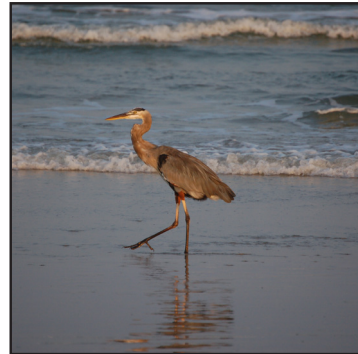


TEXAS GENERAL LAND OFFICE & TEXAS VETERANS' LAND BOARD

2012

UNAUDITED ANNUAL FINANCIAL REPORT



YEAR ENDED AUGUST 31, 2012

JERRY PATTERSON, COMMISSIONER AND CHAIRMAN

TEXAS GENERAL LAND OFFICE VETERANS' LAND BOARD

ANNUAL FINANCIAL REPORT STAFF

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UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2012



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TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

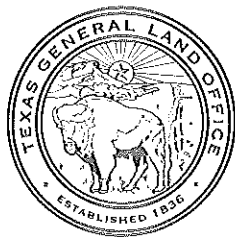
INTRODUCTION

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2012



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TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

November 20, 2012

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

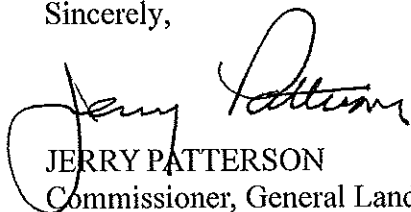
Dear Governor Perry, Comptroller Combs, Ms. Parks, and Mr. Keel:

I am pleased to submit the Annual Financial Report of the Texas General Land Office and Veterans' Land Board (305) for the year ended August 31, 2012, in compliance with Texas Government Code Ann. §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Tamera Atkins at (512) 463-5181. Teri Merkel may be contacted at (512) 475-1599 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,



JERRY PATTERSON
Commissioner, General Land Office

JP:ta

Enclosure

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TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

GENERAL PURPOSE
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2012



EXHIBIT I

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

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL
	GENERAL REVENUE FUNDS (EXH. A-1)	SPECIAL REVENUE FUNDS (EXH. B-1)	PERMANENT FUNDS FUND (0044) U/F (0007)(0010)(0013)	FUNDS TOTALS (Memorandum Only) 2012
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash:				
Cash on Hand	200.00			200.00
Cash in Bank (Note 3)	10,000.00		96,254.00	106,254.00
Cash in State Treasury	41,967,183.71	245,715.08	1,376,010,814.04	1,418,223,712.83
Legislative Appropriation	22,062,886.25			22,062,886.25
Receivables:				
Federal	57,758,826.63	596,719.53		58,355,546.16
Interest and Dividends	11,122.83	80.64	546,339.19	557,542.66
Accounts	69,109.43		78,285,314.27	78,354,423.70
Due From:				
Other Funds	971,743.83	262,889.47	4,314.20	1,238,947.50
Other Agencies	2,932,687.09			2,932,687.09
Consumable Inventories	105,912.94			105,912.94
Prepaid Items	1,200,000.00		6,000.00	1,206,000.00
Notes Receivable	1,936.80		51,284.94	53,221.74
Total Current Assets	127,091,609.51	1,105,404.72	1,455,000,320.64	1,583,197,334.87
Noncurrent Assets:				
Notes Receivable	123,788,046.32		3,453,576.56	127,241,622.88
Investments in Real Assets at Historical Cost (Note 3)			13,894,004.20	13,894,004.20
Investments in Real Assets at Fair Value (Note 3)			1,966,835,194.95	1,966,835,194.95
Capital Assets (Note 2):				
Depreciable Capital Assets:				
Vehicles, Boats, and Aircraft				0.00
Less Accumulated Depreciation				0.00
Furniture and Equipment				0.00
Less Accumulated Depreciation				0.00
Buildings				0.00
Less Accumulated Depreciation				0.00
Non-Depreciable Capital Assets:				
Construction in Progress				0.00
Other Capital Assets				0.00
Land and Land Improvements				0.00
Amortizable Intangible Assets:				
Computer Software				0.00
Less Accumulated Amortization				0.00
Total Noncurrent Assets	123,788,046.32	0.00	1,984,182,775.71	2,107,970,822.03
TOTAL ASSETS	250,879,655.83	1,105,404.72	3,439,183,096.35	3,691,168,156.90

UNAUDITED

GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			STATEMENT OF NET ASSETS	
ADJUSTMENTS			TOTALS	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
			2012	2011
\$	\$	\$	\$	\$
			200.00	200.00
			106,254.00	67,496.00
			1,418,223,712.83	1,340,723,995.63
			22,062,886.25	15,117,690.98
			58,355,546.16	7,280,641.51
			557,542.66	865,756.48
			78,354,423.70	85,076,184.82
			1,238,947.50	1,420,216.55
			2,932,687.09	29,332.50
			105,912.94	20,258.87
			1,206,000.00	6,000.00
			53,221.74	55,792.66
			1,583,197,334.87	1,450,663,566.00
			127,241,622.88	244,629.48
			13,894,004.20	13,891,381.83
			1,966,835,194.95	1,606,316,732.60
2,929,091.90			2,929,091.90	2,957,358.90
(2,368,195.35)			(2,368,195.35)	(2,155,052.20)
5,721,566.27			5,721,566.27	5,359,032.77
(4,378,008.20)			(4,378,008.20)	(4,249,763.44)
36,312,150.51			36,312,150.51	28,403,981.52
(10,235,319.93)			(10,235,319.93)	(8,366,534.67)
54,618.24			54,618.24	6,174,870.40
127,099.40			127,099.40	0.00
2,997,503.29			2,997,503.29	2,869,843.00
360,652.05			360,652.05	392,152.05
(360,652.05)			(360,652.05)	(385,485.17)
31,160,506.13	0.00	0.00	2,139,131,328.16	1,651,453,147.07
31,160,506.13	0.00	0.00	3,722,328,663.03	3,102,116,713.07

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EXHIBIT I (concluded)

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

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL
	GENERAL REVENUE FUNDS (EXH. A-1)	SPECIAL REVENUE FUNDS (EXH. B-1)	PERMANENT FUNDS FUND (0044) U/F (0007)(0010)(0013)	FUNDS TOTALS (Memorandum Only) 2012
	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current Liabilities:				
Payables:				
Accounts	57,193,655.03	266,384.49	7,020,400.90	64,480,440.42
Payroll	2,915,000.19	118,780.73	1,264,489.64	4,298,270.56
Interfund	3,768.00			3,768.00
Retainage		380,818.73		380,818.73
Due To:				
Other Funds	811,093.86	167,369.72	360,665.54	1,339,129.12
Other Agencies	956,599.53		94,944.00	1,051,543.53
Deferred Revenues	461,368.65		78,476,977.89	78,938,346.54
Employees' Compensable Leave (Note 5)				0.00
Total Current Liabilities	62,341,485.26	933,353.67	87,217,477.97	150,492,316.90
Noncurrent Liabilities:				
Employees' Compensable Leave (Note 5)				0.00
Total Noncurrent Liabilities	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	62,341,485.26	933,353.67	87,217,477.97	150,492,316.90
FUND FINANCIAL STATEMENT - FUND BALANCES				
Fund Balances (Note 1):				
Nonspendable for Permanent Fund Corpus			3,011,844,538.63	3,011,844,538.63
Nonspendable for Inventory	105,912.94			105,912.94
Nonspendable for Prepaid	1,200,000.00		6,000.00	1,206,000.00
Restricted	130,449,593.33	172,051.05	340,115,079.75	470,736,724.13
Committed	37,855,496.90			37,855,496.90
Unassigned	18,927,167.40			18,927,167.40
TOTAL FUND BALANCES (Exhibit II)	188,538,170.57	172,051.05	3,351,965,618.38	3,540,675,840.00
TOTAL LIABILITIES AND FUND BALANCES	250,879,655.83	1,105,404.72	3,439,183,096.35	3,691,168,156.90

GOVERNMENT-WIDE STATEMENT

NET ASSETS

Invested in Capital Assets, Net of Related Debt

Funds Held as Permanent Investments:

Non-Spendable

Unrestricted

TOTAL NET ASSETS (Exhibit II)

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

UNAUDITED

GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			STATEMENT OF NET ASSETS	
ADJUSTMENTS			TOTALS	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
			2012	2011
\$	\$	\$	\$	\$
			64,480,440.42	12,974,223.52
			4,298,270.56	5,304,422.05
			3,768.00	0.00
			380,818.73	308,701.96
			1,339,129.12	1,393,237.89
			1,051,543.53	1,113,158.31
		(26,786,431.28)	52,151,915.26	86,479,879.51
	2,864,334.15		2,864,334.15	2,513,284.17
0.00	2,864,334.15	(26,786,431.28)	126,570,219.77	110,086,907.41
	2,285,599.20		2,285,599.20	2,110,460.54
0.00	2,285,599.20	0.00	2,285,599.20	2,110,460.54
0.00	5,149,933.35	(26,786,431.28)	128,855,818.97	112,197,367.95
		(3,011,844,538.63)		
		(105,912.94)		
		(1,206,000.00)		
		(470,736,724.13)		
		(37,855,496.90)		
		(18,927,167.40)		
31,160,506.13			31,160,506.13	31,000,403.16
		3,378,580,076.43	3,378,580,076.43	2,912,555,602.60
	(5,149,933.35)	188,882,194.85	183,732,261.50	46,363,339.36
31,160,506.13	(5,149,933.35)	26,786,431.28	3,593,472,844.06	2,989,919,345.12

EXHIBIT II

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL
	GENERAL REVENUE FUNDS (EXH. A-2)	SPECIAL REVENUE FUNDS (EXH. B-2)	PERMANENT FUNDS FUND (0044) U/F (0007)(0010)(0013)	FUNDS TOTALS (Memorandum Only) 2012
	\$	\$	\$	\$
REVENUES				
Legislative Appropriations:				
Original Appropriations	823,390.00			823,390.00
Additional Appropriations	1,975,733.70			1,975,733.70
Federal Revenues	459,585,003.11	2,188,715.18		461,773,718.29
Federal Grant Pass-Through Revenues	159,756.19			159,756.19
State Grant Pass-Through Revenues	4,106,472.96			4,106,472.96
Licenses, Fees, and Permits	16,627,587.99		1,816,699.53	18,444,287.52
Interest and Other Investment Income	151,558.85	1,206.51	64,383,947.57	64,536,712.93
Gain (Loss) on Sale of Investments			101,031,466.48	101,031,466.48
Gain (Loss) on Sale of Sovereign/Other Land			25,623,228.56	25,623,228.56
Net Increase (Decrease) in Fair Value of Investments			126,541,726.80	126,541,726.80
Land Income	39,600.00		390,497,750.65	390,537,350.65
Settlement of Claims				0.00
Sales of Goods and Services	3,294,478.42	175,600.00	46,762,362.25	50,232,440.67
Other Revenues	3,271,704.64	3,014.00	43,223.49	3,317,942.13
TOTAL REVENUES	490,035,285.86	2,368,535.69	756,700,405.33	1,249,104,226.88
EXPENDITURES/EXPENSES				
Salaries and Wages	28,971,553.80	452,148.48	12,134,982.94	41,558,685.22
Payroll Related Costs	8,341,215.63	352,413.93	1,821,453.07	10,515,082.63
Professional Fees and Services	42,117,287.70	1,766,551.75	2,771,962.81	46,655,802.26
Travel	644,896.02	35,912.76	118,767.33	799,576.11
Materials and Supplies	2,173,737.72	177,009.84	42,828,677.21	45,179,424.77
Communication and Utilities	494,910.75	99,582.39	346,276.67	940,769.81
Repairs and Maintenance	785,283.95	59,199.16	493,529.55	1,338,012.66
Rentals and Leases (Note 8)	780,341.33	6,953.00	190,866.02	978,160.35
Printing and Reproduction	111,743.65		7,612.01	119,355.66
Claims and Judgments (Note 17)	7,047.95		2,160.00	9,207.95
Federal Grant Pass-Through Expenditures	7,498,428.41			7,498,428.41
State Grant Pass-Through Expenditures	16,449.38			16,449.38
Intergovernmental Payments	316,995,675.79			316,995,675.79
Public Assistance Payments	82,912,854.82			82,912,854.82
Other Expenditures	7,534,289.49	21,418.09	1,552,877.16	9,108,584.74
Capital Outlay	321,320.75	2,029,764.05	36,604.00	2,387,688.80
Depreciation Expense				0.00
TOTAL EXPENDITURES/EXPENSES	499,707,037.14	5,000,953.45	62,305,768.77	567,013,759.36
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	(9,671,751.28)	(2,632,417.76)	694,394,636.56	682,090,467.52

UNAUDITED

GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			STATEMENT OF ACTIVITIES	
ADJUSTMENTS			TOTALS	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
			2012	2011
\$	\$	\$	\$	\$
			823,390.00	830,757.00
			1,975,733.70	2,203,146.40
			461,773,718.29	20,312,864.48
			159,756.19	7,612,675.45
			4,106,472.96	(760,305.02)
		222,518.11	18,666,805.63	20,534,125.47
		(540,346.09)	63,996,366.84	39,733,013.73
			101,031,466.48	(45,155,343.79)
			25,623,228.56	12,463,045.15
		(3.67)	126,541,723.13	157,343,658.57
		22,127,588.49	412,664,939.14	513,315,570.93
			0.00	500,000.00
		(34,870.07)	50,197,570.60	55,789,686.13
			3,317,942.13	1,309,286.27
0.00	0.00	21,774,886.77	1,270,879,113.65	786,032,180.77
	526,188.64		42,084,873.86	40,891,055.93
			10,515,082.63	10,276,574.17
			46,655,802.26	24,180,923.89
			799,576.11	751,386.11
			45,179,424.77	57,307,670.30
			940,769.81	923,485.79
			1,338,012.66	1,188,107.04
			978,160.35	655,726.23
			119,355.66	151,757.87
			9,207.95	3,152.74
			7,498,428.41	3,988,405.13
			16,449.38	73,322.08
			316,995,675.79	9,140,739.18
			82,912,854.82	692,635.58
			9,108,584.74	6,858,667.18
(2,387,688.80)			0.00	0.00
2,538,276.66			2,538,276.66	2,265,563.38
150,587.86	526,188.64	0.00	567,690,535.86	159,349,172.60
(150,587.86)	(526,188.64)	21,774,886.77	703,188,577.79	626,683,008.17

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EXHIBIT II (concluded)

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL
	GENERAL REVENUE FUNDS (EXH. A-2)	SPECIAL REVENUE FUNDS (EXH. B-2)	PERMANENT FUNDS FUND (0044) U/F (0007)(0010)(0013)	FUNDS TOTALS (Memorandum Only) 2012
OTHER FINANCING SOURCES (USES)	\$	\$	\$	\$
Transfers In	146,713,696.78	1,594,671.80		148,308,368.58
Transfers Out	(4,907,740.17)	(131,681.83)	(250,000,000.00)	(255,039,422.00)
Sale of Capital Assets	6,785,283.74			6,785,283.74
Gain (Loss) on Sale of Capital Assets				0.00
Increase (Decrease) in Net Assets - Due to Interagency Transfer of Capital Assets				0.00
Net Change in Reserve for Inventories				0.00
Capital Contributions				0.00
TOTAL OTHER FINANCING SOURCES (USES)	148,591,240.35	1,462,989.97	(250,000,000.00)	(99,945,769.68)
NET CHANGE IN FUND BALANCES/NET ASSETS	138,919,489.07	(1,169,427.79)	444,394,636.56	582,144,697.84
FUND FINANCIAL STATEMENT - FUND BALANCES				
FUND BALANCES - August 31, 2011	49,618,681.50	1,341,478.84	2,907,570,981.82	2,958,531,142.16
FUND BALANCES - August 31, 2012 (Exhibit I)	188,538,170.57	172,051.05	3,351,965,618.38	3,540,675,840.00
GOVERNMENT-WIDE STATEMENT OF NET ASSETS				
NET ASSETS/NET CHANGE IN NET ASSETS				582,144,697.84
NET ASSETS - August 31, 2011				2,958,531,142.16
Restatements (Note 14)				
NET ASSETS - August 31, 2011				2,958,531,142.16
NET ASSETS - August 31, 2012 (Exhibit I)				3,540,675,840.00

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

UNAUDITED

GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			STATEMENT OF ACTIVITIES	
ADJUSTMENTS			TOTALS	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
\$	\$	\$	2012	2011
			\$	\$
			148,308,368.58	30,565,429.83
			(255,039,422.00)	(121,147,496.33)
(6,785,283.74)			0.00	0.00
6,219,204.18			6,219,204.18	(224,752.62)
733,515.10			733,515.10	4,098.40
			0.00	(0.38)
147,955.29			147,955.29	9,300.00
315,390.83	0.00	0.00	(99,630,378.85)	(90,793,421.10)
164,802.97	(526,188.64)	21,774,886.77	603,558,198.94	535,889,587.07
164,802.97	(526,188.64)	21,774,886.77	603,558,198.94	535,889,587.07
31,000,403.16	(4,623,744.71)	5,011,544.51	2,989,919,345.12	2,454,387,750.98
(4,700.00)			(4,700.00)	(357,992.93)
30,995,703.16	(4,623,744.71)	5,011,544.51	2,989,914,645.12	2,454,029,758.05
31,160,506.13	(5,149,933.35)	26,786,431.28	3,593,472,844.06	2,989,919,345.12

EXHIBIT III

**COMBINED STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-1a)	VETERANS' LAND PROGRAM (EXH. C-1b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-1c)
	\$	\$	\$
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand		200.00	
Cash in State Treasury	131,752,371.33	9,155,974.68	17,242,788.86
Cash Equivalents	143,803,809.15	24,072,064.62	8,392,527.16
Securities Lending Collateral (Note 3)	47,356,523.12	37,699,126.28	
Derivative Instruments			
Investments - Securities at Market Value (Note 3)	69,990,440.00	4,999,176.00	
Loans and Contracts Receivables:			
Land Contracts		12,148,123.74	
Mortgages	48,321,324.27	1,474,686.45	
Home Improvement Loans	808,663.69		
Receivables:			
Federal			
Interest and Dividends Receivables:			4,156,779.68
Investment Interest	230,049.14	1,057,303.60	6,954.53
Land Contracts		2,412,367.84	
Mortgages	15,465,666.13	559,100.53	
Home Improvement Loans	116,185.31		
Accounts Receivable			
(Net of Allowance for Uncollectibles)	20,588,345.13	449,671.46	3,713,731.82
Interfund Receivable			3,768.00
Due from Other Funds	73,494,920.52	12,822,191.79	32,202.31
Deferred Charges	17,894.64	781.74	
Total Current Assets	551,946,192.43	106,850,768.73	33,548,752.36
Noncurrent Assets:			
Investments:			
Securities at Market Value (Note 3)	147,853,725.52	284,369,123.94	
Derivative Instruments	682,538.03	(1,069,318.29)	
Deferred Outflow of Resources	308,204,960.43	81,570,240.73	
Loans and Contracts Receivables:			
Land Contracts		172,516,064.55	
Mortgages	1,600,513,165.26	112,270,065.16	
Home Improvement Loans	13,609,856.77		
Property Acquired Through Foreclosure (Note 27):			
Land Contracts		3,814,229.23	
Mortgages	736,050.75		
Capital Assets (Note 2):			
Depreciable Capital Assets:			
Vehicles, Boats, and Aircraft			46,501.14
Less Accumulated Depreciation			(46,501.14)
Furniture and Equipment			508,172.16
Less Accumulated Depreciation			(183,464.59)
Buildings			95,361,362.82
Less Accumulated Depreciation			(33,312,401.70)
Facilities and Other Improvements			112,963.00
Less Accumulated Depreciation			(4,706.70)

UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2012	2011
\$	\$
200.00	0.00
158,151,134.87	81,977,499.97
176,268,400.93	269,099,573.60
85,055,649.40	68,113,607.21
0.00	6,600.43
74,989,616.00	36,412,530.34
12,148,123.74	13,105,518.31
49,796,010.72	50,358,012.50
808,663.69	672,567.55
4,156,779.68	6,950,223.99
1,294,307.27	1,308,987.44
2,412,367.84	3,094,376.71
16,024,766.66	9,761,372.97
116,185.31	120,806.83
24,751,748.41	16,512,310.64
3,768.00	0.00
86,349,314.62	64,745,515.55
18,676.38	0.00
<u>692,345,713.52</u>	<u>622,239,504.04</u>
432,222,849.46	307,241,570.51
(386,780.26)	(987,668.42)
389,775,201.16	327,835,818.93
172,516,064.55	203,862,054.44
1,712,783,230.42	1,746,686,268.96
13,609,856.77	10,860,481.13
3,814,229.23	4,232,095.77
736,050.75	630,182.06
46,501.14	46,501.14
(46,501.14)	(43,732.82)
508,172.16	183,277.81
(183,464.59)	(119,868.18)
95,361,362.82	78,320,062.04
(33,312,401.70)	(29,255,583.47)
112,963.00	0.00
(4,706.70)	0.00

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EXHIBIT III (concluded)

**COMBINED STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-1a)	VETERANS' LAND PROGRAM (EXH. C-1b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-1c)
	\$	\$	\$
ASSETS (continued)			
Non-Depreciable Capital Assets:			
Construction in Progress			
Land			3,499,500.00
Amortizable Intangible Assets:			
Computer Software		162,578.15	146,555.00
Less Accumulated Amortization		(153,908.83)	(146,555.00)
Total Noncurrent Assets	2,071,600,296.76	653,479,074.64	65,981,424.99
TOTAL ASSETS	2,623,546,489.19	760,329,843.37	99,530,177.35
LIABILITIES			
Current Liabilities:			
Accounts Payable	17,952,026.54	829,143.89	9,499,341.44
Debt Service Interest Payable	3,106,467.65	334,367.71	
Retainage Payable			761,234.00
Due to Other Funds	73,494,915.21	12,062,329.82	888,104.06
Deferred Revenues		212,329.00	
Bonds Payable (Net of Unamortized Discounts and Premiums) (Note 6):			
Revenue			
General Obligation	65,962,968.96	14,762,918.70	
Accretion	536,841.20	904,081.30	
Obligations Under Securities Lending (Note 3)	47,356,523.12	37,699,126.28	
Total Current Liabilities	208,409,742.68	66,804,296.70	11,148,679.50
Noncurrent Liabilities:			
Bonds Payable (Net of Unamortized Discounts and Premiums) (Note 6):			
Revenue			
General Obligation	1,764,429,423.31	281,471,811.16	
Accretion	431,590.96	1,895,484.36	
Hedging Derivative Instruments	308,204,960.43	81,570,240.73	
Total Noncurrent Liabilities	2,073,065,974.70	364,937,536.25	0.00
TOTAL LIABILITIES	2,281,475,717.38	431,741,832.95	11,148,679.50
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted for the Veterans' Land Board	342,070,771.81	8,669.32 328,579,341.10	65,981,424.99 22,400,072.86
TOTAL NET ASSETS (Exhibit IV)	342,070,771.81	328,588,010.42	88,381,497.85

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

UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2012	2011
\$	\$
0.00	16,676,990.29
3,499,500.00	3,499,500.00
309,133.15	309,133.15
(300,463.83)	(266,849.91)
<u>2,791,060,796.39</u>	<u>2,669,710,233.43</u>
<u>3,483,406,509.91</u>	<u>3,291,949,737.47</u>
28,280,511.87	13,809,703.60
3,440,835.36	3,408,770.82
761,234.00	763,445.00
86,445,349.09	65,509,749.36
212,329.00	50,791.24
0.00	425,000.00
80,725,887.66	67,418,565.56
1,440,922.50	3,010,608.89
85,055,649.40	68,113,607.21
<u>286,362,718.88</u>	<u>222,510,241.68</u>
0.00	21,795,000.00
2,045,901,234.47	1,978,167,122.13
2,327,075.32	3,353,215.23
389,775,201.16	327,835,818.93
<u>2,438,003,510.95</u>	<u>2,331,151,156.29</u>
<u>2,724,366,229.83</u>	<u>2,553,661,397.97</u>
65,990,094.31	47,129,430.05
693,050,185.77	691,158,909.45
<u>759,040,280.08</u>	<u>738,288,339.50</u>

EXHIBIT IV

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-2a)	VETERANS' LAND PROGRAM (EXH. C-2b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-2c)
	\$	\$	\$
OPERATING REVENUES			
Other Sale of Goods and Services:			
Payment from Residents (Net of Provisions for Bad Debt of \$307,781.04)			20,771,943.64
Medicare Reimbursements (Net of Provisions for Bad Debt of \$23,836.64)			6,359,392.63
Medicaid Revenues (Net of Provisions for Bad Debt of \$26,647.85)			7,250,157.29
Other Assistance Payments (Net of Provisions for Bad Debt of \$3,554.61)			854,029.84
Interest & Investment Income:			
Loan Programs	73,158,075.53	20,389,096.10	
Earnings on GNMA Certificates			
Gain (Loss) on Loan Programs	2,678,201.73	1,054,293.93	
Operating Federal Revenues - VA Per Diem			31,992,358.22
Other Revenues:			
Third Party Reimbursements			224,008.82
Miscellaneous Income		514,121.41	12,188.41
TOTAL OPERATING REVENUES	75,836,277.26	21,957,511.44	67,464,078.85
OPERATING EXPENSES			
Professional Fees and Services	2,698,749.96	1,312,779.99	60,822,909.34
Travel		37.10	51,799.81
Materials and Supplies		25,814.96	4,102,327.66
Repairs and Maintenance			(429,172.76)
Printing and Reproduction	1,906.77		
Depreciation and Amortization		31,131.20	4,447,975.05
Debt Service Interest	57,186,230.15	14,759,880.15	
Other Operating Expenses	8,710,132.34	1,802,006.80	11,848.02
TOTAL OPERATING EXPENSES	68,597,019.22	17,931,650.20	69,007,687.12
OPERATING INCOME (LOSS) (Exhibit V)	7,239,258.04	4,025,861.24	(1,543,608.27)

UNAUDITED

PROPRIETARY FUNDS TOTALS (Memorandum Only)	
2012	2011
\$	\$
20,771,943.64	20,244,109.84
6,359,392.63	8,115,107.97
7,250,157.29	7,842,526.85
854,029.84	579,517.62
93,547,171.63	98,490,426.81
0.00	19,176.25
3,732,495.66	572,984.04
31,992,358.22	28,847,637.48
224,008.82	15,531.37
526,309.82	381,932.88
<u>165,257,867.55</u>	<u>165,108,951.11</u>
64,834,439.29	60,864,868.59
51,836.91	25,152.18
4,128,142.62	3,084,196.79
(429,172.76)	881,462.23
1,906.77	5,349.90
4,479,106.25	3,712,978.93
71,946,110.30	68,610,516.70
10,523,987.16	11,547,652.90
<u>155,536,356.54</u>	<u>148,732,178.22</u>
<u>9,721,511.01</u>	<u>16,376,772.89</u>

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EXHIBIT IV (concluded)

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-2a)	VETERANS' LAND PROGRAM (EXH. C-2b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-2c)
	\$	\$	\$
NONOPERATING REVENUES (EXPENSES)			
Federal Revenues			904,527.70
Gifts/Pledges/Donations			34,769.26
Investment Income	1,844,659.80	6,326,900.56	93,517.53
Net Increase (Decrease) in Fair Value of Investments	10,476,851.17	14,831,283.87	21,176.32
Other Benefit Payments			
Claims and Judgments (Note 17)		(237.33)	
Debt Service Interest			(1,273,020.83)
Borrower Rebate/Agent Fees - Securities Lending	(43,743.39)	(81,013.79)	
Gain/(Loss) on Sale of Capital Asset			(463,922.33)
TOTAL NONOPERATING REVENUES (EXPENSES)	12,277,767.58	21,076,933.31	(682,952.35)
INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	19,517,025.62	25,102,794.55	(2,226,560.62)
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS			
Capital Contributions			12,195.00
Transfers In	40,494,194.93	23,597,874.92	25,161,217.38
Transfers Out	(65,615,546.93)	(43,209,436.83)	(2,081,817.44)
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	(25,121,352.00)	(19,611,561.91)	23,091,594.94
CHANGE IN NET ASSETS	(5,604,326.38)	5,491,232.64	20,865,034.32
NET ASSETS - August 31, 2011	347,675,098.19	323,096,777.78	67,516,463.53
NET ASSETS - August 31, 2012 (Exhibit III)	342,070,771.81	328,588,010.42	88,381,497.85

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

UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2012	2011
\$	\$
904,527.70	7,899,123.40
34,769.26	17,933.00
8,265,077.89	7,925,930.35
25,329,311.36	10,405,255.36
0.00	(8,890.21)
(237.33)	(10,482.99)
(1,273,020.83)	(1,411,666.67)
(124,757.18)	(48,081.92)
(463,922.33)	0.00
<u>32,671,748.54</u>	<u>24,769,120.32</u>
<u>42,393,259.55</u>	<u>41,145,893.21</u>
12,195.00	0.00
89,253,287.23	185,218,046.48
(110,906,801.20)	(208,344,642.29)
<u>(21,641,318.97)</u>	<u>(23,126,595.81)</u>
20,751,940.58	18,019,297.40
738,288,339.50	720,269,042.10
<u>759,040,280.08</u>	<u>738,288,339.50</u>

EXHIBIT V
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-3a)	VETERANS' LAND PROGRAM (EXH. C-3b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-3c)
	\$	\$	\$
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)			
OPERATING ACTIVITIES			
Receipts from Vet Homes Residents			21,257,554.13
Receipts from Veterans Administration			34,721,191.84
Receipts from Medicare			6,552,728.71
Receipts from Medicaid			7,341,556.80
Receipts from Gifts/Pledges/Donations			34,769.26
Receipts from Loan Payments	433,415,012.63	64,047,556.81	
Receipts from GNMA Certificates			
Other Operating Cash Receipts		675,327.84	675,801.49
Loan Fundings	(309,835,857.41)	(34,650,299.82)	
Payments to Suppliers of Goods and Services	(11,781,761.27)	(4,110,198.12)	(64,016,539.50)
Payments for Other Expenses		(25,305.90)	(31,563.81)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	111,797,393.95	25,937,080.81	6,535,498.92
NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Debt Issuance	149,990,000.00		
Payments for Debt Service - Principal	(55,515,000.00)	(15,452,000.00)	
Payments for Debt Service - Interest	(57,945,314.32)	(14,460,881.02)	
Transfers from Other Funds	21,704,611.93	21,722,348.75	25,650,622.17
Transfers to Other Funds	(46,825,963.93)	(42,492,604.30)	(2,081,513.06)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	11,408,333.68	(50,683,136.57)	23,569,109.11
CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipts from Veterans Administration			968,367.53
Payments for Additions to Capital Assets		603,035.31	(2,516,901.27)
Payments for Debt Service - Principal			(22,220,000.00)
Payments for Debt Service - Interest			(1,388,750.00)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	0.00	603,035.31	(25,157,283.74)
INVESTING ACTIVITIES			
Proceeds from Interest and Investment Income	2,366,158.49	6,313,811.79	115,335.15
Proceeds from Sale of Investments	67,206,605.39	121,448,533.34	10,188,000.00
Payments to Acquire Investments	(196,535,419.29)	(130,653,965.31)	(1,116,628.80)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(126,962,655.41)	(2,891,620.18)	9,186,706.35
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,756,927.78)	(27,034,640.63)	14,134,030.64
CASH AND CASH EQUIVALENTS - August 31, 2011	279,313,108.26	60,262,679.93	11,501,285.38
CASH AND CASH EQUIVALENTS - August 31, 2012	275,556,180.48	33,228,039.30	25,635,316.02

UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2012	2011
\$	\$
21,257,554.13	21,360,484.23
34,721,191.84	27,282,784.75
6,552,728.71	8,105,207.87
7,341,556.80	8,093,300.99
34,769.26	17,933.00
497,462,569.44	566,720,868.35
0.00	378,477.43
1,351,129.33	905,857.42
(344,486,157.23)	(473,983,583.12)
(79,908,498.89)	(74,858,142.39)
(56,869.71)	(20,613.94)
<u>144,269,973.68</u>	<u>84,002,574.59</u>
149,990,000.00	216,465,000.00
(70,967,000.00)	(160,688,807.00)
(72,406,195.34)	(70,373,951.30)
69,077,582.85	151,217,348.95
(91,400,081.29)	(173,467,480.81)
<u>(15,705,693.78)</u>	<u>(36,847,890.16)</u>
968,367.53	7,882,634.60
(1,913,865.96)	(13,097,592.82)
(22,220,000.00)	(400,000.00)
(1,388,750.00)	(1,413,750.00)
<u>(24,554,248.43)</u>	<u>(7,028,708.22)</u>
8,795,305.43	8,061,418.53
198,843,138.73	106,954,429.58
(328,306,013.40)	(174,709,016.92)
<u>(120,667,569.24)</u>	<u>(59,693,168.81)</u>
(16,657,537.77)	(19,567,192.60)
<u>351,077,073.57</u>	<u>370,644,266.17</u>
<u>334,419,535.80</u>	<u>351,077,073.57</u>

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EXHIBIT V (concluded)

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	VETERANS' HOUSING ASSISTANCE PROGRAM (EXH. C-3a)	VETERANS' LAND PROGRAM (EXH. C-3b)	VETERANS FINANCIAL ASSISTANCE PROGRAM FUND 0374 (EXH. C-3c)
	\$	\$	\$
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
OPERATING INCOME (LOSS) (Exhibit IV)	7,239,258.04	4,025,861.24	(1,543,608.27)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation and Amortization		31,131.20	4,447,975.05
Classification Differences	57,186,230.15	14,762,007.20	34,769.26
(Increase) Decrease in Receivables	(13,237,701.79)	581,726.02	1,578,158.83
(Increase) Decrease in Loans and Contracts	57,063,532.03	6,819,420.97	
(Increase) Decrease in Other Assets	(1,274,635.27)	(246,703.70)	(33,482.50)
Increase (Decrease) in Payables	3,672,704.52	(198,125.87)	1,336,386.74
Increase (Decrease) in Other Liabilities	1,148,006.27	161,763.75	715,299.81
TOTAL ADJUSTMENTS	104,558,135.91	21,911,219.57	8,079,107.19
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	111,797,393.95	25,937,080.81	6,535,498.92
NONCASH TRANSACTIONS			
Capital Appreciation Bond Interest Accretion	(125,713.11)	(289,069.48)	
Change in Fair Value of Investments	10,476,851.17	14,831,283.87	21,176.32
TOTAL NONCASH TRANSACTIONS	10,351,138.06	14,542,214.39	21,176.32

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

UNAUDITED

PROPRIETARY FUNDS	
TOTALS	
(Memorandum Only)	
2012	2011
\$	\$
9,721,511.01	16,376,772.89
4,479,106.25	3,712,978.93
71,983,006.61	68,609,050.45
(11,077,816.94)	(15,139,257.73)
63,882,953.00	10,086,979.30
(1,554,821.47)	(1,720,419.94)
4,810,965.39	2,224,303.34
2,025,069.83	(147,832.65)
<u>134,548,462.67</u>	<u>67,625,801.70</u>
<u>144,269,973.68</u>	<u>84,002,574.59</u>
(414,782.59)	(755,089.89)
<u>25,329,311.36</u>	<u>10,386,769.18</u>
<u>24,914,528.77</u>	<u>9,631,679.29</u>

EXHIBIT VI

**COMBINED STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

			FIDUCIARY FUNDS	
	LOCAL FUNDS	ALL OTHER	TOTALS	
	(9999)	AGENCY FUNDS	(Memorandum Only)	
	(EXH. D-1)	(EXH. D-1)	2012	2011
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand			0.00	200.00
Cash in Bank (Note 3)	10,016.56		10,016.56	141,493.08
Cash in State Treasury		16,288.37	16,288.37	25,535.79
Receivables:				
Interest and Dividends		2.39	2.39	0.00
Accounts Receivable		503,313.27	503,313.27	540,024.03
Due From Other Funds		196,216.09	196,216.09	737,255.15
Total Current Assets	<u>10,016.56</u>	<u>715,820.12</u>	<u>725,836.68</u>	<u>1,444,508.05</u>
TOTAL ASSETS	<u><u>10,016.56</u></u>	<u><u>715,820.12</u></u>	<u><u>725,836.68</u></u>	<u><u>1,444,508.05</u></u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	4,707.75		4,707.75	5,170.75
Funds Held for Others	5,308.81	715,820.12	721,128.93	1,432,760.30
Deferred Revenue			0.00	6,577.00
Total Current Liabilities	<u>10,016.56</u>	<u>715,820.12</u>	<u>725,836.68</u>	<u>1,444,508.05</u>
TOTAL LIABILITIES	<u><u>10,016.56</u></u>	<u><u>715,820.12</u></u>	<u><u>725,836.68</u></u>	<u><u>1,444,508.05</u></u>

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

TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

NOTES TO THE
FINANCIAL STATEMENTS

UNAUDITED QUARTERLY FINANCIAL REPORT
AUGUST 31, 2012



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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

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

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

Texas General Land Office and Veterans' Land Board's transactions are as follows:

GOVERNMENTAL FUND TYPES AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General and administrative operations of the Texas General Land Office and Veterans' Land Board are financed from General Revenue, Special Revenue, and Permanent Funds. Assets, liabilities, and fund equity comprising the General Revenue, Special Revenue, and Permanent Funds in the aggregate are presented in Exhibit I. Revenues, expenditures, and changes in fund balances and net assets for the General Revenue, Special Revenue, and Permanent Funds in the aggregate are presented in Exhibit II.

General Revenue Funds serve as the general operating funds of the agency.

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

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

The Coastal Public Lands Management Fee Fund (Fund 0450) receives monies for the grant of surface interest for the management of surface estate in coastal public lands.

The Veterans' Land Program Administration Fund (Fund 0522) pays administrative costs associated with Veterans' Land Board programs, including expenses of bond issue, investments, land purchases and resale, and the veterans homes programs.

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

The GR Account – Specialty License Plates General Fund (Fund 5140) collects revenues from the sale of the specialty license plates. For every Adopt-A-Beach plate sold, the Adopt-A-Beach Program will receive \$22.00 from the \$30.00 fee to aid in the volunteer effort to clean up Texas beaches. For every San Jacinto Texas Historic District plate sold, the San Jacinto Texas Historic District will receive \$22.00 from the \$30.00 fee to aid in the effort to revitalize the historical significance of the region. For every Buffalo Soldiers plate sold, the Buffalo Soldiers National

Museum in Houston, TX will receive \$22.00 from the \$30.00 fee to benefit and support the museum.

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than private-purpose trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

The Veterans Financial Assistance Program Fund (Fund 0374) receives proceeds from gifts, grants, and other authorized sources to fund the Veterans Cemetery Program.

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's program.

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

Capital Asset Adjustment Fund Type (Fund 9998) is used to convert governmental fund capital assets from modified accrual to full accrual basis of accounting.

Long-Term Liability Adjustment Fund Type (Fund 9997) is used to convert governmental fund debt from modified accrual to full accrual basis of accounting.

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

PROPRIETARY FUND TYPES

Assets, liabilities, and net assets comprising the Proprietary Funds in aggregate are presented in Exhibit III. Revenues, expenses, and changes in net assets 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 as enterprise funds if any one of the following criteria are met:

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

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

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

The Veterans Financial Assistance Program Fund (Fund 0374) receives proceeds from the sale of bonds, gifts, grants, and other authorized sources to fund all veterans homes programs.

The Veterans Mortgage Revenue Bond Fund (Fund 9999) receives proceeds from the sale of revenue bonds to purchase Government National Mortgage Association (GNMA) certificates backed by home mortgages issued to Texas veterans. There are currently no bonds outstanding in the Veterans Mortgage Revenue Bond Program.

FIDUCIARY FUND TYPES

Assets and liabilities relating to agency funds are summarized in Exhibits VI and D-1. Schedule 3 summarizes additions and deductions applicable to the reporting period. Amounts collected for other agencies in connection with the Texas General Land Office'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.

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

The Child Support Employee Deductions Offset Account (Fund 0807) accumulates money withheld from the salaries of state employees for child support deductions and is distributed to the statewide disbursement unit through a single direct deposit.

Fees collected for the purpose of paying for the recording of land patents are deposited to the Land Patent Recording Fee Account (Fund 9991). Fees collected from land loan applicants are deposited into the Veterans Service Fee Account (Fund 9993), as are fees for housing and home improvement loans that are originated by the Veterans' Land Board. Disbursements are made from this fund for various closing expenses such as title examinations, credit report fees, attorney fees, appraisal and contract service fees, and filing fees. Any amounts not expended for closing expenses are refunded to the veteran, transferred to the Veterans' Housing Assistance Program Funds, or applied to the veteran's land loan. Payments from insurers for casualty losses on improvements made on lands financed by the Veterans' Land Board are also deposited in the Veterans Service Fee Account. Subsidiary records identify each individual depositor's equity within the account.

COMPONENT UNITS

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

MEMORANDUM TOTALS

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

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts

reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

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

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

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

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

BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the governor (the General Appropriations Act). Encumbrance accounting is employed for budgetary control purposes. Unencumbered appropriations are generally

subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

ASSETS

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

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

Legislative Appropriations represent the General Revenue Fund (Fund 0001) amount in the State Treasury at fiscal year-end.

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

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

Receivables consist mainly of intergovernmental federal, interest, and accounts receivables.

The voluntary oil and gas royalty receivables are calculated from production reports or remittance advices; the payments and reporting of these royalties are not legally due until the second month after production occurs. The receivables for voluntary oil and gas royalties are established based on the information received in the remittance advices in September and October 2012 for the production months August 2012 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 represent nonreciprocal interfund and interagency activities, or transfers of assets without equivalent flow of assets in return or a requirement for repayment.

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

Property Acquired through Foreclosure represents the outstanding balance on foreclosed housing mortgages and land loans.

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

Intangible Assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Intangible assets are classified as capital assets and reported on the Statement of Net Assets only if they are identifiable. Purchases of land use rights considered to have a limited useful life are capitalized if the cost meets or exceeds \$100,000.00 if they do not fall under GASB Statement No. 52, and reported at fair value. Purchased software is capitalized if the aggregate purchase exceeds \$100,000.00. Internally generated computer software is capitalized if it meets the \$1 million threshold. Other intangible capital assets include patents, trademarks and copyrights.

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Purchases of other intangible assets are capitalized if the cost meets or exceeds \$100,000.00. Intangible assets are depreciated over the estimated useful life of the asset using the straight-line method.

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

LIABILITIES

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

Debt Service Interest Payable represents accrued interest expense on bond indebtedness for which payment is scheduled in the subsequent fiscal year.

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

Deferred 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 assets. 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 Assets. Current Bonds Payable represent bonds payable balances that will mature within one year, while Noncurrent Bonds Payable represent bonds payable balances that will mature after one year.

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

Obligations Under Securities Lending are funds held in exchange for securities lending collateral, and their earnings are recognized as revenues.

FUND BALANCES/NET ASSETS

The difference between fund assets and liabilities is net assets on the government-wide, proprietary and fiduciary fund statements, and the fund balance is the difference between fund assets and liabilities on the governmental 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.

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 Assets result when constraints placed on net asset 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 assets are available for use, restricted resources are used first, and then unrestricted resources are used as they are needed.

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

INTERFUND TRANSACTIONS AND BALANCES

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

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 the funds responsible for the expenditures or expenses to funds that made the actual payments. Reimbursements of expenditures or expenses made by one fund for another fund are recorded as expenditures or expenses in the reimbursing fund, and as a reduction of expenditures or expenses in the reimbursed fund. Reimbursements are not displayed in the financial statements.

Interfund Receivables and Payables are how interfund loans are reported. If repayment is due during the current year or soon thereafter, the balance is classified as current. Balances for repayment due in two or more years are classified as noncurrent.

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets for governmental activities for the year ended August 31, 2012, is presented in *Table 1* on page 35. Changes in capital

assets for business-type activities are presented in *Table 2* on page 36.

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

AUTHORITY FOR INVESTMENTS AND SECURITIES LENDING

Investments are restricted as follows:

PERMANENT SCHOOL FUND

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

VETERANS' LAND PROGRAM

Eligible securities for the Veterans' Land Program are defined by the Tex. Const. Art. III, §49-b and Tex. Nat. Res. Code Ann., §161.173. Art. III, §49-b states, "monies which are not immediately committed to the payment of principal and interest on such bonds, the purchase of lands as herein provided, or the payment of expenses as herein provided

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may be invested as authorized by law until such monies are needed for such purposes. " Tex. Nat. Res. Code Ann., §161.173 defines authorized investments to include, though not exclusively: direct repurchase and reverse repurchase agreements, direct obligations of the United States, agency obligations, bankers' acceptances, commercial paper, municipal obligations, collateralized mortgage obligations, and any other investment authorized for investment of state funds under §404.024, Government Code. Tex. Nat. Res. Code Ann., §161.1732 authorizes the Veterans' Land Board to engage in securities lending.

paid out of the money of the fund, but the money of the fund which is not immediately committed to the payment of Investments" to include, though not exclusively: investment agreements, direct repurchase and reverse repurchase agreements, direct obligations of the United States, agency obligations, bankers' acceptances, commercial paper, municipal obligations, collateralized mortgage obligations, and any other investment authorized for investment of state funds by the State Treasury under applicable law. Tex. Nat. Res. Code Ann., §164.011(g)-(h) authorizes the VLB 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 which states, "the principal of and interest on the general obligation bonds authorized by this section for the benefit of the Veterans' Housing Assistance Fund shall be

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

Table 1

CHANGES IN CAPITAL ASSETS								
Governmental Activities								
	Balance		Reclassifications					Balance
	09-01-2011	Adjustments	Completed	Incr-Int'gy	Decr-Int'gy	Additions	Deletions	08-31-2012
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-depreciable Assets</i>								
Land and Land Improvements	2,869,843.00	(4,700.00)		223,249.80		146,560.29	(237,449.80)	2,997,503.29
Construction in Progress	6,174,870.40		(7,904,683.97)			1,784,431.81		54,618.24
Other Capital Assets				127,099.40				127,099.40
Total Non-depreciable Assets	9,044,713.40	(4,700.00)	(7,904,683.97)	350,349.20	0.00	1,930,992.10	(237,449.80)	3,179,220.93
<i>Depreciable Assets</i>								
Buildings and Building Improvements	28,403,981.52		7,904,683.97	706,436.98		3,485.02	(706,436.98)	36,312,150.51
Furniture and Equipment	5,359,032.77			223,655.57		589,511.97	(450,634.04)	5,721,566.27
Vehicles, Boats, and Aircraft	2,957,358.90					11,655.00	(39,922.00)	2,929,091.90
Total Depreciable Assets at Historical Costs	36,720,373.19	0.00	7,904,683.97	930,092.55	0.00	604,651.99	(1,196,993.02)	44,962,808.68
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(8,366,534.67)			(376,101.16)		(1,870,491.32)	377,807.22	(10,235,319.93)
Furniture and Equipment	(4,249,763.44)			(170,825.49)		(408,053.31)	450,634.04	(4,378,008.20)
Vehicles, Boats, and Aircraft	(2,155,052.20)					(253,065.15)	39,922.00	(2,368,195.35)
Total Accumulated Depreciation	(14,771,350.31)	0.00	0.00	(546,926.65)	0.00	(2,531,609.78)	868,363.26	(16,981,523.48)
Depreciable Assets, Net	21,949,022.88	0.00	7,904,683.97	383,165.90	0.00	(1,926,957.79)	(328,629.76)	27,981,285.20
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software	392,152.05						(31,500.00)	360,652.05
Total Amortizable Assets - Intangibles at Historical Costs	392,152.05	0.00	0.00	0.00	0.00	0.00	(31,500.00)	360,652.05
<i>Less Accumulated Amortization for</i>								
Intangible Computer Software	(385,485.17)					(6,666.88)	31,500.00	(360,652.05)
Total Accumulated Amortization	(385,485.17)	0.00	0.00	0.00	0.00	(6,666.88)	31,500.00	(360,652.05)
Amortizable Assets - Intangibles, Net	6,666.88	0.00	0.00	0.00	0.00	(6,666.88)	0.00	0.00
Governmental Activities Capital Assets, Net	31,000,403.16	(4,700.00)	0.00	733,515.10	0.00	(2,632.57)	(566,079.56)	31,160,506.13

Table 2

CHANGES IN CAPITAL ASSETS								
Business-Type Activities								
	Balance		Reclassifications					Balance
	09-01-2011	Adjustments	Completed	Incr-Int'agy	Decr-Int'agy	Additions	Deletions	08-31-2012
	\$	\$	CIP	Transfers	Transfers	\$	\$	\$
<i>Non-depreciable Assets</i>								
Land and Land Improvements	3,499,500.00							3,499,500.00
Construction in Progress	16,676,990.29		(17,394,400.11)			717,409.82		0.00
Total Non-depreciable Assets	20,176,490.29	0.00	(17,394,400.11)	0.00	0.00	717,409.82	0.00	3,499,500.00
<i>Depreciable Assets</i>								
Buildings and Building Improvements	78,320,062.04		17,394,400.11			428,425.67	(781,525.00)	95,361,362.82
Facilities and Other Improvements						112,963.00		112,963.00
Furniture and Equipment	183,277.81					324,894.35		508,172.16
Vehicles, Boats, and Aircraft	46,501.14							46,501.14
Total Depreciable Assets at Historical Costs	78,549,840.99	0.00	17,394,400.11	0.00	0.00	866,283.02	(781,525.00)	96,028,999.12
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(29,255,583.47)					(4,374,420.90)	317,602.67	(33,312,401.70)
Facilities and Other Improvements						(4,706.70)		(4,706.70)
Furniture and Equipment	(119,868.18)					(63,596.41)		(183,464.59)
Vehicles, Boats, and Aircraft	(43,732.82)					(2,768.32)		(46,501.14)
Total Accumulated Depreciation	(29,419,184.47)	0.00	0.00	0.00	0.00	(4,445,492.33)	317,602.67	(33,547,074.13)
Depreciable Assets, Net	49,130,656.52	0.00	17,394,400.11	0.00	0.00	(3,579,209.31)	(463,922.33)	62,481,924.99
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software	309,133.15							309,133.15
Total Amortizable Assets - Intangibles at Historical Costs	309,133.15	0.00	0.00	0.00	0.00	0.00	0.00	309,133.15
<i>Less Accumulated Amortization for</i>								
Intangible Computer Software	(266,849.91)					(33,613.92)		(300,463.83)
Total Accumulated Amortization	(266,849.91)	0.00	0.00	0.00	0.00	(33,613.92)	0.00	(300,463.83)
Amortizable Assets - Intangibles, Net	42,283.24	0.00	0.00	0.00	0.00	(33,613.92)	0.00	8,669.32
Business-Type Activities Capital Assets, Net	69,349,430.05	0.00	0.00	0.00	0.00	(2,895,413.41)	(463,922.33)	65,990,094.31

a bond resolution or order of the board." There are currently no bonds outstanding in the Veterans Mortgage Revenue Bond Program. Tex. Nat. Res. Code Ann., §164.011(g)-(h) authorizes the VLB to engage in securities lending.

