

Texas General Land Office & Texas Veterans' Land Board

2010

UNAUDITED ANNUAL FINANCIAL REPORT



Year Ended August 31, 2010
Jerry Patterson, Commissioner and Chairman

TEXAS GENERAL LAND OFFICE VETERANS' LAND BOARD

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UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2010

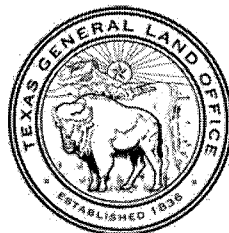


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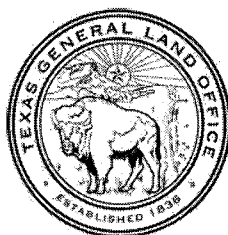
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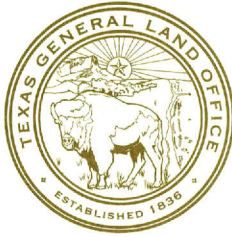
TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

INTRODUCTION

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2010



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November 20, 2010

The Honorable Rick Perry, Governor
The Honorable Susan Combs, State Comptroller
Mr. John O'Brien, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

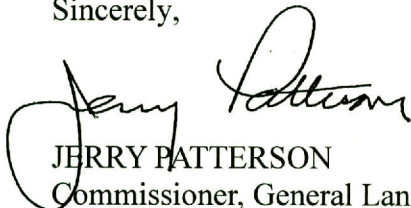
Dear Governor Perry, Comptroller Combs, Mr. O'Brien, and Mr. Keel:

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, 2010, 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 463-5181. Viktoriya Jensen may be contacted at 463-4856 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in black ink that reads "Jerry Patterson". The signature is written in a cursive style with a large initial "J".

JERRY PATTERSON
Commissioner, General Land Office

JP:ta

Enclosure

TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

GENERAL PURPOSE
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2010

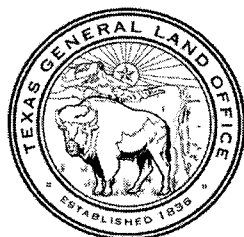


EXHIBIT I

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

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	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) 2010
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash:				
Cash on Hand		200.00		200.00
Cash in Bank (Note 3)		10,000.00	44,708.00	54,708.00
Cash in State Treasury	34,183,594.65	3,674,787.44	1,004,301,521.43	1,042,159,903.52
Legislative Appropriation	43,963,774.70			43,963,774.70
Receivables:				
Federal	2,948,726.09	1,422,714.30		4,371,440.39
Interest and Dividends	20,719.86	3,108.82	1,018,062.28	1,041,890.96
Accounts	798,291.48		73,747,021.05	74,545,312.53
Due From:				
Other Funds	1,870,646.22	344,347.23	35,704.57	2,250,698.02
Other Agencies	14,098.42			14,098.42
Consumable Inventories	34,520.22			34,520.22
Deferred Charges			6,000.00	6,000.00
Notes Receivable	1,600.66		146,162.05	147,762.71
Total Current Assets	83,835,972.30	5,455,157.79	1,079,299,179.38	1,168,590,309.47
Noncurrent Assets:				
Notes Receivable	5,828.05		3,479,055.76	3,484,883.81
Investments in Real Assets at Historical Cost (Note 3)			13,891,954.31	13,891,954.31
Investments in Real Assets at Fair Value (Note 3)			1,304,809,904.77	1,304,809,904.77
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
Facilities and Other Improvements				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	5,828.05	0.00	1,322,180,914.84	1,322,186,742.89
TOTAL ASSETS	83,841,800.35	5,455,157.79	2,401,480,094.22	2,490,777,052.36

EXHIBIT I (concluded)

