2001A-1 Refunding 2001C-1 Refunding 2002A-1 Refunding	
Refunding Bonds Issued	\$ 173,760,000.00	\$ 542,785,000.00	\$ 49,995,000.00	\$ 766,540,000.00
Additional Securities and Cash Provided	19,890,121.00	58,781,385.00	5,028,848.78	83,700,354.78
Defeased Debt by Series				
1951-1954A		8,183,000.00		8,183,000.00
1957-1961B		31,820,000.00		31,820,000.00
1968-1972A		87,000,000.00		87,000,000.00
1976-1977	90,000,000.00			90,000,000.00
1978-1982	126,000,000.00	74,000,000.00		200,000,000.00
1983-1985A		250,000,000.00		250,000,000.00
1985B		100,000,000.00		100,000,000.00
1983 Refunding		22,810,000.00		22,810,000.00
2001A-1 Refunding			31,680,000.00	31,680,000.00
2001C-1 Refunding			10,725,000.00	10,725,000.00
2002A-1 Refunding			9,925,000.00	9,925,000.00
<b>Total Defeased Debt</b>	<b>216,000,000.00</b>	<b>573,813,000.00</b>	<b>52,330,000.00</b>	<b>842,143,000.00</b>
Total Retired by Escrow Agent at 8-31-2018	216,000,000.00	558,313,000.00	52,330,000.00	826,643,000.00
<b>Outstanding Defeased Debt</b>	<b>0.00</b>	<b>15,500,000.00</b>	<b>0.00</b>	<b>15,500,000.00</b>
Escrow Agent	Bank of New York 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 08-31-2018
			\$
<b>General Obligation Bonds - Self-Supporting</b>			
<i>Veterans' Housing Bonds</i>			
(Proceeds used to provide housing and home improvement loans to eligible Texas veterans.)			
Vet Hsg 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	23,875,000.00
Vet Hsg Fund II Bds Ser 2002A-2	07-10-2002	06-01-2033	29,170,000.00
Vet Hsg Fund II Bds Ser 2003A	03-04-2003	06-01-2034	21,305,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-2003	06-01-2034	22,525,000.00
Vet Hsg Fund II Bds Ser 2004A	04-07-2004	12-01-2034	22,150,000.00
Vet Hsg Fund II Bds Ser 2004B	09-15-2004	12-01-2034	24,965,000.00
Vet Hsg Fund II Bds Ser 2005A	02-24-2005	06-01-2035	24,585,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-2005	06-01-2036	24,260,000.00
Vet Hsg Fund II Bds Ser 2006A	06-01-2006	12-01-2036	27,110,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-2006	12-01-2036	28,470,000.00
Vet Hsg Fund II Bds Ser 2007A	02-22-2007	06-01-2037	28,730,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-2007	06-01-2038	30,160,000.00
Vet Hsg Fund II Bds Ser 2008A	03-26-2008	12-01-2028	30,255,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-2008	12-01-2038	31,360,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-2009	12-01-2023	33,470,000.00
Vet Hsg Fund II Bds Ser 2009B	09-03-2009	12-01-2024	36,005,000.00
Vet Hsg Fund II Bds Ser 2010A	02-25-2010	12-01-2031	53,850,000.00
Veterans Bonds Series 2010C	08-20-2010	12-01-2031	54,905,000.00
Veterans Bonds Series 2011A	03-09-2011	06-01-2041	54,600,000.00
Veterans Bonds Series 2011B	08-25-2011	12-01-2041	55,710,000.00
Veterans Bonds Series 2011C	12-15-2011	06-01-2042	56,745,000.00
Veterans Bonds Series 2012A	05-23-2012	12-01-2042	56,690,000.00
Veterans Bonds Series 2012B	11-01-2012	12-01-2042	75,210,000.00
Veterans Bonds Series 2013A	03-20-2013	06-01-2043	80,375,000.00
Veterans Bonds Series 2013B	08-22-2013	12-01-2043	121,755,000.00
Veterans Bonds Tax Ref Ser 2013C	10-24-2013	06-01-2031	263,405,000.00
Veterans Bonds Ser 2014A	02-26-2014	06-01-2044	125,950,000.00
Veterans Bonds Tax Ref Ser 2014B-1	04-01-2014	12-01-2024	47,005,000.00
Veterans Bonds Tax Ref Ser 2014B-2	04-01-2014	12-01-2024	12,655,000.00
Veterans Bonds Tax Ref Ser 2014C-1	07-01-2014	12-01-2033	66,060,000.00
Veterans Bonds Tax Ref Ser 2014C-2	07-01-2014	12-01-2033	158,625,000.00
Veterans Bonds Ser 2014D	09-10-2014	06-01-2045	85,805,000.00
Veterans Bonds Ser 2015A	02-11-2015	06-01-2045	108,025,000.00
Veterans Bonds Ser 2015B	07-22-2015	06-01-2046	113,600,000.00
Veterans Bonds Ser 2016	01-21-2016	12-01-2046	227,090,000.00
Veterans Bonds Ser 2017	01-19-2017	12-01-2047	242,090,000.00
Veterans Bonds Ser 2018	06-28-2018	12-01-2049	250,000,000.00
<b>Total, Veterans' Housing Bonds</b>			<b>2,768,545,000.00</b>
<b>General Obligation Bonds - Self-Supporting</b>			
<i>Veterans' Land Bonds</i>			
(Proceeds used to provide land loans to eligible Texas veterans.)			
Vet Land Ref Bds Ser '99A	04-28-1999	12-01-2018	3,700,000.00
Vet Land Bds Ser 2002	02-21-2002	12-01-2032	13,215,000.00
Vet Land Tax Ref Bds Ser 2014B-3	04-01-2014	12-01-2024	29,375,000.00
Vet Land Tax Ref Bds Ser 2014C-3	07-01-2014	12-01-2033	59,120,000.00
Vet Land Tax Ref Bds Ser 2014C-4	07-01-2014	12-01-2033	83,380,000.00
<b>Total, Veterans' Land Bonds</b>			<b>188,790,000.00</b>
<b>Total, General Obligation Bonds - Self-Supporting</b>			<b>2,957,335,000.00</b>

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Table 13

**BOND TRANSACTIONS**

Bond Issue	Bonds Payable		Annual Interest		Bonds Extinguished by		Bonds Payable
	09-01-2017	Bonds Issued	Accretion on Discount Bonds	Bonds Matured	Defeasance or Redeemed Prior to Maturity	Par Value Adjustments	
	\$	\$	\$	\$	\$	\$	\$
<b>General Obligation Bonds - Self-Supporting</b>							
<i>Veterans' Housing Bonds</i>							
Vet Hsg Bds Ser '94A-1							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	24,265,000.00			390,000.00			23,875,000.00
Vet Hsg Fund II Bds Ser 2002A-2	29,790,000.00			620,000.00			29,170,000.00
Vet Hsg Fund II Bds Ser 2003A	23,015,000.00			1,710,000.00			21,305,000.00
Vet Hsg Fund II Bds Ser 2003B	24,255,000.00			1,730,000.00			22,525,000.00
Vet Hsg Fund II Bds Ser 2004A	23,850,000.00			1,700,000.00			22,150,000.00
Vet Hsg Fund II Bds Ser 2004B	26,775,000.00			1,810,000.00			24,965,000.00
Vet Hsg Fund II Bds Ser 2005A	26,375,000.00			1,790,000.00			24,585,000.00
Vet Hsg Fund II Bds Ser 2005B	26,030,000.00			1,770,000.00			24,260,000.00
Vet Hsg Fund II Bds Ser 2006A	28,715,000.00			1,605,000.00			27,110,000.00
Vet Hsg Fund II Bds Ser 2006D	30,200,000.00			1,730,000.00			28,470,000.00
Vet Hsg Fund II Bds Ser 2007A	30,375,000.00			1,645,000.00			28,730,000.00
Vet Hsg Fund II Bds Ser 2007B	32,025,000.00			1,865,000.00			30,160,000.00
Vet Hsg Fund II Bds Ser 2008A	31,990,000.00			1,735,000.00			30,255,000.00
Vet Hsg Fund II Bds Ser 2008B	33,120,000.00			1,760,000.00			31,360,000.00
Vet Hsg Fund II Bds Ser 2009A	35,360,000.00			1,890,000.00			33,470,000.00
Vet Hsg Fund II Bds Ser 2009B	37,645,000.00			1,640,000.00			36,005,000.00
Vet Hsg Fund II Bds Ser 2010A	56,880,000.00			3,030,000.00			53,850,000.00
Veterans Bonds Series 2010C	57,855,000.00			2,950,000.00			54,905,000.00
Veterans Bonds Series 2011A	57,655,000.00			3,055,000.00			54,600,000.00
Veterans Bonds Series 2011B	58,840,000.00			3,130,000.00			55,710,000.00
Veterans Bonds Series 2011C	59,945,000.00			3,200,000.00			56,745,000.00
Veterans Bonds Series 2012A	60,065,000.00			3,375,000.00			56,690,000.00
Veterans Bonds Series 2012B	80,300,000.00			5,090,000.00			75,210,000.00
Veterans Bonds Series 2013A	85,295,000.00			4,920,000.00			80,375,000.00
Veterans Bonds Series 2013B	128,785,000.00			7,030,000.00			121,755,000.00
Veterans Bonds Tax Ref Ser 2013C	271,590,000.00			8,185,000.00			263,405,000.00
Veterans Bonds Series 2014A	133,125,000.00			7,175,000.00			125,950,000.00
Veterans Bonds Tax Ref Ser 2014B-1	58,160,000.00			11,155,000.00			47,005,000.00
Veterans Bonds Tax Ref Ser 2014B-2	19,975,000.00			7,320,000.00			12,655,000.00
Veterans Bonds Tax Ref Ser 2014C-1	67,880,000.00			1,820,000.00			66,060,000.00
Veterans Bonds Tax Ref Ser 2014C-2	168,975,000.00			10,350,000.00			158,625,000.00
Veterans Bonds Series 2014D	90,760,000.00			4,955,000.00			85,805,000.00
Veterans Bonds Series 2015A	114,060,000.00			6,035,000.00			108,025,000.00
Veterans Bonds Series 2015B	119,160,000.00			5,560,000.00			113,600,000.00
Veterans Bonds Series 2016	242,375,000.00			15,285,000.00			227,090,000.00
Veterans Bonds Series 2017	249,690,000.00			7,600,000.00			242,090,000.00
Veterans Bonds Series 2018	0.00	250,000,000.00					250,000,000.00
<b>Total, Veterans' Housing Bonds</b>	<b>2,665,155,000.00</b>	<b>250,000,000.00</b>	<b>0.00</b>	<b>146,610,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,768,545,000.00</b>
<b>General Obligation Bonds - Self-Supporting</b>							
<i>Veterans' Land Bonds</i>							
Vet Land Ref Bds Ser '99A	7,135,000.00			3,435,000.00			3,700,000.00
Vet Land Bds Ser 2002	13,820,000.00			605,000.00			13,215,000.00
Vet Land Tax Ref Bds Ser 2014B-3	34,770,000.00			5,395,000.00			29,375,000.00
Vet Land Tax Ref Bds Ser 2014C-3	62,355,000.00			3,235,000.00			59,120,000.00
Vet Land Tax Ref Bds Ser 2014C-4	92,280,000.00			8,900,000.00			83,380,000.00
<b>Total, Veterans' Land Bonds</b>	<b>210,360,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>21,570,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>188,790,000.00</b>
<b>Total, General Obligation Bonds - Self-Supporting</b>	<b>2,875,515,000.00</b>	<b>250,000,000.00</b>	<b>0.00</b>	<b>168,180,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,957,335,000.00</b>
<b>Total, All Bonds</b>	<b>2,875,515,000.00</b>	<b>250,000,000.00</b>	<b>0.00</b>	<b>168,180,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,957,335,000.00</b>

Table 14

**DEBT SERVICE REQUIREMENTS BY BOND ISSUE**

Bond Issue	Principal	Interest	Total Debt Service
	\$	\$	\$
<b>General Obligation Bonds - Self Supporting</b>			
<i>Veterans' Housing Bonds</i>			
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00	3,497,672.61	23,497,672.61
Vet Hsg Fund II Bds Ser 2001C-2	23,875,000.00	5,859,173.11	29,734,173.11
Vet Hsg Fund II Bds Ser 2002A-2	29,170,000.00	6,507,626.84	35,677,626.84
Vet Hsg Fund II Bds Ser 2003A	21,305,000.00	4,187,091.33	25,492,091.33
Vet Hsg Fund II Bds Ser 2003B	22,525,000.00	4,452,427.33	26,977,427.33
Vet Hsg Fund II Bds Ser 2004A	22,150,000.00	3,770,369.68	25,920,369.68
Vet Hsg Fund II Bds Ser 2004B	24,965,000.00	5,200,842.94	30,165,842.94
Vet Hsg Fund II Bds Ser 2005A	24,585,000.00	4,415,042.49	29,000,042.49
Vet Hsg Fund II Bds Ser 2005B	24,260,000.00	4,419,334.77	28,679,334.77
Vet Hsg Fund II Bds Ser 2006A	27,110,000.00	5,878,658.90	32,988,658.90
Vet Hsg Fund II Bds Ser 2006D	28,470,000.00	6,213,162.42	34,683,162.42
Vet Hsg Fund II Bds Ser 2007A	28,730,000.00	6,198,072.99	34,928,072.99
Vet Hsg Fund II Bds Ser 2007B	30,160,000.00	6,734,443.69	36,894,443.69
Vet Hsg Fund II Bds Ser 2008A	30,255,000.00	6,517,438.70	36,772,438.70
Vet Hsg Fund II Bds Ser 2008B	31,360,000.00	5,063,289.00	36,423,289.00
Vet Hsg Fund II Bds Ser 2009A	33,470,000.00	9,150,350.00	42,620,350.00
Vet Hsg Fund II Bds Ser 2009B	36,005,000.00	10,178,125.00	46,183,125.00
Vet Hsg Fund II Bds Ser 2010A	53,850,000.00	16,251,325.00	70,101,325.00
Veterans Bonds Series 2010C	54,905,000.00	9,190,219.50	64,095,219.50
Veterans Bonds Series 2011A	54,600,000.00	13,806,541.15	68,406,541.15
Veterans Bonds Series 2011B	55,710,000.00	14,353,678.50	70,063,678.50
Veterans Bonds Series 2011C	56,745,000.00	10,096,320.00	66,841,320.00
Veterans Bonds Series 2012A	56,690,000.00	12,990,071.10	69,680,071.10
Veterans Bonds Series 2012B	75,210,000.00	18,582,053.68	93,792,053.68
Veterans Bonds Series 2013A	80,375,000.00	22,127,879.99	102,502,879.99
Veterans Bonds Series 2013B	121,755,000.00	31,349,303.09	153,104,303.09
Veterans Bonds Series 2013C	263,405,000.00	42,357,120.40	305,762,120.40
Veterans Bonds Series 2014A	125,950,000.00	32,052,980.42	158,002,980.42
Veterans Bonds Series 2014B-1	47,005,000.00	3,432,970.77	50,437,970.77
Veterans Bonds Series 2014B-2	12,655,000.00	341,189.14	12,996,189.14
Veterans Bonds Series 2014C-1	66,060,000.00	23,665,718.73	89,725,718.73
Veterans Bonds Series 2014C-2	158,625,000.00	27,925,350.18	186,550,350.18
Veterans Bonds Series 2014D	85,805,000.00	15,328,918.75	101,133,918.75
Veterans Bonds Series 2015A	108,025,000.00	29,749,100.18	137,774,100.18
Veterans Bonds Series 2015B	113,600,000.00	21,302,153.75	134,902,153.75
Veterans Bonds Series 2016	227,090,000.00	31,233,680.00	258,323,680.00
Veterans Bonds Series 2017	242,090,000.00	34,002,000.25	276,092,000.25
Veterans Bonds Series 2018	250,000,000.00	40,308,060.00	290,308,060.00
<b>Total, Veterans' Housing Bonds</b>	<b>2,768,545,000.00</b>	<b>548,689,756.38</b>	<b>3,317,234,756.38</b>
<b>General Obligation Bonds - Self Supporting</b>			
<i>Veterans' Land Bonds</i>			
Vet Land Ref Bds Ser '99A	3,700,000.00	29,600.00	3,729,600.00
Vet Land Bds Ser 2002	13,215,000.00	1,749,039.75	14,964,039.75
Vet Land Tax Ref Bds Ser 2014B-3	29,375,000.00	2,297,119.94	31,672,119.94
Vet Land Tax Ref Bds Ser 2014C-3	59,120,000.00	10,636,038.15	69,756,038.15
Vet Land Tax Ref Bds Ser 2014C-4	83,380,000.00	8,955,918.00	92,335,918.00
<b>Total, Veterans' Land Bonds</b>	<b>188,790,000.00</b>	<b>23,667,715.84</b>	<b>212,457,715.84</b>
<b>Total, General Obligation Bonds - Self-Supporting</b>	<b>2,957,335,000.00</b>	<b>572,357,472.22</b>	<b>3,529,692,472.22</b>
<b>Total, All Bonds</b>	<b>2,957,335,000.00</b>	<b>572,357,472.22</b>	<b>3,529,692,472.22</b>

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Table 15

**DEBT SERVICE REQUIREMENTS BY FISCAL YEAR**

Fiscal Year	Principal	Interest <sup>(1)</sup>	Totals
	\$	\$	\$
2019	191,070,000.00	64,374,672.07	255,444,672.07
2020	204,170,000.00	59,982,810.23	264,152,810.23
2021	201,625,000.00	55,546,934.32	257,171,934.32
2022	198,110,000.00	51,200,275.27	249,310,275.27
2023	184,330,000.00	47,040,289.37	231,370,289.37
2024-2028	898,250,000.00	162,244,504.54	1,060,494,504.54
2029-2033	513,135,000.00	83,181,680.60	596,316,680.60
2034-2038	347,770,000.00	35,783,173.01	383,553,173.01
2039-2043	177,270,000.00	11,775,555.00	189,045,555.00
2044-2048	40,640,000.00	1,217,696.57	41,857,696.57
2049-2053	965,000.00	9,881.25	974,881.25
<b>Total Debt Service</b>	<b>2,957,335,000.00</b>	<b>572,357,472.22</b>	<b>3,529,692,472.22</b>

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

Table 16

**BOND COVENANT RESERVE REQUIREMENTS**

Reserve Type	Reserve Requirement	Investments at Fair Value
	\$	\$
<b>General Obligation Bonds - Self-Supporting</b>		
Veterans' Housing Fund I Bond Reserve	13,348,232.74 <sup>(1)</sup>	13,699,713.87 <sup>(2)</sup>
Veterans' Housing Assistance Fund I Mortgage Reserve	7,500,000.00 <sup>(3)</sup>	17,481,086.46 <sup>(4)</sup>
<b>Total, General Obligation Bonds - Self-Supporting</b>	<b>20,848,232.74</b>	<b>31,180,800.33</b>
<b>Total, All Bonds</b>	<b>20,848,232.74</b>	<b>31,180,800.33</b>

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

<sup>(2)</sup> For purposes of the Bond Resolutions and federal tax law, the Veterans' Land Board determines reserve sufficiency based on the fair value of the Bond Reserve's investments. For purposes of this calculation, the fair value of investments was determine as of the close of the market on August 31, 2018.

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

<sup>(4)</sup> Fair values shown are for informational purposes only. After being initially funded, these reserves are considered intact, and no further deposits are required. For purposes of this calculation, the fair value of investments was determined as of the close of the market on August 31, 2018.

**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 60.

**Swap payments and associated debt.** Using rates as of August 31, 2018, 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 60, and **Tables 22** and **23** on page 61. 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 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, 2018, the fair value of swaps determined to be effective cash flow hedging derivative instruments was (\$88,911,508.18), and the change in fair value of those swaps during the fiscal year was \$129,553,337.05 as shown in **Table 17** below.

All 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, 2018, the fair value of swaps determined to be derivative investments was \$986,963.14, and the change in fair value of those swaps during the fiscal year was \$775,415.64 as shown in **Table 17** below.

Table 17

### SUMMARY OF DERIVATIVE INSTRUMENTS

Changes in Fair Value		Fair Value at August 31, 2018		Notional
Classification	Amount	Classification	Amount	Amount
Investment Revenue	\$ 775,415.64	Investment	\$ 986,963.14	\$ 58,870,000.00
	<u>775,415.64</u>		<u>986,963.14</u>	<u>58,870,000.00</u>
Deferred Outflow	106,103,165.05	Debt	(116,587,794.18)	2,381,240,000.00
Deferred Inflow	23,450,172.00	Debt	27,676,286.00	161,550,000.00
	<u>129,553,337.05</u>		<u>(88,911,508.18)</u>	<u>2,542,790,000.00</u>
	<u>130,328,752.69</u>		<u>(87,924,545.04)</u>	<u>2,601,660,000.00</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 Land Ref Bds Ser '99A	3,700,000	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	23,875,000	12/18/2001	4.3650%	68% of 1M LIBOR
Vet Land Bds Ser 2002	13,215,000	02/21/2002	4.1400%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2002A-2	23,225,000	07/10/2002	3.8725%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2003A	21,305,000	03/04/2003	3.3040%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2003B	22,525,000	10/22/2003	3.4030%	64.5% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2004B	24,965,000	09/15/2004	3.6800%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2005A	24,585,000	02/24/2005	3.2790%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006A	27,110,000	06/01/2006	3.5170%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006D	28,470,000	09/20/2006	3.6890%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007A	28,730,000	02/22/2007	3.6450%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007B	30,160,000	06/26/2007	3.7120%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008A	30,255,000	03/26/2008	3.1890%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008B	31,360,000	09/11/2008	3.2250%	68% of 1M LIBOR
Vet Bds Ser 2010C	54,905,000	08/20/2010	2.3095%	68% of 3M LIBOR
Vet Bds Ser 2011A	54,600,000	03/09/2011	2.6750%	68% of 3M LIBOR
Vet Bds Ser 2011B	55,710,000	08/25/2011	2.3670%	68% of 3M LIBOR
Vet Bds Ser 2011C	56,745,000	12/15/2011	1.9170%	68% of 3M LIBOR
Vet Bds Ser 2012A	56,690,000	05/23/2012	1.6920%	68% of 3M LIBOR
Vet Bds Ser 2012B	75,210,000	11/01/2012	1.4470%	68% of 3M LIBOR
Vet Bds Ser 2013A	80,375,000	03/20/2013	1.7000%	68% of 3M LIBOR
Vet Bds Ser 2013B	121,755,000	08/22/2013	2.1450%	68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	30,795,000	12/01/2006	5.4610%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	24,360,000	12/01/2007	4.6580%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	6,885,000	12/01/2009	6.2200%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2013C	51,365,000	12/01/2009	5.4525%	100% of 6M LIBOR
Vet Bds Ser 2014A	125,950,000	03/03/2014	2.1790%	68% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	18,090,000	12/01/2003	5.1900%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	12,645,000	06/01/2004	5.4500%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014B-1 & B-2	12,730,000	12/01/2004	5.3480%	100% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	8,600,000	12/01/2005	4.9290%	100% of 1M LIBOR
Vet Hsg Fund I/II Tax Ref Bds Ser 2014B-1 & C-2	16,420,000	12/01/2005	5.1450%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014B-3	14,980,000	12/01/2000	6.1060%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014B-3	14,395,000	12/01/2005	6.5170%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	11,060,000	12/01/2002	4.9100%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	18,645,000	08/01/2012	3.7600%	68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	29,875,000	06/01/2006	5.8300%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	14,000,000	06/01/2006	5.7900%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	53,685,000	06/01/2010	5.4010%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	27,240,000	12/01/2010	2.7900%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-3	19,200,000	06/01/2006	6.5400%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-3	12,680,000	12/01/2010	5.2090%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	16,205,000	12/01/2002	4.9350%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	12,085,000	12/01/2003	5.1230%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	14,240,000	12/01/2004	5.4550%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	15,500,000	06/01/2006	4.6100%	100% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2014C-4	25,350,000	12/01/2006	6.5130%	100% of 1M LIBOR
Vet Bds Ser 2014D	85,805,000	09/10/2014	1.9395%	68% of 1M LIBOR
Vet Bds Ser 2015A	108,025,000	02/11/2015	1.5100%	68% of 1M LIBOR
Vet Bds Ser 2015B	113,600,000	07/22/2015	1.7710%	68% of 1M LIBOR
Vet Bds Ser 2016	227,090,000	12/01/2016	1.5640%	68% of 1M LIBOR
Vet Bds Ser 2017	242,090,000	08/01/2017	1.1750%	68% of 1M LIBOR + 0.085%
Vet Bds Ser 2018	249,730,000	04/01/2019	2.0750%	72% of 1M LIBOR
<b>Total</b>	<b>\$ 2,542,790,000</b>			

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Knock-out Barrier	Knock-out Type	Knock-out Period	Knock-Out Premium Received	Fair Value	Swap Termination Date	Counterparty Credit Ratings
N/A	N/A	N/A	N/A	(62,666.17)	12/01/2018	BBB+ / Baa1
N/A	N/A	N/A	N/A	(3,084,497.00)	12/01/2029	BBB+ / Baa1
N/A	N/A	N/A	N/A	(5,320,824.00)	12/01/2033	AA- / Aa2
N/A	N/A	N/A	N/A	(2,085,015.00)	12/01/2032	BBB+ / A3
N/A	N/A	N/A	N/A	(4,072,732.00)	06/01/2033	A+ / Aa3
N/A	N/A	N/A	N/A	(1,938,633.00)	06/01/2034	A+ / Aa3
N/A	N/A	N/A	N/A	(2,101,270.00)	06/01/2034	AA- / Aa2
N/A	N/A	N/A	N/A	(3,014,704.00)	12/01/2034	A+ / Aa3
N/A	N/A	N/A	N/A	(2,325,322.00)	06/01/2035	AA- / Aa2
N/A	N/A	N/A	N/A	(3,277,165.00)	12/01/2036	AA / Aa3
N/A	N/A	N/A	N/A	(3,823,822.00)	12/01/2036	Aa3/A1
N/A	N/A	N/A	N/A	(3,970,633.00)	06/01/2037	AA- / Aa2
N/A	N/A	N/A	N/A	(4,226,682.00)	06/01/2038	A+ / Aa3
N/A	N/A	N/A	N/A	(3,096,465.00)	12/01/2038	AA / Aa3
N/A	N/A	N/A	N/A	(3,448,341.00)	12/01/2038	AA- / Aa2
N/A	N/A	N/A	N/A	(1,471,252.00)	12/01/2040	BBB+ / A3
N/A	N/A	N/A	N/A	(3,176,407.00)	06/01/2041	BBB+/A3
N/A	N/A	N/A	N/A	(1,802,415.00)	12/01/2041	BBB+/A3
N/A	N/A	N/A	N/A	115,121.00	06/01/2042	AA- / Aa2
N/A	N/A	N/A	N/A	1,176,271.00	12/01/2042	AA- / Aa2
N/A	N/A	N/A	N/A	3,019,440.00	12/01/2042	AA- / Aa2
N/A	N/A	N/A	N/A	1,742,489.00	06/01/2043	AA- / Aa2
N/A	N/A	N/A	N/A	(2,355,864.00)	12/01/2043	AA- / Aa2
1M LIBOR >= 7.00%;	Mandatory	Periodic	2,652,000	(3,791,665.92)	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	(4,266,092.00)	06/01/2029	A+ / Aa3
SIFMA/5Y ISDA CMS > 71%			1,020,000			
6M LIBOR >= 7.00%	Mandatory	Periodic	612,000	(448,916.00)	12/01/2021	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	2,740,000	(8,499,804.00)	06/01/2031	A+ / Aa3
N/A	N/A	N/A	N/A	(2,846,636.00)	06/01/2044	AA- / Aa2
6M LIBOR > 7.00%	Mandatory	Periodic	4,470,000	(661,747.00)	06/01/2021	AA- / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	1,442,000	(1,118,276.00)	12/01/2024	A+ / Aa3
1M LIBOR >= 7.00%	Mandatory	Periodic	2,594,000	(329,927.00)	06/01/2020	A+ / Aa3
1M LIBOR >= 7.00%;	Mandatory	Periodic	484,000	(573,142.28)	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	(1,639,785.53)	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	(744,026.00)	12/01/2020	AA- / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	1,542,000	(2,205,412.00)	12/01/2026	A+ / Aa3
6M LIBOR > 7.00%	Mandatory	Periodic	2,165,000	(607,931.00)	06/01/2023	AA- / Aa2
1M LIBOR >= 7.00%	Mandatory	Periodic	578,750	(2,936,852.00)	12/01/2033	AA / Aa3
1M LIBOR >= 7.00%	Mandatory	Periodic	1,992,000	(3,983,576.00)	12/01/2026	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	1,493,000	(1,907,646.00)	12/01/2027	A+ / Aa3
1M LIBOR >= 7.00%;	Mandatory	Periodic	2,355,000	(10,158,413.44)	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	(34,669.00)	06/01/2032	AA- / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	1,931,000	(3,418,697.00)	12/01/2027	A+ / Aa3
1M LIBOR >= 7.00%;	Mandatory	Periodic	465,850	(2,017,801.86)	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	(817,544.00)	12/01/2021	BBB+ / A3
1M LIBOR >= 7.00%	Mandatory	Periodic	1,896,000	(824,457.00)	12/01/2023	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	2,075,000	(1,253,098.00)	12/01/2024	BBB+ / A3
6M LIBOR >= 7.00%	Mandatory	Periodic	886,000	(1,138,501.00)	12/01/2026	AA- / Aa2
1M LIBOR >= 7.00%	Mandatory	Periodic	2,725,000	(4,624,741.00)	12/01/2027	A+ / Aa3
N/A	N/A	N/A	N/A	(306,659.00)	06/01/2045	AA- / Aa2
N/A	N/A	N/A	N/A	3,043,997.00	06/01/2045	BBB+ / A3
N/A	N/A	N/A	N/A	1,032,882.00	06/01/2046	A+/Aa2
N/A	N/A	N/A	N/A	4,681,833.00	12/01/2046	A+/Aa2
N/A	N/A	N/A	N/A	12,864,253.00	12/01/2047	A+ / A1
N/A	N/A	N/A	N/A	(777,069.00)	12/01/2049	AA- / Aa2
			<b>\$ 47,391,700</b>	<b>\$ (88,911,508.18)</b>		

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Table 19

<b>PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>							
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	\$27,240,000	08/05/2002	131.25% of SIFMA	100% of 1M LIBOR	(42,765.74)	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	1,029,728.88	12/01/2023	AA- / Aa2
<b>Total</b>	<b>58,870,000.00</b>				<b>986,963.14</b>		

Table 20

<b>INTEREST RATE SWAPS SUBJECT TO ROLLOVER RISK</b>			
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

<b>ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2018</b>				
Fiscal Year Ending August 31	Variable-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
2019	172,495,000.00	49,206,619.58	26,327,640.87	248,029,260.45
2020	180,390,000.00	47,393,050.93	24,565,284.58	252,348,335.52
2021	178,030,000.00	43,625,897.05	22,250,338.66	243,906,235.71
2022	172,180,000.00	39,971,018.14	20,081,940.18	232,232,958.32
2023	158,020,000.00	36,543,376.88	18,071,505.10	212,634,881.97
2024-2028	686,150,000.00	136,185,998.00	61,135,536.32	883,471,534.32
2029-2033	487,700,000.00	74,814,703.43	25,492,729.71	588,007,433.14
2034-2038	288,950,000.00	34,813,361.02	7,497,173.11	331,260,534.13
2039-2043	177,270,000.00	11,645,722.20	1,852,412.29	190,768,134.49
2044-2048	40,640,000.00	868,378.34	51,457.03	41,559,835.37
2049-2053	965,000.00	7,478.75	3,522.83	976,001.58
<b>Total</b>	<b>2,542,790,000.00</b>	<b>475,075,604.32</b>	<b>207,329,540.67</b>	<b>3,225,195,144.99</b>



Table 22

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:  
ESTIMATED DEBT SERVICE REQUIREMENTS OF FIXED-RATE DEBT  
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2018**

Fiscal Year Ending August 31	Fixed-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
	\$	\$	\$	\$
2019	0.00	1,760,325.00	(493,310.22)	1,267,014.78
2020	0.00	1,760,325.00	(493,310.22)	1,267,014.78
2021	0.00	1,760,325.00	(493,310.22)	1,267,014.78
2022	0.00	1,760,325.00	(493,310.22)	1,267,014.78
2023	0.00	1,760,325.00	(493,310.22)	1,267,014.78
2024-2028	31,630,000.00	942,506.25	(246,655.11)	32,325,851.14
2029-2033	0.00	0.00	0.00	0.00
<b>Total</b>	<b>31,630,000.00</b>	<b>9,744,131.25</b>	<b>(2,713,206.20)</b>	<b>38,660,925.05</b>

Table 23

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:  
ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT  
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL 2018**

Fiscal Year Ending August 31	Variable-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
	\$	\$	\$	\$
2019	1,280,000.00	686,679.00	(234,439.10)	1,732,239.90
2020	1,365,000.00	652,538.66	(222,783.25)	1,794,755.42
2021	1,445,000.00	616,268.59	(210,400.28)	1,850,868.31
2022	1,535,000.00	577,804.24	(197,268.16)	1,915,536.07
2023	1,635,000.00	536,887.46	(183,298.77)	1,988,588.70
2024-2028	9,825,000.00	1,975,428.34	(674,431.05)	11,125,997.28
2029-2033	10,155,000.00	574,061.06	(195,990.21)	10,533,070.86
2034-2038	0.00	0.00	0.00	0.00
2039-2043	0.00	0.00	0.00	0.00
2044-2048	0.00	0.00	0.00	0.00
2049-2053	0.00	0.00	0.00	0.00
<b>Total</b>	<b>27,240,000.00</b>	<b>5,619,667.35</b>	<b>(1,918,610.82)</b>	<b>30,941,056.54</b>

# Note 8

## LEASES

Texas General Land Office is not party to any long-term lease agreements for financing the purchase of capital assets as of August 31, 2018.

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

<b>CURRENT PAYMENTS</b>	
<b>GOVERNMENTAL ACTIVITIES</b>	
<u>Fund Type</u>	<u>Amount</u>
General Revenue Fund	1,625,890.61
Special Revenue Fund	14,460.18
Permanent Funds	253,129.25
<b>Total, Memorandum Only</b>	<b><u>1,893,480.04</u></b>

Table 25

<b>CURRENT PAYMENTS</b>	
<b>BUSINESS TYPE ACTIVITIES</b>	
<u>Fund Type</u>	<u>Amount</u>
Veterans Financial Assistance Program	1,105.00
Discretely Presented Component Unit	7,514.00
<b>Total, Memorandum Only</b>	<b><u>8,619.00</u></b>

## OPERATING LEASE REVENUE

Included in the revenues reported in the financial statements are operating lease rentals managed by GLO in the amount of \$12,441,688.17. 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

<b>FUTURE PAYMENTS</b>	
<b>GOVERNMENTAL ACTIVITIES</b>	
<u>Year Ended August 31</u>	<u>Amount</u>
	\$
2019	1,362,612.68
2020	862,935.72
2021	659,796.43
2022	541,921.56
2023	370,507.41
<b>Total Future Minimum</b>	
<b>Lease Rental Payments</b>	<b><u>3,797,773.80</u></b>

authorized. **Table 27** on page 63 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 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Years 2024 & Beyond
Coastal Easements	\$ 324,890.27	\$ 311,498.31	\$ 275,050.91	\$ 216,436.09	\$ 173,836.34	\$ 253,239.49
Coastal Leases	1,244.65	1,244.65	1,244.65	1,244.65	1,244.65	73,434.35
Commercial Leases and Easements	1,564,384.51	1,679,851.06	1,642,540.60	1,554,981.95	1,413,034.94	7,766,818.40
Miscellaneous Easements	242,340.56	233,585.56	236,313.56	232,047.01	230,487.01	707,188.43
Cabin Permit Fees	237,397.40	191,119.40	126,885.20	54,625.40		
Special Documents	10,150.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Surface Leases	3,319,133.51	2,992,385.03	3,131,677.01	2,578,103.86	2,457,930.49	21,197,624.50
Alamo Plaza	1,212,143.84	978,441.11	879,993.84	881,634.94	875,499.93	3,708,969.09
<b>Total Lease Payments</b>	<b>6,911,684.74</b>	<b>6,398,125.12</b>	<b>6,303,705.77</b>	<b>5,529,073.90</b>	<b>5,162,033.36</b>	<b>33,717,274.26</b>

**ALAMO PLAZA**

Alamo Plaza leases are commercial leases within the Crockett, Palace and Woolworth buildings located in San Antonio, Texas. 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 \$238,844,492.28. The fair value of the properties is \$661,086,097.72. Sovereign and non-sovereign real estate in the permanent school fund is held as an investment and is not depreciated. For depreciable assets that have leases, the historical cost and accumulated depreciation of buildings is \$11,021,574.20 and (\$1,308,811.68) respectively, with a carrying value of \$9,712,762.52.

Contingent rental revenues from 17 leases in the amount of \$1,244,272.10 are reported as of August 31, 2018.