COASTAL PROTECTION FUND

The Coastal Protection Fund (CPF) was established by the Tex. Nat. Res. Code, Title II, Subtitle C, ch. 40, Subchapter D, §40.151 as a fund in the State Treasury to be used by the land commissioner to carry out his responsibilities under the Oil Spill Prevention and Response Act. The CPF is invested in accordance with §404.024, Government Code.

UNEARNED TRUST FUNDS

- a. The Veterans Service Fee Account may be invested in time deposits in accordance with Tex. Nat. Res. Code Ann., §161.069. Banks are restricted to investing these funds in U.S. government securities. Funds not in time deposits are in an interest-bearing checking account.
- b. The Travel Advance Account is authorized by Tex. Gov't. Code Ann., §403.244 and §403.248. Funds are in an interest-bearing account.
- c. The Land Patent Recording Fee Account is authorized by 31 Tex. Admin. Code §1.29 and Tex. Nat. Res. Code Ann., §31.064. Funds are in an interest-bearing account.

DEPOSITS

Carrying amounts of bank accounts at August 31, 2012, are listed in **Table 3** below. These amounts consist of cash and cash equivalents in local banks and the Texas Treasury Safekeeping Trust Company. These amounts are included on the Combined Statement of Net Assets and the Combined Statement of Fiduciary Net Assets 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, 2012, exposed to custodial credit risk.

Table 3

DEPOSITS		
Type of Deposit	Total Bank Balance	Carrying Amount
	\$	\$
Current Assets - Cash in Bank:		
Governmental Funds	106,254.00	106,254.00
Fiduciary Funds	10,016.56	10,016.56
Total	116,270.56	116,270.56

INVESTMENTS

VETERANS' LAND BOARD

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

short-term credit rating of a nationally recognized rating firm; commercial paper having the highest short-term credit rating of a nationally recognized rating firm; option contracts (other than naked-options or uncovered-options); state and local bonds, including revenue bonds issued under Tex. Nat. Res. Code Ann., §164, or mutual funds composed of such bonds; deposits insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or any of their successors; collateralized mortgage obligations (CMOs) issued or guaranteed by the Government National Mortgage Association or by FNMA, FFCS, SLMA, FHLMC, or any of their successors; securities issued by the Farm Credit System Financial Assistance Corporation, the Private Export Funding Corporation or the Export-Import Bank; and any other instrument authorized for investment of state funds by the State Treasury. Investments are reported at fair value as required by GASB 31.

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

As stated in its IPS, the VLB's "general investment objective is to invest its assets in a manner that maximizes total return, while providing the liquidity and cash flow necessary to fund the programs it administers." Within the context of that general objective, the IPS further states that the primary objective is to "ensure the liquidity and cash

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

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

Interest Rate Risk. The investment portfolio's interest rate risk is controlled primarily through cash flow matching. This technique involves projecting cash flow needs and investing in securities that mature at or near the time of the projected cash flow requirements. As a result, the weighted average maturity and modified duration of the portfolio are maintained in a flexible manner and typically range from two to five years. At August 31, 2012, the weighted average maturity of the portfolio was approximately 5.76 years, and the modified duration was approximately 5.51 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, 2012, the average credit rating of the securities in the investment portfolio was Aaa by Moody's Investor Services and AAA by Standard & Poor's.

Custodial Credit Risk. There was no custodial credit risk at August 31, 2012, 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. Currently, most pooled funds are invested in the following instruments: repurchase agreements, reverse

repurchase agreements, obligations of the United States and its agencies and instrumentalities, and fully collateralized deposits in authorized state depositories. All investments are marked to market daily, using an external financial service.

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

As of August 31, 2012, 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 \$901,052,334.64; the fair value of the total portfolio of investments in the State of Texas David A. Gloier Texas State Veterans Home Program was \$25,635,316.02. The VLB does not anticipate the need to sell any investments prior to their maturity in order to fulfill the liquidity needs of its programs. However, the VLB reserves the right to sell any investment, possibly realizing a gain or loss in the process, if it determines that such action is in the best interest of its programs. Summary statements showing the fair value of the board's investment portfolio as of August 31, 2012, can be found in **Table 4** and **Table 5** on page 39.

SCHOOL LAND BOARD

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

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

With regard to externally managed investments, the Investment Policy authorizes an Investment Advisory Committee (IAC) to review potential investments and make recommendations to the SLB for the investment of money in the RESFA. The current IAC is comprised of five members,

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Table 4

INVESTMENT PORTFOLIO AT FAIR VALUE

Land and Housing Assistance Funds

<u>Investment Type</u>	<u>Fair Value</u>
	\$
U.S. Treasury Securities	68,672,406.00
U.S. Treasury Strips	68,761,659.90
U.S. Government Agency Obligations	164,758,162.97
Money Market Mutual Fund	49,147,821.27
Commercial Paper	151,969,175.00
Taxable Municipals	164,639,584.30
Miscellaneous Investments	7,139,529.79
Securities Lending - Cash Collateral Investment Pool ⁽³⁾	85,055,649.40
Total Investments	760,143,988.63 ⁽¹⁾
Cash in State Treasury ⁽²⁾	140,908,346.01
Total Investments and Cash in State Treasury	901,052,334.64
Consisting of the following:	
Cash Equivalents	167,875,873.77
Current Investments	74,989,616.00
Noncurrent Investments	432,222,849.46
Security Lending Collateral ⁽³⁾	85,055,649.40
Total Investments, as above	760,143,988.63

(1) Includes \$20,348,280.84 and \$1,737,590.87 in the Fund I Bond and the Fund I Mortgage Reserve, respectively. The Reserves are pledged only to support the Fund I Housing Assistance Bonds. As long as the Fund I Bond Reserve contains an amount equal to maximum average annual debt service requirements on the Fund I Housing Assistance Bonds, (i) any excess may be released from the Fund I Bond Reserve but will otherwise be considered as part of Housing Fund I, and (ii) any investment earnings relating to the Fund I Bond Reserve are automatically released from the Fund I Bond Reserve but are otherwise considered as part of Housing Fund I. Investment earnings relating the Fund I Mortgage Reserve may generally be used for any lawful purpose permitted for monies in Housing Fund I.

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

(3) Per GASB 25 and 31, securities lending cash collateral asset is subject to fair value adjustments and reported at fair value. Per GASB 28, the liability is reported at amortized cost. The difference between securities lending cash collateral asset and liability is reported as unrealized gain/loss on investments in the operating statement.

Table 5

INVESTMENT PORTFOLIO AT FAIR VALUE

Veterans Homes Program

<u>Investment Type</u>	<u>Fair Value</u>
	\$
Money Market Mutual Fund	8,381,538.35
U.S. Government Agency Obligations	10,988.81
Total Investments	8,392,527.16
Cash in State Treasury ⁽¹⁾	17,242,788.86
Total Investments and Cash in State Treasury	25,635,316.02
Consisting of the following:	
Cash Equivalents	8,392,527.16
Total Investments, as above	8,392,527.16

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

chaired by the deputy commissioner of Funds Management/ chief investment officer of the Texas General Land Office. The IAC meets periodically to review potential investments and works in conjunction with the SLB's real asset investment advisor, currently The Townsend Group, to evaluate potential investments and make recommendations to the SLB for the investment of money in the RESFA. Following the formulation of recommendations by the IAC, the chairman of the IAC makes formal presentations and recommendations to the SLB for its consideration and approval.

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

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

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

State Street Bank and Trust Company (State Street) provides accounting, performance measurement, and reporting services for the SLB with regard to its real assets investment portfolio. The cash flow data and net asset values, used by State Street to provide its accounting and performance measurement and reporting services, are provided to State Street directly by the SLB's external fund managers with regard to the SLB's externally managed real

assets investments and by Texas General Land Office staff with regard to the SLB's internally managed real assets investments. The fair value of the PSF Real Assets Investment Portfolio was derived by taking the State Street Summary of Investments – External Portfolio at June 30, 2012, and adjusting it for cash transactions that transpired during July and August 2012.

The fair value of the fund's land surface value is based on the estimated appraisal values or independently determined by the staff in the Appraisal Division using the data from studies conducted by the Texas Chapter of the American Society of Farm Managers and Rural Appraisers, Multiple Listing Services throughout the state and CoStar commercial sales data in certain metropolitan areas. The fair value of the fund's interest in oil, gas, and hard minerals is based on an estimate of the present value of future royalty cash flows using a 10 percent discount rate. Future royalty cash flow projections from oil and gas are based on 12-month average prices preceding the valuation date and estimates of future production from existing wells. The estimate of future production is based on Oil & Gas Industry submissions of such volumes for the 12-month period prior to valuation, and reduced to account for estimated depletion. Hard minerals cash flows are also estimated based on future royalty approximations and discounted. Nonproducing proven reserves of oil, gas, and hard minerals are not included in the estimate. Fair value is presented in **Table 6** on page 41.

REVERSE REPURCHASE AGREEMENTS

Investments in reverse repurchase agreements are authorized by the Tex. Nat. Res. Code Ann., §161.173. This section states, "money may be invested in direct security repurchase agreements made with state or national banks that have main offices or branch offices in this state or with primary dealers as approved by the Federal Reserve System." During Fiscal Year 2012, the VLB entered into no reverse repurchase agreements. As of August 31, 2012, there are no outstanding reverse repurchase agreements.

SECURITIES LENDING

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

The VLB, through a Securities Lending Authorization Agreement with its investment custodian and securities lending agent, State Street, lends its securities to broker-dealers and banks pursuant to a loan agreement in exchange for authorized collateral. Authorized collateral

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Table 6

INVESTMENT PORTFOLIO AT FAIR VALUE

Permanent School Fund		
Investment Type	Historical Cost	Fair Value
Investments in Real Assets	\$	\$
Sovereign Lands ⁽¹⁾	497,524.17	258,554,556.00
Discretionary Internal Investments	318,786,029.08	313,377,187.00
Other Lands	21,813,881.21	101,988,949.04
Minerals ^{(1),(2)}	13,396,480.03	2,180,497,433.00
Investments with External Managers	1,649,287,600.46	1,551,469,058.91
Total Investments ⁽³⁾	2,003,781,514.95	4,405,887,183.95
Cash in State Treasury ⁽⁴⁾	1,376,010,814.04	1,376,010,814.04
Total Investments and Cash in State Treasury	3,379,792,328.99	5,781,897,997.99
Consisting of the following:		
Noncurrent Investments	2,003,781,514.95	4,405,887,183.95
Total Investments, as above	2,003,781,514.95	4,405,887,183.95

⁽¹⁾ Sovereign Lands and Minerals are reported at historical cost on the balance sheet.

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

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

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

includes cash, U.S. government securities, and irrevocable letters of credit. State Street cannot pledge or sell collateral securities absent a borrower default. Borrowers are required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was located in the U.S., 102 percent of the fair value of the loaned securities; or (ii) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the U.S., 105 percent of the fair value of the loaned securities.

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

During the fiscal year, the VLB and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund comprised of a liquidity pool and a duration pool. As of August 31, 2012, the liquidity pool had an average duration of 33.84 days and an average weighted maturity of 70.55 days; the duration pool had an average duration of 36.21 days and an average weighted maturity of 679.00 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, 2012, the 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, 2012, were \$85,055,649.40 and \$83,854,693.87, 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. Method for 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 the VLB's position in the Fund is not the same as the value of the Fund shares.
- d. Involuntary Participation. There was no involuntary participation in an external investment pool by the VLB for the fiscal year.
- e. Necessary Information. Not applicable.
- f. Income Assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

**NOTE 4:
SHORT-TERM DEBT**

Not applicable.

Table 7

CHANGES IN LONG-TERM LIABILITIES

	Balance 09-01-2011	Additions ⁽¹⁾	Deductions	Balance 08-31-2012	Amounts Due Within One Year	Amounts Due Thereafter
	\$	\$	\$	\$	\$	\$
Governmental Activities						
Employees' Compensable Leave	4,623,744.71	3,879,164.90	3,352,976.26	5,149,933.35	2,864,334.15	2,285,599.20
Total, Governmental Activities	4,623,744.71	3,879,164.90	3,352,976.26	5,149,933.35	2,864,334.15	2,285,599.20
Business-Type Activities						
Revenue Bonds Payable	22,220,000.00	0.00	22,220,000.00	0.00	0.00	0.00
General Obligation B/P	2,037,974,392.18	150,442,418.30	70,967,000.00	2,117,449,810.48	81,137,000.00	2,036,312,810.48
Unamortized Premium	13,975,119.63	0.00	1,029,810.16	12,945,309.47	1,029,810.16	11,915,499.31
Total, Business-Type Activities	2,074,169,511.81	150,442,418.30	94,216,810.16	2,130,395,119.95	82,166,810.16	2,048,228,309.79
Total, Governmental and Business-Type Activities	2,078,793,256.52	154,321,583.20	97,569,786.42	2,135,545,053.30	85,031,144.31	2,050,513,908.99

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

**NOTE 5:
LONG-TERM LIABILITIES**

During the year ended August 31, 2012, the changes noted in *Table 7* below occurred in long-term liabilities.

BONDS PAYABLE

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

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, 2012.

EMPLOYEES' 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 Assets.

**NOTE 6:
BONDED INDEBTEDNESS**

AUTHORIZATION

The authorization for the issuance of Veterans' Land Board general obligation bonds is granted by the Texas Constitution. Since the program's inception in 1946, a total of \$4,000,000,000.00 in general obligation bond authorization has been granted. *Table 8* on the right lists the various tranches of general obligation bond authorization. The authorization for the issuance of Veterans' Land Board revenue bonds is granted by Tex. Nat. Res. Code Ann., §164. Revenue bonds issued for a purpose other than buying back or refunding general obligation bonds issued under Article III, §49-b of the Texas Constitution may not in the aggregate exceed \$1,000,000,000.00, of which \$795,720,000.00 remains unissued.

BONDS ISSUED

GENERAL OBLIGATION BONDS

During Fiscal Year 2012, 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.

\$74,995,000 State of Texas Veterans Bonds, Series 2011C

Issue Date: December 15, 2011
Sr. Manager: Morgan Stanley
True Interest Cost: Variable-Rate
Net Proceeds: \$74,729,039.54
Costs of Issuance: \$265,960.46

The Series 2011C Bonds were issued to augment the Veterans' Housing Assistance Fund II.

\$74,995,000 State of Texas Veterans Bonds, Series 2012A

Issue Date: May 23, 2012
Sr. Manager: J.P. Morgan
True Interest Cost: Variable-Rate
Net Proceeds: \$74,712,565.49
Costs of Issuance: \$282,434.51

Table 8

GENERAL OBLIGATION BONDS STATE OF TEXAS VETERANS' HOUSING AND LAND PROGRAMS	
<u>Year of Constitutional Amendments</u>	<u>Increment In Bonds Authorized to Be Issued</u>
	\$
1946	25,000,000.00
1951	75,000,000.00
1956	100,000,000.00
1967	200,000,000.00
1973	100,000,000.00
1977	200,000,000.00
1981	250,000,000.00
1983	300,000,000.00
1983	500,000,000.00
1985	500,000,000.00
1993	250,000,000.00
1993	500,000,000.00
1995	500,000,000.00
2001	500,000,000.00
TOTAL	<u>4,000,000,000.00</u>
\$ 4,000,000,000.00 ⁽¹⁾	Amount authorized
(296,234,729.86)	Outstanding balance (Land)
<u>(1,830,392,392.27)</u>	Outstanding balance (Housing)
<u>1,873,372,877.87</u> ⁽²⁾	Amount remaining to issue

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

⁽²⁾ Includes applicable bond issuance premium amounts.

The Series 2012A Bonds were issued to augment the Veterans' Housing Assistance Program, Fund II.

DEMAND BONDS

Included in long-term debt are the outstanding principal amounts of several issues of general obligation variable-rate demand bonds backed by the full faith and credit of the state of Texas, as described below. A summary of the liquidity agreements have been provided in *Table 9* on page 45.

\$6,200,000 State of Texas Adjustable Convertible Extendable Securities (ACES), Veterans' Housing Assistance Bonds, Series 1994A-1

The bonds were issued pursuant to a resolution adopted by the board on January 20, 1994, in the original aggregate principal amount of \$10,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans and pay the costs of issuing the bonds. The bonds are currently in the weekly mode.

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

Under a liquidity agreement between the board and the Comptroller of Public Accounts of the state of Texas, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on August 31, 2013. The liquidity provider receives an annual fee of 0.12 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$55,000,000 State of Texas Veterans' Housing Assistance Taxable Refunding Bonds, Series 1994A-2

The bonds were issued pursuant to a resolution adopted by the board on April 19, 1994, in the original aggregate principal amount of \$59,600,000.00. The proceeds of the bonds were used to refund portions of the outstanding State of Texas Veterans Bonds, Series 1984A State of Texas Veterans' Housing Assistance Bonds, Series 1993. 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 business days' notice to the board's tender agent, U.S. Bank National Association. The board's remarketing agent, J.P. Morgan Securities Inc., is authorized to use its best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and Landesbank Hessen-Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on June 30, 2013. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$25,000,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 1997B-2 Taxable Bonds

The bonds were issued pursuant to a resolution adopted by the board on November 19, 1997, in the original aggregate principal amount of \$25,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient

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Table 9

VETERANS' LAND BOARD LIQUIDITY FACILITIES AS OF AUGUST 31, 2012

<u>Liquidity Provider</u>	<u>Bond Transaction</u>	<u>Available Principal Commitment at 8-31-2012</u>	<u>Liquidity Agreement Expiration Date</u>
J. P. Morgan Chase Bank, National Association	1) Vet Hsg Fund II Tax Bds Ser '99A-2	\$ 150,000,000.00	09-19-2014
	2) Vet Land Tax Ref Bds Ser 2000	36,835,000.00	09-19-2014
	3) Vet Land Tax Bds Ser 2000A	16,415,000.00	09-19-2014
	4) Vet Hsg Fund I Tax Ref Bds Ser 2005C	26,275,000.00	09-19-2014
	5) Vet Hsg Fund II Tax Ref Bds Ser 2009C	79,245,000.00	09-19-2014
	6) Vet Bonds, Series 2011A	73,215,000.00	03-07-2014
	7) Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000.00	07-03-2014
	8) Vet Hsg Fund I Tax Ref Bds Ser 2004C,	7,220,000.00	07-03-2014
	9) Vet Hsg Fund II Tax Ref Bds Ser 2004D	25,085,000.00	07-03-2014
	10) Vet Land Tax Ref Bds Ser 2005	19,585,000.00	07-03-2014
	11) Vet Hsg Fund II Ser 2006A	37,715,000.00	07-03-2014
	12) Vet Land Tax Ref Bds Ser 2006C	34,305,000.00	07-03-2014
	13) Vet Hsg Fund II Ser 2006E Taxable Ref Bds	39,560,000.00	07-03-2014
	14) Vet Hsg Fund II Ser 2007B	42,005,000.00	07-03-2014
	15) Vet Hsg Fund II Ser 2007C Taxable Ref Bds	<u>33,760,000.00</u>	07-03-2014
		<u>637,755,000.00</u>	
Landesbank Hessen - Thüringen Girozentrale	1) Vet Hsg Fund II Bds Ser 2002A-2	32,320,000.00	12-31-2015
	2) Vet Hsg Fund I Tax Ref Bds Ser 2002B	19,780,000.00	12-31-2015
	3) Vet Hsg Fund II Bds Ser 2003A	32,330,000.00	12-31-2015
	4) Vet Hsg Fund II Bds Ser 2003B	33,605,000.00	12-31-2015
	5) Vet Land Tax Ref Bds Ser 2002	27,685,000.00	06-30-2013
	6) Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00	06-30-2013
	7) Vet Land Tax Bds Ser 2002A	17,085,000.00	06-30-2013
	8) Vet Land Tax Ref Bds Ser 2006A	26,335,000.00	06-30-2013
	9) Vet Land Tax Ref Bds Ser 2006B	20,745,000.00	06-30-2013
	10) Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000.00	06-30-2013
	11) Vet Hsg Fund II Tax Ref Bds Ser 2006C	<u>19,030,000.00</u>	06-30-2013
		<u>322,485,000.00</u>	
Comptroller of Public Accounts of the State of Texas	1) Vet Hsg Bds Ser '94A-1	6,200,000.00	08-31-2013
	2) Vet Hsg Ref Bds Ser '95	37,540,000.00	08-31-2013
	3) Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00	08-31-2013
	4) Vet Land Ref Bds Ser '99A	<u>20,945,000.00</u>	08-31-2013
		<u>84,685,000.00</u>	
State Street Bank and Trust Company	1) Vet Land Tax Ref Bds Ser 2003	21,165,000.00	11-17-2014
	2) Vet Hsg Fund II Bds Ser 2004A	33,235,000.00	11-17-2014
	3) Vet Land Tax Ref Bds Ser 2004	21,095,000.00	11-17-2014
	4) Vet Hsg Fund II Bds Ser 2005A	36,060,000.00	11-17-2014
	5) Vet Hsg Fund II Bds Ser 2005B	35,910,000.00	11-17-2014
	6) Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00	04-03-2015
	7) Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00	04-03-2015
	8) Vet Hsg Fund II Tax Ref Bds Ser 2005D	11,540,000.00	04-03-2015
	9) Vet Hsg Fund II Bds Ser 2007A	39,810,000.00	04-03-2015
	10) Vet Hsg Series 2012A	<u>74,995,000.00</u>	05-22-2015
		<u>323,810,000.00</u>	
Sumitomo Mitsui Banking Corporation	1) Vet Land Bds Ser 2002	16,480,000.00	08-12-2015
	2) Vet Hsg Fund II Bds Ser 2004B	36,475,000.00	08-12-2015
	3) Vet Hsg Fund II Bds Ser 2006D	39,730,000.00	08-12-2015
	4) Vet Bonds, Tax Ref Series 2010B	63,990,000.00	05-20-2013
	5) Vet Bonds Series 2010E Tax Ref (Hug)	<u>47,540,000.00</u>	11-01-2013
		<u>204,215,000.00</u>	
Bank of Tokyo - Mitsubishi UFJ	1) Vet Hsg Fund I Tax Ref Bds Series 2003	47,865,000.00	08-22-2014
	2) Vet Hsg Fund II Bds Series 2008A	42,095,000.00	08-22-2014
	3) Vet Hsg Fund II Series 2008B	43,400,000.00	07-31-2015
	4) Vet Hsg Fund II Series 2010C	73,095,000.00	07-31-2015
	5) Vet Bonds Series 2010D Tax Ref (Land)	<u>16,020,000.00</u>	07-31-2015
		<u>222,475,000.00</u>	
Wells Fargo Bank, National Association	1) Vet Hsg Series 2011B	74,140,000.00	08-25-2014
	2) Vet Hsg Series 2011C	<u>74,995,000.00</u>	12-14-2014
		149,135,000.00	
Grand Total		<u><u>1,944,560,000.00</u></u>	

to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on April 3, 2015. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$150,000,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 1999A-2 Taxable Bonds

The bonds were issued pursuant to a resolution adopted by the board on September 2, 1999, in the original aggregate principal amount of \$150,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on September 19, 2014. The liquidity provider receives an annual fee of 0.56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$20,945,000 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 liquidity agreement between the board and the Comptroller of Public Accounts of the state of Texas, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on August 31, 2013. The liquidity provider receives an annual fee of 0.12 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

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

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

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, Wells Fargo Bank Texas, National Association. The board's remarketing agent, Citigroup Global Markets, 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 liquidity agreement between the board and the Comptroller of Public Accounts of the state of Texas, the tender agent is entitled to

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request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on August 31, 2013. The liquidity provider receives an annual fee of 0.12 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$25,000,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2001C-2 Bonds

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

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

Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on April 3, 2015. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$32,320,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2002A-2 Bonds

The bonds were issued pursuant to a resolution adopted by the board on June 25, 2002, in the original aggregate principal amount of

\$38,300,000.00. The proceeds of the bonds, in conjunction with the proceeds of the State of Texas Veterans' Housing Assistance Program, Fund II 2002A-1 Bonds, were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$19,780,000 State of Texas Veterans' Housing Assistance Program, Fund I Taxable Series 2002B Refunding Bonds

The bonds were issued pursuant to a resolution adopted by the board on October 30, 2002, in the original aggregate principal amount of \$22,605,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Bonds, Series 1992. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$32,330,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2003A Bonds

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

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

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$33,605,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2003B Bonds

The bonds were issued pursuant to a resolution adopted by the board on June 26, 2003, in the

original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and Landesbank Hessen-Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on December 31, 2015. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$47,865,000 State of Texas Veterans' Housing Assistance Program, Fund I Series 2003 Taxable Refunding Bonds

The bonds were issued pursuant to a resolution adopted by the board on October 30, 2003, in the original aggregate principal amount of \$47,865,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Bonds, Series 1993. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and Bank of Tokyo-Mitsubishi UFJ, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on August 22, 2014. The liquidity provider receives an annual fee of 0.56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$21,165,000 State of Texas Veterans' Land Refunding Bonds, Taxable Series 2003

The bonds were issued pursuant to a resolution adopted by the board on October 30, 2003, in the original aggregate principal amount of \$29,285,000.00. The proceeds of the bonds were used to refund a portion of the State of Texas Veterans' Land Bonds, Series 1993. 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 State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on November 17, 2014. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$33,235,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2004A Bonds

The bonds were issued pursuant to a resolution adopted by the board on February 26, 2004, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were

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

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

Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on November 17, 2014. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$16,535,000 State of Texas Veterans' Housing Assistance Program, Fund I Series 2004 Taxable Refunding Bonds

The bonds were issued pursuant to a resolution adopted by the board on February 26, 2004, in the original aggregate principal amount of \$19,550,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Bonds, Series 1994B-4. 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 J.P. Morgan Chase Bank,

National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on July 3, 2014. The liquidity provider receives an annual fee of 0.56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$36,475,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2004B Bonds

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

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

Under a reimbursement agreement between the board and Sumitomo Mitsui Banking Corporation, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on August 12, 2015. The liquidity provider receives an annual fee of 0.50 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$7,220,000 State of Texas Veterans' Housing Assistance Program, Fund I Series 2004C Taxable Refunding Bonds;

\$25,085,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2004D Taxable Refunding Bonds

The bonds were issued pursuant to a resolution adopted by the board on July 29, 2004, in the

original aggregate principal amount of \$43,870,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Program, Fund I Series 1994D Bonds; State of Texas Veterans' Housing Assistance Program, Fund II Series 1994A Bonds; and State of Texas Veterans' Housing Assistance Program, Fund II Series 1994B Taxable Bonds. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on July 3, 2014. The liquidity provider receives an annual fee of 0.56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$36,060,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2005A Bonds

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

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

best ongoing efforts to sell any purchased bonds at a price equal to the principal amount of such purchased bonds plus accrued interest thereon, if any, to the date of sale.

Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on November 17, 2014. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$35,910,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2005B Bonds

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

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

Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on November 17, 2014. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$19,585,000 State of Texas Veterans' Land Refunding Bonds, Taxable Series 2005

The bonds were issued pursuant to a resolution adopted by the board on August 25, 2005, in the original aggregate principal amount of \$22,795,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Land Bonds, Taxable Series 1995. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 3, 2014. The liquidity provider receives an annual fee of 0.56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

**\$26,275,000 State of Texas Veterans' Housing Assistance Program, Fund I Series 2005C Taxable Refunding Bonds;
\$11,540,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2005D Taxable Refunding Bonds**

The bonds were issued pursuant to a resolution adopted by the board on August 25, 2005, in the original aggregate principal amount of \$53,270,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Series 1994B-1-2-3 Bonds; State of Texas Veterans' Housing Assistance Program, Fund I Series 1994C Refunding Bonds; State of Texas Veterans' Housing Assistance Program, Fund I Series 1995A and 1995B Refunding Bonds; and State of Texas Veterans' Housing Assistance Program, Fund II Series

1995C Refunding Bonds. The bonds are currently in the weekly mode.

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

With regard to the Fund I Series 2005C Bonds: Under a standby bond purchase agreement between the board and JP Morgan Chase Bank, N.A., the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on September 19, 2014. The liquidity provider receives an annual fee of 0.56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

With regard to the Fund II Series 2005D Bonds: Under a standby bond purchase agreement between the board and State Street Bank & Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on April 3, 2015. The liquidity provider receives an annual fee of 0.295 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$26,335,000 State of Texas Veterans' Land Refunding Bonds, Taxable Series 2006A

The bonds were issued pursuant to a resolution adopted by the board on March 23, 2006, in the original aggregate principal amount of \$31,030,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Land Bonds, Taxable Series 1996. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the

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

Under a standby bond purchase agreement between the board and Landesbank Hessen – Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on June 30, 2013. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$20,745,000 State of Texas Veterans' Land Refunding Bonds, Taxable Series 2006B

The bonds were issued pursuant to a resolution adopted by the board on March 23, 2006, in the original aggregate principal amount of \$24,035,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Land Bonds, Series 1996. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and Landesbank Hessen – Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on June 30, 2013. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2012, there were \$0 purchased

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

\$38,570,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2006B Taxable Refunding Bonds

The bonds were issued pursuant to a resolution adopted by the board on March 23, 2006, in the original aggregate principal amount of \$38,570,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Program, Fund II Series 1995D Refunding Bonds. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and Landesbank Hessen – Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on June 30, 2013. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$19,030,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2006C Taxable Refunding Bonds

The bonds were issued pursuant to a resolution adopted by the board on March 23, 2006, in the original aggregate principal amount of \$22,325,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Program, Fund II Series 1996 Taxable Refunding Bonds. The bonds are currently in the weekly mode.

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

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

Under a standby bond purchase agreement between the board and Landesbank Hessen – Thüringen Girozentrale, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on June 30, 2013. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$37,715,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2006A Bonds

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

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

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 3, 2014. The liquidity provider receives an annual fee of 0.56 percent.

As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$39,730,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2006D Bonds

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

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

Under a reimbursement agreement between the board and Sumitomo Mitsui Banking Corporation, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on August 12, 2015. The liquidity provider receives an annual fee of 0.50 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$34,305,000 State of Texas Veterans' Land Refunding Bonds, Taxable Series 2006C

The bonds were issued pursuant to a resolution adopted by the board on August 23, 2006, in the original aggregate principal amount of \$41,050,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Land Bonds, Taxable Series 1996A. The bonds are currently in the weekly mode.

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

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

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 3, 2014. The liquidity provider receives an annual fee of .56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$39,560,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2006E Taxable Refunding Bonds

The bonds were issued pursuant to a resolution adopted by the board on August 23, 2006, in the original aggregate principal amount of \$39,560,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Program, Fund II Series 1995E Refunding Bonds. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 3, 2014. The liquidity provider receives an annual fee of .56 percent. As of August 31, 2012, there were \$0 purchased

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

\$39,810,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2007A Bonds

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

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

Under a standby bond purchase agreement between the board and State Street Bank Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on April 3, 2015. The liquidity provider receives an annual fee of .295 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$42,005,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2007B Bonds

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

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

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

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 3, 2014. The liquidity provider receives an annual fee of .56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$33,760,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2007C Taxable Refunding Bonds

The bonds were issued pursuant to a resolution adopted by the board on August 22, 2007, in the original aggregate principal amount of \$54,160,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Program, Fund II Series 1997A Bonds and the State of Texas Veterans' Housing Assistance Program, Fund II Series 1997B-1 Taxable Bonds. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, 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 J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 3, 2014. The liquidity provider

receives an annual fee of 0.56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$42,095,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2008A Bonds

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

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

Under a standby bond purchase agreement between the board and Bank of Tokyo-Mitsubishi UFJ, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on August 22, 2014. The liquidity provider receives an annual fee of 0.56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$43,400,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2008B Bonds

The bonds were issued pursuant to a resolution adopted by the board on July 31, 2008, in the original aggregate principal amount of \$50,000,000.00. The proceeds of the bonds were used to fund housing loans to eligible Texas veterans. The bonds are currently in the weekly mode.

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

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

Under a standby bond purchase agreement between the board and Bank of Tokyo-Mitsubishi UFJ, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 31, 2015. The liquidity provider receives an annual fee of 0.525 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$79,245,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2009C Taxable Refunding Bonds

The bonds were issued pursuant to a resolution adopted by the board on November 2, 2009, in the original aggregate principal amount of \$82,795,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Program, Fund II Series 1999A Taxable Bonds and the State of Texas Veterans' Housing Assistance Program, Fund II Series 1999B Bonds. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, 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 J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond

delivered to it. The liquidity agreement terminates on September 19, 2014. The liquidity provider receives an annual fee of 0.56 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$63,990,000 State of Texas Veterans Bonds, Taxable Refunding Series 2010B

The bonds were issued pursuant to a resolution adopted by the board on April 29, 2010, in the original aggregate principal amount of \$66,720,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Program, Fund II Series 2000C Bonds. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, 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 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 May 20, 2013. The liquidity provider receives an annual fee of 0.60 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$73,095,000 State of Texas Veterans Bonds, Taxable Refunding Series 2010C

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

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

Under a standby bond purchase agreement between the board and Bank of Tokyo-Mitsubishi UFJ, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on July 31, 2015. The liquidity provider receives an annual fee of 0.525 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$16,020,000 State of Texas Veterans Bonds, Taxable Refunding Series 2010D

The bonds were issued pursuant to a resolution adopted by the board on July 22, 2010, in the original aggregate principal amount of \$16,480,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Land Bonds, Series 2000. 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 Bank of Tokyo-Mitsubishi UFJ, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement

terminates on July 31, 2015. The liquidity provider receives an annual fee of .525 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$47,540,000 State of Texas Veterans Bonds, Taxable Refunding Series 2010E

The bonds were issued pursuant to a resolution adopted by the board on October 28, 2010, in the original aggregate principal amount of \$49,995,000.00. The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Program, Fund II Series 2001A-1 Bonds; the Veterans' Housing Assistance Program, Fund II Series 2001C-1 Bonds; and the Veterans' Housing Assistance Program, Fund II Series 2002A-1 Bonds. The bonds are currently in the weekly mode.

While in the weekly mode, the bonds are subject to purchase on any business day upon the demand of the holder at a price equal to the principal amount thereof plus accrued interest, with at least seven calendar days' notice to the board's tender agent, 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 Sumitomo Mitsui Banking Corporation, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on November 1, 2013. The liquidity provider receives an annual fee of 0.60 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$73,215,000 State of Texas Veterans Bonds, Taxable Refunding Series 2011A

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

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

Under a standby bond purchase agreement between the board and J.P. Morgan Chase Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on March 7, 2014. The liquidity provider receives an annual fee of 0.65 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$74,140,000 State of Texas Veterans Bonds, Taxable Refunding Series 2011B

The bonds were issued pursuant to a resolution adopted by the board on July 28, 2011, in the original aggregate principal amount of \$74,995,000.00. The proceeds of the bonds were used to augment the Veterans' Housing Assistance Fund II. The bonds are currently in the weekly mode.

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

Under a standby bond purchase agreement between the board and Wells Fargo Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on August 25, 2014. The liquidity

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provider receives an annual fee of 0.49 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$74,995,000 State of Texas Veterans Bonds, Taxable Refunding Series 2011C

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

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

Under a standby bond purchase agreement between the board and Wells Fargo Bank, National Association, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on December 14, 2014. The liquidity provider receives an annual fee of 0.49 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$74,995,000 State of Texas Veterans Bonds, Taxable Refunding Series 2012A

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

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

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

Under a standby bond purchase agreement between the board and State Street Bank and Trust Company, the tender agent is entitled to request an amount from the liquidity provider sufficient to pay the purchase price of the bond delivered to it. The liquidity agreement terminates on May 22, 2015. The liquidity provider receives an annual fee of 0.375 percent. As of August 31, 2012, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

DEFEASED BONDS OUTSTANDING – LAND

Advance refunding bonds totaling \$716,545,000.00 have been issued to defease Veterans' Land Bonds. At August 31, 2012, \$25,500,000.00 of the defeased bonds remained outstanding. The proceeds of the refundings, together with additional securities and cash owned by the board, were deposited with the board's escrow agents pursuant to the special escrow fund agreements. These agreements provide that the special escrow funds are irrevocably pledged to the payment of principal and interest on the refunded bonds. The escrow agent will retire the remaining defeased debt as it matures. Details of the refunding transactions are outlined in **Table 10** on page 60.

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

With the issuance of the refunding bonds, all of the outstanding Veterans' Land Bond Series 1949 through 1985B were refunded, which released available monies from certain covenants in the resolutions that authorized the issuance of those bonds. The future receipts were

Table 10

DEFEASED BONDS OUTSTANDING – LAND and HOUSING PROGRAMS				
	Land Program 1985 Refunding	Land Program 1986 Refunding	Housing Program 2010 Refunding	Total Refunding
Series Defeased	1976-1982	1951-1972A, 1978-1985B, and 1983 Refunding	2001A-1 Refunding 2001C-1 Refunding 2002A-1 Refunding	
Refunding Bonds Issued	<u>173,760,000.00</u>	<u>542,785,000.00</u>	<u>49,995,000.00</u>	<u>766,540,000.00</u>
Additional Securities and Cash Provided	<u>19,890,121.00</u>	<u>58,781,385.00</u>	<u>5,028,848.78</u>	<u>83,700,354.78</u>
Defeased Debt by Series				
1951-1954A		8,183,000.00		8,183,000.00
1957-1961B		31,820,000.00		31,820,000.00
1968-1972A		87,000,000.00		87,000,000.00
1976-1977	90,000,000.00			90,000,000.00
1978-1982	126,000,000.00	74,000,000.00		200,000,000.00
1983-1985A		250,000,000.00		250,000,000.00
1985B		100,000,000.00		100,000,000.00
1983 Refunding		22,810,000.00		22,810,000.00
2001A-1 Refunding			31,680,000.00	31,680,000.00
2001C-1 Refunding			10,725,000.00	10,725,000.00
2002A-1 Refunding			9,925,000.00	9,925,000.00
Total Defeased Debt	<u>216,000,000.00</u>	<u>573,813,000.00</u>	<u>52,330,000.00</u>	<u>842,143,000.00</u>
Total Retired by Escrow Agent at 8-31-2012	<u>206,000,000.00</u>	<u>558,313,000.00</u>	<u>52,330,000.00</u>	<u>816,643,000.00</u>
Outstanding Defeased Debt	<u>10,000,000.00</u>	<u>15,500,000.00</u>	<u>0.00</u>	<u>25,500,000.00</u>
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	

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

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formerly pledged to the Series 1991 Refunding Bonds became assets of the Series 2002 Taxable Refunding Bonds.

DEFEASED BONDS OUTSTANDING – HOUSING

Advance refunding bonds totaling \$49,995,000.00 have been issued to defease Veterans' Housing Assistance Program Bonds. At August 31, 2012, \$0.00 of the defeased bonds remained outstanding.

ADMINISTRATION OF LOAN PROGRAMS

Under the Veterans' Land Program, eligible veterans may qualify for a loan of up to \$100,000.00 at an interest rate set by the Veterans' Land Board, payable over a 30-year period to purchase not less than one net acre of land in the state of Texas. Current board policy permits the transfer of contracts after three years. Higher rates of interest are charged to non-veterans as permitted by law. The board may provide financing for veterans for the purchase of foreclosed land tracts from the board. The loan rate in the program at August 31, 2012, is 6.75 percent.

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

In January 1984, the Veterans' Land Board began providing housing loans. Currently under this program,

eligible Texas veterans may qualify for a loan of up to \$417,000.00. The interest rates for these loans are currently reset weekly after the close of business on the last business day of the week at a spread below the FNMA 60-day commitment rate on 30-year FHA/VA loans. In May 1986, the Housing Assistance Program was expanded to include home improvement loans. Home improvements, which are originated by the Veterans' Land Board, can be financed for a period of two to twenty years for a principal amount of up to \$25,000.00. Interest rates for these loans are determined in the same manner and at the same spread as described above.

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

OUTSTANDING BONDS

Outstanding land and housing assistance general obligation bonds are repaid from land, housing, and home improvement loan principal and interest receipts, and investment earnings. Outstanding veterans home revenue bonds are repaid from income, revenues, and receipts pledged under the related trust indenture. Outstanding veterans mortgage revenue bonds are repaid from revenues and funds pledged under the related trust indentures. Schedules 2-A through 2-G present bond activity during Fiscal Year 2012. Annual interest accretion on capital appreciation bonds is reported in the Bonds Issued column of Schedule 2-A.

A summary of bonds outstanding, excluding unamortized premium, at August 31, 2012, and the issue and final maturity dates are presented in **Table 11** on page 62 and **Table 12** on page 63, and a summary of bond transactions is presented in **Table 13** on page 64 and **Table 14** on page 65.

DEBT SERVICE REQUIREMENTS

Table 15 on page 66, **Table 16** on page 67, and **Table 17** on page 68 represent principal and interest due on bonds from the period of September 1, 2012, through final maturity on December 1, 2042. The information is disclosed by fiscal year and bond issue, respectively.

Table 11

OUTSTANDING BONDS			
<u>Issue</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Bonds Outstanding 08-31-2012</u>
			\$
General Obligation Bonds - Self-Supporting			
<i>Veterans' Housing Bonds</i>			
(Proceeds used to provide housing and home improvement loans to eligible Texas veterans.)			
Vet Hsg Bds Ser '94A-1	02-24-1994	12-01-2023	6,200,000.00
Vet Hsg Tax Ref Bds Ser '94A-2	04-28-1994	12-01-2033	55,000,000.00
Vet Hsg Ref Bds Ser '94C ⁽¹⁾	10-27-1994	12-01-2015	1,400,514.96
Vet Hsg Ref Bds Ser '95	10-31-1995	12-01-2016	37,540,000.00
Vet Hsg Fund II Tax Bds Ser '97B-2	12-18-1997	12-01-2029	25,000,000.00
Vet Hsg Fund II Tax Bds Ser '99A-1	10-07-1999	12-01-2029	1,740,000.00
Vet Hsg Fund II Tax Bds Ser '99A-2	10-07-1999	12-01-2029	150,000,000.00
Vet Hsg Fund II Bds Ser 2001A-2	03-22-2001	12-01-2029	20,000,000.00
Vet Hsg Fund II Bds Ser 2001C-2	12-18-2001	12-01-2033	25,000,000.00
Vet Hsg Fund II Bds Ser 2002A-2	07-10-2002	06-01-2033	32,320,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B	11-06-2002	06-01-2023	19,780,000.00
Vet Hsg Fund II Bds Ser 2003A	03-04-2003	06-01-2034	32,330,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-2003	06-01-2034	33,605,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003	11-20-2003	06-01-2021	47,865,000.00
Vet Hsg Fund II Bds Ser 2004A	04-07-2004	12-01-2034	33,235,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004	05-20-2004	12-01-2024	16,535,000.00
Vet Hsg Fund II Bds Ser 2004B	09-15-2004	12-01-2034	36,475,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C	11-18-2004	12-01-2018	7,220,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2004D	11-18-2004	06-01-2020	25,085,000.00
Vet Hsg Fund II Bds Ser 2005A	02-24-2005	06-01-2035	36,060,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-2005	06-01-2036	35,910,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	11-16-2005	12-01-2025	26,275,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2005D	11-16-2005	06-01-2026	11,540,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006B	05-10-2006	12-01-2026	38,570,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C	05-10-2006	12-01-2027	19,030,000.00
Vet Hsg Fund II Bds Ser 2006A	06-01-2006	12-01-2036	37,715,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-2006	12-01-2036	39,730,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	11-15-2006	12-01-2026	39,560,000.00
Vet Hsg Fund II Bds Ser 2007A	02-22-2007	06-01-2037	39,810,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-2007	06-01-2038	42,005,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	11-14-2007	06-01-2029	33,760,000.00
Vet Hsg Fund II Bds Ser 2008A	03-26-2008	12-01-2028	42,095,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-2008	12-01-2038	43,400,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-2009	12-01-2023	45,465,000.00
Vet Hsg Fund II Bds Ser 2009B	09-03-2009	12-01-2024	47,385,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C	11-18-2009	12-01-2021	79,245,000.00
Vet Hsg Fund II Bds Ser 2010A	02-25-2010	12-01-2031	72,560,000.00
Veterans Bonds, Tax Ref Ser 2010B	05-20-2010	12-01-2025	63,990,000.00
Veterans Bonds Series 2010C	08-20-2010	12-01-2031	73,095,000.00
Veterans Bonds, Tax Ref Ser 2010E	11-18-2010	06-01-2032	47,540,000.00
Veterans Bonds Series 2011A	03-09-2011	06-01-2041	73,215,000.00
Veterans Bonds Series 2011B	08-25-2011	12-01-2041	74,140,000.00
Veterans Bonds Series 2011C	12-15-2011	06-01-2042	74,995,000.00
Veterans Bonds Series 2012A	05-23-2012	12-01-2042	74,995,000.00
Total, Veterans' Housing Bonds			<u>1,818,415,514.96</u>

⁽¹⁾ Includes accreted interest on discount bonds.

(Continued on Table 12)

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Table 12

OUTSTANDING BONDS (Continued from Table 11)

<u>Issue</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Bonds Outstanding 08-31-2012</u>
			\$
General Obligation Bonds - Self-Supporting			
<i>Veterans' Land Bonds</i>			
(Proceeds used to provide land loans to eligible Texas veterans.)			
Vet Land Ref Bds Ser '91 ⁽¹⁾	11-19-1991	12-01-2021	0.00
Vet Land Bds Ser '94 ⁽¹⁾	05-05-1994	12-01-2024	2,069,218.70
Vet Land Bds Ser '96 ⁽¹⁾	03-06-1996	12-01-2026	2,270,076.82
Vet Land Ref Bds Ser '99A	04-28-1999	12-01-2018	20,945,000.00
Vet Land Tax Bds Ser 2000A	07-26-2000	12-01-2030	16,415,000.00
Vet Land Tax Ref Bds Ser 2000	11-15-2000	12-01-2020	36,835,000.00
Vet Land Bds Ser 2002	02-21-2002	12-01-2032	16,480,000.00
Vet Land Tax Bds Ser 2002A	02-21-2002	12-01-2032	17,085,000.00
Vet Land Tax Ref Bds Ser 2002	11-06-2002	12-01-2021	27,685,000.00
Vet Land Tax Ref Bds Ser 2003	11-20-2003	12-01-2023	21,165,000.00
Vet Land Tax Ref Bds Ser 2004	11-18-2004	12-01-2024	21,095,000.00
Vet Land Tax Ref Bds Ser 2005	11-16-2005	12-01-2026	19,585,000.00
Vet Land Tax Ref Bds Ser 2006A	05-10-2006	12-01-2027	26,335,000.00
Vet Land Tax Ref Bds Ser 2006B	05-10-2006	12-01-2026	20,745,000.00
Vet Land Tax Ref Bds Ser 2006C	11-15-2006	12-01-2027	34,305,000.00
Vet Land Tax Ref Bds Ser 2010D	11-18-2010	12-01-2030	<u>16,020,000.00</u>
Total, Veterans' Land Bonds			<u>299,034,295.52</u>
Total, General Obligation Bonds - Self-Supporting			<u>2,117,449,810.48</u>
Total, All Bonds (Tables 11 and 12)			<u><u>2,117,449,810.48</u></u>

⁽¹⁾ Includes accreted interest on discount bonds.