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

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL
	GENERAL	SPECIAL	PERMANENT	FUNDS
	REVENUE	REVENUE	FUNDS	TOTALS
	FUNDS	FUNDS	FUND (0044)	(Memorandum Only)
(EXH. A-1)	(EXH. B-1)	U/F (0007)(0010)(0013)	2010	
	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current Liabilities:				
Payables:				
Accounts	2,481,350.37	518,249.20	4,619,945.56	7,619,545.13
Payroll	1,507,656.57	1,415,274.63	1,110,399.39	4,033,330.59
Retainage		344,295.13		344,295.13
Due To:				
Other Funds	1,848,553.02	456,331.39	248,521.95	2,553,406.36
Other Agencies	834,646.66		131,385.87	966,032.53
Deferred Revenues	906,676.34		61,973,041.17	62,879,717.51
Employees' Compensable Leave (Note 5)				0.00
Total Current Liabilities	7,578,882.96	2,734,150.35	68,083,293.94	78,396,327.25
Noncurrent Liabilities:				
Employees' Compensable Leave (Note 5)				0.00
Total Noncurrent Liabilities	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	7,578,882.96	2,734,150.35	68,083,293.94	78,396,327.25
FUND FINANCIAL STATEMENT - FUND BALANCES				
Fund Balances (Note 1):				
Reserved for:				
Encumbrances	32,167,111.10	830,630.73	4,962,873.85	37,960,615.68
Imprest Accounts		10,200.00		10,200.00
Inventory	34,520.22			34,520.22
Public School Support			2,324,954,870.67	2,324,954,870.67
Loans and Contracts	5,828.05		3,479,055.76	3,484,883.81
Other	5,342,697.65			5,342,697.65
Unreserved:				
Designated for Others		1,880,176.71		1,880,176.71
Undesignated	38,712,760.37			38,712,760.37
TOTAL FUND BALANCES (Exhibit II)	76,262,917.39	2,721,007.44	2,333,396,800.28	2,412,380,725.11
TOTAL LIABILITIES AND FUND BALANCES	83,841,800.35	5,455,157.79	2,401,480,094.22	2,490,777,052.36

GOVERNMENT-WIDE STATEMENT

NET ASSETS

Invested in Capital Assets, Net of Related Debt

Restricted for Education

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) ADJUSTMENTS			STATEMENT OF NET ASSETS TOTALS (Memorandum Only)	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	2010	2009
\$	\$	\$	\$	\$
			7,619,545.13	8,206,584.51
			4,033,330.59	4,181,777.94
			344,295.13	287,836.12
			2,553,406.36	445,970.04
			966,032.53	653,426.70
		(19,074,222.75)	43,805,494.76	18,329,056.27
	2,427,622.52		2,427,622.52	2,725,623.33
0.00	2,427,622.52	(19,074,222.75)	61,749,727.02	34,830,274.91
	2,804,690.41		2,804,690.41	2,332,445.96
0.00	2,804,690.41	0.00	2,804,690.41	2,332,445.96
0.00	5,232,312.93	(19,074,222.75)	64,554,417.43	37,162,720.87
		(37,960,615.68)		
		(10,200.00)		
		(34,520.22)		
		(2,324,954,870.67)		
		(3,484,883.81)		
		(5,342,697.65)		
		(1,880,176.71)		
		(38,712,760.37)		
241,071,758.30			241,071,758.30	183,438,450.81
		2,345,977,506.11	2,345,977,506.11	2,103,774,161.82
	(5,232,312.93)	85,477,441.75	80,245,128.82	90,514,130.62
241,071,758.30	(5,232,312.93)	19,074,222.75	2,667,294,393.23	2,377,726,743.25