Due to Hurricane Harvey's coastal destruction, the agency offered rental waivers on qualifying commercial and surface leases during fiscal 2018. As a result, projected revenues for fiscal 2019 have been reduced for remaining customer credits.

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## Note 9

**DEFINED BENEFIT PENSION AND DEFINED CONTRIBUTION PLANS**

Not applicable.

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## Note 10

**DEFERRED COMPENSATION**

Not applicable.

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## Note 11

**POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Not applicable.

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## 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.

During fiscal 2018, per the direction of the Texas Legislature and with approval granted by the Legislative Budget Board and the Office of the Governor, in accordance with General Appropriations Act, 85<sup>th</sup> Legislature, Regular Session, Article IX,

Table 28

<b>LEGISLATIVE TRANSFERS</b>		
<b>GOVERNMENTAL ACTIVITIES</b>		
<u>Current Portion</u>	<u>Legislative Transfer In</u>	<u>Legislative Transfer Out</u>
<b>GENERAL REVENUE (01)</b>	\$	\$
Appd Fund 0001, D23 Fund 0001		
From Agy 696, D23 Fund 0014	38,600,000.00	
<b>Total Legislative Transfers</b>	<b>\$ 38,600,000.00</b>	<b>\$ -</b>

Section 14.04, a one-time Legislative Transfer was made from the Texas Department of Criminal Justice to the General Land Office in the amount of \$38.6 million. This transfer was an interim means of financing a portion of disaster response to Hurricane Harvey as shown in **Table 28** below.

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.

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## Note 13

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### *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 82<sup>nd</sup> Legislature, Regular Session passed Senate Bill 652 with an effective date of June 17, 2011, in which section 4.04 amends section 32.003 of the Texas Natural Resource Code to read as follows: "Sec. 32.003. APPLICATION OF SUNSET ACT. The School Land Board (SLB) 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 Texas Sunset Commission reviewed the SLB during fiscal 2018 with the recommendation to continue the SLB existence for the next 12 years.

The legislature abolished all other boards for lease except for 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 Texas Sunset Commission reviewed the VLB during fiscal 2018. The VLB shall be reviewed every 12<sup>th</sup> year thereafter.

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## Note 14

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### *ADJUSTMENTS TO FUND BALANCES AND NET POSITION*

During fiscal 2018, adjustments and corrections were made that required the restatement of beginning fund balance and net position. These restatements and adjustments are presented in **Table 29** on page 66.

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## GOVERNMENTAL FUNDS AND GOVERNMENTAL ACTIVITIES

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### GENERAL FUND

A restatement of \$1,343.71 was made in Fund 0001 to correct the State Property Accounting fund, decreasing the Fund 0001 asset balance.

### PERMANENT SCHOOL FUND

A restatement of (\$0.04) in Fund 0013 was necessary to correct a prior year rounding error.

### GOVERNMENTAL ACTIVITIES

Vehicles, Boats, and Aircraft capital asset balances and the associated accumulated depreciation balances were adjusted \$23,000 and (\$23,000), respectively, for the recovery of a capital asset previously disposed. Furniture and Equipment balances and the associated accumulated depreciation balances were adjusted \$7,440.00 and (\$7,440.00), respectively, for the correction of capital assets in a prior period

The restatement of \$1,343.71 in Fund 0001 also required an adjustment to Capital Assets for the same amount.

Additional accumulated depreciation adjustments for (\$1,770.50), (\$2,500.00), and (\$500.00) were made to correct asset trade-in values in the State Property Accounting system.

### BUSINESS TYPE ACTIVITIES

Restatements were made in Appropriated Fund 0374 for Capital asset balances and related depreciation for assets not previously recorded. The net effect of the restatements in Funds 0650 and 0654 totaled (\$194.24). A related adjustment was made for (\$8,259) and (\$8,058) to Fund 0650 and 0654, respectively to correct the payable for said assets.

Furniture and Equipment balances and the associated accumulated depreciation balances in Fund 0661 were adjusted \$23,543.60 and (\$653.98), respectively for the inclusion of asset that was not previously recorded.

Capital Asset balances and related accumulated depreciation balances were adjusted \$39,860.60 and (\$848.22) respectively, for the assets not previously recorded. The net effect of the restatement totaled \$39,012.38.

Fund 0571's beginning net position was restated by \$1,744,887.05 as a result of correction of principal and interest from prior year loan sales in the Veterans' Land Program.

### DISCRETELY PRESENTED COMPONENT UNIT

The beginning net position of Fund 5002, Alamo Endowment Component Unit, was adjusted (\$14,704.00) for a correction to

Table 29

**RESTATEMENT TO FUND BALANCE AND NET POSITION**

	September 1, 2017, As Previously Reported	Restatements	September 1, 2017, As Restated
<b>GOVERNMENTAL FUNDS AND GOVERNMENTAL ACTIVITIES</b>			
Major Funds:			
General Fund	61,938,844.47	1,343.71	61,940,188.18
Permanent School Fund	8,740,970,457.08	(0.04)	8,740,970,457.04
Total Major Funds	8,802,909,301.55	1,343.67	8,802,910,645.22
Nonmajor Funds:			
Special Revenue Funds	744,682.32		744,682.32
Total Nonmajor Funds	744,682.32	0.00	744,682.32
Governmental Activities Adjustments:			
Capital Assets	63,242,437.82	3,426.79	63,245,864.61
Long-Term Liabilities	(5,359,840.01)	0.00	(5,359,840.01)
Total Governmental Act. Adj.	57,882,597.81	3,426.79	57,886,024.60
<b>Total Governmental Activities</b>	<b>8,861,536,581.68</b>	<b>4,770.46</b>	<b>8,861,541,352.14</b>
<b>BUSINESS TYPE ACTIVITIES</b>			
Nonmajor Funds:			
Enterprise Funds	774,963,760.09	1,767,582.43	776,731,342.52
Total Nonmajor Funds	774,963,760.09	1,767,582.43	776,731,342.52
<b>Total Business Type Activities</b>	<b>774,963,760.09</b>	<b>1,767,582.43</b>	<b>776,731,342.52</b>
<b>COMPONENT UNITS</b>			
Discretely Presented Component Units	63,521.00	(14,704.00)	48,817.00
Total Component Units	63,521.00	(14,704.00)	48,817.00
<b>Total Component Units</b>	<b>63,521.00</b>	<b>(14,704.00)</b>	<b>48,817.00</b>
<b>TOTAL REPORTING ENTITY</b>	<b>9,636,563,862.77</b>	<b>1,757,648.89</b>	<b>9,638,321,511.66</b>

cash in bank balance that was erroneously reported as a duplicate in a prior 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 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, 2018, 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, 2018, there is no rebate liability.

##### CONTRACTUAL COMMITMENTS

At August 31, 2018, the School Land Board had approximately \$2.59 billion in unfunded capital commitments outstanding to external investment managers.

## CONTINGENCIES

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### FEDERAL ASSISTANCE

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

### INVESTMENT INCENTIVE COMPENSATION PLAN

The Performance Incentive Compensation Pay Plan (Plan) for fiscal 2018 was adopted by Texas Land Commissioner, George P. Bush, and Chief Clerk at that time, Anne Idsal, to cover the plan year effective July 1, 2017 through June 30, 2018. 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 the Plan year that ended June 30, 2018, the outstanding liability is estimated not to exceed \$478,520.88. Payments for the 2018 Plan will occur after the end of the Plan year, with the first payment as early as December 2018. 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 GLO 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, 2018, 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:

#### *Besser v. GLO, et al.*

Pursuant to an EEOC Notice of Right to Sue, Plaintiff additionally named Commissioner Bush in his official capacity and GLO Director of Contract Management Kelly McBride in a Suit seeking damages from alleged FMLA and ADA violations, equitable relief and attorney fees. Complaint filed October 23, 2017; Motion to Dismiss filed January 8, 2018 in lieu of answer. First Amended Complaint filed January 22, 2018, adding as Defendants former GLO employees Kalani Hawks and Anne Idsal. Amended Motion

to Dismiss filed February 5, 2018; Response filed February 20, 2018; Reply filed February 27, 2018. By order issued March 15, 2018; all claims dismissed. Besser noticed his appeal on April 9, 2018; via extensions, brief filed July 11, 2018; GLO brief filed September 10, 2018. The probability of liability is 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. Appeal noticed on November 8, 2017; assigned to 1<sup>st</sup> Court of Appeals. Via extensions, Pedestrian's brief filed May 11, 2018; Appellees' briefs filed August 23, 2018; Reply filed September 12, 2018. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

**Fasken Oil & Ranch, Ltd. V. GLO, et al.**

Suit for refund after protest payment and declaratory relief; plaintiff disputes amount of royalties owed – and underlying calculations bases – under GLO Audit billings pursuant to TNRC §52.137. Suit filed November 6, 2017; Answer filed December 11, 2017. Discovery abated by agreement; settlement discussions are ongoing. The probability of liability is remote. The possible final amount of loss is indeterminable at this time.

**Fleming v. Bush, in his Capacity as Texas Land Commissioner**

Plaintiff seeks judgment for title to and possession of identified real property in Nueces County, as well as declarations 1) that the title claimed by Land Commissioner Bush, if any, is invalid and 2) establishing property boundaries. Petition filed July 18, 2018; Answer and jurisdictional plea filed August 17, 2018. The probability of liability is remote. 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 CO<sub>2</sub> 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. Settlement discussions are ongoing. 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. On October 31, 2017, Defendants filed a third motion to partially dismiss GLO's Second Amended Complaint. Intervention/dismissal motions heard November 16, 2017; by order entered November 30, 2017; motion to intervene denied without prejudice; Defendants' motion to partially dismiss granted (GLO first and third claims for



relief dismissed). Summary judgment briefed in full as of July 31, 2018. 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. Stroman Motion to Sever denied June 25, 2018; bench trial set for week of February 19, 2019; discovery is in progress. The probability of liability is remotely possible. The possible final amount of loss is indeterminable at this time.

***Hudspeth County V. GLO & Bush, as Land Commissioner***

Suit for taking (GLO) and trespass to try title (Commissioner) in context of minerals (Sand, gravel, limestone, igneous rock) produced pursuant to mining lease with Desert Rock Co. to which Plaintiff lays claim and alleges it has not been compensated for. Petition filed July 3, 2018; Answer and jurisdictional plea filed August 1, 2018. The probability of liability is possible. The possible final amount of loss is indeterminable at this time.

***In the Matter of the Complaint of Bouchard Transportation Co., Inc., et al.***

Bouchard Transportation Co. Inc. filed a complaint seeking to limit liability for their tugboat, which was properly manned, equipped and seaworthy when it exploded on October 20, 2017, causing environmental damage, personal injury and death. The GLO has claims against Bouchard for approximately \$55,910.88 in spill response costs and \$380,200 in penalties. The GLO filed a Motion to Dismiss Plaintiffs' Complaint for Exoneration or Limitation of Liability, or to Extend Deadlines, also seeking to file certain claims outside of the concursus deadline and Limitation Action. In response, and supplementing a February 2018 Order approving Stipulation for Costs and Security for Value and Directing Issuance

of Notice, and Restraining Suits, the district court subsequently rendered inapplicable to GLO claims any limitation stemming from the February 2018 Order. The probability of liability is remote. The possible final amount of loss is indeterminable at this time.

***Jarvis v. GLO, et al.***

Pursuant to an EEOC Notice of right to sue, Plaintiff sued for unspecified damages and court costs, alleging employment discrimination/retaliation based on a complaint she made to GLO Human Resources which she alleges led to her subsequent resignation. Complaint filed May 8, 2018; 12(b)(6) Motion to Dismiss filed May 21, 2018; in lieu of answer; Amended Complaint filed June 4, 2018; responsive 12(b)(6) filed June 19, 2018; Jarvis' response in opposition filed July 9, 2018; reply filed July 24, 2018. The probability of liability is possible. 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. Briefed in full as of November 22, 2017; submitted on briefs January 30, 2018; affirmed via Opinion issued February 22, 2018. Supreme Court petition filed June 8, 2018; court-requested response filed August 20, 2018; by extension, Reply due October 4, 2018. 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; interlocutory appeal briefed in full as of March 26, 2018; argued September 12, 2018. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

***State v. Roddy Harrison & BHP Billiton Petroleum, et al.***

Harrison owes the agency \$227,185.50 for the knowing and unauthorized sale of groundwater belonging to the GLO. Revealed when he sent checks for 50% of the revenue received from BHP Billiton. The GLO has no lease or other agreement in place with Harrison, and 2017 payment demand letters went unanswered. Petition filed January 29, 2018; BHP answer filed March 2, 2018; on March 28, 2018, Defendants, Harrison, Yellow-Top Ranch and H.E. Cattle Company filed a motion to transfer venue and an answer on March 29, 2018. Venue transfer hearing reset for September 18, 2018; settlement discussions are ongoing. The probability of liability is remote. 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 7<sup>th</sup> Court affirmed the denial of class certification. On January 9, 2015, Riemer filed a petition for review with the Texas Supreme Court; the State filed its response on February 9, 2015; and Riemer filed a reply on February 24, 2015. 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. State's plea and Riemer's motion to sever heard November 1, 2017; by letter ruling dated December 2, 2017, the court granted the motion to sever, denied the State's plea outright as to the severed cause (Plaintiffs west of the highway) and granted the plea as to each Defendant of non-constitutional takings claims in the original cause (Plaintiffs east of the highway). Interlocutory appeal briefed in full as of March 27, 2018. 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 2<sup>nd</sup> 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; State's Reply filed November 9, 2017. On August 1, 2018, the Fifth Circuit reversed, remanding solely for the district court to dismiss all State Defendants from the case. 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 8<sup>th</sup> Court of Appeals on May 15, 2014. In an opinion issued November 19, 2014, the 8<sup>th</sup> Court affirmed the trial court's judgment as regards the State leases. On December 17, 2014, the GLO filed a Motion for Rehearing/Motion for En Banc Reconsideration; on December 18, 2014, Co-Appellants Wesley West Minerals and Longfellow Ranch Partners filed their Motion for En Banc Reconsideration. On January 9, 2015, the 8<sup>th</sup> Court requested that Appellees file a response to Appellants' motions - due by February 2, 2015. On

February 13, 2015, the 8<sup>th</sup> Court denied all pending Appellant motions. On March 30, 2015, 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. GLO's Second Motion for Partial Summary Judgment filed February 6, 2018; August 27, 2018 hearing setting passed; settlement discussions are ongoing. 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.

#### DERIVATIVE INSTRUMENTS

As a function of its normal business operations, the Texas General Land Office's (TGLO), State Energy Marketing Program (SEMP) enters into commodity transactions for the delivery of natural gas (Gas) and electric power (Power) to Public Retail Customers (PRCs). In addition, SEMP takes a portion of oil royalty entitlements as "Take-in-Kind" (TIK) royalty instead of cash. These transactions meet the definition of derivative instruments per GASB Statement No. 53 (GASB 53), *Accounting and Reporting for*

*Derivative Instruments*. However, since all such contracts result in physical delivery of the derivative's underlying commodity via normal purchase and sales contracts, SEMP contracts identified as derivatives under GASB 53 are not subject to the requirements of GASB 53.

As of August 31, 2018, GLO had outstanding natural gas commitments/open positions with third parties for 16,688,997 MMBtus valued at \$13,477,346. Power contracts are priced off the Electricity Reliability Council of Texas (ERCOT) grid. The fair value of future cash flows from electric contracts is not reported because the electric service provider (ESP) is responsible for hedging these transactions and GLO simply has a credit risk related to these future cash flows.

The risks associated with these derivative transactions include the following: The SEMP program is exposed to credit risk in the event a gas supplier fails to honor its obligation or if the ESP fails to deliver electricity per the terms of the contract. The ESP provides collateral in form of an irrevocable letter of credit to protect for Power sales.

SEMP has minimal exposure to risk related to sales because GLO deals exclusively with PRCs and can place a warrant hold on appropriation distributions from the State Comptroller to the PRC to satisfy delinquent obligations. Exposure to termination risk is also minimal, but nonetheless possible because all contracts with PRCs are Interagency or Interlocal Agreements subject to funding by Legislature that can be terminated with 30 days' notice subject to termination provisions. Lastly, market access risk is not prevalent as GLO is backed by the State of Texas' credit rating (thus eliminating potential risk of financial loss due to a deteriorating credit rating).

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## Note 16

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### SUBSEQUENT EVENTS

On July 26, 2018, the VLB authorized the issuance and sale of State of Texas Veterans Bonds, Series 2019 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 2019 as referenced in **Table 30** on page 73. The proceeds of the bonds will be used to augment the Veterans' Housing Assistance Fund II.

On September 26, 2018, the VLB closed on the second tranche of the conversion of the mode on several of its variable-rate demand bond issues ("VRDBs") from a direct purchase mode to a weekly mode. BNY Mellon Capital Markets, LLC is the remarketing agent and State Street Public Lending Corporation is the liquidity provider on the VRDBs. The total principal amount of the VRDBs

in this tranche of the conversion was \$210,545,000 and consists of the Veterans’ Housing Assistance Fund II Bonds, Series 2001C-2, 2004A, 2005A, 2005B, 2007A, and 2008A, and the Veterans Bonds, Series 2012A.

On October 10, 2018, the VLB closed on the sale to NexBank SSB of approximately 880 loans with an unpaid principal balance of approximately \$51 million in the Veterans’ Land Program.

On November 15, 2018, the VLB closed on the third and final tranche of the conversion of the mode on several of its variable-rate demand bond issues (“VRDBs”) from a direct purchase mode to a weekly mode. TD Securities is the remarketing agent and State Street Public Lending Corporation is the liquidity provider on the VRDBs. The total principal amount of the VRDBs in this tranche of the conversion was \$825,330,000 and consists of the Veterans’ Housing Assistance Fund II Bonds, Series 2001A-2, 2002A-2, 2003A, 2003B, 2004B, 2006A, 2006D, and 2007B, and the Veterans Bonds, Series 2011A, 2011B, 2012B, 2013A, 2013B, 2014A, and 2015A.

On November 19, 2018, the SLB adopted a resolution that releases \$55 million from the Real Estate Special Fund Account (RESFA) during fiscal 2020 and fiscal 2021 to the State Board of Education for investment in the PSF. The funds are scheduled to be released in four quarterly installments of \$2.5 million each on the 25<sup>th</sup> day (or next succeeding business day if the 25<sup>th</sup> is not a business day) of November 2019, February 2020, May 2020, and August 2020, and four quarterly installments of \$11.25 million each on the 25<sup>th</sup> day (or next succeeding business day if the 25<sup>th</sup> is not a business day) of November 2020, February 2021, May 2021, and August 2021, respectively.

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 ten volunteers at \$5.10 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 ten volunteers at \$5.10 per volunteer are also provided for under the Statewide Volunteer Insurance Policy with a Benefit Maximum of \$100,000. The provider will not pay more than the Benefit Maximum for all losses per Accidental Death & Dismemberment Covered Accident. If, in the absence of this provision, the provider would pay more than Benefit Maximum for all losses from one Accidental Death & Dismemberment Covered Accident, then the benefits payable to each person with a valid claim will be reduced proportionately, so the total amount paid by the provider is the Benefit Maximum.

The Statewide Commercial Property Insurance policy limit covers up to \$1 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.

**Table 31** on page 74 shows changes in the balances of the agency’s claim liabilities during fiscal 2018, that are unrelated to policies listed above.

## 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,

Table 30

#### NEW BOND ISSUANCE

BOND ISSUANCE	SERIES	AMOUNT	ANTICIPATED DATE OF ISSUANCE	PURPOSE
General Obligation Bonds	2019	\$ 250,000,000	TBD	To augment the Veterans’ Housing Assistance Fund II

## 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 2018 the Texas General Land Office paid three claims arising from vehicle accidents involving an agency employee.

The General Land Office received \$4,000.00 in financial restitution from an individual for damages at the Alamo per court order during fiscal 2018.

# Note 18

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### AGENCY HIGHLIGHTS

Hurricane Harvey, one of the costliest storms to ever hit the United States, made landfall in Texas as a Category 4 hurricane with sustained winds over 130 mph on August 25, 2017. On September 22, 2017, the GLO became the first state agency in history to partner with the Federal Emergency Management Agency (FEMA) on the short-term housing assistance mission due in part to our effective administration of Community Development Block Grant for Disaster Recovery (CDBG-DR) funds since 2011. As the Governor's designated lead state agency, GLO is responsible for administering over \$14 billion in Housing and Urban Development (HUD) CDBG-DR funds allocated for long-term recovery following Hurricanes Ike, Dolly, and Rita, 2011 wildfires, 2015 and 2016 floods, and Hurricane Harvey.

### FINANCIAL HIGHLIGHTS

#### *Net Position, Governmental Funds*

The assets of the agency's governmental funds exceeded its liabilities at August 31, 2018 by \$10,321,531,449.71 (presented as Net Position in Exhibits I and II). Of this amount, \$10,156,077,292.35 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, 2018 by \$772,733,283.12 (as presented in Exhibits III and IV). Of this amount, \$92,657,325.03 is invested in capital assets, net of related debt, \$136,369.00 is restricted for the discretely presented component unit, and the remaining

Table 31

CLAIM LIABILITIES				
	Beginning Balance	Increases	Decreases	Ending Balance
2018	\$0.00	\$2,602.08	(\$2,602.08)	\$0.00
2017	\$0.00	\$0.00	\$0.00	\$0.00

\$679,939,589.09 is restricted for the Veterans' Land Board programs.

Operational activities in the housing and land programs resulted in operating loss of approximately \$10.7 million. Along with operational activities, the approximate income from investment activities of \$15.5 million, net decrease in fair value of investments of \$4.3 million, and net Transfers Out of \$27.7 million to fund administrative costs and to construct veterans' cemeteries and veterans' homes, contributed to a decrease in net position of approximately \$29.1 million.

The State of Texas David A. Gloier State Veterans Home Program operated at a profit of about \$9.7 million. With other non-operating revenues and transfers out of approximately \$14.9 million and \$2.6 million, respectively, the program increased net position by approximately \$22 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 \$615.6 million of capital commitments to externally-managed real assets investment funds were funded between September 1, 2017 and August 31, 2018.

The current surface real property portfolio of the fund consists of 662,903.97 surface acres with a portfolio value of \$661,086,097.72. The sovereign portion of this is located primarily in west Texas. 407,823.90 acres of sovereign land represent 61.5 percent of the total portfolio acreage but are only valued at \$258,601,709.45, 39.1 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, 2018 ending historical cost basis for the fund's land surface portfolio was \$238,844,492.28. Contributions of approximately \$1.7 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 \$13,433,167.04.

Dispositions for the fiscal year ended August 31, 2018, equaled 1,074.171 acres, for a gain of approximately \$9.5 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 \$984,809.25, land mortgages are \$4,327,322.72, housing mortgages are \$62,170,620.30, and home improvement loans are \$1,908,776.78. Noncurrent loans and contracts receivable for land contracts are \$56,966,007.04, land mortgages are \$295,591,710.55, housing mortgages are \$2,139,776,516.06, and home improvement loans are \$36,094,174.39.

## 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 \$7,214,800.19, construction in progress of \$556,868.00, and other assets of \$15,930,530.03.

Governmental funds report depreciable assets: buildings of \$64,748,318.60 less accumulated depreciation of (\$32,153,249.94), furniture and equipment of \$7,088,053.78 less accumulated depreciation of (\$5,191,413.07), vehicles, boats and aircraft of \$7,184,663.32 less accumulated depreciation of (\$5,202,212.56), intangible computer software of \$1,108,909.07 less accumulated amortization of (\$879,023.59), facilities and other improvements of \$2,576,467.99 less accumulated depreciation of (\$125,840.61), and other assets of \$15,000 less accumulated depreciation of (\$14,765.88).

The Veterans' Home Revenue Bond Funds report non-depreciable assets for land of \$4,039,500.00, and construction in progress of \$25,892,280.69. The Veterans' Home Revenue Bond Funds report depreciable assets: buildings of \$123,427,104.12 less accumulated depreciation of (\$61,008,780.43), furniture and equipment of \$1,022,273.08 less accumulated depreciation of (\$730,170.49), facilities and other improvements of \$22,963.00 less accumulated depreciation of (\$7,844.94), and intangible computer software of \$309,133.15 less accumulated depreciation of (\$309,133.15).

## LONG-TERM DEBT

The agency's debt obligations associated with bonds increased by \$81,820,000.00. Changes in bonds payable is represented by \$250,000,000.00 of new issuances including premiums received, and \$168,180,000.00 of retired or matured bonds, including amortization of premiums. For additional details, see Schedules 2-A and 2-B.

## SIGNIFICANT COMMITMENTS

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Between September 1, 2017 and August 31, 2018, the SLB closed on capital commitments to six externally-managed real assets investment funds, separate accounts, or co-investment vehicles in a total amount of approximately \$1.075 billion. At August 31, 2018, 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 \$6.52 billion to 58 funds and ten co-investment vehicles, of which approximately \$2.59 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, 2018.

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 25<sup>th</sup> day (or next succeeding business day if the 25<sup>th</sup> 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 25<sup>th</sup> day (or next succeeding business day if the 25<sup>th</sup> is not a business day) of November 2018, February 2019, May 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 Available School Fund. The funds are scheduled to be released in four quarterly installments of \$75 million each on the 25<sup>th</sup> day (or next succeeding business day if the 25<sup>th</sup> is not a business day) of November 2018, February 2019, May 2019, and August 2019, respectively.

On August 21, 2018, the SLB adopted a resolution that releases \$600 million from the Real Estate Special Fund Account (RESFA) during fiscal 2020 and fiscal 2021 to the Available School Fund. The funds are scheduled to be released in eight quarterly installments of \$75 million each on the 25<sup>th</sup> day (or next succeeding business day if the 25<sup>th</sup> is not a business day) of November 2019, February 2020, May 2020, August 2020, November 2020, February 2021, May 2021, and August 2021, respectively.

## BANKRUPTCIES

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

- a. Energy & Exploration Partners, LLC - \$46,310.41
- b. SandRidge Energy, Inc. and SandRidge Exploration & Production, LLC - \$23,995,494 in each bankruptcy proceeding
- c. Penn Virginia Corp - \$54,845.35 (filed 11/2/2016)
- d. Breitburn Energy Partners LP - \$52,382.89 (filed 11/2/2016)

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

Prior to fiscal 2018, 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 \$2,767,963.00 through August 31, 2018.

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## Note 19

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### THE FINANCIAL REPORTING ENTITY

#### RELATED PARTIES

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In accordance with the *Investment Vehicle Guidelines* adopted by the School Land Board in July 2018, the GLO can form and utilize special purpose vehicles (SPVs), such as limited liability companies (LLCs), special purpose corporations (SPCs), and limited partnerships (LPs), to isolate liabilities, limit future funding obligations, avoid submitting to foreign jurisdictions, and to enhance the transferability of an investment. Since the GLO owns 100% of the SPVs, the GLO and the SPVs are related parties; however, there are no related party transactions between the GLO and the SPVs.

Following is a brief description of each of the currently active SPVs formed by the GLO:

#### **Capitol Co-Investments 6, LLC**

On behalf of the State of Texas for the use and benefit of the Permanent School Fund (PSF), the General Land Office has formed a Special Purpose Vehicle (SPV), Capitol Co-Investments 6, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 6, LLC has a net asset value of \$35,251,612.21.

#### **Capitol Co-Investments 7, LLC**

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 7, LLC (the



Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 7, LLC has a net asset value of \$59,844,000.00.

***Capitol Co-Investments 8, LLC***

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 8, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 8, LLC has a net asset value of \$19,211,830.64.

***Capitol Co-Investments 9, LLC***

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 9, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 9, LLC has a net asset value of \$141,964,285.71.

***Capitol Co-Investments 10, LLC***

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 10, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the

Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 10, LLC has a net asset value of \$0.

***Capitol Co-Investments 11, LLC***

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 11, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 11, LLC has a net asset value of \$48,582,457.00.

***Capitol Co-Investments 12, LLC***

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 12, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 12, LLC has a net asset value of \$56,098,160.00.

***Capitol Co-Investments 13, LLC***

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 13, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 13, LLC has a net asset value of \$67,689,498.00.

#### **Capitol Co-Investments 14, LLC**

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 14, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 14, LLC has a net asset value of \$45,354,944.00.

#### **Capitol Co-Investments 15, LLC**

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 15, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 15, LLC has a net asset value of \$94,528,782.00.

#### **Capitol Co-Investments 16, LLC**

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 16, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2018, Capitol Co-Investments 16, LLC has a net asset value of \$7,012,227.00.

### **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 2018, a total of approximately \$1.4 million was contributed to fund development costs. Additionally, a payable of approximately \$80 thousand for development costs has been accrued as of August 31, 2018.

### **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. The property is expected to be marketed and sold in 2019.

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 Permanent School Fund contributed 1,031.52 acres to the partnership. The acreage will be used for a mixed use residential/commercial development.

In April 2014, Grand Parkway 1358, LP, a Texas limited partnership, was formed between Johnson GP 1358, LLC and Johnson 1258 Investors LLC – both Texas limited liability companies – and the School Land Board for the use and benefit of the Permanent School Fund (PSF). The development, known as Harvest Green, is a mixed use residential/commercial development located near Sugarland, Texas. The PSF contributed 1,343.679 acres of land to the partnership. The infrastructure for the master planned development began in late 2014.

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. The master-planned development is scheduled to begin construction in 2020.

### **DISCRETELY PRESENTED COMPONENT UNIT**

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 Trust, Inc. (ATI), 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 Trust, Inc., 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 ATI the day-to-day management of the Alamo Complex, including personnel, education, grounds, maintenance, security, events, and programming. Alamo Trust, Inc. 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 ATI for expenses related to the operation and maintenance of the Alamo and all revenues received by ATI 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.

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## Note 20

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### *STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

#### **ACCOUNTABILITY**

A deficit net position was reported in fiscal 2018 in Appropriated Fund 0383 and 0385 as the result of liabilities for bonds payable exceeding asset balances.

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## Note 21

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N/A

Not applicable.

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## Note 22

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### *DONOR RESTRICTED ENDOWMENTS*

The net appreciation (cumulative and unexpended) on donor-restricted endowments as presented in **Table 32** on page 80 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.

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## Note 23

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### *EXTRAORDINARY AND SPECIAL ITEMS*

Not applicable.

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## Note 24

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### *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 33** on page 81.

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## Note 25

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### *TERMINATION BENEFITS*

As disclosed in agency's 2017 AFR, in fiscal 2017 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 \$15,000.00. 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. Of the 13 participating employees, one was eligible to retire in fiscal 2018 and was paid \$15,000.00. No additional terminations benefits were offered to any of employees that separated from the agency during fiscal 2018.

Table 32

<b>DONOR RESTRICTED ENDOWMENTS</b>	
	<b>Permanent School Fund (PSF)</b>
	<u>\$</u>
Nonspendable Corpus of the Fund	8,120,551,832.19
Restricted Income of the Fund	<u>2,035,525,460.16</u>
<b>Balance at Fiscal Year-End</b>	<b><u><u>10,156,077,292.35</u></u></b>

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## Note 26

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### *SEGMENT INFORMATION*

Not applicable.

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## Note 27

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### *SERVICE CONCESSION ARRANGEMENTS*

Not applicable.

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## Note 28

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### *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 34** on page 82.

In fiscal 2018, deferred outflows of resources of \$116,587,794.18 and deferred inflows of resources \$27,676,286.00 related to its hedging derivative instruments in the business-type activities. Additional details can be found in Note 7.

Table 33

**DISAGGREGATION OF SIGNIFICANT RECEIVABLES AND PAYABLES**

August 31, 2018

	<u>Receivables</u>
<b>Federal Receivables</b>	\$
<i>Governmental Funds</i>	
Department of Commerce	887,465.49
Department of Housing and Urban Development	12,569,998.22
Department of Veterans Affairs - Cemeteries	1,091,874.27
US Environmental Protection Agency	65,946.73
Department of Homeland Security	30,069,980.29
<b>Total Net Federal Receivables</b>	<u><u>44,685,265.00</u></u>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
<b>Current Federal Receivables</b>	<u><u>44,685,265.00</u></u>
<i>Proprietary Funds</i>	
Department of Veterans Affairs - State Veterans Homes	20,828,328.39
<b>Total Net Federal Receivables</b>	<u><u>20,828,328.39</u></u>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
<b>Current Federal Receivables</b>	<u><u>20,828,328.39</u></u>
<b>Accounts Receivables</b>	
<i>Governmental Funds</i>	
Gas Royalties	61,799,235.03
Oil Royalties	128,426,494.67
State Energy Marketing Program	7,525,269.34
Leases	548,505.31
Other Revenues	7,616,540.99
<b>Total Net Accounts Receivable</b>	<u><u>205,916,045.34</u></u>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
<b>Current Accounts Receivable</b>	<u><u>205,916,045.34</u></u>
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	7,333,557.57
Veterans' Home Improvement Loans	460,046.58
Veterans' Land Contracts	564,094.81
Veterans' Land Mortgages	1,345,076.26
Texas State Veterans Homes (net of allowances)	2,125,172.82
<b>Total Net Accounts Receivable</b>	<u><u>11,827,948.04</u></u>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
<b>Current Accounts Receivable</b>	<u><u>11,827,948.04</u></u>
	<u>Payables</u>
<b>Accounts Payable</b>	\$
<i>Governmental Funds</i>	
State Energy Marketing Program	4,954,680.39
State Veterans Cemetery Program	732,286.52
General Governmental Expenditures	28,770,070.85
<b>Total Accounts Payable</b>	<u><u>34,457,037.76</u></u>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
<b>Current Accounts Payable</b>	<u><u>34,457,037.76</u></u>
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	657,716.99
Veterans' Land Contracts	1,257,979.74
Veterans Homes	13,644,821.64
<b>Total Accounts Payable</b>	<u><u>15,560,518.37</u></u>

## Note 29

### TROUBLED DEBT RESTRUCTURING

Not applicable.

## Note 30

### NON-EXCHANGE FINANCIAL GUARANTEES

Not applicable.

## Note 31

### TAX ABATEMENTS

Not applicable.

## 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 35** on page 83.

Table 34

<b>DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES</b>		
As of August 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$	\$
<b>Business-Type Activities</b>		
Hedging Derivative Instruments	116,587,794.18	27,676,286.00
<b>Total,</b>		
<b>Business-Type Activities</b>	<b>116,587,794.18</b>	<b>27,676,286.00</b>

## 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.

#### 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.

Table 35

**GOVERNMENTAL FUND BALANCES**

GAAP Fund	Fund	AFR GASB 54 Class	Amount	Citation	Comments
<b>GENERAL FUNDS</b>					
0001	1101	Restricted	\$ 120,998.15	Federal CFDA 14.218	Federal funds; restrictions are externally imposed by federal government agencies.
0001	1102	Restricted	(111,101.10)	Federal CFDA 14.228	Federal funds; restrictions are externally imposed by federal government agencies. Negative restricted fund balance was reclassified to unassigned.
0001	1103	Restricted	(70,483.41)	Federal CFDA 14.228	Federal funds; restrictions are externally imposed by federal government agencies. Negative restricted fund balance was reclassified to unassigned.
0001	1104	Restricted	(265,799.96)	Federal CFDA 14.228	Federal funds; restrictions are externally imposed by federal government agencies. Negative restricted fund balance was reclassified to unassigned.
0001	1105	Restricted	(1,661,542.35)	Federal CFDA 97.048	Federal funds; restrictions are externally imposed by federal government agencies. Negative restricted fund balance was reclassified to unassigned.
0001	1106	Restricted	(45,376,692.64)	Federal CFDA 97.036	Federal funds; restrictions are externally imposed by federal government agencies. Negative restricted fund balance was reclassified to unassigned.
0001	1111	Restricted	(722,507.38)	Federal CFDA 14.228	Federal funds; restrictions are externally imposed by federal government agencies. Negative restricted fund balance was reclassified to unassigned.
0027	0027	Committed	21,429,546.61	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	450,517.44	NRC Sec. 33.015	Restricted for Coastal Public Lands Management
0599	5352	Unassigned	40,001,270.51		Economic Stabilization Fund; Texas Comptroller of Public Accounts Reporting Requirements
0543	0543	Committed	6,393,455.54	TEX. Gov't Code Ann. Sec. 2201	Texas Capital Trust Fund
5152	5152	Committed	2,651,181.60	NRC Sec. 31.454 (e)	Alamo Trust, Inc. (formerly known as Alamo Complex Management)
<b>PERMANENT FUNDS</b>					
0044	0007	Restricted	\$ 62,252,034.66	General Appropriations Act, HB1, 84th Legislature, Regular Session, Article VI, p.25	Appropriation for management of the Permanent School Fund
0044	0010	Restricted	26,915,893.59	NRC Sec. 53.155 and Sec. 52.297	
0044	0013	Restricted	1,946,357,531.91	NRC Sec. 51.401 and Sec. 51.402	

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, 2018, a total of 94,163 home loans aggregating \$10,527,167,953.72 and 5,241 home improvement loans aggregating \$93,804,332.70 have been made to veterans. As of August 31, 2018, 11,709 home loans were outstanding with a principal balance of \$2,200,994,003.17 and 1,737 home improvement loans were outstanding with a principal balance of \$36,818,964.72. During the fiscal year, 2,074 home loans aggregating \$574,411,213.53 and 281 home improvement loans aggregating \$8,548,768.70 were made to veterans in the state, as presented in **Table 36** on page 84.