Table 13

BOND TRANSACTIONS

Bond Issue	Bonds Payable 09-01-2011	Bonds Issued	Annual Interest Accretion on Discount Bonds	Bonds Matured	Bonds Extinguished by Defeasance or Redeemed Prior to Maturity	Bonds Payable 08-31-2012
	\$	\$	\$	\$	\$	\$
General Obligation Bonds - Self-Supporting						
<i>Veterans' Housing Bonds</i>						
Vet Hsg Bds Ser '94A-1	6,500,000.00			300,000.00		6,200,000.00
Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00					55,000,000.00
Vet Hsg Ref Bds Ser '94C	2,034,801.85		125,713.11	760,000.00		1,400,514.96
Vet Hsg Ref Bds Ser '95	43,375,000.00			5,835,000.00		37,540,000.00
Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00					25,000,000.00
Vet Hsg Fund II Tax Bds Ser '99A-1	3,270,000.00				1,530,000.00	1,740,000.00
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00					150,000,000.00
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00					20,000,000.00
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00					25,000,000.00
Vet Hsg Fund II Bds Ser 2002A-2	33,110,000.00			790,000.00		32,320,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B	19,780,000.00					19,780,000.00
Vet Hsg Fund II Bds Ser 2003A	34,345,000.00			2,015,000.00		32,330,000.00
Vet Hsg Fund II Bds Ser 2003B	35,620,000.00			2,015,000.00		33,605,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865,000.00					47,865,000.00
Vet Hsg Fund II Bds Ser 2004A	35,340,000.00			2,105,000.00		33,235,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000.00					16,535,000.00
Vet Hsg Fund II Bds Ser 2004B	38,555,000.00			2,080,000.00		36,475,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C	7,220,000.00					7,220,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2004D	25,085,000.00					25,085,000.00
Vet Hsg Fund II Bds Ser 2005A	38,155,000.00			2,095,000.00		36,060,000.00
Vet Hsg Fund II Bds Ser 2005B	38,150,000.00			2,240,000.00		35,910,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	27,315,000.00			1,040,000.00		26,275,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2005D	11,540,000.00					11,540,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000.00					38,570,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C	19,680,000.00			650,000.00		19,030,000.00
Vet Hsg Fund II Bds Ser 2006A	39,805,000.00			2,090,000.00		37,715,000.00
Vet Hsg Fund II Bds Ser 2006D	41,880,000.00			2,150,000.00		39,730,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00					39,560,000.00
Vet Hsg Fund II Bds Ser 2007A	42,050,000.00			2,240,000.00		39,810,000.00
Vet Hsg Fund II Bds Ser 2007B	44,145,000.00			2,140,000.00		42,005,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	37,185,000.00			3,425,000.00		33,760,000.00
Vet Hsg Fund II Bds Ser 2008A	44,530,000.00			2,435,000.00		42,095,000.00
Vet Hsg Fund II Bds Ser 2008B	45,730,000.00			2,330,000.00		43,400,000.00
Vet Hsg Fund II Bds Ser 2009A	47,535,000.00			2,070,000.00		45,465,000.00
Vet Hsg Fund II Bds Ser 2009B	48,990,000.00			1,605,000.00		47,385,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C	81,305,000.00			2,060,000.00		79,245,000.00
Vet Hsg Fund II Bds Ser 2010A	74,345,000.00			1,785,000.00		72,560,000.00
Veterans Bonds, Tax Ref Ser 2010B	65,400,000.00			1,410,000.00		63,990,000.00
Veterans Bonds Series 2010C	74,995,000.00			1,900,000.00		73,095,000.00
Veterans Bonds, Tax Ref Ser 2010E	49,325,000.00			1,785,000.00		47,540,000.00
Veterans Bonds Series 2011A	74,995,000.00			1,780,000.00		73,215,000.00
Veterans Bonds Series 2011B	74,995,000.00			855,000.00		74,140,000.00
Veterans Bonds Series 2011C		74,995,000.00				74,995,000.00
Veterans Bonds Series 2012A		74,995,000.00				74,995,000.00
Total, Veterans' Housing Bonds	1,723,814,801.85	149,990,000.00	125,713.11	53,985,000.00	1,530,000.00	1,818,415,514.96

(Continued on Table 14)

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Table 14

BOND TRANSACTIONS (Continued from Table 13)						
Bond Issue	Bonds Payable 09-01-2011	Bonds Issued	Annual Interest Accretion on Discount Bonds	Bonds Matured	Bonds Extinguished by Defeasance or Redeemed Prior to Maturity	Bonds Payable 08-31-2012
	\$	\$	\$	\$	\$	\$
General Obligation Bonds - Self-Supporting						
<i>Veterans' Land Bonds</i>						
Vet Land Ref Bds Ser '91	2,200,364.29		37,635.71	2,238,000.00		0.00
Vet Land Bds Ser '94	2,674,603.60		141,615.10	747,000.00		2,069,218.70
Vet Land Bds Ser '96	2,734,622.44		147,454.38	612,000.00		2,270,076.82
Vet Land Ref Bds Ser '99A	23,140,000.00			2,195,000.00		20,945,000.00
Vet Land Tax Bds Ser 2000A	16,855,000.00			440,000.00		16,415,000.00
Vet Land Tax Ref Bds Ser 2000	39,655,000.00			2,820,000.00		36,835,000.00
Vet Land Bds Ser 2002	16,945,000.00			465,000.00		16,480,000.00
Vet Land Tax Bds Ser 2002A	17,490,000.00			405,000.00		17,085,000.00
Vet Land Tax Ref Bds Ser 2002	27,685,000.00					27,685,000.00
Vet Land Tax Ref Bds Ser 2003	22,365,000.00			1,200,000.00		21,165,000.00
Vet Land Tax Ref Bds Ser 2004	21,685,000.00			590,000.00		21,095,000.00
Vet Land Tax Ref Bds Ser 2005	20,210,000.00			625,000.00		19,585,000.00
Vet Land Tax Ref Bds Ser 2006A	27,260,000.00			925,000.00		26,335,000.00
Vet Land Tax Ref Bds Ser 2006B	21,325,000.00			580,000.00		20,745,000.00
Vet Land Tax Ref Bds Ser 2006C	35,455,000.00			1,150,000.00		34,305,000.00
Vet Land Tax Ref Bds Ser 2010D	16,480,000.00			460,000.00		16,020,000.00
Total, Veterans' Land Bonds	314,159,590.33	0.00	326,705.19	15,452,000.00	0.00	299,034,295.52
Total, General Obligation Bonds - Self-Supporting	2,037,974,392.18	149,990,000.00	452,418.30	69,437,000.00	1,530,000.00	2,117,449,810.48
Revenue Bonds - Self-Supporting						
<i>Veterans Home Revenue Bonds</i>						
Vet Home Revenue Ref Bds Ser 2002	22,220,000.00			425,000.00	21,795,000.00	0.00
Total, Veterans Home Revenue Bonds	22,220,000.00	0.00	0.00	425,000.00	21,795,000.00	0.00
Total, Revenue Bonds - Self-Supporting	22,220,000.00	0.00	0.00	425,000.00	21,795,000.00	0.00
Total, All Bonds (Tables 13 and 14)	2,060,194,392.18	149,990,000.00	452,418.30	69,862,000.00	23,325,000.00	2,117,449,810.48

Table 15

DEBT SERVICE REQUIREMENTS BY BOND ISSUE

<u>Bond Issue</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
	\$	\$	\$
General Obligation Bonds - Self Supporting			
<i>Veterans' Housing Bonds</i>			
Vet Hsg Bds Ser '94A-1	6,200,000.00	70,380.00	6,270,380.00
Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00	3,311,000.00	58,311,000.00
Vet Hsg Ref Bds Ser '94C	1,520,000.00	0.00	1,520,000.00
Vet Hsg Ref Bds Ser '95	37,540,000.00	140,910.00	37,680,910.00
Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00	725,970.00	25,725,970.00
Vet Hsg Fund II Tax Bds Ser '99A-1	1,740,000.00	1,235,577.00	2,975,577.00
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00	4,462,500.00	154,462,500.00
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00	485,662.50	20,485,662.50
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00	788,172.25	25,788,172.25
Vet Hsg Fund II Bds Ser 2002A-2	32,320,000.00	975,040.50	33,295,040.50
Vet Hsg Fund II Tax Ref Bds Ser 2002B	19,780,000.00	221,216.75	20,001,216.75
Vet Hsg Fund II Bds Ser 2003A	32,330,000.00	681,261.00	33,011,261.00
Vet Hsg Fund II Bds Ser 2003B	33,605,000.00	581,812.25	34,186,812.25
Vet Hsg Fund II Tax Ref Bds Ser 2003	47,865,000.00	418,493.25	48,283,493.25
Vet Hsg Fund II Bds Ser 2004A	33,235,000.00	576,487.00	33,811,487.00
Vet Hsg Fund II Tax Ref Bds Ser 2004	16,535,000.00	296,220.75	16,831,220.75
Vet Hsg Fund II Bds Ser 2004B	36,475,000.00	696,991.50	37,171,991.50
Vet Hsg Fund I Tax Ref Bds Ser 2004C	7,220,000.00	62,679.75	7,282,679.75
Vet Hsg Fund II Tax Ref Bds Ser 2004D	25,085,000.00	330,067.50	25,415,067.50
Vet Hsg Fund II Bds Ser 2005A	36,060,000.00	653,667.00	36,713,667.00
Vet Hsg Fund II Bds Ser 2005B	35,910,000.00	650,913.00	36,560,913.00
Vet Hsg Fund I Bds Ser 2005C	26,275,000.00	399,719.25	26,674,719.25
Vet Hsg Fund II Bds Ser 2005D	11,540,000.00	221,371.50	11,761,371.50
Vet Hsg Fund II Bds Ser 2006B	38,570,000.00	1,007,146.00	39,577,146.00
Vet Hsg Fund II Bds Ser 2006C	19,030,000.00	488,432.00	19,518,432.00
Vet Hsg Fund II Bds Ser 2006A	37,715,000.00	895,275.00	38,610,275.00
Vet Hsg Fund II Bds Ser 2006D	39,730,000.00	803,054.50	40,533,054.50
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00	784,654.50	40,344,654.50
Vet Hsg Fund II Bds Ser 2007A	39,810,000.00	830,335.25	40,640,335.25
Vet Hsg Fund II Bds Ser 2007B	42,005,000.00	912,775.50	42,917,775.50
Vet Hsg Fund II Bds Ser 2007C	33,760,000.00	805,386.75	34,565,386.75
Vet Hsg Fund II Bds Ser 2008A	42,095,000.00	1,052,280.00	43,147,280.00
Vet Hsg Fund II Bds Ser 2008B	43,400,000.00	941,893.50	44,341,893.50
Vet Hsg Fund II Bds Ser 2009A	45,465,000.00	21,167,406.25	66,632,406.25
Vet Hsg Fund II Bds Ser 2009B	47,385,000.00	22,453,262.50	69,838,262.50
Vet Hsg Fund II Tax Ref Bds Ser 2009C	79,245,000.00	1,760,125.50	81,005,125.50
Vet Hsg Fund II Bds Ser 2010A	72,560,000.00	34,628,275.00	107,188,275.00
Veterans Bonds, Tax Ref Ser 2010B	63,990,000.00	1,835,193.00	65,825,193.00
Veterans Bonds Series 2010C	73,095,000.00	1,773,738.00	74,868,738.00
Veterans Bonds Tax Ref Series 2010E	47,540,000.00	952,878.50	48,492,878.50
Veterans Bonds Series 2011A	73,215,000.00	1,764,535.50	74,979,535.50
Veterans Bonds Series 2011B	74,140,000.00	1,719,214.25	75,859,214.25
Veterans Bonds Series 2011C	74,995,000.00	1,861,582.50	76,856,582.50
Veterans Bonds Series 2012A	74,995,000.00	1,732,801.50	76,727,801.50
Total, Veterans' Housing Bonds	1,818,535,000.00	118,156,358.25	1,936,691,358.25

(Continued on Table 16)

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Table 16

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

<u>Bond Issue</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
	\$	\$	\$
General Obligation Bonds - Self Supporting			
<i>Veterans' Land Bonds</i>			
Vet Land Bds Ser '94	2,241,000.00	0.00	2,241,000.00
Vet Land Bds Ser '96	2,572,000.00	0.00	2,572,000.00
Vet Land Ref Bds Ser '99A	20,945,000.00	222,677.00	21,167,677.00
Vet Land Bds Tax Ser 2000A	16,415,000.00	353,347.75	16,768,347.75
Vet Land Tax Ref Bds Ser 2000	36,835,000.00	348,008.75	37,183,008.75
Vet Land Bds Ser 2002	16,480,000.00	379,059.50	16,859,059.50
Vet Land Bds Tax Ser 2002A	17,085,000.00	580,587.75	17,665,587.75
Vet Land Tax Ref Bds Ser 2002	27,685,000.00	474,207.75	28,159,207.75
Vet Land Tax Ref Bds Ser 2003	21,165,000.00	298,152.75	21,463,152.75
Vet Land Tax Ref Bds Ser 2004	21,095,000.00	313,984.50	21,408,984.50
Vet Land Tax Ref Bds Ser 2005	19,585,000.00	372,104.25	19,957,104.25
Vet Land Tax Ref Bds Ser 2006A	26,335,000.00	687,603.00	27,022,603.00
Vet Land Tax Ref Bds Ser 2006B	20,745,000.00	336,856.50	21,081,856.50
Vet Land Tax Ref Bds Ser 2006C	34,305,000.00	679,785.75	34,984,785.75
Vet Bonds Tax Ref Bds Ser 2010D	16,020,000.00	645,264.00	16,665,264.00
	<u>299,508,000.00</u>	<u>5,691,639.25</u>	<u>305,199,639.25</u>
Total, Veterans' Land Bonds	299,508,000.00	5,691,639.25	305,199,639.25
Total, General Obligation Bonds - Self-Supporting	2,118,043,000.00	123,847,997.50	2,241,890,997.50
Total, All Bonds (Tables 15 and 16)	2,118,043,000.00	123,847,997.50	2,241,890,997.50

RESERVE REQUIREMENTS

Bond resolutions and trust indentures provide for the maintenance of reserve funds for certain series as described below. The reserve funds serve to ensure that interest and/or principal payments will be met on any payment date in the event that available funds are insufficient. Monies in these

funds will ultimately be used to retire the last outstanding bonds of each respective issue.

The bond reserve fund requirements and the reserve fund balances at August 31, 2012, are shown in **Table 18** below.

Table 17

DEBT SERVICE REQUIREMENTS BY FISCAL YEAR			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Totals</u>
	\$	\$	\$
2013	81,137,000.00	11,798,217.25	92,935,217.25
2014	88,750,000.00	11,379,856.00	100,129,856.00
2015	97,704,000.00	10,913,429.75	108,617,429.75
2016	102,322,000.00	10,427,963.75	112,749,963.75
2017	110,325,000.00	9,936,750.00	120,261,750.00
2018-2022	496,020,000.00	42,575,516.75	538,595,516.75
2023-2027	491,485,000.00	21,120,101.25	512,605,101.25
2028-2032	424,355,000.00	4,333,747.00	428,688,747.00
2033-2037	178,480,000.00	1,169,350.25	179,649,350.25
2038-2042	47,270,000.00	192,899.75	47,462,899.75
2043	195,000.00	165.75	195,165.75
Total Debt Service	<u>2,118,043,000.00</u>	<u>123,847,997.50</u>	<u>2,241,890,997.50</u>

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

Table 18

<u>Reserve Type</u>	<u>Reserve Requirement</u>	<u>Investments at Fair Value</u>
	\$	\$
General Obligation Bonds - Self-Supporting		
Veterans' Housing Fund I Bond Reserve	17,772,687.93 ⁽¹⁾	20,348,280.84 ⁽²⁾
Veterans' Housing Assistance Fund I Mortgage Reserve	7,500,000.00 ⁽³⁾	15,737,590.87 ⁽⁴⁾
Total, General Obligation Bonds - Self-Supporting	<u>25,272,687.93</u>	<u>36,085,871.71</u>
Total, All Bonds	<u>25,272,687.93</u>	<u>36,085,871.71</u>

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

⁽²⁾ For purposes of the bond resolutions and federal tax law, the Veterans' Land Board determines reserve sufficiency based on the fair value of the Bond Reserve's investments. For purposes of this calculation, the fair value of investments was determined as of the close of the market on August 31, 2012.

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

⁽⁴⁾ Fair values shown are for informational purposes only. After being initially funded, these reserves are considered intact, and no further deposits are required. For purposes of this calculation, the fair value of investments was determined as of the close of the market on August 31, 2012.

NOTE 7: DERIVATIVE INSTRUMENTS

DERIVATIVES

PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS

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

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

Terms, fair values, and credit ratings. The terms, fair values, and counterparty credit ratings related to the outstanding variable-to-fixed swaps as of August 31, 2012, were as shown in **Table 19** on pages 70 and 71. The notional amounts and amortization schedules of the swaps match those of the associated variable-rate bonds.

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 two taxable variable-rate bond issues and one tax-exempt fixed-rate bond issue. The swaps associated with the taxable bonds are LIBOR-to-SIFMA basis swaps and effectively convert 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, 2012, were as shown in **Table 20** on page 73. The notional amounts and amortization schedules of the swaps match those of the associated funds.

SWAP TRANSACTIONS

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

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

Credit risk. The board mitigated the credit risk associated with its swaps by entering into transactions with highly-rated counterparties. As shown in **Table 19** on pages 70 and 71, and in **Table 20** on page 73, the credit ratings of the board's counterparties range from AAA to A- by Standard & Poor's and Aa1 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 eight different counterparties, with no more than approximately 35 percent

Table 19

PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received
	\$			
Vet Hsg Ref Bds Ser '95	37,540,000	11/29/1995	5.5200%	Actual Bond Rate
Vet Land Ref Bds Ser '99A	20,945,000	06/01/1999	5.1120%	68% of 6M LIBOR
Vet Land Tax Ref Bds Ser '2000	36,835,000	12/01/2000	6.1060%	100% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000	03/22/2001	4.2590%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000	12/18/2001	4.3650%	68% of 1M LIBOR
Vet Land Bds Ser 2002	16,480,000	02/21/2002	4.1400%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2002A-2	23,650,000	07/10/2002	3.8725%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2002	27,685,000	12/01/2002	4.9350%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2002B	19,780,000	12/01/2002	4.9100%	100% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2003A	32,330,000	03/04/2003	3.3040%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2003B	33,605,000	10/22/2003	3.4030%	64.5% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2003	21,165,000	12/01/2003	5.1230%	100% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865,000	12/01/2003	5.1900%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000	06/01/2004	5.4500%	100% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2004B	36,475,000	09/15/2004	3.6800%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2004	21,095,000	12/01/2004	5.4550%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2004C,D	32,305,000	12/01/2004	5.3480%	100% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2005A	36,060,000	02/24/2005	3.2790%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2005	19,585,000	12/01/2005	6.5170%	100% of 6M LIBOR
Vet Hsg Fund I/II Tax Ref Bds Ser 2005C/D	23,290,000	12/01/2005	5.1450%	100% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2005C	14,525,000	12/01/2005	4.9290%	100% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006A	37,715,000	06/01/2006	3.5170%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2006A	26,335,000	06/01/2006	6.5400%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2006C	19,030,000	06/01/2006	5.7900%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000	06/01/2006	5.8300%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2006B	20,745,000	06/01/2006	4.6100%	100% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2006D	39,730,000	09/20/2006	3.6890%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2006C	34,305,000	12/01/2006	6.5130%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000	12/01/2006	5.4610%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2007C	33,760,000	12/01/2007	4.6580%	100% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007A	39,810,000	02/22/2007	3.6450%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007B	42,005,000	06/26/2007	3.7120%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008A	42,095,000	03/26/2008	3.1890%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008B	43,400,000	09/11/2008	3.2250%	68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2009C	15,395,000	12/01/2009	6.2200%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2009C	63,850,000	12/01/2009	5.4525%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2010B	63,990,000	06/01/2010	5.4010%	100% of 1M LIBOR
Vet Bds Ser 2010C	73,095,000	08/20/2010	2.3095%	68% of 1M LIBOR
Vet Tax Ref Bds Ser 2010D	16,020,000	12/01/2010	5.2090%	100% of 1M LIBOR
Vet Tax Ref Bds Ser 2010E	47,540,000	12/01/2010	2.7900%	100% of 1M LIBOR
Vet Bds Ser 2011A	73,215,000	03/09/2011	2.6750%	68% of 1M LIBOR
Vet Bds Ser 2011B	74,140,000	08/25/2011	2.3670%	68% of 1M LIBOR
Vet Bds Ser 2011C	74,995,000	12/15/2011	1.9170%	68% of 3M LIBOR
Vet Bds Ser 2012A	74,995,000	05/23/2012	1.6920%	68% of 3M LIBOR
Vet Bds Ser 2012B	100,000,000	11/01/2012	1.4470%	68% of 3M LIBOR
Vet Tax Ref Bds, Ser 1994A-2	21,795,000	08/01/2012	3.7600%	68% of 1M LIBOR
Total	1,718,840,000			

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Knock-out Barrier	Knock-out Type	Knock-out Period	Up-Front Knock-Out Premium Received	Fair Value	Swap Termination Date	Counterparty Credit Ratings
N/A	N/A	N/A	\$ N/A	\$ (5,143,618.00)	12/01/2016	A- / Baa1
N/A	N/A	N/A	N/A	(3,508,528.00)	12/01/2018	A- / Baa1
1M LIBOR >= 7.00%	Optional	Permanent	2,700,000	(8,920,868.81)	12/01/2020	AAA / Aa2
N/A	N/A	N/A	N/A	(7,220,438.00)	12/01/2029	A- / Baa2
N/A	N/A	N/A	N/A	(10,577,470.76)	12/01/2033	AAA / Aa2
N/A	N/A	N/A	N/A	(5,209,398.52)	12/01/2032	A / A2
N/A	N/A	N/A	N/A	(8,423,230.94)	06/01/2033	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	2,785,000	(6,403,035.82)	12/01/2021	A / A2
6M LIBOR > 7.00%	Mandatory	Periodic	2,165,000	(4,559,995.00)	06/01/2023	AAA / Aa2
N/A	N/A	N/A	N/A	(6,281,034.76)	06/01/2034	A+ / Aa3
N/A	N/A	N/A	N/A	(6,748,372.90)	06/01/2034	AAA / Aa2
1M LIBOR >= 7.00%	Mandatory	Periodic	1,896,000	(5,393,120.79)	12/01/2023	A+ / Aa3
6M LIBOR > 7.00%	Mandatory	Periodic	4,470,000	(9,953,561.03)	06/01/2021	AAA / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	1,442,000	(5,355,409.54)	12/01/2024	A+ / Aa3
N/A	N/A	N/A	N/A	(8,641,746.60)	12/01/2034	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	2,075,000	(6,273,309.34)	12/01/2024	A / A2
1M LIBOR >= 7.00%	Mandatory	Periodic	2,594,000	(8,188,651.24)	06/01/2020	A+ / Aa3
N/A	N/A	N/A	N/A	(7,151,875.71)	06/01/2035	AAA / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	1,542,000	(8,139,531.57)	12/01/2026	A+ / Aa3
1M LIBOR >= 7.00%;	Mandatory	Periodic	1,367,000	(7,385,275.92)	06/01/2026	A+ / Aa3
6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%			566,500			
1M LIBOR >= 7.00%;	Mandatory	Periodic	484,000	(3,682,294.27)	12/01/2023	A+ / Aa3
6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%			267,000			
N/A	N/A	N/A	N/A	(8,745,728.00)	12/01/2036	A+/As3
6M LIBOR >= 7.00%	Mandatory	Periodic	1,931,000	(11,174,123.56)	12/01/2027	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	1,493,000	(6,780,028.19)	12/01/2027	A+ / Aa3
1M LIBOR >= 7.00%	Mandatory	Periodic	1,992,000	(15,304,257.59)	12/01/2026	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	886,000	(5,391,748.93)	12/01/2026	AAA / Aa2
N/A	N/A	N/A	N/A	(10,058,011.81)	12/01/2036	A / A2
1M LIBOR >= 7.00%	Mandatory	Periodic	2,725,000	(15,034,118.69)	12/01/2027	A+ / Aa3
1M LIBOR >= 7.00%;	Mandatory	Periodic	2,652,000	(14,747,035.96)	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	(11,822,117.65)	06/01/2029	A+ / Aa3
SIFMA/5Y ISDA CMS > 71%			1,020,000			
N/A	N/A	N/A	N/A	(10,074,996.90)	06/01/2037	AAA / Aa2
N/A	N/A	N/A	N/A	(10,871,878.33)	06/01/2038	A+ / Aa3
N/A	N/A	N/A	N/A	(8,549,394.00)	12/01/2038	A+/As3
N/A	N/A	N/A	N/A	(9,199,061.89)	12/01/2038	AAA / Aa2
6M LIBOR >= 7.00%	Mandatory	Periodic	612,000	(4,185,977.61)	12/01/2021	A+ / Aa3
6M LIBOR >= 7.00%	Mandatory	Periodic	2,740,000	(24,857,589.74)	06/01/2031	A+ / Aa3
1M LIBOR >= 7.00%;	Mandatory	Periodic	2,355,000	(27,815,237.26)	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	(7,770,745.82)	12/01/2040	A / A2
1M LIBOR >= 7.00%;	Mandatory	Periodic	465,850	(6,122,456.70)	12/01/2030	A+ / Aa3
6M LIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%			208,400			
N/A	N/A	N/A	N/A	(4,379,694.51)	06/01/2032	AAA / Aa2
N/A	N/A	N/A	N/A	(10,720,856.69)	06/01/2041	A+/A2
N/A	N/A	N/A	N/A	(8,355,764.51)	12/01/2041	A+/A2
N/A	N/A	N/A	N/A	(4,483,990.70)	06/01/2042	AAA / Aa2
N/A	N/A	N/A	N/A	(2,604,876.69)	12/01/2042	AAA / Aa2
N/A	N/A	N/A	N/A	(540,868.91)	12/01/2042	AAA / Aa2
1M LIBOR >= 7.00%	Mandatory	Periodic	578,750	(7,023,873.00)	12/01/2033	A+/As3
			47,391,700	(389,775,201.16)		

of the total notional amount of swaps outstanding being associated with any single counterparty.

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

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

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

Rollover risk. The swap associated with the Vet Land Tax Ref Bds Ser 2000 provides the counterparty with the option to terminate the swap under certain conditions at any time. If this swap is terminated through the counterparty's exercise of its option, the associated variable-rate bonds would no longer have a synthetic fixed rate, and the board would be subject to interest rate risk to the extent

that the variable-rate bonds were not hedged with another swap or with variable-rate assets on the board's balance sheet. Bonds that are exposed to such rollover risk are shown in **Table 21** on page 73.

Swap payments and associated debt. Using rates as of August 31, 2012, the estimated debt service requirements of the board's variable-rate bonds and associated net swap payments, *assuming current interest rates and swap index relationships remain the same* for their terms, were as shown in **Table 22** on page 73, **Tables 23** and **24** on page 74. As rates and index relationships vary in the future, so will the resulting actual interest payments and net swap payments.

HEDGE EFFECTIVENESS OF DERIVATIVE TRANSACTIONS

Using the consistent critical terms method and the synthetic instrument method described in GASB No. 53, *Hedge Effectiveness Testing of Derivative Transactions*, the board determined that all of its pay-fixed, receive-variable interest rate swaps are effective cash flow hedging derivative instruments and thus eligible for hedge accounting treatment. Therefore, the fair value of those swaps at the end of the fiscal year and the associated change in fair value of those swaps during the fiscal year are accounted for as business-type activity in the appropriate *Proprietary Funds Combined Statement of Net Assets* as both *Hedging Derivative Instruments* (liabilities) and *Deferred Outflow of Resources* (offsetting assets). At August 31, 2012, the fair value of swaps determined to be effective cash flow hedging derivative instruments was (\$389,775,201.06), and the change in fair value of those swaps during the fiscal year was (\$61,939,382.23).

All of the board's pay-variable, receive-variable interest rate swaps are accounted for as investment derivative instruments. Therefore, the fair value of those swaps at the end of the fiscal year is accounted for as business-type activity in the appropriate *Proprietary Funds Combined Statement of Net Assets* as *Investment Derivative Instruments*, and the associated change in fair value of those swaps during the fiscal year is accounted for in the appropriate *Proprietary Funds Combined Statement of Revenues, Expenses, and Changes in Net Assets* as a *Net Increase (Decrease) in Fair Value of Investments*. At August 31, 2012, the fair value of swaps determined to be investment derivative investments was (\$386,780.23), and the change in fair value of those swaps during the fiscal year was \$594,287.76.

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Table 20

PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS							
<u>Associated Bond Issue</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Variable-Rate Paid</u>	<u>Variable-Rate Received</u>	<u>Fair Value</u>	<u>Swap Termination Date</u>	<u>Counterparty Credit Ratings</u>
	\$				\$		
Vet Land Tax Bds Ser 2000A/2002A	33,500,000	08/05/2002	131.25% of SIFMA	100% of 1M LIBOR	(1,069,318.29)	12/01/2032	A / Baa1
Vet Hsf Fund II Ser 2009A	31,630,000	03/10/2009	100.00% of SIFMA	94.35% of 3M LIBOR	682,538.03	12/01/2023	AAA / Aa2
Total	<u>65,130,000.00</u>				<u>(386,780.26)</u>		

Table 21

INTEREST RATE SWAPS SUBJECT TO ROLLOVER RISK			
<u>Associated Bond Issue</u>	<u>Maturity Date of Bonds</u>	<u>Option Exercise Date</u>	<u>Swap Termination Date</u>
Vet Land Tax Ref Bds Ser 2000	12-01-2020	04-29-2002	12-01-2020

Table 22

ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT OUTSTANDING AND NET SWAP PAYMENTS – FISCAL YEAR 2012 DISCLOSURE TABLE				
<u>Fiscal Year Ending 08-31-2012</u>	<u>Variable-Rate Bonds</u>		<u>Interest Rate Swaps, Net</u>	<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>		
	\$	\$	\$	\$
2013	70,940,000.00	3,264,791.25	60,839,296.98	135,044,088.23
2014	77,690,000.00	3,123,110.00	58,065,440.92	138,878,550.92
2015	87,545,000.00	2,972,299.75	55,124,204.54	145,641,504.29
2016	93,145,000.00	2,795,760.75	51,615,944.48	147,556,705.23
2017	101,905,000.00	2,610,689.25	47,883,020.95	152,398,710.20
2018-2022	457,040,000.00	10,150,824.25	182,374,002.01	649,564,826.26
2023-2027	362,260,000.00	5,993,931.50	101,872,680.03	470,126,611.53
2028-2032	254,760,000.00	2,818,718.25	42,540,847.50	300,119,565.75
2033-2037	122,110,000.00	936,500.75	10,977,514.39	134,024,015.14
2038-2042	47,270,000.00	192,899.75	1,494,263.56	48,957,163.31
2043-2047	195,000.00	165.75	1,372.40	196,538.15
Total	<u>1,674,860,000.00</u>	<u>34,859,691.25</u>	<u>612,788,587.76</u>	<u>2,322,508,279.01</u>

Table 23

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:
ESTIMATED DEBT SERVICE REQUIREMENTS OF FIXED-RATE DEBT
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL YEAR 2012 DISCLOSURE TABLE**

Fiscal Year Ending 8/31/12	Fixed-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
	\$	\$	\$	\$
2013	0.00	1,635,637.50	(71,046.95)	1,564,590.55
2014	0.00	1,635,637.50	(71,046.95)	1,564,590.55
2015	0.00	1,635,637.50	(71,046.95)	1,564,590.55
2016	0.00	1,635,637.50	(71,046.95)	1,564,590.55
2017	0.00	1,635,637.50	(71,046.95)	1,564,590.55
2018-2022	0.00	8,178,187.50	(355,234.75)	7,822,952.75
2023-2027	31,630,000.00	2,453,456.25	(106,570.43)	33,976,885.82
Total	31,630,000.00	18,809,831.25	(817,039.93)	49,622,791.32

Table 24

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:
ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL YEAR 2012 DISCLOSURE TABLE**

Fiscal Year Ending 08-31-2012	Variable-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
	\$	\$	\$	\$
2013	890,000.00	76,302.50	(2,437.81)	963,864.69
2014	950,000.00	74,202.50	(2,369.96)	1,021,832.54
2015	1,010,000.00	71,966.50	(2,297.68)	1,079,668.82
2016	1,070,000.00	69,594.50	(2,220.98)	1,137,373.52
2017	1,135,000.00	67,079.75	(2,139.67)	1,199,940.08
2018-2022	6,830,000.00	291,912.50	(9,290.66)	7,112,621.84
2023-2027	9,250,000.00	201,114.00	(6,346.93)	9,444,767.07
2028-2032	10,995,000.00	79,913.75	(2,419.92)	11,072,493.83
2033-2037	1,370,000.00	1,849.50	(50.52)	1,371,798.98
Total	33,500,000.00	933,935.50	(29,574.13)	34,404,361.37

**NOTE 8:
LEASES**

The agency is not party to any long-term lease agreements for financing the purchase of capital assets as of August 31, 2012.

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

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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 25* on the right.

Future minimum lease rental payments under noncancelable operating leases having an initial term in excess of one year are as follows in *Table 26* on the right.

The Texas General Land Office manages several types of operating leases. The need for each specific lease category is based upon the type of action proposed (e.g. pier, dock, agriculture, recreational hunting, pipeline, etc.), and the statute under which it will be authorized. Lease categories managed by the Texas General Land Office are summarized as follows:

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

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

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

Table 25

CURRENT PAYMENTS	
Governmental Activities	
<u>Fund Type</u>	<u>Amount</u>
	\$
General Revenue Fund	782,184.43
Special Revenue Fund	3,360.00
Permanent Funds	190,866.02
Total, Memorandum Only	976,410.45

Table 26

FUTURE PAYMENTS	
Governmental Activities	
<u>Year Ended August 31, 2012</u>	<u>Amount</u>
	\$
2013	334,943.73
2014	323,108.28
2015	313,696.92
2016	229,236.67
2017 - 2018	139,869.03
Total Minimum Future Lease Rental Payments	1,340,854.63

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

Miscellaneous Easements (ME) are issued on both coastal submerged lands and state-owned uplands for projects which require a right-of-way (ROW) on, across, under, or over state-owned lands, pursuant to TNRC

§51.291. Fees are based upon a published rate schedule and are calculated based on the width and length of right-of-way, the region of the state, and the diameter of the pipeline (if applicable). ME contracts cover activities such as oil and gas pipelines, power transmission lines, communication lines, roads, and certain other structures and uses. Contracts for MEs grant the applicant exclusive use of the ROW for the purposes specified in the contract.

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

Special Documents (SD) are issued for projects on state-owned submerged land and state-owned uplands. The School Land Board has authorized the land commissioner to approve, by Special Document, erosion response projects administered by the Texas General Land Office pursuant to the Coastal Erosion Planning and Response Act, codified as TNRC, Chapter 33, Subchapter H, and the regulations set forth in Texas Administrative Code, Title 31, Chap. 15, Subchapter B. Special Documents 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. Special Documents may also be used for projects that do not fall into one of the other established categories.

Cabin Leases (PC) are issued by the Texas General Land Office pursuant to 31 Texas Administrative Code §155.4 and Chapter 33 t seq. of the TNRC. PC's authorize non-commercial use and maintenance of the cabin and associated structures on coastal public land not connected with ownership of littoral property. Permits are issued to individuals or groups for the exclusive use of the structure, but not the public land around the structure.

LEASING ACTIVITY

The historical cost of all internally managed properties available for leasing activity is \$341,097,434.46. The fair value of the properties is \$673,920,692.04. Because the permanent school fund is a permanent fund, real estate is held as an investment and is not depreciated.

Contingent rental revenues in the amount of \$227 thousand are reported in Fiscal Year 2012, revenues from seven leases.

Table 27 on page 77, is a schedule of estimated future lease payments by lease type, presented in the aggregate, and for each of the five succeeding years. The amounts include known lease escalation provisions.

NOTE 9: PENSION PLANS

Not applicable.

NOTE 10: DEFERRED COMPENSATION

Not applicable.

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not applicable.

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

As explained in Note 1 on interfund transactions and balances, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as: interfund receivables or interfund payables, due from or due to other funds, due from or due to other agencies, Transfers In or Transfers Out, or Legislative Transfers In or Legislative Transfers Out.

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

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Table 27

FUTURE LEASE PAYMENTS

Lease Categories	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Years 2018 & Beyond
	\$	\$	\$	\$	\$	\$
Coastal Easements	252,568.94	226,816.86	183,007.62	144,341.58	140,367.60	454,736.05
Coastal Leases	2,444.65	2,444.65	2,444.65	2,444.65	2,444.65	79,657.60
Commercial Leases and Easements	1,530,859.76	1,450,022.94	1,360,713.74	1,201,494.78	1,104,377.75	9,876,545.88
Miscellaneous Easements	233,366.30	233,416.30	207,877.75	144,653.61	113,181.31	1,161,331.46
Cabin Permit Fees	226,608.42	183,819.70	134,415.20	91,395.20	41,869.00	0.00
Surface Leases	<u>3,553,733.44</u>	<u>3,390,277.78</u>	<u>3,235,758.81</u>	<u>2,855,461.48</u>	<u>2,516,559.51</u>	<u>32,469,213.79</u>
Total Lease Payments	<u>5,799,581.51</u>	<u>5,486,798.23</u>	<u>5,124,217.77</u>	<u>4,439,791.30</u>	<u>3,918,799.82</u>	<u>44,041,484.78</u>

The agency is not currently participating in any Special Documents Leases.

NOTE 13:
CONTINUANCE SUBJECT TO
REVIEW

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

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

Under Texas Natural Resource Code, Section 161.0111, the Veterans' Land Board (VLB) is subject to review under Chapter 325, Government Code (Texas Sunset

Act), but is not abolished under that chapter. The VLB shall be reviewed in 2019 and every 12th year thereafter.

NOTE 14:
ADJUSTMENTS TO FUND
BALANCES AND NET ASSETS

A one-time fund balance adjustment to the Fiscal Year 2011 ending historical cost value of capital trust fund capital assets necessitated a Restatement of Net Assets as shown in *Table 28* below.

Table 28

RESTATEMENT OF NET ASSETS
Governmental Funds

	Governmental Funds
	\$
Net Assets August 31, 2011,	31,000,403.16
Restatement of Capital Assets	<u>(4,700.00)</u>
Net Assets August 31, 2011, As Restated	<u>30,995,703.16</u>

NOTE 15: CONTINGENCIES AND COMMITMENTS

SIGNIFICANT COMMITMENTS

ARBITRAGE REBATE PAYABLE

Earnings on portions of Vet Hsg Bds Reserve Fund, Vet Hsg Bds Mortgage Reserve Fund, and all of Vet Lnd Ref Bds Ser '89, '90, '91, '99A, Vet Hsg Bds Ser '94A-1, Vet Hsg Ref Bds Ser '94C, '95, Vet Hsg Fund II Bds Ser 2000C, 2001A2, 2001C-1-2, 2002A-1-2, 2003A, 2003B, 2004A, 2004B, 2005A, 2005B, 2006A, 2006D, 2007A, 2007B, 2008A, 2008B, 2009A, 2009B, 2010A, 2010C, 2011A, 2011B, 2011C, 2012A and Vet Lnd Bds Ser '94, '96, 2000, 2002 are subject to provisions of §148(f) of the Internal Revenue Code of 1986, as amended, pertaining to the rebate of certain profits realized through the investment of bond proceeds. Any rebate liability is payable five years after the date of issuance of each bond issue subject to the provisions and after each subsequent five-year period thereafter. As of August 31, 2012, there is no rebate liability.

CLAIMS

As of August 31, 2012, 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:

Porretto v. Commissioner Dewhurst and Texas General Land Office, et al. The agency is the defendant in this suit to determine the ownership of certain acreage subject to Texas General Land Office leases to the City of Galveston. The District Court dismissed the case on a plea to the jurisdiction. On appeal, the Court reversed the District Court's Decision and remanded the case for trial. At the trial in January of 2009, the jury found that there was a taking by the State. The jury awarded \$5,012,000.00 to the Plaintiff and against the State. This award included prejudgment interest from March 12, 2002, the date this suit was filed, until March 4, 2009, the date the judgment was executed. This awarded amount also included accrued post-judgment interest at a rate of 5% compounding annually from the date the judgment was entered until the date the judgment is satisfied. The State appealed this judgment and the First Court of Appeals reversed and rendered judgment in the State's favor in August of 2011. This judgment also awarded the state appellate costs. The Plaintiff filed a motion for rehearing in August of 2011 and that was denied. The Plaintiff has subsequently filed bankruptcy and filed a

petition for review before the Supreme Court of Texas where the case is currently pending. The probability of liability is reasonably possible. The possible amount of loss could be as high as \$5,012,000.00 plus pre and post judgment interest if upheld.

State v. Riemer. The agency is involved in this suit to determine a takings claim regarding certain acreage along the Canadian River. The State filed suit against Riemer for unlawfully fencing the bed of the Canadian River below the Sanford Dam. Riemer filed multiple counterclaims against the State. The Trial Court denied the State's plea to the jurisdiction. The Appeals Court reversed the Trial Court's denial, and ordered the Trial Court to dismiss all claims against the State except Riemer's claim to the surface of the two tracts and also certain takings claims of other parties. The Plaintiffs sought class certification as to the takings claims. On December 30, 2009, the Trial Court denied class certification and Riemer appealed and the denial of class certification was affirmed in May of 2011. The Plaintiffs filed a petition for review with the Supreme Court of Texas where the case is currently pending. The probability of liability is reasonably possible. The possible final amount of loss is undeterminable at this time.

BI-Inform, LLC v. Texas General Land Office. The agency is the respondent in an administrative breach of contract suit requested in August of 2010. The agency disputed this claim and in March of 2011, the GLO requested a hearing at State Office of Administrative Hearings. The Claimant asserts damages in the amount of \$84,592.75 for unpaid invoices, \$118,000.00 for lost profits, and \$32,500.00 in labor-related expenses. The agency has filed counter claims in the amounts of \$41,138.37 for overbilling, \$560,293.00 in costs to cover, and \$10,500.00 in agency staff time. This case is currently in the discovery phase. In July of 2011 the Claimant, BI-Inform, moved to dismiss the agency's counterclaim with prejudice and the Administrative Law Judge (ALJ) dismissed the agency's largest counter claim. The agency filed a motion to reconsider in August of 2011 that was ruled on favorably in September of 2011 that allows the agency to assert its largest claim. In March of 2012, the ALJ ruled that the GLO is responsible for paying approximately \$60,000.00 in past due invoices. An amended decision and Order was entered by the ALJ on June 4, 2012 ordering the GLO to pay BI-Inform \$46,312.50. The GLO may appeal this decision. The possible amount of loss could be as high as \$46,312.50. The probability of liability is reasonably possible. The possible final amount of loss is undeterminable at this time.

Texaco v. State, et al. The agency is a defendant in this suit to determine the ownership of certain mineral interests located beneath a portion of Manahuilla Creek in Goliad County. The probability of liability is reasonably

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possible. The Plaintiff is seeking an unspecified amount of attorneys' fees. The agency is currently in settlement negotiations. The possible final amount of loss is undeterminable at this time.

Koch/Booth v. General Land Office. The agency is the Defendant in this suit seeking a declaratory judgment that certain materials do not constitute minerals under the Relinquishment Act and past monies paid to the agency for those minerals. The Court granted the State's plea to the jurisdiction, dismissing the case. The Plaintiff appealed and the Third Court of Appeals affirmed the Plaintiff's ownership of \$200,000.00 in limestone, and reversed and remanded in part the Trial Court's decision. The State filed a petition for review in April of 2009 and a merit brief in the Texas Supreme Court in December 2009, and the Court denied the petition for review in August of 2011. The possible amount of loss could be as high as \$200,000.00. The probability of liability is reasonably possible. The possible final amount of loss is undeterminable at this time.

Fleming v. State & City of Corpus Christi. The agency is a defendant in this suit claiming title to lands owned by the permanent school fund. The District Court dismissed the suit. Plaintiffs appealed and have filed a second lawsuit substantially similar to the first. The County Court at Law in the second case abated pending the outcome of the appeal pending in the District Court. The 13th Court of Appeals affirmed the District Court dismissal of the case on October 19, 2010. The second case in the County Court at Law is still pending. An adverse result is possible, but that possibility is remote. The possible final amount of the loss is undeterminable at this time.

Jobe Materials, LP v. State. The agency is a defendant in this suit seeking a declaratory judgment that determines that "sand, gravel, rock, granite, aggregate and other stone materials" are a surface interest as opposed to a mineral interest pursuant under Texas Natural Resources Code §53.151 or that §53.061, as amended, is unconstitutional. The Plaintiff also claims that the assertion of the ownership of the minerals by the State constitutes a taking. This case is currently pending in the 250th District Court in Travis County in light of related litigation. The probability of liability is reasonably possible. The possible final amount of loss is undeterminable at this time.

Lone Oak Club, LLC v. Jerry Patterson, et al. The claimant asserts ownership to certain property concerning the tidally influenced boundary in Chambers County. In a trespass to try title suit, the Plaintiff claims that the GLO, through ultra vires acts, wrongfully asserts jurisdiction, title and right to possession and control over watercourses or navigable streams on these properties. Plaintiff also asserts that the GLO has been encouraging members of the

general public to commit trespass and to hunt without consent upon the properties and streambeds. Plaintiff finally claims that the GLO unreasonably interferes with Plaintiff's right to possession, use, control and quiet enjoyment of the streambeds and properties. Plaintiff seeks title and possession of disputed property, prejudgment and post-judgment interest and reasonable attorney fees. The probability of liability is reasonably possible. The possible final amount of loss is undeterminable at this time.

State and Jerry Patterson, Land Commissioner v. BP American Production Co./Vastar. The claimant asserts ownership of certain property involved in a dispute concerning the boundary of the San Jacinto River in Harris County. The claim is that subsidence caused claimant's land to be submerged, and therefore title should not transfer to the State. The claimant seeks damages based on inverse condemnation. The Trial Court denied the State's plea to the jurisdiction. The Third Court of Appeals affirmed in part, dismissed in part, reversed and rendered in part. The State filed a petition for review by the Supreme Court of Texas and the Court denied the petition for review in August of 2011. The case was remanded to the Trial Court and is currently pending there. Royalties have been deposited with the Court Registry, pending outcome of the case. The probability of liability is reasonably possible. The possible final amount of the loss is undeterminable at this time.

Branman, et al. v. State of Texas, et al. The agency is a defendant in this suit seeking declaratory relief with respect to the rights of beachfront property owners and members of the general public to beaches on the Gulf Coast of Texas at Surfside Beach. The Plaintiffs are also seeking a determination as to whether the imposition upon private property of a rolling easement for public use is a deprivation of use or a taking by the State. The Trial Court granted the State defendant's motion for summary judgment regarding Plaintiff's takings claims based on the rolling beach easement. A number of parties intervened at this point and carried on the lawsuit claiming that the General Land Office was taking their property by refusing to allow them to make repairs to their beachfront homes after a high tide. The Trial Court then issued the injunction ordering the removal of all of the houses on the easement. The First Court of Appeals affirmed the Trial Court's injunction and agreed that the Trial Court properly denied the owner's claims for damages due to a permanent taking and a regulatory taking. The Plaintiff filed a motion for rehearing, and the Court of Appeals denied this motion and withdrew the opinion from August 2009 and issued a new opinion in February 2010. In April 2010, the Plaintiffs filed a petition for review in the Supreme Court of Texas. The case has been fully briefed by all parties and is currently pending. The probability of

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

Severance v. Jerry Patterson, Greg Abbott, and Kirk Sistrunk. The agency is a defendant in this federal suit seeking declaratory and injunctive relief. The Plaintiff filed suit in Federal District Court to prevent the State from enforcing a public easement under the Texas Open Beaches Act on her beachfront properties in Galveston, Texas. The Plaintiff alleges that because the beach boundary of her beachfront property migrated landward after Hurricane Rita, taking in land not previously encumbered by a public access easement, the enforcement of the easement on her beachfront properties constitutes a seizure in violation of the Fourth Amendment and a taking without just compensation in violation of the Fifth Amendment. The Federal District Court dismissed the action because the Plaintiff did not present any ripe claims that would entitle her to the relief she was seeking. The Plaintiff appealed. The Federal Appellate Court affirmed the dismissal of the takings claim and certified state law issues to the Texas Supreme Court in regard to the claim of unreasonable seizure. The Texas Supreme Court ruled against the agency in November 2010. December 2010, the agency filed a joint motion for rehearing that was granted in March 2011. The Texas Supreme Court heard oral argument in April 2011 and issued its opinion in March of 2012. The Federal Appellate Court issued its opinion in May of 2012 and reversed and remanded the case for further proceedings regarding Fourth Amendment claims. The probability of liability is possible. The possible final amount of the loss is undeterminable at this time.

State v. Guiberson, et al. Suit to remove unauthorized structures on state-owned submerged land and quiet unlawful claims to public land. Partial Summary Judgment was granted in favor of the State finding the houses in dispute are on state-owned land. The case is presently pending in the 201st District Court of Travis County. The probability of liability is reasonably possible. The possible final amount of damages will most likely be minimal for the State.

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

DERIVATIVES

As a function of its normal business operations, The State Energy Marketing Program (SEMP) of the GLO enters into contracts for the purchase and sale of natural

gas, the sale of oil, and the delivery of natural gas and electric energy to certain Public Retail Customers (PRCs). Some of these contracts are derivatives, as defined under GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments* (GASB 53). As of August 31, 2012, all SEMP contracts identified as derivatives under GASB 53 also qualify for the normal purchases and normal sales exception described in Paragraph 14 of GASB 53. Therefore, all SEMP contracts identified as derivatives under GASB 53 are not subject to the requirements of GASB 53. The documentation required to support the determination of the normal purchases and normal sales exception with regard to all SEMP contracts identified as derivatives under GASB 53 is maintained by the GLO in the applicable SEMP contract files.