EXHIBIT II

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

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	GOVERNMENTAL FUND TYPES			GOVERNMENTAL
	GENERAL	SPECIAL	PERMANENT	FUNDS
	REVENUE	REVENUE	FUNDS	TOTALS
	FUNDS	FUNDS	FUND (0044)	(Memorandum Only)
	(EXH. A-2)	(EXH. B-2)	U/F (0007)(0010)(0013)	2010
	\$	\$	\$	\$
REVENUES				
Legislative Appropriations:				
Original Appropriations	8,079,787.00			8,079,787.00
Additional Appropriations	4,026,162.48			4,026,162.48
Federal Revenues	13,259,363.18	1,644,860.99		14,904,224.17
Federal Grant Pass-Through Revenues	1,936,677.42			1,936,677.42
Licenses, Fees, and Permits	17,098,195.82			17,098,195.82
Interest and Other Investment Income	234,200.59	42,781.29	47,210,777.48	47,487,759.36
Gain on Sale of Investments			1,359,478.66	1,359,478.66
Net Increase (Decrease) in Fair Value of Investments			(53,810,232.93)	(53,810,232.93)
Land Income	105,322.25		360,521,786.09	360,627,108.34
Sales of Goods and Services	119,028.09	63,900.00	49,543,693.61	49,726,621.70
Other Revenues	1,700,103.15	8,341.38	55.00	1,708,499.53
TOTAL REVENUES	46,558,839.98	1,759,883.66	404,825,557.91	453,144,281.55
EXPENDITURES/EXPENSES				
Salaries and Wages	14,140,946.88	14,006,025.10	11,740,882.58	39,887,854.56
Payroll Related Costs	5,522,046.04	2,584,592.35	1,913,105.32	10,019,743.71
Professional Fees and Services	28,305,738.27	2,233,702.27	(2,241,021.60)	28,298,418.94
Travel	327,031.44	382,040.40	120,933.23	830,005.07
Materials and Supplies	696,207.99	859,281.27	49,477,495.91	51,032,985.17
Communication and Utilities	398,204.29	257,612.06	224,193.66	880,010.01
Repairs and Maintenance	3,655,483.55	242,754.65	237,859.07	4,136,097.27
Rentals and Leases (Note 8)	338,581.61	182,350.30	160,115.91	681,047.82
Printing and Reproduction	66,854.61	98,878.02	2,434.17	168,166.80
Claims and Judgments (Note 17)	1,452.72			1,452.72
Federal Grant Pass-Through Expenditures	4,583,219.97			4,583,219.97
State Grant Pass-Through Expenditures	14,489.83			14,489.83
Intergovernmental Payments	10,821,047.75			10,821,047.75
Public Assistance Payments	1,250,223.04			1,250,223.04
Other Expenditures	1,094,179.13	586,707.68	851,178.06	2,532,064.87
Capital Outlay	254,779.00	990,254.70	156,558.77	1,401,592.47
Depreciation Expense				0.00
TOTAL EXPENDITURES/EXPENSES	71,470,486.12	22,424,198.80	62,643,735.08	156,538,420.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	(24,911,646.14)	(20,664,315.14)	342,181,822.83	296,605,861.55

UNAUDITED

GOVERNMENT-WIDE FINANCIAL STATEMENT (GWFS)			STATEMENT OF ACTIVITIES	
ADJUSTMENTS			TOTALS	
CAPITAL ASSETS	LONG-TERM LIABILITIES	OTHER	(Memorandum Only)	
\$	\$	\$	2010	2009
\$	\$	\$	\$	\$
			8,079,787.00	10,975,462.00
			4,026,162.48	4,081,967.43
			14,904,224.17	9,007,906.64
			1,936,677.42	20,759,160.68
		(42,783.53)	17,055,412.29	17,321,412.34
		(1,195,343.99)	46,292,415.37	42,833,762.80
			1,359,478.66	1,343,069.30
			(53,810,232.93)	(437,051,656.23)
		2,501,161.14	363,128,269.48	361,926,754.31
		714,808.01	50,441,429.71	91,364,909.66
		(151,713.40)	1,556,786.13	3,002,617.79
0.00	0.00	1,826,128.23	454,970,409.78	125,565,366.72
	174,243.64		40,062,098.20	40,300,795.78
			10,019,743.71	9,462,323.68
			28,298,418.94	21,598,040.85
			830,005.07	904,966.22
			51,032,985.17	92,078,666.48
			880,010.01	940,330.11
			4,136,097.27	13,867,360.08
			681,047.82	755,076.29
			168,166.80	251,766.24
			1,452.72	2,386.49
			4,583,219.97	1,655,087.18
			14,489.83	0.00
			10,821,047.75	9,259,238.03
			1,250,223.04	1,527,490.45
			2,532,064.87	7,076,955.03
(1,401,592.47)			0.00	0.00
2,293,167.71			2,293,167.71	1,931,342.79
891,575.24	174,243.64	0.00	157,604,238.88	201,611,825.70
(891,575.24)	(174,243.64)	1,826,128.23	297,366,170.90	(76,046,458.98)