At August 31, 2018, there were 1,737 home improvement loans with an outstanding balance on the administrator's books of

\$36,818,964.72 (adjusted for timing differences of \$1,183,986.45 the outstanding principal balance on Exhibit III is \$38,002,951.17).

### LAND PROGRAM

Under the land program, each land loan must be for a tract of at least one acre and for a maximum term 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"). Effective December 1, 2007, the Board discontinued making land loans in the contract form and began instead making all land loans solely pursuant to a promissory note secured by a deed of trust ("mortgage form").

From the inception of the Land Program through August 31, 2018, 9,253 land loans have been funded. During the fiscal year, 1,105 land mortgage loans aggregating \$86,073,852.82 were made to veterans, as presented in **Table 36** to the right.

Housing and land loan program information as of August 31, 2018 is presented in **Table 37** below and **Table 38** on page 85.

### PROPERTY ACQUIRED THROUGH FORECLOSURE

Property acquired through foreclosure of land contracts, land mortgages, and housing mortgages was carried in the financial statements at its outstanding principal balance at August 31, 2018, as listed in **Table 39** on page 86.

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

Table 36

LOANS PURCHASED DURING FISCAL YEAR 2018		
Loan Type	Loan Principal	Number of Loans
Housing Mortgage	\$ 574,411,213.53	2,074
Home Improvement	8,548,768.70	281
Land Mortgage	86,073,852.82	1,105
<b>Total Loans</b>	<b>\$ 669,033,835.05</b>	<b>3,460</b>

(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 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.

Table 37

### VLB LOANS RECEIVABLE

As of August 31, 2018

#### HOUSING PROGRAM

	Principal Receivable	Interest Receivable	Total Program Receivable
Housing Mortgage	\$ 2,202,656,772.36	\$ 7,333,557.57	\$ 2,209,990,329.93
Home Improvement	38,002,951.17	460,046.58	38,462,997.75
<b>Total Housing Program Loans Receivable</b>	<b>\$ 2,240,659,723.53</b>	<b>\$ 7,793,604.15</b>	<b>\$ 2,248,453,327.68</b>

#### LAND PROGRAM

	Principal Receivable	Interest Receivable	Total Program Receivable
Land Mortgage	\$ 299,919,033.27	\$ 1,345,076.26	\$ 301,264,109.53
Land Contract for Deed (CFD)	58,973,791.29	564,094.81	59,537,886.10
<b>Total Land Program Loans Receivable</b>	<b>\$ 358,892,824.56</b>	<b>\$ 1,909,171.07</b>	<b>\$ 360,801,995.63</b>
<b>Total All Programs</b>	<b>\$ 2,599,552,548.09</b>	<b>\$ 9,702,775.22</b>	<b>\$ 2,609,255,323.31</b>



Table 38

**VLB PROGRAM LOANS OUTSTANDING**

As of August 31, 2018

**LOANS BY LOAN TYPE**

	Total Number	Outstanding Principal Balance	Percent of Total Principal Balance
<b>HOME MORTGAGE LOANS</b>			
Conventional			
Nationstar	1,522	\$ 214,376,122.75	8.25%
Bank of America 0%	145	1,661,193.93	0.06%
FHA	292	26,642,586.08	1.03%
VA	9,627	1,921,685,545.28	73.96%
Other	268	38,289,749.06	1.47%
Total	11,854	\$ 2,202,655,197.10	84.77%
<b>HOME IMPROVEMENT LOANS</b>			
Conventional	1	\$ 2,291.01	0.00%
FHA	1,484	26,874,440.83	1.03%
Other	252	9,942,232.88	0.38%
Total	1,737	\$ 36,818,964.72	1.42%
<b>LAND LOANS</b>			
Land Mortgages	4,648	\$ 299,919,033.27	11.54%
Contracts for Deed		58,973,791.29	2.27%
Total	4,648	\$ 358,892,824.56	13.81%
<b>Grand Total</b>	<b>18,239</b>	<b>\$ 2,598,366,986.38</b>	<b>100.00%</b>

**LOANS BY LIEN TYPE**

	Total Number	Outstanding Principal Balance	Percent of Total Principal Balance
<b>1st LIEN</b>			
Housing NationStar	11,666	\$ 2,200,497,913.11	84.69%
Housing Bank of America 0%	145	1,661,193.93	0.06%
Home Improvement	1,737	36,818,964.72	1.42%
Land Mortgage	4,648	299,919,033.27	11.54%
Land Contract for Deed		58,973,791.29	2.27%
Total	18,196	\$ 2,597,870,896.32	99.98%
<b>2nd LIEN</b>			
Housing Nationstar	43	\$ 496,090.06	0.02%
Total	43	\$ 496,090.06	0.02%
<b>Grand Total</b>	<b>18,239</b>	<b>\$ 2,598,366,986.38</b>	<b>100.00%</b>

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 40** below shows land contract for deeds, land mortgages, housing mortgages, and home improvement loans delinquent in excess of 90 days at August 31, 2018.

Table 39

### PROPERTY ACQUIRED THROUGH FORECLOSURE

At August 31, 2018

Loan Type	Number of Loans	Foreclosure/Forfeiture	Principal Balance	Percent of Principal Balance
Housing Mortgage	11,854	16	\$ 709,635.75	39%
Home Improvement	1,737	5	92,056.10	5%
Land Contracts	4,395	45	1,022,974.72	56%
Land Mortgage	4,648	0	0.00	0%
<b>Total</b>	<b>22,634</b>	<b>66</b>	<b>\$ 1,824,666.57</b>	<b>100%</b>

Table 40

### DELINQUENT AND DEFAULT LOANS

At August 31, 2018

Loan Status	Land CFDs		Land Mortgages		Bank of America Housing Mortgages		Nationstar Housing Mortgages		Nationstar Home Improvement	
	Count	Principal Balance	Count	Principal Balance	Count	Principal Balance	Count	Principal Balance	Count	Principal Balance
		\$		\$		\$		\$		\$
Current	4,183	56,144,513.83	4,558	294,476,691.18	112	1,226,808.76	10,982	2,085,038,154.91	1,648	35,171,458.68
31 to 60 Days Delinquent	0	0.00	0	0.00	11	131,938.06	260	42,878,476.08	40	783,340.19
61 to 90 Days Delinquent	58	751,232.43	29	1,588,163.20	9	113,367.51	89	14,490,036.73	16	292,271.92
91 + Days Delinquent	64	576,567.05	61	3,854,179.07	7	89,861.99	181	30,954,173.31	28	479,837.83
Foreclosure	45	478,674.65	0	0.00	5	79,310.88	182	26,943,433.12	0	0.00
RE owned	45	1,022,974.72	0	0.00	1	19,906.73	15	689,729.02	5	92,056.10
<b>Totals</b>	<b>4,395</b>	<b>\$ 58,973,962.68</b>	<b>4,648</b>	<b>\$ 299,919,033.45</b>	<b>145</b>	<b>\$ 1,661,193.93</b>	<b>11,709</b>	<b>\$ 2,200,994,003.17</b>	<b>1,737</b>	<b>\$ 36,818,964.72</b>

# COMBINING FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2018



**UNAUDITED**  
**Texas General Land Office and Veterans' Land Board**

**EXHIBIT A-1**

**COMBINING BALANCE SHEET  
GENERAL AND CONSOLIDATED FUNDS**

August 31, 2018

(With comparative memorandum totals for August 31, 2017)

	GENERAL							
	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL
	REVENUE FUND (0001) U/F (0001)	REVENUE FUND (0001) U/F (1101)	REVENUE FUND (0001) U/F (1102)	REVENUE FUND (0001) U/F (1103)	REVENUE FUND (0001) U/F (1104)	REVENUE FUND (0001) U/F (1105)	REVENUE FUND (0001) U/F (1106)	REVENUE FUND (0001) U/F (1111)
<b>ASSETS</b>	\$	\$	\$	\$				\$
Current Assets:								
Cash on Hand								
Cash in Bank (Note 3)								
Cash in State Treasury								
Legislative Appropriation	163,291,273.60	(60,901.05)	(93,592.68)	(69,981.28)	332,093.35	(17,683,251.21)	(38,139,738.98)	(614,583.17)
Receivables:								
Federal	3,227,811.55	184,952.97	103,017.54	146,734.63	658,342.09	29,288,994.49		9,030,125.24
Interest and Dividends								
Accounts	19,897.20							
Due From:								
Other Funds	36,663.93				87,742.68	411,974.84		565,079.91
Other Agencies								
Consumable Inventories	37,984.47							
Prepaid Items	33.81				2,595.56			
<b>Total Current Assets</b>	<b>166,613,664.56</b>	<b>124,051.92</b>	<b>9,424.86</b>	<b>76,753.35</b>	<b>1,080,773.68</b>	<b>12,017,718.12</b>	<b>(38,139,738.98)</b>	<b>8,980,621.98</b>
Noncurrent Assets:								
Notes Receivable								
<b>Total Noncurrent Assets</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS</b>	<b>166,613,664.56</b>	<b>124,051.92</b>	<b>9,424.86</b>	<b>76,753.35</b>	<b>1,080,773.68</b>	<b>12,017,718.12</b>	<b>(38,139,738.98)</b>	<b>8,980,621.98</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred Outflows of Resources								
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>LIABILITIES</b>								
Current Liabilities:								
Payables:								
Accounts	736,795.10		7,598.16	53,033.20	124,096.12	10,294,010.47	7,191,791.65	6,893,077.14
Payroll	414,273.71		25.09		605,934.08	213,576.96		341,305.23
Due To:								
Other Funds	40,002,871.68	3,052.97	112,902.70	94,203.56	581,740.19	106,343.53	45,162.01	113,923.13
Other Agencies	5,250.06							1,756,197.71
Unearned Revenues	40,027,041.73		0.01		32,207.69	3,065,329.51		598,626.15
<b>Total Current Liabilities</b>	<b>81,186,232.28</b>	<b>3,052.97</b>	<b>120,525.96</b>	<b>147,236.76</b>	<b>1,343,978.08</b>	<b>13,679,260.47</b>	<b>7,236,953.66</b>	<b>9,703,129.36</b>
<b>TOTAL LIABILITIES</b>	<b>81,186,232.28</b>	<b>3,052.97</b>	<b>120,525.96</b>	<b>147,236.76</b>	<b>1,343,978.08</b>	<b>13,679,260.47</b>	<b>7,236,953.66</b>	<b>9,703,129.36</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred Inflows of Resources								
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>FUND FINANCIAL STATEMENT - FUND</b>								
<b>BALANCES</b>								
Fund Balances (Note 1):								
Non-Spendable for Inventory	37,984.47							
Non-Spendable for Prepaid Items	33.81				2,595.56			
Restricted	3,227,811.55	120,998.95						
Committed								
Unassigned	82,161,602.45		(111,101.10)	(70,483.41)	(265,799.96)	(1,661,542.35)	(45,376,692.64)	(722,507.38)
<b>TOTAL FUND BALANCES (Exhibit A-2)</b>	<b>85,427,432.28</b>	<b>120,998.95</b>	<b>(111,101.10)</b>	<b>(70,483.41)</b>	<b>(263,204.40)</b>	<b>(1,661,542.35)</b>	<b>(45,376,692.64)</b>	<b>(722,507.38)</b>

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

UNAUDITED

CONSOLIDATED ACCOUNTS										TOTALS		
COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)	VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	DEPARTMENTAL SUSPENSE FUND (0900) U/F (0900)(0902)	LICENSE PLATE TRUST FUND (0802) U/F (0015)	DEDICATED ALAMO COMPLEX FUND (5152) U/F (5152)	ALAMO ECONOMIC STABILIZATION FUND (0599) U/F (5352)	DISASTER ECONOMIC STABILIZATION FUND (0599) U/F (3001)			2018	2017
\$	\$	\$	\$	\$	\$	\$	\$	\$				
		200.00									200.00	200.00
		10,000.00				8,623.85					18,623.85	10,000.00
22,301,711.17	637,619.57	1,890,057.66	7,731,369.53	267,511.87	0.00	2,738,161.79					35,566,431.59	34,482,117.71
											106,961,318.58	29,368,011.85
953,412.22											43,593,390.73	19,381,272.87
38,155.14		1,968.94			56.80	4,543.39					44,724.27	23,572.34
15,304.60	13,108.40		0.00			85,000.00					133,310.20	863,461.67
16,071.48	2,187.40	31,988.04		105,480.15		116,310.50	40,001,270.51				41,374,769.44	1,114,577.24
							44.27				44.27	21,657.64
											37,984.47	29,570.44
											25,749.92	177,703.86
23,324,654.61	652,915.37	1,934,214.64	7,731,369.53	372,992.02	56.80	2,975,760.08	40,001,314.78	0.00			227,756,547.32	85,472,145.62
											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
23,324,654.61	652,915.37	1,934,214.64	7,731,369.53	372,992.02	56.80	2,975,760.08	40,001,314.78	0.00			227,756,547.32	85,472,145.62
											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
460,014.99	1,918.57	113,424.96		6,776.03	56.80	199,763.89					26,082,357.08	19,007,978.41
589,943.61	19,178.31	1,820,789.43				62,970.98	44.27				4,068,041.67	3,241,674.19
		0.25		216,326.52		6,375.00					41,282,901.54	287,480.15
841,749.40			1,328,621.98								3,931,819.15	642,512.18
3,400.00	181,301.05		9,292.01	149,889.47		32,348.06					44,099,435.68	353,656.22
1,895,108.00	202,397.93	1,934,214.64	1,337,913.99	372,992.02	56.80	301,457.93	44.27	0.00			119,464,555.12	23,533,301.15
1,895,108.00	202,397.93	1,934,214.64	1,337,913.99	372,992.02	56.80	301,457.93	44.27	0.00			119,464,555.12	23,533,301.15
											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
											37,984.47	29,570.44
											25,749.92	177,703.86
											3,348,810.50	2,727,486.74
21,429,546.61	450,517.44		6,393,455.54	0.00	0.00	2,651,181.60					30,924,701.19	31,511,516.58
											73,954,746.12	27,492,566.85
21,429,546.61	450,517.44	0.00	6,393,455.54	0.00	0.00	2,674,302.15	40,001,270.51	0.00			108,291,992.20	61,938,844.47

**UNAUDITED**  
**Texas General Land Office and Veterans' Land Board**

**EXHIBIT A-2**

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

**GENERAL AND CONSOLIDATED FUNDS**

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	GENERAL							
	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL
	REVENUE FUND (0001) U/F (0001)	REVENUE FUND (0001) U/F (1101)	REVENUE FUND (0001) U/F (1102)	REVENUE FUND (0001) U/F (1103)	REVENUE FUND (0001) U/F (1104)	REVENUE FUND (0001) U/F (1105)	REVENUE FUND (0001) U/F (1106)	REVENUE FUND (0001) U/F (1111)
<b>REVENUES</b>	\$	\$	\$	\$				\$
Legislative Appropriations:								
Original	27,406,896.00							
Additional Appropriations	3,795,943.89	(60,901.05)	(106,646.95)	(70,023.42)	(381,500.00)	(1,583,900.00)		(985,000.00)
Federal Revenues (Sch. 1A)	3,776,097.28	4,571,229.43	310,362.99	474,613.44	3,021,944.85	100,755,521.71		134,293,564.15
Federal Grant Pass-Through Revenues (Sch. 1A)	1,376,665.43						170,149,783.67	
State Grant Pass-Through Revenues (Sch. 1-B)	(59,949.81)							
Licenses, Fees, and Permits	748,522.66							
Interest and Other Investment Income								
Land Income								
Settlement of Claims (Note 17)								
Sale of Goods and Services	104,764.00							
Other Revenues	1,537,262.95							
<b>TOTAL REVENUES</b>	<b>38,686,202.40</b>	<b>4,510,328.38</b>	<b>203,716.04</b>	<b>404,590.02</b>	<b>2,640,444.85</b>	<b>99,171,621.71</b>	<b>170,149,783.67</b>	<b>133,308,564.15</b>
<b>EXPENDITURES</b>								
Salaries and Wages	3,973,932.09	16,660.41	269,467.58	167,553.65	1,693,948.97	2,004,999.32	65,363.36	2,698,617.41
Payroll Related Costs	915,933.79	4,544.48	70,116.27	37,277.81	425,052.04	522,974.54	17,019.05	790,547.52
Professional Fees and Services	4,944,839.05		24,680.12	81,362.75	3,750.00	84,216,144.55	215,426,283.63	30,258,154.20
Travel	87,425.76		8,992.43	417.87	46,926.71	97,814.71		39,155.30
Materials and Supplies	437,607.17		6,715.09	26,860.36	546,931.47	586,695.76		25,600.38
Communication and Utilities	64,293.10				37,092.92	131,590.47	2,281.00	74,852.87
Repairs and Maintenance	471,647.39				37,921.98	111,383.93		240,188.90
Rentals and Leases (Note 8)	63,982.48				97,770.39	131,202.32		699,232.95
Printing and Reproduction	15,274.90		214.00		5,072.89	227.27		1,685.53
Claims and Judgments (Note 17)								
Federal Grant Pass-Through Expenditures (Sch. 1A)			(68,580.16)	(68,580.16)				5,487,435.26
State Grant Pass-Through Expenditures (Sch. 1B)	124,106.12							
Intergovernmental Payments	864,493.61	4,550,024.54		229,157.10		12,631,018.84		85,739,410.61
Public Assistance Payments	413,877.21							8,281,699.90
Other Expenditures	5,720,648.68		3,211.81	1,024.05	78,350.36	89,167.51	15,529.27	158,256.19
Capital Outlay	329,054.32				46,531.56	309,944.84		
<b>TOTAL EXPENDITURES</b>	<b>18,427,115.67</b>	<b>4,571,229.43</b>	<b>314,817.14</b>	<b>475,073.43</b>	<b>3,019,349.29</b>	<b>100,833,164.06</b>	<b>215,526,476.31</b>	<b>134,494,837.02</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>20,259,086.73</b>	<b>(60,901.05)</b>	<b>(111,101.10)</b>	<b>(70,483.41)</b>	<b>(378,904.44)</b>	<b>(1,661,542.35)</b>	<b>(45,376,692.64)</b>	<b>(1,186,272.87)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In					115,700.04			131,262.80
Transfers Out	(1,857,694.59)							
Sale of Capital Assets	21,465.00							
Legislative Financing Sources (Note 12)	38,600,000.00							
Appropriations Lapsed	(640,027.38)							
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>36,123,743.03</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>115,700.04</b>	<b>0.00</b>	<b>0.00</b>	<b>131,262.80</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>56,382,829.76</b>	<b>(60,901.05)</b>	<b>(111,101.10)</b>	<b>(70,483.41)</b>	<b>(263,204.40)</b>	<b>(1,661,542.35)</b>	<b>(45,376,692.64)</b>	<b>(1,055,010.07)</b>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>								
<b>FUND BALANCES - August 31, 2017</b>	<b>29,043,258.81</b>	<b>181,900.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>332,502.69</b>
Restatements (Note 14)	1,343.71							
<b>FUND BALANCE - August 31, 2017, As Restated</b>	<b>29,044,602.52</b>	<b>181,900.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>332,502.69</b>
<b>FUND BALANCES - August 31, 2018 (Exhibit A-1)</b>	<b>85,427,432.28</b>	<b>120,998.95</b>	<b>(111,101.10)</b>	<b>(70,483.41)</b>	<b>(263,204.40)</b>	<b>(1,661,542.35)</b>	<b>(45,376,692.64)</b>	<b>(722,507.38)</b>

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

UNAUDITED

CONSOLIDATED ACCOUNTS									TOTALS	
COASTAL PROTECTION FUND (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450)	VETERANS' LAND ADMIN. FEE FUND (0522)	CAPITAL TRUST FUND (0543)	LICENSE PLATES TRUST FUND (0802)	DEDICATED ALAMO COMPLEX FUND (5152)	ALAMO ECONOMIC STABILIZATION FUND (0599)	DISASTER ECONOMIC STABILIZATION FUND (0599)		2018	2017
U/F (0027)	U/F (0450)	U/F (0522)	U/F (0543)(0544)	U/F (0015)	U/F (5152)	U/F (5352)	U/F (3001)	(EXH. II)		
\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
									27,406,896.00	17,645,086.00
									607,972.47	4,047,176.92
3,191,640.86									250,394,974.71	210,702,688.94
23,521.20									171,549,970.30	822,794.49
									9,940,050.19	577,791.07
15,193,767.37	286,051.33	(210.75)		25,415.62	(3,559.88)		10,000,000.00		16,249,986.35	16,934,174.90
320,243.04		21,224.70		469.07	45,792.77				387,729.58	209,736.17
			20,890.00						20,890.00	16,790.00
						4,000.00			4,000.00	1,069.71
						5,539,994.82			5,539,994.82	5,545,394.53
						321,796.23			1,909,989.22	7,043,751.81
50,040.09		889.95								
18,779,212.56	286,051.33	21,903.90	20,890.00	25,884.69	5,908,023.94	0.00	10,000,000.00		484,117,217.64	263,546,454.54
5,426,272.49	172,801.94	16,907,139.60			468,675.48				33,865,432.30	29,907,229.72
2,292,046.13	51,458.38	6,118,817.78			152,118.47				11,397,906.26	11,282,324.13
1,042,727.15	50.00	93,360.81			449,512.29	2,705,593.72	9,407,221.41		348,653,679.68	74,068,620.41
174,480.37		124,493.80		1,547.69	11,905.48	4,848.78			598,008.90	442,509.78
229,490.34	6,348.82	290,411.08		3,395.13	395,575.84	45,623.30			2,601,254.74	1,288,155.71
243,731.82	5,510.70	187,068.65			386,247.02	33,942.59			1,166,611.14	1,144,426.72
217,656.90	2,398.08	95,464.88	4,000.00		234,044.54	4,100.00			1,418,806.60	2,303,277.44
427,730.35	50.00	120,902.36			75,882.26	9,137.50			1,625,890.61	1,148,713.88
30,464.27		29,443.73		872.51	51,862.89	101,691.82			236,809.81	192,031.70
2,602.08									2,602.08	0.00
1,522,680.21									6,872,955.15	9,465,160.02
									124,106.12	156.86
424,673.97									104,438,778.67	123,637,053.71
387,746.49				9,366.22					9,092,689.82	27,293,031.17
1,418,463.66	6,820.75	1,647,370.86		56.80	4,545,621.77	764,650.55			14,449,172.26	12,882,658.91
318,429.16		21,323.71			2,800.00				1,028,083.59	3,330,522.60
14,159,195.39	245,438.67	25,635,797.26	4,000.00	15,238.35	6,774,246.04	3,669,588.26	9,407,221.41		537,572,787.73	298,385,872.76
4,620,017.17	40,612.66	(25,613,893.36)	16,890.00	10,646.34	(866,222.10)	(3,669,588.26)	592,778.59		(53,455,570.09)	(34,839,418.22)
527,021.96		28,627,574.24			123,136.96	77,179,819.77	(592,778.59)		106,111,737.18	33,973,755.94
(346,710.08)		(3,705,737.39)	(6,009,059.29)	(31,555.20)	(123,136.96)	(33,508,961.00)			(45,582,854.51)	(3,366,259.33)
5,500.00			1,291,553.82						1,318,518.82	89,805.00
									38,600,000.00	0.00
									(640,027.38)	(567,499.12)
185,811.88	0.00	24,921,836.85	(4,717,505.47)	(31,555.20)	0.00	43,670,858.77	(592,778.59)		99,807,374.11	30,129,802.49
4,805,829.05	40,612.66	(692,056.51)	(4,700,615.47)	(20,908.86)	(866,222.10)	40,001,270.51	0.00		46,351,804.02	(4,709,615.73)
16,623,717.56	409,904.78	692,056.51	11,094,071.01	20,908.86	3,540,524.25	0.00	0.00		61,938,844.47	66,732,563.43
									1,343.71	(84,103.23)
16,623,717.56	409,904.78	692,056.51	11,094,071.01	20,908.86	3,540,524.25	0.00	0.00		61,940,188.18	66,648,460.20
21,429,546.61	450,517.44	0.00	6,393,455.54	0.00	2,674,302.15	40,001,270.51	0.00		108,291,992.20	61,938,844.47

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT B-1**

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS

August 31, 2018

(With comparative memorandum totals for August 31, 2017)

	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6000)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6001)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6002)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6003)
<b>ASSETS</b>	\$	\$	\$	\$
<b>Current Assets:</b>				
Cash (Note 3):				
Cash in State Treasury	10.14	135,730.67	145,503.24	(24,726.94)
Receivables:				
Federal			684,763.25	266,146.00
Interest and Dividends		123.88	257.03	178.70
Accounts Receivable				
Due From:				
Other Funds			540.00	151,305.96
Prepaid Items				
Total Current Assets	<u>10.14</u>	<u>135,854.55</u>	<u>831,063.52</u>	<u>392,903.72</u>
<b>TOTAL ASSETS</b>	<u>10.14</u>	<u>135,854.55</u>	<u>831,063.52</u>	<u>392,903.72</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Payables:				
Vouchers and Accounts		8,053.30	264,513.64	165,650.72
Payroll		118,269.68		
Retainage				
Due To:				
Other Funds		135.00	492,252.25	227,253.00
Other Agencies				
Total Current Liabilities	<u>0.00</u>	<u>126,457.98</u>	<u>756,765.89</u>	<u>392,903.72</u>
<b>TOTAL LIABILITIES</b>	<u>0.00</u>	<u>126,457.98</u>	<u>756,765.89</u>	<u>392,903.72</u>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
Fund Balances (Note 1):				
Non-Spendable for Prepaid Items				
Restricted	10.14	9,396.57	74,297.63	
<b>TOTAL FUND BALANCES (Exhibit B-2)</b>	<u>10.14</u>	<u>9,396.57</u>	<u>74,297.63</u>	<u>0.00</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>10.14</u>	<u>135,854.55</u>	<u>831,063.52</u>	<u>392,903.72</u>

\*HB2521, 84th Legislature, Regular Session amended Chapter 32 of the Natural Resources Code to deposit payments received from leases of the state's oil and natural gas mineral interests from land under county roads to the new state county road oil and gas fund (fund 0808). Fund 0808 revenues were previously recorded in GLO's Fund 0111 in Exhibit E-1. Prior year comparative totals have not been adjusted.

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)	COUNTY RIGHT-OF-WAY FUND (0808) U/F (7000-7076)*	TOTALS (EXH. I)	
			2018	2017
\$	\$	\$	\$	\$
8,353.93	53,018.17	3,266,225.50	3,584,114.71	769,706.20
56,316.02	84,649.00		1,091,874.27	325,144.17
19.33	127.18	5,220.98	5,927.10	1,137.45
		575,119.15	575,119.15	0.00
77,845.72	14,838.95		244,530.63	43,173.15
17.58			17.58	0.00
<u>142,552.58</u>	<u>152,633.30</u>	<u>3,846,565.63</u>	<u>5,501,583.44</u>	<u>1,139,160.97</u>
<u>142,552.58</u>	<u>152,633.30</u>	<u>3,846,565.63</u>	<u>5,501,583.44</u>	<u>1,139,160.97</u>
141,435.56	152,633.30		732,286.52	322,784.42
			118,269.68	61,514.22
			0.00	7,985.84
1,099.44			720,739.69	2,194.17
		3,263,025.50	3,263,025.50	0.00
<u>142,535.00</u>	<u>152,633.30</u>	<u>3,263,025.50</u>	<u>4,834,321.39</u>	<u>394,478.65</u>
<u>142,535.00</u>	<u>152,633.30</u>	<u>3,263,025.50</u>	<u>4,834,321.39</u>	<u>394,478.65</u>
17.58		583,540.13	17.58	744,682.32
			667,244.47	
17.58	0.00	583,540.13	667,262.05	744,682.32
<u>142,552.58</u>	<u>152,633.30</u>	<u>3,846,565.63</u>	<u>5,501,583.44</u>	<u>1,139,160.97</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT B-2**

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

SPECIAL REVENUE FUNDS

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6000)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6001)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6002)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6003)
<b>REVENUES</b>	\$	\$	\$	\$
Federal Revenues			1,043,977.82	388,029.00
Interest and Other Investment Income	7,995.98	1,130.43	4,553.44	1,819.02
Land Income				
Other Revenues			100.00	180.00
<b>TOTAL REVENUES</b>	<b>7,995.98</b>	<b>1,130.43</b>	<b>1,048,631.26</b>	<b>390,028.02</b>
<b>EXPENDITURES</b>				
Salaries and Wages		1,159,144.31		
Payroll Related Costs		851,936.92		
Professional Fees and Services			1,727,069.45	822,670.87
Travel		32,970.95	556.41	1,725.60
Materials and Supplies		23,559.18	68,785.87	13,028.60
Communication and Utilities		15,759.39	66,824.84	17,081.31
Repairs and Maintenance			12,468.74	37,024.31
Rentals and Leases (Note 8)		8,986.39	30.91	
Printing and Reproduction				
Other Expenditures		18,563.79	1,839.64	1,214.09
Capital Outlay			1,960,483.45	443,356.21
<b>TOTAL EXPENDITURES</b>	<b>0.00</b>	<b>2,110,920.93</b>	<b>3,838,059.31</b>	<b>1,336,100.99</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>7,995.98</b>	<b>(2,109,790.50)</b>	<b>(2,789,428.05)</b>	<b>(946,072.97)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		2,088,777.94	3,270,402.24	1,167,926.84
Transfers Out	(10,485.72)	(2,379.75)	(946,003.68)	(260,216.90)
Sale of Capital Assets			540.00	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,485.72)</b>	<b>2,086,398.19</b>	<b>2,324,938.56</b>	<b>907,709.94</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,489.74)</b>	<b>(23,392.31)</b>	<b>(464,489.49)</b>	<b>(38,363.03)</b>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
<b>FUND BALANCES - August 31, 2017</b>	<b>2,499.88</b>	<b>32,788.88</b>	<b>538,787.12</b>	<b>38,363.03</b>
Restatements (Note 14)				
<b>Fund Balances - August 31, 2017, As Restated</b>	<b>2,499.88</b>	<b>32,788.88</b>	<b>538,787.12</b>	<b>38,363.03</b>
Appropriations Lapsed				
<b>FUND BALANCES - August 31, 2018 (Exhibit B-1)</b>	<b>10.14</b>	<b>9,396.57</b>	<b>74,297.63</b>	<b>0.00</b>

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)			COUNTY RIGHT-OF-WAY FUND (0808) U/F (7000-7076)*			TOTALS (EXH. II)	
									2018	2017
									\$	\$
166,768.28	286,579.00								1,885,354.10	1,539,387.16
952.50	2,008.67				30,287.16				48,747.20	7,039.49
									5,411,129.53	0.00
1,575.00	550.00								2,405.00	24,639.14
169,295.78	289,137.67				5,441,416.69				7,347,635.83	1,571,065.79
									1,159,144.31	572,814.04
									851,936.92	417,817.59
851,296.47	1,011,411.50								4,412,448.29	3,174,596.64
1,463.93	436.62								37,153.51	45,758.75
13,010.00	26,751.34								145,134.99	163,060.20
30,874.11	20,216.21								150,755.86	138,628.74
8,238.30	22,198.46								79,929.81	28,977.93
5,442.88									14,460.18	3,142.37
									0.00	553.74
1,607.00	8,822.98								32,047.50	(22,740.84)
27,203.41	26,189.54								2,457,232.61	686,193.17
939,136.10	1,116,026.65				0.00				9,340,243.98	5,208,802.33
(769,840.32)	(826,888.98)				5,441,416.69				(1,992,608.15)	(3,637,736.54)
770,906.98	741,561.35								8,039,575.35	3,248,560.85
(1,049.08)	(46,915.78)				(4,857,876.56)				(6,124,927.47)	230,094.15
769,857.90	694,645.57				(4,857,876.56)				540.00	0.00
17.58	(132,243.41)				583,540.13				(77,420.27)	(159,081.54)
	132,243.41				0.00				744,682.32	873,861.85
0.00	132,243.41				0.00				0.00	29,902.01
17.58	0.00				583,540.13				744,682.32	903,763.86
									667,262.05	744,682.32

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT C-1**

COMBINING BALANCE SHEET

PERMANENT FUNDS

August 31, 2018

(With comparative memorandum totals for August 31, 2017)

	PERMANENT FUNDS FUND (0044) U/F (0007)	PERMANENT FUNDS FUND (0044) U/F (0010)
	\$	\$
<b>ASSETS</b>		
Current Assets:		
Cash (Note 3):		
Cash in Bank		
Cash in State Treasury	58,843,098.74	34,317,507.92
Receivables:		
Interest and Dividends		
Accounts	8,748,456.64	52,352.50
Due From:		
Other Funds	358,907.44	74,051.80
Consumable Inventories		
Prepaid Items		
Land Sale Notes Receivable		
Total Current Assets	<u>67,950,462.82</u>	<u>34,443,912.22</u>
Noncurrent Assets:		
Land Sale Notes Receivable		
Investments in Real Assets at Fair Value (Note 3)		
Total Noncurrent Assets	<u>0.00</u>	<u>0.00</u>
<b>TOTAL ASSETS</b>	<u>67,950,462.82</u>	<u>34,443,912.22</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred Outflows of Resources		
<b>TOTAL DEFERRED OUTFLOW OR RESOURCES</b>	<u>0.00</u>	<u>0.00</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables:		
Vouchers and Accounts	274,175.93	534,631.65
Payroll	1,133,315.08	
Due To:		
Other Funds		
Other Agencies		
Unearned Revenues	4,290,937.15	6,993,386.98
Total Current Liabilities	<u>5,698,428.16</u>	<u>7,528,018.63</u>
Non-Current Liabilities:		
Total Non-Current Liabilities	<u>0.00</u>	<u>0.00</u>
<b>TOTAL LIABILITIES</b>	<u>5,698,428.16</u>	<u>7,528,018.63</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Inflows of Resources		
<b>TOTAL DEFERRED INFLOW OR RESOURCES</b>	<u>0.00</u>	<u>0.00</u>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>		
Fund Balances (Note 1):		
Non-Spendable for Permanent Fund Corpus		
Non-Spendable for Inventory		
Non-Spendable for Prepaid		
Restricted	62,252,034.66	26,915,893.59
<b>TOTAL FUND BALANCES (Exhibit C-2)</b>	<u>62,252,034.66</u>	<u>26,915,893.59</u>

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

UNAUDITED

PERMANENT FUNDS FUND (0044) U/F (0013)	TOTALS (EXH. I)	
	2018	2017
	\$	\$
742,307.58	742,307.58	998,682.08
4,154,142,705.77	4,247,303,312.43	3,399,051,387.28
7,577,222.64	7,577,222.64	3,778,495.65
196,406,806.85	205,207,615.99	126,369,800.39
188,183.28	621,142.52	34,783.57
	0.00	99,946.00
	0.00	487.95
14,614.66	14,614.66	13,494.63
4,359,071,840.78	4,461,466,215.82	3,530,347,077.55
90,483.61	90,483.61	105,098.27
5,814,735,904.36	5,814,735,904.36	5,311,740,605.49
5,814,826,387.97	5,814,826,387.97	5,311,845,703.76
10,173,898,228.75	10,276,292,603.79	8,842,192,781.31
	0.00	0.00
0.00	0.00	0.00
6,833,586.58	7,642,394.16	8,351,711.68
91,899.16	1,225,214.24	1,565,461.95
576,386.34	576,386.34	39,384.96
	0.00	25,923.63
99,486,992.57	110,771,316.70	91,239,842.01
106,988,864.65	120,215,311.44	101,222,324.23
0.00	0.00	0.00
106,988,864.65	120,215,311.44	101,222,324.23
	0.00	0.00
0.00	0.00	0.00
8,120,551,832.19	8,120,551,832.19	7,153,059,268.57
	0.00	99,946.00
	0.00	487.95
1,946,357,531.91	2,035,525,460.16	1,587,810,754.56
10,066,909,364.10	10,156,077,292.35	8,740,970,457.08