CONTRACTUAL COMMITMENTS

At August 31, 2012, the School Land Board had approximately \$937 million in unfunded commitments outstanding to external investment managers.

NOTE 16: **SUBSEQUENT EVENTS**

On November 1, 2012, the VLB issued its \$100,000,000.00 State of Texas Veterans Bonds, Series 2012B as referenced in **Table 29** on page 81. The proceeds of the bonds will be used to augment the Veterans' Housing Assistance Fund II.

Subsequent to August 31, 2012, the SLB approved new capital commitments to two externally managed real assets investment funds in a total amount of \$200 million that have not yet closed.

The GLO and Rosetta Resources executed an Audit Resolution Agreement on November 7, 2012, to settle the Rosetta Resources Audits/Disputes (Sabine Lake Audit, Benevides Audit and Limited Review) for \$2,700,000.00. The GLO received an electronic payment for the full settlement amount on November 13, 2012.

NOTE 17: **RISK MANAGEMENT**

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

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Table 29

NEW BOND ISSUANCE				
<u>BOND ISSUANCE</u>	<u>SERIES</u>	<u>AMOUNT</u>	<u>DATE OF ISSUANCE</u>	<u>PURPOSE</u>
General Obligation Bonds	2012B	\$100,000,000	11/1/2012	To augment the Veterans' Housing Assistance Fund II

Coverage pursuant to the Statewide Volunteer Insurance Program, and Commercial Property Insurance.

The Public Employees Dishonesty & Computer Fraud Policy covers losses associated with negligent and criminal conduct by an employee through the normal course of business. The policy covers up to \$1,000,000.00 per employee, per occurrence, with a \$50,000.00 deductible for employee theft and up to \$1,000,000.00 per employee, per occurrence, with a \$50,000.00 deductible for computer fraud.

The Volunteer Insurance Policy covers losses associated with volunteer liability of up to \$1,000,000.00 per occurrence and \$3,000,000.00 annual aggregate; accident medical coverage of up to \$50,000.00 for medical expenses in excess of a volunteer's personal health care coverage; excess automobile liability of \$500,000.00 per accident in excess of the volunteer's personal automobile liability coverage that meets or exceeds state required minimums; and accidental death and dismemberment of up to \$2,500.00. This coverage is for all designated, recorded volunteers except those participating in court referred or work release programs.

The Commercial Property Insurance covers insured locations up to \$100,000,000.00 per occurrence, with sublimits for named storms up to \$50,000,000.00, earthquakes up to \$25,000,000.00 and floods up to \$25,000,000.00, shared by all participants of the program when incurring damage from the same occurrence.

The agency is not involved in any risk pools with other government entities. **Table 30** on the right shows the changes in the balances of the agency's claim liabilities during Fiscal Year 2012, that are unrelated to the policies listed above.

WORKERS' COMPENSATION CLAIMS

For workers' compensation claims, the Texas General Land Office is covered by an assessment imposed by the State Office of Risk Management. Consequently, the Texas General Land Office is no longer liable for direct workers' compensation claims.

Table 30

CLAIM LIABILITIES		
	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>
Beginning of Fiscal Year	\$ 0.00	\$ 0.00
Current Year Claims and Changes in Estimates	2,592.74	5,027.95
Claim Payments	<u>(2,592.74)</u>	<u>(5,027.95)</u>
Balance at Fiscal Year-End	<u>0.00</u>	<u>0.00</u>

RISK FINANCING

The Texas General Land Office paid \$5,027.95 to settle one claim arising from an automobile accident involving an agency employee.

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

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE HIGHLIGHTS

Net Assets Governmental Funds – The assets of the agency's governmental funds exceeded its liabilities at August 31, 2012, by \$3,593,472,844.06 (presented as Net Assets). Of this amount, \$3,378,580,076.43 is restricted for the benefit of the permanent school fund (PSF), much of which is dedicated for investing in real assets.

Net Assets Proprietary Funds – The assets of the agency's proprietary funds exceeded its liabilities at August 31, 2012, by \$759,040,280.08. Of this amount, \$65,990,094.31 is invested in capital assets, net of related debt, while the remaining \$693,050,185.77 is restricted for the Veterans' Land Board programs.

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

Operational activities in the housing and land programs resulted in an operating income of approximately \$11.27 million. Along with operational activities, the approximate income from investment activities of \$33.35 million and net Transfers Out of \$44.73 million to fund administrative costs and to construct veterans cemeteries and veterans homes, contributed to an decrease in net assets of approximately \$113 thousand.

The State of Texas David A. Gloier Texas State Veterans Home Program operated at a loss of about \$1.54 million. With other non-operating revenues, debt service interest expense, loss on the sale of a capital asset, and Transfers In of approximately \$1.05 million, \$1.27 million, \$464 thousand and \$25.16 million, respectively, the program increased net assets by approximately \$20.87 million.

PSF INVESTMENT ACTIVITY

Since its formation as an independent Republic in 1836, Texas has used its public lands to benefit its citizens. In 1854, the state of Texas set aside the remainder of its public lands to create the permanent school fund, a constitutional endowment dedicated to the support of public education. Over the years, real property in the fund has been sold or leased and the proceeds invested to foster growth of the permanent school fund and generate income for public education. Today, the Texas General Land Office manages over 12.5 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 Resources Code states that, "The board may designate funds received from any land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the permanent school fund under the constitution and laws of this state together with the

mineral estate in riverbeds, channels, and the tidelands, including islands, for deposit in the Real Estate Special Fund Account of the permanent school fund in the State Treasury..."

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

Approximately \$359 million of capital commitments to externally managed real assets investment funds were funded between September 1, 2011 and August 31, 2012. At August 31, 2012, approximately \$1.981 billion of total capital commitments, net of the original capital commitments associated with any investments that were subsequently sold or dissolved, had been funded since inception.

The current surface real property portfolio of the fund consists of 708,951.794 surface acres valued at \$673,920,692.04. Of this, 427,909.711 acres are sovereign lands valued at \$258,554,556.00 located primarily in West Texas and representing 61 percent of the total acreage, but only 39 percent of the total value. Some of this property, though marginally suitable, has been leased for grazing and hunting purposes. The remainder, most of which is landlocked, has little value other than for adjacent landowners who wish to increase their holdings. Over time these properties will likely be sold.

The September 1, 2011, beginning basis for the fund's land surface portfolio value was \$352,244,552.53. From

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September 1, 2011, to August 31, 2012, five new surface lands have been acquired. Contributions of approximately \$4.56 million were made to development projects. The basis of the fund's land surface portfolio at August 31, 2012, is \$341,097,434.46. In addition to the land surface portfolio, the permanent school fund also owns 12,593,512.26 acres of Relinquishment Act, Submerged, Free Royalty, and Mineral Reserved Lands representing a basis of \$13,396,480.03.

Dispositions for the fiscal year ended August 31, 2012, equaled 10,614.016 acres sold, for a gain of approximately \$25.36 million.

LOANS AND CONTRACTS RECEIVABLES

Loans and contracts receivables are divided between current and noncurrent assets. Current loans and contracts receivable for land contracts are \$12,148,123.74, land mortgages are \$1,474,686.45, housing mortgages are \$48,321,324.27, and home improvement loans are \$808,663.69. Noncurrent loans and contracts receivables for land contracts are \$172,516,064.55, land mortgages are \$112,270,065.16, housing mortgages are \$1,600,513,165.26, and home improvement loans are \$13,609,856.77.

CAPITAL CONSTRUCTION

In compliance with the GASB Statement No. 34, depreciable assets are reported along with accumulated depreciation. Governmental funds report non-depreciable assets for land of \$2,997,503.29 and construction in progress for the veterans cemeteries of \$54,618.24, buildings of \$36,312,150.51 less accumulated depreciation of (\$10,235,319.93), furniture and equipment of \$5,721,566.27 less accumulated depreciation of (\$4,378,008.20), vehicles, boats, and aircraft of \$2,929,091.90 less accumulated depreciation of (\$2,368,195.35), intangible computer software of \$360,652.05, less accumulated amortization of (\$360,652.05), and other assets of \$127,099.40.

The Veterans' Land Board completed construction of a Texas State Veterans Cemetery in Corpus Christi, Texas and the dedication ceremony was held December 7, 2011. The construction of the cemetery was fully funded by Veterans Administration grants.

The Veterans Home Revenue Bond Funds report non-depreciable assets for land of \$3,499,500.00, buildings of \$95,361,362.82 less accumulated depreciation of (\$33,312,401.70), furniture and equipment of \$508,172.16 less accumulated depreciation of (\$183,464.59), vehicles, boats, and aircraft of \$46,501.14 less accumulated depreciation of (\$46,501.14), facilities and other improvements of \$112,963.00 less accumulated depreciation

of (\$4,706.70), and intangible computer software of \$146,555.00, less accumulated amortization of (\$146,555.00).

LONG-TERM DEBT

The agency's debt obligations associated with bonds increased by \$70,200,727.77. Changes in bonds payable is represented by \$162,935,309.47 of new issuances including premiums received, \$452,418.30 of accreted interest, \$69,862,000.00 of retired or matured bonds, including amortization of premiums, and \$23,325,000.00 of refunded or extinguished bonds. For additional details on bonds, see Schedules 2-A and 2-B.

SIGNIFICANT COMMITMENTS

Between September 1, 2011, and August 31, 2012, the SLB closed on capital commitments to three externally managed real assets investment funds in a total amount of \$235 million. At August 31, 2012, 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 \$2.52 billion to thirty-nine funds, and three co-investment vehicles, of which approximately \$762 million remains unfunded. In addition, the SLB approved new capital commitments to two externally managed real assets investment funds and one co-investment vehicle in a total amount of \$175 million that were not yet closed on August 31, 2012.

In July 2007, a one-half tenancy in common interest was formed to develop the combined tracts of land over approximately 10 years. The PSF will pay one-half of the development cost, and will participate in one-half of all income. An annual development budget is submitted to the PSF for approval.

In July 2012, the SLB adopted a resolution that releases \$280 million from the RESFA during Fiscal Years 2014 and 2015 to the State Board of Education for investment in the PSF. The funds will be released in four quarterly installments of \$32.5 million each on the 25th day (or next succeeding business day if the 25th day is not a business day) of November 2013, February 2014, May 2014, and August 2014, and four quarterly installments of \$37.5 million each on the 25th day (or next succeeding business day if the 25th day is not a business day) of November 2014, February 2015, April 2015, and August 2015, respectively.

BANKRUPTCIES

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

The agency had a claim amount of \$1,290,045.81 for oil and gas sales transactions related to Capco Operating. A claim of \$903,125.03 has been allowed, but the recoverable amount has yet to be determined.

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

The agency had a claim amount of \$4,702,727.33 for oil and gas sales transactions related to Enron Corporation, of which none was accrued as revenue in the year of bankruptcy due to the unlikelihood of its collection. Revenues will be recognized in the years collections are received. The agency received and recognized total revenues of \$2,750,435.68 through August 31, 2012.

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

The Texas General Land Office has no component units.

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

TEXAS FARM AND RANCH LANDS ***CONSERVATION COUNCIL***

The Texas Farm and Ranch Lands Conservation Council was created by the 79th Legislature and is authorized by Tex. Nat. Res. Code §183.061 to advise and assist the land commissioner with administration of the Texas Farm and Ranch Lands Conservation Program, and to select applicants to receive grants under the Texas Farm and Ranch Lands Conservation Program. The council consists of the commissioner of the Texas General Land Office, the commissioner of the Texas Department of Agriculture or a designee, the presiding officer of the Texas Parks and Wildlife Commission or a designee, the state conservationist of the Natural Resources Conservation Service of the U.S. Department of Agriculture or a designee, and six members

appointed by the governor. Meetings are held at least once each year. Financial support was not given or received.

JOINT VENTURES

In July 2007, a one-half tenancy in common interest was formed between the permanent school fund (PSF) and Cherokee Sugar Land, LP. The PSF has 474.946 acres of land in Fort Bend County invested in the joint tenancy in common and Cherokee Sugar Land, LP has 138.801 acres invested as of August 31, 2012. 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. Cherokee Sugar Land, LP (currently Imperial Johnson, LLC) submits an annual budget to the PSF for approval. For the Fiscal Year 2012, a total of approximately \$4.12 million was contributed to fund development costs. Additionally, a payable of \$103 thousand for development cost has been accrued as of August 31, 2012. The joint tenancy in common received an audit of its balance sheet on December 31, 2011. The report is available upon request. The August 31, 2012, financial statements of the joint tenancy in common have been consolidated into the PSF's financial statements.

NOTE 20: **STEWARDSHIP, COMPLIANCE,** **AND ACCOUNTABILITY**

Not applicable.

NOTE 21: **N/A**

Not applicable.

NOTE 22: **DONOR RESTRICTED** **ENDOWMENTS**

The net appreciation (cumulative and unexpended) on donor-restricted endowments as presented in *Table 31* on page 85 is available for authorization for expenditure by the School Land Board (SLB). The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the permanent school fund. Tex. Nat. Res. Code Ann., §51.402 allows the board to use money

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

**NOTE 24:
DISAGGREGATION OF
RECEIVABLE AND PAYABLE
BALANCES**

Details of the receivable and payable balances that may have been obscured by aggregation on the financial statements are reported in *Table 32* on page 86.

**NOTE 25:
TERMINATION BENEFITS**

Not applicable.

**NOTE 26:
SEGMENT INFORMATION**

The State of Texas David A. Gloier State Veterans Home Program was created to provide long-term skilled nursing care for veterans, spouses of veterans, and gold star parents of veterans of the State of Texas. The construction of the first four homes was funded by the issuance of revenue bonds, which required these homes' revenues, expenses, gains and losses, assets, and liabilities to be separately accounted for and independently audited.

On August 1, 2012, the entire \$21,795,000 principal amount outstanding of the Veterans Homes revenue bonds were redeemed pursuant to the exercise by the board of an optional redemption provision. This provision was provided for in the associated trust indenture.

Table 31

DONOR RESTRICTED ENDOWMENTS	
	Permanent School Fund (PSF)
	\$
Nonspendable Corpus of the PSF	3,011,850,538.63
Restricted Income of the PSF	<u>340,115,079.75</u>
Total Net PSF Assets at August 31, 2012	<u><u>3,351,965,618.38</u></u>

**NOTE 23:
EXTRAORDINARY AND SPECIAL
ITEMS**

On February 14, 2012 the Governor's Office received the award letter from U.S. Department of Housing and Urban Development (HUD) advising that \$31,319,686.00 in Community Development Block Grant Disaster Recovery (CDBG-DR) funds have been allocated to the State of Texas to assist in the recovery of the wildfires that occurred between April 6, 2011 and December 31, 2011. The General Land Office will manage the recovery grant for the State of Texas.

**NOTE 27:
PROPERTY ACQUIRED THROUGH
FORECLOSURE AND
DELINQUENCIES**

SECURITY AND INSURANCE

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

Table 32

DISAGGREGATION OF SIGNIFICANT RECEIVABLES AND PAYABLES	
	<u>Receivables</u>
Federal Receivables	\$
<i>Governmental Funds</i>	
Department of Interior	1,192,271.19
Department of Commerce	1,621,293.49
Department of Defense	567,131.58
Department of Housing and Urban Development	596,719.53
Department of Veterans Affairs - Cemeteries	54,218,430.69
US Environmental Protection Agency	159,699.68
Total Net Federal Receivables	<u><u>58,355,546.16</u></u>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
Current Federal Receivables	<u><u>58,355,546.16</u></u>
<i>Proprietary Funds</i>	
Department of Veterans Affairs - State Veterans Homes	2,806,071.83
Department of Veterans Affairs - American Reinvestment and Recovery Act of 2009	1,350,707.85
Total Net Federal Receivables	<u><u>4,156,779.68</u></u>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
Current Federal Receivables	<u><u>4,156,779.68</u></u>
Accounts Receivables	
<i>Governmental Funds</i>	
Gas Royalties	16,838,609.00
Oil Royalties	38,711,125.72
State Energy Marketing Program	5,571,740.45
Leases	1,068,942.59
Other Revenues	16,164,005.94
Total Net Accounts Receivable	<u><u>78,354,423.70</u></u>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
Current Accounts Receivable	<u><u>78,354,423.70</u></u>
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	20,588,345.13
Veterans' Land Contracts	449,671.46
Texas State Veterans Homes (net of allowances)	3,713,731.82
Total Net Accounts Receivable	<u><u>24,751,748.41</u></u>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
Current Accounts Receivable	<u><u>24,751,748.41</u></u>
Payables	
\$	
<i>Governmental Funds</i>	
State Energy Marketing Program	2,848,431.33
State Veterans Cemetery Program	266,384.49
General Governmental Expenditures	61,365,624.60
Total Accounts Payable	<u><u>64,480,440.42</u></u>
<i>As Reported on the Financial Statements (Exhibit I)</i>	
Current Accounts Payable	<u><u>64,480,440.42</u></u>
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	17,952,026.54
Veterans' Land Contracts	829,143.89
Veterans Homes	9,499,341.44
Total Accounts Payable	<u><u>28,280,511.87</u></u>
<i>As Reported on the Financial Statements (Exhibit III)</i>	
Current Accounts Payable	<u><u>28,280,511.87</u></u>

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Housing mortgages secured by first liens are insured by the Federal Housing Authority (FHA), the Veterans Administration (VA), or qualified Private Mortgage Insurers (Conventional PMI) unless the loan to value ratio was below 80% and insurance was not required. Home improvement mortgages secured by first or second liens are insured under the U.S. Department of Housing and Urban Development (HUD) Title I insurance program. Housing mortgages originated in-house are not insured (all in-house mortgages are \$45,000.00 or less).

Housing and land mortgages secured by first and second liens as of August 31, 2012, are presented in **Table 33** below.

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 2/3 of foreclosure attorney costs, and 100 percent of all other expenses.

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

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

For HUD Title I FHA insured mortgages in a first or second lien position, HUD pays for 90 percent of the default balance with the remaining 10 percent being absorbed by the investor.

Data applicable to housing and land mortgages at August 31, 2012, are listed in **Table 34** on page 88.

At August 31, 2012, there were 783 home improvement loans with an outstanding balance on the administrator's books of \$13,867,303.26 (adjusted for timing differences of \$ 551,217.20, the outstanding principal balance on Exhibit III is \$14,418,520.46).

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, 2012, as listed in **Table 35** on page 88.

Table 33

HOUSING AND LAND MORTGAGES SECURED BY LIENS			
<u>Type of Lien</u>	<u>Total Number</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Total Number of Loans</u>
First	15,613	\$ 1,747,387,812.71	99.22
Second	122	2,527,270.22	0.78
Totals per Administrator	<u>15,735</u>	<u>1,749,915,082.93</u>	<u>100.00</u>
Adjustment for Timing Differences		12,489,206.96	
Outstanding Principal Balance (Exh. III)		<u>1,762,404,289.89</u> ⁽¹⁾	

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

Table 34

HOUSING AND LAND MORTGAGES		
<u>Type</u>	<u>Number</u>	<u>Percent of Total Number of Loans</u>
Conventional	2,991	19.01
FHA	701	4.45
VA	9,397	59.72
Other	<u>2,646</u>	<u>16.82</u>
Total	<u>15,735</u>	<u>100.00</u>

Based on Veterans' Contract for Deed Land Program history, it is projected that of the accounts delinquent in excess of 90 days, 105 land contracts for deed could result in foreclosure, 10 land mortgage and 150 housing mortgages could result in foreclosures, and insurance proceeds could be collected on 7 home improvement loans.

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

DELINQUENCIES

Table 36 below shows land contract for deeds, land mortgages, housing mortgages, and home improvement loans delinquent in excess of 90 days at August 31, 2012.

Table 35

PROPERTY ACQUIRED THROUGH FORECLOSURE				
<u>Type</u>	<u>Total Number of Loans</u>	<u>Through Foreclosure/ Forfeiture</u>	<u>Principal Balance</u>	<u>Percent of Total Number of Loans</u>
			\$	
Land Contracts	12,618	129	3,814,229.23	1.02
Land Mortgages	2,276	0	0.00	0.00
Housing Mortgages	13,459	7	736,050.75	0.05

Table 36

DELINQUENCIES IN EXCESS OF 90 DAYS				
<u>Type</u>	<u>Number of Loans</u>	<u>Number Delinquent</u>	<u>Balance of Delinquencies</u>	<u>Total Number of Loans</u>
			\$	
Land Contracts	12,618	136	2,516,052.66	1.08
Land Mortgages	2,276	13	519,251.34	0.57
Housing Mortgages	13,459	195	22,639,771.10	1.45
Home Improvement Loans	783	9	120,094.47	1.15

TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

COMBINING
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2012



EXHIBIT A-1

*COMBINING BALANCE SHEET
GENERAL AND CONSOLIDATED FUNDS*

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	GENERAL			
	GENERAL	GENERAL	GENERAL	GENERAL
	REVENUE	REVENUE	REVENUE	REVENUE
	FUND (0001)	FUND (0001)	FUND (0001)	FUND (0001)
	U/F (0001)	U/F (3691)	U/F (1101)	U/F (1111)
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash on Hand				
Cash in Bank (Note 3)				
Cash in State Treasury		8,114.99		
Legislative Appropriation	21,709,272.50		(40,893.31)	394,507.06
Receivables:				
Federal	1,831,942.43		126,017.76	54,092,412.93
Interest and Dividends		40.99		
Accounts	51,538.05			
Due From:				
Other Funds	55,243.82			750,888.94
Other Agencies	2,903,082.92			
Consumable Inventories	105,912.94			
Prepaid Items				
Notes Receivable				
Total Current Assets	26,656,992.66	8,155.98	85,124.45	55,237,808.93
Noncurrent Assets:				
Notes Receivable				123,785,915.80
Total Noncurrent Assets	0.00	0.00	0.00	123,785,915.80
TOTAL ASSETS	26,656,992.66	8,155.98	85,124.45	179,023,724.73
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Current Liabilities:				
Payables:				
Accounts	2,352,488.43		85,124.45	53,704,415.27
Payroll	429,616.67			406,665.09
Interfund				
Due To:				
Other Funds				
Other Agencies	531,018.49			
Deferred Revenues	36,899.30			22,338.26
Total Current Liabilities	3,350,022.89	0.00	85,124.45	54,133,418.62
TOTAL LIABILITIES	3,350,022.89	0.00	85,124.45	54,133,418.62

UNAUDITED

CONSOLIDATED ACCOUNTS					
COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)	VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	DEPARTMENTAL SUSPENSE FUND (0900) U/F (0900)(0902)	DIRECT DEPOSIT CORRECTION ACCOUNT FUND (0980) U/F (0980)(0981)
\$	\$	\$	\$	\$	\$
		200.00			
		10,000.00			
25,505,324.72	407,038.85	2,758,408.42	10,241,933.42	446,462.06	
1,708,453.51					
9,473.31		891.78			
	15,029.45		(0.00)		
6,642.47	933.60		157,500.00	535.00	
			1,936.80		
27,229,894.01	423,001.90	2,769,500.20	10,401,370.22	446,997.06	0.00
			2,130.52		
0.00	0.00	0.00	2,130.52	0.00	0.00
27,229,894.01	423,001.90	2,769,500.20	10,403,500.74	446,997.06	0.00
783,227.90		152,943.31		(621,914.12)	
736,803.64	6,373.97	1,335,540.82			
		3,768.00			
		6.26		811,087.60	
425,581.04					
	136,227.50		8,080.01	257,823.58	
1,945,612.58	142,601.47	1,492,258.39	8,080.01	446,997.06	0.00
1,945,612.58	142,601.47	1,492,258.39	8,080.01	446,997.06	0.00

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EXHIBIT A-1 (continued)
COMBINING BALANCE SHEET
GENERAL AND CONSOLIDATED FUNDS

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	CONSOLIDATED ACCOUNTS			TOTALS	
	DEDICATED	DEDICATED	DEDICATED		
	SPECIALTY	ALAMO	ALAMO EWING		
	LICENSE	ALAMO	HALSELL		
	PLATES	COMPLEX	GRANT		
	FUND (5140)	FUND (5152)	FUND (5152)	(EXH. I)	
	U/F (0014)	U/F (5152)	U/F (5252)	2012	2011
	\$	\$	\$	\$	\$
ASSETS					
Current Assets:					
Cash on Hand				200.00	200.00
Cash in Bank (Note 3)				10,000.00	10,000.00
Cash in State Treasury		2,043,242.60	556,658.65	41,967,183.71	36,655,423.53
Legislative Appropriation				22,062,886.25	15,117,690.98
Receivables:					
Federal				57,758,826.63	5,346,983.53
Interest and Dividends		513.43	203.32	11,122.83	16,928.58
Accounts	2,541.93			69,109.43	70,122.33
Due From:					
Other Funds				971,743.83	19,619.61
Other Agencies	29,604.17			2,932,687.09	29,332.50
Consumable Inventories				105,912.94	20,258.87
Prepaid Items		1,200,000.00		1,200,000.00	0.00
Notes Receivable				1,936.80	1,760.73
Total Current Assets	32,146.10	3,243,756.03	556,861.97	127,091,609.51	57,288,320.66
Noncurrent Assets:					
Notes Receivable				123,788,046.32	4,067.32
Total Noncurrent Assets	0.00	0.00	0.00	123,788,046.32	4,067.32
TOTAL ASSETS	32,146.10	3,243,756.03	556,861.97	250,879,655.83	57,292,387.98
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Current Liabilities:					
Payables:					
Accounts	2,541.93	656,904.45	77,923.41	57,193,655.03	1,941,055.20
Payroll				2,915,000.19	3,509,796.81
Interfund				3,768.00	0.00
Due To:					
Other Funds				811,093.86	58,242.36
Other Agencies				956,599.53	1,100,588.05
Deferred Revenues				461,368.65	1,064,024.06
Total Current Liabilities	2,541.93	656,904.45	77,923.41	62,341,485.26	7,673,706.48
TOTAL LIABILITIES	2,541.93	656,904.45	77,923.41	62,341,485.26	7,673,706.48

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EXHIBIT A-1 (continued)
COMBINING BALANCE SHEET
GENERAL AND CONSOLIDATED FUNDS

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	GENERAL			
	GENERAL REVENUE FUND (0001) U/F (0001)	GENERAL REVENUE FUND (0001) U/F (3691)	GENERAL REVENUE FUND (0001) U/F (1101)	GENERAL REVENUE FUND (0001) U/F (1111)
FUND FINANCIAL STATEMENT - FUND	\$	\$	\$	\$
BALANCES				
Fund Balances (Note 1):				
Reserved for:				
Non-Spendable for Inventory	105,912.94			
Non-Spendable for Prepaid Items				
Restricted	4,273,889.43	8,155.98		124,890,306.11
Committed				
Unassigned	18,927,167.40			
TOTAL FUND BALANCES (Exhibit A-2)	23,306,969.77	8,155.98	0.00	124,890,306.11
TOTAL LIABILITIES AND FUND BALANCES	26,656,992.66	8,155.98	85,124.45	179,023,724.73

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

UNAUDITED

CONSOLIDATED ACCOUNTS					
COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)	VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	DEPARTMENTAL SUSPENSE FUND (0900) U/F (0900)(0902)	DIRECT DEPOSIT CORRECTION ACCOUNT FUND (0980) U/F (0980)(0981)
\$	\$	\$	\$	\$	\$
		1,277,241.81			
25,284,281.43	280,400.43		10,395,420.73		
25,284,281.43	280,400.43	1,277,241.81	10,395,420.73	0.00	0.00
27,229,894.01	423,001.90	2,769,500.20	10,403,500.74	446,997.06	0.00

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EXHIBIT A-1 (concluded)
COMBINING BALANCE SHEET
GENERAL AND CONSOLIDATED FUNDS

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	CONSOLIDATED ACCOUNTS			TOTALS	
	DEDICATED	DEDICATED	DEDICATED	(EXH. I)	
	SPECIALTY	ALAMO	ALAMO EWING		
	LICENSE	ALAMO	HALSELL		
	PLATES	COMPLEX	GRANT		
	FUND (5140)	FUND (5152)	FUND (5152)		
	U/F (0014)	U/F (5152)	U/F (5252)	2012	2011
FUND FINANCIAL STATEMENT - FUND	\$	\$	\$	\$	\$
BALANCES					
Fund Balances (Note 1):					
Reserved for:					
Non-Spendable for Inventory				105,912.94	20,258.87
Non-Spendable for Prepaid Items		1,200,000.00		1,200,000.00	0.00
Restricted				130,449,593.33	46,421,181.52
Committed	29,604.17	1,386,851.58	478,938.56	37,855,496.90	28,470.38
Unassigned				18,927,167.40	3,148,770.73
TOTAL FUND BALANCES (Exhibit A-2)	<u>29,604.17</u>	<u>2,586,851.58</u>	<u>478,938.56</u>	<u>188,538,170.57</u>	<u>49,618,681.50</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>32,146.10</u>	<u>3,243,756.03</u>	<u>556,861.97</u>	<u>250,879,655.83</u>	<u>57,292,387.98</u>

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

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EXHIBIT A-2

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	GENERAL			
	GENERAL REVENUE FUND (0001) U/F (0001)	GENERAL REVENUE FUND (0001) U/F (3691)	GENERAL REVENUE FUND (0001) U/F (1101)	GENERAL REVENUE FUND (0001) U/F (1111)
REVENUES	\$	\$	\$	\$
Legislative Appropriations:				
Original	823,390.00			
Additional Appropriations	1,975,220.22			513.48
Federal Revenues (Sch. 1A)	14,353,783.45	239,389.27	126,017.76	442,072,725.61
Federal Grant Pass-Through Revenues (Sch. 1A)	159,756.19			
State Grant Pass-Through Revenues (Sch. 1B)	4,100,787.45			
Licenses, Fees, and Permits	1,187,399.47			
Interest and Other Investment Income		1,278.76		
Land Income				
Sale of Goods and Services	94,393.50			
Other Revenues	222,581.64			342,462.89
TOTAL REVENUES	22,917,311.92	240,668.03	126,017.76	442,415,701.98
EXPENDITURES				
Salaries and Wages	4,523,738.44		47,347.28	3,552,274.27
Payroll Related Costs	2,739,379.47			859,527.19
Professional Fees and Services	1,168,472.39	239,389.27	76,420.48	38,265,479.59
Travel	84,908.67			115,769.06
Materials and Supplies	26,991.05			177,762.03
Communication and Utilities	48,279.93			38,666.27
Repairs and Maintenance	20,281.46			20,145.26
Rentals and Leases (Note 8)	86,476.00			306,715.56
Printing and Reproduction	28,955.65			
Claims and Judgments (Note 17)				
Federal Grant Pass-Through Expenditures (Sch. 1A)	6,302,322.96			284,563.40
State Grant Pass-Through Expenditures (Sch. 1B)	50,247.16			
Intergovernmental Payments	6,420,013.48			309,709,292.20
Public Assistance Payments	2,748,154.60			79,436,654.06
Other Expenditures	3,697,449.14		2,250.00	40,150.73
Capital Outlay	176,779.89			7,609.03
TOTAL EXPENDITURES	28,122,450.29	239,389.27	126,017.76	432,814,608.65
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,205,138.37)	1,278.76	0.00	9,601,093.33

UNAUDITED

CONSOLIDATED ACCOUNTS				
COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)	VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	DEDICATED SPECIALTY LICENSE PLATES FUND (5140) U/F (0014)
\$	\$	\$	\$	\$
2,793,087.02				
5,685.51				
15,155,442.04	262,410.11	(158.75)		17,059.53
133,258.93		12,251.97	582.80	
			39,600.00	
		250.00		
(308,238.42)		4,277.10		
17,779,235.08	262,410.11	16,620.32	40,182.80	17,059.53
6,719,317.40	81,494.15	14,047,382.26		
1,793,973.29	10,516.63	2,937,819.05		
2,121,980.64		188,106.23		
193,728.49		250,489.80		
352,284.32		561,990.71		6,580.50
181,715.12		162,370.74		
370,584.93		304,437.24		
252,640.10		122,237.56		
20,385.73		48,988.68		998.59
6,027.95		1,020.00		
911,542.05				
(33,797.78)				
866,370.11				
724,572.20				3,473.96
699,066.24	13,632.52	1,191,418.37		3.37
98,439.67		37,492.16		1,000.00
15,278,830.46	105,643.30	19,853,752.80	0.00	12,056.42
2,500,404.62	156,766.81	(19,837,132.48)	40,182.80	5,003.11

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EXHIBIT A-2 (continued)

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	CONSOLIDATED ACCOUNTS		TOTALS	
	DEDICATED ALAMO COMPLEX FUND (5152) U/F (5152)	DEDICATED	(EXH. II) 2012	2011
		ALAMO EWING		
		HALSELL GRANT FUND (5152) U/F (5252)		
	\$	\$	\$	\$
REVENUES				
Legislative Appropriations:				
Original			823,390.00	830,757.00
Additional Appropriations			1,975,733.70	2,203,146.40
Federal Revenues (Sch. 1A)			459,585,003.11	14,331,233.57
Federal Grant Pass-Through Revenues (Sch. 1A)			159,756.19	7,612,675.45
State Grant Pass-Through Revenues (Sch. 1B)			4,106,472.96	(760,305.02)
Licenses, Fees, and Permits	5,435.59		16,627,587.99	16,572,043.60
Interest and Other Investment Income	3,429.57	756.82	151,558.85	207,634.10
Land Income			39,600.00	(82,976.32)
Sale of Goods and Services	3,199,834.92		3,294,478.42	89,203.28
Other Revenues	2,454,516.28	556,105.15	3,271,704.64	1,846,314.59
TOTAL REVENUES	5,663,216.36	556,861.97	490,035,285.86	42,849,726.65
EXPENDITURES				
Salaries and Wages			28,971,553.80	28,010,008.69
Payroll Related Costs			8,341,215.63	7,493,002.99
Professional Fees and Services	42,774.89	14,664.21	42,117,587.70	19,055,040.35
Travel			644,896.02	595,785.56
Materials and Supplies	1,048,129.11		2,173,737.72	1,828,634.64
Communication and Utilities	63,878.69		494,910.75	561,243.96
Repairs and Maintenance	69,835.06		785,283.95	617,290.27
Rentals and Leases (Note 8)	12,272.11		780,341.33	482,428.90
Printing and Reproduction	12,415.00		111,743.65	143,294.22
Claims and Judgments (Note 17)			7,047.95	560.00
Federal Grant Pass-Through Expenditures (Sch. 1A)			7,498,428.41	3,988,405.13
State Grant Pass-Through Expenditures (Sch. 1B)			16,449.38	73,322.08
Intergovernmental Payments			316,995,675.79	9,140,739.18
Public Assistance Payments			82,912,854.82	692,635.58
Other Expenditures	1,827,059.92	63,259.20	7,534,289.49	5,446,801.97
Capital Outlay			321,320.75	321,976.19
TOTAL EXPENDITURES	3,076,364.78	77,923.41	499,707,037.14	78,451,169.71
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,586,851.58	478,938.56	(9,671,751.28)	(35,601,443.06)

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EXHIBIT A-2 (continued)

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	GENERAL			
	GENERAL REVENUE FUND (0001) U/F (0001)	GENERAL REVENUE FUND (0001) U/F (3691)	GENERAL REVENUE FUND (0001) U/F (1101)	GENERAL REVENUE FUND (0001) U/F (1111)
OTHER FINANCING SOURCES (USES)	\$	\$	\$	\$
Transfers In	11,233,960.00			115,289,212.78
Transfers Out	(10,000.00)			
Sale of Capital Assets				
TOTAL OTHER FINANCING SOURCES (USES)	11,223,960.00	0.00	0.00	115,289,212.78
NET CHANGE IN FUND BALANCE	6,018,821.63	1,278.76	0.00	124,890,306.11
FUND FINANCIAL STATEMENT - FUND BALANCES				
FUND BALANCES - August 31, 2011	17,288,148.14	6,877.22		
FUND BALANCES - August 31, 2012 (Exhibit A-1)	23,306,969.77	8,155.98	0.00	124,890,306.11

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

UNAUDITED

CONSOLIDATED ACCOUNTS				
COASTAL PROTECTION FUND (0027) U/F (0027)	COASTAL PUBLIC LAND MANAGEMENT FEE FUND (0450) U/F (0450)	VETERANS' LAND ADMIN. FEE FUND (0522) U/F (0522)	CAPITAL TRUST FUND (0543) U/F (0543)(0544)	DEDICATED SPECIALTY LICENSE PLATES FUND (5140) U/F (0014)
\$	\$	\$	\$	\$
		20,190,524.00	(4,897,740.17)	
			6,785,283.74	
0.00	0.00	20,190,524.00	1,887,543.57	0.00
2,500,404.62	156,766.81	353,391.52	1,927,726.37	5,003.11
22,783,876.81	123,633.62	923,850.29	8,467,694.36	24,601.06
25,284,281.43	280,400.43	1,277,241.81	10,395,420.73	29,604.17

EXHIBIT A-2 (concluded)

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	CONSOLIDATED ACCOUNTS		TOTALS		
	DEDICATED ALAMO COMPLEX FUND (5152) U/F (5152)	DEDICATED ALAMO EWING HALSELL GRANT FUND (5152) U/F (5252)	(EXH. II) 2012	2011	
<i>OTHER FINANCING SOURCES (USES)</i>	\$	\$	\$	\$	
Transfers In			146,713,696.78	27,023,880.48	
Transfers Out			(4,907,740.17)	(20,517,412.79)	
Sale of Capital Assets			6,785,283.74	298,922.00	
<i>TOTAL OTHER FINANCING SOURCES (USES)</i>		0.00	148,591,240.35	6,805,389.31	
<i>NET CHANGE IN FUND BALANCE</i>		2,586,851.58	478,938.56	138,919,489.07	(28,796,053.75)
<i>FUND FINANCIAL STATEMENT - FUND BALANCES</i>					
<i>FUND BALANCES - August 31, 2011</i>			49,618,681.50	76,262,917.39	
<i>FUND BALANCES - August 31, 2012 (Exhibit A-1)</i>	2,586,851.58	478,938.56	188,538,170.57	49,618,681.50	

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

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EXHIBIT B-1

*COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS*

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6000)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6001)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6002)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6003)
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash (Note 3):				
Cash in State Treasury	48,941.87	138,270.84	27,698.89	13,464.10
Receivables:				
Federal			30,300.00	17,700.00
Interest and Dividends	17.85	29.82	15.49	7.15
Accounts Receivable				
Due From:				
Other Funds	1,095.30		78,468.60	82,409.22
Total Current Assets	50,055.02	138,300.66	136,482.98	113,580.47
TOTAL ASSETS	50,055.02	138,300.66	136,482.98	113,580.47
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current Liabilities:				
Payables:				
Vouchers and Accounts		102.12	79,309.07	84,289.01
Payroll		118,780.73		
Retainage	50,055.02			
Due To:				
Other Funds				
Total Current Liabilities	50,055.02	118,882.85	79,309.07	84,289.01
TOTAL LIABILITIES	50,055.02	118,882.85	79,309.07	84,289.01
FUND FINANCIAL STATEMENT - FUND BALANCES				
Fund Balances (Note 1):				
Restricted		19,417.81	57,173.91	29,291.46
TOTAL FUND BALANCES (Exhibit B-2)	0.00	19,417.81	57,173.91	29,291.46
TOTAL LIABILITIES AND FUND BALANCES	50,055.02	138,300.66	136,482.98	113,580.47

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

UNAUDITED

TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6004)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6005)	TOTALS	
		(EXH. D) 2012	2011
\$	\$	\$	\$
11,242.70	6,096.68	245,715.08	118,904.60
7,300.00	541,419.53	596,719.53	1,933,657.98
6.10	4.23	80.64	132.14
		0.00	674.35
53,088.36	47,827.99	262,889.47	1,144,812.90
<u>71,637.16</u>	<u>595,348.43</u>	<u>1,105,404.72</u>	<u>3,198,181.97</u>
<u>71,637.16</u>	<u>595,348.43</u>	<u>1,105,404.72</u>	<u>3,198,181.97</u>
54,742.35	47,941.94	266,384.49	1,141,781.96
		118,780.73	25,926.97
	330,763.71	380,818.73	308,701.96
	167,369.72	167,369.72	380,292.24
<u>54,742.35</u>	<u>546,075.37</u>	<u>933,353.67</u>	<u>1,856,703.13</u>
<u>54,742.35</u>	<u>546,075.37</u>	<u>933,353.67</u>	<u>1,856,703.13</u>
16,894.81	49,273.06	172,051.05	1,341,478.84
16,894.81	49,273.06	172,051.05	1,341,478.84
<u>71,637.16</u>	<u>595,348.43</u>	<u>1,105,404.72</u>	<u>3,198,181.97</u>

EXHIBIT B-2

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6000)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6001)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6002)	TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6003)
	\$	\$	\$	\$
REVENUES				
Federal Revenues			335,400.00	113,100.00
Interest and Other Investment Income		191.54	291.36	118.75
Sale of Goods and Services			101,800.00	27,400.00
Other Revenues			622.00	1,750.00
TOTAL REVENUES	0.00	191.54	438,113.36	142,368.75
EXPENDITURES				
Salaries and Wages		452,148.48		
Payroll Related Costs		352,413.93		
Professional Fees and Services		3,500.00	791,793.07	542,058.36
Travel		8,452.75	821.62	4,172.09
Materials and Supplies		3,490.54	44,734.10	15,472.51
Communication and Utilities		421.84	45,555.12	17,185.03
Repairs and Maintenance		242.95	19,147.34	37,251.28
Rentals and Leases (Note 8)		3,360.00		
Other Expenditures		19,193.79		2,224.30
Debt Service:				
Capital Outlay			54,618.24	
TOTAL EXPENDITURES	0.00	843,224.28	956,669.49	618,363.57
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0.00	(843,032.74)	(518,556.13)	(475,994.82)
OTHER FINANCING SOURCES (USES)				
Transfers In	0.65	862,450.55	623,544.77	487,607.63
Transfers Out	(0.65)		(85,038.41)	(7,577.89)
TOTAL OTHER FINANCING SOURCES (USES)	0.00	862,450.55	538,506.36	480,029.74
NET CHANGE IN FUND BALANCE	0.00	19,417.81	19,950.23	4,034.92
FUND FINANCIAL STATEMENT - FUND BALANCES				
FUND BALANCES - August 31, 2011			37,223.68	25,256.54
FUND BALANCES - August 31, 2012 (Exhibit B-1)	0.00	19,417.81	57,173.91	29,291.46

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

UNAUDITED

TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6004)		TEXAS STATE VETERANS CEMETERIES FUND (0374) U/F (6005)		TOTALS (EXH. II)	
\$	\$	2012	2011	\$	\$
76,400.00	1,663,815.18	2,188,715.18	5,981,630.91		
277.10	327.76	1,206.51	1,771.11		
25,400.00	21,000.00	175,600.00	62,100.00		
492.00	150.00	3,014.00	2,805.00		
<u>102,569.10</u>	<u>1,685,292.94</u>	<u>2,368,535.69</u>	<u>6,048,307.02</u>		
		452,148.48	360,539.23		
		352,413.93	334,922.29		
516,902.52	(87,702.20)	1,766,551.75	1,728,719.20		
2,080.76	20,385.54	35,912.76	38,686.78		
19,081.71	94,230.98	177,009.84	66,432.52		
24,019.45	12,400.95	99,582.39	103,476.69		
2,557.59		59,199.16	26,699.52		
	3,593.00	6,953.00	1,522.20		
		21,418.09	12,201.32		
<u>2,390.37</u>	<u>1,972,755.44</u>	<u>2,029,764.05</u>	<u>5,514,283.82</u>		
<u>567,032.40</u>	<u>2,015,663.71</u>	<u>5,000,953.45</u>	<u>8,187,483.57</u>		
<u>(464,463.30)</u>	<u>(330,370.77)</u>	<u>(2,632,417.76)</u>	<u>(2,139,176.55)</u>		
490,357.65	(869,289.45)	1,594,671.80	3,541,549.35		
(22,635.50)	(16,429.38)	(131,681.83)	(630,083.54)		
<u>467,722.15</u>	<u>(885,718.83)</u>	<u>1,462,989.97</u>	<u>2,911,465.81</u>		
3,258.85	(1,216,089.60)	(1,169,427.79)	772,289.26		
<u>13,635.96</u>	<u>1,265,362.66</u>	<u>1,341,478.84</u>	<u>2,721,007.44</u>		
<u>16,894.81</u>	<u>49,273.06</u>	<u>172,051.05</u>	<u>1,341,478.84</u>		

EXHIBIT C-1a

**COMBINING STATEMENT OF NET ASSETS
VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS**

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS REF SER '95 FUND (0567) U/F (0567)	VET BDS TAX REF FUND (0590) U/F (0590)
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash and Cash Equivalents (Note 3)				
Cash in State Treasury	692,903.80	314.95	2,600,373.13	12,848,384.29
Cash Equivalents	52,349,517.13	10,859.84	970,290.22	15,505,445.24
Securities Lending Collateral (Note 3)				12,875,000.00
Derivative Instruments				
Investments - Securities at Market Value (Note 3)	65,991,240.00			1,999,600.00
Loans Receivables:				
Housing Mortgages	1,886,379.99		1,059,630.59	5,502,652.29
Home Improvement Loans	26,855.38		30,100.04	256,342.71
Interest and Dividends Receivables:				
Investment Interest	5,280.01	2.77	915.32	64,061.96
Housing Mortgages Interest	2,753,144.51		153,224.85	1,297,134.64
Home Improvement Loans Interest	982.56		1,469.81	56,194.85
Accounts Receivable (Net of Allowance for Uncollectibles)	20,556,579.83		2,453.95	5,586.82
Due from Other Funds	560,237.54	1,500,000.00	11,300,000.00	77,628.98
Deferred Charges				3,117.17
Total Current Assets	144,823,120.75	1,511,177.56	16,118,457.91	50,491,148.95
Noncurrent Assets:				
Investments - Securities at Market Value (Note 3)				43,168,284.50
Derivative Instruments				
Deferred Outflow of Resources			5,143,618.00	36,131,186.23
Loans Receivables:				
Housing Mortgages	47,023,258.79		21,303,107.74	145,739,042.89
Home Improvement Loans	117,152.16		260,038.07	3,151,141.84
Property Acquired Through Foreclosure - Housing Mortgages (Note 27)			27,764.75	
Total Noncurrent Assets	47,140,410.95	0.00	26,734,528.56	228,189,655.46
TOTAL ASSETS	191,963,531.70	1,511,177.56	42,852,986.47	278,680,804.41
LIABILITIES				
Current Liabilities:				
Accounts Payable	78,153.91		18,369.72	1,142,015.41
Debt Service Interest Payable			13,139.00	30,650.27
Due to Other Funds	73,156,291.78		77,468.82	2.81
Bonds Payable (Net of Unamortized Discounts and Premiums)				
General Obligation		223,158.80	6,225,000.00	4,350,000.00
Accretion		536,841.20		
Obligations Under Securities Lending (Note 3)				12,875,000.00
Total Current Liabilities	73,234,445.69	760,000.00	6,333,977.54	18,397,668.49
Noncurrent Liabilities:				
Bonds Payable (Net of Unamortized Discounts and Premiums)				
General Obligation		208,924.00	31,315,000.00	168,325,000.00
Accretion		431,590.96		
Hedging Derivative Instruments			5,143,618.00	36,131,186.23
Total Noncurrent Liabilities	0.00	640,514.96	36,458,618.00	204,456,186.23
TOTAL LIABILITIES	73,234,445.69	1,400,514.96	42,792,595.54	222,853,854.72
NET ASSETS				
Restricted for the Veterans' Land Board	118,729,086.01	110,662.60	60,390.93	55,826,949.69
TOTAL NET ASSETS (Exhibit C-2a)	118,729,086.01	110,662.60	60,390.93	55,826,949.69

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

UNAUDITED

VET BDS SER '94A1 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (Note ¹)	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. III)	
					2012	2011
\$	\$	\$	\$	\$	\$	\$
51,149.26	94,928,375.50	20,630,870.40			131,752,371.33	64,606,287.47
1,754,316.38	46,135,002.01	23,045,638.64	2,905,783.29	1,126,956.40	143,803,809.15	214,706,820.79
		30,109,750.00	4,371,773.12		47,356,523.12	7,550,500.00
	1,999,600.00				0.00	6,600.43
					69,990,440.00	4,099,795.00
	21,817,664.26	18,054,997.14			48,321,324.27	49,236,869.96
	256,917.31	238,448.25			808,663.69	672,567.55
5,064.56	36,047.43	53,065.31	32,005.22	33,606.56	230,049.14	201,904.56
	5,477,443.14	5,784,718.99			15,465,666.13	9,305,327.22
	23,800.48	33,737.61			116,185.31	120,806.83
	23,724.53				20,588,345.13	13,498,312.52
	59,951,992.75	105,061.25			73,494,920.52	53,644,153.94
86.39	5,343.26	9,347.82			17,894.64	0.00
1,810,616.59	230,655,910.67	98,065,635.41	7,309,561.63	1,160,562.96	551,946,192.43	417,649,946.27
4,687,645.85	1,001,540.00	66,943,123.15	17,442,497.55	14,610,634.47	147,853,725.52	64,514,453.71
	682,538.03				682,538.03	693,576.00
	147,020,343.92	119,909,812.28			308,204,960.43	245,961,081.33
	845,924,863.80	540,522,892.04			1,600,513,165.26	1,659,546,623.38
	6,015,152.04	4,066,372.66			13,609,856.77	10,860,481.13
	499,027.00	209,259.00			736,050.75	630,182.06
4,687,645.85	1,001,143,464.79	731,651,459.13	17,442,497.55	14,610,634.47	2,071,600,296.76	1,982,206,397.61
6,498,262.44	1,231,799,375.46	829,717,094.54	24,752,059.18	15,771,197.43	2,623,546,489.19	2,399,856,343.88
1,959.77	2,903,026.49	13,808,501.24			17,952,026.54	4,279,322.02
	2,824,243.70	238,434.68			3,106,467.65	2,935,511.92
	186,691.75	74,460.05			73,494,915.21	53,664,908.94
400,000.00	44,754,810.16	10,010,000.00			65,962,968.96	54,495,213.36
					536,841.20	519,596.80
		30,109,750.00	4,371,773.12		47,356,523.12	7,550,500.00
401,959.77	50,668,772.10	54,241,145.97	4,371,773.12	0.00	208,409,742.68	123,445,053.04
5,800,000.00	1,033,730,499.31	525,050,000.00			1,764,429,423.31	1,681,932,392.27
					431,590.96	842,719.05
	147,020,343.92	119,909,812.28			308,204,960.43	245,961,081.33
5,800,000.00	1,180,750,843.23	644,959,812.28	0.00	0.00	2,073,065,974.70	1,928,736,192.65
6,201,959.77	1,231,419,615.33	699,200,958.25	4,371,773.12	0.00	2,281,475,717.38	2,052,181,245.69
296,302.67	379,760.13	130,516,136.29	20,380,286.06	15,771,197.43	342,070,771.81	347,675,098.19
296,302.67	379,760.13	130,516,136.29	20,380,286.06	15,771,197.43	342,070,771.81	347,675,098.19