-to next page

EXHIBIT II (concluded)

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

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	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) 2010
	\$	\$	\$	\$
OTHER FINANCING SOURCES (USES)				
Transfers In	13,395,604.40	27,330,058.56		40,725,662.96
Transfers Out	(422,081.00)	(6,637,535.61)	(100,000,000.00)	(107,059,616.61)
Sale of Capital Assets	10,550.00			10,550.00
Gain (Loss) on Sale of Capital Assets				0.00
Increase (Decrease) in Net Assets - Due to Interagency Transfer of Capital Assets				0.00
Capital Contributions				0.00
Legislative Financing Sources				0.00
Appropriations Lapsed				0.00
TOTAL OTHER FINANCING SOURCES (USES)	12,984,073.40	20,692,522.95	(100,000,000.00)	(66,323,403.65)
NET CHANGE IN FUND BALANCES/NET ASSETS	(11,927,572.74)	28,207.81	242,181,822.83	230,282,457.90
FUND FINANCIAL STATEMENT - FUND BALANCES				
FUND BALANCES - August 31, 2009	88,190,490.13	2,692,799.63	2,091,214,977.45	2,182,098,267.21
FUND BALANCES - August 31, 2010 (Exhibit I)	76,262,917.39	2,721,007.44	2,333,396,800.28	2,412,380,725.11

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

NET ASSETS/NET CHANGE IN NET ASSETS	230,282,457.90
NET ASSETS - August 31, 2009	2,182,098,267.21
Restatements (Note 14)	
NET ASSETS - August 31, 2009, as Restated	2,182,098,267.21
NET ASSETS - August 31, 2010 (Exhibit I)	2,412,380,725.11

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)	
\$	\$	\$	2010	2009
			40,725,662.96	45,308,509.29
			(107,059,616.61)	(113,978,677.10)
(10,550.00)			0.00	0.00
13,717.13			13,717.13	56,787.42
56,628.60			56,628.60	7,877.03
570,550.00			570,550.00	950,000.00
			0.00	39,000,000.00
			0.00	(589.82)
630,345.73	0.00	0.00	(65,693,057.92)	(28,656,093.18)
(261,229.51)	(174,243.64)	1,826,128.23	231,673,112.98	(104,702,552.16)
(261,229.51)	(174,243.64)	1,826,128.23	231,673,112.98	(104,702,552.16)
183,438,450.81	(5,058,069.29)	17,248,094.52	2,377,726,743.25	2,285,221,028.11
57,894,537.00			57,894,537.00	197,208,267.30
241,332,987.81	(5,058,069.29)	17,248,094.52	2,435,621,280.25	2,482,429,295.41
241,071,758.30	(5,232,312.93)	19,074,222.75	2,667,294,393.23	2,377,726,743.25