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT C-2**

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

PERMANENT FUNDS

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	PERMANENT FUNDS FUND (0044) U/F (0007)	PERMANENT FUNDS FUND (0044) U/F (0010)
	\$	\$
<b>REVENUES</b>		
Licenses, Fees, and Permits	865,241.09	
Interest and Other Investment Income	3,652,056.16	
Gain (Loss) on Sale of Sovereign Land		
Net Increase (Decrease) in Fair Value of Investments		
Land Income	9,139,725.86	11,799,405.14
Sales of Goods and Services		
Other Revenues	13,623,837.04	(14,400.86)
<b>TOTAL REVENUES</b>	<b>27,280,860.15</b>	<b>11,785,004.28</b>
<b>EXPENDITURES/EXPENSES</b>		
Salaries and Wages	10,383,533.74	
Payroll Related Costs	3,106,126.71	
Professional Fees and Services	970,426.08	2,363,654.55
Travel	128,015.39	22,821.10
Materials and Supplies	465,609.13	5,632.19
Communication and Utilities	471,553.81	768.50
Repairs and Maintenance	548,393.32	540.12
Rentals and Leases	224,648.63	28,480.62
Printing and Reproduction	892.32	160.00
Public Assistance Payments		11,332.58
Other Expenditures	664,388.61	5,563,485.74
Capital Outlay	214,913.94	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>17,178,501.68</b>	<b>7,996,875.40</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>10,102,358.47</b>	<b>3,788,128.88</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	611,497.12	13,939,684.96
Transfers Out	(611,497.12)	(13,939,684.96)
Sale of Capital Assets		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0.00</b>	<b>0.00</b>
<b>NET CHANGE IN FUND BALANCE/NET POSITION</b>	<b>10,102,358.47</b>	<b>3,788,128.88</b>
<b>FUND FINANCIAL STATEMENT - FUND BALANCE</b>		
<b>FUND BALANCE - August 31, 2017</b>	<b>52,149,676.19</b>	<b>23,127,764.71</b>
Restatements (Note 14)		
<b>FUND BALANCE - August 31, 2017, As Restated</b>	<b>52,149,676.19</b>	<b>23,127,764.71</b>
<b>FUND BALANCE - August 31, 2018 (Exhibit C-1)</b>	<b>62,252,034.66</b>	<b>26,915,893.59</b>

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

UNAUDITED

PERMANENT FUNDS FUND (0044) U/F (0013)	TOTALS	
	(EXH. II)	
	2018	2017
\$	\$	
485,465.14	1,350,706.23	3,293,417.81
159,898,028.50	163,550,084.66	125,944,245.23
2,423,027.89	2,423,027.89	1,465,973.07
517,001,932.01	517,001,932.01	749,412,778.15
973,574,109.51	994,513,240.51	939,053,152.90
67,196,837.09	67,196,837.09	103,883,031.83
(13,596,179.84)	13,256.34	205,102.72
<u>1,706,983,220.30</u>	<u>1,746,049,084.73</u>	<u>1,923,257,701.71</u>
1,556,094.87	11,939,628.61	13,615,048.29
329,782.92	3,435,909.63	3,233,601.26
1,377,372.61	4,711,453.24	3,424,619.02
36,072.22	186,908.71	144,698.54
66,233,011.20	66,704,252.52	99,655,794.95
72,456.43	544,778.74	379,007.93
659,481.57	1,208,415.01	1,003,641.21
	253,129.25	202,619.68
37.50	1,089.82	6,448.12
	11,332.58	984,820.67
502,563.02	6,730,437.37	1,784,410.47
	214,913.94	368,493.00
<u>70,766,872.34</u>	<u>95,942,249.42</u>	<u>124,803,203.14</u>
<u>1,636,216,347.96</u>	<u>1,650,106,835.31</u>	<u>1,798,454,498.57</u>
	14,551,182.08	0.00
(235,000,000.00)	(249,551,182.08)	(200,000,000.00)
	0.00	3,795.00
<u>(235,000,000.00)</u>	<u>(235,000,000.00)</u>	<u>(199,996,205.00)</u>
<u>1,401,216,347.96</u>	<u>1,415,106,835.31</u>	<u>1,598,458,293.57</u>
8,665,693,016.18	8,740,970,457.08	7,143,102,918.01
(0.04)	(0.04)	(590,754.50)
<u>8,665,693,016.14</u>	<u>8,740,970,457.04</u>	<u>7,142,512,163.51</u>
<u>10,066,909,364.10</u>	<u>10,156,077,292.35</u>	<u>8,740,970,457.08</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT D-1a**

COMBINING STATEMENT OF NET POSITION

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

August 31, 2018

(With comparative memorandum totals for August 31, 2017)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS TAX REF FUND (0590) U/F (0590)
	\$	\$	\$
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents (Note 3)			
Cash in State Treasury	647,140.78		331,893.54
Cash Equivalents	48,728,443.37		4,707,547.30
Securities Lending Collateral (Note 3)			14,980,000.00
Investments - Securities at Market Value (Note 3)			
Loans Receivables:			
Housing Mortgages	2,869,682.84		3,724,322.82
Home Improvement Loans	141.10		226,822.20
Interest and Dividends Receivables:			
Investment Interest	65,576.15		87,454.88
Housing Mortgages Interest	2,166.44		498,608.19
Home Improvement Loans Interest	328,779.95		14,848.45
Accounts Receivable (Net of Allowance for Uncollectibles)			5,126.56
Due from Other Funds	1,206,859.36		56,821.69
Prepaid Items	3,094,898.15		573,063.11
<b>Total Current Assets</b>	<b>56,943,688.14</b>	<b>0.00</b>	<b>25,206,508.74</b>
Noncurrent Assets:			
Investments - Securities at Market Value (Note 3)	3,970,370.00		44,787,835.85
Derivative Instruments (Note 3)			
Hedging Derivative Instrument			
Loans Receivables:			
Housing Mortgages	98,959,480.56		122,814,944.29
Home Improvement Loans	2,668.17		4,289,113.41
Property Acquired Through Foreclosure - Housing Mortgages (Note 33)	106,150.00		19,907.00
<b>Total Noncurrent Assets</b>	<b>103,038,668.73</b>	<b>0.00</b>	<b>171,911,800.55</b>
<b>TOTAL ASSETS</b>	<b>159,982,356.87</b>	<b>0.00</b>	<b>197,118,309.29</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow of Resources			6,660,392.10
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>6,660,392.10</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	16,373.16		8,096.77
Debt Service Interest Payable			200.10
Due to Other Funds	40,313.74		245,511.06
Bonds Payable (Net of Unamortized Discounts and Premiums)			
General Obligation			12,190,000.00
Obligations Under Securities Lending (Note 3)			14,980,000.00
<b>Total Current Liabilities</b>	<b>56,686.90</b>	<b>0.00</b>	<b>27,423,807.93</b>
Noncurrent Liabilities:			
Bonds Payable (Net of Unamortized Discounts and Premiums)			
General Obligation			100,875,000.00
Hedging Derivative Instruments			6,660,392.10
<b>Total Noncurrent Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>107,535,392.10</b>
<b>TOTAL LIABILITIES</b>	<b>56,686.90</b>	<b>0.00</b>	<b>134,959,200.03</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Inflow of Resources			
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION</b>			
Restricted for the Veterans' Land Board	159,925,669.97		68,819,501.36
<b>TOTAL NET POSITION (Exhibit D-2a)</b>	<b>159,925,669.97</b>	<b>0.00</b>	<b>68,819,501.36</b>

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



UNAUDITED

VET BDS TAX-EXEMPT FUND (0383) U/F (Note <sup>1</sup> )	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. III)	
				2018	2017
\$	\$	\$	\$	\$	\$
69,988,838.92	959,669.67			71,927,542.91	84,333,266.77
389,781,782.04	35,957,840.63	171,298.31	952,762.76	480,299,674.41	109,981,436.33
6,355,297.81	2,975,000.00	1,020,000.00		25,330,297.81	57,663,215.55
		503,960.00		503,960.00	286,577,442.20
44,817,265.84	10,759,348.80			62,170,620.30	66,434,957.00
897,670.81	784,142.67			1,908,776.78	1,779,007.97
1,205,467.35	112,957.09	16,333.67	54,588.45	1,542,377.59	752,198.14
5,707,352.36	1,125,430.58			7,333,557.57	6,784,264.17
57,932.86	58,485.32			460,046.58	595,796.44
0.00				5,126.56	9,364.44
1,143,477.90	85,138.27			2,492,297.22	355,749.78
19,016,760.97	2,619,904.28			25,304,626.51	4,727,229.84
<u>538,971,846.86</u>	<u>55,437,917.31</u>	<u>1,711,591.98</u>	<u>1,007,351.21</u>	<u>679,278,904.24</u>	<u>619,993,928.63</u>
61,774,171.00	77,215,037.10	13,024,455.56	16,528,323.70	217,300,193.21	220,227,076.18
1,029,728.88				1,029,728.88	638,363.41
27,676,286.00				27,676,286.00	4,226,114.00
1,546,692,196.51	371,309,894.70			2,139,776,516.06	2,153,359,639.21
16,974,581.44	14,827,811.37			36,094,174.39	33,785,543.79
465,085.00	118,494.00			709,636.00	60,638.00
<u>1,654,612,048.83</u>	<u>463,471,237.17</u>	<u>13,024,455.56</u>	<u>16,528,323.70</u>	<u>2,422,586,534.54</u>	<u>2,412,297,374.59</u>
<u>2,193,583,895.69</u>	<u>518,909,154.48</u>	<u>14,736,047.54</u>	<u>17,535,674.91</u>	<u>3,101,865,438.78</u>	<u>3,032,291,303.22</u>
56,437,392.00	34,298,051.05			97,395,835.15	190,322,072.23
<u>56,437,392.00</u>	<u>34,298,051.05</u>	<u>0.00</u>	<u>0.00</u>	<u>97,395,835.15</u>	<u>190,322,072.23</u>
583,041.40	50,205.66			657,716.99	1,507,848.19
236,247.86	49,188.95			285,636.91	1,231,696.41
1,181,993.15	1,024,479.27			2,492,297.22	355,749.78
122,374,810.16	34,435,000.00			168,999,810.16	147,639,810.16
6,355,297.81	2,975,000.00	1,020,000.00		25,330,297.81	57,663,215.55
<u>130,731,390.38</u>	<u>38,533,873.88</u>	<u>1,020,000.00</u>	<u>0.00</u>	<u>197,765,759.09</u>	<u>208,398,320.09</u>
2,105,186,638.35	400,250,000.00			2,606,311,638.35	2,525,311,448.51
56,437,392.00	34,298,051.05			97,395,835.15	190,322,072.23
<u>2,161,624,030.35</u>	<u>434,548,051.05</u>	<u>0.00</u>	<u>0.00</u>	<u>2,703,707,473.50</u>	<u>2,715,633,520.74</u>
<u>2,292,355,420.73</u>	<u>473,081,924.93</u>	<u>1,020,000.00</u>	<u>0.00</u>	<u>2,901,473,232.59</u>	<u>2,924,031,840.83</u>
27,676,286.00				27,676,286.00	4,226,114.00
<u>27,676,286.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>27,676,286.00</u>	<u>4,226,114.00</u>
(70,010,419.04)	80,125,280.60	13,716,047.54	17,535,674.91	270,111,755.34	294,355,420.62
<u>(70,010,419.04)</u>	<u>80,125,280.60</u>	<u>13,716,047.54</u>	<u>17,535,674.91</u>	<u>270,111,755.34</u>	<u>294,355,420.62</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT D-1b**

COMBINING STATEMENT OF NET POSITION  
VETERANS' LAND PROGRAM PROPRIETARY FUNDS  
August 31, 2018  
(With comparative memorandum totals for August 31, 2017)

	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)
	\$	\$
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents (Note 3):		
Cash on Hand	200.00	
Cash in State Treasury	3,181,669.88	287,876.06
Cash Equivalents	20,698,578.11	143,386.92
Securities Lending Collateral (Note 3)	30,120,837.50	
Investments - Securities at Market Value (Note 3)		
Loans Receivables:		
Land Contracts	924,048.22	31,546.64
Land Mortgages	4,327,322.72	
Interest and Dividends Receivables:		
Investment Interest	584,796.85	25,758.54
Land Contracts	555,682.61	8,412.20
Land Mortgages	1,335,513.34	
Accounts Receivable (Net of Allowance for Uncollectibles)	1,649,548.70	3,352.53
Due from Other Funds	722,040.89	
<b>Total Current Assets</b>	<b>64,100,238.82</b>	<b>500,819.47</b>
Noncurrent Assets:		
Investments - Securities at Market Value (Note 3)	160,234,653.22	7,132,043.60
Derivative Instruments (Note 3)	(42,765.74)	
Loans Receivables:		
Land Contracts	52,337,998.13	1,636,208.70
Land Mortgages	295,591,710.55	
Property Acquired Through Foreclosure (Note 33)		
Land Contracts	1,022,975.00	
Depreciable Capital Assets (Note 2):		
Furniture and Equipment	130,721.57	
Less Accumulated Depreciation	(111,508.57)	
Amortizable Intangible Assets (Note 2):		
Computer Software	162,578.15	
Less Accumulated Amortization	(162,578.15)	
<b>Total Noncurrent Assets</b>	<b>509,163,784.16</b>	<b>8,768,252.30</b>
<b>TOTAL ASSETS</b>	<b>573,264,022.98</b>	<b>9,269,071.77</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Hedging Derivative Instruments	17,044,277.86	62,666.17
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>17,044,277.86</b>	<b>62,666.17</b>

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0852)	TOTALS (EXH. III)	
	2018	2017
	\$	\$
	200.00	200.00
228,447.28	3,697,993.22	4,667,471.44
4,370.53	20,846,335.56	45,599,860.98
	30,120,837.50	47,714,758.78
	0.00	1,994,740.00
29,214.39	984,809.25	1,191,142.95
	4,327,322.72	3,602,373.24
411.51	610,966.90	188.32
	564,094.81	672,583.93
9,562.92	1,345,076.26	1,270,151.62
4,523.25	1,657,424.48	23,989.37
	722,040.89	3,494.17
<u>276,529.88</u>	<u>64,877,588.17</u>	<u>106,740,954.80</u>
	167,366,696.82	192,306,041.52
	(42,765.74)	(302,457.06)
2,991,800.21	56,966,007.04	70,567,569.24
	295,591,710.55	252,371,169.62
	1,022,975.00	827,910.00
	130,721.57	130,721.57
	(111,508.57)	(108,730.81)
	162,578.15	162,578.15
	(162,578.15)	(162,578.15)
<u>2,991,800.21</u>	<u>520,923,836.67</u>	<u>515,792,224.08</u>
<u>3,268,330.09</u>	<u>585,801,424.84</u>	<u>622,533,178.88</u>
<u>2,085,015.00</u>	<u>19,191,959.03</u>	<u>32,368,887.00</u>
<u>2,085,015.00</u>	<u>19,191,959.03</u>	<u>32,368,887.00</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

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

COMBINING STATEMENT OF NET POSITION  
VETERANS' LAND PROGRAM PROPRIETARY FUNDS  
August 31, 2018  
(With comparative memorandum totals for August 31, 2017)

	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)
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	1,195,018.64	2,837.69
Debt Service Interest Payable	119,354.94	
Due to Other Funds	1,637,058.97	
Unearned Revenues	163,344.93	362.19
Bonds Payable (Net of Unamortized Discounts and Premiums):		
General Obligation	18,765,000.00	3,700,000.00
Obligations Under Securities Lending (Note 3)	30,120,837.50	
<b>Total Current Liabilities</b>	<b>52,000,614.98</b>	<b>3,703,199.88</b>
Noncurrent Liabilities:		
Bonds Payable (Net of Unamortized Discounts and Premiums):		
General Obligation	153,110,000.00	
Hedging Derivative Instrument	17,044,277.86	62,666.17
<b>Total Noncurrent Liabilities</b>	<b>170,154,277.86</b>	<b>62,666.17</b>
<b>TOTAL LIABILITIES</b>	<b>222,154,892.84</b>	<b>3,765,866.05</b>
 <b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Inflow of Resources		
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>
 <b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	19,213.00	
Restricted for the Veterans' Land Board	368,134,195.00	5,565,871.89
<b>TOTAL NET POSITION (Exhibit D-2b)</b>	<b>368,153,408.00</b>	<b>5,565,871.89</b>

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

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0852)	TOTALS (EXH. III)	
	2018	2017
60,123.41	1,257,979.74	249,875.79
	119,354.94	162,890.62
	1,637,058.97	43,173.15
672.01	164,379.13	133,564.80
635,000.00	23,100,000.00	21,570,000.00
	30,120,837.50	47,714,758.78
<u>695,795.42</u>	<u>56,399,610.28</u>	<u>69,874,263.14</u>
12,580,000.00	165,690,000.00	188,790,000.00
<u>2,085,015.00</u>	<u>19,191,959.03</u>	<u>32,368,887.00</u>
<u>14,665,015.00</u>	<u>184,881,959.03</u>	<u>221,158,887.00</u>
<u>15,360,810.42</u>	<u>241,281,569.31</u>	<u>291,033,150.14</u>
	0.00	0.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	19,213.00	43,981.52
<u>(10,007,465.33)</u>	<u>363,692,601.56</u>	<u>363,824,934.22</u>
<u>(10,007,465.33)</u>	<u>363,711,814.56</u>	<u>363,868,915.74</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT D-1c**

COMBINING STATEMENT OF NET POSITION  
DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM  
August 31, 2018  
(With comparative memorandum totals for August 31, 2017)

	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)
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents (Note 3):						
Cash in State Treasury	7,011,609.98	4,379,470.92	1,191,095.48	(445,422.68)	2,109,838.84	357,778.40
Cash Equivalents						1,078,382.28
Investments - Securities at Market Value (Note 3)						3,953,894.44
Receivables:						
Federal Receivables	891,919.69	862,671.22	966,493.04	874,878.74		
Interest Receivables	13,060.72	8,786.80	3,075.24	639.50		47,434.77
Accounts Receivable	71,482.34	272,868.40	486,091.22	386,072.50		
Allowance for Doubtful Accounts	28,144.11	(52,548.00)	(238,663.83)	(152,091.15)		
Due from Other Funds	3,600.00	391,138.32	417,857.81	1,274,814.24	0.25	10,656,307.44
Prepaid Items			7.02			
<b>Total Current Assets</b>	<b>8,019,816.84</b>	<b>5,862,387.66</b>	<b>2,825,955.98</b>	<b>1,938,891.15</b>	<b>2,109,839.09</b>	<b>16,093,797.33</b>
Non-Current Assets:						
Capital Assets (Note 2):						
Depreciable Capital Assets:						
Furniture and Equipment	69,799.10	91,561.05	106,795.53	69,876.56		
Less Accumulated Depreciation	(42,078.93)	(74,542.43)	(90,778.34)	(51,194.48)		
Buildings	15,781,558.62	15,221,167.95	16,288,859.62	15,045,505.34		
Less Accumulated Depreciation	(8,702,587.52)	(8,529,701.20)	(8,364,384.29)	(8,096,327.74)		
Facilities and Other Improvements						
Less Accumulated Depreciation						
Non-Depreciable Capital Assets:						
Construction in Progress						
Land	480,000.00	66,000.00	155,000.00	40,000.00		
Amortizable Intangible Assets:						
Computer Software	32,469.00	35,746.00	25,425.00	25,425.00		
Less Accumulated Amortization	(32,469.00)	(35,746.00)	(25,425.00)	(25,425.00)		
<b>Total Non-Current Assets</b>	<b>7,586,691.27</b>	<b>6,774,485.37</b>	<b>8,095,492.52</b>	<b>7,007,859.68</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS</b>	<b>15,606,508.11</b>	<b>12,636,873.03</b>	<b>10,921,448.50</b>	<b>8,946,750.83</b>	<b>2,109,839.09</b>	<b>16,093,797.33</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Payables:						
Vouchers and Accounts Payable (Note 1)	1,274,698.47	1,233,790.74	1,535,024.75	1,127,226.42		
Due to Other Funds					2,109,839.09	2,406,566.35
<b>Total Current Liabilities</b>	<b>1,274,698.47</b>	<b>1,233,790.74</b>	<b>1,535,024.75</b>	<b>1,127,226.42</b>	<b>2,109,839.09</b>	<b>2,406,566.35</b>
Non-Current Liabilities:						
Employees' Compensable Leave (Note 5)						
<b>Total Non-Current Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL LIABILITIES</b>	<b>1,274,698.47</b>	<b>1,233,790.74</b>	<b>1,535,024.75</b>	<b>1,127,226.42</b>	<b>2,109,839.09</b>	<b>2,406,566.35</b>
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Related Debt	7,586,691.27	6,774,485.37	8,095,492.52	7,007,859.68		
Restricted for the Texas State Veterans' Home Program	6,745,118.37	4,628,596.92	1,290,931.23	811,664.73		13,687,230.98
<b>TOTAL NET POSITION</b>	<b>14,331,809.64</b>	<b>11,403,082.29</b>	<b>9,386,423.75</b>	<b>7,819,524.41</b>	<b>0.00</b>	<b>13,687,230.98</b>

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

UNAUDITED

TYLER 35% FUND (0374) U/F (0656)	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)	
					2018	2017
\$	\$	\$	\$	\$	\$	\$
5,418,572.06	5,391,075.72	5,880,832.15	(974,644.62)	8,913.45	30,329,119.70	17,734,955.77
					1,078,382.28	4,885,257.44
					3,953,894.44	15,924,742.50
617,990.74	2,367,397.66	2,512,851.94	1,077,817.92	10,656,307.44	20,828,328.39	12,435,115.87
10,351.46	8,067.01	11,365.01	(790.59)	889.51	102,879.43	10,945.28
507,834.57	393,076.95	495,243.16	324,159.83		2,936,828.97	2,913,905.07
(147,922.74)	(119,261.36)	(37,252.00)	(92,061.18)		(811,656.15)	(1,062,142.57)
			1,384,523.02	2,406,350.35	16,534,591.43	1,556.25
189.60	351.60				548.22	1,379.85
6,407,015.69	8,040,707.58	8,863,040.26	1,719,004.38	13,072,460.75	74,952,916.71	52,845,715.46
262,343.13	113,496.44	93,617.26	84,062.44		891,551.51	744,477.97
(220,664.23)	(56,075.80)	(49,304.99)	(34,022.72)		(618,661.92)	(534,493.74)
16,596,645.58	15,457,476.80	14,503,133.49	14,532,756.72		123,427,104.12	116,187,500.72
(5,739,696.40)	(7,816,667.64)	(6,844,103.79)	(6,915,311.85)		(61,008,780.43)	(55,517,237.61)
			22,963.00		22,963.00	22,963.00
			(7,844.94)		(7,844.94)	(6,696.90)
	1,300,000.00	650,000.00	808,500.00	25,892,280.69	25,892,280.69	10,497,181.38
	8,525.00	8,525.00	10,440.00	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
10,898,628.08	8,998,229.80	8,353,341.97	8,491,102.65	26,432,280.69	(146,555.00)	(146,555.00)
17,305,643.77	17,038,937.38	17,216,382.23	10,210,107.03	39,504,741.44	92,638,112.03	75,433,194.82
1,292,648.08	2,032,660.86	1,746,993.37	985,625.64	2,416,153.31	13,644,821.64	11,538,155.55
	150.00			10,656,307.44	15,172,862.88	1,556.00
1,292,648.08	2,032,810.86	1,746,993.37	985,625.64	13,072,460.75	28,817,684.52	11,539,711.55
					0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
1,292,648.08	2,032,810.86	1,746,993.37	985,625.64	13,072,460.75	28,817,684.52	11,539,711.55
10,898,628.08	8,998,229.80	8,353,341.97	8,491,102.65	26,432,280.69	92,638,112.03	75,433,194.82
5,114,367.61	6,007,896.72	7,116,046.89	733,378.74		46,135,232.19	41,306,003.91
16,012,995.69	15,006,126.52	15,469,388.86	9,224,481.39	26,432,280.69	138,773,344.22	116,739,198.73

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**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, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS TAX REF FUND (0590) U/F (0590)	VET BDS TAX-EXEMPT FUND (0383) U/F (Note <sup>1</sup> )
	\$	\$	\$	\$
<b>OPERATING REVENUES</b>				
Interest on Housing Mortgages	1,916,116.48		4,589,792.26	42,674,339.82
Interest on Home Improvement Loans	603.98		140,234.78	470,293.34
Revenue Transfer Within Fund				
Miscellaneous Income				8,600.00
<b>TOTAL OPERATING REVENUES</b>	<b>1,916,720.46</b>	<b>0.00</b>	<b>4,730,027.04</b>	<b>43,153,233.16</b>
<b>OPERATING EXPENSES</b>				
Professional Fees and Services	159,133.86		57,246.69	1,284,907.35
Material and Supplies	5,707.60			
Repairs and Maintenance	10,944.00			
Printing and Reproduction				818.19
Debt Service Interest			5,529,868.34	53,826,915.15
Other Operating Expenses	4,763.88		2,321.42	2,624,514.84
<b>TOTAL OPERATING EXPENSES</b>	<b>180,549.34</b>	<b>0.00</b>	<b>5,589,436.45</b>	<b>57,737,155.53</b>
<b>OPERATING INCOME (LOSS) (Exhibit D-3a)</b>	<b>1,736,171.12</b>	<b>0.00</b>	<b>(859,409.41)</b>	<b>(14,583,922.37)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	1,116,300.64	(7.69)	406,204.03	6,443,098.23
Net Increase (Decrease) in Fair Value of Investments	626,908.76		(1,478,599.54)	3,114,226.42
Gain (Loss) on Housing Mortgage and Home Improvement Loans	23,518.63		103,012.49	2,762,459.65
Borrower Rebate/Agent Fees - Securities Lending	(32,778.35)		(53,179.52)	(370,872.18)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,733,949.68</b>	<b>(7.69)</b>	<b>(1,022,562.54)</b>	<b>11,948,912.12</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS</b>	<b>3,470,120.80</b>	<b>(7.69)</b>	<b>(1,881,971.95)</b>	<b>(2,635,010.25)</b>
<b>OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>				
Transfers In	3,000,000.00		2,422,362.52	19,579,000.00
Transfers Out	(12,225,918.78)		(4,157,151.51)	(11,466,000.00)
<b>TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	<b>(9,225,918.78)</b>	<b>0.00</b>	<b>(1,734,788.99)</b>	<b>8,113,000.00</b>
<b>CHANGE IN NET POSITION</b>	<b>(5,755,797.98)</b>	<b>(7.69)</b>	<b>(3,616,760.94)</b>	<b>5,477,989.75</b>
<b>NET POSITION - August 31, 2017</b>	<b>165,681,467.95</b>	<b>7.69</b>	<b>72,436,262.30</b>	<b>(75,488,408.79)</b>
Restatements (Note 14)				
<b>NET POSITION - August 31, 2017, as Restated</b>	<b>165,681,467.95</b>	<b>7.69</b>	<b>72,436,262.30</b>	<b>(75,488,408.79)</b>
<b>NET POSITION - August 31, 2018 (Exhibit D-1a)</b>	<b>159,925,669.97</b>	<b>0.00</b>	<b>68,819,501.36</b>	<b>(70,010,419.04)</b>

Note <sup>1</sup> U/F (0808 - 0826, 0831 - 0843)

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



UNAUDITED

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)	
									2018	2017
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
13,321,237.77						62,501,486.33			73,691,887.74	
390,530.36						1,001,662.46			547,620.48	
(500.00)						(500.00)			0.00	
3,300.00						11,900.00			2,000.00	
<u>13,714,568.13</u>			0.00		0.00	<u>63,514,548.79</u>			<u>74,241,508.22</u>	
414,164.79						1,915,452.69			1,272,671.73	
369.72						6,077.32			0.00	
						10,944.00			0.00	
						818.19			1,093.84	
19,661,914.92						79,018,698.41			75,803,711.88	
(3,263.82)						2,628,336.32			3,257,357.66	
<u>20,073,185.61</u>			0.00		0.00	<u>83,580,326.93</u>			<u>80,334,835.11</u>	
(6,358,617.48)			0.00		0.00	(20,065,778.14)			(6,093,326.89)	
1,160,232.29	212,867.08	425,626.26				9,764,320.84			3,711,441.57	
(1,625,643.34)	(339,879.00)	(351,111.97)				(54,098.67)			(1,360,621.73)	
761,003.98						3,649,994.75			(199,377.48)	
(63,161.69)	1,081.70	(821.82)				(519,731.86)			(46,253.87)	
<u>232,431.24</u>	<u>(125,930.22)</u>	<u>73,692.47</u>				<u>12,840,485.06</u>			<u>2,105,188.49</u>	
(6,126,186.24)	(125,930.22)	73,692.47				(7,225,293.08)			(3,988,138.40)	
10,718,000.00						35,719,362.52			56,042,500.72	
(23,958,987.23)	(929,677.20)					(52,737,734.72)			(77,591,698.48)	
<u>(13,240,987.23)</u>	<u>(929,677.20)</u>	0.00				<u>(17,018,372.20)</u>			<u>(21,549,197.76)</u>	
(19,367,173.47)	(1,055,607.42)	73,692.47				(24,243,665.28)			(25,537,336.16)	
99,492,454.07	14,771,654.96	17,461,982.44				294,355,420.62			319,892,756.78	
						0.00			0.00	
<u>99,492,454.07</u>	<u>14,771,654.96</u>	<u>17,461,982.44</u>				<u>294,355,420.62</u>			<u>319,892,756.78</u>	
<u>80,125,280.60</u>	<u>13,716,047.54</u>	<u>17,535,674.91</u>				<u>270,111,755.34</u>			<u>294,355,420.62</u>	

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT D-2b**

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

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	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)
	\$	\$	\$
<b>OPERATING REVENUES</b>			
Interest on Land Loans	22,128,854.49	103,194.25	191,219.84
Miscellaneous Income	648,259.10		
<b>TOTAL OPERATING REVENUES</b>	<b>22,777,113.59</b>	<b>103,194.25</b>	<b>191,219.84</b>
<b>OPERATING EXPENSES</b>			
Professional Fees and Services	1,468,616.47		368,816.79
Travel			
Materials and Supplies	110,413.00		
Communications and Utilities			
Repairs and Maintenance	352,944.00		
Depreciation and Amortization	2,777.76		
Debt Service Interest	10,182,256.41	275,984.00	679,047.42
Other Operating Expenses	287,549.73	20,619.41	5,763.43
<b>TOTAL OPERATING EXPENSES</b>	<b>12,404,557.37</b>	<b>296,603.41</b>	<b>1,053,627.64</b>
<b>OPERATING INCOME (LOSS) (Exhibit D-3b)</b>	<b>10,372,556.22</b>	<b>(193,409.16)</b>	<b>(862,407.80)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	5,438,986.71	284,898.31	3,585.39
Net Increase (Decrease) in Fair Value of Investments	(3,904,946.68)	(329,598.34)	0.01
Gain (Loss) on Land Loans	(428,881.88)	(3,014.15)	(10,430.59)
Borrower Rebate/Agent Fees-Sec. Lending	(200,707.06)	(9,190.27)	
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>904,451.09</b>	<b>(56,904.45)</b>	<b>(6,845.19)</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS</b>	<b>11,277,007.31</b>	<b>(250,313.61)</b>	<b>(869,252.99)</b>
<b>OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>			
Transfers In	1,974,848.79	3,230,000.00	808,000.00
Transfers Out	(17,790,415.04)	(282,087.69)	
<b>TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	<b>(15,815,566.25)</b>	<b>2,947,912.31</b>	<b>808,000.00</b>
<b>CHANGE IN NET POSITION</b>	<b>(4,538,558.94)</b>	<b>2,697,598.70</b>	<b>(61,252.99)</b>
<b>NET POSITION - August 31, 2017</b>	<b>370,947,079.89</b>	<b>2,868,273.19</b>	<b>(9,946,212.34)</b>
Restatements (Note 14)	1,744,887.05		
<b>NET POSITION - August 31, 2017, as Restated</b>	<b>372,691,966.94</b>	<b>2,868,273.19</b>	<b>(9,946,212.34)</b>
<b>NET POSITION - August 31, 2018 (Exhibit D-1b)</b>	<b>368,153,408.00</b>	<b>5,565,871.89</b>	<b>(10,007,465.33)</b>

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

UNAUDITED

TOTALS	
(EXH. IV)	
2018	2017
\$	\$
22,423,268.58	26,489,486.97
648,259.10	519,243.96
<u>23,071,527.68</u>	<u>27,008,730.93</u>
1,837,433.26	1,569,966.10
0.00	3,207.12
110,413.00	86,749.07
0.00	927.08
352,944.00	1,646.06
2,777.76	2,777.76
11,137,287.83	11,712,198.63
<u>313,932.57</u>	<u>438,674.26</u>
<u>13,754,788.42</u>	<u>13,816,146.08</u>
<u>9,316,739.26</u>	<u>13,192,584.85</u>
5,727,470.41	4,379,595.16
(4,234,545.01)	(3,869,437.14)
(442,326.62)	222,029.65
(209,897.33)	(231,446.91)
<u>840,701.45</u>	<u>500,740.76</u>
<u>10,157,440.71</u>	<u>13,693,325.61</u>
6,012,848.79	9,348,730.59
(18,072,502.73)	(14,710,088.31)
<u>(12,059,653.94)</u>	<u>(5,361,357.72)</u>
(1,902,213.23)	8,331,967.89
363,869,140.74	355,537,181.33
<u>1,744,887.05</u>	<u>(233.48)</u>
<u>365,614,027.79</u>	<u>355,536,947.85</u>
<u>363,711,814.56</u>	<u>363,868,915.74</u>

**UNAUDITED**  
Texas General Land Office and Veterans' Land Board

**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, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	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)
	\$	\$	\$	\$	\$	\$
<b>OPERATING REVENUES</b>						
Charges for Services:						
Veterans Administration Per Diem	9,795,982.13	9,235,757.33	7,560,390.67	7,110,346.66		
Resident Payments (Net of Provisions for Bad Debt)	2,224,408.28	2,200,705.10	2,088,639.67	1,597,004.54		
Medicare Reimbursements (Net of Provisions for Bad Debt)	581,123.58	886,659.69	1,040,830.97	728,075.81		
Medicaid Revenues (Net of Provisions for Bad Debt)	501,060.18	590,163.17	680,601.09	1,021,870.27		
Other Assistance Payments (Net of Provisions for Bad Debt)	52,509.40	43,322.12	16,954.70	48,428.18		
Third Party Reimbursements	749.24	22,245.79		37.50		
Revenue Transfers Within Fund						350,000.00
Miscellaneous Income	123.59	1,744.64	953.95	1,973.00		
<b>TOTAL OPERATING REVENUES</b>	<b>13,155,956.40</b>	<b>12,980,597.84</b>	<b>11,388,371.05</b>	<b>10,507,735.96</b>	<b>0.00</b>	<b>350,000.00</b>
<b>OPERATING EXPENSES</b>						
Professional Fees and Services	9,522,374.15	10,114,728.94	10,179,167.74	9,094,370.59		
Travel	3,038.94	8,260.61	22,871.76	15,193.97		
Materials and Supplies	522,717.34	735,774.55	418,586.64	508,941.05		
Communications and Utilities	3,349.31	5,966.90	5,851.32	3,701.59		
Repairs and Maintenance	74,885.38	60,718.12	64,721.58	127,760.58		
Rentals and Leases (Note 8)	330.00					
Depreciation and Amortization	688,595.45	663,351.40	723,060.81	663,410.64		
Interest Expense	47.01	88.53	17.61	7.74		
Claims and Losses						
Other Operating Expenses	2,803.00	2,925.05	2,775.00	2,778.77		224.26
<b>TOTAL OPERATING EXPENSES</b>	<b>10,818,140.58</b>	<b>11,591,814.10</b>	<b>11,417,052.46</b>	<b>10,416,164.93</b>	<b>0.00</b>	<b>224.26</b>
<b>OPERATING INCOME (LOSS) (Exhibit D-3c)</b>	<b>2,337,815.82</b>	<b>1,388,783.74</b>	<b>(28,681.41)</b>	<b>91,571.03</b>	<b>0.00</b>	<b>349,775.74</b>
<b>NONOPERATING REVENUES/(EXPENSES)</b>						
Federal Revenues	(12,635.32)	(0.01)				
Gifts/Pledges/Donations	4,984.50	9,767.50	4,407.50	4,950.83		
Investment Income	85,460.16	71,311.82	25,932.01	8,751.35	72.87	250,524.74
Net Increase (Decrease) in Fair Value of Investments						93,348.49
Borrower Rebate/Agent Fees - Securities Lending					(1,565.03)	
Gain/(Loss) on Sale of Capital Asset			5.00			
<b>TOTAL NONOPERATING REVENUES/(EXPENSES)</b>	<b>77,809.34</b>	<b>81,079.31</b>	<b>30,344.51</b>	<b>13,702.18</b>	<b>(1,492.16)</b>	<b>343,873.23</b>
<b>INCOME/(LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS</b>	<b>2,415,625.16</b>	<b>1,469,863.05</b>	<b>1,663.10</b>	<b>105,273.21</b>	<b>(1,492.16)</b>	<b>693,648.97</b>
<b>OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>						
Transfers In	490,882.39	25,616.97	526,575.44	448,296.93		12,012,986.49
Transfers Out	(1,039,959.48)	(629,831.73)	(746,197.92)	(661,468.97)		(20,883,133.35)
<b>TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS</b>	<b>(549,077.09)</b>	<b>(604,214.76)</b>	<b>(219,622.48)</b>	<b>(213,172.04)</b>	<b>0.00</b>	<b>(8,870,146.86)</b>
<b>CHANGE IN NET POSITION</b>	<b>1,866,548.07</b>	<b>865,648.29</b>	<b>(217,959.38)</b>	<b>(107,898.83)</b>	<b>(1,492.16)</b>	<b>(8,176,497.89)</b>
<b>NET POSITION, August 31, 2017</b>	<b>12,465,359.89</b>	<b>10,537,434.00</b>	<b>9,604,383.13</b>	<b>7,904,533.62</b>	<b>1,492.16</b>	<b>21,863,728.87</b>
Restatements (Note 14)	(98.32)			22,889.62		
<b>NET POSITION - AUGUST 31, 2017, as RESTATED</b>	<b>12,465,261.57</b>	<b>10,537,434.00</b>	<b>9,604,383.13</b>	<b>7,927,423.24</b>	<b>1,492.16</b>	<b>21,863,728.87</b>
<b>NET POSITION - August 31, 2018 (Exhibit D-1c)</b>	<b>14,331,809.64</b>	<b>11,403,082.29</b>	<b>9,386,423.75</b>	<b>7,819,524.41</b>	<b>0.00</b>	<b>13,687,230.98</b>