Note¹ U/F (0808 - 0826, 0831 - 0835)

EXHIBIT C-1b

*COMBINING STATEMENT OF NET ASSETS
VETERANS' LAND PROGRAM PROPRIETARY FUNDS*

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	VET LAND REF BDS		
	REF SER '91	VET LAND BDS	VET LAND BDS
	TAX '00, '02-'06, & '10D	REF SER '99A	SER '94
	FUND (0571)	FUND (0626)	FUND (0381)
	U/F (0571) (9000) (9001)	U/F (0626)	U/F (0381)
	\$	\$	\$
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand	200.00		
Cash in State Treasury	8,379,586.46	272,279.95	1,385.26
Cash Equivalents	22,141,397.33	1,183,137.84	18,512.77
Securities Lending Collateral (Note 3)	34,639,126.28	1,020,000.00	1,020,000.00
Investments - Securities at Market Value (Note 3)	1,999,670.40	999,835.20	999,835.20
Loans Receivables:			
Land Contracts	11,274,124.60	625,711.96	
Land Mortgages	1,474,686.45		
Interest and Dividends Receivables:			
Investment Interest	1,018,546.08	37,123.06	1,462.76
Land Contracts	2,317,112.97	54,857.95	
Land Mortgages	559,100.53		
Accounts Receivable (Net of Allowance for Uncollectibles)	436,326.27	10,503.74	
Due from Other Funds	1,022,191.79	2,300,000.00	1,000,000.00
Deferred Charges	472.72	309.02	
Total Current Assets	85,262,541.88	6,503,758.72	3,041,195.99
Noncurrent Assets:			
Investments - Securities at Market Value (Note 3)	275,327,766.67	8,919,822.60	121,534.67
Derivative Instruments	(1,069,318.29)		
Deferred Outflow of Resources	72,852,314.21	3,508,528.00	
Loans Receivables:			
Land Contracts	157,936,122.36	6,698,490.31	
Land Mortgages	112,270,065.16		
Property Acquired Through Foreclosure (Note 27)			
Land Contracts	3,812,174.86	2,054.37	
Amortizable Intangible Assets:			
Computer Software	162,578.15		
Less Accumulated Amortization	(153,908.83)		
Total Noncurrent Assets	621,137,794.29	19,128,895.28	121,534.67
TOTAL ASSETS	706,400,336.17	25,632,654.00	3,162,730.66
LIABILITIES			
Current Liabilities:			
Accounts Payable	659,180.01	131,914.10	
Debt Service Interest Payable	326,539.71		
Due to Other Funds	12,062,329.82		
Deferred Revenues	209,592.35	842.92	
Bonds Payable (Net of Unamortized Discounts and Premiums):			
General Obligation	11,445,000.00	2,365,000.00	225,668.70
Accretion			521,331.30
Obligations Under Securities Lending (Note 3)	34,639,126.28	1,020,000.00	1,020,000.00
Total Current Liabilities	59,341,768.17	3,517,757.02	1,767,000.00

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850) (0852) \$	TOTALS	
	(EXH. III)	
	2012	2011
\$	\$	\$
	200.00	0.00
502,723.01	9,155,974.68	5,874,228.68
729,016.68	24,072,064.62	54,388,451.25
1,020,000.00	37,699,126.28	60,563,107.21
999,835.20	4,999,176.00	23,244,993.15
248,287.18	12,148,123.74	13,105,518.31
	1,474,686.45	1,121,142.54
171.70	1,057,303.60	1,096,628.90
40,396.92	2,412,367.84	3,094,376.71
	559,100.53	456,045.75
2,841.45	449,671.46	450,941.09
8,500,000.00	12,822,191.79	10,609,160.00
0.00	781.74	0.00
<u>12,043,272.14</u>	<u>106,850,768.73</u>	<u>174,004,593.59</u>
	284,369,123.94	242,727,116.80
	(1,069,318.29)	(1,681,244.42)
5,209,398.52	81,570,240.73	77,315,300.60
7,881,451.88	172,516,064.55	203,862,054.44
	112,270,065.16	87,139,645.58
	3,814,229.23	4,232,095.77
	162,578.15	162,578.15
	(153,908.83)	(122,777.63)
<u>13,090,850.40</u>	<u>653,479,074.64</u>	<u>613,634,769.29</u>
<u>25,134,122.54</u>	<u>760,329,843.37</u>	<u>787,639,362.88</u>
38,049.78	829,143.89	1,027,269.76
7,828.00	334,367.71	357,529.73
	12,062,329.82	11,068,996.23
1,893.73	212,329.00	50,791.24
727,250.00	14,762,918.70	12,923,352.20
382,750.00	904,081.30	2,491,012.09
1,020,000.00	37,699,126.28	60,563,107.21
<u>2,177,771.51</u>	<u>66,804,296.70</u>	<u>88,482,058.46</u>

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EXHIBIT C-1b (concluded)

*COMBINING STATEMENT OF NET ASSETS
VETERANS' LAND PROGRAM PROPRIETARY FUNDS*

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	VET LAND REF BDS REF SER '89, '90, '91, TAX REF '98A, '98B, & '99B FUND (0571) U/F (0571) (9000) (9001)	VET LAND BDS REF SER '99A FUND (0626) U/F (0626)	VET LAND BDS SER '94 FUND (0381) U/F (0381)
	\$	\$	\$
LIABILITIES (continued)			
Noncurrent Liabilities:			
Bonds Payable (Net of Unamortized Discounts and Premiums):			
General Obligation	245,825,000.00	18,580,000.00	405,994.50
Accretion			916,224.20
Hedging Derivative Instrument	72,852,314.21	3,508,528.00	
Total Noncurrent Liabilities	318,677,314.21	22,088,528.00	1,322,218.70
TOTAL LIABILITIES	378,019,082.38	25,606,285.02	3,089,218.70
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted for the Veterans' Land Board	8,669.32		
	328,372,584.47	26,368.98	73,511.96
TOTAL NET ASSETS (Exhibit C-2b)	328,381,253.79	26,368.98	73,511.96

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

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850)(0852)	TOTALS	
	(EXH. III)	
	2012	2011
\$	\$	\$
16,660,816.66	281,471,811.16	296,234,729.86
979,260.16	1,895,484.36	2,510,496.18
5,209,398.52	81,570,240.73	77,315,300.60
<u>22,849,475.34</u>	<u>364,937,536.25</u>	<u>376,060,526.64</u>
<u>25,027,246.85</u>	<u>431,741,832.95</u>	<u>464,542,585.10</u>
	8,669.32	39,800.52
<u>106,875.69</u>	<u>328,579,341.10</u>	<u>323,056,977.26</u>
<u><u>106,875.69</u></u>	<u><u>328,588,010.42</u></u>	<u><u>323,096,777.78</u></u>

EXHIBIT C-1c

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

August 31, 2012

(With comparative memorandum totals for August 31, 2011)

	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)
	\$	\$	\$	\$	\$
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 3):					
Cash in State Treasury	242,589.61	2,536,608.01	348,325.72	2,142,495.20	37,367.94
Cash Equivalents					1,364.92
Investments - Securities at Market Value (Note 3)					
Receivables:					
Federal Receivables	548,064.20	416,255.84	400,141.98	362,559.60	
Interest Receivables	215.22	995.71	252.79	835.64	216.08
Accounts Receivable	453,799.64	689,991.27	939,601.29	897,559.60	
Allowance for Doubtful Accounts	(228,453.34)	(336,674.67)	(400,289.67)	(364,813.40)	
Interfund Receivable	3,768.00				
Due from Other Funds	6,358.06	8,608.59	2,000.00	1,761.40	4.00
Total Current Assets	1,026,341.39	3,315,784.75	1,290,032.11	3,040,398.04	38,952.94
Non-Current Assets:					
Deferred Outflow of Resources					
Capital Assets (Note 2):					
Depreciable Capital Assets:					
Vehicles, Boats, and Aircraft		46,501.14			
Less Accumulated Depreciation		(46,501.14)			
Furniture and Equipment	30,211.17	58,628.99	83,968.69	40,434.96	
Less Accumulated Depreciation	(15,345.89)	(35,681.75)	(31,608.68)	(8,731.24)	
Buildings	10,816,311.94	10,584,217.37	10,476,498.29	10,128,639.89	
Less Accumulated Depreciation	(5,488,048.53)	(5,370,286.74)	(5,127,134.72)	(5,029,789.50)	
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)	
Total Non-Current Assets	5,823,128.69	5,302,877.87	5,556,723.58	5,170,554.11	0.00
TOTAL ASSETS	6,849,470.08	8,618,662.62	6,846,755.69	8,210,952.15	38,952.94
LIABILITIES					
Current Liabilities:					
Payables:					
Vouchers and Accounts Payable (Note 1)	1,626,848.99	1,032,350.66	1,256,465.75	1,325,643.66	
Debt Service Interest Payable					
Retainage Payable					
Due to Other Funds					32,198.31
Revenue Bonds Payable (Note 5)					
Total Current Liabilities	1,626,848.99	1,032,350.66	1,256,465.75	1,325,643.66	32,198.31
Non-Current Liabilities:					
Revenue Bonds Payable (Note 5)					
Hedging Derivative Instruments					
Total Non-Current Liabilities	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	1,626,848.99	1,032,350.66	1,256,465.75	1,325,643.66	32,198.31
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	5,823,128.69	5,302,877.87	5,556,723.58	5,170,554.11	
Restricted for the Texas State Veterans' Home Program	(600,507.60)	2,283,434.09	33,566.36	1,714,754.38	6,754.63
TOTAL NET ASSETS	5,222,621.09	7,586,311.96	5,590,289.94	6,885,308.49	6,754.63

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

UNAUDITED

						TOTALS	
SURPLUS	TYLER 35%	FED ARRA 65%	MCALLEN	EL PASO	AMARILLO	(EXH III)	
FUND (0374)	FUND (0374)	FUND (0374)	FUND (0374)	FUND (0374)	FUND (0374)	2012	2011
U/F (0698)	U/F (0656)	U/F (6656)	U/F (0652)	U/F (0653)	U/F (0654)		
\$	\$	\$	\$	\$	\$	\$	\$
	385,944.74	7,553.77	5,683,798.30	5,629,921.59	228,183.98	17,242,788.86	11,496,983.82
8,391,162.24						8,392,527.16	4,301.56
						0.00	9,067,742.19
	121,883.04	1,350,707.85	336,045.12	371,069.50	250,052.55	4,156,779.68	6,950,223.99
	125.59	2.73	2,074.04	2,087.61	149.12	6,954.53	10,453.98
	475,417.00		1,184,576.95	671,092.56	438,177.22	5,750,215.53	4,214,007.57
	(29,580.01)		(395,285.07)	(159,765.27)	(121,622.28)	(2,036,483.71)	(1,650,950.54)
						3,768.00	492,201.61
						13,470.26	
						32,202.31	0.00
8,391,162.24	953,790.36	1,358,264.35	6,811,209.34	6,514,405.99	808,410.85	33,548,752.36	30,584,964.18
						0.00	4,559,437.00
						46,501.14	46,501.14
						(46,501.14)	(43,732.82)
	95,773.70	130,939.65	39,994.20	12,884.20	15,336.60	508,172.16	183,277.81
	(16,723.32)	(26,589.50)	(26,541.33)	(7,679.33)	(14,563.55)	(183,464.59)	(119,868.18)
	6,877,785.79	10,516,614.32	11,819,162.06	10,945,549.21	13,196,583.95	95,361,362.82	78,320,062.04
	(285,858.00)	(449,830.70)	(4,269,952.45)	(3,686,089.82)	(3,605,411.24)	(33,312,401.70)	(29,255,583.47)
						112,963.00	0.00
						(4,706.70)	0.00
						0.00	16,676,990.29
			1,300,000.00	650,000.00	808,500.00	3,499,500.00	3,499,500.00
			8,525.00	8,525.00	10,440.00	146,555.00	146,555.00
			(8,525.00)	(8,525.00)	(10,440.00)	(146,555.00)	(144,072.28)
0.00	6,670,978.17	10,171,133.77	8,862,662.48	7,914,664.26	10,508,702.06	65,981,424.99	73,869,066.53
8,391,162.24	7,624,768.53	11,529,398.12	15,673,871.82	14,429,070.25	11,317,112.91	99,530,177.35	104,454,030.71
	566,713.54		1,513,640.99	1,421,883.88	755,793.97	9,499,341.44	8,503,111.82
						0.00	115,729.17
	266,431.90	494,802.10				761,234.00	763,445.00
		855,905.75				888,104.06	775,844.19
						0.00	425,000.00
0.00	833,145.44	1,350,707.85	1,513,640.99	1,421,883.88	755,793.97	11,148,679.50	10,583,130.18
						0.00	21,795,000.00
						0.00	4,559,437.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	26,354,437.00
0.00	833,145.44	1,350,707.85	1,513,640.99	1,421,883.88	755,793.97	11,148,679.50	36,937,567.18
8,391,162.24	6,670,978.17	10,171,133.77	8,862,662.48	7,914,664.26	10,508,702.06	65,981,424.99	47,089,629.53
	120,644.92	7,556.50	5,297,568.35	5,092,522.11	52,616.88	22,400,072.86	20,426,834.00
8,391,162.24	6,791,623.09	10,178,690.27	14,160,230.83	13,007,186.37	10,561,318.94	88,381,497.85	67,516,463.53

EXHIBIT C-2a

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS REF SER '95 FUND (0567) U/F (0567)	VET BDS TAX REF FUND (0590) U/F (0590)
	\$	\$	\$	\$
OPERATING REVENUES				
Interest on Housing Mortgages	2,825,483.83		1,128,319.54	8,175,398.11
Interest on Home Improvement Loans	9,291.77		11,382.45	156,272.81
Gain (Loss) on Housing Mortgage and Home Improvement Loans	2,734,164.25		(38,204.45)	(24,819.97)
Miscellaneous Income				
TOTAL OPERATING REVENUES	5,568,939.85	0.00	1,101,497.54	8,306,850.95
OPERATING EXPENSES				
Professional Fees and Services	68,566.63		23,952.65	636,387.50
Printing and Reproduction				
Debt Service Interest		125,713.11	2,265,360.62	5,928,009.84
Other Operating Expenses	50,001.17	850.00	90,584.81	879,465.00
TOTAL OPERATING EXPENSES	118,567.80	126,563.11	2,379,898.08	7,443,862.34
OPERATING INCOME (LOSS) (Exhibit C-3a)	5,450,372.05	(126,563.11)	(1,278,400.54)	862,988.61
NONOPERATING REVENUES (EXPENSES)				
Investment Income	44,894.54	54.32	25,033.51	277,563.46
Net Increase (Decrease) in Fair Value of Investments	522,936.19		(8,991.40)	2,951,925.15
Borrower Rebate/Agent Fees - Securities Lending				(8,367.33)
TOTAL NONOPERATING REVENUES (EXPENSES)	567,830.73	54.32	16,042.11	3,221,121.28
INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS	6,018,202.78	(126,508.79)	(1,262,358.43)	4,084,109.89
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS				
Transfers In	10,501,500.00	236,712.23	1,801,434.08	3,102,843.33
Transfers Out	(21,901,500.00)		(480,000.00)	(2,600,996.00)
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	(11,400,000.00)	236,712.23	1,321,434.08	501,847.33
CHANGE IN NET ASSETS	(5,381,797.22)	110,203.44	59,075.65	4,585,957.22
NET ASSETS - August 31, 2011	124,110,883.23	459.16	1,315.28	51,240,992.47
NET ASSETS - August 31, 2012 (Exhibit C-1a)	118,729,086.01	110,662.60	60,390.93	55,826,949.69

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

UNAUDITED

VET BDS SER '94A1 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (Note ¹)	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. IV)	
\$	\$	\$	\$	\$	2012	2011
	32,508,194.69	28,068,005.39			72,705,401.56	76,025,354.72
	142,299.89	133,427.05			452,673.97	394,081.99
	(2,651.96)	9,713.86			2,678,201.73	788,406.80
					0.00	3,000.00
0.00	32,647,842.62	28,211,146.30	0.00	0.00	75,836,277.26	77,210,843.51
	1,454,331.57	515,511.61			2,698,749.96	1,712,682.20
	1,906.77				1,906.77	4,453.47
9,799.86	30,347,741.45	18,509,605.27			57,186,230.15	58,614,265.21
50,697.71	4,469,881.80	3,168,651.85			8,710,132.34	9,288,523.73
60,497.57	36,273,861.59	22,193,768.73	0.00	0.00	68,597,019.22	69,619,924.61
(60,497.57)	(3,626,018.97)	6,017,377.57	0.00	0.00	7,239,258.04	7,590,918.90
25,615.72	344,638.30	359,149.44	371,717.65	395,992.86	1,844,659.80	1,779,192.75
200,141.15	158,345.29	4,013,431.33	1,859,553.68	779,509.78	10,476,851.17	3,246,615.05
(97.54)	(8,437.83)	(21,044.95)	(4,856.42)	(939.32)	(43,743.39)	(12,179.55)
225,659.33	494,545.76	4,351,535.82	2,226,414.91	1,174,563.32	12,277,767.58	5,013,628.25
165,161.76	(3,131,473.21)	10,368,913.39	2,226,414.91	1,174,563.32	19,517,025.62	12,604,547.15
93,874.85	23,447,830.44	1,310,000.00			40,494,194.93	126,602,825.84
	(19,946,500.00)	(17,460,686.44)	(3,225,864.49)		(65,615,546.93)	(172,365,177.84)
93,874.85	3,501,330.44	(16,150,686.44)	(3,225,864.49)	0.00	(25,121,352.00)	(45,762,352.00)
259,036.61	369,857.23	(5,781,773.05)	(999,449.58)	1,174,563.32	(5,604,326.38)	(33,157,804.85)
37,266.06	9,902.90	136,297,909.34	21,379,735.64	14,596,634.11	347,675,098.19	380,832,903.04
296,302.67	379,760.13	130,516,136.29	20,380,286.06	15,771,197.43	342,070,771.81	347,675,098.19

Note1 U/F (0808 - 0826, 0831 - 0835)

EXHIBIT C-2b

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	VET LAND REF BDS		
	REF SER '91	VET LAND BDS	VET LAND BDS
	TAX '00, '02-'06, & '10D	REF SER '99A	SER '94
	FUND (0571)	FUND (0626)	FUND (0381)
	U/F (0571) (9000) (9001)	U/F (0626)	U/F (0381)
	\$	\$	\$
OPERATING REVENUES			
Interest on Land Loans	19,431,230.35	473,205.87	
Gain (Loss) on Land Loans	1,054,293.93		
Miscellaneous Income	514,121.41		
TOTAL OPERATING REVENUES	20,999,645.69	473,205.87	0.00
OPERATING EXPENSES			
Professional Fees and Services	848,970.22	577,997.38	
Travel	37.10		
Materials and Supplies	25,814.96		
Repairs and Maintenance			
Rentals and Leases (Note 8)			
Printing and Reproduction			
Depreciation and Amortization	31,131.20		
Debt Service Interest	12,707,245.88	1,073,567.43	141,615.10
Other Operating Expenses	1,606,182.71	43,245.94	
TOTAL OPERATING EXPENSES	15,219,382.07	1,694,810.75	141,615.10
OPERATING INCOME (LOSS) (Exhibit C-3b)	5,780,263.62	(1,221,604.88)	(141,615.10)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	5,995,071.21	315,197.18	11,588.16
Net Increase (Decrease) in Fair Value of Investments	14,220,466.86	610,714.02	(592.43)
Borrower Rebate/Agent Fees-Sec. Lending	(78,731.22)	(1,375.42)	(444.10)
Other Nonoperating Revenues (Expenses)	(237.33)		
TOTAL NONOPERATING REVENUES (EXPENSES)	20,136,569.52	924,535.78	10,551.63
INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS	25,916,833.14	(297,069.10)	(131,063.47)
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS			
Transfers In	20,662,874.92	1,899,000.00	204,000.00
Transfers Out	(41,293,337.83)	(1,576,099.00)	
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	(20,630,462.91)	322,901.00	204,000.00
CHANGE IN NET ASSETS	5,286,370.23	25,831.90	72,936.53
NET ASSETS - August 31, 2011	323,094,883.56	537.08	575.43
NET ASSETS - August 31, 2012 (Exhibit C-1b)	328,381,253.79	26,368.98	73,511.96

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

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850) (0852)	TOTALS	
	(EXH. IV)	
	2012	2011
\$	\$	\$
484,659.88	20,389,096.10	22,070,990.10
	1,054,293.93	(215,422.76)
	514,121.41	368,943.38
<u>484,659.88</u>	<u>21,957,511.44</u>	<u>22,224,510.72</u>
(114,187.61)	1,312,779.99	1,688,364.73
	37.10	0.00
	25,814.96	(582.24)
	0.00	300.00
	0.00	(2,766.20)
	0.00	730.37
	31,131.20	32,515.20
837,451.74	14,759,880.15	9,960,827.71
152,578.15	1,802,006.80	2,240,922.04
<u>875,842.28</u>	<u>17,931,650.20</u>	<u>13,920,311.61</u>
(391,182.40)	4,025,861.24	8,304,199.11
5,044.01	6,326,900.56	6,012,181.73
695.42	14,831,283.87	7,140,154.13
(463.05)	(81,013.79)	(35,902.37)
	(237.33)	0.00
<u>5,276.38</u>	<u>21,076,933.31</u>	<u>13,116,433.49</u>
(385,906.02)	25,102,794.55	21,420,632.60
832,000.00	23,597,874.92	53,667,619.26
(340,000.00)	(43,209,436.83)	(31,719,078.43)
<u>492,000.00</u>	<u>(19,611,561.91)</u>	<u>21,948,540.83</u>
106,093.98	5,491,232.64	43,369,173.43
781.71	323,096,777.78	279,727,604.35
<u>106,875.69</u>	<u>328,588,010.42</u>	<u>323,096,777.78</u>

EXHIBIT C-2c

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM**

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	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)
	\$	\$	\$	\$	\$
OPERATING REVENUES					
Charges for Services:					
Veterans Administration Per Diem	6,039,202.14	4,872,962.29	4,372,949.27	4,592,759.95	
Resident Payments (Net of Provisions for Bad Debt of \$307,781.04)	2,666,747.33	2,962,299.03	3,098,818.71	3,078,884.60	
Medicare Reimbursements (Net of Provisions for Bad Debt of \$23,836.64)	643,057.34	953,867.91	1,392,624.03	554,703.72	
Medicaid Revenues (Net of Provisions for Bad Debt of \$26,647.85)	410,177.98	994,160.36	892,888.95	883,083.41	
Other Assistance Payments (Net of Provisions for Bad Debt of \$3,554.61)	31,274.43	7,906.67	244,411.10	3,143.43	
Third Party Reimbursements	57,459.00	53,222.27	52,500.00	52,760.00	
Miscellaneous Income	2,606.32	1,885.49	1,440.73	1,738.83	
TOTAL OPERATING REVENUES	15,473,712.04	15,469,491.52	15,678,820.29	14,790,261.44	(22,492,750.00)
OPERATING EXPENSES					
Professional Fees and Services	8,825,335.01	8,474,764.89	9,235,013.95	7,980,985.61	
Travel	117.72	142.48	1,105.74	1,190.39	
Materials and Supplies	529,942.46	496,573.66	581,417.01	408,349.31	
Repairs and Maintenance	(11,275.73)	799.15	(28,678.00)	(17,615.09)	
Rentals and Leases (Note 8)					
Printing and Reproduction					
Depreciation and Amortization	468,632.68	465,191.85	458,173.29	440,869.28	
Other Operating Expenses	479.21	1,464.49	479.28	632.00	3,000.00
TOTAL OPERATING EXPENSES	9,813,231.35	9,438,936.52	10,247,511.27	8,814,411.50	3,000.00
OPERATING INCOME (LOSS) (Exhibit C-3c)	5,660,480.69	6,030,555.00	5,431,309.02	5,975,849.94	(22,495,750.00)
NONOPERATING REVENUES/(EXPENSES)					
Federal Revenues			120.41	650.45	
Gifts/Pledges/Donations	6,585.00	10,781.48	4,892.50	2,130.83	
Investment Income	2,479.02	13,794.34	3,932.48	9,812.67	1,495.53
Net Increase (Decrease) in Fair Value of Investments					3,461.55
Other Benefit Payments					
Interest Expense	(318,255.20)	(318,255.21)	(318,255.21)	(318,255.21)	
Gain/(Loss) on Sale of Capital Asset					
TOTAL NONOPERATING REVENUES/(EXPENSES)	(309,191.18)	(293,679.39)	(309,309.82)	(305,661.26)	4,957.08
INCOME/(LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS	5,351,289.51	5,736,875.61	5,121,999.20	5,670,188.68	(22,490,792.92)
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS					
Capital Contributions		6,195.00	6,000.00		
Transfers In			28,343.40		21,795,000.00
Transfers Out	(165,990.00)	(165,990.00)	(165,990.00)	(165,990.00)	
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	(165,990.00)	(159,795.00)	(131,646.60)	(165,990.00)	21,795,000.00
CHANGE IN NET ASSETS	5,185,299.51	5,577,080.61	4,990,352.60	5,504,198.68	(695,792.92)
NET ASSETS, August 31, 2011	37,321.58	2,009,231.35	599,937.34	1,381,109.81	702,547.55
NET ASSETS - August 31, 2012 (Exhibit C-1c)	5,222,621.09	7,586,311.96	5,590,289.94	6,885,308.49	6,754.63

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

UNAUDITED

SURPLUS FUND (0374) U/F (0698)	TYLER 35% FUND (0374) U/F (0656)	FED ARRA 65% FUND (0374) U/F (6656)	MCALLEN FUND (0374) U/F (0652)	EL PASO FUND (0374) U/F (0653)	AMARILLO FUND (0374) U/F (0654)	TOTALS	
						(EXH IV) 2012	2011
\$	\$	\$	\$	\$	\$	\$	\$
	121,883.04		4,098,004.71	4,787,683.77	3,106,913.05	31,992,358.22	28,847,637.48
	335,574.33		3,150,977.65	3,044,840.86	2,433,801.13	20,771,943.64	20,244,109.84
	112,150.53		1,401,177.12	695,545.08	606,266.90	6,359,392.63	8,115,107.97
	321,051.73		1,812,031.74	1,432,028.56	504,734.56	7,250,157.29	7,842,526.85
	5,221.60		142,015.08	3,477.43	416,580.10	854,029.84	579,517.62
			3,258.00	1,389.55	3,420.00	224,008.82	15,531.37
			3,200.00	404.64	912.40	12,188.41	9,989.50
0.00	895,881.23	0.00	10,610,664.30	9,965,369.89	7,072,628.14	67,464,078.85	65,654,420.63
	2,803,477.74		8,864,022.76	8,204,909.57	6,434,399.81	60,822,909.34	57,463,821.66
	17,091.86	32,151.62				51,799.81	25,152.18
	410,500.72	701,992.34	391,768.37	366,729.54	215,054.25	4,102,327.66	3,084,779.03
			4,364.50	(376,767.59)		(429,172.76)	881,162.23
						0.00	2,766.20
						0.00	166.06
	302,581.32	476,420.20	598,836.68	553,249.77	684,019.98	4,447,975.05	3,680,463.73
	1,881.25	3,498.50	108.73	200.28	104.28	11,848.02	17,886.46
0.00	3,535,532.89	1,214,062.66	9,859,101.04	8,748,321.57	7,333,578.32	69,007,687.12	65,156,197.55
0.00	(2,639,651.66)	(1,214,062.66)	751,563.26	1,217,048.32	(260,950.18)	(1,543,608.27)	498,223.08
		903,756.84				904,527.70	7,899,123.40
	2,729.95		892.50	4,674.50	2,082.50	34,769.26	17,933.00
3.13	2,743.40	355.24	28,440.94	28,230.92	2,229.86	93,517.53	134,517.22
17,714.77						21,176.32	18,486.18
						0.00	(8,890.21)
						(1,273,020.83)	(10,482.99)
						(463,922.33)	(1,411,666.67)
17,717.90	5,473.35	904,112.08	29,333.44	(431,016.91)	4,312.36	(682,952.35)	6,639,019.93
17,717.90	(2,634,178.31)	(309,950.58)	780,896.70	786,031.41	(256,637.82)	(2,226,560.62)	7,137,243.01
						12,195.00	0.00
	3,224,910.98				112,963.00	25,161,217.38	4,947,601.38
	(443.70)	(304.38)	(456,297.12)	(472,880.42)	(487,931.82)	(2,081,817.44)	(2,114,897.50)
0.00	3,224,467.28	(304.38)	(456,297.12)	(472,880.42)	(374,968.82)	23,091,594.94	2,832,703.88
17,717.90	590,288.97	(310,254.96)	324,599.58	313,150.99	(631,606.64)	20,865,034.32	9,969,946.89
8,373,444.34	6,201,334.12	10,488,945.23	13,835,631.25	12,694,035.38	11,192,925.58	67,516,463.53	57,546,516.64
8,391,162.24	6,791,623.09	10,178,690.27	14,160,230.83	13,007,186.37	10,561,318.94	88,381,497.85	67,516,463.53

EXHIBIT C-3a

STATEMENT OF CASH FLOWS

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS REF SER '95 FUND (0567) U/F (0567)	VET BDS TAX REF FUND (0590) U/F (0590)
	\$	\$	\$	\$
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)				
OPERATING ACTIVITIES				
Receipts from Loan Payments	67,182,932.63		5,839,684.31	48,006,054.16
Other Operating Cash Receipts				
Fundings for Mortgage and Home Improvement Loans	(69,390,459.97)			(4,852,332.59)
Payments to Suppliers of Goods and Services	(69,883.29)	(850.00)	(117,839.57)	(1,606,321.77)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,277,410.63)	(850.00)	5,721,844.74	41,547,399.80
NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Debt Issuance				
Payments for Debt Service - Principal		(760,000.00)	(5,835,000.00)	(1,040,000.00)
Payments for Debt Service - Interest			(2,267,402.87)	(5,931,484.20)
Transfers from Other Funds	10,501,500.00	769,712.23	2,076,434.08	2,995,260.33
Transfers to Other Funds	(3,219,500.00)		(480,000.00)	(2,493,413.00)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	7,282,000.00	9,712.23	(6,505,968.79)	(6,469,636.87)
INVESTING ACTIVITIES				
Proceeds from Interest and Investment Income	473,681.29	57.02	29,044.61	265,350.81
Proceeds from Sale of Investments	23,000,000.00		335,000.00	6,050,000.00
Payments to Acquire Investments	(88,901,083.23)			(33,509,221.25)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(65,427,401.94)	57.02	364,044.61	(27,193,870.44)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(60,422,812.57)	8,919.25	(420,079.44)	7,883,892.49
CASH AND CASH EQUIVALENTS - August 31, 2011	113,465,233.50	2,255.54	3,990,742.79	20,469,937.04
CASH AND CASH EQUIVALENTS - August 31, 2012	53,042,420.93	11,174.79	3,570,663.35	28,353,829.53

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

UNAUDITED

VET BDS SER '94A1 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (Note ¹)	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. V)	
\$	\$	\$	\$	\$	2012	2011
	152,073,472.35	160,312,869.18			433,415,012.63	504,068,228.22
	(189,852,265.30)	(45,740,799.55)			0.00	3,000.00
(50,856.69)	(6,044,112.40)	(3,891,897.55)			(309,835,857.41)	(443,220,506.82)
					(11,781,761.27)	(9,608,248.06)
(50,856.69)	(43,822,905.35)	110,680,172.08	0.00	0.00	111,797,393.95	51,242,473.34
	149,990,000.00				149,990,000.00	199,985,000.00
(300,000.00)	(36,720,000.00)	(10,860,000.00)			(55,515,000.00)	(128,495,000.00)
(9,886.25)	(31,190,587.94)	(18,545,953.06)			(57,945,314.32)	(60,681,009.76)
93,874.85	3,957,830.44	1,310,000.00			21,704,611.93	86,684,825.84
	(19,946,500.00)	(17,460,686.44)	(3,225,864.49)		(46,825,963.93)	(132,447,177.84)
(216,011.40)	66,090,742.50	(45,556,639.50)	(3,225,864.49)	0.00	11,408,333.68	(34,953,361.76)
20,456.31	479,618.98	337,573.56	372,480.44	387,895.47	2,366,158.49	2,255,255.12
5,100,000.00	17,000,000.00	4,000,000.00	6,405,000.00	5,316,605.39	67,206,605.39	15,151,420.54
(3,120,527.00)	(18,993,760.84)	(43,397,678.90)	(1,000,000.00)	(7,613,148.07)	(196,535,419.29)	(18,929,037.75)
1,999,929.31	(1,514,141.86)	(39,060,105.34)	5,777,480.44	(1,908,647.21)	(126,962,655.41)	(1,522,362.09)
1,733,061.22	20,753,695.29	26,063,427.24	2,551,615.95	(1,908,647.21)	(3,756,927.78)	14,766,749.49
72,404.42	120,309,682.22	17,613,081.80	354,167.34	3,035,603.61	279,313,108.26	264,546,358.77
1,805,465.64	141,063,377.51	43,676,509.04	2,905,783.29	1,126,956.40	275,556,180.48	279,313,108.26

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Note1 U/F (0808 - 0826, 0831 - 0835)

EXHIBIT C-3a (concluded)

STATEMENT OF CASH FLOWS

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	VET BDS FUND (0529) U/F (0529)	VET BDS REF SER '94C FUND (0536) U/F (0536)	VET BDS REF SER '95 FUND (0567) U/F (0567)	VET BDS TAX REF FUND (0590) U/F (0590)
	\$	\$	\$	\$
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS) (Exhibit C-2a)	5,450,372.05	(126,563.11)	(1,278,400.54)	862,988.61
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Classification Differences		125,713.11	2,265,360.62	5,928,009.84
(Increase) Decrease in Receivables	(8,016,779.90)		39,121.98	202,330.71
(Increase) Decrease in Loans and Contracts	38,142.89		4,657,164.96	34,167,754.01
(Increase) Decrease in Other Assets	(546,822.54)		70,974.94	(69,201.18)
Increase (Decrease) in Payables	(45,537.94)		(102,385.91)	455,515.00
Increase (Decrease) in Other Liabilities	843,214.81		70,008.69	2.81
TOTAL ADJUSTMENTS	(7,727,782.68)	125,713.11	7,000,245.28	40,684,411.19
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,277,410.63)	(850.00)	5,721,844.74	41,547,399.80
NONCASH TRANSACTIONS				
Capital Appreciation Bond Interest Accretion		(125,713.11)		
Change in Fair Value of Investments	522,936.19		(8,991.40)	2,951,925.15
TOTAL NONCASH TRANSACTIONS	522,936.19	(125,713.11)	(8,991.40)	2,951,925.15

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

UNAUDITED

VET BDS SER '94A1 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (Note ¹)	VET BDS TAXABLE FUND (0384) U/F (0828)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS	
					(EXH. V) 2012	2011
\$	\$	\$	\$	\$	\$	\$
(60,497.57)	(3,626,018.97)	6,017,377.57			7,239,258.04	7,590,918.90
9,799.86	30,347,741.45 (3,148,999.11) (68,326,542.30) (721,687.08)	18,509,605.27 (2,313,375.47) 86,527,012.47 (7,899.41)			57,186,230.15 (13,237,701.79) 57,063,532.03 (1,274,635.27)	58,614,265.21 (14,402,667.29) (2,959,038.06) 614,714.64
(158.98)	1,490,278.24 162,322.42	1,874,994.11 72,457.54			3,672,704.52 1,148,006.27	1,752,754.62 31,525.32
9,640.88	(40,196,886.38)	104,662,794.51	0.00	0.00	104,558,135.91	43,651,554.44
(50,856.69)	(43,822,905.35)	110,680,172.08	0.00	0.00	111,797,393.95	51,242,473.34
200,141.15	158,345.29	4,013,431.33	1,859,553.68	779,509.78	(125,713.11) 10,476,851.17	(165,575.80) 3,246,615.05
200,141.15	158,345.29	4,013,431.33	1,859,553.68	779,509.78	10,351,138.06	3,081,039.25

Note1 U/F (0808 - 0826, 0831 - 0835)

EXHIBIT C-3b

STATEMENT OF CASH FLOWS

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	VET LAND REF BDS REF SER '91 TAX '00, '02-'06, & '10D FUND (0571) U/F (0571) (9000) (9001)	VET LAND BDS REF SER '99A FUND (0626) U/F (0626)	VET LAND BDS SER '94 FUND (0381) U/F (0381)
	\$	\$	\$
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)			
OPERATING ACTIVITIES			
Receipts from Loan Payments	61,009,124.89	1,679,370.79	
Other Operating Cash Receipts	675,327.84		
Fundings for Land Loans	(34,650,299.82)		
Payments to Suppliers of Goods and Services	(3,255,677.01)	(583,912.24)	
Payments for Other Expenses	(25,510.88)	204.98	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	23,752,965.02	1,095,663.53	0.00
NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Debt Issuance			
Payments for Debt Service - Principal	(11,433,000.00)	(2,195,000.00)	(747,000.00)
Payments for Debt Service - Interest	(12,696,786.33)	(1,073,876.45)	
Transfers from Other Funds	21,148,348.75	234,000.00	
Transfers to Other Funds	(40,576,505.30)	(1,576,099.00)	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(43,557,942.88)	(4,610,975.45)	(747,000.00)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments for Additional Capital Assets	603,035.31		
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	603,035.31	0.00	0.00
INVESTING ACTIVITIES			
Proceeds from Interest and Investment Income	5,980,542.43	316,371.61	10,944.66
Proceeds from Sale of Investments	114,331,927.95	3,000,000.00	2,116,605.39
Payments to Acquire Investments	(123,656,705.97)	(2,999,019.78)	(1,999,119.78)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(3,344,235.59)	317,351.83	128,430.27
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,546,178.14)	(3,197,960.09)	(618,569.73)
CASH AND CASH EQUIVALENTS - August 31, 2011	53,067,161.93	4,653,377.88	638,467.76
CASH AND CASH EQUIVALENTS - August 31, 2012	30,520,983.79	1,455,417.79	19,898.03

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850) (0852)	TOTALS	
	(EXH. V)	
	2012	2011
\$	\$	\$
1,359,061.13	64,047,556.81	62,652,640.13
	675,327.84	410,480.51
	(34,650,299.82)	(30,763,076.30)
(270,608.87)	(4,110,198.12)	(3,580,644.29)
<u>0.00</u>	<u>(25,305.90)</u>	<u>(360.31)</u>
1,088,452.26	25,937,080.81	28,719,039.74
0.00	0.00	16,480,000.00
(1,077,000.00)	(15,452,000.00)	(31,604,000.00)
(690,218.24)	(14,460,881.02)	(9,656,712.67)
340,000.00	21,722,348.75	59,539,619.15
<u>(340,000.00)</u>	<u>(42,492,604.30)</u>	<u>(36,710,202.20)</u>
<u>(1,767,218.24)</u>	<u>(50,683,136.57)</u>	<u>(1,951,295.72)</u>
	603,035.31	(28,498.39)
<u>0.00</u>	<u>603,035.31</u>	<u>(28,498.39)</u>
5,953.09	6,313,811.79	5,668,613.27
2,000,000.00	121,448,533.34	81,629,010.87
<u>(1,999,119.78)</u>	<u>(130,653,965.31)</u>	<u>(145,617,541.39)</u>
<u>6,833.31</u>	<u>(2,891,620.18)</u>	<u>(58,319,917.25)</u>
(671,932.67)	(27,034,640.63)	(31,580,671.62)
<u>1,903,672.36</u>	<u>60,262,679.93</u>	<u>91,843,351.55</u>
<u>1,231,739.69</u>	<u>33,228,039.30</u>	<u>60,262,679.93</u>

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EXHIBIT C-3b (concluded)

STATEMENT OF CASH FLOWS

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

VET LAND REF BDS REF SER '89, '90, '91, TAX REF '98A, '98B, & '99B FUND (0571) U/F (0571) (9000) (9001)	VET LAND BDS REF SER '99A FUND (0626) U/F (0626)	VET LAND BDS SER '94 FUND (0381) U/F (0381)
\$	\$	\$

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

OPERATING INCOME (LOSS) (Exhibit C-2b)	5,780,263.62	(1,221,604.88)	(141,615.10)
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**ADJUSTMENTS TO RECONCILE OPERATING INCOME
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Depreciation and Amortization	31,131.20		
Classification Differences	12,709,372.93	1,073,567.43	141,615.10
(Increase) Decrease in Receivables	587,536.64	(7,034.98)	
(Increase) Decrease in Loans and Contracts	4,730,525.75	1,215,062.79	
(Increase) Decrease in Other Assets	(244,854.31)	(1,849.39)	
Increase (Decrease) in Payables	(3,242.42)	37,334.88	
Increase (Decrease) in Other Liabilities	162,231.61	187.68	

TOTAL ADJUSTMENTS	17,972,701.40	2,317,268.41	141,615.10
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	23,752,965.02	1,095,663.53	0.00
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NONCASH TRANSACTIONS

Capital Appreciation Bond Interest Accretion			(141,615.10)
Change in Fair Value of Investments	14,220,466.86	610,714.02	(592.43)

TOTAL NONCASH TRANSACTIONS	14,220,466.86	610,714.02	(142,207.53)
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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 (0850) (0852) \$	TOTALS	
	(EXH. V)	
	2012	2011
\$	\$	\$
(391,182.40)	4,025,861.24	8,304,199.11
	31,131.20	32,515.20
837,451.74	14,762,007.20	9,960,801.66
1,224.36	581,726.02	119,420.75
873,832.43	6,819,420.97	13,046,017.36
0.00	(246,703.70)	(3,223,303.14)
(232,218.33)	(198,125.87)	661,493.79
(655.54)	161,763.75	(182,104.99)
<u>1,479,634.66</u>	<u>21,911,219.57</u>	<u>20,414,840.63</u>
<u>1,088,452.26</u>	<u>25,937,080.81</u>	<u>28,719,039.74</u>
(147,454.38)	(289,069.48)	(589,514.09)
<u>695.42</u>	<u>14,831,283.87</u>	<u>7,140,154.13</u>
<u>(146,758.96)</u>	<u>14,542,214.39</u>	<u>6,550,640.04</u>

EXHIBIT C-3c

STATEMENT OF CASH FLOWS

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	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)
	\$	\$	\$	\$	\$
INCREASE/(DECREASE) IN					
CASH AND CASH EQUIVALENTS (Note 1)					
OPERATING ACTIVITIES					
Receipts from Residents	2,670,663.39	2,955,414.35	3,109,938.24	3,220,574.50	29,712.41
Receipts from Veterans Administration	6,431,784.74	5,290,853.27	4,649,705.08	5,038,902.09	
Receipts from Medicare	689,243.17	926,117.03	1,527,032.88	602,244.24	
Receipts from Medicaid	440,324.55	1,001,969.68	920,019.43	851,685.26	
Receipts from Gifts/Pledges/Donations	6,585.00	10,781.48	4,892.50	2,130.83	
Other Operating Cash Receipts	5,698,781.39	5,646,907.50	5,912,656.61	5,681,394.97	(22,492,750.00)
Payments to Suppliers of Goods and Services	(9,448,770.38)	(9,147,080.29)	(9,939,627.13)	(8,468,538.99)	(3,000.00)
Payment for Other Expenses	(117.72)	(142.48)	(1,105.74)	(1,190.39)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,488,494.14	6,684,820.54	6,183,511.87	6,927,202.51	(22,466,037.59)
NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds			28,343.40		21,795,000.00
Transfers to Other Funds	(165,990.00)	(165,990.00)	(165,990.00)	(165,990.00)	
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(165,990.00)	(165,990.00)	(137,646.60)	(165,990.00)	21,795,000.00
CAPITAL AND RELATED FINANCING ACTIVITIES					
Receipts from Veterans Administration					
Payments for Additions to Capital Assets	(16,430.00)		(28,678.00)	(35,200.00)	
Payments for Debt Service Principal	(5,555,000.00)	(5,555,000.00)	(5,555,000.00)	(5,555,000.00)	
Payments for Debt Service Interest	(347,187.50)	(347,187.50)	(347,187.50)	(347,187.50)	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(5,918,617.50)	(5,902,187.50)	(5,930,865.50)	(5,937,387.50)	0.00
INVESTING ACTIVITIES					
Receipts from Interest and Investment Income	2,590.11	14,464.41	4,414.85	10,883.11	1,317.32
Proceeds from Sale of Investments					1,815,000.00
Payments to Acquire Investments					(1,116,628.80)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,590.11	14,464.41	4,414.85	10,883.11	699,688.52
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	406,476.75	631,107.45	119,414.62	834,708.12	28,650.93
CASH AND CASH EQUIVALENTS - August 31, 2011	(163,887.14)	1,905,500.56	228,911.10	1,307,787.08	10,081.93
CASH AND CASH EQUIVALENTS - August 31, 2012	242,589.61	2,536,608.01	348,325.72	2,142,495.20	38,732.86

UNAUDITED

SURPLUS FUND (0374) U/F (0698)	TYLER 35% FUND (0374) U/F (0656)	FED ARRA 65% FUND (0374) U/F (6656)	MCALLEN FUND (0374) U/F (0652)	EL PASO FUND (0374) U/F (0653)	AMARILLO FUND (0374) U/F (0654)	TOTALS	
						(EXH V)	
						2012	2011
\$	\$	\$	\$	\$	\$	\$	\$
	285,994.89		3,324,964.97	3,284,428.44	2,375,862.94	21,257,554.13	21,360,484.23
			4,717,063.54	5,231,844.54	3,361,038.58	34,721,191.84	27,282,784.75
	73,570.09		1,420,360.98	698,082.04	616,078.28	6,552,728.71	8,105,207.87
			1,804,104.05	1,500,459.65	822,994.18	7,341,556.80	8,093,300.99
	2,729.95		892.50	4,674.50	2,082.50	34,769.26	17,933.00
			123,961.73	1,794.19	103,055.10	675,801.49	492,376.91
	(2,690,292.88)	(59,927.17)	(9,287,627.08)	(8,297,277.44)	(6,674,398.14)	(64,016,539.50)	(61,668,929.37)
	(18,869.60)	(10,152.70)	4.62		10.20	(31,563.81)	(20,253.63)
0.00	(2,346,867.55)	(70,079.87)	2,103,725.31	2,424,005.92	606,723.64	6,535,498.92	3,662,904.75
	3,714,315.77				112,963.00	25,650,622.17	4,992,903.96
	(443.70)		(456,297.12)	(472,880.42)	(487,931.82)	(2,081,513.06)	(2,164,612.25)
0.00	3,713,872.07	0.00	(456,297.12)	(472,880.42)	(374,968.82)	23,569,109.11	2,828,291.71
		968,367.53				968,367.53	7,882,634.60
	(990,390.21)	(899,136.39)		(434,103.67)	(112,963.00)	(2,516,901.27)	(13,069,094.43)
						(22,220,000.00)	(400,000.00)
						(1,388,750.00)	(1,413,750.00)
0.00	(990,390.21)	69,231.14	0.00	(434,103.67)	(112,963.00)	(25,157,283.74)	(7,000,209.83)
17,550.44	2,631.93	735.15	29,282.59	29,205.18	2,260.06	115,335.15	137,482.68
8,373,000.00						10,188,000.00	10,173,998.17
						(1,116,628.80)	(10,162,437.78)
8,390,550.44	2,631.93	735.15	29,282.59	29,205.18	2,260.06	9,186,706.35	149,043.07
8,390,550.44	379,246.24	(113.58)	1,676,710.78	1,546,227.01	121,051.88	14,134,030.64	(359,970.30)
611.80	6,698.50	7,667.35	4,007,087.52	4,083,694.58	107,132.10	11,501,285.38	11,861,255.68
8,391,162.24	385,944.74	7,553.77	5,683,798.30	5,629,921.59	228,183.98	25,635,316.02	11,501,285.38

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EXHIBIT C-3c (concluded)

STATEMENT OF CASH FLOWS

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	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)
	\$	\$	\$	\$	\$
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
OPERATING INCOME (LOSS) (Exhibit C-2c)	5,660,480.69	6,030,555.00	5,431,309.02	5,975,849.94	(22,495,750.00)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation and Amortization	468,632.68	465,191.85	458,173.29	440,869.28	
Classification Differences	6,585.00	10,781.48	4,892.50	2,130.83	
(Increase) Decrease in Receivables	421,868.27	293,582.81	304,649.61	143,662.01	
Increase (Decrease) in Allowance for Doubtful Accounts	44,693.81	44,919.57	74,756.93	74,487.68	
(Increase) Decrease in Other Assets	(8,880.28)	(8,608.59)	(2,000.00)	(1,754.49)	(3.50)
Increase (Decrease) in Payables	(104,886.03)	(151,601.58)	(88,269.48)	291,957.26	
Increase (Decrease) in Other Liabilities					29,715.91
TOTAL ADJUSTMENTS	828,013.45	654,265.54	752,202.85	951,352.57	29,712.41
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,488,494.14	6,684,820.54	6,183,511.87	6,927,202.51	(22,466,037.59)
NONCASH TRANSACTIONS					
Change in Fair Value of Investments					3,461.55
TOTAL NONCASH TRANSACTIONS	0.00	0.00	0.00	0.00	3,461.55

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

UNAUDITED

SURPLUS FUND (0374) U/F (0698)	TYLER 35% FUND (0374) U/F (0656)	FED ARRA 65% FUND (0374) U/F (6656)	MCALLEN FUND (0374) U/F (0652)	EL PASO FUND (0374) U/F (0653)	AMARILLO FUND (0374) U/F (0654)	TOTALS	
						(EXH V) 2012	2011
\$	\$	\$	\$	\$	\$	\$	\$
0.00	(2,639,651.66)	(1,214,062.66)	751,563.26	1,217,048.32	(260,950.18)	(1,543,608.27)	498,223.08
	302,581.32	476,420.20	598,836.68	553,249.77	684,019.98	4,447,975.05	3,680,463.73
	2,729.95		892.50	4,674.50	2,082.50	34,769.26	(1,440.20)
	(597,300.04)		230,588.91	139,505.09	256,069.00	1,192,625.66	(1,366,007.79)
	29,580.01		78,030.38	45,457.44	(6,392.65)	385,533.17	508,046.67
					(12,235.64)	(33,482.50)	530,817.31
	555,192.87	(18,021.31)	443,813.58	464,070.80	(55,869.37)	1,336,386.74	(189,945.07)
		685,583.90				715,299.81	2,747.02
0.00	292,784.11	1,143,982.79	1,352,162.05	1,206,957.60	867,673.82	8,079,107.19	3,164,681.67
0.00	(2,346,867.55)	(70,079.87)	2,103,725.31	2,424,005.92	606,723.64	6,535,498.92	3,662,904.75
17,714.77						21,176.32	18,486.18
17,714.77	0.00	0.00	0.00	0.00	0.00	21,176.32	18,486.18

EXHIBIT D-1

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

August 31, 2012

	BALANCE 09-01-2011	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2012
	\$	\$	\$	\$
UNAPPROPRIATED RECEIPTS				
<i>GENERAL REVENUE FUND (0001)</i>				
<i>U/F (0111)</i>				
ASSETS				
Current Assets:				
Cash in State Treasury	0.00	6,821,871.24	6,821,871.24	0.00
Accounts Receivable	540,024.03	503,313.27	540,024.03	503,313.27
Due from Other Funds	737,255.15	196,216.09	737,255.15	196,216.09
Total Current Assets	<u>1,277,279.18</u>	<u>7,521,400.60</u>	<u>8,099,150.42</u>	<u>699,529.36</u>
TOTAL ASSETS	<u>1,277,279.18</u>	<u>7,521,400.60</u>	<u>8,099,150.42</u>	<u>699,529.36</u>
LIABILITIES				
Current Liabilities:				
Funds Held for Others	1,270,702.18	7,521,400.60	8,092,573.42	699,529.36
Deferred Revenue	6,577.00		6,577.00	0.00
Total Current Liabilities	<u>1,277,279.18</u>	<u>7,521,400.60</u>	<u>8,099,150.42</u>	<u>699,529.36</u>
TOTAL LIABILITIES	<u>1,277,279.18</u>	<u>7,521,400.60</u>	<u>8,099,150.42</u>	<u>699,529.36</u>
OTHER AGENCY FUNDS				
<i>CHILD SUPPORT ADDENDA DEDUCTS - SUSPENSE (0807)</i>				
<i>U/F (8070)</i>				
ASSETS				
Current Assets:				
Cash in State Treasury	7,035.72	100,783.79	98,116.06	9,703.45
Total Current Assets	<u>7,035.72</u>	<u>100,783.79</u>	<u>98,116.06</u>	<u>9,703.45</u>
TOTAL ASSETS	<u>7,035.72</u>	<u>100,783.79</u>	<u>98,116.06</u>	<u>9,703.45</u>
LIABILITIES				
Current Liabilities:				
Funds Held for Others	7,035.72	100,783.79	98,116.06	9,703.45
Total Current Liabilities	<u>7,035.72</u>	<u>100,783.79</u>	<u>98,116.06</u>	<u>9,703.45</u>
TOTAL LIABILITIES	<u>7,035.72</u>	<u>100,783.79</u>	<u>98,116.06</u>	<u>9,703.45</u>
<i>PURCHASE/LEASE LAND VACANCY TRUST</i>				
<i>ACCOUNT (0873) U/F (0873)</i>				
ASSETS				
Current Assets:				
Cash in State Treasury	18,500.07	2,050.21	13,965.36	6,584.92
Receivable - Interest and Dividends	0.00	2.39		2.39
Total Current Assets	<u>18,500.07</u>	<u>2,052.60</u>	<u>13,965.36</u>	<u>6,587.31</u>
TOTAL ASSETS	<u>18,500.07</u>	<u>2,052.60</u>	<u>13,965.36</u>	<u>6,587.31</u>

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UNAUDITED

EXHIBIT D-1 (concluded)

	BALANCE 09-01-2011	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2012
	\$	\$	\$	\$
LIABILITIES				
Current Liabilities:				
Funds Held for Others	18,500.07	2,052.60	13,965.36	6,587.31
Total Current Liabilities	<u>18,500.07</u>	<u>2,052.60</u>	<u>13,965.36</u>	<u>6,587.31</u>
TOTAL LIABILITIES	<u>18,500.07</u>	<u>2,052.60</u>	<u>13,965.36</u>	<u>6,587.31</u>
LOCAL FUNDS (9999) U/F (9999)				
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	200.00		200.00	0.00
Cash in Bank (Note 3)	141,493.08	69,090.00	200,566.52	10,016.56
Total Current Assets	<u>141,693.08</u>	<u>69,090.00</u>	<u>200,766.52</u>	<u>10,016.56</u>
TOTAL ASSETS	<u>141,693.08</u>	<u>69,090.00</u>	<u>200,766.52</u>	<u>10,016.56</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	5,170.75	4,707.75	5,170.75	4,707.75
Funds Held for Others	136,522.33	64,382.25	195,595.77	5,308.81
Total Current Liabilities	<u>141,693.08</u>	<u>69,090.00</u>	<u>200,766.52</u>	<u>10,016.56</u>
TOTAL LIABILITIES	<u>141,693.08</u>	<u>69,090.00</u>	<u>200,766.52</u>	<u>10,016.56</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	200.00		200.00	0.00
Cash in Bank (Note 3)	141,493.08	69,090.00	200,566.52	10,016.56
Cash in State Treasury	25,535.79	6,924,705.24	6,933,952.66	16,288.37
Receivables:				
Interest and Dividends	0.00	2.39		2.39
Accounts Receivable	540,024.03	503,313.27	540,024.03	503,313.27
Due From Other Funds	737,255.15	196,216.09	737,255.15	196,216.09
Total Current Assets	<u>1,444,508.05</u>	<u>7,693,326.99</u>	<u>8,411,998.36</u>	<u>725,836.68</u>
TOTAL ASSETS	<u>1,444,508.05</u>	<u>7,693,326.99</u>	<u>8,411,998.36</u>	<u>725,836.68</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	5,170.75	4,707.75	5,170.75	4,707.75
Funds Held for Others	1,432,760.30	7,688,619.24	8,400,250.61	721,128.93
Deferred Revenue	6,577.00		6,577.00	0.00
Total Current Liabilities	<u>1,444,508.05</u>	<u>7,693,326.99</u>	<u>8,411,998.36</u>	<u>725,836.68</u>
TOTAL LIABILITIES	<u>1,444,508.05</u>	<u>7,693,326.99</u>	<u>8,411,998.36</u>	<u>725,836.68</u>

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

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TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

SUPPLEMENTARY
SCHEDULES

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2012



SCHEDULE 1-A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	IDENTIFYING NUMBER	PASS-THROUGH FROM		
			AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT
			\$	\$	
U.S. DEPARTMENT OF COMMERCE					
<i>Direct Programs:</i>					
Coastal Zone Management Administration Awards	11.419				
Pass-Through To:					
Texas Cooperative Extension					
Texas Agricultural Experiment Station					
Texas A&M University					
Texas Engineering Experiment Station					
Texas A&M University - Galveston					
University of Texas at Austin					
University of Texas Pan American					
Texas A&M University - Corpus Christi					
Other Non-State Entities					
<i>Direct Programs: (Recovery Act - Stimulus funds)</i>					
Habitat Conservation	11.463				
Total U.S. Department of Commerce				<u>0.00</u>	<u>0.00</u>
U.S. DEPARTMENT OF DEFENSE					
<i>Direct Programs:</i>					
Basic, Applied, and Adv. Research in Science and Eng.	12.630				
Pass-Through To:					
Texas A&M University - Corpus Christi					
Total U.S. Department of Defense				<u>0.00</u>	<u>0.00</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
<i>Direct Programs:</i>					
Community Development Block Grants	14.228				
Pass-Through To:					
Texas Department of Housing and Community Affairs					
Other Non-State Entities					
Total U.S. Department of Housing and Urban Development				<u>0.00</u>	<u>0.00</u>
U.S. DEPARTMENT OF THE INTERIOR					
<i>Direct Programs:</i>					
Coastal Impact Assistance Program (CIAP)	15.426				
<i>Direct Programs:</i>					
Gulf of Mexico Energy Security Act (GOMESA)	15.435				
<i>Direct Programs:</i>					
Federal Oil and Gas Royalty Management	15.427				
<i>Direct Programs:</i>					
Coastal Wetlands Planning, Protection and Restoration A	15.614				1,348.31

UNAUDITED

TOTAL		PASS-THROUGH TO				TOTAL	
DIRECT PROGRAM AMOUNT	PASS-THROUGH FROM & DIRECT PROGRAM	AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT	EXPENDITURES AMOUNT	PASS-THROUGH TO & EXPENDITURES	
\$	\$		\$	\$	\$	\$	\$
191,039.95	191,039.95				191,039.95	191,039.95	
64,402.17	64,402.17	555	64,402.17			64,402.17	
35,166.09	35,166.09	556	35,166.09			35,166.09	
104,811.47	104,811.47	711	104,811.47			104,811.47	
284.05	284.05	712	284.05			284.05	
182,026.02	182,026.02	718	182,026.02			182,026.02	
222,043.56	222,043.56	721	222,043.56			222,043.56	
6,820.26	6,820.26	736	6,820.26			6,820.26	
143,645.52	143,645.52	760	143,645.52			143,645.52	
1,443,240.61	1,443,240.61			1,443,240.61		1,443,240.61	
239,389.27	239,389.27				239,389.27	239,389.27	
2,632,868.97	2,632,868.97		759,199.14	1,443,240.61	430,429.22	2,632,868.97	
1,254,187.98	1,254,187.98	760	1,254,187.98			1,254,187.98	
1,254,187.98	1,254,187.98		1,254,187.98	0.00	0.00	1,254,187.98	
8,208,669.25	8,208,669.25				8,208,669.25	8,208,669.25	
284,563.40	284,563.40	332	284,563.40			284,563.40	
435,214,645.46	435,214,645.46			435,214,645.46		435,214,645.46	
443,707,878.11	443,707,878.11		284,563.40	435,214,645.46	8,208,669.25	443,707,878.11	
(142,181.21)	(142,181.21)				(142,181.21)	(142,181.21)	
28,067.50	28,067.50			28,067.50		28,067.50	
153,743.52	153,743.52				153,743.52	153,743.52	
	1,348.31				1,348.31	1,348.31	

SCHEDULE 1-A (continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	IDENTIFYING NUMBER	PASS-THROUGH FROM		
			AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT
			\$	\$	
Direct Programs:					
Coastal Impact Assistance Program (CIAP)	15.668				
Pass-Through To:					
Railroad Commission of Texas					
Texas Water Development Board					
University of Texas at Austin					
Texas A&M University - Corpus Christi					
Texas Parks and Wildlife Department					
Total U.S. Department of the Interior				0.00	1,348.31
U.S. DEPARTMENT OF VETERANS AFFAIRS					
Direct Programs: (Recovery Act - Stimulus funds)					
Grants to States for Construction of State Home Facilities	64.005				
Direct Programs:					
Veterans State Nursing Home Care	64.015				
Direct Programs:					
Burial Expenses Allowance for Veterans	64.101				
Direct Programs:					
State Cemetery Grants	64.203				
Total U.S. Department of Veterans Affairs				0.00	0.00
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Direct Programs:					
Beach Monitoring and Notification Program Implementation Grants	66.472				
Pass-Through To:					
Lamar University					
University of Texas - Pan American					
Texas A&M University - Corpus Christi					
Direct Programs:					
International Financial Assistance Projects sponsored by the Office of International and Tribal Affairs	66.931				
Total U.S. Environmental Protection Agency				0.00	0.00
U.S. DEPARTMENT OF HOMELAND SECURITY					
Direct Programs:					
Disaster Grants - Public Assistance	97.036				
Pass-Through From:					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)					
Texas Department of Public Safety			405	159,756.19	
Total U.S. Department of Homeland Security				159,756.19	0.00
TOTAL FEDERAL FINANCIAL ASSISTANCE				159,756.19	1,348.31

UNAUDITED

TOTAL		PASS-THROUGH TO			TOTAL	
DIRECT PROGRAM AMOUNT	PASS-THROUGH FROM & DIRECT PROGRAM	AGENCY/ UNIV. NUMBER	STATE AGY. OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNT	EXPENDITURES AMOUNT	PASS-THROUGH TO & EXPENDITURES
\$	\$		\$	\$	\$	\$
6,424,171.09	6,424,171.09			3,432,122.67	2,992,048.42	6,424,171.09
3,703,516.00	3,703,516.00	455	3,703,516.00			3,703,516.00
78,266.27	78,266.27	580	78,266.27			78,266.27
121,766.14	121,766.14	721	121,766.14			121,766.14
277,450.80	277,450.80	760	277,450.80			277,450.80
867,135.77	867,135.77	802	867,135.77			867,135.77
11,511,935.88	11,513,284.19		5,048,134.98	3,460,190.17	3,004,959.04	11,513,284.19
903,756.84	903,756.84				903,756.84	903,756.84
31,993,129.08	31,993,129.08				31,993,129.08	31,993,129.08
661,000.00	661,000.00				661,000.00	661,000.00
1,527,715.18	1,527,715.18				1,527,715.18	1,527,715.18
35,085,601.10	35,085,601.10		0.00	0.00	35,085,601.10	35,085,601.10
290,731.88	290,731.88			220,260.92	70,470.96	290,731.88
29,634.50	29,634.50	734	29,634.50			29,634.50
94,883.88	94,883.88	736	94,883.88			94,883.88
27,824.53	27,824.53	760	27,824.53			27,824.53
4,636.88	4,636.88				4,636.88	4,636.88
447,711.67	447,711.67		152,342.91	220,260.92	75,107.84	447,711.67
	159,756.19				159,756.19	159,756.19
0.00	159,756.19		0.00	0.00	159,756.19	159,756.19
494,640,183.71	494,801,288.21		7,498,428.41	440,338,337.16	46,964,522.64	494,801,288.21

SCHEDULE 1-A (concluded)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2012

NOTE 1 - NON-MONETARY ASSISTANCE

Not Applicable.

NOTE 2 - RECONCILIATION

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

Per Combined Statement of Revenues, Expenditures/Expenses, and Changes in Fund Balances/Net Assets:	\$
Federal Revenues (Exhibit II)	461,773,718.29
Federal Pass-Through Revenues (Exhibit II)	159,756.19
Federal Non-Operating Revenues (Exhibit IV)	904,527.70
Federal Revenues (Exhibit IV)	<u>31,992,358.22</u>
Subtotal	494,830,360.40
Reconciling Items:	
U.S. Coast Guard National Pollution Funds Center CFDA 97.013	<u>(29,072.19)</u>
<i>TOTAL PASS-THROUGH TO AND EXPENDITURES PER FEDERAL SCHEDULE</i>	<u><u>494,801,288.21</u></u>

NOTE 3 - STUDENT LOANS

Not Applicable.

NOTE 4 - DEPOSITORY LIBRARIES FOR GOVERNMENTAL PUBLICATIONS CFDA 40.001

Not Applicable.

NOTE 5 - UNEMPLOYMENT INSURANCE FUNDS

Not Applicable - Agency 320 Only.

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

Not Applicable - Agency 537 Only.

NOTE 7 - FEDERAL DEFERRED REVENUE

Total Federal Deferred Revenue 08/31/2012 22,338.26

NOTE 8 - SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)

Not Applicable - Agency 529 Only.

SCHEDULE 1-B

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

For the Year Ended August 31, 2012

	TOTAL STATE PASS-THROUGH FROM/TO STATE AGENCIES
	\$
 <i>STATE PASS-THROUGH FROM:</i>	
Texas Department of Public Safety (Agency 405)	
Intergovernmental Cooperative Reimbursement Agreement	
HB 4586 Blue Water Highway Restoration	4,100,787.45
 Texas Commission on Environmental Quality (Agency 582)	
Intergovernmental Cooperative Reimbursement Agreement	
Galveston Bay Restoration Project	5,685.51
 <i>TOTAL STATE PASS-THROUGH FROM OTHER AGENCIES (EXHIBIT II)</i>	4,106,472.96
 <i>STATE PASS-THROUGH TO:</i>	
The University of Texas in Austin (Agency 721)	
Interns Enrolled In The Study Of Geography - College Work Study Program	10,517.43
 Texas State University – San Marcos (Agency 754)	
Interns Enrolled In The Study Of Geography - College Work Study Program	5,931.95
 <i>TOTAL STATE PASS-THROUGH TO OTHER AGENCIES (EXHIBIT II)</i>	16,449.38

SCHEDULE 2-A

MISCELLANEOUS BOND INFORMATION

For the Year Ended August 31, 2012

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 ⁽¹⁾
				ON CAPITAL APPRECIATION	BONDS		FIRST YEAR	LAST YEAR	
General Obligation Bonds - Self-Supporting \$									
<i>Veterans' Housing Assistance Bonds</i>									
Vet Hsg Bds Ser '94A-1	10,000,000.00	VAR	VAR			Weekly	1995	2023	02-24-1994
Vet Hsg Tax Ref Bds Ser '94A-2	59,600,000.00	VAR	VAR			Weekly	2033	2033	04-28-1994
Vet Hsg Ref Bds Ser '94C	81,825,000.00	4.0000%	6.4000%				1995	2015	12-01-1995
Vet Hsg Ref Bds Ser '94C	12,040,514.96			5.4000%	6.7000%		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	7.0000%	8.0600%				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	2.0000%	5.2500%				2009	2023	N/A
Vet Hsg Fund II Bds Ser 2009B	50,000,000.00	3.5000%	5.0000%				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	3.0000%	5.0000%				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
Total, Veterans' Housing Assistance Bonds	2,246,565,514.96								

UNAUDITED

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 ⁽¹⁾
				ON CAPITAL APPRECIATION BONDS			FIRST YEAR	LAST YEAR	
General Obligation Bonds -									
Self-Supporting (concluded)									
<i>Veterans' Land Bonds</i>									
Vet Land Ref Bds Ser '91	27,685,000.00	6.5000%	6.5000%				2012	2021	12-01-2001
Vet Land Ref Bds Ser '91	17,909,000.03			6.6000%	6.9000%		2004	2011	N/A
Vet Land Bds Ser '94	29,400,000.00	5.2500%	6.4000%				1996	2024	12-01-2004
Vet Land Bds Ser '94	11,778,218.70			5.5000%	6.6000%		1999	2014	N/A
Vet Land Bds Ser '96	30,000,000.00	3.3500%	5.2500%				1996	2026	06-01-2006
Vet Land Bds Ser '96	9,337,076.82			4.4700%	5.6700%		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
Veterans Bonds, Tax Ref Ser 2010D	16,480,000.00	VAR	VAR			Weekly	2010	2030	11-18-2010
Total, Veterans' Land Bonds	483,209,295.55								
Total, General Obligation Bonds - Self-Supporting	2,729,774,810.51								
Revenue Bonds - Self-Supporting									
<i>Veterans Homes Revenue Bonds</i>									
Vet Home Revenue Ref Bds Ser 2002	24,280,000.00			6.2500%	6.4340%		2006	2035	08-01-2002
Total, Veterans Homes Revenue Bonds	24,280,000.00								
Total, Revenue Bonds - Self-Supporting	24,280,000.00								
Total, All Bonds	2,754,054,810.51								

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

SCHEDULE 2-B

CHANGES IN BONDED INDEBTEDNESS

For the Year Ended August 31, 2012

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS OUTSTANDING 09-01-2011	BONDS ISSUED FY 2012 ⁽¹⁾	BONDS MATURED OR RETIRED	BONDS REFUNDED OR EXTINGUISHED	BONDS OUTSTANDING 08-31-2012
General Obligation Bonds - Self-Supporting	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds</i>					
Vet Hsg Bds Ser '94A-1	6,500,000.00		300,000.00		6,200,000.00
Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00				55,000,000.00
Vet Hsg Ref Bds Ser '94C ⁽¹⁾	2,034,801.85	125,713.11	760,000.00		1,400,514.96
Vet Hsg Ref Bds Ser '95	43,375,000.00		5,835,000.00		37,540,000.00
Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00				25,000,000.00
Vet Hsg Fund II Tax Bds Ser '99A-1	3,270,000.00			1,530,000.00	1,740,000.00
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00				150,000,000.00
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00				20,000,000.00
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00				25,000,000.00
Vet Hsg Fund II Bds Ser 2002A-2	33,110,000.00		790,000.00		32,320,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B	19,780,000.00				19,780,000.00
Vet Hsg Fund II Bds Ser 2003A	34,345,000.00		2,015,000.00		32,330,000.00
Vet Hsg Fund II Bds Ser 2003B	35,620,000.00		2,015,000.00		33,605,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865,000.00				47,865,000.00
Vet Hsg Fund II Bds Ser 2004A	35,340,000.00		2,105,000.00		33,235,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000.00				16,535,000.00
Vet Hsg Fund II Bds Ser 2004B	38,555,000.00		2,080,000.00		36,475,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C	7,220,000.00				7,220,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2004D	25,085,000.00		0.00		25,085,000.00
Vet Hsg Fund II Bds Ser 2005A	38,155,000.00		2,095,000.00		36,060,000.00
Vet Hsg Fund II Bds Ser 2005B	38,150,000.00		2,240,000.00		35,910,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	27,315,000.00		1,040,000.00		26,275,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2005D	11,540,000.00				11,540,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000.00				38,570,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C	19,680,000.00		650,000.00		19,030,000.00
Vet Hsg Fund II Bds Ser 2006A	39,805,000.00		2,090,000.00		37,715,000.00
Vet Hsg Fund II Bds Ser 2006D	41,880,000.00		2,150,000.00		39,730,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00				39,560,000.00
Vet Hsg Fund II Bds Ser 2007A	42,050,000.00		2,240,000.00		39,810,000.00
Vet Hsg Fund II Bds Ser 2007B	44,145,000.00		2,140,000.00		42,005,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	37,185,000.00		3,425,000.00		33,760,000.00
Vet Hsg Fund II Bds Ser 2008A	44,530,000.00		2,435,000.00		42,095,000.00
Vet Hsg Fund II Bds Ser 2008B	45,730,000.00		2,330,000.00		43,400,000.00
Vet Hsg Fund II Ser 2009A	47,535,000.00		2,070,000.00		45,465,000.00
Vet Hsg Fund II Ser 2009B	48,990,000.00		1,605,000.00		47,385,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C	81,305,000.00		2,060,000.00		79,245,000.00
Vet Hsg Fund II Bds Ser 2010A	74,345,000.00		1,785,000.00		72,560,000.00
Veterans Bonds, Tax Ref Ser 2010B	65,400,000.00		1,410,000.00		63,990,000.00
Veterans Bonds, Ser 2010C	74,995,000.00		1,900,000.00		73,095,000.00
Veterans Bonds, Tax Ref Ser 2010E	49,325,000.00		1,785,000.00		47,540,000.00
Veterans Bonds, Ser 2011A	74,995,000.00		1,780,000.00		73,215,000.00
Veterans Bonds, Ser 2011B	74,995,000.00		855,000.00		74,140,000.00
Veterans Bonds, Ser 2011C		74,995,000.00			74,995,000.00
Veterans Bonds, Ser 2012A		74,995,000.00			74,995,000.00
Total, Veterans' Housing Assistance Bonds	1,723,814,801.85	150,115,713.11	53,985,000.00	1,530,000.00	1,818,415,514.96

UNAUDITED

UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	GAIN/LOSS ON REFUNDING	NET BONDS OUTSTANDING 08-31-2012	AMOUNTS DUE WITHIN ONE YEAR
\$	\$	\$	\$	\$
			6,200,000.00	400,000.00
			55,000,000.00	0.00
			1,400,514.96	760,000.00
			37,540,000.00	6,225,000.00
			25,000,000.00	0.00
			1,740,000.00	0.00
			150,000,000.00	0.00
			20,000,000.00	0.00
			25,000,000.00	0.00
			32,320,000.00	605,000.00
			19,780,000.00	670,000.00
			32,330,000.00	1,970,000.00
			33,605,000.00	1,965,000.00
			47,865,000.00	2,275,000.00
			33,235,000.00	2,015,000.00
			16,535,000.00	0.00
			36,475,000.00	2,030,000.00
			7,220,000.00	0.00
			25,085,000.00	0.00
			36,060,000.00	2,040,000.00
			35,910,000.00	2,135,000.00
			26,275,000.00	1,405,000.00
			11,540,000.00	0.00
			38,570,000.00	0.00
			19,030,000.00	700,000.00
			37,715,000.00	1,970,000.00
			39,730,000.00	2,050,000.00
			39,560,000.00	0.00
			39,810,000.00	2,085,000.00
			42,005,000.00	2,090,000.00
			33,760,000.00	2,735,000.00
			42,095,000.00	2,270,000.00
			43,400,000.00	2,325,000.00
2,261,669.77			47,726,669.77	2,316,037.28
3,645,611.76			51,030,611.76	2,287,600.96
			79,245,000.00	2,230,000.00
7,038,027.94			79,598,027.94	3,201,171.92
			63,990,000.00	1,505,000.00
			73,095,000.00	2,795,000.00
			47,540,000.00	2,840,000.00
			73,215,000.00	2,630,000.00
			74,140,000.00	2,270,000.00
			74,995,000.00	2,130,000.00
			74,995,000.00	1,575,000.00
12,945,309.47	0.00	0.00	1,831,360,824.43	66,499,810.16

-to next page

SCHEDULE 2-B (concluded)
CHANGES IN BONDED INDEBTEDNESS
For the Year Ended August 31, 2012

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS OUTSTANDING 09-01-2011	BONDS ISSUED FY 2012 ⁽¹⁾	BONDS MATURED OR RETIRED	BONDS REFUNDED OR EXTINGUISHED	BONDS OUTSTANDING 08-31-2012
General Obligation Bonds - Self-Supporting (concluded)	\$	\$	\$	\$	\$
<i>Veterans' Land Bonds</i>					
Vet Land Ref Bds Ser '91 ⁽¹⁾	2,200,364.29	37,635.71	2,238,000.00		0.00
Vet Land Bds Ser '94 ⁽¹⁾	2,674,603.60	141,615.10	747,000.00		2,069,218.70
Vet Land Bds Ser '96 ⁽¹⁾	2,734,622.44	147,454.38	612,000.00		2,270,076.82
Vet Land Ref Bds Ser '99A	23,140,000.00		2,195,000.00		20,945,000.00
Vet Land Tax Bds Ser 2000A	16,855,000.00		440,000.00		16,415,000.00
Vet Land Tax Ref Bds Ser 2000	39,655,000.00		2,820,000.00		36,835,000.00
Vet Land Bds Ser 2002	16,945,000.00		465,000.00		16,480,000.00
Vet Land Tax Bds Ser 2002A	17,490,000.00		405,000.00		17,085,000.00
Vet Land Tax Ref Bds Ser 2002	27,685,000.00				27,685,000.00
Vet Land Tax Ref Bds Ser 2003	22,365,000.00		1,200,000.00		21,165,000.00
Vet Land Tax Ref Bds Ser 2004	21,685,000.00		590,000.00		21,095,000.00
Vet Land Tax Ref Bds Ser 2005	20,210,000.00		625,000.00		19,585,000.00
Vet Land Tax Ref Bds Ser 2006A	27,260,000.00		925,000.00		26,335,000.00
Vet Land Tax Ref Bds Ser 2006B	21,325,000.00		580,000.00		20,745,000.00
Vet Land Tax Ref Bds Ser 2006C	35,455,000.00		1,150,000.00		34,305,000.00
Veterans Bonds, Tax Ref Ser 2010D	16,480,000.00		460,000.00		16,020,000.00
Total, Veterans' Land Bonds	314,159,590.33	326,705.19	15,452,000.00	0.00	299,034,295.52
Total, General Obligation Bonds - Self-Supporting	2,037,974,392.18	150,442,418.30	69,437,000.00	1,530,000.00	2,117,449,810.48
Revenue Bonds - Self-Supporting					
<i>Veterans Homes Revenue Bonds</i>					
Vet Home Revenue Ref Bds Ser 2002	22,220,000.00		425,000.00	21,795,000.00	0.00
Total, Veterans Homes Revenue Bonds	22,220,000.00	0.00	425,000.00	21,795,000.00	0.00
Total, Revenue Bonds - Self-Supporting	22,220,000.00	0.00	425,000.00	21,795,000.00	0.00
Total, All Bonds	2,060,194,392.18	150,442,418.30	69,862,000.00	23,325,000.00	2,117,449,810.48

⁽¹⁾ Includes accretion on capital appreciation bonds

UNAUDITED

UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	GAIN/LOSS ON REFUNDING	NET BONDS OUTSTANDING 08-31-2012	AMOUNTS DUE WITHIN ONE YEAR
\$	\$	\$	\$	\$
			0.00	0.00
			2,069,218.70	747,000.00
			2,270,076.82	625,000.00
			20,945,000.00	2,365,000.00
			16,415,000.00	465,000.00
			36,835,000.00	3,025,000.00
			16,480,000.00	485,000.00
			17,085,000.00	425,000.00
			27,685,000.00	1,625,000.00
			21,165,000.00	1,280,000.00
			21,095,000.00	630,000.00
			19,585,000.00	685,000.00
			26,335,000.00	990,000.00
			20,745,000.00	595,000.00
			34,305,000.00	1,240,000.00
			16,020,000.00	485,000.00
0.00	0.00	0.00	299,034,295.52	15,667,000.00
12,945,309.47	0.00	0.00	2,130,395,119.95	82,166,810.16
			0.00	0.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
12,945,309.47	0.00	0.00	2,130,395,119.95	82,166,810.16

SCHEDULE 2-C

DEBT SERVICE REQUIREMENTS

August 31, 2012

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	2013	2014	2015	2016	2017
General Obligation Bonds - Self-Supporting	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds</i>					
Vet Hsg Bds Ser '94A-1 - Principal	400,000.00	400,000.00	400,000.00	400,000.00	500,000.00
Vet Hsg Bds Ser '94A-1 - Interest	10,200.00	9,520.00	8,840.00	8,160.00	7,395.00
Vet Hsg Tax Ref Bds Ser '94A-2 - Principal					
Vet Hsg Tax Ref Bds Ser '94A-2 - Interest	154,000.00	154,000.00	154,000.00	154,000.00	154,000.00
Vet Hsg Ref Bds Ser '94C - Principal	760,000.00	760,000.00			
Vet Hsg Ref Bds Ser '95 - Principal	6,225,000.00	6,810,000.00	7,390,000.00	8,170,000.00	8,945,000.00
Vet Hsg Ref Bds Ser '95 - Interest	48,198.50	39,074.00	29,134.00	18,242.00	6,261.50
Vet Hsg Fund II Tax Bds Ser '97B-2 - Principal					
Vet Hsg Fund II Tax Bds Ser '97B-2 - Interest	52,500.00	52,500.00	52,500.00	52,500.00	52,500.00
Vet Hsg Fund II Tax Bds Ser '99A-1 - Principal					
Vet Hsg Fund II Tax Bds Ser '99A-1 - Interest	124,236.00	124,236.00	124,236.00	124,236.00	124,236.00
Vet Hsg Fund II Tax Bds Ser '99A-2 - Principal					
Vet Hsg Fund II Tax Bds Ser '99A-2 - Interest	255,000.00	255,000.00	255,000.00	255,000.00	255,000.00
Vet Hsg Fund II Bds Ser 2001A-2 - Principal					
Vet Hsg Fund II Bds Ser 2001A-2 - Interest	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00
Vet Hsg Fund II Bds Ser 2001C-2 - Principal			5,000.00	355,000.00	375,000.00
Vet Hsg Fund II Bds Ser 2001C-2 - Interest	47,500.00	47,500.00	47,500.00	47,324.25	46,640.25
Vet Hsg Fund II Bds Ser 2002A-2 - Principal	605,000.00	405,000.00	430,000.00	505,000.00	585,000.00
Vet Hsg Fund II Bds Ser 2002A-2 - Interest	67,441.50	66,391.50	65,525.25	64,617.00	63,483.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B - Principal	670,000.00	1,415,000.00	1,505,000.00	1,600,000.00	1,710,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B - Interest	33,626.00	31,896.25	29,452.50	26,851.50	24,084.75
Vet Hsg Fund II Bds Ser 2003A - Principal	1,970,000.00	1,910,000.00	1,860,000.00	1,815,000.00	1,760,000.00
Vet Hsg Fund II Bds Ser 2003A - Interest	66,848.25	62,742.75	58,758.00	54,878.25	51,098.25
Vet Hsg Fund II Bds Ser 2003B - Principal	1,965,000.00	1,915,000.00	1,870,000.00	1,820,000.00	1,780,000.00
Vet Hsg Fund II Bds Ser 2003B - Interest	56,287.00	52,967.75	49,733.50	46,575.75	43,498.75
Vet Hsg Fund I Tax Ref Bds Ser 2003 - Principal	2,275,000.00	4,790,000.00	5,125,000.00	5,475,000.00	5,855,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003 - Interest	81,370.50	75,501.25	67,218.00	58,361.00	48,892.00
Vet Hsg Fund II Bds Ser 2004A - Principal	2,015,000.00	1,940,000.00	1,870,000.00	1,810,000.00	1,750,000.00
Vet Hsg Fund II Bds Ser 2004A - Interest	55,636.75	52,245.25	48,977.00	45,823.50	42,772.00
Vet Hsg Fund I Tax Ref Bds Ser 2004 - Principal				1,215,000.00	1,295,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004 - Interest	34,723.50	34,723.50	34,723.50	33,447.75	30,812.25
Vet Hsg Fund II Bds Ser 2004B - Principal	2,030,000.00	1,985,000.00	1,940,000.00	1,895,000.00	1,850,000.00
Vet Hsg Fund II Bds Ser 2004B - Interest	64,737.00	61,101.00	57,550.50	54,076.50	50,688.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C - Principal			2,745,000.00	1,395,000.00	1,445,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C - Interest	15,162.00	15,162.00	15,162.00	8,762.25	5,722.50
Vet Hsg Fund II Tax Ref Bds Ser 2004D - Principal					5,110,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2004D - Interest	52,678.50	52,678.50	52,678.50	52,678.50	51,576.00
Vet Hsg Fund II Bds Ser 2005A - Principal	2,040,000.00	1,985,000.00	1,935,000.00	1,885,000.00	1,840,000.00
Vet Hsg Fund II Bds Ser 2005A - Interest	60,430.75	56,984.00	53,630.75	50,362.50	47,179.25
Vet Hsg Fund II Bds Ser 2005B - Principal	2,135,000.00	2,050,000.00	1,970,000.00	1,895,000.00	1,830,000.00
Vet Hsg Fund II Bds Ser 2005B - Interest	60,124.75	56,533.50	53,082.50	49,767.50	46,575.75
Vet Hsg Fund I Tax Ref Bds Ser 2005C - Principal	1,405,000.00	1,490,000.00	1,585,000.00	1,730,000.00	1,910,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C - Interest	54,027.75	51,009.00	47,806.50	44,336.25	40,509.00
Vet Hsg Fund II Tax Ref Bds Ser 2005D - Principal			355,000.00	740,000.00	785,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2005D - Interest	24,234.00	24,234.00	24,234.00	23,105.25	21,530.25
Vet Hsg Fund II Tax Ref Bds Ser 2006B - Principal			1,125,000.00	2,365,000.00	2,520,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006B - Interest	107,996.00	107,996.00	107,996.00	103,215.00	96,488.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C - Principal	700,000.00	750,000.00	805,000.00	860,000.00	925,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C - Interest	52,304.00	50,274.00	48,097.00	45,766.00	43,267.00

UNAUDITED

2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	2043	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
2,700,000.00	1,400,000.00					6,200,000.00
23,885.00	2,380.00					70,380.00
			55,000,000.00			55,000,000.00
770,000.00	770,000.00	770,000.00	231,000.00			3,311,000.00
						1,520,000.00
						37,540,000.00
						140,910.00
2,400,000.00	14,000,000.00	8,600,000.00				25,000,000.00
261,240.00	174,615.00	27,615.00				725,970.00
1,555,000.00	185,000.00					1,740,000.00
607,792.50	6,604.50					1,235,577.00
		150,000,000.00				150,000,000.00
1,275,000.00	1,275,000.00	637,500.00				4,462,500.00
2,650,000.00	11,075,000.00	6,275,000.00				20,000,000.00
176,418.00	112,050.00	17,194.50				485,662.50
2,270,000.00	4,140,000.00	12,565,000.00	5,290,000.00			25,000,000.00
221,706.25	192,047.25	127,832.00	10,122.25			788,172.25
3,430,000.00	10,035,000.00	13,270,000.00	3,055,000.00			32,320,000.00
297,354.75	234,113.25	111,268.50	4,845.75			975,040.50
10,375,000.00	2,505,000.00					19,780,000.00
72,092.75	3,213.00					221,216.75
8,065,000.00	6,930,000.00	5,895,000.00	2,125,000.00			32,330,000.00
202,555.50	123,285.75	55,524.00	5,570.25			681,261.00
8,255,000.00	7,360,000.00	6,590,000.00	2,050,000.00			33,605,000.00
173,910.00	107,261.50	47,753.00	3,825.00			581,812.25
24,345,000.00						47,865,000.00
87,150.50						418,493.25
8,075,000.00	7,105,000.00	6,360,000.00	2,310,000.00			33,235,000.00
171,088.00	106,343.50	48,641.25	4,959.75			576,487.00
7,900,000.00	6,125,000.00					16,535,000.00
107,940.00	19,850.25					296,220.75
8,660,000.00	7,785,000.00	7,050,000.00	3,280,000.00			36,475,000.00
205,195.50	130,923.00	63,918.00	8,802.00			696,991.50
1,635,000.00						7,220,000.00
2,709.00						62,679.75
19,975,000.00						25,085,000.00
67,777.50						330,067.50
8,525,000.00	7,540,000.00	6,700,000.00	3,610,000.00			36,060,000.00
190,825.00	122,268.25	61,476.25	10,510.25			653,667.00
8,370,000.00	7,300,000.00	6,530,000.00	3,830,000.00			35,910,000.00
188,423.75	121,486.25	62,517.50	12,401.50			650,913.00
10,945,000.00	7,210,000.00					26,275,000.00
137,928.00	24,102.75					399,719.25
4,745,000.00	4,915,000.00					11,540,000.00
80,277.75	23,756.25					221,371.50
15,315,000.00	17,245,000.00					38,570,000.00
364,973.00	118,482.00					1,007,146.00
5,745,000.00	8,195,000.00	1,050,000.00				19,030,000.00
171,941.00	75,313.00	1,470.00				488,432.00

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SCHEDULE 2-C (continued)

August 31, 2012

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	2013	2014	2015	2016	2017
<i>General Obligation Bonds - Self-Supporting (continued)</i>	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds (concluded)</i>					
Vet Hsg Fund II Bds Ser 2006A - Principal	1,970,000.00	1,870,000.00	1,790,000.00	1,715,000.00	1,655,000.00
Vet Hsg Fund II Bds Ser 2006A - Interest	74,440.00	70,550.00	66,850.00	63,310.00	59,910.00
Vet Hsg Fund II Bds Ser 2006D - Principal	2,050,000.00	1,970,000.00	1,895,000.00	1,835,000.00	1,780,000.00
Vet Hsg Fund II Bds Ser 2006D - Interest	66,657.00	63,206.00	59,891.00	56,695.00	53,601.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E - Principal			1,140,000.00	2,385,000.00	2,540,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E - Interest	83,076.00	83,076.00	83,076.00	79,448.25	74,361.00
Vet Hsg Fund II Bds Ser 2007A - Principal	2,085,000.00	1,980,000.00	1,870,000.00	1,790,000.00	1,710,000.00
Vet Hsg Fund II Bds Ser 2007A - Interest	66,784.50	63,286.75	59,967.50	56,822.50	53,813.50
Vet Hsg Fund II Bds Ser 2007B - Principal	2,090,000.00	2,045,000.00	1,990,000.00	1,950,000.00	1,905,000.00
Vet Hsg Fund II Bds Ser 2007B - Interest	74,664.00	70,920.00	67,266.00	63,702.00	60,210.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C - Principal	2,735,000.00	1,160,000.00	1,345,000.00	1,520,000.00	1,710,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C - Interest	69,499.50	64,517.25	62,034.00	59,115.00	55,823.25
Vet Hsg Fund II Bds Ser 2008A - Principal	2,270,000.00	2,125,000.00	2,000,000.00	1,900,000.00	1,810,000.00
Vet Hsg Fund II Bds Ser 2008A - Interest	83,045.00	78,580.00	74,395.00	70,445.00	66,690.00
Vet Hsg Fund II Bds Ser 2008B - Principal	2,325,000.00	2,160,000.00	2,030,000.00	1,930,000.00	1,835,000.00
Vet Hsg Fund II Bds Ser 2008B - Interest	72,760.00	68,884.00	65,275.75	61,867.25	58,628.75
Vet Hsg Fund II Bds Ser 2009A - Principal	2,115,000.00	2,070,000.00	2,020,000.00	1,970,000.00	1,930,000.00
Vet Hsg Fund II Bds Ser 2009A - Interest	2,205,812.50	2,142,362.50	2,059,562.50	1,973,712.50	1,889,987.50
Vet Hsg Fund II Bds Ser 2009B - Principal	1,990,000.00	2,150,000.00	2,010,000.00	1,855,000.00	1,735,000.00
Vet Hsg Fund II Bds Ser 2009B - Interest	2,278,475.00	2,174,975.00	2,078,475.00	1,989,350.00	1,912,612.50
Vet Hsg Fund II Tax Ref Bds Ser 2009C - Principal	2,230,000.00	2,420,000.00	3,765,000.00	3,835,000.00	4,190,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C - Interest	164,687.25	159,857.25	154,628.25	146,763.75	138,579.00
Vet Hsg Fund II Bds Ser 2010A - Principal	2,670,000.00	3,345,000.00	3,325,000.00	3,220,000.00	3,120,000.00
Vet Hsg Fund II Bds Ser 2010A - Interest	3,376,900.00	3,269,950.00	3,136,550.00	3,005,650.00	2,863,250.00
Veterans Bonds, Tax Ref Ser 2010B - Principal	1,505,000.00	1,605,000.00	1,610,000.00	1,650,000.00	1,805,000.00
Veterans Bonds, Tax Ref Ser 2010B - Interest	146,326.00	142,807.00	139,058.00	135,401.00	131,508.25
Veterans Bonds, Series 2010C - Principal	2,795,000.00	3,205,000.00	3,150,000.00	3,075,000.00	3,015,000.00
Veterans Bonds, Series 2010C - Interest	130,410.00	125,091.00	119,344.50	113,706.00	108,202.50
Veterans Bonds, Tax Ref Ser 2010E - Principal	2,840,000.00	3,335,000.00	3,505,000.00	3,390,000.00	3,520,000.00
Veterans Bonds, Tax Ref Ser 2010E - Interest	107,858.50	100,912.50	93,155.75	85,123.00	77,285.75
Veterans Bonds, Series 2011A - Principal	2,630,000.00	3,295,000.00	3,290,000.00	3,210,000.00	3,135,000.00
Veterans Bonds, Series 2011A - Interest	130,702.50	125,599.50	119,632.50	113,746.50	108,004.50
Veterans Bonds, Series 2011B - Principal	2,270,000.00	3,115,000.00	3,390,000.00	3,305,000.00	3,220,000.00
Veterans Bonds, Series 2011B - Interest	125,166.75	120,938.00	115,434.25	109,705.25	104,125.00
Veterans Bonds, Series 2011C - Principal	2,130,000.00	2,825,000.00	3,425,000.00	3,380,000.00	3,290,000.00
Veterans Bonds, Series 2011C - Interest	134,055.00	129,982.50	124,546.50	118,377.00	112,333.50
Veterans Bonds, Series 2012A - Principal	1,575,000.00	2,795,000.00	3,505,000.00	3,580,000.00	3,475,000.00
Veterans Bonds, Series 2012A - Interest	127,066.50	123,709.00	118,634.50	112,569.75	106,530.50
Vet Land Bds Ser '94 - Principal	747,000.00	747,000.00	747,000.00		
Vet Land Bds Ser '96 - Principal	625,000.00	638,000.00	647,000.00	662,000.00	
Vet Land Ref Bds Ser '99A - Principal	2,365,000.00	2,550,000.00	2,745,000.00	2,960,000.00	3,190,000.00
Vet Land Ref Bds Ser '99A - Interest	55,335.00	48,454.00	41,041.00	33,054.00	24,444.00
Vet Land Tax Bds Ser 2000A - Principal	465,000.00	495,000.00	530,000.00	560,000.00	595,000.00
Vet Land Tax Bds Ser 2000A - Interest	30,746.75	29,834.75	28,861.00	27,825.50	26,728.25
Vet Land Tax Ref Bds Ser 2000 - Principal	3,025,000.00	3,245,000.00	3,490,000.00	3,750,000.00	4,025,000.00
Vet Land Tax Ref Bds Ser 2000 - Interest	67,112.75	61,156.25	54,758.00	47,880.00	40,493.75
Vet Land Bds Ser 2002 - Principal	485,000.00	510,000.00	530,000.00	555,000.00	580,000.00
Vet Land Bds Ser 2002 - Interest	30,851.25	29,906.00	28,918.00	27,887.25	26,809.00
Total, Veterans' Housing Assistance Bonds	84,499,694.50	91,178,825.50	99,132,190.50	101,922,243.25	108,084,141.00

UNAUDITED

2018-2022	2023-2027	2028-2033	2034-2037	2038-2042	2043	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
7,710,000.00	7,320,000.00	7,480,000.00	6,205,000.00			37,715,000.00
251,880.00	176,985.00	103,510.00	27,840.00			895,275.00
8,295,000.00	7,685,000.00	7,395,000.00	6,825,000.00			39,730,000.00
224,408.50	156,442.50	92,543.75	29,609.75			803,054.50
15,320,000.00	18,175,000.00					39,560,000.00
283,379.25	98,238.00					784,654.50
7,810,000.00	7,305,000.00	7,435,000.00	7,825,000.00			39,810,000.00
227,689.50	163,727.00	101,587.75	36,656.25			830,335.25
8,915,000.00	8,025,000.00	7,295,000.00	6,700,000.00	1,090,000.00		42,005,000.00
251,392.50	174,906.00	105,736.50	42,592.50	1,386.00		912,775.50
930,000.00	15,170,000.00	9,190,000.00				33,760,000.00
256,756.50	217,019.25	20,622.00				805,386.75
8,150,000.00	7,405,000.00	7,275,000.00	7,555,000.00	1,605,000.00		42,095,000.00
282,255.00	204,725.00	131,750.00	57,900.00	2,495.00		1,052,280.00
8,195,000.00	7,420,000.00	7,340,000.00	7,745,000.00	2,420,000.00		43,400,000.00
249,215.75	183,183.50	120,887.00	57,103.00	4,088.50		941,893.50
3,730,000.00	31,630,000.00					45,465,000.00
8,442,512.50	2,453,456.25					21,167,406.25
7,465,000.00	30,180,000.00					47,385,000.00
8,445,125.00	3,574,250.00					22,453,262.50
22,980,000.00	18,235,000.00	21,590,000.00				79,245,000.00
547,333.50	339,370.50	108,906.00				1,760,125.50
14,300,000.00	42,580,000.00					72,560,000.00
12,307,225.00	6,668,750.00					34,628,275.00
12,940,000.00	18,100,000.00	24,775,000.00				63,990,000.00
579,565.50	405,973.00	154,554.25				1,835,193.00
14,200,000.00	12,985,000.00	12,000,000.00	11,245,000.00	7,425,000.00		73,095,000.00
462,181.50	339,511.50	226,831.50	121,986.00	26,473.50		1,773,738.00
17,400,000.00	2,845,000.00	10,705,000.00				47,540,000.00
258,738.50	140,357.50	89,447.00				952,878.50
14,590,000.00	13,015,000.00	11,695,000.00	10,605,000.00	7,750,000.00		73,215,000.00
458,527.50	333,796.50	222,178.50	121,504.50	30,843.00		1,764,535.50
14,885,000.00	13,110,000.00	11,595,000.00	10,315,000.00	8,935,000.00		74,140,000.00
441,859.75	322,328.50	216,860.50	123,343.50	39,452.75		1,719,214.25
15,180,000.00	13,290,000.00	11,680,000.00	10,305,000.00	9,490,000.00		74,995,000.00
476,523.00	347,764.50	234,877.50	135,481.50	47,641.50		1,861,582.50
15,885,000.00	13,660,000.00	11,715,000.00	10,055,000.00	8,555,000.00	195,000.00	74,995,000.00
448,103.00	321,844.00	213,333.00	120,326.00	40,519.50	165.75	1,732,801.50
						2,241,000.00
						2,572,000.00
7,135,000.00						20,945,000.00
20,349.00						222,677.00
3,610,000.00	4,940,000.00	5,220,000.00				16,415,000.00
114,522.50	74,214.00	20,615.00				353,347.75
19,300,000.00						36,835,000.00
76,608.00						348,008.75
3,320,000.00	4,140,000.00	5,180,000.00	1,180,000.00			16,480,000.00
116,080.50	80,797.50	36,689.00	1,121.00			379,059.50
459,260,415.50	448,785,735.50	414,683,639.25	178,277,500.75	47,462,899.75	195,165.75	2,033,482,451.25