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

UNAUDITED

TYLER 35% FUND (0374) U/F (0656)	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)	
					2018	2017
\$	\$	\$	\$	\$	\$	\$
7,437,648.91	9,225,320.86	10,987,500.57	4,957,439.91		66,310,387.04	60,552,992.50
1,393,807.65	2,616,156.37	2,205,405.01	2,170,566.47		16,496,693.09	17,495,536.30
378,606.73	1,113,024.71	742,800.15	1,275,123.16		6,746,244.80	7,720,731.46
2,214,468.54	1,774,203.50	1,101,931.83	757,644.07		8,641,942.65	5,829,847.98
382,972.25	2,534.78	95,413.85	5,340.39		647,475.67	449,464.14
(4.90)	4,215.84		2,373.00		29,616.47	107,000.58
			(349,000.00)		1,000.00	(100,000.00)
	2,204.05	3,066.00	529.17		10,594.40	18,898.00
11,807,499.18	14,737,660.11	15,136,117.41	8,820,016.17	0.00	98,883,954.12	92,074,470.96
9,132,286.45	10,757,818.07	10,869,123.41	8,253,617.43	277,734.75	78,201,221.53	75,587,722.23
12,986.13	14,297.27	18,255.72	15,996.18	11,491.54	122,392.12	112,943.31
584,675.98	550,962.41	763,806.09	345,293.08		4,430,757.14	3,545,946.16
4,399.10	6,364.84	5,304.90	5,600.30		40,538.26	30,778.30
121,395.39	213,835.10	83,130.15	34,960.54		781,406.84	1,281,693.79
650.00			125.00		1,105.00	775.00
861,539.98	686,841.16	594,811.05	700,400.33		5,582,010.82	5,284,558.09
167.10	86.76	8.09	15.91		438.75	981.04
			0.00		0.00	(499,507.84)
744.74	2,775.00	4,275.00	2,178.88	27,908.50	49,388.20	27,540.54
10,718,844.87	12,232,980.61	12,338,714.41	9,358,187.65	317,134.79	89,209,258.66	85,373,430.62
1,088,654.31	2,504,679.50	2,797,403.00	(538,171.48)	(317,134.79)	9,674,695.46	6,701,040.34
	1,886.46	43,844.99		14,125,632.18	14,158,728.30	4,034,349.65
5,100.97	4,744.17	1,596.83	5,721.50		41,273.80	50,716.35
84,435.30	51,197.86	79,483.31	(2,229.24)	6,359.56	661,299.74	242,794.06
					93,348.49	99,291.56
					(1,565.03)	0.00
					5.00	0.00
89,536.27	57,828.49	124,925.13	3,492.26	14,131,991.74	14,953,090.30	4,427,151.62
1,178,190.58	2,562,507.99	2,922,328.13	(534,679.22)	13,814,856.95	24,627,785.76	11,128,191.96
18,399.29	14,866.87	93,815.35	563,832.22	20,677,310.58	34,872,582.53	6,326,193.90
(331,739.42)	(328,207.00)	(407,155.48)	(349,214.61)	(12,112,010.22)	(37,488,918.18)	(6,467,331.52)
(313,340.13)	(313,340.13)	(313,340.13)	214,617.61	8,565,300.36	(2,616,335.65)	(141,137.62)
864,850.45	2,249,167.86	2,608,988.00	(320,061.61)	22,380,157.31	22,011,450.11	10,987,054.34
15,148,145.24	12,756,958.66	12,860,400.86	9,544,638.92	4,052,123.38	116,739,198.73	105,753,028.59
			(95.92)		22,695.38	(884.20)
15,148,145.24	12,756,958.66	12,860,400.86	9,544,543.00	4,052,123.38	116,761,894.11	105,752,144.39
16,012,995.69	15,006,126.52	15,469,388.86	9,224,481.39	26,432,280.69	138,773,344.22	116,739,198.73

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT D-3a**

STATEMENT OF CASH FLOWS

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS TAX REF FUND (0590) U/F (0590)
	\$	\$	\$
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)</b>			
<b>OPERATING ACTIVITIES</b>			
Receipts from Loan Payments	9,160,928.44		37,041,513.00
Other Operating Cash Receipts			
Fundings for Mortgage and Home Improvement Loans	(68,689,902.93)		(22,086,878.39)
Payments to Suppliers of Goods and Services	(168,571.51)		(67,531.60)
Payments for Other Expenses			
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(59,697,546.00)</b>	<b>0.00</b>	<b>14,887,103.01</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Proceeds from Debt Issuance			
Proceeds from Other Financing Activities	64,696.34		77,402.02
Payments for Debt Service - Principal			(12,975,000.00)
Payments for Debt Service - Interest			(5,535,223.78)
Transfers from Other Funds	3,400,000.00		2,422,362.52
Transfers to Other Funds	(12,625,918.78)		(4,157,151.51)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(9,161,222.44)</b>	<b>0.00</b>	<b>(20,167,610.75)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from Interest and Investment Income	1,394,728.88		283,887.90
Proceeds from Sale of Investments	148,855,839.85		12,859,860.04
Payments to Acquire Investments	(81,620,251.09)		(8,943,829.17)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>68,630,317.64</b>	<b>0.00</b>	<b>4,199,918.77</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(228,450.80)</b>	<b>0.00</b>	<b>(1,080,588.97)</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2017</b>	<b>49,604,034.95</b>	<b>0.00</b>	<b>6,120,029.81</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2018</b>	<b>49,375,584.15</b>	<b>0.00</b>	<b>5,039,440.84</b>

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

UNAUDITED

VET BDS TAX-EXEMPT FUND (0383) (U/F <sup>1</sup> )	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. V)	
				2018	2017
\$	\$	\$	\$	\$	\$
473,885,535.90	143,225,893.75			663,313,871.09	340,354,754.91
100.00	1,200.00			1,300.00	2,000.00
(442,122,394.76)	(69,973,200.53)			(602,872,376.61)	(117,406,208.52)
(3,985,505.90)	(431,717.81)			(4,653,326.82)	(4,019,058.47)
				0.00	9.78
27,777,735.24	72,822,175.41	0.00	0.00	55,789,467.66	218,931,497.70
250,000,000.00				250,000,000.00	250,000,000.00
1,052,984.68	109,970.02			1,305,053.06	1,152,886.90
(107,780,000.00)	(25,855,000.00)			(146,610,000.00)	(136,555,000.00)
(55,846,423.27)	(19,720,160.98)			(81,101,808.03)	(77,173,470.47)
20,831,000.00	10,718,000.00			37,371,362.52	42,088,119.15
(12,318,000.00)	(23,958,987.23)	(929,677.20)		(53,989,734.72)	(63,637,316.99)
95,939,561.41	(58,706,178.19)	(929,677.20)	0.00	6,974,872.83	15,875,218.59
43,108,761.64	1,138,401.81	(2,769,615.44)	(2,585,435.03)	40,570,729.76	3,919,439.72
554,110,773.72	58,178,623.37	3,970,000.00	3,125,000.00	781,100,096.98	288,128,060.85
(389,388,675.81)	(45,771,096.94)	(798,800.00)		(526,522,653.01)	(566,196,686.14)
207,830,859.55	13,545,928.24	401,584.56	539,564.97	295,148,173.73	(274,149,185.57)
331,548,156.20	27,661,925.46	(528,092.64)	539,564.97	357,912,514.22	(39,342,469.20)
128,222,464.76	9,255,584.84	699,390.95	413,197.79	194,314,703.10	233,657,172.30
459,770,620.96	36,917,510.30	171,298.31	952,762.76	552,227,217.32	194,314,703.10

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<sup>1</sup> U/F (0808 - 0826, 0831 - 0843)

UNAUDITED  
Texas General Land Office and Veterans' Land Board

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

STATEMENT OF CASH FLOWS

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS TAX REF FUND (0590) U/F (0590)
	\$	\$	\$
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>OPERATING INCOME (LOSS) (Exhibit D-2a)</b>	1,736,171.12	0.00	(859,409.41)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Classification Differences	23,518.63		5,632,880.83
(Increase) Decrease in Receivables	(224,458.34)		263,227.21
(Increase) Decrease in Loans and Contracts	(57,368,719.06)		10,718,757.98
(Increase) Decrease in Prepaid Items	(2,818,648.36)		(573,063.11)
(Increase) Decrease in Other Assets	(1,067,498.30)		(16,090.69)
Increase (Decrease) in Payables	(18,218.01)		(257,167.59)
Increase (Decrease) in Other Liabilities	40,306.32		(22,032.21)
<b>TOTAL ADJUSTMENTS</b>	<b>(61,433,717.12)</b>	<b>0.00</b>	<b>15,746,512.42</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(59,697,546.00)</b>	<b>0.00</b>	<b>14,887,103.01</b>
<b>NONCASH TRANSACTIONS</b>			
Change in Fair Value of Investments	626,908.76		(1,478,599.54)
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>626,908.76</b>	<b>0.00</b>	<b>(1,478,599.54)</b>

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



UNAUDITED

VET BDS TAX-EXEMPT FUND (0383) (U/F <sup>1</sup> )	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. V)	
\$	\$	\$	\$	2018	2017
(14,583,922.37)	(6,358,617.48)	0.00	0.00	(20,065,778.14)	(6,093,326.89)
56,852,698.53	20,422,918.90			82,932,016.89	75,604,344.18
(1,648,430.81)	1,200,356.28			(409,305.66)	864,159.93
3,489,307.81	58,569,713.71			15,409,060.44	150,578,499.42
(15,819,866.88)	(1,365,818.32)			(20,577,396.67)	(1,922,852.23)
(1,544,995.71)	(156,960.74)			(2,785,545.44)	(542,914.96)
(60,849.39)	(513,896.21)			(850,131.20)	129,620.05
1,093,794.06	1,024,479.27			2,136,547.44	313,968.20
42,361,657.61	79,180,792.89	0.00	0.00	75,855,245.80	225,024,824.59
27,777,735.24	72,822,175.41	0.00	0.00	55,789,467.66	218,931,497.70
(1,646,679.66)	(1,625,643.34)	(339,879.00)	(351,111.97)	(4,815,004.75)	(1,360,621.73)
(1,646,679.66)	(1,625,643.34)	(339,879.00)	(351,111.97)	(4,815,004.75)	(1,360,621.73)

<sup>1</sup> U/F (0808 - 0826, 0831 - 0843)

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT D-3b**

STATEMENT OF CASH FLOWS

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	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)
	\$	\$
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)</b>		
<b>OPERATING ACTIVITIES</b>		
Receipts from Loan Payments	80,767,003.21	712,439.52
Other Operating Cash Receipts	450,196.34	
Fundings for Land Loans	(89,245,659.88)	
Payments to Suppliers of Goods and Services	(2,065,280.39)	(23,206.91)
Payments for Other Expenses	(6.13)	
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(10,093,746.85)</b>	<b>689,232.61</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Other Financing Activities	88,378.96	3,105.37
Payments for Debt Service - Principal	(17,530,000.00)	(3,435,000.00)
Payments for Debt Service - Interest	(10,223,059.49)	(276,470.58)
Transfers from Other Funds	1,075,061.18	3,230,000.00
Transfers to Other Funds	(16,197,157.01)	(282,087.69)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(42,786,776.36)</b>	<b>(760,452.90)</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for Additional Capital Assets		
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from Interest and Investment Income	4,631,454.24	246,850.59
Proceeds from Sale of Investments	41,266,176.71	
Payments to Acquire Investments	(18,935,366.67)	
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>26,962,264.28</b>	<b>246,850.59</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(25,918,258.93)</b>	<b>175,630.30</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2017</b>	<b>49,798,706.92</b>	<b>255,632.68</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2018</b>	<b>23,880,447.99</b>	<b>431,262.98</b>

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0852)	TOTALS (EXH. V)	
	2018	2017
\$	\$	\$
806,767.01	82,286,209.74	133,724,843.38
	450,196.34	322,756.88
	(89,245,659.88)	(88,830,065.37)
(314,456.81)	(2,402,944.11)	(2,337,692.91)
	(6.13)	(3,278.01)
<u>492,310.20</u>	<u>(8,912,204.04)</u>	<u>42,876,563.97</u>
3,266.28	94,750.61	71,128.45
(605,000.00)	(21,570,000.00)	(20,175,000.00)
(679,047.42)	(11,178,577.49)	(11,759,301.77)
808,000.00	5,113,061.18	15,335,724.39
	(16,479,244.70)	(14,733,232.96)
<u>(472,781.14)</u>	<u>(44,020,010.40)</u>	<u>(31,260,681.89)</u>
	0.00	(25,000.00)
<u>0.00</u>	<u>0.00</u>	<u>(25,000.00)</u>
95.93	4,878,400.76	4,798,654.63
	41,266,176.71	28,955,179.43
	(18,935,366.67)	(14,975,942.50)
<u>95.93</u>	<u>27,209,210.80</u>	<u>18,777,891.56</u>
19,624.99	(25,723,003.64)	30,368,773.64
<u>213,192.82</u>	<u>50,267,532.42</u>	<u>19,898,758.78</u>
<u>232,817.81</u>	<u>24,544,528.78</u>	<u>50,267,532.42</u>

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UNAUDITED  
Texas General Land Office and Veterans' Land Board

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

STATEMENT OF CASH FLOWS

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

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

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

<b>OPERATING INCOME (LOSS) (Exhibit D-2b)</b>	10,372,556.22	(193,409.16)
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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	11,994,084.08	273,456.43
(Increase) Decrease in Receivables	(1,605,233.37)	3,584.67
(Increase) Decrease in Loans and Contracts	(31,357,550.17)	605,940.26
(Increase) Decrease in Prepaid Items		(486.58)
(Increase) Decrease in Other Assets	(207,374.20)	2,928.00
Increase (Decrease) in Payables	882,289.65	(2,619.79)
Increase (Decrease) in Other Liabilities	(175,296.82)	(161.22)

<b>TOTAL ADJUSTMENTS</b>	(20,466,303.07)	882,641.77
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<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(10,093,746.85)	689,232.61
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**NONCASH TRANSACTIONS**

Change in Fair Value of Investments	(3,971,297.07)	(329,604.80)
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<b>TOTAL NONCASH TRANSACTIONS</b>	(3,971,297.07)	(329,604.80)
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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. V)	
	2018	2017
\$	\$	\$
(862,407.80)	9,316,739.26	13,192,584.85
	2,777.76	2,777.76
668,616.83	12,936,157.34	11,934,157.39
1,778.07	(1,599,870.63)	302,881.79
614,015.40	(30,137,594.51)	17,362,911.82
	(486.58)	
10,430.00	(194,016.20)	471,720.00
60,123.41	939,793.27	(297,621.43)
(245.71)	(175,703.75)	(92,848.21)
<u>1,354,718.00</u>	<u>(18,228,943.30)</u>	<u>29,683,979.12</u>
<u>492,310.20</u>	<u>(8,912,204.04)</u>	<u>42,876,563.97</u>
	<u>(4,300,901.87)</u>	<u>(3,914,674.91)</u>
<u>0.00</u>	<u>(4,300,901.87)</u>	<u>(3,914,674.91)</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT D-3c**

STATEMENT OF CASH FLOWS

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	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)
	\$	\$	\$	\$	\$	\$
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)</b>						
<b>OPERATING ACTIVITIES</b>						
Receipts from Residents	2,271,957.42	2,182,766.74	2,327,763.10	1,626,069.58	2,109,838.84	
Receipts from Veterans Administration	9,824,773.00	8,829,328.96	7,525,245.40	6,185,091.70		
Receipts from Medicare	595,730.71	858,592.60	1,065,682.52	835,176.92		
Receipts from Medicaid	500,536.36	593,023.03	700,691.00	1,004,383.12		
Receipts from Gifts/Pledges/Donations	4,984.50	9,767.50	4,407.50	4,950.83		
Other Operating Cash Receipts	47,992.72	68,010.65	14,857.41	48,652.50		350,000.00
Payments to Suppliers of Goods and Services	(10,038,495.43)	(10,908,170.71)	(10,736,720.93)	(9,668,689.52)		(224.26)
Payments to Employees for Services	(95,814.78)					
Payment for Other Expenses	(3,385.04)	(8,278.31)	(19,216.85)	(14,650.50)		
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>3,108,279.46</b>	<b>1,625,040.46</b>	<b>882,709.15</b>	<b>20,984.63</b>	<b>2,109,838.84</b>	<b>349,775.74</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>						
Proceeds from Other Noncapital Financing Activities	76,368.84	65,787.62	24,438.49	8,380.97		37,140.10
Transfers from Other Funds	490,882.39	25,616.97	109,731.63	32,018.18		1,356,679.05
Transfers to Other Funds	(1,039,959.48)	(629,831.73)	(746,197.42)	(661,468.97)	(1,555.75)	(18,476,783.00)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(472,708.25)</b>	<b>(538,427.14)</b>	<b>(612,027.30)</b>	<b>(621,069.82)</b>	<b>(1,555.75)</b>	<b>(17,082,963.85)</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Receipts from Veterans Administration	465,755.53	70,177.63	84,804.77	122,470.60		
Payments for Additions to Capital Assets	(18,854.00)	(8,058.00)				216.00
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	<b>446,901.53</b>	<b>62,119.63</b>	<b>84,804.77</b>	<b>122,470.60</b>	<b>0.00</b>	<b>216.00</b>
<b>INVESTING ACTIVITIES</b>						
Receipts from Interest and Investment Income						153,399.37
Proceeds from Sale of Investments						31,904,956.67
Payments to Acquire Investments						(19,840,006.94)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,218,349.10</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,082,472.74</b>	<b>1,148,732.95</b>	<b>355,486.62</b>	<b>(477,614.59)</b>	<b>2,108,283.09</b>	<b>(4,514,623.01)</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2017</b>	<b>3,929,137.24</b>	<b>3,230,737.97</b>	<b>835,608.86</b>	<b>32,191.91</b>	<b>1,555.75</b>	<b>5,950,783.69</b>
<b>CASH AND CASH EQUIVALENTS - August 31, 2018</b>	<b>7,011,609.98</b>	<b>4,379,470.92</b>	<b>1,191,095.48</b>	<b>(445,422.68)</b>	<b>2,109,838.84</b>	<b>1,436,160.68</b>

UNAUDITED

TYLER 35% FUND (0374) U/F (0656)	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)	
					2018	2017
\$	\$	\$	\$	\$	\$	\$
1,371,758.91	2,701,704.73	2,235,977.10	2,245,674.20		19,073,510.62	16,936,902.53
7,418,274.77	9,118,888.64	10,946,741.54	4,508,397.66		64,356,741.67	59,663,337.58
541,998.93	1,144,015.45	742,199.11	1,270,277.34		7,053,673.58	7,403,703.92
2,352,562.31	1,768,681.24	1,080,118.03	747,899.05		8,747,894.14	6,302,133.60
5,100.97	4,744.17	1,596.83	5,721.50		41,273.80	50,716.35
389,484.20	12,136.09	92,157.80	(336,143.38)		687,147.99	550,065.04
(10,825,488.89)	(10,888,801.11)	(11,549,061.95)	(8,648,181.10)	(306,800.73)	(83,570,634.63)	(81,417,520.63)
					(95,814.78)	0.00
(13,278.17)	(13,101.28)	(17,945.96)	(14,946.90)	(11,204.04)	(116,007.05)	370,188.07
1,240,413.03	3,848,267.93	3,531,782.50	(221,301.63)	(318,004.77)	16,177,785.34	9,859,526.46
80,432.82	45,483.52	71,315.51	(1,282.65)	5,582.79	413,648.01	209,899.65
18,399.29	14,866.87	93,815.35	35,874.48	18,270,960.23	20,448,844.44	6,326,193.90
(331,739.42)	(328,207.00)	(407,155.48)	(349,214.61)	(1,455,702.78)	(24,427,815.64)	(11,914,292.16)
(232,907.31)	(267,856.61)	(242,024.62)	(314,622.78)	16,820,840.24	(3,565,323.19)	(5,378,198.61)
				4,866,113.53	5,609,322.06	3,300,960.79
	(54,698.90)	(98,500.83)	(13,865.23)	(21,459,083.58)	(21,652,844.54)	(7,047,426.87)
0.00	(54,698.90)	(98,500.83)	(13,865.23)	(16,592,970.05)	(16,043,522.48)	(3,746,466.08)
					153,399.37	50,004.21
					31,904,956.67	12,000,000.00
					(19,840,006.94)	(27,841,048.06)
0.00	0.00	0.00	0.00	0.00	12,218,349.10	(15,791,043.85)
1,007,505.72	3,525,712.42	3,191,257.05	(549,789.64)	(90,134.58)	8,787,288.77	(15,056,182.08)
4,411,066.34	1,865,363.30	2,689,575.10	(424,854.98)	99,048.03	22,620,213.21	37,676,395.29
5,418,572.06	5,391,075.72	5,880,832.15	(974,644.62)	8,913.45	31,407,501.98	22,620,213.21

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UNAUDITED  
Texas General Land Office and Veterans' Land Board

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

STATEMENT OF CASH FLOWS

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	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)
	\$	\$	\$	\$	\$	\$
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
<b>OPERATING INCOME (LOSS) (Exhibit D-2c)</b>	2,337,815.82	1,388,783.74	(28,681.41)	91,571.03	0.00	349,775.74
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Depreciation and Amortization	688,595.45	663,351.40	723,060.81	663,410.64		
Classification Differences	4,984.50	9,767.50	4,407.50	4,950.83		
(Increase) Decrease in Receivables	48,075.26	(120,483.28)	(153,506.68)	(49,366.32)		
(Increase) Decrease in Other Assets	(3,600.00)	(391,138.32)	(1,009.50)	(858,535.49)		
(Increase) Decrease in Prepaid Expenses			356.93			
Increase (Decrease) in Payables	32,408.43	74,759.42	338,081.50	168,953.94		
Increase (Decrease) in Other Liabilities					2,109,838.84	
<b>TOTAL ADJUSTMENTS</b>	<b>770,463.64</b>	<b>236,256.72</b>	<b>911,390.56</b>	<b>(70,586.40)</b>	<b>2,109,838.84</b>	<b>0.00</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>3,108,279.46</b>	<b>1,625,040.46</b>	<b>882,709.15</b>	<b>20,984.63</b>	<b>2,109,838.84</b>	<b>349,775.74</b>
<b>NONCASH TRANSACTIONS</b>						
Change in Fair Value of Investments						93,348.49
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>93,348.49</b>

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



UNAUDITED

TYLER 35% FUND (0374) U/F (0656)	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)	
					2018	2017
\$	\$	\$	\$	\$	\$	\$
1,088,654.31	2,504,679.50	2,797,403.00	(538,171.48)	(317,134.79)	9,674,695.46	6,701,040.34
861,539.98	686,841.16	594,811.05	700,400.33		5,582,010.82	5,284,558.09
5,100.97	4,744.17	1,596.83	5,721.50		41,273.80	50,716.35
163,981.87	(49,654.62)	(287,142.53)	330,879.70		(117,216.60)	449,349.89
1,556.00			(856,565.28)		(2,109,292.59)	2,642.25
(33.62)	(301.60)	544.96		264.96	831.63	(1,379.85)
(880,386.48)	701,809.32	424,569.19	136,433.60	(1,134.94)	995,493.98	(2,623,325.22)
	150.00				2,109,988.84	(4,075.39)
151,758.72	1,343,588.43	734,379.50	316,869.85	(869.98)	6,503,089.88	3,158,486.12
1,240,413.03	3,848,267.93	3,531,782.50	(221,301.63)	(318,004.77)	16,177,785.34	9,859,526.46
					93,348.49	(662.77)
0.00	0.00	0.00	0.00	0.00	93,348.49	(662.77)

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**EXHIBIT E-1**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended August 31, 2018

	BALANCE 09-01-2017	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2018
<b>UNAPPROPRIATED RECEIPTS</b>	\$	\$	\$	\$
<b>GENERAL REVENUE FUND (0001)</b>				
<b>U/F (0111)*</b>				
<b>ASSETS</b>				
Current Assets:				
Cash in State Treasury	0.00	(11,850,611.01)	(11,850,611.01)	0.00
Accounts Receivable	0.00	(2,774.51)		(2,774.51)
Due from Other Funds	0.00	2,774.51		2,774.51
Total Current Assets	<u>0.00</u>	<u>(11,850,611.01)</u>	<u>(11,850,611.01)</u>	<u>0.00</u>
<b>TOTAL ASSETS</b>	<u>0.00</u>	<u>(11,850,611.01)</u>	<u>(11,850,611.01)</u>	<u>0.00</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Funds Held for Others	0.00	(11,850,611.01)	(11,850,611.01)	0.00
Total Current Liabilities	<u>0.00</u>	<u>(11,850,611.01)</u>	<u>(11,850,611.01)</u>	<u>0.00</u>
<b>TOTAL LIABILITIES</b>	<u>0.00</u>	<u>(11,850,611.01)</u>	<u>(11,850,611.01)</u>	<u>0.00</u>
<b>OTHER AGENCY FUNDS</b>				
<b>CHILD SUPPORT ADDENDA DEDUCTS - SUSPENSE (0807)</b>				
<b>U/F (8070)</b>				
<b>ASSETS</b>				
Current Assets:				
Cash in State Treasury	6,451.37	87,808.52	86,580.93	7,678.96
Total Current Assets	<u>6,451.37</u>	<u>87,808.52</u>	<u>86,580.93</u>	<u>7,678.96</u>
<b>TOTAL ASSETS</b>	<u>6,451.37</u>	<u>87,808.52</u>	<u>86,580.93</u>	<u>7,678.96</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Funds Held for Others	6,451.37	87,808.52	86,580.93	7,678.96
Total Current Liabilities	<u>6,451.37</u>	<u>87,808.52</u>	<u>86,580.93</u>	<u>7,678.96</u>
<b>TOTAL LIABILITIES</b>	<u>6,451.37</u>	<u>87,808.52</u>	<u>86,580.93</u>	<u>7,678.96</u>

\*HB2521, 84th Legislature, Regular Session amended Chapter 32 of the Natural Resources Code to deposit payments received from leases of the state's oil and natural gas mineral interests from land under county roads to the new state county road oil and gas fund (Fund 0808 in Exhibit B-1). Revenue corrections associated with leases of the state's oil and natural gas mineral interests from land under county roads previously recorded to Fund 0001/Agency 902 were made during fiscal 2018.

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**EXHIBIT E-1 (concluded)**

	BALANCE 09-01-2017	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2018
<b>PURCHASE/LEASE LAND VACANCY TRUST</b>	\$	\$	\$	\$
<b>ACCOUNT (0873) U/F (0873)</b>				
<b>ASSETS</b>				
Current Assets:				
Cash in State Treasury	22,063.44	(1,364.35)	10,666.97	10,032.12
Receivable - Interest and Dividends	24.31	18.77	24.31	18.77
Total Current Assets	<u>22,087.75</u>	<u>(1,345.58)</u>	<u>10,691.28</u>	<u>10,050.89</u>
<b>TOTAL ASSETS</b>	<u>22,087.75</u>	<u>(1,345.58)</u>	<u>10,691.28</u>	<u>10,050.89</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Funds Held for Others	22,087.75	(1,345.58)	10,691.28	10,050.89
Total Current Liabilities	<u>22,087.75</u>	<u>(1,345.58)</u>	<u>10,691.28</u>	<u>10,050.89</u>
<b>TOTAL LIABILITIES</b>	<u>22,087.75</u>	<u>(1,345.58)</u>	<u>10,691.28</u>	<u>10,050.89</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Cash in State Treasury	28,514.81	(11,764,166.84)	(11,753,363.11)	17,711.08
Receivables:				
Interest and Dividends	24.31	18.77	24.31	18.77
Total Current Assets	<u>28,539.12</u>	<u>(11,764,148.07)</u>	<u>(11,753,338.80)</u>	<u>17,729.85</u>
<b>TOTAL ASSETS</b>	<u>28,539.12</u>	<u>(11,764,148.07)</u>	<u>(11,753,338.80)</u>	<u>17,729.85</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Funds Held for Others	28,539.12	(11,764,148.07)	(11,753,338.80)	17,729.85
Total Current Liabilities	<u>28,539.12</u>	<u>(11,764,148.07)</u>	<u>(11,753,338.80)</u>	<u>17,729.85</u>
<b>TOTAL LIABILITIES</b>	<u>28,539.12</u>	<u>(11,764,148.07)</u>	<u>(11,753,338.80)</u>	<u>17,729.85</u>

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

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# SUPPLEMENTARY SCHEDULES

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2018



UNAUDITED  
Texas General Land Office and Veterans' Land Board

**SCHEDULE 1-A**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended August 31, 2018

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	
			\$	\$	\$	
<b><u>NON-CLUSTERED PROGRAMS</u></b>						
<b>U.S. DEPARTMENT OF COMMERCE</b>						
<b>Direct Programs:</b>						
Coastal Zone Management Administration Awards	11.419					504,236.29
Pass-Through To:						
Texas A&M AgriLife Extension Service						54,188.05
University of Texas at Austin						97,745.77
Parks and Wildlife Department						363,345.89
Other Non-State Entities						827,463.39
<b>Total U.S. Department of Commerce</b>			<b>0.00</b>	<b>0.00</b>		<b>1,846,979.39</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
<b>Direct Programs:</b>						
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228					41,798,112.91
Pass-Through To:						
Texas Water Development Board						86,015.48
Texas A&M University - Galveston						1,009,143.28
University of Texas at Austin						2,165,176.61
Lamar University						2,089,939.57
Other Non-State Entities						94,252,367.61
<b>Total U.S. Department of Housing and Urban Development</b>			<b>0.00</b>	<b>0.00</b>		<b>141,400,755.46</b>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>						
<b>Direct Programs:</b>						
Gulf of Mexico Energy Security Act (GoMESA)	15.435					346,028.44
Pass-Through To:						
Other Non-State Entities						129,798.81
<b>Total U.S. Department of the Interior</b>			<b>0.00</b>	<b>0.00</b>		<b>475,827.25</b>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>						
<b>Direct Programs:</b>						
Grants to States for Construction of State Home Facilities	64.005					14,158,728.30
<b>Direct Programs:</b>						
Veterans State Nursing Home Care	64.015					66,310,387.04
<b>Direct Programs:</b>						
Burial Expenses Allowance for Veterans	64.101					1,166,926.00
<b>Direct Programs:</b>						
Veterans Cemetary Grants Program	64.203					718,428.10
<b>Total U.S. Department of Veterans Affairs</b>			<b>0.00</b>	<b>0.00</b>		<b>82,354,469.44</b>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>						
<b>Direct Programs:</b>						
Beach Monitoring and Notification Program Implementation Grants	66.472					323,204.92
<b>Total U.S. Environmental Protection Agency</b>			<b>0.00</b>	<b>0.00</b>		<b>323,204.92</b>

UNAUDITED

TOTAL PASS-THROUGH FROM & DIRECT PROGRAM	PASS-THROUGH TO			EXPENDITURES AMOUNT	TOTAL PASS-THROUGH TO & EXPENDITURES
	AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT		
\$	\$	\$	\$	\$	\$
504,236.29				504,236.29	504,236.29
54,188.05	555	54,188.05			54,188.05
97,745.77	721	97,745.77			97,745.77
363,345.89	802	363,345.89			363,345.89
827,463.39			827,463.39		827,463.39
<u>1,846,979.39</u>		<u>515,279.71</u>	<u>827,463.39</u>	<u>504,236.29</u>	<u>1,846,979.39</u>
41,798,112.91				41,798,112.91	41,798,112.91
86,015.48	580	86,015.48			86,015.48
1,009,143.28	718	1,009,143.28			1,009,143.28
2,165,176.61	721	2,165,176.61			2,165,176.61
2,089,939.57	734	2,089,939.57			2,089,939.57
94,252,367.61			94,252,367.61		94,252,367.61
<u>141,400,755.46</u>		<u>5,350,274.94</u>	<u>94,252,367.61</u>	<u>41,798,112.91</u>	<u>141,400,755.46</u>
346,028.44				346,028.44	346,028.44
129,798.81			129,798.81		129,798.81
<u>475,827.25</u>		<u>0.00</u>	<u>129,798.81</u>	<u>346,028.44</u>	<u>475,827.25</u>
14,158,728.30				14,158,728.30	14,158,728.30
66,310,387.04				66,310,387.04	66,310,387.04
1,166,926.00				1,166,926.00	1,166,926.00
<u>718,428.10</u>				<u>718,428.10</u>	<u>718,428.10</u>
<u>82,354,469.44</u>		<u>0.00</u>	<u>0.00</u>	<u>82,354,469.44</u>	<u>82,354,469.44</u>
323,204.92				323,204.92	323,204.92
<u>323,204.92</u>		<u>0.00</u>	<u>0.00</u>	<u>323,204.92</u>	<u>323,204.92</u>

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UNAUDITED  
Texas General Land Office and Veterans' Land Board

**SCHEDULE 1-A (continued)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2018

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	
			\$	\$	\$	
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>						
<b>Direct Programs:</b>						
Disaster Grants - Public Assistance	97.036					
Pass-Through From:						
Department of Public Safety			405	171,549,970.30		
<b>Direct Programs:</b>						
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048					88,124,502.87
Pass-Through To:						
Other Non-State Entities						12,631,018.84
<b>Total U.S. Department of Homeland Security</b>				<b>171,549,970.30</b>	<b>0.00</b>	<b>100,755,521.71</b>
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>						
<b>U.S. DEPARTMENT OF COMMERCE</b>						
<b>Direct Programs:</b>						
Coastal Zone Management Administration Awards	11.419					
Pass-Through To:						
Texas A&M AgriLife Research						81,441.39
Texas A&M Engineering Experiment Station						12,996.38
Texas A&M University - Kingsville						95,093.22
Texas State University						129,879.60
Texas A&M University - Corpus Christi						687,989.91
<b>Total U.S. Department of Commerce</b>				<b>0.00</b>	<b>0.00</b>	<b>1,007,400.50</b>
<b>CDBG ENTITLEMENT GRANTS CLUSTER</b>						
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
<b>Direct Programs:</b>						
Community Development Block Grants/Entitlement Grants	14.218					21,204.89
Pass-Through To:						
Other Non-State Entities						4,550,024.54
<b>Total U.S. Department of Housing and Urban Development</b>				<b>0.00</b>	<b>0.00</b>	<b>4,571,229.43</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>171,549,970.30</b>	<b>0.00</b>	<b>332,735,388.10</b>



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	
\$	\$	\$	\$	\$	
171,549,970.30				171,549,970.30	171,549,970.30
88,124,502.87				88,124,502.87	88,124,502.87
12,631,018.84			12,631,018.84		12,631,018.84
<u>272,305,492.01</u>		0.00	12,631,018.84	259,674,473.17	<u>272,305,492.01</u>
81,441.39	556	81,441.39			81,441.39
12,996.38	712	12,996.38			12,996.38
95,093.22	732	95,093.22			95,093.22
129,879.60	754	129,879.60			129,879.60
687,989.91	760	687,989.91			687,989.91
<u>1,007,400.50</u>		<u>1,007,400.50</u>	0.00	0.00	<u>1,007,400.50</u>
21,204.89				21,204.89	21,204.89
4,550,024.54			4,550,024.54		4,550,024.54
<u>4,571,229.43</u>		0.00	4,550,024.54	21,204.89	<u>4,571,229.43</u>
<u>504,285,358.40</u>		<u>6,872,955.15</u>	<u>112,390,673.19</u>	<u>385,021,730.06</u>	<u>504,285,358.40</u>

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Texas General Land Office and Veterans' Land Board

**SCHEDULE 1-A (concluded)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2018

**NOTE 1 - NON-MONETARY ASSISTANCE**

Not Applicable.