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SCHEDULE 2-C (concluded)

DEBT SERVICE REQUIREMENTS

August 31, 2012

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	2013	2014	2015	2016	2017
General Obligation Bonds - Self-Supporting (concluded)	\$	\$	\$	\$	\$
<i>Veterans' Land Bonds</i>					
Vet Land Tax Bds Ser 2002A - Principal	425,000.00	455,000.00	480,000.00	510,000.00	540,000.00
Vet Land Tax Bds Ser 2002A - Interest	45,555.75	44,367.75	43,105.50	41,769.00	40,351.50
Vet Land Tax Ref Bds Ser 2002 - Principal	1,625,000.00	1,735,000.00	1,840,000.00	1,960,000.00	2,090,000.00
Vet Land Tax Ref Bds Ser 2002 - Interest	72,555.75	68,019.75	63,193.50	58,063.50	52,596.00
Vet Land Tax Ref Bds Ser 2003 - Principal	1,280,000.00	1,365,000.00	1,455,000.00	1,555,000.00	1,660,000.00
Vet Land Tax Ref Bds Ser 2003 - Interest	43,785.00	41,055.00	38,141.25	35,033.25	31,715.25
Vet Land Tax Ref Bds Ser 2004 - Principal	630,000.00	670,000.00	710,000.00	1,515,000.00	1,615,000.00
Vet Land Tax Ref Bds Ser 2004 - Interest	39,786.00	38,570.00	37,278.00	35,553.75	32,627.75
Vet Land Tax Ref Bds Ser 2005 - Principal	685,000.00	745,000.00	815,000.00	890,000.00	980,000.00
Vet Land Tax Ref Bds Ser 2005 - Interest	40,776.75	39,306.75	37,705.50	35,957.25	34,041.00
Vet Land Tax Ref Bds Ser 2006A - Principal	990,000.00	1,065,000.00	1,150,000.00	1,230,000.00	1,305,000.00
Vet Land Tax Ref Bds Ser 2006A - Interest	73,059.00	70,238.00	67,193.00	63,917.00	60,417.00
Vet Land Tax Ref Bds Ser 2006B - Principal	595,000.00	615,000.00	630,000.00	645,000.00	1,345,000.00
Vet Land Tax Ref Bds Ser 2006B - Interest	36,805.50	35,716.50	34,596.00	33,448.50	32,269.50
Vet Land Tax Ref Bds Ser 2006C - Principal	1,240,000.00	1,330,000.00	1,425,000.00	1,535,000.00	1,650,000.00
Vet Land Tax Ref Bds Ser 2006C - Interest	71,400.00	68,748.75	65,908.50	62,858.25	59,577.00
Veterans Bonds, Tax Ref Ser 2010D - Principal	485,000.00	510,000.00	540,000.00	570,000.00	600,000.00
Veterans Bonds, Tax Ref Ser 2010D - Interest	56,799.00	55,008.00	53,118.00	51,120.00	49,014.00
Total, Veterans' Land Bonds	8,435,522.75	8,951,030.50	9,485,239.25	10,827,720.50	12,177,609.00
Total, General Obligation Bonds - Self-Supporting	92,935,217.25	100,129,856.00	108,617,429.75	112,749,963.75	120,261,750.00
Total, All Bonds	92,935,217.25	100,129,856.00	108,617,429.75	112,749,963.75	120,261,750.00

UNAUDITED

2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	2043	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
3,220,000.00	4,310,000.00	5,775,000.00	1,370,000.00			17,085,000.00
177,390.00	126,900.00	59,298.75	1,849.50			580,587.75
18,435,000.00						27,685,000.00
159,779.25						474,207.75
10,115,000.00	3,735,000.00					21,165,000.00
100,490.25	7,932.75					298,152.75
9,775,000.00	6,180,000.00					21,095,000.00
112,185.50	17,983.50					313,984.50
6,490,000.00	8,980,000.00					19,585,000.00
134,310.75	50,006.25					372,104.25
8,005,000.00	11,240,000.00	1,350,000.00				26,335,000.00
240,947.00	109,942.00	1,890.00				687,603.00
7,865,000.00	9,050,000.00					20,745,000.00
121,882.50	42,138.00					336,856.50
10,355,000.00	14,950,000.00	1,820,000.00				34,305,000.00
239,190.00	110,192.25	1,911.00				679,785.75
3,580,000.00	4,775,000.00	4,960,000.00				16,020,000.00
208,926.00	134,271.00	37,008.00				645,264.00
79,335,101.25	63,819,365.75	14,005,107.75	1,371,849.50	0.00	0.00	208,408,546.25
538,595,516.75	512,605,101.25	428,688,747.00	179,649,350.25	47,462,899.75	195,165.75	2,241,890,997.50
538,595,516.75	512,605,101.25	428,688,747.00	179,649,350.25	47,462,899.75	195,165.75	2,241,890,997.50

SCHEDULE 2-D

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2012

BUSINESS-TYPE ACTIVITIES

General Obligation Bonds - Self Supporting

APPLICATION OF FUNDS		
DESCRIPTION OF ISSUE	PRINCIPAL	INTEREST
Veterans' Housing Assistance Bonds	\$ 53,985,000.00	\$ 57,945,314.32
Veterans' Land Bonds	15,452,000.00	14,460,881.02
TOTAL	69,437,000.00	72,406,195.34

BUSINESS-TYPE ACTIVITIES

Revenue Bonds - Self-Supporting

PLEGGED AND OTHER SOURCES AND RELATED EXPENDITURES FOR FY 2012				
DESCRIPTION OF ISSUE	NET AVAILABLE FOR DEBT SERVICE		DEBT SERVICE	
	TOTAL PLEGGED AND OTHER SOURCES	OPERATING EXPENSES/ EXPENDITURES AND CAPITAL OUTLAYS	PRINCIPAL	INTEREST
Veterans Homes Revenue Bonds	\$ 38,978,900.69	\$ 38,317,090.64	\$ 425,000.00	\$ 1,388,750.00
TOTAL	38,978,900.69	38,317,090.64	425,000.00	1,388,750.00

SCHEDULE 2-E

DEFEASED BONDS OUTSTANDING

August 31, 2012

BUSINESS-TYPE ACTIVITIES

<u>DESCRIPTION OF ISSUE</u>	<u>YEAR DEFEASED</u>	<u>PAR VALUE OUTSTANDING 08-31-2012</u>
<i>General Obligation Bonds - Self-Supporting</i>		
<i>Veterans' Land and Housing Bonds</i>		
Vet Land Bds Ser '76	1985	10,000,000.00
Vet Land Bds Ser '82	1986	15,500,000.00
<i>Total, Veterans' Land and Housing Bonds</i>		<u><u>25,500,000.00</u></u>

\$

SCHEDULE 2-F

EARLY EXTINGUISHMENT AND REFUNDING

For the Year Ended August 31, 2012

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)
		\$	\$	\$	\$
General Obligation Bonds - Self-Supporting					
<i>Veterans' Housing Bonds</i>					
Vet Hsg Fund II Tax Bds Ser '99A-1	Early Extinguishment	1,530,000.00			
Total, Veterans' Housing Bonds		<u>1,530,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total, General Obligation Bonds - Self-Supporting		<u>1,530,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Revenue Bonds - Self-Supporting					
<i>Veterans Homes Revenue Bonds</i>					
Vet Home Revenue Ref Bds Ser 2002	Early Extinguishment	21,795,000.00			
Total, Veterans Homes Revenue Bonds		<u>21,795,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total, Revenue Bonds - Self-Supporting		<u>21,795,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total, All Bonds		<u><u>23,325,000.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>

SCHEDULE 2-G

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2012

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	FINAL BOND		TRUE INTEREST	BONDS ISSUED ⁽¹⁾	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2012
	DATE	MATURITY DATE	COST (PERCENT)				
General Obligation Bonds - Self-Supporting							
<i>Veterans' Housing Assistance Bonds</i>							
Vet Hsg Bds Ser '84	01-01-84	12-01-03	8.97900	\$ 85,000,000.00	\$ 45,500,000.00	\$ 39,500,000.00	\$ 0.00
Vet Hsg Bds Ser '84A	05-01-84	06-01-03	9.04370	165,000,000.00	75,000,000.00	90,000,000.00	0.00
Vet Hsg Bds Ser '84B	11-01-84	12-01-03	9.27060	250,000,000.00	183,700,000.00	66,300,000.00	0.00
Vet Hsg Bds Ser '85	12-01-85	12-01-16	8.30140	250,000,000.00	14,730,000.00	235,270,000.00	0.00
Vet Hsg Bds Ser '92	07-15-92	06-01-23	6.28790	35,000,000.00	4,590,000.00	30,410,000.00	0.00
Vet Hsg Bds Ser '93	01-01-93	12-01-23	6.55220	125,000,000.00	18,765,000.00	106,235,000.00	0.00
Vet Hsg Bds Ser '94A-1	02-24-94	12-01-23	VAR	10,000,000.00	3,400,000.00	400,000.00	6,200,000.00
Vet Hsg Bds Ser '94B-1-2-3	02-01-94	12-01-23	5.60600	25,000,000.00	3,840,000.00	21,160,000.00	0.00
Vet Hsg Bds Ser '94B-4	06-01-94	12-01-24	6.42060	35,000,000.00	5,100,000.00	29,900,000.00	0.00
Vet Hsg Tax Ref Bds Ser '94A-1	04-01-94	06-01-03	7.38100	75,420,000.00	36,505,000.00	38,915,000.00	0.00
Vet Hsg Tax Ref Bds Ser '94A-2	04-01-94	12-01-33	VAR	59,600,000.00		4,600,000.00	55,000,000.00
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	93,865,514.96	36,130,000.00	56,335,000.00	1,400,514.96
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	43,085,000.00	7,865,000.00	37,540,000.00
Vet Hsg Ref Bds Ser '95A	10-15-95	12-01-25	5.90359	15,175,000.00		15,175,000.00	0.00
Vet Hsg Ref Bds Ser '95B	10-15-95	12-01-09	5.90359	4,985,000.00	3,220,000.00	1,765,000.00	0.00
Vet Hsg Fund II Ref Bds Ser '95C	10-15-95	12-01-26	6.15538	14,840,000.00		14,840,000.00	0.00
Vet Hsg Fund II Ref Bds Ser '95D	07-17-96	12-01-26	6.41036	47,930,000.00		47,930,000.00	0.00
Vet Hsg Fund II Ref Bds Ser '95E	10-15-95	12-01-26	6.17393	47,930,000.00		47,930,000.00	0.00
Vet Hsg Fund II Tax Ref Bds Ser '96	01-15-96	12-01-27	7.39050	26,145,000.00	2,220,000.00	23,925,000.00	0.00
Vet Hsg Fund II Bds Ser '97A	11-01-97	06-01-29	5.41740	100,000,000.00	11,245,000.00	88,755,000.00	0.00
Vet Hsg Fund II Tax Bds Ser '97B-1	11-01-97	06-01-21	6.23160	25,000,000.00	5,235,000.00	19,765,000.00	0.00
Vet Hsg Fund II Tax Bds Ser '97B-2	12-18-97	12-01-29	VAR	25,000,000.00			25,000,000.00
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	41,445,000.00	1,740,000.00
Vet Hsg Fund II Tax Bds Ser '99A-2	11-01-99	12-01-29	Floating	150,000,000.00			150,000,000.00
Vet Hsg Fund II Tax Bds Ser '99B	09-01-99	06-01-31	5.83600	100,000,000.00	13,995,000.00	86,005,000.00	0.00
Vet Hsg Fund I Ref Bds Ser '99	10-01-99	12-01-03	4.59400	30,050,000.00	23,450,000.00	6,600,000.00	0.00
Vet Hsg Fund I Tax Ref Bds Ser '99C	11-01-99	12-01-09	7.15000	16,530,000.00	16,530,000.00		0.00
Vet Hsg Fund II Tax Ref Bds Ser '99D	11-01-99	12-01-09	7.15000	9,540,000.00	9,540,000.00		0.00
Vet Hsg Fund II Bds Ser 2000C	05-01-00	12-01-31	5.94500	100,000,000.00	13,280,000.00	86,720,000.00	0.00
Vet Hsg Fund I Tax Ref Bds Ser 2000D	11-01-00	12-01-10	7.07000	15,420,000.00	15,420,000.00		0.00
Vet Hsg Fund II Tax Ref Bds Ser 2000E	11-01-00	12-01-10	7.07000	10,750,000.00	10,750,000.00		0.00
Vet Hsg Fund II Bds Ser 2001A-1	03-01-01	06-01-32	5.28500	40,000,000.00	8,320,000.00	31,680,000.00	0.00
Vet Hsg Fund II Bds Ser 2001A-2	03-22-01	12-01-29	4.25900	20,000,000.00			20,000,000.00
Vet Hsg Fund II Bds Ser 2001C-1	12-01-01	12-01-28	5.12700	35,000,000.00	4,145,000.00	30,855,000.00	0.00
Vet Hsg Fund II Bds Ser 2001C-2	12-18-01	12-01-33	4.36500	25,000,000.00			25,000,000.00
Vet Hsg Fund II Bds Ser 2002A-1	06-15-02	12-01-22	4.91960	11,700,000.00	1,775,000.00	9,925,000.00	0.00
Vet Hsg Fund II Bds Ser 2002A-2	07-10-02	06-01-33	3.87250	38,300,000.00	5,980,000.00		32,320,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B	11-06-02	06-01-23	4.91000	22,605,000.00	2,825,000.00		19,780,000.00
Vet Hsg Fund II Bds Ser 2003A	03-04-03	06-01-34	3.30400	50,000,000.00	17,670,000.00		32,330,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-03	06-01-34	3.40300	50,000,000.00	16,395,000.00		33,605,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003	11-20-03	06-01-21	5.19000	47,865,000.00			47,865,000.00
Vet Hsg Fund II Bds Ser 2004A	04-07-04	12-01-34	3.31300	50,000,000.00	16,765,000.00		33,235,000.00
Vet Hsg Fund II Bds Ser 2004B	09-15-04	12-01-34	3.68000	50,000,000.00	13,525,000.00		36,475,000.00
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
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
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
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	13,940,000.00		36,060,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-05	06-01-36	3.08700	50,000,000.00	14,090,000.00		35,910,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	11-16-05	12-01-23	4.92900	19,860,000.00	5,335,000.00		14,525,000.00
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

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SCHEDULE 2-G (continued)

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2012

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	DATE OF BONDS	FINAL BOND MATURITY DATE	TRUE INTEREST COST (PERCENT)	BONDS ISSUED ⁽¹⁾	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2012
General Obligation Bonds - Self-Supporting (continued)							
<i>Veterans' Housing Assistance Bonds (concluded)</i>				\$	\$	\$	\$
Vet Hsg Fund I Tax Ref Bds Ser 2005C	11-16-05	12-01-25	5.14500	13,345,000.00	1,595,000.00		11,750,000.00
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
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
Vet Hsg Fund II Tax Ref Bds Ser 2006C	05-10-06	12-01-27	5.79000	22,325,000.00	3,295,000.00		19,030,000.00
Vet Hsg Fund II Bds Ser 2006A	06-01-06	12-01-36	3.51700	50,000,000.00	12,285,000.00		37,715,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-06	12-01-36	3.68900	50,000,000.00	10,270,000.00		39,730,000.00
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
Vet Hsg Fund II Bds Ser 2007A	02-22-07	06-01-37	3.64500	50,000,000.00	10,190,000.00		39,810,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-07	06-01-38	3.71200	50,000,000.00	7,995,000.00		42,005,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	11-14-07	06-01-29	4.65800	54,160,000.00	20,400,000.00		33,760,000.00
Vet Hsg Fund II Bds Ser 2008A	03-26-08	12-01-38	3.18900	50,000,000.00	7,905,000.00		42,095,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-08	12-01-38	3.22500	50,000,000.00	6,600,000.00		43,400,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-09	12-01-23	4.33660	52,261,669.77	4,535,000.00		47,726,669.77
Vet Hsg Fund II Bds Ser 2009B	09-03-09	12-01-24	4.00000	53,645,611.76	2,615,000.00		51,030,611.76
Vet Hsg Fund II Tax Ref Bds Ser 2009C	11-01-09	12-01-21	6.22000	82,795,000.00	3,550,000.00		79,245,000.00
Vet Hsg Fund II Bds Ser 2010A	02-25-10	06-01-31	5.45250	82,033,027.94	2,435,000.00		79,598,027.94
Veterans Bonds, Tax Ref Ser 2010B	05-20-10	12-01-25	3.25000	66,720,000.00	2,730,000.00		63,990,000.00
Veterans Bonds, Series 2010C	08-20-10	12-01-31	2.30950	74,995,000.00	1,900,000.00		73,095,000.00
Veterans Bonds, Tax Ref Ser 2010E	11-18-10	06-01-32	2.79000	49,995,000.00	2,455,000.00		47,540,000.00
Veterans Bonds, Series 2011A	03-09-11	06-01-41	2.67500	74,995,000.00	1,780,000.00		73,215,000.00
Veterans Bonds, Series 2011B	08-25-11	12-01-41	2.36700	74,995,000.00	855,000.00		74,140,000.00
Veterans Bonds, Series 2011C	12-15-11	06-01-42	1.91700	74,995,000.00			74,995,000.00
Veterans Bonds, Series 2012A	05-23-12	12-01-42	1.69200	74,995,000.00			74,995,000.00
Total, Veterans' Housing Assistance Bonds				4,215,870,824.43	866,595,000.00	1,517,915,000.00	1,831,360,824.43
<i>Veterans' Land Bonds</i>							
Vet Land Bds Ser '49	10-01-49	06-01-79	1.66884	5,000,000.00	5,000,000.00		0.00
Vet Land Bds Ser '50	04-01-50	06-01-79	1.71816	10,000,000.00	10,000,000.00		0.00
Vet Land Bds Ser '50A	08-01-50	06-01-85	1.71489	10,000,000.00	10,000,000.00		0.00
Vet Land Bds Ser '51	12-01-51	06-01-86	1.93691	15,000,000.00	14,335,000.00	665,000.00	0.00
Vet Land Bds Ser '52	10-01-52	06-01-86	2.21916	10,000,000.00	9,535,000.00	465,000.00	0.00
Vet Land Bds Ser '53	04-01-53	06-01-89	2.38008	10,000,000.00	8,455,000.00	1,545,000.00	0.00
Vet Land Bds Ser '53A	09-01-53	06-01-89	2.66266	15,000,000.00	12,746,000.00	2,254,000.00	0.00
Vet Land Bds Ser '54	04-01-54	06-01-89	2.33869	15,000,000.00	12,808,000.00	2,192,000.00	0.00
Vet Land Bds Ser '54A	09-01-54	06-01-89	2.09701	10,000,000.00	8,938,000.00	1,062,000.00	0.00
Vet Land Bds Ser '57	12-01-57	12-01-86	2.69518	12,500,000.00	11,505,000.00	995,000.00	0.00
Vet Land Bds Ser '58	04-01-58	06-01-88	2.89498	12,500,000.00	9,855,000.00	2,645,000.00	0.00
Vet Land Bds Ser '58A	07-01-58	06-01-90	2.93605	12,500,000.00	8,953,000.00	3,547,000.00	0.00
Vet Land Bds Ser '61	03-01-61	12-01-96	3.25934	12,500,000.00	6,025,000.00	6,475,000.00	0.00
Vet Land Bds Ser '61A	06-01-61	06-01-91	3.50000	25,000,000.00	14,977,000.00	10,023,000.00	0.00
Vet Land Bds Ser '61B	12-01-61	12-01-91	3.27557	25,000,000.00	16,865,000.00	8,135,000.00	0.00
Vet Land Bds Ser '68	01-01-68	06-01-98	4.28248	30,000,000.00	9,750,000.00	20,250,000.00	0.00
Vet Land Bds Ser '68A	06-01-68	06-01-98	4.33323	30,000,000.00	8,500,000.00	21,500,000.00	0.00
Vet Land Bds Ser '71	01-01-71	06-01-88	4.06703	25,000,000.00	18,000,000.00	7,000,000.00	0.00
Vet Land Bds Ser '71A	06-01-71	06-01-98	4.49920	23,500,000.00	16,000,000.00	7,500,000.00	0.00
Vet Land Bds Ser '71B	12-01-71	06-01-98	4.48943	20,800,000.00	3,000,000.00	17,800,000.00	0.00
Vet Land Bds Ser '72	04-01-72	06-01-11	4.03658	40,000,000.00	2,500,000.00	37,500,000.00	0.00
Vet Land Bds Ser '72A	10-01-72	06-01-11	3.69020	30,700,000.00	16,000,000.00	14,700,000.00	0.00
Vet Land Bds Ser '76	05-01-76	06-01-15	4.06238	35,000,000.00	7,000,000.00	28,000,000.00	0.00
Vet Land Bds Ser '76A	09-01-76	06-01-94	5.14892	40,000,000.00	3,000,000.00	37,000,000.00	0.00
Vet Land Bds Ser '77	09-01-77	06-01-91	4.45380	25,000,000.00		25,000,000.00	0.00
Vet Land Bds Ser '78	06-01-78	06-01-95	4.91168	25,000,000.00		25,000,000.00	0.00
Vet Land Bds Ser '79	03-01-79	06-01-96	5.17159	35,000,000.00		35,000,000.00	0.00
Vet Land Bds Ser '80	07-01-80	07-01-10	5.99686	66,000,000.00		66,000,000.00	0.00
Vet Land Bds Ser '82	09-01-82	12-01-20	6.59514	74,000,000.00		74,000,000.00	0.00
Vet Land Bds Ser '83	04-01-83	12-01-01	8.18000	50,000,000.00		50,000,000.00	0.00

UNAUDITED

SCHEDULE 2-G (continued)

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	DATE OF MATURITY	FINAL BOND DATE	TRUE INTEREST COST (PERCENT)	BONDS ISSUED ⁽¹⁾	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2012
General Obligation Bonds - Self-Supporting (concluded)				\$	\$	\$	\$
<i>Veterans' Land Bonds (concluded)</i>							
Vet Land Bds Ser '83A	06-01-83	06-01-01	7.76000	50,000,000.00		50,000,000.00	0.00
Vet Land Bds Ser '84	08-01-84	06-01-09	10.12300	75,000,000.00		75,000,000.00	0.00
Vet Land Bds Ser '85A	07-01-85	06-01-07	8.07560	75,000,000.00		75,000,000.00	0.00
Vet Land Bds Ser '85B	07-01-85	06-01-07	8.07560	100,000,000.00		100,000,000.00	0.00
Vet Land Bds Ser '89	04-01-89	12-01-18	7.61600	45,000,000.00	4,975,000.00	40,025,000.00	0.00
Vet Land Bds Ser '93	01-01-93	12-01-23	6.50710	35,000,000.00	5,715,000.00	29,285,000.00	0.00
Vet Land Bds Ser '94	04-15-94	12-01-24	6.31070	41,178,218.70	14,354,000.00	24,755,000.00	2,069,218.70
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	39,337,076.82	13,032,000.00	24,035,000.00	2,270,076.82
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	19,080,000.00		20,945,000.00
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	3,585,000.00		16,415,000.00
Vet Land Tax Ref Bds Ser 2000	11-15-00	12-01-20	6.10600	39,960,000.00	3,125,000.00		36,835,000.00
Vet Land Bds Ser 2002	02-21-02	12-01-32	4.14000	20,000,000.00	3,520,000.00		16,480,000.00
Vet Land Tax Bds Ser 2002A	02-21-02	12-01-32	Floating	20,000,000.00	2,915,000.00		17,085,000.00
Vet Land Tax Ref Bds Ser 2002	11-06-02	12-01-21	4.93500	27,685,000.00			27,685,000.00
Vet Land Tax Ref Bds Ser 2003	11-20-03	12-01-23	5.12300	29,285,000.00	8,120,000.00		21,165,000.00
Vet Land Tax Ref Bds Ser 2004	11-18-04	12-01-24	5.45500	24,755,000.00	3,660,000.00		21,095,000.00
Vet Land Tax Ref Bds Ser 2005	11-16-05	12-01-26	6.51700	22,795,000.00	3,210,000.00		19,585,000.00
Vet Land Tax Ref Bds Ser 2006A	05-10-06	12-01-27	6.54000	31,030,000.00	4,695,000.00		26,335,000.00
Vet Land Tax Ref Bds Ser 2006B	05-10-06	12-01-26	4.61000	24,035,000.00	3,290,000.00		20,745,000.00
Vet Land Tax Ref Bds Ser 2006C	11-15-06	12-01-27	6.51300	41,050,000.00	6,745,000.00		34,305,000.00
Veterans Bonds, Tax Ref Ser 2010D	11-18-10	12-01-30	5.20900	16,480,000.00	460,000.00		16,020,000.00
Total, Veterans' Land Bonds				2,918,089,295.52	1,058,687,000.00	1,560,368,000.00	299,034,295.52
Total, General Obligation Bonds - Self-Supporting				7,133,960,119.95	1,925,282,000.00	3,078,283,000.00	2,130,395,119.95
Revenue Bonds - Self-Supporting							
<i>Veterans Homes Revenue Bonds</i>							
Vet Home Rev Bds Ser 2000	03-28-00	11-15-32	7.15000	20,000,000.00	20,000,000.00		0.00
Vet Home Rev Ref Bds Ser 2002	05-09-02	08-01-35	6.25000	24,280,000.00	2,485,000.00	21,795,000.00	0.00
Total, Veterans Homes Revenue Bonds				44,280,000.00	22,485,000.00	21,795,000.00	0.00
<i>Veterans Mortgage Revenue Bonds</i>							
Vet Mort Rev Tax Bds Ser 2000A	03-25-00	12-25-32	8.19000	100,000,000.00	10,757,485.00	89,242,515.00	0.00
Vet Mort Rev Tax Ref Bds Ser 2001B	07-11-01	08-01-04	Floating	160,092,515.00	160,092,515.00		0.00
Total, Veterans Mortgage Revenue Bonds				260,092,515.00	170,850,000.00	89,242,515.00	0.00
Total, Revenue Bonds - Self-Supporting				304,372,515.00	193,335,000.00	111,037,515.00	0.00
Total, All Bonds				7,438,332,634.95	2,118,617,000.00	3,189,320,515.00	2,130,395,119.95

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⁽¹⁾ Includes accretion on capital appreciation bonds and unamortized bond issuance

SCHEDULE 2-G (concluded)

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2012

BUSINESS-TYPE ACTIVITIES

		\$
Note:	Veterans' Housing Assistance Bonds maturing within one year	65,962,968.96
	Veterans' Housing Assistance Accretion Bonds maturing within one year	536,841.20
	Veterans' Land Bonds maturing within one year	14,762,918.70
	Veterans' Land Accretion Bonds maturing within one year	904,081.30
	Veterans Homes Revenue Bonds maturing within one year	<u>0.00</u>
	Subtotal	<u>82,166,810.16</u>
	Veterans' Housing Assistance Bonds maturing subsequent to one year	1,764,429,423.30
	Veterans' Housing Assistance Bonds Accretion maturing subsequent to one year	431,590.97
	Veterans' Land Bonds maturing subsequent to one year	281,471,811.16
	Veterans' Land Bonds Accretion maturing subsequent to one year	1,895,484.36
	Veterans Homes Revenue Bonds maturing subsequent to one year	<u>0.00</u>
	Subtotal	<u>2,048,228,309.79</u>
	Total (<i>Exh. III</i>)	<u><u>2,130,395,119.95</u></u>

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SCHEDULE 3

DETAIL OF ADDITIONS AND DEDUCTIONS

AGENCY FUNDS

August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	UNAPPROPRIATED RECEIPTS	OTHER AGENCY FUNDS
	GENERAL REVENUE FUND (0001) U/F (0111)	CHILD SUPPORT ADDENDA DEDUCTS SUSPENSE (0807) U/F (8070)
	\$	\$
BALANCES, September 1, 2011	1,277,279.18	7,035.72
ADDITIONS		
Royalty and Rental Collections	6,898,207.60	
Taxes	344.95	
Interest and Investment Income	50,663.91	
Land Office Administration Fees		
Outer Continental Shelf Settlement Receipts	572,134.14	
Administrative Penalty-Late Document		
Land Sales	50.00	
Veterans Service Fees and Down Payments		
Patent Recording Fees		
Land Vacancy Applications		
Payroll Deductions		100,783.79
TOTAL ADDITIONS	7,521,400.60	100,783.79
DEDUCTIONS		
Refunds to Remitters		
Office Fees		
Title Report Fees		
Child Support Payments		98,116.06
Savings Bonds Purchased		
Land Vacancy Expenses		
Transfers to Suspense Account to be Applied to Land Contracts Receivable and Fees at Sale Closing		
Transfers to Treasury	8,099,150.42	
Miscellaneous		
TOTAL DEDUCTIONS	8,099,150.42	98,116.06
BALANCES, August 31, 2012 (EXH. D-1)	699,529.36	9,703.45

UNAUDITED

OTHER AGENCY FUNDS		TOTALS	
PURCH/LEASE LAND VAC TRUST ACCOUNT (0873) U/F (0873)		(Memorandum Only)	
	LOCAL FUNDS (9999) U/F (9999)	2012	2011
\$	\$	\$	\$
18,500.07	141,693.08	1,444,508.05	627,550.27
76.58		6,898,207.60	4,325,045.80
		344.95	403.24
		50,740.49	974.67
		0.00	(20,457.94)
		572,134.14	707,863.96
		0.00	96,590.93
		50.00	0.00
	68,458.00	68,458.00	269,113.00
	632.00	632.00	573.00
1,976.02		1,976.02	8,000.00
		100,783.79	111,998.64
<u>2,052.60</u>	<u>69,090.00</u>	<u>7,693,326.99</u>	<u>5,500,105.30</u>
	12,386.00	12,386.00	29,650.32
	499.00	499.00	439.00
	7,186.09	7,186.09	20,490.00
		98,116.06	115,412.28
		0.00	450.00
13,965.36		13,965.36	6,626.53
	32,763.00	32,763.00	201,870.00
	146,365.43	8,245,515.85	4,301,648.02
	1,567.00	1,567.00	6,561.37
<u>13,965.36</u>	<u>200,766.52</u>	<u>8,411,998.36</u>	<u>4,683,147.52</u>
<u>6,587.31</u>	<u>10,016.56</u>	<u>725,836.68</u>	<u>1,444,508.05</u>

SCHEDULE 4

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	TOTALS	
	2012	2011
<i>GENERAL REVENUE FUND (FUND 0001/AGENCY 320)</i>	\$	\$
Receipts from Mineral Sources:		
Oil Royalty	355.80	452.34
Gas Royalty	286.22	324.56
TOTAL AGENCY 320	642.02	776.90
 <i>GENERAL REVENUE FUND (FUND 0001/AGENCY 694)</i>		
Receipts from Mineral Sources:		
Oil Royalty	55,207.63	56,703.43
Gas Royalty	53,052.79	50,942.09
Mineral Lease Bonus	46,691.94	
Mineral Lease Rental	0.00	1,085.25
TOTAL AGENCY 694	154,952.36	108,730.77
 <i>GENERAL REVENUE FUND (FUND 0001/AGENCY 696)</i>		
Receipts from Mineral Sources:		
Oil Royalty	12,673,776.99	3,653,155.31
Gas Royalty	2,802,364.10	880,090.15
Mineral Lease Bonus	96,368.00	853,276.99
Mineral Lease Rental	354,037.20	769,695.84
Shut-In Mineral Royalty	6,596.10	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	2,172.82	169.59
TOTAL AGENCY 696	15,935,315.21	6,156,387.88
 <i>GENERAL REVENUE FUND (FUND 0001/AGENCY 902)</i>		
Receipts from Mineral Sources:		
Oil Royalty	1,836,330.81	265,274.67
Gas Royalty	1,523,760.43	1,472,616.97
Mineral Lease Bonus	4,054,323.13	1,478,063.78
Mineral Lease Rental	0.00	5,644.03
Shut-In Mineral Royalty	10,005.23	0.00
Outer Continental Shelf Judgment	533,526.84	707,863.96
Receipts from Misc. Interest and Other Collections:		
Miscellaneous	50.00	314,090.93
Interest	9,193.68	546.49
State of Texas Sales Tax	344.95	412.92
Land Office Administrative Fees	0.00	(2,953.39)
TOTAL AGENCY 902	7,967,535.07	4,241,560.36
TOTAL GENERAL REVENUE FUND	24,058,444.66	10,507,455.91

UNAUDITED

SCHEDULE 4 (continued)

	TOTALS	
	2012	2011
<i>SPECIALTY LICENSE PLATES FUND (FUND 5140/AGENCY 305/601)</i>		
Receipts from Specialty License Plates:		
Specialty License Plates	14,715.60	12,500.90
TOTAL SPECIALTY LICENSE PLATES FUND	14,715.60	12,500.90
<i>STATE HIGHWAY FUND (FUND 0006/AGENCY 601)</i>		
Receipts from Mineral Sources:		
Oil Royalty	2,046,491.53	963,869.24
Gas Royalty	3,473,035.17	3,172,109.82
Mineral Lease Bonus	2,771,331.43	1,427,868.52
Mineral Lease Rental	0.00	966.50
Shut-In Mineral Royalty	1,933.58	(85,666.14)
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	44,358.00	43,610.00
Receipts from Misc. Interest and Other Collections:		
Interest	17,340.63	12,758.96
Transfer, Relinquishments & Filing Fees		
TOTAL STATE HIGHWAY FUND	8,365,499.90	5,535,516.90
<i>PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305)</i>		
Receipts from Mineral Sources:		
Oil Royalty	175,905,136.89	126,872,800.49
Gas Royalty	106,449,494.05	140,283,966.09
Oil & Gas Lease Bonus	113,941,441.04	190,254,349.95
Oil & Gas Lease Rental	3,721,106.97	7,551,231.75
Mining Lease Royalty	827,197.65	626,735.72
Mining Lease Rental and Bonus	116,418.05	117,861.80
Shut-In Mineral Royalty	412,515.37	0.00
Water Royalties	2,640.61	21,781.55
Talc Royalty	68,990.97	45,791.89
Prospect Permits	40,039.68	28,073.99
Outer Continental Shelf Judgment	1,067,053.71	1,415,727.92
Judgment on Minerals	9,050.75	500,000.00
Miscellaneous Rentals, Royalty, and Easements	1,269,899.84	1,334,003.04
Receipts from Real Asset Investments:		
Internal Investment Receipts - Return of Capital	(8,447,374.07)	188,456,063.83
Internal Investment Receipts - Capital Gains	22,219,352.28	14,198,088.39
Internal Investment Receipts - Note Principal	61,079.66	327,954.65
Internal Investment Receipts - Note Interest	25,153.53	120,034.98
External Investment Receipts - Return of Capital	118,375,688.70	108,930,144.21
External Investment Receipts - Capital Gains	102,166,981.29	5,342,237.78
External Investment Receipts - Dividend	11,048,931.79	10,408,383.20
External Investment Receipts - Interest	(5,118,237.00)	0.00
External Investment Receipts - Misc.	27,808,956.53	15,023,175.03

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SCHEDULE 4 (continued)

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	TOTALS	
	2012	2011
<i>PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305) (continued)</i>	\$	\$
Receipts from State Energy Marketing Program:		
SEMP Receipts for Third Party Purchases	46,764,453.74	58,145,191.85
State Power Program	7,823,913.28	8,553,064.41
Receipts from Surface Rentals, Easements, and Damages:		
Surface Damage Fees	3,236,274.89	2,555,772.31
Rental of Land - Escrow Consideration	0.00	60,000.00
Receipts from Surface Rentals, Easements, and Damages (continued):		
Surface Lease Rental	2,893,075.02	2,313,419.69
Coastal Private S-T Lease Rental	347,386.42	320,460.88
Coastal Public S-T Lease Rental	1,254.65	3,344.65
Coastal Commercial	1,272,246.57	1,499,609.92
Coastal Miscellaneous Easements	2,076,582.24	4,591,638.85
Geothermal Resources Rental & Bonus	0.00	32,281.66
Land Easement Rental, Riverbeds	447,579.05	231,995.75
Wind Lease Bonus	10,000.00	262,064.17
Wind Lease Royalties	16,169.00	35,717.12
Solar Surface Lease Rental or Bonus	47,732.80	19,718.04
Uplands Commercial	2,168,425.41	7,870,960.30
Uplands Miscellaneous Easements	2,023,939.31	587,526.02
Receipts from Misc. Interest and Other Collections:		
Interest	16,441,536.83	11,043,856.25
Miscellaneous	400,274.27	(4,068,903.24)
Land Office Administrative Fees	972,396.22	3,773,547.16
TOTAL AGENCY 305	758,914,757.99	909,689,672.05
TOTAL PERMANENT SCHOOL FUND	758,914,757.99	909,689,672.05
<i>STATE PARKS FUND (FUND 0064/AGENCY 802)</i>		
Receipts from Mineral Sources:		
Oil Royalty	829,489.92	753,831.22
Gas Royalty	3,518,792.96	3,881,156.77
Mineral Lease Bonus	27,472.64	86,054.10
Mineral Lease Rental	800.00	3,277.43
Receipts from Surface Rentals, Easements, and Damages:		
Easements	2,162.61	7,119.56
Receipts from Misc. Interest and Other Collections:		
Interest	4,620.03	12,852.18
TOTAL STATE PARKS FUND	4,383,338.16	4,744,291.26
<i>TEXAS A & M UNIVERSITY MINERAL INVESTMENT FUND (FUND 0095/AGENCY 710)</i>		
Receipts from Mineral Sources:		
Oil Royalty	0.00	2,016,392.15
Gas Royalty	947,130.05	3,236,061.07
Receipts from Misc. Interest and Other Collections:		
Interest	1,316,070.91	3,428.14
TOTAL TEXAS A & M UNIVERSITY MINERAL INVESTMENT FUND	2,263,200.96	5,255,881.36

UNAUDITED

SCHEDULE 4 (concluded)

	TOTALS	
	2012	2011
<i>TEXAS TECH UNIVERSITY SPECIAL MINERAL FUND (FUND 0269/AGENCY 733)</i>	\$	\$
Receipts from Mineral Sources:		
Oil Royalty	64,756.07	75,779.34
TOTAL TEXAS TECH UNIVERSITY SPECIAL MINERAL FUND	64,756.07	75,779.34
<i>MIDWESTERN UNIVERSITY MINERAL FUND (FUND 0412/AGENCY 735)</i>		
Receipts from Mineral Sources:		
Oil Royalty	9,874.20	9,670.12
TOTAL MIDWESTERN UNIVERSITY MINERAL FUND	9,874.20	9,670.12
<i>CAPITAL TRUST FUND (FUND 0543/AGENCY 537)</i>		
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	243,971.00	30,446.00
TOTAL AGENCY 537	243,971.00	30,446.00
<i>CAPITAL TRUST FUND (FUND 0543/AGENCY 539)</i>		
Receipts from Mineral Sources:		
Oil Royalty	127,197.11	136,014.08
Gas Royalty	401,608.69	743,085.13
Mineral Lease Rental	216.13	12.83
Mineral Lease Bonus	0.00	16,530.00
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	45,702.00	160,308.40
Receipts from Misc. Interest and Other Collections:		
Interest	55.77	0.00
TOTAL AGENCY 539	677,018.63	1,055,950.44
TOTAL CAPITAL TRUST FUND	920,989.63	1,086,396.44
<i>GAME, FISH, AND WATER SAFETY FUND (FUND 0930/AGENCY 802)</i>		
Receipts from Mineral Sources:		
Oil Royalty	171,915.67	151,863.24
Gas Royalty	63,281.76	42,506.56
Mineral Lease Bonus	0.00	22,096.95
Mineral Lease Rental	25,307.14	24,947.84
TOTAL GAME, FISH, AND WATER SAFETY FUND	260,504.57	241,414.59
<i>WORKFORCE COMMISSION FEDERAL FUND (FUND 5026/AGENCY 320)</i>		
Receipts from Sales of Real Property:		
Other Sale of Real Property	287,845.87	122,952.64
TOTAL WORKFORCE COMMISSION FEDERAL FUND	287,845.87	122,952.64
<i>TEXAS PARKS AND WILDLIFE (WMA) (FUND 0096/AGENCY 802)</i>		
Receipts from Surface Rentals, Easements, and Damages:		
Game, Fish W Water Easements - Uplands	66,875.35	66,875.35
TOTAL TEXAS PARKS AND WILDLIFE (WMA) FUND	66,875.35	66,875.35
TOTAL, ALL FUNDS (Schedule 5)	799,610,802.96	937,348,406.86

SCHEDULE 5

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

For the Year Ended August 31, 2012

(With comparative memorandum totals for the year ended August 31, 2011)

	TOTALS	
	2012	2011
<i>RECEIPTS FROM MINERAL SOURCES</i>	\$	\$
Oil Royalty	194,667,662.67	134,955,805.63
Gas Royalty	119,601,747.08	153,762,859.21
Mineral Lease Bonus	120,937,628.18	194,138,240.29
Mineral Lease Rental	4,101,467.44	8,356,861.47
Mining Lease Royalty	827,197.65	626,735.72
Mining Lease Rental and Bonus	116,418.05	117,861.80
Water Royalties	2,640.61	21,781.55
Talc Royalty	68,990.97	45,791.89
Hard Mineral Royalty	11,009.56	(85,666.14)
Shut-In Mineral Royalty	431,050.28	0.00
Judgment on Minerals	9,050.75	500,000.00
Prospect Permits	40,039.68	28,073.99
Outer Continental Shelf Judgment	1,600,580.55	2,123,591.88
Miscellaneous Rentals, Royalty, and Easements	1,269,899.84	1,334,003.04
TOTAL RECEIPTS FROM MINERAL SOURCES	443,685,383.31	495,925,940.33
<i>RECEIPTS FROM REAL ASSET INVESTMENTS</i>		
Internal Investment Receipts	13,858,211.40	203,102,141.85
External Investment Receipts	254,282,321.31	139,703,940.22
Sale of Building	287,845.87	122,952.64
TOTAL RECEIPTS FROM REAL ASSET INVESTMENTS	268,530,617.51	342,929,034.71
<i>RECEIPTS FROM STATE ENERGY MARKETING PROGRAM</i>		
SEMP Receipts for Third Party Purchases	46,764,453.74	58,145,191.85
State Power Program	7,823,913.28	8,553,064.41
TOTAL RECEIPTS FROM STATE ENERGY MARKETING PROGRAM	54,588,367.02	66,698,256.26
<i>RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES</i>		
Surface Damage Fees	3,236,274.89	2,555,772.31
Uplands Commercial	2,168,425.41	7,870,960.30
Coastal Commercial	1,272,246.57	1,499,609.92
Coastal S-T Lease Rental	348,641.07	323,805.53
Easements	4,169,559.51	5,253,159.78
Surface Lease Rental	2,893,075.02	2,313,419.69
Rental of Land	781,610.05	526,360.15
Wind Lease Royalties	16,169.00	35,717.12
Wind Lease Bonus	10,000.00	262,064.17
Geothermal Resources Rental & Bonus	0.00	32,281.66
Solar Surface Lease Rental or Bonus	47,732.80	19,718.04
TOTAL RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES	14,943,734.32	20,692,868.67
<i>RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS</i>		
Interest	16,474,919.76	11,073,611.61
State of Texas Sales Tax	344.95	412.92
Veterans' Land Board Service and Administrative Fees	972,396.22	3,770,593.77
Miscellaneous	400,324.27	(3,754,812.31)
Specialty License Plates	14,715.60	12,500.90
TOTAL RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS	17,862,700.80	11,102,306.89
TOTAL, ALL SOURCES (Schedule 4)	799,610,802.96	937,348,406.86

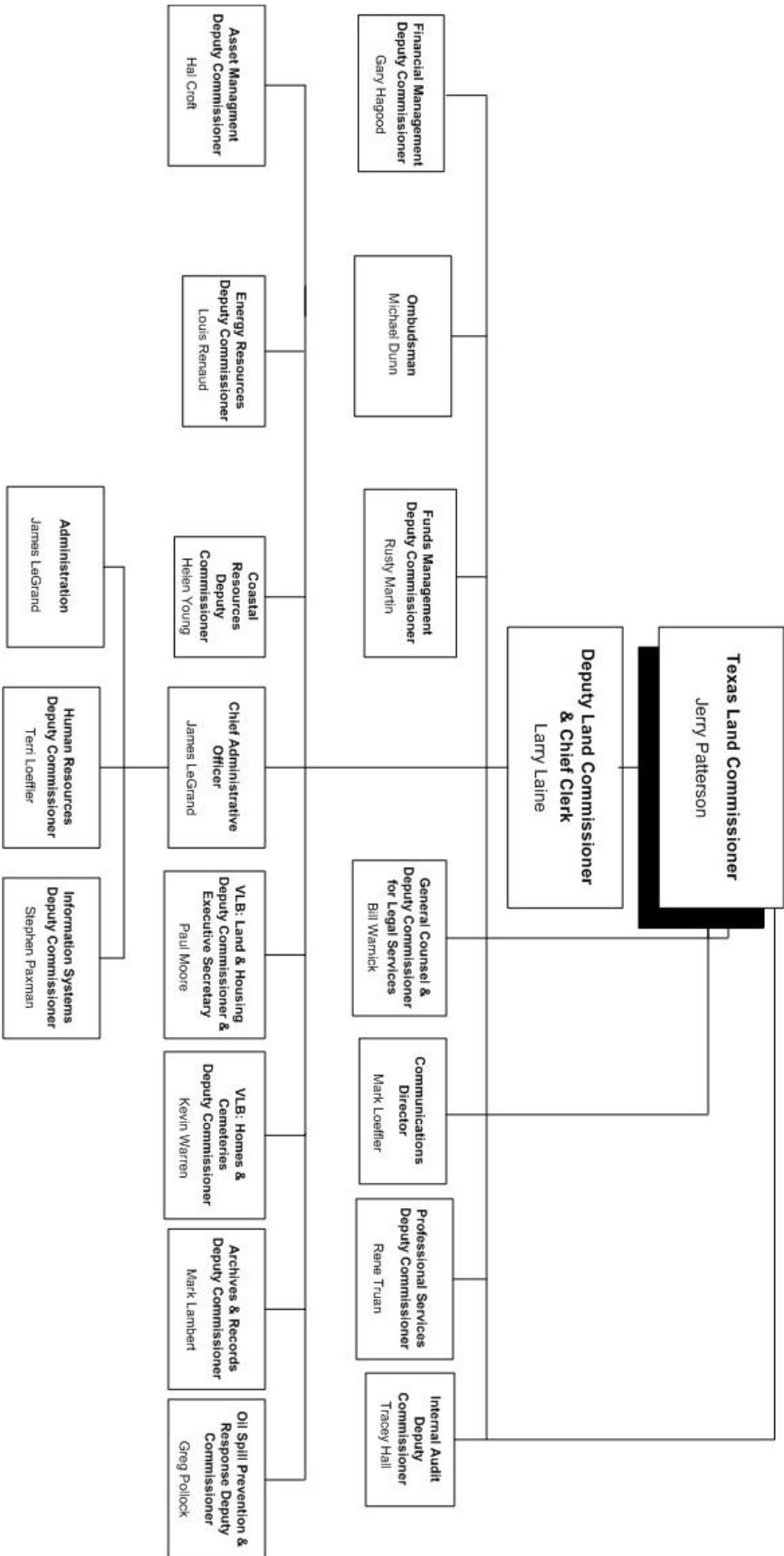
TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

ADDENDUM

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2012



General Land Office/Veterans Land Board



ADDENDUM

ORGANIZATIONAL AND GENERAL COMMENTS

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

<u>Description of Acreage</u>	<u>Number of Acres</u>
Freshwater Rivers (estimated)	1,000,000.000
Rivers, Creeks, Bayous (tidal)	8,481.854
Bays, Inlets, Coves	1,460,885.542
Gulf of Mexico	2,443,493.950
Surveyed School Lands	427,909.711
Lakes	68,636.327
Islands	18,051.840
Navigation Districts	89,132.727
Relinquishment Act Land (mineral interest)	6,321,610.285
Free Royalty Land	820,039.310
Surface Sold and All or Part Minerals Reserved	363,180.424
Surface Sold and All or Part Minerals Acquired	273,294.899
Small Tracts	0.320
Escheated Lands	163.509
Court Judgments	51,318.865
Gifts	27.077
Undivided Interest	7,556.597
State Real Property Inventory	1,342,680.167
Permanent University Fund	2,109,190.870
Excess (estimated)	1,747,600.000
Veterans' Land Board (land contracts)	257,430.000
Total (estimated)	<u>18,810,684.274</u>

Trust duties include administering state land sales and leases; issuing land patents and settling vacancy questions; protecting state land from uncompensated or unlawful use; ensuring that the conditions of mining claims, gas and oil leases, commercial and grazing surface leases, pipeline easements, and various other permits are fulfilled; and providing the public with information on the state's land resources. The Veterans' Land Board has 257,430.00 acres

of veterans' land contracts to 12,618 qualified Texas veterans. Additionally, the Veterans' Land Board holds 2,276 land mortgages, 13,459 housing mortgages and 783 home improvement loans under the Veterans' Land and Housing Assistance Programs.

The commissioner of the Texas General Land Office is a state official elected by the voters of Texas to a four-year term. The Honorable Jerry Patterson was initially elected in the November 2002 General Election for a term beginning January 1, 2003, and extending through December 31, 2006. The commissioner was re-elected in the November 2006 General Election for a term beginning January 1, 2007, and extending through December 31, 2010. The commissioner was re-elected in the November 2010 General Election for a term beginning January 1, 2011, and extending through December 31, 2014.

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

The School Land Board includes the land commissioner, who serves as chairman, and two citizen members who are appointed for a two-year term. One member is appointed by the attorney general and the other by the governor. Citizen members received a \$30.00 per diem allowance and actual travel expenses (not exceeding the maximum meals and lodging rates based on the federal travel regulations issued by the Texas Comptroller of Public Accounts) while in the performance of their official duties during Fiscal Year 2012. Expenses related to citizen members are paid from legislative appropriations granted to the Texas General Land Office. The citizen members serving at August 31, 2012, were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
David S. Herrmann	San Antonio	08-31-2007 ⁽¹⁾
Tommy Orr	Houston	08-29-2013

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

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

Regent members are appointed by the chairman of the Board of Regents, with the consent of the entire board, to serve two-year terms on the Board for Lease. Regent members serving at August 31, 2012, were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Printice L. Gary	Dallas	02-01-2013
James D. Dannenbaum	Houston	02-01-2013
James (Jim) P. Wilson	College Station	02-01-2013

The land commissioner serves as chairman of the Boards for Lease of the Texas Parks and Wildlife Department and Texas Department of Criminal Justice. The Board for Lease of the Texas Parks and Wildlife Department consists of the land commissioner; the chairman of the Texas Parks and Wildlife Commission; and one citizen member appointed by the governor, with concurrence of the Senate, for a two-year term.

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
T. Dan Friedkin Chairman Texas Parks and Wildlife Commission	Houston	02-01-2017
Wesley Lloyd	Waco	09-01-2013

The Board for Lease of Texas Department of Criminal Justice consists of the land commissioner; the chairman of the Texas Board of Criminal Justice; and one citizen member appointed by the governor, with concurrence of the Senate, for a two-year term.

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Oliver J Bell Chairman Texas Board of Criminal Justice	Horseshoe Bay	02-01-2015
Wesley Lloyd	Waco	09-01-2013

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

Mineral lease sales conducted during the 2012 Fiscal Year by the Texas General Land Office for various state land boards and/or commissions are presented on the following page.

The Veterans' Land Board was created by constitutional amendment in 1946 to oversee the Veterans' Land Program. The land commissioner, who serves as chairman, along with two citizens appointed by the governor, 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 Year 2012. The citizen members serving on this board at August 31, 2012, were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Alan K. Sandersen	Missouri City	12-29-2014
Alan L. Johnson	Harlingen	12-29-2012

Data applicable to land, housing, and home improvement loan program activities of the Veterans' Land Board are presented on page 178.

UNAUDITED

MINERAL LEASE SALES FISCAL YEAR 2012

Lease Sale Date ⁽¹⁾	Number of Leases Awarded	Total Acres Leased	Total of High Bids Accepted	Average Bonus per Acre
			\$	\$
School Land Board				
Surveyed School Land				
<i>Oil and Gas</i>				
October 4, 2011 ⁽²⁾	12	3,149.58	978,224.51	310.59
April 3, 2012 ⁽²⁾	33	6,467.19	4,167,055.41	644.34
July 17, 2012	37	10,905.31	8,307,459.02	761.78
Total	82	20,522.08	13,452,738.94	655.53
Special Boards for Lease				
Texas Department of Criminal Justice				
<i>Oil and Gas</i>				
April 3, 2012	1	634.00	96,368.00	152.00
Total	1	634.00	96,368.00	152.00
Texas Parks and Wildlife				
<i>Oil and Gas</i>				
July 17, 2012	1	264.16	27,472.64	104.00
Total	1	264.16	27,472.64	104.00
Texas Youth Commission				
<i>Oil and Gas</i>				
April 3, 2012	1	146.83	46,691.94	318.00
Total	1	146.83	46,691.94	318.00
⁽¹⁾ No lease sale held on 01/18/12				
⁽²⁾ Includes one Relinquishment Act Lands (RAL) tract				

Land program loans receivable, including properties acquired through forfeiture at August 31, 2012:

	<u>Land Contract for Deed (CFD)</u>	<u>Land Mortgage</u>	<u>Total Land Program Loans</u>
	\$	\$	\$
Principal Receivable	188,478,417.52	113,744,751.61	302,223,169.13
Interest Receivable	<u>2,412,367.84</u>	<u>559,100.53</u>	<u>2,971,468.37</u>
Total Land Program Loans Receivable	<u><u>190,890,785.36</u></u>	<u><u>114,303,852.14</u></u>	<u><u>305,194,637.50</u></u>

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

	<u>Contract for Deed Since Program Inception *</u>	<u>Land Mortgage</u>	
		<u>Year Ended August 31, 2012</u>	<u>Since Program Inception</u>
Total Acres Purchased	4,981,195.33	7,593.93	37,091.88
Total Purchase Price	\$1,807,224,246.13	\$31,496,327.03	\$134,263,912.37
Average Price Per Acre	\$362.81	\$4,147.57	\$3,619.77
Number of New Loans	122,499	623	2,675

Housing program loans receivable, including properties acquired through foreclosure at August 31, 2012:

	<u>Housing Mortgage</u>	<u>Home Improvement</u>	<u>Total Housing Program Loans</u>
	\$	\$	\$
Principal Receivable	1,649,570,540.28	14,418,520.46	1,663,989,060.74
Interest Receivable	<u>15,465,666.13</u>	<u>116,185.31</u>	<u>15,581,851.44</u>
Total Housing Program Loans Receivable	<u><u>1,665,036,206.41</u></u>	<u><u>14,534,705.77</u></u>	<u><u>1,679,570,912.18</u></u>

Housing program loans purchased during Fiscal Year 2012:

	<u>Housing Mortgage</u>	<u>Home Improvement</u>	<u>Total Housing Program Loans</u>
Housing Loan Principal	\$294,731,558.88	\$4,256,111.75	\$298,987,670.63
Number of Housing Loans	1,494	200	1,694

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

UNAUDITED

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

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

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

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

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

PROGRAM AREAS

The land commissioner, together with the deputy land commissioner and chief clerk; the general counsel; the ombudsman; the chief ethics officer; the chief administrative officer; the director of communications; the director of governmental affairs; the deputy commissioners; and, other key administrative personnel, supervises the activities of the Texas General Land Office and Veterans' Land Board. The following paragraphs, which are complemented by the organizational chart, highlight these areas and the overall organization of the agency.

ADMINISTRATION

Administration is responsible for the agency's purchasing, travel, construction, safety/risk management, and administrative support functions. It is comprised of three primary divisions: Administrative Services, Construction Services, and Procurement.

The Construction Services division manages all construction projects for the agency, including the planning, construction process and ongoing maintenance of the Texas State Veterans Cemetery Program, State of Texas David A. Gloier Texas State Veterans Home Program projects. The division also oversees coastal construction projects.

The Procurement division purchases goods and services for the agency. The procurement team makes best value purchasing decisions based upon reasonable assessment of quality, service, competitive pricing, and technical qualifications in accordance with federal and state laws, rules, and regulations.

The Administrative Services division also provides a variety of services to the agency, including out-bound mail, shipping and receiving, pickup and delivery services, office design, and modular furniture reconfiguration. The Administrative Services staff also serves as the agency liaison for telecommunications, facilities management, and fleet management; manages the agency's warehouse space; and maintains the agency's fixed asset records. The Stephen F. Austin building receptionist is also part of this division.

The Travel Office assists employees with travel arrangements and ensures compliance with state travel regulations.

Safety and risk management functions and the agency's Historically Underutilized Business and Mentoring Coordinator also reside in Administration.

ARCHIVES AND RECORDS

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

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

The program also provides high-quality copies and reproductions of documents and maps to customers, both internal and external. Document reproduction charges are used to conserve the 35 million documents and 80,000 maps, sketches and drawings housed at the GLO. The program's outreach efforts include an annual history

symposium, several publications, a quarterly newsletter, tours, exhibits, presentations to the public, a presence at various historical and genealogical conferences and a website to increase public awareness of the history of the Texas General Land Office and Texas public lands.

The Archives and Records program area, in conjunction with the GLO Communications department, operates a partnership entitled "Save Texas History!" that leverages private funding in the form of corporate, non-profit and individual donations and map and document sales, to help defray the expense of conserving and preserving these treasures for future generations of Texans. Since 2009, "Save Texas History!" 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.

Archives and Records continue 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 103,500 maps and documents, representing more than 2.3 million digital images, which are available in an online searchable database. These documents include historically significant maps of Texas dating to 1754, as well as original land grant records of individuals in Texas dating back to 1720. These maps and documents, once digitized, are placed on the agency's website for the public to view and research. Digitization of the records provides much wider access to these historically significant collections in our care, including to persons who do not have the time or money to travel to Austin to view these records in person, as well as better preserving the originals in our care. In addition, the Archives and Records program is providing this digital preservation service at reasonable cost to the Texas State Library and other state entities, as well as participating in national and state-level grants involving the digitization of cultural heritage objects.

During Fiscal Year 2012 the Archives and Records program area also began scanning paperwork for the agency's Disaster Recovery Program, which manages federal grant paperwork for housing and non-housing grants resulting from Hurricanes Dolly and Ike and the 2011 Texas wildfires, enabling this program to go paperless.

ASSET MANAGEMENT

The Asset Management program area is comprised of two divisions: Portfolio Management and Inventory and Disposition Management.

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

Inventory and Disposition Management is responsible for a number of real estate and related activities associated with statutory requirements and responsibilities. Under §§31.153-31.159, Texas Natural Resources Code (TNRC), this area is responsible for reviewing and recommending retention or disposition of lands currently in the possession of other state agencies, particularly in reference to under-utilization. In connection with this activity, the area maintains an inventory of other agency land holdings. Also within this activity, the Agency conducts a continuous effort to dispose of un-sold rural lands dedicated to the Permanent School Fund by sealed bid and direct sale.

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

COASTAL RESOURCES

Coastal Resources is responsible for a number of initiatives designed to foster sound stewardship of natural resources and to promote economic growth along the Texas coast. Coastal Resources is comprised of two divisions: Grant Programs and Support, and Planning, Permitting and Technical Services.

The Grant Programs and Support division administers the Coastal Impact Assistance Program (CIAP). The Energy Policy Act of 2005 authorized the 2005 CIAP. Two hundred and fifty million dollars was to be divided annually among the coastal states of Alabama, Alaska, California, Louisiana, Mississippi and Texas for Fiscal Years 2007 through 2010. On April 16, 2007, MMS released individual CIAP allocation amounts for Fiscal

Years 2007 and 2008. For Fiscal Years 2007 and 2008, the State of Texas received \$48,591,202.09 for each Fiscal Year. Of this amount, \$31,584,281.36 was awarded to the State and \$17,006,920.73 awarded to the 18 coastal counties. For Fiscal Years 2009 and 2010, the State will receive \$70,924,780.81, collectively. Of that amount, \$46,101,107.53 will be awarded to the State and \$24,823,673.28 will be awarded to the 18 coastal counties.

This division 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.

The Grant Programs and Support division administers the Environmental Protection Agency (EPA) Beach Act federal funds, which support the Texas Beach Watch Program. The division also coordinates with the Office of Communications on events such as the Coastal Expo held in June, 2012 in Galveston, Texas.

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

The Coastal Management Program (CMP) grants program is entering its 16th cycle and the Texas General Land Office has been awarded approximately \$2.6 million for CMP authorized projects with subrecipients along the coast.

The Grant Programs and Support division also houses the mitigation program that works with other state agencies and local governments to implement state and federal coastal hazard mitigation efforts including grants from the Federal Emergency Management Agency (FEMA).

The Tide Gauge Program began in 1989 at the Conrad Blucher Institute for Surveying and Science (CBI) at Texas A&M University-Corpus Christi. This program operates out of the Grant Programs and Support division where CBI performs the work and has commenced the installation of a modern state-of-the-art water-level measurement system along the Texas coast. The first measurement systems installed by CBI were intended to provide real-time water-level and meteorological information to the City of Corpus Christi to assist local officials with preparations for incoming hurricanes and tropical storms. From this initial work, other state agencies including the Texas General Land Office and the Texas Water Development Board began contracting with CBI to provide similar information for other areas along the Texas coast. Following a Texas Legislative mandate in 1991, this network of water level gauges became the Texas Coastal Ocean Observation Network (TCOON). As a result, TCOON expanded from initially three stations in Corpus Christi in 1989 to over forty stations by 1992. Currently there are 24 operating stations along the coast,

The Grant Programs and Support division also oversees the Beach Watch program. The Beaches Environmental Assessment and Coastal Health (BEACH) Act was passed by Congress in 2000 to protect public health in coastal recreational waters. It established uniform criteria for testing, monitoring and notifying the public users of possible coastal recreation water problems. It also requires that states, in cooperation with EPA, develop and implement a program to monitor coastal recreation waters adjacent to beaches that are used by the public and to notify the public if water quality standards for pathogens and pathogen indicators are exceeded. In July 2001, the Office of the Governor appointed the Texas General Land Office as the lead state agency responsible for implementing the provisions of the BEACH Act as they applied to the state because of its existing Beach Watch Program. This program started in the late 1990s as a fledgling water-quality monitoring program funded by the Coastal Management Program. To date, the Texas Beach Watch Program has received more than \$2.5 million in federal funding to implement the program and meet the requirements of the BEACH Act.

The Texas Beach Watch Program is funded by the EPA and administered by the Texas General Land Office to monitor water quality at Texas recreational beaches. When bacteria levels in the water exceed the acceptable standards established by the EPA, the Texas General Land Office works with local governments to issue advisories warning the public not to swim in affected waters. Water samples are collected from 167 stations at approximately 67 recreational beaches along the Texas coast in Aransas, Brazoria, Cameron, Galveston, Jefferson, Kleberg,

Matagorda, Nueces and San Patricio counties. Water samples are collected weekly during the peak beach season, which runs from May through September, and every two weeks during the rest of the year. The one exception occurs in March when weekly sampling is conducted to coincide with spring break at Beach Watch monitored gulf beaches.

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

The Planning, Permitting and Technical Services division administers the state Coastal Erosion Planning and Response Act (CEPRA) created by the 76th Texas Legislature. This program represents the first coastal erosion program in Texas and entails a coordinated effort of state, federal, and local entities to conduct erosion response projects and related studies for the 367 miles of Texas Gulf beaches and the more than 3,300 miles of bay shoreline. Texas beaches suffer from the highest erosion rates in the country. The Texas Legislature has appropriated approximately \$99 million for the CEPRA program through Fiscal Year 2013. During the previous biennium, the amount committed to projects was reduced by approximately \$1.5 million in response to the state-wide budget crisis and approximately \$7.2 million in other legislative reductions. 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 \$265 million. Erosion response projects conducted by the division include beach nourishment, dune restoration, shoreline protection, marsh restoration, structure and debris removal, demonstration projects, and supporting studies on shoreline change, sand source permitting, and economic/natural resource benefits.

The Planning, Permitting and Technical Services division also administers the Beach Access and Dune Protection Program, which 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 to, and use of, the public beaches are protected.

The division also administers the Beach Maintenance Reimbursement Fund and Beach User Fee Programs. The

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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.

ENERGY RESOURCES

Energy Resources is responsible for five broad functions, all related to state-owned minerals: leasing mineral lands; monitoring and processing non-royalty lease payments; reviewing information from companies that produce the minerals from state-owned lands to ensure proper volumes have been reported; marketing oil and gas for the state's take in-kind program; and converting those volumes of take in-kind royalties and "third-party" oil and gas produced from state leases necessary to operate the State Power Program which sells electricity to retail public customers. The program area consists of two divisions: Minerals Leasing and Energy Marketing.

The Minerals Leasing division issues geophysical permits and prospect permits for mineral exploration of state acreage; evaluates state lands for mineral potential and value; recommends terms and conditions for the leasing of state-owned minerals; ensures lease compliance with state laws and agency policy; conducts oil, gas, and other mineral lease sales for the Permanent School Fund (PSF) and other state agencies; reviews the relationships between lessees and surface owners of Relinquishment Act leases; evaluates Relinquishment Act and highway right-of-way tracts for lease; reviews applications for pooling and makes recommendations to the School Land Board and other boards for lease for final consideration; processes lease terminations; provides research and mapping expertise to the general public and agency program areas; and processes non-royalty lease payments such as rental and shut-in payments; and is responsible for physically inspecting and monitoring state oil, gas, and hard mineral leases throughout the state, including active, producing, and terminated leases.

During Fiscal Year 2012, the General Land Office received a record high total of over \$113 million in oil and gas lease bonus revenue. Bonus is the cash consideration paid by the lessee for execution of an oil and gas lease by the state. The majority of this revenue was again derived from leasing acreage in the developing Wolfcamp/Bone Spring (Wolfbone) play area in West Texas.

The Energy Marketing division manages the State Energy Marketing Program (SEMP), which sells oil and gas produced from selected mineral leases. These leases allow

the state to physically take its royalty share of the mineral production from the lease operator in lieu of receiving monetary payments. Revenue for the Permanent School Fund is enhanced as a result of the marketing program in addition to providing utility savings for public customers that purchase natural gas from the Texas General Land Office.

The 76th Legislature passed S.B. 7 authorizing the land commissioner, under Chapter 35 of the Texas Utilities Code, to convert royalties taken in-kind from state lands to other forms of energy, including electricity. This electricity is sold to public retail customers. Military bases and federal veterans' facilities were added to the list of eligible public retail customers.

SEMP can purchase, transport, nominate, schedule, and balance oil and gas production for delivery into the State Power Program. Much of the state land administered by the Texas General Land Office in certain areas is rich in oil and gas. Before 1983, the agency simply took cash payments for royalties owed for production off state lands. Around that time, Texas General Land Office analysts discovered that the potential existed to obtain better revenues for the Permanent School Fund by taking the oil and gas in-kind and marketing it, rather than be paid cash for its market value.

The GLO issues leases covering state-owned lands for solar, wind, and geothermal power production. Initially, the leases generate revenue to the state through annual per-acre rental payments. If the project is developed, the state collects royalty payments based on the amount of power generated from the facility. During Fiscal Year 2012, GLO staff met with a number of potential lessees, but did not issue new leases. Currently, GLO has four active offshore wind leases, one active onshore wind lease, and one active solar prospect permit.

FINANCIAL MANAGEMENT

Financial Management serves to enhance and strengthen accounting controls over all financial transactions of the agency, as well as to manage long-term disaster recovery for the State. 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, Financial Subsidiary Operations, the Disaster Recovery Program, and Disaster Recovery Finance.

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 assists in integrating and improving agency financial processes and systems.

The Financial Reporting & Accounting division maintains the agency general ledger, performs internal reconciliations to subsidiary systems, performs external reconciliations to the Uniform Statewide Accounting System, provides financial information to internal and external users, administers the agency's federal grants, monitors grant reimbursements, and produces the annual financial report.

Budget & Planning prepares and maintains the agency's operating budget, leave and payroll, strategic plan, performance measures, fiscal notes, and legislative appropriations request. The division is also responsible for coastal technical and support services, which include, budget preparation, financial analyses, project financial monitoring, and support to both internal and external stakeholders of the Coastal Resources program area - as required.

The Cash Management division manages the receipt and disbursement of cash by accurately and timely recording cash related transactions to the agency's accounting system in accordance to agency policy, accounting standards, and federal and state laws and regulations.

The Financial Subsidiary Operations division performs the compliance and control functions necessary to ensure subsidiary transactions are appropriately recorded in the general ledger for accurate and complete reporting. Their area of responsibility includes the Veterans Home and Cemetery Programs, the Alamo, the internally managed real assets investment portfolio, and surface and mineral leases under the stewardship of the agency. The division also conducts field audits and account reconciliations (volume and due vs. paid) to assess the accuracy of the royalty computations and payments being reported to the agency, as well as to ensure the contractual and regulatory compliance of the operators of the veterans homes.

The Disaster Recovery Program division manages all program aspects of disaster recovery grants received from federal awarding agencies as a result of hurricanes, wildfires, floods and other disasters. Their area of responsibility includes but is not limited to ensuring compliance with all federal regulation in their efforts to assist with housing, infrastructure and economic development for affected Texas areas and communities.

The Disaster Recovery Finance division maintains the disaster recovery operating budget, manages federal disaster recovery grant payments to units of local government and professional services vendors, maintains federal disaster recovery reporting systems, performs reconciliations to the Uniform Statewide Accounting System, internal accounting system, contract management systems, and federal reporting systems.

FUNDS MANAGEMENT

The Funds Management program area is responsible for all of the strategic and tactical financial operations related to the financing mechanisms associated with the programs administered by the Veterans' Land Board of the State of Texas (VLB). Within that construct, Funds Management plans and manages the issuance of all tax-exempt and taxable bonds for the VLB and hedges associated interest rate risk by entering into interest rate swaps and other bond enhancement agreements. In addition, it oversees the financial operations of the VLB loan programs, including the certification and sale of GNMA pass-through mortgage-backed securities in the secondary market. Funds Management also manages the Veterans' Land Board investment portfolio to maximize return and minimize risk, while ensuring that programmatic liquidity and cash flow needs are satisfied. The program also ensures that the Veterans' Land Board investment portfolio maintains compliance with federal arbitrage regulations. Also, the program negotiates contract terms of management and operations agreements with operators of the veterans homes in the David A. Gloier Texas State Veterans Home Program and manages all aspects of the revenue bonds associated with the financing of veterans homes, including cash flow projections, debt service coverage analyses, and recommendations to the VLB concerning the structure of resident room rates.

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

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

HUMAN RESOURCES

Human Resources (HR) is responsible for providing human resource management leadership, expertise, and assistance for all GLO employees. Among its duties, HR:

- posts agency job vacancies, attends job fairs to recruit diverse and qualified applicants, and reviews hiring recommendations;
- conducts new-hire orientation to familiarize new employees with agency policies and procedures and verifies employment eligibility of new hires through the proper completion of the Form I-9 and examination of employees' identity documents as required by federal law;
- supports the professional development of agency employees by providing training to enhance employees' skills, abilities, and awareness and to increase productivity and efficiency;
- administers all insurance and other employee-related benefits for the agency, including medical, dental, life, and disability insurance and deferred compensation, conducts annual enrollment, and assists employees with benefit and coverage questions;
- analyzes personnel action forms (PAFs) to ensure that compensation, classification, and FLSA issues are addressed according to the law;
- provides performance management assistance, including reporting upcoming performance evaluation deadlines to help agency managers provide timely feedback;
- reviews, updates, and maintains the agency policies and procedures in the GLO Employee Handbook to make sure the Handbook is useful and in compliance with relevant laws and regulations;
- answers employee's questions about HR-related policies, laws, and procedures and helps to resolve employee issues;
- coordinates leave administration, such as processing requests under the Family and Medical Leave Act and applications for sick leave pool;
- responds to inquiries from the Texas Workforce Commission Human Rights Division, Equal Employment Opportunity Commission, Department of Labor, and similar entities and represents the agency in hearings regarding unemployment compensation benefits;
- investigates complaints made under agency policy or applicable law and reports findings to agency management;
- responds to reasonable accommodation requests under the Americans with Disabilities Act;
- maintains employee personnel files, confidential medical information, and benefits records and responds to subpoenas, requests for records, and employment verifications;
- prepares various reports regarding agency personnel information and statistics for internal, as well as for external, reporting needs; and
- coordinates special projects for the agency, including employee recognition events such as the annual GLO service awards recognition ceremony.

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

INFORMATION SYSTEMS

Information Systems consists of three divisions: Business & Training Services, Business Automation Services and Network Services.

The Business & Training Services Division provides administrative support to the IS program area, provides support on personnel and related issues, handles purchasing for IS, performs operational activities that serve as audit points throughout several agency processes, and maintains the computer hardware and software inventory and licensing agreements. Major services provided by this division include all software related training is provided by

the IS BTS Training staff which includes customized classes as well as for commonly-used applications such as Microsoft Office; project management and coordination services; oversight of the IS budget; and legislative reporting including the Biennial Operating Plan, Information Systems Strategic Plan, Legislative Appropriations Requests, Information Technology Detail Plan, and other reports as necessary.

The Business Automation Services Division leverages its expertise with software applications and business data to enhance customer service, solve business problems, and make staff more efficient and effective. BAS drives innovation and automation efforts by providing services such as analyzing agency processes and workflows, advising management on technology options, developing custom software, integrating commercial software with existing data, producing maps and GIS viewers, providing project management services, and helping support the agency website.

The Network Services Division is an enabler of business opportunity. The division is responsible for planning, designing, managing and securing the agency data communications network, servers, personal computers, and peripherals. The division's major activities include providing tier 1 - 3 technical support, design and administration of the network, servers, and databases, establishing hardware and software standards, maintaining Internet, Intranet and Regional connectivity, administering the electronic communication system, and ensuring system fault tolerance and the availability of backups for recovery purposes.

INTERNAL AUDIT

Internal Audit improves agency operations through systematic, independent and objective evaluation of all Texas General Land Office programs. Internal audit reports are provided to the land commissioner, agency management, the Office of the Governor, the Legislative Budget Board, the Sunset Advisory Commission and the State Auditor's Office.

LEGAL SERVICES

Legal Services provides legal advice and counsel to the land commissioner, School Land Board, Veterans' Land Board, Coastal Coordination Council, Coastal Land Advisory Board, Texas Farm and Ranch Lands Conservation Council, Boards for Lease, and all agency divisions. The program provides litigation support to the

Office of the Attorney General and to outside counsel. The program consists of five teams: Commercial Transactions and Public Lands, Oil and Gas, Coastal, Administration and Support Services.

The Commercial Transactions and Public Lands team provides advice regarding the purchase and sale of land, land trades, commercial leases, and surface leases, with a particular focus on commercial transactions related to the Special Fund Account of the Permanent School Fund. This team also advises agency clients on legal issues regarding easements, boundary disputes, environmental law matters involving hazardous substances which may impact state lands, title disputes, VLB matters, and other legal issues concerning real property.

The Oil and Gas advises agency clients on issues concerning state ownership and leasing of oil, gas, and other minerals, including lease maintenance, pooling, unitization, the Relinquishment Act, royalty payments, energy-related surface use easements and agreements, Railroad Commission matters, geochemical/geophysical permitting, mining, retail electric service under the State Power Program, and natural gas marketing.

The Coastal team advises agency clients on general legal matters and issues related to coastal public lands. This may include easements, boundary disputes, environmental law matters involving hazardous substances which may impact state lands, title disputes, and other legal issues concerning coastal real property. The team also supports efforts related to protection of the public beach easement administration of the Open Beaches Act and the Dune Protection Act, coastal erosion response, natural resource damage assessment, the Texas Coastal Management Program, oil spill prevention and response, alternative fuels, and wetlands mitigation banking.

The Administration team provides legal services for litigation, contracting, purchasing, open records, open meetings, rulemaking, legislation, employment, ethics, the Community Development Block Grant Disaster Recovery Program, and general advice relating to state and federal laws relevant to all program areas of the Texas General Land Office.

The Support Services team provides administrative support for the other teams. Clerical help, filing, travel assistance, and general office management tasks are performed by the members of the Support Services team.

OFFICE OF COMMUNICATIONS

The Office of Communications primarily handles information requests from the news media and serves as the agency's main voice to the world. Led by the director of communications, who reports directly to the land commissioner, the division is comprised of a press team, publications team, media services team and public outreach staff. To accomplish these responsibilities, the Office of Communications provides accurate information about the Texas General Land Office and Veterans' Land Board in a timely and helpful manner, and provides a single, consistent voice for the Texas General Land Office. The Office of Communications writes and disseminates news releases, advisories, articles and other informational pieces about the Texas General Land Office. The division also arranges public events to publicize agency activities and programs, provides briefing materials for the land commissioner, educates Texans on the benefits and programs offered by the Texas General Land Office, and keeps Texans informed of response efforts in the event of major oil spills. Additional duties include designing the agency's publications and web site, creating high-quality video products to highlight agency programs and events, and videotaping agency events and making copies available to the news media as another means of spreading the agency's message. The division also takes photographs at agency events and provides publications regarding agency programs, initiatives and benefits.

OIL SPILL PREVENTION AND RESPONSE

The Oil Spill Prevention and Response Act of 1991 (OSPRA) 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 have been opened to respond to almost 800 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.

OSPRA also authorized the Texas General Land Office to procure spill response equipment—boom, skimmers, boats, trucks, pumps, wildlife rehabilitation equipment, communications, mobile command posts, and associated support equipment. All of this equipment, including pre-positioned response trailers at the state's coastal wildlife refuges, is maintained by field personnel in a ready condition and is available to supplement spill contractor and industry-owned equipment.

OSPRA 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. Over 600 facilities require this certification. Their plans, which are routinely audited by field personnel, detail spill response strategies, identify sensitive natural resources, and list trained personnel and inventories of spill response equipment. 606 facilities are certified and have submitted contingency planning information. The law also requires that certain classes of vessels that sail in state waters submit contingency plans. The program maintains database containing over 2,800 company accounts representing over 23,000 vessels.

The prevention of spills is also a primary objective of the Oil Spill Prevention and Response program staff. Regional personnel are on the water or in vehicles on a daily basis patrolling for discharges, and monitoring the loading and offloading of petroleum products at refineries. A small spill education program was created to instruct vessel owners and operators about the environmental damage caused by small chronic spills, and to provide practical prevention measures. *Operation Scupper Plug* was developed to furnish fuel docks and fishermen with sorbent materials to prevent the accidental discharge of diesel and gasoline during fueling operations.

The Oil Spill Prevention and Response program area has sponsored the construction of bilge water reclamation facilities at seven of the state's largest commercial shrimp harbors. The facilities are located in Port Isabel, Palacios, Port Lavaca, Freeport, Seadrift, and Port O'Connor. In Fiscal Year 2012, significant improvements were made to the bilge facility in Aransas County and improvements were also made to the facility in Port Isabel. These facilities provide a no-cost option for vessel owners to offload oily bilge water. The contaminated water and oil is separated, the water is processed and the oil is recycled. Over 2.0 million gallons of contaminated water have been cleaned and 1.7 million gallons of waste oil have been recycled – oil and contaminated water that would have likely been discharged overboard under the cover of darkness or in a remote location. Additionally, over 42,000 oversized used oil filters have been recycled.

The Oil Spill Prevention and Response Division were given authority by the Texas Legislature in 2005 to deal with the growing problem of derelict and abandoned vessels and structures along the Texas coast. The Derelict Vessel and Structure Removal Program continues to develop strategies and funding sources to effect removal of vessels and structures from every coastal county. To date, the Program has documented 829 abandoned vessels coast wide, and has effected removal and disposal of 536 vessels using innovative techniques and building partnerships with the salvage industry, NGOs and local coastal governments. The program continues to encourage local coastal governments to develop local ordinances to provide them greater authority to identify derelict vessels and their owners, and encourage vessel owners and operators to be responsible for their water craft before they become maritime hazards.

Austin-based staff provide administrative and policy assistance for all aspects of program operations:

- *Public Education.* Informs the oil industry, maritime community, environmental groups, and the general public about the mission of the oil spill program and its services, which is an important component of the goal to reduce discharges of petroleum products into coastal waters.
- *Emergency Management.* Maintains liaison with local emergency planning committees, local emergency management coordinators, and disaster district officials; this is essential for gathering local stakeholder input during major spill events. Maintains current contact information for elected officials in all coastal counties.
- *State Emergency Response/Natural Disaster Response.* The GLO is a member of the State Emergency Management Council, and the Oil Spill Prevention and Response Division provides support for two Emergency Support Functions (ESF) in the State of Texas Emergency Support Plan and the National Response Framework. The division supports ESF-9 Search and Rescue, and ESF-10 Hazardous Materials and Oil Spill Response. In coordination with TCEQ, the primary state agency responsible for ESF-10, and the US EPA and the USCG (the designated primary federal agencies under the National Response Framework), the division participated in the development of a coordinated operational response plan to correct issues identified in the after-action report following Hurricane Ike in 2008. The Natural Disaster Operational Workgroup (NDOW) has developed 7 SOPs, a data management system and

provided multiple training events for coastal responders including a full-scale deployment drill in July 2012.

- *Facility and Vessel Compliance.* Provides essential, consistent regulatory and policy guidance to facility and vessel operators. The compliance coordinator assists field personnel and industry with compliance-related matters.
- *Readiness and Training.* In order to operate on an emergency-response basis with a large inventory of equipment, considerable training and logistical support is required. The readiness and training function assists with equipment procurement and evaluation, communications, cleanup contractor certification, and maintenance issues.
- *Scientific Support.* Provides accurate and up-to-date natural resource information and guidance on impacts, implications, alternatives, and best management practices of response strategies during spill events. This guidance is critical for not only a successful cleanup effort but also aids in the reduction of connected secondary impacts that often result from the cleanup effort itself. Maintains knowledge of sensitive habitats, endangered species, shoreline types and the impacts that may be incurred along these locales, all of which are used to help guide a response. Maintains a system of offshore data buoys that are used in support of our in-house spill trajectory modeling capabilities.
- *Research and Development.* The Oil Spill Prevention and Response Program is one of only a few state programs that have a dedicated oil-spill related research program. The program has funded groundbreaking dispersant, shoreline cleaner, data acquisition/interpretation, bioremediation studies, biological and HF radar projects that directly enhance the ability of the response community to respond to oil-spills.
- *Cost Documentation.* The program is required to track and recoup program expenditures from responsible parties or the federal government for spill responses. The cost documentation function generates accurate and timely data for reimbursement purposes.
- *Spill Case Processing.* The efficient processing of individual spill cases is critical for enforcement, compliance, and reimbursement. The spill case processing function also maintains databases used to monitor frequent spillers and spill locations.

NATURAL RESOURCE DAMAGE ASSESMENT (NRDA)

The Oil Pollution Act of 1990, 33 U.S.C. 2701-2720 (OPA) and the Comprehensive Environmental Response Compensation, and Liability Act, 42 U.S.C. 9622 (CERCLA) create two types of liability for a party responsible for releases of oil or hazardous substances: (1) responsibility for cleanup of the environment (which is overseen by the lead cleanup agency); and (2) responsibility for restoring lost natural resources and their services (which is overseen by natural resource trustees).

“Natural resources” are defined in OPA and CERCLA as land, fish, wildlife, biota, air, water, groundwater, drinking water supplies, and other resources belonging to, managed by, held in trust by, appertaining to, or otherwise controlled by the United States, any state or local government or Indian tribe. The OPA and CERCLA natural resource trustees are the designated federal, state and tribal agencies who are responsible for the natural resources impacted by an oil spill or hazardous substance release. Federal trustees are designated by the President; state trustees are designated by governors; tribal trustees are designated by the affected tribes' governing bodies.

The GLO is one of the three Texas state agencies designated by the governor as natural resources trustees under OPA, CERCLA, and Texas Oil Spill Prevention and Response Act of 1991, Tex. Nat. Res. Code 40.201-.205 (OSPRA) to perform natural resource damage assessment (NRDA). The other Texas trustee agencies are Texas Parks and Wildlife Department and Texas Commission on Environmental Quality. 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.

NRDA implementation involves the legal and technical processes necessary to pursue compensation for and restoration of injuries to natural resources cause by the RP's release of oil or hazardous substances into the environment. Trustees identify and prioritize natural resources at risk following a spill or release to help ensure their protection during the emergency response. Trustees provide technical assistance to responders, including information on appropriate response techniques in environmentally sensitive areas and techniques of wildlife recovery and rehabilitation. The Trustees also provide information on threatened or endangered species and their habitat, archaeological, cultural and historic sites, and other natural resources and land areas under their jurisdiction.

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

- *Preassessment:* Trustees determine whether injury to natural resources has occurred. Work includes collecting time-sensitive data, reviewing scientific literature about the type of oil spilled or the hazardous substances released, and determining the types of injuries that may have occurred.
- *Injury Assessment and Planning:* Trustees perform scientific and economic studies to assess and quantify the injuries and the loss of natural resource services. A restoration plan is developed to identify restoration projects that will offset the level of injury.
- *Restoration:* Trustees work with the 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 responsible party pays the full cost of assessment and restoration.

Trustees encourage the RP to work cooperatively and jointly with them throughout the pre-assessment, assessment, and restoration phases of the NRDA process, thus reducing assessment costs and increasing restoration value.

The GLO's NRDA program is part of the Oil Spill Prevention & Response program area. NRDA staff members perform a variety of tasks in implementing the Trustee's role, including the following activities:

- Conducting preassessment and preliminary surveys of a site affected by a spill or release.
- Coordinating damage assessment and restoration planning with RPs, site managers, and the other Trustees.
- Performing natural resource damage and ecological service injury assessments.
- Working cooperatively to develop and implement plans for restoration, rehabilitation, replacement, or acquisition of equivalent natural resources.
- Implementing cost documentation procedures to track staff time and recoup expenditures related to NRDA cases to ensure that the RP fully reimburses the GLO for its costs.
- Working with other GLO program areas to develop best environmental practices in responding to spills and releases, to pursue proper

legal remedies in NRDA cases, to provide information about NRDA restoration projects, and to assist in comprehensive coastal planning efforts.

OMBUDSMAN

The Texas General Land Office Ombudsman is a source of confidential assistance, available to all levels of agency employees, in dealing with work-related concerns or conflicts.

The Ombudsman program provides a variety of tools to assist employees in dealing with matters of concern. The Ombudsman works with both parties in a dispute to facilitate communication between them to promote reconciliation, resolution, or understanding. The parties may be two co-workers; GLO client group and provider; or manager/supervisor and staff.

Although the Ombudsman program is designed to deal with work-related concerns, the agency realizes that personal concerns are also often interwoven with work life and assists employees with those issues and in identifying potential remedies.

PROFESSIONAL SERVICES

Professional Services provides real estate and field services to the Texas General Land Office. The program area consists of four divisions: Appraisal, Asset Inspection, Technical Support, and Surveying. All services are in accordance with applicable statutes and established professional standards to ensure the highest quality work product. The aim of Professional Services is to maximize revenue to the Permanent School Fund, while balancing environmental considerations. The program area promotes quality responsive customer service at all times as it is often the only point of contact between the customer and the agency.

The Appraisal division's main function is to provide property values to the Asset Management program area, as well as to the School Land Board, so that informed decisions may be made on behalf of the Permanent School Fund's portfolio. The Appraisal division is also charged with the responsibility of appraising state-owned property to ensure it is being utilized to its maximum potential. In Fiscal Year 2012, the program was mandated by the Texas Natural Resources Code to appraise all real property of some of the state's largest agencies being the Texas Facilities Commission, Health and Human Services, Texas Department of Criminal Justice, Texas Youth Commission,

and the Texas Workforce Commission. In Fiscal Year 2013, appraisers will continue assessing the value and utilization of some of the states largest agencies being the Adjutant General Department, Department of Public Safety and the Texas Parks & Wildlife Department.

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 2,678 reports on properties having a total market value of over \$1,829,602,798.00.

Asset Inspection is responsible for the overall management of activities involving the use of state-owned coastal and upland property. The division provides field assessments on proposed and existing projects, monitors the use of state-owned land, provides direct customer service to the public on the use of coastal and upland property, and negotiates and issues instruments of authorization for the use of state-owned land. Asset Inspection is dedicated to maintaining a land leasing and inspection process which protects the state's interest in its lands, maximizes revenue from uses of state property, preserves natural resources for future generations, and serves the public in a professional, timely, and efficient manner. The division managed over 10,154 instruments of authorization for various upland and coastal uses of state-owned land in Fiscal Year 2012.

Asset Inspection consists of Uplands and Commercial Leasing, the Lower Coast Field Office, Upper Coast Field Office and the Uplands Field Office.

Uplands Leasing is responsible for over 709,329 acres of Permanent School Fund land located throughout 145 counties in Texas. The staff is located in Austin, as well as in the Alpine Field Office. Uplands Leasing issues surface leases for grazing, hunting, crop production, recreation, timber management, and various commercial purposes. Currently there are 1,567 active upland surface leases, commercial leases, and miscellaneous easements on 634,888 acres of Permanent School Fund land. The Uplands range specialists completed 296 inspections in Fiscal Year 2012.

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

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lands, including submerged lands in bays and within tidewater limits of coastal lakes, bayous, inlets, streams, estuaries, rivers, and creeks.

The Upper and Lower Coast Field Offices work directly with Coastal Leasing, and together, during Fiscal Year 2012, managed over 8,588 coastal instruments. The Upper Coast Field Office is located in La Porte, Texas, and is geographically responsible for all activities north of Colorado River. The Lower Coast Field Office is located in Corpus Christi, Texas, and is geographically responsible for all activities from the Colorado River south. These offices are responsible for providing field assessments of proposed and existing coastal projects along the Texas coast. The offices work directly with the public on the planning and design of proposed structures that require authorization from the Texas General Land Office and the School Land Board. Field biologists work diligently to ensure compliance with state guidelines through aggressive field activities involving monitoring coastal areas, educational initiatives, documenting findings, and coordinating with various resource agencies. Field office biologists completed 1,411 inspections in Fiscal Year 2012 covering lands in bay areas, tidally influenced rivers, and submerged tracts along the Gulf of Mexico. Both field offices provide services to Coastal Leasing, as well as to other program areas within the agency, including Coastal Resources, Asset Management, Legal Services, and Energy Resources.

The Surveying division supports all facets of Texas General Land Office activity related to the boundaries of real property. These activities include identifying the location of state-owned land, minerals, and encumbrances. This is accomplished by providing professional surveying services in the field as necessary and expertise in surveying and survey-related matters in-house on a daily basis.

The primary focus of Surveying is to define the boundaries of Permanent School Fund lands, county boundaries, and occasionally, the boundaries of the state. These boundaries include, but are not limited to, the boundaries of approximately 719,063 acres of Permanent School Fund uplands; an estimated 200,000 miles of boundary between private and state ownership along navigable streams; and between private uplands and state-owned submerged lands along the Texas Gulf Coast.

Current survey activity along the Texas Gulf coast includes leveling and periodic re-leveling of tide gauges in the Texas Coastal Ocean Observation Network (TCOON) consisting of 24 gauges along the entire length of the Texas Coast. This is accomplished through a cooperative program with the National Oceanic and Atmospheric Administration, the Texas Water Development Board, and the Department of Nearshore Research at Texas A&M-Corpus Christi. The

Tide Gauge program supports boundary determinations, navigation and science. Seven of the gauges are operated for the National Ocean Service. The data collected from the tide gauges is used in water surface modeling in the open Gulf, bays, and tidal estuaries; for Oil Spill Prevention and Response; for documenting beach erosion; for coastal boundary surveys in erosion-response projects; and for locating the boundary of state-owned submerged land.

The Surveying staff is instrumental in resolving boundary questions regarding state land critical to the issuance of patents and deeds of acquittance; 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, adding data as transactions warrant. Conservation and preservation of the survey maps and other archival documents are ongoing staff functions.

The Technical Support division's responsibilities include overseeing the acquisition of aerial photography to meet agency and program area needs; supporting all geospatial computer mapping related to Professional Services; reviewing and developing data retrieval and tracking tools in order to help streamline work flow and complete tasks more efficiently; coordinating and monitoring purchasing needs; lease billing, collection and allocation of lease revenue; and monitoring program expenditures.

VETERANS' LAND BOARD (VLB)

The addition of eight long-term care nursing facilities (with a possibility of building three more), and the soon-to-be four state veterans cemeteries has necessitated the need to create a new program area within the Veterans' Land Board to manage these facilities. This new program area titled the 'Veterans Homes & Cemeteries Program' includes the Texas State Veterans Homes and Texas State Cemetery programs. A new Deputy Commissioner was added to oversee this new program.

All remaining VLB programs (marketing, land, housing and home improvement loan programs), is now known as the 'Veterans' Land and Housing Program',

where the Deputy Commissioner continues to serve as Executive Secretary to the VLB.

The executive secretary/deputy commissioner, of the Veterans' Land and Housing Program, division directors, and the Veterans' Land Board staff execute policy and supervise three major divisions of the program: Administration, Marketing/Customer Service, and Loan Operations.

The Administration division oversees the day-to-day operation of the Veterans' Land and Housing Program. This division acts as a liaison between the Veterans' Land Board and veterans' organizations, and develops new initiatives dealing with veterans' issues, concerns, and benefits. Additionally, the division acts as liaison between the board, CitiMortgage Inc. (administrator of the Housing Assistance and Home Improvement Loan Programs), Dovenmuehle Mortgage, Inc. (servicer of the Land Program), and the lending industries.

The Marketing/ Customer Service division provides service to the public by responding to inquiries about the Veterans' Land Board and United States Department of Veterans Affairs programs, benefits and services. It operates a statewide, 24-hour, toll-free call center that is actively staffed from 7:30 a.m. to 5:30 p.m. weekdays, with an on-going response to callers who leave inquiries after hours or on weekends/holidays. The division maintains and updates the Veterans' Land Board Web site and manages multiple veteran, lender, and real estate agent databases to provide support for direct mail marketing activities. It processes all housing assistance and home improvement program eligibility certification applications.

The division also develops and implements a strategy and marketing plan to use more mass media, including social media, television, internet, and radio advertising to increase awareness of and participation in Veterans' Land Board benefits and services for more than 1.7 million veterans in Texas. The division strives to boost and sustain appropriate occupancy levels in the Texas State Veterans Homes through aggressive marketing and training for medical professionals, senior caregivers and care providers, and senior support centers.

The Loan Operations division receives, processes, originates, and closes land, housing, and home improvement loan applications. The division monitors and acts as an operational liaison with the Housing Program Administrator and private sector lenders on loan origination program guidelines and issues. The division also monitors, mediates, and resolves customer questions/complaints regarding lenders, realtors, and/or origination issues.

The division also acts as operational liaison between both our Land loan servicer, Dovenmuehle Mortgage Inc., and our Housing loan master servicer, CitiMortgage. They handle customer complaints and inquiries, resolving issues on behalf of our customers that involve our servicers. They receive and track documents, perform minimal quality control on documents and ensure documents are properly executed, notarized and returned to the servicers. They are 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 also handles all 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 forfeited land sales twice yearly and maintains the Tex-Trax II Program, which offers the general public the opportunity to purchase foreclosed tracts not sold to veterans at the semi-annual forfeited land sealed bid sales.

VETERANS HOMES AND CEMETERIES PROGRAM

The Deputy Commissioner of the Texas State Veterans Homes and Cemeteries Program (TSVH&C), along with the Program Manager and staff oversees the operation of long-term skilled care nursing homes in Amarillo, Floresville, Temple, Big Spring, Bonham, El Paso, McAllen, and Tyler. . The Deputy Commissioner also oversees the planning process for additional homes. TSVH&C provides public information about the David A. Gloier Texas State Veterans Home Program to communities, hospitals, veterans' organizations, and other interested persons and groups throughout the state of Texas. A professional long-term health care company under contract with the board operates each home. Each home also relies on very close cooperation with a nearby Veterans Administration Medical Center to meet specific health care needs of the veteran residents admitted to each home. The division also acts as a liaison between the contracted operators and the residents to maintain the necessary close cooperative relationship between the Veterans' Land Board and the United States Department of Veterans Affairs.

The Deputy Commissioner for TSVH&C also oversees, along with the program Director, the operation of the cemetery program created to meet the burial needs of Texas veterans. The program currently operates a state veterans cemetery in Killeen, Mission, Abilene and Corpus Christi.

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The Texas General Land Office does not discriminate on the basis of race, color, national origin, sex, sexual orientation, religion, age, or disability in employment or the provision of services. To request an accessible format, contact us through RELAY Texas at 1-800-735-2989 (TDD), or mail your request to 1700 North Congress Avenue, Austin, Texas, 78701-1495. Additional information about the Texas General Land Office can be found at our Internet address, www.glo.texas.gov.