**NOTE 2 - RECONCILIATION**

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

Per Combined Statement of Revenues, Expenditures/Expenses, and Changes in Fund Balances/Net Position:	\$
Federal Revenues (Exhibit II)	252,280,328.81
Federal Pass-Through Revenues (Exhibit II)	171,549,970.30
Federal Non-Operating Revenues (Exhibit IV)	14,158,728.30
Federal Revenues (Exhibit IV)	66,310,387.04
Subtotal	504,299,414.45
Reconciling Items:	
U.S. Coast Guard National Pollution Funds Center	(14,056.05)
<b>TOTAL PASS-THROUGH TO AND EXPENDITURES PER FEDERAL SCHEDULE</b>	<b>504,285,358.40</b>

**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**

Federal Deferred Revenue 09/01/17 - CFDA 14.228	0.00
Increase (Decrease) - CFDA 14.228	630,833.85
<b>Federal Deferred Revenue 08/31/18 - CFDA 14.228</b>	<b>630,833.85</b>
Federal Deferred Revenue 09/01/17 - CFDA 15.435	0.00
Increase (Decrease) - CFDA 15.435	40,017,864.38
<b>Federal Deferred Revenue 08/31/18 - CFDA 15.435</b>	<b>40,017,864.38</b>
Federal Deferred Revenue 09/01/17 - CFDA 97.048	0.00
Increase (Decrease) - CFDA 97.048	3,065,329.51
<b>Federal Deferred Revenue 08/31/18 - CFDA 97.048</b>	<b>3,065,329.51</b>
<b>Total Federal Deferred Revenue 08/31/2018</b>	<b>43,714,027.74</b>

**NOTE 8 - DISASTER GRANTS - PUBLIC ASSISTANCE**

Not Applicable

**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, 2018

	TOTAL STATE PASS-THROUGH FROM/TO STATE AGENCIES
	\$
<b>STATE PASS-THROUGH FROM:</b>	
Governor - Fiscal (Agency 300) Disaster Grants	10,000,000.00
Texas Parks and Wildlife Department (Agency 802) Intergovernmental Cooperative Reimbursement Agreement Mad Island Wildlife Management Area Shoreline Protection	<u>(59,949.81)</u>
<b>TOTAL STATE PASS-THROUGH FROM OTHER AGENCIES (EXHIBIT II)</b>	<u>9,940,050.19</u>
<b>STATE PASS-THROUGH TO:</b>	
Texas Parks and Wildlife Department (Agency 802) CEPRA 1572 - Dickinson Bayou Wetland Restoration	<u>124,106.12</u>
<b>TOTAL STATE PASS-THROUGH TO OTHER AGENCIES (EXHIBIT II)</b>	<u>124,106.12</u>

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Texas General Land Office and Veterans' Land Board

**SCHEDULE 2-A**

**MISCELLANEOUS BOND INFORMATION**

For the Year Ended August 31, 2018

**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 <sup>(1)</sup>	
		FIRST YEAR	LAST YEAR							
<b>General Obligation Bonds - Self-Supporting</b>										
<i>Veterans' Housing Assistance Bonds</i>										
Vet Hsg Bds Ser '94A-1	10,000,000.00	VAR	VAR			Weekly	1995	2023	02-24-1994	
Vet Hsg Tax Ref Bds Ser '94A-2	59,600,000.00	VAR	VAR			Weekly	2033	2033	04-28-1994	
Vet Hsg Ref Bds Ser '94C	81,825,000.00	4.000%	6.400%				1995	2015	12-01-1995	
Vet Hsg Ref Bds Ser '94C	12,160,000.00			5.400%	6.700%		1999	2014	N/A	
Vet Hsg Ref Bds Ser '95	88,490,000.00	VAR	VAR			Weekly	1996	2016	10-31-1995	
Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00	VAR	VAR			Weekly	2021	2029	12-18-1997	
Vet Hsg Fund II Tax Bds Ser '99A-1	50,000,000.00	7.000%	8.060%				2000	2029	10-07-1999	
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00	VAR	VAR			Weekly	2029	2029	10-07-1999	
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00	VAR	VAR			Weekly	2020	2029	03-22-2001	
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00	VAR	VAR			Weekly	2015	2033	12-18-2001	
Vet Hsg Fund II Bds Ser 2002A-2	38,300,000.00	VAR	VAR			Weekly	2003	2033	07-10-2002	
Vet Hsg Fund I Tax Ref Bds Ser 2002B	22,605,000.00	VAR	VAR			Weekly	2003	2023	11-06-2002	
Vet Hsg Fund II Bds Ser 2003A	50,000,000.00	VAR	VAR			Weekly	2003	2033	03-04-2003	
Vet Hsg Fund II Bds Ser 2003B	50,000,000.00	VAR	VAR			Weekly	2004	2034	10-22-2003	
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865,000.00	VAR	VAR			Weekly	2013	2021	11-20-2003	
Vet Hsg Fund II Bds Ser 2004A	50,000,000.00	VAR	VAR			Weekly	2004	2034	04-07-2004	
Vet Hsg Fund I Tax Ref Bds Ser 2004	19,550,000.00	VAR	VAR			Weekly	2004	2024	05-20-2004	
Vet Hsg Fund II Bds Ser 2004B	50,000,000.00	VAR	VAR			Weekly	2005	2034	09-15-2004	
Vet Hsg Fund I Tax Ref Bds Ser 2004C	7,220,000.00	VAR	VAR			Weekly	2015	2018	11-18-2004	
Vet Hsg Fund II Tax Ref Bds Ser 2004D	31,705,000.00	VAR	VAR			Weekly	2005	2020	11-18-2004	
Vet Hsg Fund II Bds Ser 2005A	50,000,000.00	VAR	VAR			Weekly	2005	2035	02-24-2005	
Vet Hsg Fund II Bds Ser 2005B	50,000,000.00	VAR	VAR			Weekly	2006	2036	08-09-2005	
Vet Hsg Fund I Tax Ref Bds Ser 2005C	41,730,000.00	VAR	VAR			Weekly	2006	2025	11-16-2005	
Vet Hsg Fund II Tax Ref Bds Ser 2005D	11,540,000.00	VAR	VAR			Weekly	2015	2026	11-16-2005	
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000.00	VAR	VAR			Weekly	2015	2026	05-10-2006	
Vet Hsg Fund II Tax Ref Bds Ser 2006C	22,325,000.00	VAR	VAR			Weekly	2006	2027	05-10-2006	
Vet Hsg Fund II Bds Ser 2006A	50,000,000.00	VAR	VAR			Weekly	2006	2036	06-01-2006	
Vet Hsg Fund II Bds Ser 2006D	50,000,000.00	VAR	VAR			Weekly	2007	2036	09-20-2006	
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00	VAR	VAR			Weekly	2015	2026	11-15-2006	
Vet Hsg Fund II Bds Ser 2007A	50,000,000.00	VAR	VAR			Weekly	2007	2037	02-22-2007	
Vet Hsg Fund II Bds Ser 2007B	50,000,000.00	VAR	VAR			Weekly	2008	2038	06-26-2007	
Vet Hsg Fund II Tax Ref Bds Ser 2007C	54,160,000.00	VAR	VAR			Weekly	2008	2029	11-14-2007	
Vet Hsg Fund II Bds Ser 2008A	50,000,000.00	VAR	VAR			Weekly	2008	2038	03-26-2008	
Vet Hsg Fund II Bds Ser 2008B	50,000,000.00	VAR	VAR			Weekly	2008	2038	09-11-2008	
Vet Hsg Fund II Bds Ser 2009A	50,000,000.00	2.000%	5.250%				2009	2023	N/A	
Vet Hsg Fund II Bds Ser 2009B	50,000,000.00	3.500%	5.000%				2009	2023	N/A	
Vet Hsg Fund II Bds Ser 2009C	82,795,000.00	VAR	VAR			Weekly	2009	2023	N/A	
Vet Hsg Fund II Bds Ser 2010A	74,995,000.00	3.000%	5.000%				2010	2025	N/A	
Veterans Bonds, Tax Ref Ser 2010B	66,720,000.00	VAR	VAR			Weekly	2010	2031	05-20-2010	
Veterans Bonds, Ser 2010C	74,995,000.00	VAR	VAR			Weekly	2010	2040	08-20-2010	
Veterans Bonds, Tax Ref Ser 2010E	49,995,000.00	VAR	VAR			Weekly	2010	2032	11-18-2010	
Veterans Bonds, Ser 2011A	74,995,000.00	VAR	VAR			Weekly	2011	2041	03-09-2011	
Veterans Bonds, Ser 2011B	74,995,000.00	VAR	VAR			Weekly	2011	2041	08-25-2011	
Veterans Bonds, Ser 2011C	74,995,000.00	VAR	VAR			Weekly	2012	2042	12-15-2011	
Veterans Bonds, Ser 2012A	74,995,000.00	VAR	VAR			Weekly	2012	2042	05-23-2012	
Veterans Bonds, Ser 2012B	100,000,000.00	VAR	VAR			Weekly	2012	2042	11-01-2012	
Veterans Bonds, Ser 2013A	99,995,000.00	VAR	VAR			Weekly	2013	2043	03-20-2013	
Veterans Bonds, Ser 2013B	149,995,000.00	VAR	VAR			Weekly	2013	2043	08-22-2013	
Veterans Bonds, Tax Ref Ser 2013C	297,600,000.00	VAR	VAR			Monthly	2013	2031	10-24-2013	
Veterans Bonds, Ser 2014A	150,000,000.00	VAR	VAR			Weekly	2014	2044	02-26-2014	
Veterans Bonds, Tax Ref Ser 2014B-1	90,700,000.00	VAR	VAR			Monthly	2014	2024	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	
Veterans Bonds, Ser 2018	250,000,000.00	VAR	VAR			Weekly	2018	2049	06-28-2018	
<b>Total, Veterans' Housing Assistance Bonds</b>	<b>4,527,690,000.00</b>									

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SCHEDULE 2-A (concluded)

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS ISSUED TO DATE	RANGE OF INTEREST RATES		YIELDS		TERMS OF VARIABLE INTEREST RATES	SCHEDULED MATURITIES		FIRST CALL DATE <sup>(1)</sup>
				ON CAPITAL APPRECIATION BONDS			FIRST YEAR	LAST YEAR	
<b>General Obligation Bonds - Self-Supporting (concluded)</b>	\$								
<i>Veterans' Land Bonds</i>									
Vet Land Bds Ser '94	29,400,000.00	5.250%	6.400%				1996	2024	12-01-2004
Vet Land Bds Ser '94	11,950,000.00			5.500%	6.600%		1999	2014	N/A
Vet Land Bds Ser '96	30,000,000.00	3.350%	5.250%				1996	2026	06-01-2006
Vet Land Bds Ser '96	9,639,000.00			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
<b>Total, Veterans' Land Bonds</b>	<u>672,064,000.00</u>								
<b>Total, General Obligation Bonds - Self-Supporting</b>	<u>5,199,754,000.00</u>								
<b>Total, All Bonds</b>	<u><u>5,199,754,000.00</u></u>								

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

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**SCHEDULE 2-B**

**CHANGES IN BONDED INDEBTEDNESS**

For the Year Ended August 31, 2018

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	BONDS OUTSTANDING 09-01-2017	BONDS ISSUED FY 2018	BONDS MATURED OR RETIRED	BONDS REFUNDED OR EXTINGUISHED	PAR VALUE ADJUSTMENTS	BONDS OUTSTANDING 08-31-2018
<b>General Obligation Bonds - Self-Supporting</b>	\$	\$	\$	\$		\$
<i>Veterans' Housing Assistance Bonds</i>						
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	24,265,000.00		390,000.00			23,875,000.00
Vet Hsg Fund II Bds Ser 2002A-2	29,790,000.00		620,000.00			29,170,000.00
Vet Hsg Fund II Bds Ser 2003A	23,015,000.00		1,710,000.00			21,305,000.00
Vet Hsg Fund II Bds Ser 2003B	24,255,000.00		1,730,000.00			22,525,000.00
Vet Hsg Fund II Bds Ser 2004A	23,850,000.00		1,700,000.00			22,150,000.00
Vet Hsg Fund II Bds Ser 2004B	26,775,000.00		1,810,000.00			24,965,000.00
Vet Hsg Fund II Bds Ser 2005A	26,375,000.00		1,790,000.00			24,585,000.00
Vet Hsg Fund II Bds Ser 2005B	26,030,000.00		1,770,000.00			24,260,000.00
Vet Hsg Fund II Bds Ser 2006A	28,715,000.00		1,605,000.00			27,110,000.00
Vet Hsg Fund II Bds Ser 2006D	30,200,000.00		1,730,000.00			28,470,000.00
Vet Hsg Fund II Bds Ser 2007A	30,375,000.00		1,645,000.00			28,730,000.00
Vet Hsg Fund II Bds Ser 2007B	32,025,000.00		1,865,000.00			30,160,000.00
Vet Hsg Fund II Bds Ser 2008A	31,990,000.00		1,735,000.00			30,255,000.00
Vet Hsg Fund II Bds Ser 2008B	33,120,000.00		1,760,000.00			31,360,000.00
Vet Hsg Fund II Ser 2009A	35,360,000.00		1,890,000.00			33,470,000.00
Vet Hsg Fund II Ser 2009B	37,645,000.00		1,640,000.00			36,005,000.00
Vet Hsg Fund II Bds Ser 2010A	56,880,000.00		3,030,000.00			53,850,000.00
Veterans Bonds, Ser 2010C	57,855,000.00		2,950,000.00			54,905,000.00
Veterans Bonds, Ser 2011A	57,655,000.00		3,055,000.00			54,600,000.00
Veterans Bonds, Ser 2011B	58,840,000.00		3,130,000.00			55,710,000.00
Veterans Bonds, Ser 2011C	59,945,000.00		3,200,000.00			56,745,000.00
Veterans Bonds, Ser 2012A	60,065,000.00		3,375,000.00			56,690,000.00
Veterans Bonds, Ser 2012B	80,300,000.00		5,090,000.00			75,210,000.00
Veterans Bonds, Ser 2013A	85,295,000.00		4,920,000.00			80,375,000.00
Veterans Bonds, Ser 2013B	128,785,000.00		7,030,000.00			121,755,000.00
Veterans Bonds, Tax Ref Ser 2013C	271,590,000.00		8,185,000.00			263,405,000.00
Veterans Bonds, Ser 2014A	133,125,000.00		7,175,000.00			125,950,000.00
Veterans Bonds, Tax Ref Ser 2014B-1	58,160,000.00		11,155,000.00			47,005,000.00
Veterans Bonds, Tax Ref Ser 2014B-2	19,975,000.00		7,320,000.00			12,655,000.00
Veterans Bonds, Tax Ref Ser 2014C-1	67,880,000.00		1,820,000.00			66,060,000.00
Veterans Bonds, Tax Ref Ser 2014C-2	168,975,000.00		10,350,000.00			158,625,000.00
Veterans Bonds, Ser 2014D	90,760,000.00		4,955,000.00			85,805,000.00
Veterans Bonds, Ser 2015A	114,060,000.00		6,035,000.00			108,025,000.00
Veterans Bonds, Ser 2015B	119,160,000.00		5,560,000.00			113,600,000.00
Veterans Bonds, Ser 2016	242,375,000.00		15,285,000.00			227,090,000.00
Veterans Bonds, Ser 2017	249,690,000.00		7,600,000.00			242,090,000.00
Veterans Bonds, Ser 2018		250,000,000.00				250,000,000.00
<b>Total, Veterans' Housing Assistance Bonds</b>	<b>2,665,155,000.00</b>	<b>250,000,000.00</b>	<b>146,610,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,768,545,000.00</b>
<i>Veterans' Land Bonds</i>						
Vet Land Ref Bds Ser '99A	7,135,000.00		3,435,000.00			3,700,000.00
Vet Land Bds Ser 2002	13,820,000.00		605,000.00			13,215,000.00
Vet Land Tax Ref Bds Ser 2014B-3	34,770,000.00		5,395,000.00			29,375,000.00
Vet Land Tax Ref Bds Ser 2014C-3	62,355,000.00		3,235,000.00			59,120,000.00
Vet Land Tax Ref Bds Ser 2014C-4	92,280,000.00		8,900,000.00			83,380,000.00
<b>Total, Veterans' Land Bonds</b>	<b>210,360,000.00</b>	<b>0.00</b>	<b>21,570,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>188,790,000.00</b>
<b>Total, General Obligation Bonds - Self-Supporting</b>	<b>2,875,515,000.00</b>	<b>250,000,000.00</b>	<b>168,180,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,957,335,000.00</b>

UNAUDITED

UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	OTHER ADJUSTMENTS	NET BONDS OUTSTANDING 08-31-2018	AMOUNTS DUE WITHIN ONE YEAR
\$	\$	\$	\$	\$
			20,000,000.00	0.00
			23,875,000.00	410,000.00
			29,170,000.00	645,000.00
			21,305,000.00	1,655,000.00
			22,525,000.00	1,690,000.00
			22,150,000.00	1,660,000.00
			24,965,000.00	1,770,000.00
			24,585,000.00	1,750,000.00
			24,260,000.00	1,715,000.00
			27,110,000.00	1,565,000.00
			28,470,000.00	1,685,000.00
			28,730,000.00	1,595,000.00
			30,160,000.00	1,820,000.00
			30,255,000.00	1,675,000.00
			31,360,000.00	1,685,000.00
1,055,446.09			34,525,446.09	2,041,037.28
1,860,006.00			37,865,006.00	1,847,600.96
3,850,996.42			57,700,996.42	3,471,171.92
			54,905,000.00	2,895,000.00
			54,600,000.00	2,990,000.00
			55,710,000.00	3,055,000.00
			56,745,000.00	3,115,000.00
			56,690,000.00	3,270,000.00
			75,210,000.00	4,810,000.00
			80,375,000.00	4,565,000.00
			121,755,000.00	6,820,000.00
			263,405,000.00	15,205,000.00
			125,950,000.00	6,945,000.00
			47,005,000.00	10,250,000.00
			12,655,000.00	8,025,000.00
			66,060,000.00	1,940,000.00
			158,625,000.00	11,205,000.00
			85,805,000.00	4,800,000.00
			108,025,000.00	5,840,000.00
			113,600,000.00	6,005,000.00
			227,090,000.00	20,530,000.00
			242,090,000.00	15,590,000.00
			250,000,000.00	2,465,000.00
6,766,448.51	0.00	0.00	2,775,311,448.51	168,999,810.16
			3,700,000.00	3,700,000.00
			13,215,000.00	635,000.00
			29,375,000.00	5,815,000.00
			59,120,000.00	3,450,000.00
			83,380,000.00	9,500,000.00
0.00	0.00	0.00	188,790,000.00	23,100,000.00
6,766,448.51	0.00	0.00	2,964,101,448.51	192,099,810.16

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**SCHEDULE 2-C**

**DEBT SERVICE REQUIREMENTS**

August 31, 2018

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	2019	2020	2021	2022	2023
<b>General Obligation Bonds - Self-Supporting</b>	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds</i>					
Vet Hsg Fund II Bds Ser 2001A-2 - Principal	0.00	390,000.00	805,000.00	1,455,000.00	2,125,000.00
Vet Hsg Fund II Bds Ser 2001A-2 - Interest	466,940.02	466,940.02	453,223.65	434,195.84	392,813.28
Vet Hsg Fund II Bds Ser 2001C-2 - Principal	410,000.00	435,000.00	445,000.00	590,000.00	750,000.00
Vet Hsg Fund II Bds Ser 2001C-2 - Interest	523,232.85	514,098.68	504,469.30	494,564.79	480,038.19
Vet Hsg Fund II Bds Ser 2002A-2 - Principal	645,000.00	685,000.00	720,000.00	760,000.00	1,365,000.00
Vet Hsg Fund II Bds Ser 2002A-2 - Interest	677,296.56	662,004.27	645,836.47	628,793.16	610,874.33
Vet Hsg Fund II Bds Ser 2003A - Principal	1,655,000.00	1,610,000.00	1,565,000.00	1,525,000.00	1,470,000.00
Vet Hsg Fund II Bds Ser 2003A - Interest	540,965.36	498,426.26	457,052.60	416,714.91	377,542.67
Vet Hsg Fund II Bds Ser 2003B - Principal	1,690,000.00	1,650,000.00	1,610,000.00	1,575,000.00	1,540,000.00
Vet Hsg Fund II Bds Ser 2003B - Interest	572,368.00	528,857.67	486,383.30	444,944.89	404,348.20
Vet Hsg Fund II Bds Ser 2004A - Principal	1,660,000.00	1,615,000.00	1,570,000.00	1,530,000.00	1,490,000.00
Vet Hsg Fund II Bds Ser 2004A - Interest	478,332.50	442,071.01	406,744.95	372,409.35	338,954.15
Vet Hsg Fund II Bds Ser 2004B - Principal	1,770,000.00	1,730,000.00	1,690,000.00	1,660,000.00	1,620,000.00
Vet Hsg Fund II Bds Ser 2004B - Interest	635,043.48	589,461.24	544,914.96	501,339.89	458,606.54
Vet Hsg Fund II Bds Ser 2005A - Principal	1,750,000.00	1,705,000.00	1,660,000.00	1,620,000.00	1,580,000.00
Vet Hsg Fund II Bds Ser 2005A - Interest	531,431.64	493,134.24	455,882.30	419,565.78	384,129.66
Vet Hsg Fund II Bds Ser 2005B - Principal	1,715,000.00	1,675,000.00	1,625,000.00	1,585,000.00	1,540,000.00
Vet Hsg Fund II Bds Ser 2005B - Interest	524,443.49	486,916.43	450,324.80	414,778.64	380,167.90
Vet Hsg Fund II Bds Ser 2006A - Principal	1,565,000.00	1,540,000.00	1,510,000.00	1,490,000.00	1,480,000.00
Vet Hsg Fund II Bds Ser 2006A - Interest	623,773.58	587,410.62	551,631.33	516,494.10	481,765.43
Vet Hsg Fund II Bds Ser 2006D - Principal	1,685,000.00	1,650,000.00	1,630,000.00	1,600,000.00	1,580,000.00
Vet Hsg Fund II Bds Ser 2006D - Interest	654,766.66	615,660.43	577,254.61	539,374.09	502,135.63
Vet Hsg Fund II Bds Ser 2007A - Principal	1,595,000.00	1,550,000.00	1,520,000.00	1,500,000.00	1,480,000.00
Vet Hsg Fund II Bds Ser 2007A - Interest	623,543.50	588,712.66	554,762.22	521,417.07	488,512.12
Vet Hsg Fund II Bds Ser 2007B - Principal	1,820,000.00	1,780,000.00	1,745,000.00	1,705,000.00	1,670,000.00
Vet Hsg Fund II Bds Ser 2007B - Interest	693,464.39	651,206.32	609,882.13	569,375.08	529,743.54
Vet Hsg Fund II Bds Ser 2008A - Principal	1,675,000.00	1,620,000.00	1,575,000.00	1,545,000.00	1,520,000.00
Vet Hsg Fund II Bds Ser 2008A - Interest	631,308.60	596,183.00	562,115.40	528,947.10	496,413.60
Vet Hsg Fund II Bds Ser 2008B - Principal	1,685,000.00	1,625,000.00	1,580,000.00	1,545,000.00	1,520,000.00
Vet Hsg Fund II Bds Ser 2008B - Interest	476,360.50	450,642.50	425,810.00	401,632.00	377,954.50
Vet Hsg Fund II Bds Ser 2009A - Principal	1,840,000.00	0.00	0.00	0.00	0.00
Vet Hsg Fund II Bds Ser 2009A - Interest	1,727,637.50	1,635,637.50	1,635,637.50	1,635,637.50	1,635,637.50
Vet Hsg Fund II Bds Ser 2009B - Principal	1,550,000.00	1,480,000.00	1,420,000.00	1,375,000.00	1,330,000.00
Vet Hsg Fund II Bds Ser 2009B - Interest	1,761,500.00	1,685,750.00	1,613,250.00	1,543,375.00	1,475,750.00
Vet Hsg Fund II Bds Ser 2010A - Principal	2,940,000.00	2,845,000.00	2,750,000.00	2,735,000.00	2,660,000.00
Vet Hsg Fund II Bds Ser 2010A - Interest	2,590,550.00	2,460,150.00	2,334,500.00	2,197,375.00	2,062,500.00
Veterans Bonds, Series 2010C - Principal	2,895,000.00	2,835,000.00	2,785,000.00	2,735,000.00	2,685,000.00
Veterans Bonds, Series 2010C - Interest	834,372.00	789,981.50	746,515.00	703,818.50	661,892.00
Veterans Bonds, Series 2011A - Principal	2,990,000.00	2,915,000.00	2,850,000.00	2,780,000.00	2,720,000.00
Veterans Bonds, Series 2011A - Interest	1,257,177.68	1,187,837.08	1,120,189.13	1,054,000.38	989,445.92
Veterans Bonds, Series 2011B - Principal	3,055,000.00	2,975,000.00	2,900,000.00	2,825,000.00	2,755,000.00
Veterans Bonds, Series 2011B - Interest	1,282,684.27	1,211,826.13	1,142,835.75	1,075,596.39	1,010,049.68
Veterans Bonds, Series 2011C - Principal	3,115,000.00	3,035,000.00	2,955,000.00	2,875,000.00	2,800,000.00
Veterans Bonds, Series 2011C - Interest	895,360.00	845,840.00	797,640.00	750,680.00	704,960.00
Veterans Bonds, Series 2012A - Principal	3,270,000.00	3,175,000.00	3,075,000.00	2,990,000.00	2,900,000.00
Veterans Bonds, Series 2012A - Interest	1,182,156.30	1,113,439.20	1,046,785.20	982,194.30	919,402.00
Veterans Bonds, Series 2012B - Principal	4,810,000.00	4,570,000.00	4,345,000.00	4,140,000.00	3,955,000.00
Veterans Bonds, Series 2012B - Interest	1,727,444.62	1,616,604.73	1,511,251.40	1,411,034.40	1,315,486.80



UNAUDITED

						TOTAL
2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	2049	REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
11,375,000.00	3,850,000.00	0.00	0.00	0.00	0.00	20,000,000.00
1,193,031.79	90,528.01	0.00	0.00	0.00	0.00	3,497,672.61
4,345,000.00	15,100,000.00	1,800,000.00	0.00	0.00	0.00	23,875,000.00
2,132,439.22	1,190,521.08	19,809.00	0.00	0.00	0.00	5,859,173.11
11,095,000.00	13,900,000.00	0.00	0.00	0.00	0.00	29,170,000.00
2,359,039.55	923,782.50	0.00	0.00	0.00	0.00	6,507,626.84
6,720,000.00	5,700,000.00	1,060,000.00	0.00	0.00	0.00	21,305,000.00
1,342,409.92	533,389.91	20,589.71	0.00	0.00	0.00	4,187,091.33
7,195,000.00	6,450,000.00	815,000.00	0.00	0.00	0.00	22,525,000.00
1,444,581.71	557,735.06	13,208.50	0.00	0.00	0.00	4,452,427.33
6,960,000.00	6,150,000.00	1,175,000.00	0.00	0.00	0.00	22,150,000.00
1,221,280.49	490,878.27	19,698.96	0.00	0.00	0.00	3,770,369.68
7,630,000.00	6,915,000.00	1,950,000.00	0.00	0.00	0.00	24,965,000.00
1,683,176.01	737,927.26	50,373.56	0.00	0.00	0.00	5,200,842.94
7,360,000.00	6,550,000.00	2,360,000.00	0.00	0.00	0.00	24,585,000.00
1,418,049.76	649,295.21	63,553.90	0.00	0.00	0.00	4,415,042.49
7,120,000.00	6,355,000.00	2,645,000.00	0.00	0.00	0.00	24,260,000.00
1,413,262.68	666,573.13	82,867.70	0.00	0.00	0.00	4,419,334.77
7,305,000.00	7,560,000.00	4,660,000.00	0.00	0.00	0.00	27,110,000.00
1,895,251.44	1,033,221.64	189,110.76	0.00	0.00	0.00	5,878,658.90
7,590,000.00	7,360,000.00	5,375,000.00	0.00	0.00	0.00	28,470,000.00
1,969,669.76	1,098,476.44	255,824.80	0.00	0.00	0.00	6,213,162.42
7,280,000.00	7,515,000.00	6,290,000.00	0.00	0.00	0.00	28,730,000.00
1,959,165.78	1,151,178.37	310,781.27	0.00	0.00	0.00	6,198,072.99
7,865,000.00	7,165,000.00	6,410,000.00	0.00	0.00	0.00	30,160,000.00
2,082,202.67	1,201,903.88	396,665.68	0.00	0.00	0.00	6,734,443.69
7,335,000.00	7,310,000.00	7,585,000.00	90,000.00	0.00	0.00	30,255,000.00
2,009,671.00	1,239,817.30	452,030.50	952.20	0.00	0.00	6,517,438.70
7,355,000.00	7,400,000.00	7,875,000.00	775,000.00	0.00	0.00	31,360,000.00
1,545,428.50	981,865.50	397,628.00	5,967.50	0.00	0.00	5,063,289.00
31,630,000.00	0.00	0.00	0.00	0.00	0.00	33,470,000.00
880,162.50	0.00	0.00	0.00	0.00	0.00	9,150,350.00
28,850,000.00	0.00	0.00	0.00	0.00	0.00	36,005,000.00
2,098,500.00	0.00	0.00	0.00	0.00	0.00	10,178,125.00
39,920,000.00	0.00	0.00	0.00	0.00	0.00	53,850,000.00
4,606,250.00	0.00	0.00	0.00	0.00	0.00	16,251,325.00
12,765,000.00	11,835,000.00	11,110,000.00	5,260,000.00	0.00	0.00	54,905,000.00
2,705,626.00	1,756,485.50	870,985.50	120,543.50	0.00	0.00	9,190,219.50
12,735,000.00	11,460,000.00	10,405,000.00	5,745,000.00	0.00	0.00	54,600,000.00
4,027,357.66	2,610,078.02	1,329,611.80	230,843.48	0.00	0.00	13,806,541.15
12,785,000.00	11,325,000.00	10,080,000.00	7,010,000.00	0.00	0.00	55,710,000.00
4,122,496.88	2,709,186.16	1,454,459.89	344,543.35	0.00	0.00	14,353,678.50
12,945,000.00	11,390,000.00	10,050,000.00	7,580,000.00	0.00	0.00	56,745,000.00
2,880,000.00	1,902,080.00	1,040,440.00	279,320.00	0.00	0.00	10,096,320.00
13,250,000.00	11,360,000.00	9,755,000.00	6,915,000.00	0.00	0.00	56,690,000.00
3,719,134.50	2,409,383.40	1,286,528.00	331,048.20	0.00	0.00	12,990,071.10
17,535,000.00	14,580,000.00	12,265,000.00	9,010,000.00	0.00	0.00	75,210,000.00
5,278,990.65	3,393,720.19	1,821,357.91	506,162.98	0.00	0.00	18,582,053.68

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UNAUDITED  
Texas General Land Office and Veterans' Land Board

**SCHEDULE 2-C (concluded)**

August 31, 2018

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	2019	2020	2021	2022	2023
<b>General Obligation Bonds -</b>	\$	\$	\$	\$	\$
<b>Self-Supporting (continued)</b>					
<i>Veterans' Housing Assistance Bonds (concluded)</i>					
Veterans Bonds, Series 2013A - Principal	4,565,000.00	4,280,000.00	4,035,000.00	3,835,000.00	3,655,000.00
Veterans Bonds, Series 2013A - Interest	1,849,199.27	1,744,429.60	1,646,022.00	1,553,042.57	1,464,615.80
Veterans Bonds, Series 2013B - Principal	6,820,000.00	6,615,000.00	6,415,000.00	6,220,000.00	6,030,000.00
Veterans Bonds, Series 2013B - Interest	2,773,215.17	2,615,155.98	2,461,941.29	2,313,279.26	2,169,169.90
Veterans Bonds, Tax Ref Ser 2013C - Principal	15,205,000.00	22,945,000.00	23,210,000.00	22,185,000.00	21,750,000.00
Veterans Bonds, Tax Ref Ser 2013C - Interest	6,727,062.36	6,244,242.03	5,663,326.06	5,076,904.09	4,522,948.60
Veterans Bonds, Series 2014A - Principal	6,945,000.00	6,735,000.00	6,530,000.00	6,335,000.00	6,145,000.00
Veterans Bonds, Series 2014A - Interest	2,829,247.90	2,668,328.69	2,512,253.98	2,360,907.05	2,214,171.16
Veterans Bonds, Tax Ref Ser 2014B-1 - Principal	10,250,000.00	10,990,000.00	8,255,000.00	4,175,000.00	4,565,000.00
Veterans Bonds, Tax Ref Ser 2014B-1 - Interest	1,103,766.78	844,568.21	565,165.51	403,299.34	292,225.80
Veterans Bonds, Tax Ref Ser 2014B-2 - Principal	8,025,000.00	4,630,000.00	0.00	0.00	0.00
Veterans Bonds, Tax Ref Ser 2014B-2 - Interest	272,173.22	69,015.92	0.00	0.00	0.00
Veterans Bonds, Tax Ref Ser 2014C-1 - Principal	1,940,000.00	2,070,000.00	2,200,000.00	2,345,000.00	2,505,000.00
Veterans Bonds, Tax Ref Ser 2014C-1 - Interest	1,741,989.74	1,692,787.15	1,639,625.65	1,582,983.34	1,522,670.35
Veterans Bonds, Tax Ref Ser 2014C-2 - Principal	11,205,000.00	11,485,000.00	11,795,000.00	13,710,000.00	12,700,000.00
Veterans Bonds, Tax Ref Ser 2014C-2 - Interest	4,003,765.47	3,719,513.87	3,428,771.09	3,109,991.95	2,773,302.44
Veterans Bonds, Series 2014D - Principal	4,800,000.00	4,650,000.00	4,500,000.00	4,355,000.00	4,215,000.00
Veterans Bonds, Series 2014D - Interest	1,311,222.50	1,237,403.75	1,165,910.00	1,096,741.25	1,029,781.25
Veterans Bonds, Series 2015A - Principal	5,840,000.00	5,665,000.00	5,500,000.00	5,330,000.00	5,165,000.00
Veterans Bonds, Series 2015A - Interest	2,487,681.40	2,352,327.17	2,221,058.66	2,093,759.14	1,970,253.50
Veterans Bonds, Series 2015B - Principal	6,005,000.00	5,825,000.00	5,650,000.00	5,480,000.00	5,320,000.00
Veterans Bonds, Series 2015B - Interest	1,737,356.25	1,644,976.25	1,555,386.25	1,468,470.00	1,384,150.00
Veterans Bonds, Series 2016 - Principal	20,530,000.00	20,320,000.00	18,555,000.00	16,935,000.00	15,445,000.00
Veterans Bonds, Series 2016 - Interest	3,554,120.00	3,221,840.00	2,903,920.00	2,613,680.00	2,348,800.00
Veterans Bonds, Series 2017 - Principal	15,590,000.00	20,780,000.00	20,510,000.00	18,700,000.00	17,040,000.00
Veterans Bonds, Series 2017 - Interest	3,746,059.25	3,477,157.50	3,147,457.50	2,832,711.75	2,545,755.00
Veterans Bonds, Series 2018 - Principal	2,465,000.00	11,360,000.00	18,000,000.00	20,700,000.00	19,185,000.00
Veterans Bonds, Series 2018 - Interest	3,872,907.50	3,799,863.75	3,596,658.75	3,300,686.25	2,984,873.75
<b>Total, Veterans' Housing Assistance Bonds</b>	<b>227,891,920.31</b>	<b>239,490,401.35</b>	<b>231,627,388.75</b>	<b>222,809,714.15</b>	<b>212,956,841.20</b>
<i>Veterans' Land Bonds</i>					
Vet Land Ref Bds Ser '99A - Principal	3,700,000.00	0.00	0.00	0.00	0.00
Vet Land Ref Bds Ser '99A - Interest	29,600.00	0.00	0.00	0.00	0.00
Vet Land Bds Ser 2002 - Principal	635,000.00	665,000.00	690,000.00	725,000.00	755,000.00
Vet Land Bds Ser 2002 - Interest	205,070.25	194,735.25	183,963.00	172,713.75	160,947.75
Vet Land Tax Ref Ser 2014B-3 - Principal	5,815,000.00	6,275,000.00	6,760,000.00	1,545,000.00	1,690,000.00
Vet Land Tax Ref Ser 2014B-3 - Interest	675,573.78	526,851.27	365,104.50	261,693.49	221,170.03
Vet Land Tax Ref Ser 2014-C3 - Principal	3,450,000.00	3,675,000.00	3,900,000.00	4,155,000.00	4,425,000.00
Vet Land Tax Ref Ser 2014-C3 - Interest	1,491,461.63	1,400,141.07	1,303,076.66	1,199,881.20	1,089,973.84
Vet Land Tax Ref Ser 2014-C4 - Principal	9,500,000.00	10,115,000.00	10,790,000.00	17,240,000.00	9,205,000.00
Vet Land Tax Ref Ser 2014-C4 - Interest	2,051,046.10	1,810,681.29	1,552,401.41	1,201,272.68	866,356.55
<b>Total, Veterans' Land Bonds</b>	<b>27,552,751.76</b>	<b>24,662,408.88</b>	<b>25,544,545.57</b>	<b>26,500,561.12</b>	<b>18,413,448.17</b>
<b>Total, General Obligation Bonds - Self-Supporting</b>	<b>255,444,672.07</b>	<b>264,152,810.23</b>	<b>257,171,934.32</b>	<b>249,310,275.27</b>	<b>231,370,289.37</b>
<b>Total, All Bonds</b>	<b>255,444,672.07</b>	<b>264,152,810.23</b>	<b>257,171,934.32</b>	<b>249,310,275.27</b>	<b>231,370,289.37</b>

UNAUDITED

	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	2049	TOTAL REQUIREMENTS
	\$	\$	\$	\$	\$	\$	\$
	16,485,000.00	14,890,000.00	14,470,000.00	14,160,000.00	0.00	0.00	80,375,000.00
	6,115,338.59	4,288,961.04	2,583,696.03	882,575.09	0.00	0.00	22,127,879.99
	27,530,000.00	23,580,000.00	20,140,000.00	17,150,000.00	1,255,000.00	0.00	121,755,000.00
	8,831,995.62	5,831,380.61	3,264,377.85	1,074,137.17	14,650.24	0.00	31,349,303.09
	130,165,000.00	27,945,000.00	0.00	0.00	0.00	0.00	263,405,000.00
	13,125,186.30	997,450.96	0.00	0.00	0.00	0.00	42,357,120.40
	28,035,000.00	24,025,000.00	20,575,000.00	17,605,000.00	3,020,000.00	0.00	125,950,000.00
	9,020,113.62	5,963,816.26	3,345,216.67	1,103,671.12	35,253.97	0.00	32,052,980.42
	8,770,000.00	0.00	0.00	0.00	0.00	0.00	47,005,000.00
	223,945.13	0.00	0.00	0.00	0.00	0.00	3,432,970.77
	0.00	0.00	0.00	0.00	0.00	0.00	12,655,000.00
	0.00	0.00	0.00	0.00	0.00	0.00	341,189.14
	0.00	0.00	55,000,000.00	0.00	0.00	0.00	66,060,000.00
	7,374,125.00	7,374,125.00	737,412.50	0.00	0.00	0.00	23,665,718.73
	62,035,000.00	35,695,000.00	0.00	0.00	0.00	0.00	158,625,000.00
	8,826,511.69	2,063,493.67	0.00	0.00	0.00	0.00	27,925,350.18
	19,130,000.00	16,175,000.00	13,605,000.00	11,365,000.00	3,010,000.00	0.00	85,805,000.00
	4,217,472.50	2,840,181.25	1,678,650.00	704,513.75	47,042.50	0.00	15,328,918.75
	23,580,000.00	20,210,000.00	17,315,000.00	14,810,000.00	4,610,000.00	0.00	108,025,000.00
	8,126,449.38	5,555,535.88	3,352,512.78	1,466,658.66	122,863.61	0.00	29,749,100.18
	24,300,000.00	20,885,000.00	17,940,000.00	15,420,000.00	6,775,000.00	0.00	113,600,000.00
	5,741,277.50	3,980,555.00	2,467,406.25	1,167,421.25	155,155.00	0.00	21,302,153.75
	58,900,000.00	36,465,000.00	22,045,000.00	12,875,000.00	5,020,000.00	0.00	227,090,000.00
	8,522,000.00	4,682,080.00	2,326,160.00	920,680.00	140,400.00	0.00	31,233,680.00
	64,795,000.00	39,915,000.00	24,020,000.00	13,980,000.00	6,760,000.00	0.00	242,090,000.00
	9,245,730.00	5,109,329.50	2,584,259.25	1,083,339.25	230,201.25	0.00	34,002,000.25
	73,895,000.00	46,725,000.00	28,995,000.00	17,520,000.00	10,190,000.00	965,000.00	250,000,000.00
	11,027,862.50	6,322,062.50	3,367,956.25	1,553,177.50	472,130.00	9,881.25	40,308,060.00
	990,950,186.30	576,076,998.50	383,553,173.01	189,045,555.00	41,857,696.57	974,881.25	3,317,234,756.38
	0.00	0.00	0.00	0.00	0.00	0.00	3,700,000.00
	0.00	0.00	0.00	0.00	0.00	0.00	29,600.00
	4,330,000.00	5,415,000.00	0.00	0.00	0.00	0.00	13,215,000.00
	608,811.00	222,798.75	0.00	0.00	0.00	0.00	1,749,039.75
	7,290,000.00	0.00	0.00	0.00	0.00	0.00	29,375,000.00
	246,726.87	0.00	0.00	0.00	0.00	0.00	2,297,119.94
	25,535,000.00	13,980,000.00	0.00	0.00	0.00	0.00	59,120,000.00
	3,529,620.40	621,883.35	0.00	0.00	0.00	0.00	10,636,038.15
	26,530,000.00	0.00	0.00	0.00	0.00	0.00	83,380,000.00
	1,474,159.97	0.00	0.00	0.00	0.00	0.00	8,955,918.00
	69,544,318.24	20,239,682.10	0.00	0.00	0.00	0.00	212,457,715.84
	1,060,494,504.54	596,316,680.60	383,553,173.01	189,045,555.00	41,857,696.57	974,881.25	3,529,692,472.22
	1,060,494,504.54	596,316,680.60	383,553,173.01	189,045,555.00	41,857,696.57	974,881.25	3,529,692,472.22

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**SCHEDULE 2-D**

**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE**

For the Year Ended August 31, 2018

**BUSINESS-TYPE ACTIVITIES**

**General Obligation Bonds - Self Supporting**

	APPLICATION OF FUNDS	
DESCRIPTION OF ISSUE	PRINCIPAL	INTEREST
Veterans' Housing Assistance Bonds	\$ 146,610,000.00	\$ 81,101,808.03
Veterans' Land Bonds	21,570,000.00	11,178,577.49
<b>TOTAL</b>	<b>168,180,000.00</b>	<b>92,280,385.52</b>

**SCHEDULE 2-E**

*DEFEASED BONDS OUTSTANDING*

August 31, 2018

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	YEAR DEFEASED	PAR VALUE OUTSTANDING 08-31-2018
		\$
<b>General Obligation Bonds - Self-Supporting</b>		
<i>Veterans' Land and Housing Bonds</i>		
Vet Land Bds Ser '82	1986	15,500,000.00
<b>Total, Veterans' Land and Housing Bonds</b>		<u>15,500,000.00</u>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**SCHEDULE 2-F**

**EARLY EXTINGUISHMENT AND REFUNDING**

For the Year Ended August 31, 2018

**BUSINESS-TYPE ACTIVITIES**

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

UNAUDITED

**SCHEDULE 2-G**

*DATA ON BOND ISSUES - BY SERIES*

Period from October 1, 1949 through August 31, 2018

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	DATE OF BONDS	FINAL BOND MATURITY DATE	TRUE INTEREST COST (PERCENT)	BONDS ISSUED <sup>(1)</sup>	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2018
				\$	\$	\$	\$
<b>General Obligation Bonds - Self-Supporting</b>							
<i>Veterans' Housing Assistance Bonds</i>							
Vet Hsg Bds Ser '84	01-01-84	12-01-03	8.97900	85,000,000.00	45,500,000.00	39,500,000.00	0.00
Vet Hsg Bds Ser '84A	05-01-84	06-01-03	9.04370	165,000,000.00	75,000,000.00	90,000,000.00	0.00
Vet Hsg Bds Ser '84B	11-01-84	12-01-03	9.27060	250,000,000.00	183,700,000.00	66,300,000.00	0.00
Vet Hsg Bds Ser '85	12-01-85	12-01-16	8.30140	250,000,000.00	14,730,000.00	235,270,000.00	0.00
Vet Hsg Bds Ser '92	07-15-92	06-01-23	6.28790	35,000,000.00	4,590,000.00	30,410,000.00	0.00
Vet Hsg Bds Ser '93	01-01-93	12-01-23	6.55220	125,000,000.00	18,765,000.00	106,235,000.00	0.00
Vet Hsg Bds Ser '94A-1	02-24-94	12-01-23	VAR	10,000,000.00	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 I Tax Ref Bds Ser '99C	11-01-99	12-01-09	7.15000	16,530,000.00	16,530,000.00		0.00
Vet Hsg Fund II Tax Ref Bds Ser '99D	11-01-99	12-01-09	7.15000	9,540,000.00	9,540,000.00		0.00
Vet Hsg Fund II Bds Ser 2000C	05-01-00	12-01-31	5.94500	100,000,000.00	13,280,000.00	86,720,000.00	0.00
Vet Hsg Fund I Tax Ref Bds Ser 2000D	11-01-00	12-01-10	7.07000	15,420,000.00	15,420,000.00		0.00
Vet Hsg Fund II Tax Ref Bds Ser 2000E	11-01-00	12-01-10	7.07000	10,750,000.00	10,750,000.00		0.00
Vet Hsg Fund II Bds Ser 2001A-1	03-01-01	06-01-32	5.28500	40,000,000.00	8,320,000.00	31,680,000.00	0.00
Vet Hsg Fund II Bds Ser 2001A-2	03-22-01	12-01-29	4.25900	20,000,000.00			20,000,000.00
Vet Hsg Fund II Bds Ser 2001C-1	12-01-01	12-01-28	5.12700	35,000,000.00	4,145,000.00	30,855,000.00	0.00
Vet Hsg Fund II Bds Ser 2001C-2	12-18-01	12-01-33	4.36500	25,000,000.00			23,875,000.00
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	9,130,000.00		29,170,000.00
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	28,695,000.00		21,305,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-03	06-01-34	3.40300	50,000,000.00	27,475,000.00		22,525,000.00
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	27,850,000.00		22,150,000.00
Vet Hsg Fund II Bds Ser 2004B	09-15-04	12-01-34	3.68000	50,000,000.00	25,035,000.00		24,965,000.00
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	25,415,000.00		24,585,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-05	06-01-36	3.08700	50,000,000.00	25,740,000.00		24,260,000.00
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	22,890,000.00		27,110,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-06	12-01-36	3.68900	50,000,000.00	21,530,000.00		28,470,000.00
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*

**SCHEDULE 2-G (continued)**

*DATA ON BOND ISSUES - BY SERIES*

Period from October 1, 1949 through August 31, 2018

**BUSINESS-TYPE ACTIVITIES**

DESCRIPTION OF ISSUE	DATE OF BONDS	FINAL BOND MATURITY DATE	TRUE INTEREST COST (PERCENT)	BONDS ISSUED <sup>(1)</sup>	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2018
<b>General Obligation Bonds - Self-Supporting (continued)</b>							
<i>Veterans' Housing Assistance Bonds (concluded)</i>							
Vet Hsg Fund II Bds Ser 2007A	02-22-07	06-01-37	3.64500	50,000,000.00	21,270,000.00		28,730,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-07	06-01-38	3.71200	50,000,000.00	19,840,000.00		30,160,000.00
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	19,745,000.00		30,255,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-08	12-01-38	3.22500	50,000,000.00	18,640,000.00		31,360,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-09	12-01-23	4.33660	51,055,446.09	16,530,000.00		34,525,446.09
Vet Hsg Fund II Bds Ser 2009B	09-03-09	12-01-24	4.00000	51,860,006.00	13,995,000.00		37,865,006.00
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	78,845,996.42	21,145,000.00		57,700,996.42
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	20,090,000.00		54,905,000.00
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	20,395,000.00		54,600,000.00
Veterans Bonds, Series 2011B	08-25-11	12-01-41	2.36700	74,995,000.00	19,285,000.00		55,710,000.00
Veterans Bonds, Series 2011C	12-15-11	06-01-42	1.91700	74,995,000.00	18,250,000.00		56,745,000.00
Veterans Bonds, Series 2012A	05-23-12	12-01-42	1.69200	74,995,000.00	18,305,000.00		56,690,000.00
Veterans Bonds, Series 2012B	11-01-12	12-01-42	1.44700	100,000,000.00	24,790,000.00		75,210,000.00
Veterans Bonds, Series 2013A	03-20-13	06-01-43	1.70000	99,995,000.00	19,620,000.00		80,375,000.00
Veterans Bonds, Series 2013B	08-22-13	12-01-43	2.14500	149,995,000.00	28,240,000.00		121,755,000.00
Veterans Bonds, Tax Ref Ser 2013C	10-24-13	06-01-31	Floating	297,600,000.00	34,195,000.00		263,405,000.00
Veterans Bonds, Ser 2014A	02-26-14	06-01-44	2.17900	150,000,000.00	24,050,000.00		125,950,000.00
Veterans Bonds, Tax Ref Ser 2014B-1	04-01-14	12-01-24	Floating	90,700,000.00	43,695,000.00		47,005,000.00
Veterans Bonds, Tax Ref Ser 2014B-2	04-01-14	12-01-24	Floating	25,085,000.00	12,430,000.00		12,655,000.00
Veterans Bonds, Tax Ref Ser 2014C-1	07-01-14	12-01-33	Floating	72,695,000.00	6,635,000.00		66,060,000.00
Veterans Bonds, Tax Ref Ser 2014C-2	07-01-14	12-01-33	Floating	194,935,000.00	36,310,000.00		158,625,000.00
Veterans Bonds, Ser 2014D	09-10-14	06-01-45	1.93950	100,000,000.00	14,195,000.00		85,805,000.00
Veterans Bonds, Ser 2015A	02-11-15	06-01-45	1.51000	125,000,000.00	16,975,000.00		108,025,000.00
Veterans Bonds, Ser 2015B	07-22-15	06-01-46	1.77100	125,000,000.00	11,400,000.00		113,600,000.00
Veterans Bonds, Ser 2016	01-21-16	12-01-46	1.56400	250,000,000.00	22,910,000.00		227,090,000.00
Veterans Bonds, Ser 2017	01-19-17	12-01-47	1.17500	250,000,000.00	7,910,000.00		242,090,000.00
Veterans Bonds, Ser 2018	06-28-18	12-01-49	2.07450	250,000,000.00	0.00		250,000,000.00
<b>Total, Veterans' Housing Assistance Bonds</b>				<b>6,490,816,448.51</b>	<b>1,518,100,000.00</b>	<b>2,197,405,000.00</b>	<b>2,775,311,448.51</b>
<b>Veterans' Land Bonds</b>							
Vet Land Bds Ser '49	10-01-49	06-01-79	1.66884	5,000,000.00	5,000,000.00		0.00
Vet Land Bds Ser '50	04-01-50	06-01-79	1.71816	10,000,000.00	10,000,000.00		0.00
Vet Land Bds Ser '50A	08-01-50	06-01-85	1.71489	10,000,000.00	10,000,000.00		0.00
Vet Land Bds Ser '51	12-01-51	06-01-86	1.93691	15,000,000.00	14,335,000.00	665,000.00	0.00
Vet Land Bds Ser '52	10-01-52	06-01-86	2.21916	10,000,000.00	9,535,000.00	465,000.00	0.00
Vet Land Bds Ser '53	04-01-53	06-01-89	2.38008	10,000,000.00	8,455,000.00	1,545,000.00	0.00
Vet Land Bds Ser '53A	09-01-53	06-01-89	2.66266	15,000,000.00	12,746,000.00	2,254,000.00	0.00
Vet Land Bds Ser '54	04-01-54	06-01-89	2.33869	15,000,000.00	12,808,000.00	2,192,000.00	0.00
Vet Land Bds Ser '54A	09-01-54	06-01-89	2.09701	10,000,000.00	8,938,000.00	1,062,000.00	0.00
Vet Land Bds Ser '57	12-01-57	12-01-86	2.69518	12,500,000.00	11,505,000.00	995,000.00	0.00
Vet Land Bds Ser '58	04-01-58	06-01-88	2.89498	12,500,000.00	9,855,000.00	2,645,000.00	0.00
Vet Land Bds Ser '58A	07-01-58	06-01-90	2.93605	12,500,000.00	8,953,000.00	3,547,000.00	0.00
Vet Land Bds Ser '61	03-01-61	12-01-96	3.25934	12,500,000.00	6,025,000.00	6,475,000.00	0.00
Vet Land Bds Ser '61A	06-01-61	06-01-91	3.50000	25,000,000.00	14,977,000.00	10,023,000.00	0.00
Vet Land Bds Ser '61B	12-01-61	12-01-91	3.27557	25,000,000.00	16,865,000.00	8,135,000.00	0.00
Vet Land Bds Ser '68	01-01-68	06-01-98	4.28248	30,000,000.00	9,750,000.00	20,250,000.00	0.00
Vet Land Bds Ser '68A	06-01-68	06-01-98	4.33323	30,000,000.00	8,500,000.00	21,500,000.00	0.00
Vet Land Bds Ser '71	01-01-71	06-01-88	4.06703	25,000,000.00	18,000,000.00	7,000,000.00	0.00
Vet Land Bds Ser '71A	06-01-71	06-01-98	4.49920	23,500,000.00	16,000,000.00	7,500,000.00	0.00
Vet Land Bds Ser '71B	12-01-71	06-01-98	4.48943	20,800,000.00	3,000,000.00	17,800,000.00	0.00
Vet Land Bds Ser '72	04-01-72	06-01-11	4.03658	40,000,000.00	2,500,000.00	37,500,000.00	0.00
Vet Land Bds Ser '72A	10-01-72	06-01-11	3.69020	30,700,000.00	16,000,000.00	14,700,000.00	0.00
Vet Land Bds Ser '76	05-01-76	06-01-15	4.06238	35,000,000.00	7,000,000.00	28,000,000.00	0.00
Vet Land Bds Ser '76A	09-01-76	06-01-94	5.14892	40,000,000.00	3,000,000.00	37,000,000.00	0.00
Vet Land Bds Ser '77	09-01-77	06-01-91	4.45380	25,000,000.00	25,000,000.00	0.00	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 (continued)

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	DATE OF BONDS	FINAL BOND MATURITY DATE	TRUE INTEREST COST (PERCENT)	BONDS ISSUED <sup>(1)</sup>	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2018
<b>General Obligation Bonds - Self-Supporting (concluded)</b>				\$	\$	\$	\$
<i>Veterans' Land Bonds (concluded)</i>							
Vet Land Bds Ser '83A	06-01-83	06-01-01	7.76000	50,000,000.00		50,000,000.00	0.00
Vet Land Bds Ser '84	08-01-84	06-01-09	10.12300	75,000,000.00		75,000,000.00	0.00
Vet Land Bds Ser '85A	07-01-85	06-01-07	8.07560	75,000,000.00		75,000,000.00	0.00
Vet Land Bds Ser '85B	07-01-85	06-01-07	8.07560	100,000,000.00		100,000,000.00	0.00
Vet Land Bds Ser '89	04-01-89	12-01-18	7.61600	45,000,000.00	4,975,000.00	40,025,000.00	0.00
Vet Land Bds Ser '93	01-01-93	12-01-23	6.50710	35,000,000.00	5,715,000.00	29,285,000.00	0.00
Vet Land Bds Ser '94	04-15-94	12-01-24	6.31070	41,350,000.00	16,595,000.00	24,755,000.00	0.00
Vet Land Tax Bds Ser '95	03-15-95	12-01-26	8.17990	25,000,000.00	2,205,000.00	22,795,000.00	0.00
Vet Land Tax Bds Ser '96	01-01-96	12-01-27	6.91376	35,000,000.00	3,970,000.00	31,030,000.00	0.00
Vet Land Bds Ser '96	02-01-96	12-01-26	5.35913	39,639,000.00	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	36,325,000.00		3,700,000.00
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	6,785,000.00		13,215,000.00
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	19,725,000.00		29,375,000.00
Vet Land Tax Ref Ser 2014C-3	07-01-14	12-01-33	Floating	70,965,000.00	11,845,000.00		59,120,000.00
Vet Land Tax Ref Ser 2014C-4	07-01-14	12-01-33	Floating	113,910,000.00	30,530,000.00		83,380,000.00
<b>Total, Veterans' Land Bonds</b>				<b>3,152,538,000.00</b>	<b>1,169,405,000.00</b>	<b>1,794,343,000.00</b>	<b>188,790,000.00</b>
<b>Total, General Obligation Bonds - Self-Supporting</b>				<b>9,643,354,448.51</b>	<b>2,687,505,000.00</b>	<b>3,991,748,000.00</b>	<b>2,964,101,448.51</b>
<b>Revenue Bonds - Self-Supporting</b>							
<i>Veterans Homes Revenue Bonds</i>							
Vet Home Rev Bds Ser 2000	03-28-00	11-15-32	7.15000	20,000,000.00	20,000,000.00		0.00
Vet Home Rev Ref Bds Ser 2002	05-09-02	08-01-35	6.25000	24,280,000.00	2,485,000.00	21,795,000.00	0.00
<b>Total, Veterans' Homes Revenue Bonds</b>				<b>44,280,000.00</b>	<b>22,485,000.00</b>	<b>21,795,000.00</b>	<b>0.00</b>
<i>Veterans Mortgage Revenue Bonds</i>							
Vet Mort Rev Tax Bds Ser 2000A	03-25-00	12-25-32	8.19000	100,000,000.00	10,757,485.00	89,242,515.00	0.00
Vet Mort Rev Tax Ref Bds Ser 2001B	07-11-01	08-01-04	Floating	160,092,515.00	160,092,515.00		0.00
<b>Total, Veterans' Mortgage Revenue Bonds</b>				<b>260,092,515.00</b>	<b>170,850,000.00</b>	<b>89,242,515.00</b>	<b>0.00</b>
<b>Total, Revenue Bonds - Self-Supporting</b>				<b>304,372,515.00</b>	<b>193,335,000.00</b>	<b>111,037,515.00</b>	<b>0.00</b>
<b>Total, All Bonds</b>				<b>9,947,726,963.51</b>	<b>2,880,840,000.00</b>	<b>4,102,785,515.00</b>	<b>2,964,101,448.51</b>

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<sup>(1)</sup> Includes unamortized bond issuance premiums.

UNAUDITED  
*Texas General Land Office and Veterans' Land Board*

**SCHEDULE 2-G (concluded)**

*DATA ON BOND ISSUES - BY SERIES*

Period from October 1, 1949 through August 31, 2018

***BUSINESS-TYPE ACTIVITIES***

		\$	
Note:	Veterans' Housing Assistance Bonds maturing within one year	168,999,810.16	
	Veterans' Land Bonds maturing within one year	<u>23,100,000.00</u>	
	Subtotal	<u>192,099,810.16</u>	
	Veterans' Housing Assistance Bonds maturing subsequent to one year	2,606,311,638.35	
	Veterans' Land Bonds maturing subsequent to one year	<u>165,690,000.00</u>	
	Subtotal	<u>2,772,001,638.35</u>	
	Total (Exh. III)	<u><u>2,964,101,448.51</u></u>	

UNAUDITED

**SCHEDULE 3**

DETAIL OF ADDITIONS AND DEDUCTIONS

AGENCY FUNDS

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	UNAPPROPRIATED		OTHER AGENCY FUNDS		TOTALS	
	RECEIPTS				(Memorandum Only)	
	GENERAL REVENUE	CHILD SUPPORT	PURCH/LEASE			
	FUND (0001)	ADDENDA DEDUCTS	LAND VAC TRUST			
U/F (0111)	SUSPENSE (0807)	ACCOUNT (0873)				
	U/F (0111)	U/F (8070)	U/F (0873)		2018	2017
	\$	\$	\$	\$		\$
<b>BALANCES, September 1, 2017</b>	0.00	6,451.37	22,087.75		28,539.12	75,226.45
<b>ADDITIONS</b>						
Royalty and Rental Collections	(13,327,872.85)				(13,327,872.85)	6,589,391.94
Taxes	368.34				368.34	394.35
Interest and Investment Income			214.42		214.42	222.95
Outer Continental Shelf Settlement Receipts	1,476,893.50				1,476,893.50	33,262.81
Land Vacancy Applications			(1,560.00)		(1,560.00)	11,560.00
Payroll Deductions		87,808.52			87,808.52	91,416.58
<b>TOTAL ADDITIONS</b>	<b>(11,850,611.01)</b>	<b>87,808.52</b>	<b>(1,345.58)</b>		<b>(11,764,148.07)</b>	<b>6,726,248.63</b>
<b>DEDUCTIONS</b>						
Child Support Payments		86,580.93			86,580.93	91,938.21
Land Vacancy Expenses			10,691.28		10,691.28	6,783.76
Transfers to Treasury	(11,850,611.01)				(11,850,611.01)	6,674,213.99
<b>TOTAL DEDUCTIONS</b>	<b>(11,850,611.01)</b>	<b>86,580.93</b>	<b>10,691.28</b>		<b>(11,753,338.80)</b>	<b>6,772,935.96</b>
<b>BALANCES, August 31, 2018 (EXH. E-1)</b>	<b>0.00</b>	<b>7,678.96</b>	<b>10,050.89</b>		<b>17,729.85</b>	<b>28,539.12</b>

UNAUDITED  
Texas General Land Office and Veterans' Land Board

**SCHEDULE 4**

SUMMARY OF TEXAS GENERAL LAND OFFICE

DEPOSITS TO OTHER AGENCIES AND COUNTIES - BY FUND AND AGENCY/COUNTY

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	TOTALS	
	2018	2017
GENERAL REVENUE FUND (FUND 0001/AGENCY 644)	\$	\$
Receipts from Mineral Sources:		
Oil Royalty	18,150.73	22,768.70
Gas Royalty	15,961.21	14,590.58
Mineral Lease Bonus	0.00	(10,230.00)
Mineral Lease Rental	0.00	(2,800.00)
<b>TOTAL AGENCY 644</b>	<b>34,111.94</b>	<b>24,329.28</b>
GENERAL REVENUE FUND (FUND 0001/AGENCY 696)		
Receipts from Mineral Sources:		
Oil Royalty	3,496,508.02	3,033,183.73
Gas Royalty	2,096,801.06	2,269,362.70
Mineral Lease Bonus	0.00	24,765.81
Mineral Lease Rental	87,615.84	93,619.58
<b>TOTAL AGENCY 696</b>	<b>5,680,924.92</b>	<b>5,420,931.82</b>
GENERAL REVENUE FUND (FUND 0001/AGENCY 808)		
Receipts from Mineral Sources:		
Oil Royalty	89,967.14	72,339.75
Gas Royalty	43,838.48	45,118.86
<b>TOTAL AGENCY 808</b>	<b>133,805.62</b>	<b>117,458.61</b>
GENERAL REVENUE FUND (FUND 0001/AGENCY 902)		
Receipts from Mineral Sources:		
Oil Royalty	(11,059,429.22) <sup>(1)</sup>	4,372,462.89
Gas Royalty	(2,268,443.63) <sup>(1)</sup>	2,124,580.74
Mineral Lease Bonus	0.00	115,970.35
Shut-In Mineral Royalty	0.00	27,172.00
Outer Continental Shelf Judgment	1,476,893.50	33,546.72
Hard Mineral Bonus & Rental	0.00	13,748.60
Receipts from Misc. Interest and Other Collections:		
State of Texas Sales Tax	368.34	481.29
<b>TOTAL AGENCY 902</b>	<b>(11,850,611.01)</b>	<b>6,687,962.59</b>
<b>TOTAL GENERAL REVENUE FUND</b>	<b>(6,001,768.53)</b>	<b>12,250,682.30</b>
SPECIALTY LICENSE PLATES FUND (FUND 0802/AGENCY 305/608)		
Receipts from Specialty License Plates:		
Specialty License Plates	23,162.52	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	437.15	0.00
<b>TOTAL SPECIALTY LICENSE PLATES FUND</b>	<b>23,599.67</b>	<b>0.00</b>
STATE HIGHWAY FUND (FUND 0006/AGENCY 601)		
Receipts from Mineral Sources:		
Oil Royalty	10,434,677.31	6,989,678.83
Gas Royalty	4,932,762.86	3,335,203.34
Mineral Lease Bonus	1,040,682.40	(214,320.30)
Mineral Lease Rental	(5,580.00)	(3,100.18)
Hard Mineral Royalty	693.35	403.55
Shut-In Mineral Royalty	10.65	295.65
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	4,664.00	45,936.00
Receipts from Misc. Interest and Other Collections:		
Interest	220.46	0.00
<b>TOTAL STATE HIGHWAY FUND</b>	<b>16,408,131.03</b>	<b>10,154,096.89</b>

<sup>(1)</sup> Revenue corrections associated with leases of the state's oil and natural gas mineral interests from land under county roads previously recorded to Fund 0001/Agency 902 were made during fiscal 2018.

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**SCHEDULE 4 (continued)**

	TOTALS	
	2018	2017
PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305)		
Receipts from Mineral Sources:		
Oil Royalty	481,370,142.64	306,991,086.82
Gas Royalty	240,398,314.13	162,393,206.76
Oil & Gas Lease Bonus	122,858,129.38	397,062,119.30
Oil & Gas Lease Rental	14,512,802.75	34,149,147.37
Mining Lease Royalty	946,717.85	889,155.27
Mining Lease Rental and Bonus	406,185.46	73,557.45
Shut-In Mineral Royalty	481,735.12	201,322.51
Water Royalties	229,317.93	0.00
Talc Royalty	0.00	38,329.20
Prospect Permits	7,773.85	17,480.50
Outer Continental Shelf Judgment	2,953,786.99	67,093.46
Miscellaneous Rentals, Royalty, and Easements	2,308,601.15	2,369,898.71
Receipts from Real Asset Investments:		
Internal Investment Receipts - Return of Capital	8,726,745.93	42,230,338.06
Internal Investment Receipts - Capital Gains	13,620,323.13	6,502,427.94
Internal Investment Receipts - Note Principal	13,494.63	14,442.23
Internal Investment Receipts - Note Interest	8,999.73	11,801.19
Internal Investment Receipts - Misc.	8,661,739.19	6,837,965.47
External Investment Receipts - Return of Capital	312,743,786.27	485,126,115.05
External Investment Receipts - Capital Gains	183,828,314.84	317,278,370.65
External Investment Receipts - Dividend	9,649.36	7,237.02
External Investment Receipts - Misc.	83,210,969.58	85,341,670.72
Receipts from State Energy Marketing Program:		
SEMP Receipts for Third Party Purchases	69,612,177.16	104,499,116.71
State Power Program	4,520,793.43	4,339,766.87
Receipts from Surface Rentals, Easements, and Damages:		
Surface Damage Fees	11,854,895.01	7,845,772.40
Surface Lease Rental	4,486,669.64	2,934,707.64
Coastal Private S-T Lease Rental	373,096.12	388,549.57
Coastal Public S-T Lease Rental	1,244.65	0.00
Coastal Commercial	1,411,781.96	1,538,098.07
Coastal Miscellaneous Easements	1,543,278.73	2,818,841.72
Land Easement Rental, Riverbeds	376,433.85	255,589.95
Wind Lease Bonus	0.00	0.00
Wind Lease Royalties	0.00	
Rental of Land - Escrow Consideration	25,200.00	50.00
Receipts from Surface Rentals, Easements, and Damages (continued):		
Solar Surface Lease Rental or Bonus	13,390.00	16,460.00
Uplands Commercial	2,092,667.93	2,010,584.96
Uplands Miscellaneous Easements	2,434,921.60	3,336,910.11
Receipts from Misc. Interest and Other Collections:		
Interest	61,998,967.17	31,555,982.07
Miscellaneous	43,544,703.36	1,086,856.49
Land Office Administrative Fees	487,508.14	2,512,746.44
<b>TOTAL AGENCY 305</b>	<b>1,682,075,258.66</b>	<b>2,012,742,798.68</b>
<b>TOTAL PERMANENT SCHOOL FUND</b>	<b>1,682,075,258.66</b>	<b>2,012,742,798.68</b>
STATE PARKS FUND (FUND 0064/AGENCY 802)		
Receipts from Mineral Sources:		
Oil Royalty	278,648.59	318,946.86
Gas Royalty	960,408.14	1,205,552.71
Shut-In Mineral Royalty	0.00	1,396.02
<b>TOTAL STATE PARKS FUND</b>	<b>1,239,056.73</b>	<b>1,525,895.59</b>

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**SCHEDULE 4 (continued)**

SUMMARY OF TEXAS GENERAL LAND OFFICE

DEPOSITS TO OTHER AGENCIES AND COUNTIES - BY FUND AND AGENCY/COUNTY

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	TOTALS	
	2018	2017
<b>MIDWESTERN UNIVERSITY MINERAL FUND (FUND 0412/AGENCY 735)</b>		
Receipts from Mineral Sources:		
Oil Royalty	2,034.98	5,057.07
<b>TOTAL MIDWESTERN UNIVERSITY MINERAL FUND</b>	<b>2,034.98</b>	<b>5,057.07</b>
<b>CAPITAL TRUST FUND (FUND 0543/AGENCY 537)</b>		
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	49,590.00	73,357.66
<b>TOTAL AGENCY 537</b>	<b>49,590.00</b>	<b>73,357.66</b>
<b>CAPITAL TRUST FUND (FUND 0543/AGENCY 529)</b>		
Receipts from Mineral Sources:		
Oil Royalty	935,419.51	896,220.24
Gas Royalty	207,350.93	237,895.92
Mineral Lease Bonus	650,844.46	0.00
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	20,700.00	53,247.00
Receipts from Real Asset Investments:		
Land Sales	0.00	7,380,574.00
<b>TOTAL AGENCY 529</b>	<b>1,814,314.90</b>	<b>8,567,937.16</b>
<b>CAPITAL TRUST FUND (FUND 0543/AGENCY 696)</b>		
Receipts from Real Asset Investments:		
Land Sales	1,504,785.50	0.00
<b>TOTAL AGENCY 696</b>	<b>1,504,785.50</b>	<b>0.00</b>
<b>TOTAL CAPITAL TRUST FUND</b>	<b>3,368,690.40</b>	<b>8,641,294.82</b>
<b>OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 710)</b>		
Receipts from Mineral Sources:		
Oil Royalty	4,897,470.03	2,556,976.85
Gas Royalty	1,187,290.22	969,386.56
<b>TOTAL AGENCY 710</b>	<b>6,084,760.25</b>	<b>3,526,363.41</b>
<b>OTHER AGENCY LOCAL FUND ROYALTIES FUND (FUND 0903/AGENCY 733)</b>		
Receipts from Mineral Sources:		
Oil Royalty	33,619.24	23,933.35
<b>TOTAL AGENCY 733</b>	<b>33,619.24</b>	<b>23,933.35</b>
<b>TOTAL OTHER AGENCY LOCAL FUND ROYALTIES FUND</b>	<b>6,118,379.49</b>	<b>3,550,296.76</b>
<b>GAME, FISH, AND WATER SAFETY FUND (FUND 0930/AGENCY 802)</b>		
Receipts from Mineral Sources:		
Oil Royalty	207,818.20	183,917.98
Gas Royalty	84,045.07	1,019,807.49
Mineral Lease Bonus	0.00	25,355.92
Mineral Lease Rental	2,732.18	2,732.18
Receipts from Misc. Interest and Other Collections:		
Interest	0.00	79,111.98
<b>TOTAL GAME, FISH, AND WATER SAFETY FUND</b>	<b>294,595.45</b>	<b>1,310,925.55</b>

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**SCHEDULE 4 (continued)**

	TOTALS	
	2018	2017
<b>WORKFORCE COMMISSION FEDERAL FUND (FUND 5026/AGENCY 320)</b>		
Receipts from Mineral Sources:		
Oil Royalty	111.94	101.73
Gas Royalty	90.57	50.75
Mineral Lease Bonus	0.00	6,580.50
Receipts from Sales of Real Property:		
Other Sale of Real Property	173,030.50	0.00
<b>TOTAL WORKFORCE COMMISSION FEDERAL FUND</b>	<b>173,233.01</b>	<b>6,732.98</b>
<b>ATASCOSA COUNTY RIGHT-OF-WAY FUND (FUND 7002)</b>		
Receipts from Mineral Sources:		
Oil Royalty	7,584.13	0.00
Gas Royalty	906.18	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	67.99	0.00
<b>TOTAL ATASCOSA COUNTY</b>	<b>8,558.30</b>	<b>0.00</b>
<b>AUSTIN COUNTY RIGHT-OF-WAY FUND (FUND 7003)</b>		
Receipts from Mineral Sources:		
Gas Royalty	138.41	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	0.11	0.00
<b>TOTAL AUSTIN COUNTY</b>	<b>138.52</b>	<b>0.00</b>
<b>BRAZOS COUNTY RIGHT-OF-WAY FUND (FUND 7005)</b>		
Receipts from Mineral Sources:		
Oil Royalty	48,649.24	0.00
Gas Royalty	3,606.36	0.00
Mineral Lease Bonus	1,644.70	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	212.12	0.00
<b>TOTAL BRAZOS COUNTY</b>	<b>54,112.42</b>	<b>0.00</b>
<b>BURLESON COUNTY RIGHT-OF-WAY FUND (FUND 7007)</b>		
Receipts from Mineral Sources:		
Oil Royalty	14,004.11	0.00
Gas Royalty	562.92	0.00
Mineral Lease Bonus	569.50	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	60.29	0.00
<b>TOTAL BURLESON COUNTY</b>	<b>15,196.82</b>	<b>0.00</b>
<b>CHEROKEE COUNTY RIGHT-OF-WAY FUND (FUND 7008)</b>		
Receipts from Mineral Sources:		
Oil Royalty	2,437.19	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	9.69	0.00
<b>TOTAL CHEROKEE COUNTY</b>	<b>2,446.88</b>	<b>0.00</b>
<b>COLORADO COUNTY RIGHT-OF-WAY FUND (FUND 7009)</b>		
Receipts from Mineral Sources:		
Oil Royalty	765.46	0.00
Gas Royalty	2,029.49	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	9.52	0.00
<b>TOTAL COLORADO COUNTY</b>	<b>2,804.47</b>	<b>0.00</b>

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**SCHEDULE 4 (continued)**

SUMMARY OF TEXAS GENERAL LAND OFFICE

DEPOSITS TO OTHER AGENCIES AND COUNTIES - BY FUND AND AGENCY/COUNTY

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	TOTALS	
	2018	2017
DALLAS COUNTY RIGHT-OF-WAY FUND (FUND 7012)		
Receipts from Mineral Sources:		
Gas Royalty	1,668.98	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	6.20	0.00
<b>TOTAL DALLAS COUNTY</b>	<b>1,675.18</b>	<b>0.00</b>
DENTON COUNTY RIGHT-OF-WAY FUND (FUND 7013)		
Receipts from Mineral Sources:		
Gas Royalty	35,694.95	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	150.46	0.00
<b>TOTAL DENTON COUNTY</b>	<b>35,845.41</b>	<b>0.00</b>
DEWITT COUNTY RIGHT-OF-WAY FUND (FUND 7014)		
Receipts from Mineral Sources:		
Oil Royalty	1,627,198.94	0.00
Gas Royalty	477,628.26	0.00
Shut-In Mineral Royalty	2,400.00	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	9,624.59	0.00
<b>TOTAL DEWITT COUNTY</b>	<b>2,116,851.79</b>	<b>0.00</b>
DIMMIT COUNTY RIGHT-OF-WAY FUND (FUND 7015)		
Receipts from Mineral Sources:		
Oil Royalty	5,560.66	0.00
Gas Royalty	1,481.99	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	34.35	0.00
<b>TOTAL DIMMIT COUNTY</b>	<b>7,077.00</b>	<b>0.00</b>
FAYETTE COUNTY RIGHT-OF-WAY FUND (FUND 7016)		
Receipts from Mineral Sources:		
Oil Royalty	592.27	0.00
Gas Royalty	1,026.60	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	8.18	0.00
<b>TOTAL FAYETTE COUNTY</b>	<b>1,627.05</b>	<b>0.00</b>
FORT BEND COUNTY RIGHT-OF-WAY FUND (FUND 7017)		
Receipts from Mineral Sources:		
Gas Royalty	3.00	0.00
<b>TOTAL FORT BEND COUNTY</b>	<b>3.00</b>	<b>0.00</b>
FREESTONE COUNTY RIGHT-OF-WAY FUND (FUND 7018)		
Receipts from Mineral Sources:		
Gas Royalty	625.34	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	2.34	0.00
<b>TOTAL FREESTONE COUNTY</b>	<b>627.68</b>	<b>0.00</b>

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**SCHEDULE 4 (continued)**

	TOTALS	
	2018	2017
FRIO COUNTY RIGHT-OF-WAY FUND (FUND 7019)		
Receipts from Mineral Sources:		
Oil Royalty	43,113.41	0.00
Gas Royalty	5,059.93	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	227.58	0.00
<b>TOTAL FRIO COUNTY</b>	<b>48,400.92</b>	<b>0.00</b>
GONZALES COUNTY RIGHT-OF-WAY FUND (FUND 7021)		
Receipts from Mineral Sources:		
Oil Royalty	147,844.03	0.00
Gas Royalty	18,138.59	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	2,740.08	0.00
<b>TOTAL GONZALES COUNTY</b>	<b>168,722.70</b>	<b>0.00</b>
GRIMES COUNTY RIGHT-OF-WAY FUND (FUND 7023)		
Receipts from Mineral Sources:		
Oil Royalty	4.59	0.00
Gas Royalty	13.70	0.00
<b>TOTAL GRIMES COUNTY</b>	<b>18.29</b>	<b>0.00</b>
HARRIS COUNTY RIGHT-OF-WAY FUND (FUND 7024)		
Receipts from Mineral Sources:		
Oil Royalty	1,080.77	0.00
Gas Royalty	4,060.35	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	21.01	0.00
<b>TOTAL HARRIS COUNTY</b>	<b>5,162.13</b>	<b>0.00</b>
HOOD COUNTY RIGHT-OF-WAY FUND (FUND 7030)		
Receipts from Mineral Sources:		
Oil Royalty	94.62	0.00
Gas Royalty	1,520.32	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	6.58	0.00
<b>TOTAL HOOD COUNTY</b>	<b>1,621.52</b>	<b>0.00</b>
JACKSON COUNTY RIGHT-OF-WAY FUND (FUND 7031)		
Receipts from Mineral Sources:		
Oil Royalty	2,155.93	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	8.26	0.00
<b>TOTAL JACKSON COUNTY</b>	<b>2,164.19</b>	<b>0.00</b>
JEFFERSON COUNTY RIGHT-OF-WAY FUND (FUND 7032)		
Receipts from Mineral Sources:		
Oil Royalty	4.11	0.00
Gas Royalty	4.37	0.00
<b>TOTAL JEFFERSON COUNTY</b>	<b>8.48</b>	<b>0.00</b>
JOHNSON COUNTY RIGHT-OF-WAY FUND (FUND 7033)		
Receipts from Mineral Sources:		
Gas Royalty	36,409.91	0.00
Shut-In Mineral Royalty	50.00	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	169.89	0.00
<b>TOTAL JOHNSON COUNTY</b>	<b>36,629.80</b>	<b>0.00</b>

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**SCHEDULE 4 (continued)**

SUMMARY OF TEXAS GENERAL LAND OFFICE

DEPOSITS TO OTHER AGENCIES AND COUNTIES - BY FUND AND AGENCY/COUNTY

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	TOTALS	
	2018	2017
<b>KARNES COUNTY RIGHT-OF-WAY FUND (FUND 7034)</b>		
Receipts from Mineral Sources:		
Oil Royalty	1,124,265.07	0.00
Gas Royalty	279,834.29	0.00
Mineral Lease Bonus	3,173.75	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	7,207.99	0.00
<b>TOTAL KARNES COUNTY</b>	<b>1,414,481.10</b>	<b>0.00</b>
<b>LA SALLE COUNTY RIGHT-OF-WAY FUND (FUND 7035)</b>		
Receipts from Mineral Sources:		
Oil Royalty	74,713.69	0.00
Gas Royalty	9,514.84	0.00
Mineral Lease Bonus	39,690.00	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	463.41	0.00
<b>TOTAL LA SALLE COUNTY</b>	<b>124,381.94</b>	<b>0.00</b>
<b>LAVACA COUNTY RIGHT-OF-WAY FUND (FUND 7036)</b>		
Receipts from Mineral Sources:		
Oil Royalty	8,206.59	0.00
Gas Royalty	1,756.30	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	42.73	0.00
<b>TOTAL LAVACA COUNTY</b>	<b>10,005.62</b>	<b>0.00</b>
<b>LEE COUNTY RIGHT-OF-WAY FUND (FUND 7037)</b>		
Receipts from Mineral Sources:		
Oil Royalty	347.83	0.00
Gas Royalty	23.81	0.00
Mineral Lease Bonus	805.00	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	3.68	0.00
<b>TOTAL LEE COUNTY</b>	<b>1,180.32</b>	<b>0.00</b>
<b>LEON COUNTY RIGHT-OF-WAY FUND (FUND 7038)</b>		
Receipts from Mineral Sources:		
Gas Royalty	1,094.85	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	5.00	0.00
<b>TOTAL LEON COUNTY</b>	<b>1,099.85</b>	<b>0.00</b>
<b>LIBERTY COUNTY RIGHT-OF-WAY FUND (FUND 7039)</b>		
Receipts from Mineral Sources:		
Oil Royalty	126.85	0.00
Gas Royalty	285.09	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	1.84	0.00
<b>TOTAL LIBERTY COUNTY</b>	<b>413.78</b>	<b>0.00</b>
<b>LIVE OAK COUNTY RIGHT-OF-WAY FUND (FUND 7041)</b>		
Receipts from Mineral Sources:		
Oil Royalty	35,271.41	0.00
Gas Royalty	8,846.29	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	206.35	0.00
<b>TOTAL LIVE OAK COUNTY</b>	<b>44,324.05</b>	<b>0.00</b>

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**SCHEDULE 4 (continued)**

	TOTALS	
	2018	2017
<b>MATAGORDA COUNTY RIGHT-OF-WAY FUND (FUND 7044)</b>		
Receipts from Mineral Sources:		
Oil Royalty	623.09	0.00
Gas Royalty	1,552.84	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	9.53	0.00
<b>TOTAL MATAGORDA COUNTY</b>	<b>2,185.46</b>	<b>0.00</b>
<b>MCMULLEN COUNTY RIGHT-OF-WAY FUND (FUND 7045)</b>		
Receipts from Mineral Sources:		
Oil Royalty	27,384.53	0.00
Gas Royalty	4,895.08	0.00
Mineral Lease Bonus	3,765.75	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	139.33	0.00
<b>TOTAL MCMULLEN COUNTY</b>	<b>36,184.69</b>	<b>0.00</b>
<b>MIDLAND COUNTY RIGHT-OF-WAY FUND (FUND 7046)</b>		
Receipts from Mineral Sources:		
Oil Royalty	124,606.67	0.00
Gas Royalty	14,693.55	0.00
Mineral Lease Bonus	29,840.00	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	1,074.32	0.00
<b>TOTAL MIDLAND COUNTY</b>	<b>170,214.54</b>	<b>0.00</b>
<b>MILAM COUNTY RIGHT-OF-WAY FUND (FUND 7047)</b>		
Receipts from Mineral Sources:		
Oil Royalty	227.66	0.00
Gas Royalty	32.10	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	0.76	0.00
<b>TOTAL MILAM COUNTY</b>	<b>260.52</b>	<b>0.00</b>
<b>MONTAGUE COUNTY RIGHT-OF-WAY FUND (FUND 7048)</b>		
Receipts from Mineral Sources:		
Oil Royalty	926.80	0.00
Gas Royalty	5,010.13	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	33.35	0.00
<b>TOTAL MONTAGUE COUNTY</b>	<b>5,970.28</b>	<b>0.00</b>
<b>ORANGE COUNTY RIGHT-OF-WAY FUND (FUND 7050)</b>		
Receipts from Mineral Sources:		
Oil Royalty	446.76	0.00
Gas Royalty	145,135.71	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	643.52	0.00
<b>TOTAL ORANGE COUNTY</b>	<b>146,225.99</b>	<b>0.00</b>
<b>PARKER COUNTY RIGHT-OF-WAY FUND (FUND 7051)</b>		
Receipts from Mineral Sources:		
Oil Royalty	52.76	0.00
Gas Royalty	2,551.41	0.00
Shut-In Mineral Royalty	97.00	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	11.81	0.00
<b>TOTAL PARKER COUNTY</b>	<b>2,712.98</b>	<b>0.00</b>

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**SCHEDULE 4 (continued)**

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(With comparative memorandum totals for the year ended August 31, 2017)

	TOTALS	
	2018	2017
<b>REAGAN COUNTY RIGHT-OF-WAY FUND (FUND 7052)</b>		
Receipts from Mineral Sources:		
Oil Royalty	106.55	0.00
Gas Royalty	13.87	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	0.01	0.00
<b>TOTAL REAGAN COUNTY</b>	<b>120.43</b>	<b>0.00</b>
<b>ROBERTSON COUNTY RIGHT-OF-WAY FUND (FUND 7053)</b>		
Receipts from Mineral Sources:		
Oil Royalty	1,820.26	0.00
Gas Royalty	632.60	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	9.21	0.00
<b>TOTAL ROBERTSON COUNTY</b>	<b>2,462.07</b>	<b>0.00</b>
<b>RUSK COUNTY RIGHT-OF-WAY FUND (FUND 7054)</b>		
Receipts from Mineral Sources:		
Oil Royalty	441.33	0.00
Gas Royalty	780.93	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	5.08	0.00
<b>TOTAL RUSK COUNTY</b>	<b>1,227.34</b>	<b>0.00</b>
<b>SOMERVELL COUNTY RIGHT-OF-WAY FUND (FUND 7058)</b>		
Receipts from Mineral Sources:		
Oil Royalty	7.12	0.00
Gas Royalty	967.38	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	3.49	0.00
<b>TOTAL SOMERVELL COUNTY</b>	<b>977.99</b>	<b>0.00</b>
<b>TARRANT COUNTY RIGHT-OF-WAY FUND (FUND 7059)</b>		
Receipts from Mineral Sources:		
Gas Royalty	317,583.16	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	1,502.37	0.00
<b>TOTAL TARRANT COUNTY</b>	<b>319,085.53</b>	<b>0.00</b>
<b>TOM GREEN COUNTY RIGHT-OF-WAY FUND (FUND 7061)</b>		
Receipts from Mineral Sources:		
Oil Royalty	1,129.86	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	4.94	0.00
<b>TOTAL TOM GREEN COUNTY</b>	<b>1,134.80</b>	<b>0.00</b>
<b>WARD COUNTY RIGHT-OF-WAY FUND (FUND 7064)</b>		
Receipts from Mineral Sources:		
Oil Royalty	1,917.82	0.00
Gas Royalty	2,206.25	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	31.36	0.00
<b>TOTAL WARD COUNTY</b>	<b>4,155.43</b>	<b>0.00</b>

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**SCHEDULE 4 (continued)**

	TOTALS	
	2018	2017
WASHINGTON COUNTY RIGHT-OF-WAY FUND (FUND 7065)		
Receipts from Mineral Sources:		
Oil Royalty	4,780.59	0.00
Gas Royalty	13,025.04	0.00
Shut-In Mineral Royalty	300.00	0.00
Mineral Lease Bonus	2,578.90	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	117.00	0.00
<b>TOTAL WASHINGTON COUNTY</b>	<b>20,801.53</b>	<b>0.00</b>
WEBB COUNTY RIGHT-OF-WAY FUND (FUND 7066)		
Receipts from Mineral Sources:		
Gas Royalty	105.74	0.00
Mineral Lease Rental	3,200.00	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	23.16	0.00
<b>TOTAL WEBB COUNTY</b>	<b>3,328.90</b>	<b>0.00</b>
WHARTON COUNTY RIGHT-OF-WAY FUND (FUND 7067)		
Receipts from Mineral Sources:		
Oil Royalty	2.68	0.00
Gas Royalty	605.61	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	3.12	0.00
<b>TOTAL WHARTON COUNTY</b>	<b>611.41</b>	<b>0.00</b>
WHEELER COUNTY RIGHT-OF-WAY FUND (FUND 7068)		
Receipts from Mineral Sources:		
Oil Royalty	385.94	0.00
Gas Royalty	1,565.41	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	13.03	0.00
<b>TOTAL WHEELER COUNTY</b>	<b>1,964.38</b>	<b>0.00</b>
WILSON COUNTY RIGHT-OF-WAY FUND (FUND 7069)		
Receipts from Mineral Sources:		
Oil Royalty	17,312.07	0.00
Gas Royalty	31.14	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	58.20	0.00
<b>TOTAL WILSON COUNTY</b>	<b>17,401.41</b>	<b>0.00</b>
GOLIAD COUNTY RIGHT-OF-WAY FUND (FUND 7072)		
Receipts from Mineral Sources:		
Gas Royalty	65.78	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	0.01	0.00
<b>TOTAL GOLIAD COUNTY</b>	<b>65.79</b>	<b>0.00</b>
RED RIVER COUNTY RIGHT-OF-WAY FUND (FUND 7073)		
Receipts from Mineral Sources:		
Oil Royalty	172.56	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	0.04	0.00
<b>TOTAL RED RIVER COUNTY</b>	<b>172.60</b>	<b>0.00</b>

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**SCHEDULE 4 (concluded)**

SUMMARY OF TEXAS GENERAL LAND OFFICE

DEPOSITS TO OTHER AGENCIES AND COUNTIES - BY FUND AND AGENCY/COUNTY

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	TOTALS	
	2018	2017
REEVES COUNTY RIGHT-OF-WAY FUND (FUND 7074)		
Receipts from Mineral Sources:		
Oil Royalty	8,356.72	0.00
Gas Royalty	3,891.62	0.00
Mineral Lease Bonus	5,880.00	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	92.30	0.00
TOTAL REEVES COUNTY	<u>18,220.64</u>	<u>0.00</u>
SABINE COUNTY RIGHT-OF-WAY FUND (FUND 7075)		
Receipts from Mineral Sources:		
Gas Royalty	12.64	0.00
TOTAL SABINE COUNTY	<u>12.64</u>	<u>0.00</u>
<b>TOTAL COUNTY RIGHT-OF-WAY FUNDS*</b>	<u>4,861,076.56</u>	<u>0.00</u>
<b>TOTAL, ALL FUNDS (Schedule 5)</b>	<u>1,708,562,287.45</u>	<u>2,050,187,780.64</u>

\* HB2521, 84th Legislature, Regular Session amended Chapter 32 of the Natural Resources Code to deposit payments received from leases of the state's oil and natural gas mineral interests from land under county roads to the new state county road oil and gas fund. The General Land Office deposits lease payments to this fund and the Comptroller makes disbursements to the counties twice per fiscal year. This bill became effective fiscal 2018.

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

For the Year Ended August 31, 2018

(With comparative memorandum totals for the year ended August 31, 2017)

	TOTALS	
	2018	2017
RECEIPTS FROM MINERAL SOURCES	\$	\$
Oil Royalty	494,039,861.78	325,466,674.80
Gas Royalty	249,065,712.15	173,614,756.41
Mineral Lease Bonus	124,637,603.84	397,010,241.58
Mineral Lease Rental	14,600,770.77	34,239,598.95
Mining Lease Royalty	946,717.85	889,155.27
Mining Lease Rental and Bonus	406,185.46	73,557.45
Water Royalties	229,317.93	0.00
Talc Royalty	0.00	38,329.20
Hard Mineral Royalty	693.35	14,152.15
Shut-In Mineral Royalty	484,592.77	230,186.18
Prospect Permits	7,773.85	17,480.50
Outer Continental Shelf Judgment	4,430,680.49	100,640.18
Miscellaneous Rentals, Royalty, and Easements	2,308,601.15	2,369,898.71
<b>TOTAL RECEIPTS FROM MINERAL SOURCES</b>	<b>891,158,511.39</b>	<b>934,064,671.38</b>
RECEIPTS FROM REAL ASSET INVESTMENTS		
Internal Investment Receipts	31,031,302.61	55,596,974.89
External Investment Receipts	579,792,720.05	887,753,393.44
Other Land Sales	1,504,785.50	7,380,574.00
Sale of Building	173,030.50	0.00
<b>TOTAL RECEIPTS FROM REAL ASSET INVESTMENTS</b>	<b>612,501,838.66</b>	<b>950,730,942.33</b>
RECEIPTS FROM STATE ENERGY MARKETING PROGRAM		
SEMP Receipts for Third Party Purchases	69,612,177.16	104,499,116.71
State Power Program	4,520,793.43	4,339,766.87
<b>TOTAL RECEIPTS FROM STATE ENERGY MARKETING PROGRAM</b>	<b>74,132,970.59</b>	<b>108,838,883.58</b>
RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES		
Surface Damage Fees	11,854,895.01	7,845,772.40
Uplands Commercial	2,092,667.93	2,010,584.96
Coastal Commercial	1,411,781.96	1,538,098.07
Coastal S-T Lease Rental	374,340.77	388,549.57
Easements	3,978,200.33	6,155,751.83
Surface Lease Rental	4,486,669.64	2,934,707.64
Rental of Land	476,587.85	428,180.61
Solar Surface Lease Rental or Bonus	13,390.00	16,460.00
<b>TOTAL RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES</b>	<b>24,688,533.49</b>	<b>21,318,105.08</b>
RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS		
Interest	62,024,690.96	31,635,094.05
State of Texas Sales Tax	368.34	481.29
Land Office Administrative Fees	487,508.14	2,512,746.44
Miscellaneous	43,544,703.36	1,086,856.49
<b>TOTAL RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS</b>	<b>106,080,433.32</b>	<b>35,235,178.27</b>
<b>TOTAL, ALL SOURCES (Schedule 4)</b>	<b>1,708,562,287.45</b>	<b>2,050,187,780.64</b>

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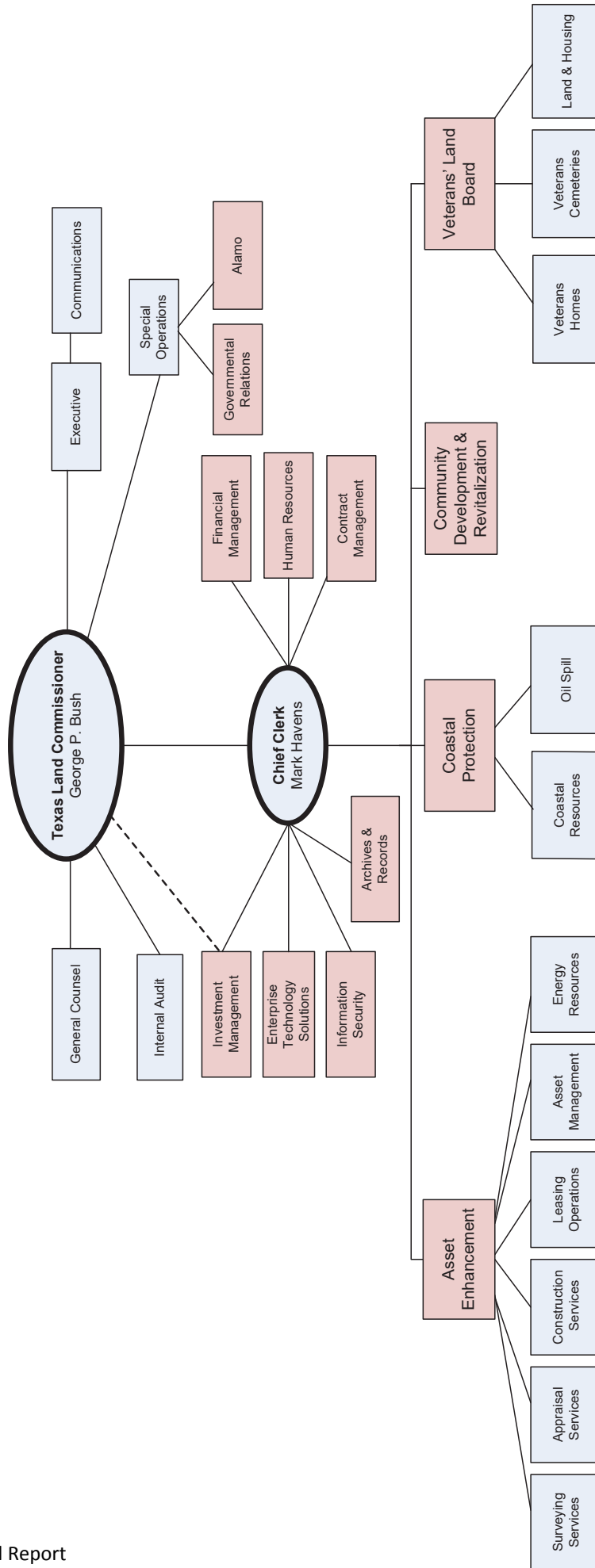


# ADDENDUM

UNAUDITED ANNUAL FINANCIAL REPORT  
AUGUST 31, 2018



# 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	407,823.900
Lakes	67,934.330
Islands	18,051.840
Relinquishment Act Land (mineral interest)	6,321,803.030
Free Royalty Land	818,511.530
Surface Sold and All or Part Minerals Reserved	400,019.480
Surface Only Acquired	108,979.130
Surface Acquired and All or Part Minerals Acquired	145,833.410
Escheated Lands	75.770
Court Judgments	54,083.900
Gifts	19.730
Undivided Interest	172.020
State Real Property Inventory	1,218,406.644
Permanent University Fund	2,109,190.870
Excess (estimated)	1,747,600.000
Veterans' Land Board (land contracts)	147,125.020
<b>Total (estimated)</b>	<b>18,478,643.234</b>

Trust duties include administering state land sales and leases, issuing land patents and settling vacancy questions, protecting state land from uncompensated or unlawful use, ensuring that the conditions of mining claims, gas and oil leases, commercial and grazing surface leases, pipeline easements, and various other permits are fulfilled, and providing the public with information on the state's land resources.

The 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. Commissioner Bush was re-elected in the November 2018 General Election for a second four-year term extending through December 31, 2022.

## 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. 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 2018. Expenses related to citizen members are paid from legislative appropriations granted to the Texas General Land Office. The citizen members serving at August 31, 2018 were:

Member	City	Term Expires
Gilbert Burciaga	Austin	08/29/2019
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 fiscal 2018 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, 2018 were:

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

**Mineral Lease Sales  
Fiscal Year 2018**

Lease Sale Date <sup>(1)</sup>	Number of Leases Awarded	Total Acres Leased	Total of High Bids Accepted	Average Bonus per Acre
<b>School Land Board</b>				
<b>Surveyed School Land</b>				
<i>Oil and Gas</i>			\$	\$
April 3, 2018	50	10,734.62	22,475,749.31	2,093.76
<b>Total</b>	<b>50</b>	<b>10,734.62</b>	<b>22,475,749.31</b>	<b>2,093.76</b>
<b>Special Boards for Lease</b>				
<b>Texas Department of Aging &amp; Disability Service</b>				
<i>Oil and Gas</i>				
April 3, 2018	1	40.39	650,844.46	16,114.00
<b>Total</b>	<b>1</b>	<b>40.39</b>	<b>650,844.46</b>	<b>16,114.00</b>

<sup>(1)</sup> No lease sales were held in October 2017, January 2018, or July 2018

**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, 2018 were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Ralph H. Duggins	Fort Worth	02/01/2019
<i>Chairman, Texas Parks and Wildlife Commission</i>		
Clifton E. "Cliff" Bickerstaff	Amarillo	09/01/2019

**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, 2018 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 2018.

The citizen members serving on this board at August 31, 2018 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 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.

**COASTAL COORDINATION ADVISORY COMMITTEE**

The 82<sup>nd</sup> 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, 2018 were:

<u>Member</u>	<u>Term Expires</u>
Judge Jeff Branick <i>Local Elected Official Appointee</i>	2023 <sup>(1)</sup>
Brad Lomax <i>Local Business Appointee</i>	2023 <sup>(1)</sup>
Vacant <i>Local Resident Appointee</i>	
Mark Steinbach <i>Local Agricultural Grantee</i>	2023
Brian Koch <i>Texas State Soil and Water Conservation Board</i>	2023
Leslie Savage <i>Railroad Commission of Texas</i>	2023
Carla Guthrie <i>Texas Water Development Board</i>	2023
Pamela Plotkin <i>Texas Sea Grant College Program</i>	2023
Ross Melinchuk <i>Texas Parks and Wildlife Commission</i>	2023
Jodi Bechtel <i>Texas Transportation Commission</i>	2023
Stephen Tatum <i>Texas Commission on Environmental Quality</i>	2023

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

**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.

**TEXAS STATE VETERANS CEMETERY COMMITTEE**

Established in 1991 by the 72<sup>nd</sup> 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, 2018 were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Eliseo (Al) Cantu	Corpus Christi	12/31/2019
Andrew J. Cobos	Houston	12/31/2018
Grant Austin Moody	San Antonio	12/31/2020

**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 85<sup>th</sup> Regular Session in 2017. GLO contracted with Alamo Trust, Inc. 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 TEKS 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 Witte Museum in San Antonio, the George H. W. Bush Presidential Library and Museum in College Station and the Bob Bullock Texas State History Museum in Austin, curated three temporary map exhibits. *Connection Texas: Three Centuries of Trails, Rails and Roads*, 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: From Frontier to the Lone Star State* Appeared at the Bush Presidential Library and Museum and *Mapping Texas: Collections* from the General Land Office appeared at the Bullock Museum, and featured Texas railroad maps.

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 16<sup>th</sup> 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 4124 reports on properties having a total market value of over \$758 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 2018, the General Land Office received over \$130 million in oil and gas lease bonus revenue for the PSF. Over \$12 million in delay rentals were also deposited in fiscal 2018. 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 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, as well as the Wolfcamp and Bone Spring, is currently being developed in Southern Reeves County in the Alpine High.

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 2018, Layne Water Midstream leased PSF property in West Texas and drilled supply wells for hydraulic fracturing.

## LEASING OPERATIONS

The Leasing Operation Division has responsibility for approximately 663,000 acres of Permanent School Fund land

located throughout 1540 counties in Texas. The division has two areas of emphasis consisting of surface leasing and inspection and right-of-way easements. Efforts in support of these areas are carried out by eleven staff members in the Austin office and in a field office located in Alpine, Texas.

Staff members issues surface leases for grazing, hunting, crop production, recreation, timber management, and some commercial purposes. Currently there are 277 active upland surface leases and 73 Special Documents authorizing a variety of uses on approximately 613,000 acres of Permanent School Fund land. The Surface Management Team completed 252 inspections in fiscal 2018.

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 maintains a land leasing and inspection process which protects the state's land interests, 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 3956 active easements on submerged and upland state-owned lands.

This division also leases PSF lands which generate revenue to the state through annual per-acre rental payments from wind and solar renewable energy projects. If the project is developed, the PSF will collect 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 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 2007 and fiscal 2008. As administrator 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 \$24,823,673.28.

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 76<sup>th</sup> 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 \$189.5 million for the CEPRA program through fiscal 2018. 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 22<sup>nd</sup> 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 82<sup>nd</sup> 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 523,000 volunteers have removed 9,590 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 2018, managed over 7,543 coastal instruments. The Upper Coast Field Office is in La Porte, Texas, and is geographically responsible for all activities

north of the Colorado River. The Lower Coast Field Office is 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 1,167 inspections in fiscal 2018 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 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-(OSPR), 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.

### **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 563 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 3,600 company accounts representing over 27,300 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, 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 84,000 gallons of contaminated water were cleaned in fiscal 2018.

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 documents, determines ownership and removes derelict vessels for salvage and destruction as funding resources are available. Since 2005, the DVR program has documented 1413 derelict vessels coast-wide and assisted with removal of 1202 vessels. Although the number fluctuates as vessels are added and removed, currently, 203 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 477 boats totaling 7995 linear feet. Based on an estimated removal cost of \$250 per linear foot, eleven GLO-sponsored VTIP events have saved taxpayers more than 2 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.

### *Community Development and Revitalization*

The General Land Office Community Development and Revitalization (GLO-CDR) program operates both short and long-term disaster recovery programs directly and serves as a pass-through to local governmental entities to rebuild and restore Texas communities impacted by disasters. This effort includes drafting plans and providing funds for housing (single and multi-family, down-payment assistance, buyouts and homeowner reimbursement) and infrastructure (drainage activities, roads, bridges, and other public facilities) as well as long-term planning and economic development. Current examples of CDR's work are the \$503 million Hurricane Rita HUD Community Development Block Grant-Disaster Recovery (CDBG-DR) program which is now closed, the \$3.1 billion Hurricanes Dolly and Ike CDBG-DR grant, the \$36 million 2011 CDBG-DR Wildfire grant, and \$313.4 million in recovery funding for 2015 and 2016 flooding statewide.

Since Hurricane Harvey made land fall in August 2017, the GLO-CDR program has been working with FEMA on a short-term housing mission to place impacted citizens in temporary and partial housing solutions while also working with HUD to secure over \$10 billion for Hurricane Harvey long-term recovery. GLO-CDR, in conjunction with HUD, routinely participates in multi-state forums to exchange ideas and lessons learned to facilitate more efficient and economical responses nationwide. The program's focus will continue to be development of long-term initiatives and capacity that mitigate impacted areas for a stronger Texas in advance of the next natural disaster we will face. The GLO-CDR program consists of four divisions: Operations, Monitoring and Quality Assurance, Integration, and FEMA Recovery.

The Operations division is comprised of three departments: Regulatory Oversight, Infrastructure and Economic Development, and Housing. This division manages the business operations of the program and serves as the liaison for public, governmental, and internal customers. This includes the creation of all program reports for the GLO Commissioner, GLO executives, the Governor's office, legislators and other external parties. The primary focus of the 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. The responsibilities of the Housing team include management of construction and inspections, Section 3 compliance, and Fair Housing Activity Statement program compliance.

The Monitoring and Quality Assurance division is responsible for performing program risk assessments, developing annual program monitoring plans, and conducting audits of subrecipients awarded FEMA and CDBG-DR funds for compliance with the laws, regulations, and grant agreements in place.

The integration division is comprised of two departments: Program Integration and Research, Policy, and Plans. The Program Integration team facilitates and supports CDR's information technology projects and handles HUD DRGR reporting. They are also responsible for identifying programmatic areas where process improvements can enhance the business process of the CDR program. The Research, Policy, and Plans team does long-term planning and oversees the development and maintenance of the policies and procedures of the program.

The FEMA Recovery division, in partnership with FEMA, provides direct housing assistance to eligible applicants in the form of permanent repairs and temporary housing units.

### *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 seven contract managers, three contract technicians, a manager, and a Director. Together the team manages over 1,782 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 - Understand 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 - Establish 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 data, software, and GIS services when and where they are needed.

ETS Divisions and Teams include:

*Strategic Technology Services* consists of the Technology Project Management Office (PPMO), 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, operating and securing the agency data communications network, servers, and computing devices. Major activities of TIS include providing technical support, and administration of the network, servers, and databases, maintaining internet, intranet and regional connectivity, administering the electronic communication system, and ensuring business continuity.

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

*Technology Analysis Services (TAS)*. 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, creates custom hardcopy and digital map products, and develops, and administers GIS databases, applications and servers.

### *Office of Information Security*

Office of Information Security (OIS) is responsible for the programs to the identify, manage, and mitigate information security risks within the GLO enterprise. The Office supports the GLO by providing policy and standards, risk management, security awareness, vulnerability identification, incident management, and information security subject matter expertise. The OIS works with agency staff, Compliance, and Internal Audit functions to

ensure the agency can address compliance with state and federal information security statutes, rules, regulations and policies.

### *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, Procurement, Alamo Finance, Disaster Recovery Finance, and Building and Support Services.

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, legislative appropriation requests, and HUB program coordination. 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. In fiscal 2018 the Revenue Administration division was dissolved, and the accounts receivable function was moved under Cash Management. The division now supports the functions for surface leasing, mineral leasing royalty receivables, and penalty and interest assessments for late production reports and late royalty payments.

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 Alamo Finance division provides cash management, budget and planning, accounting, purchasing, and financial reporting support for the Alamo operations. The Alamo Finance division also coordinates the issuance of annual financial statements in accordance with FASB standards.

The Disaster Recovery Finance (DRF) division includes both FEMA Finance and Community Development Block Grant (CDBG) Finance. FEMA Finance and CDBG Finance provides accounting, budget and planning, cash management and financial reporting support for the agency's Community Development and Revitalization (CDR) division. In addition, DRF provides critical support to the audit of the agency's federal funds. The division coordinates with CDR to help ensure compliance with federal disaster funding rules and regulations. FEMA and CDBG Finance also assist in responses to inquiries from the Legislative Budget Board, Office of the Governor, and other entities requesting information relating to disaster recovery financial operations.

The Building and Support Services division provides a variety of services to the agency, including but not limited to, processing incoming and outgoing 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, fleet management and agency warehouse space. The Stephen F. Austin building receptionist is also part of this division.

The Procurement division purchases goods and services for the agency, assists employees with travel arrangements, and ensures compliance with State of Texas procurement and travel laws, rules, and regulations. The procurement team receives and processes requisitions, develops and reviews specifications and scopes of work, selects procurement methods, prepares and advertises solicitation documents tabulates bids, coordinates evaluation of proposals, prepares and completes contract award documents, and issues purchase orders.

### *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.

Within the Office of General Counsel, 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 an overview of compliance 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.

### *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 as required by federal law;
  - supports the professional development of agency employees by providing training to enhance employees' competencies to be successful in current and future positions;
  - administers employee-related benefits for the agency (including medical, dental, life, and disability insurance and deferred compensation);
  - ensures compliance with state and federal compensation laws regulations; provides performance management assistance;
  - reviews, updates, and maintains the agency policies and procedures in the GLO Employee Handbook to ensure compliance with relevant laws and regulations;
  - provides answers to supervisors' and employee's questions about HR-related policies, laws, and procedures to provide solutions on employee relations topics;
  - coordinates leave administration, such as processing requests under the Family and Medical Leave Act (FMLA) and applications for sick leave pool as well as responding to American with Disabilities request;
  - responds to inquiries from the Texas Workforce Commission Human Rights division, Equal Employment Opportunity Commission, and Department of Labor, 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;
  - maintains employee records and responds to request for employee information;
  - prepares internal and external personnel reports and statistics as required by law;
  - coordinates employee safety program 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.
  - 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 through the ombudsman. A principal interest of the ombudsman 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.

## *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.

### *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 2018 reassessment of the existing strategic plan in the context of current statewide market conditions; loan operational capacity; and the fiscal 2018 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 Gateway mortgage as Housing Program Administrator and its participating lenders. Nationstar is the Master Loan Servicer of the Home Loan program. Gateway 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, Gateway Mortgage. (administrator of the Housing Assistance and Home Improvement Loan Programs), Nationstar Mortgage (Servicer 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 TSVC oversees the operation of the cemetery program created to meet the burial needs of Texas veterans. The program currently operates a state veterans' cemetery in Killeen, Mission, Abilene and Corpus Christi. The four cemeteries have a combined capacity for 137,000 internments.

## **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, 2018 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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