EXHIBIT III

**COMBINED STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	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 in State Treasury	63,841,010.28	18,378,413.52	11,852,262.86
Cash Equivalents	200,705,348.49	73,464,938.03	8,992.82
Securities Lending Collateral (Note 3)	5,528,000.00	22,547,375.12	
Derivative Instruments	8,395.67		
Investments - Securities at Market Value (Note 3)		4,992,687.50	9,060,816.40
Loans and Contracts Receivables:			
Land Contracts		13,560,889.81	
Mortgages	47,678,402.52	1,031,923.32	
Home Improvement Loans	552,533.25		
Receivables:			
Federal			5,355,023.36
Interest and Dividends Receivables:			
Investment Interest	289,677.58	760,767.80	13,158.68
Land Contracts		3,054,163.61	
Mortgages	8,426,461.07	285,412.33	
Home Improvement Loans	61,358.41		
Accounts Receivable (Net of Allowance for Uncollectibles)	18,283.48	756,687.99	3,284,068.50
Due from Other Funds	13,715,391.47	12,880,052.85	706,365.78
Total Current Assets	340,824,862.22	151,713,311.88	30,280,688.40
Noncurrent Assets:			
Investments:			
Securities at Market Value (Note 3)	62,340,146.35	193,601,265.27	
Derivative Instruments	342,119.76	(2,013,576.88)	
Deferred Outflow of Resources	243,060,133.00	75,117,582.00	4,289,371.00
Loans and Contracts Receivables:			
Land Contracts		239,812,309.24	
Mortgages	1,660,591,513.60	63,869,255.86	
Home Improvement Loans	8,535,054.59		
Property Acquired Through Foreclosure (Note 28):			
Land Contracts		973,646.46	
Mortgages	1,255,659.17		
Capital Assets (Note 2):			
Depreciable Capital Assets:			
Vehicles, Boats, and Aircraft			46,501.14
Less Accumulated Depreciation			(37,089.86)
Furniture and Equipment			213,423.81
Less Accumulated Depreciation			(153,269.17)
Buildings			78,320,062.04
Less Accumulated Depreciation			(25,601,942.63)

UNAUDITED

VETERANS MORT REV BONDS FUND 9999 U/F (0701)	PROPRIETARY FUNDS TOTALS (Memorandum Only)	
\$	2010 \$	2009 \$
	94,071,686.66	85,047,630.98
2,393,300.17	276,572,579.51	114,411,699.53
	28,075,375.12	100,014,197.50
	8,395.67	0.00
	14,053,503.90	66,144,805.08
	13,560,889.81	13,959,859.13
	48,710,325.84	46,787,419.46
	552,533.25	446,116.66
	5,355,023.36	4,879,470.20
28.81	1,063,632.87	1,187,202.60
	3,054,163.61	2,751,301.41
	8,711,873.40	9,745,773.99
	61,358.41	77,297.49
1,949.93	4,060,989.90	3,987,439.39
	27,301,810.10	22,729,062.04
<u>2,395,278.91</u>	<u>525,214,141.41</u>	<u>472,169,275.46</u>
357,351.25	256,298,762.87	216,105,433.51
	(1,671,457.12)	0.00
	322,467,086.00	0.00
	239,812,309.24	273,786,210.51
	1,724,460,769.46	1,720,105,115.26
	8,535,054.59	6,250,443.30
	973,646.46	1,837,449.17
	1,255,659.17	445,929.16
	46,501.14	46,501.14
	(37,089.86)	(30,446.90)
	213,423.81	522,864.76
	(153,269.17)	(339,452.75)
	78,320,062.04	78,320,062.04
	(25,601,942.63)	(21,948,301.79)

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EXHIBIT III (concluded)

**COMBINED STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	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			4,028,142.14
Land			3,499,500.00
Amortizable Intangible Assets:			
Computer Software		162,578.15	146,555.00
Less Accumulated Amortization		(90,262.43)	(138,574.36)
Total Noncurrent Assets	1,976,124,626.47	571,432,797.67	64,612,679.11
TOTAL ASSETS	2,316,949,488.69	723,146,109.55	94,893,367.51
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,526,567.40	4,746,773.63	8,362,697.77
Debt Service Interest Payable	4,151,297.51	641,065.81	117,812.50
Due to Other Funds	13,715,383.62	11,518,952.23	1,956,969.60
Deferred Revenues		152,680.17	
Bonds Payable (Net of Unamortized Discounts and Premiums) (Note 4):			
Revenue			400,000.00
General Obligation	76,721,344.32	10,583,337.48	
Accretion	501,280.80	4,540,662.52	
Obligations Under Securities Lending (Note 3)	5,528,000.00	22,547,375.12	
Total Current Liabilities	103,143,873.65	54,730,846.96	10,837,479.87
Noncurrent Liabilities:			
Bonds Payable (Net of Unamortized Discounts and Premiums) (Note 4): (Note 6):			
Revenue			22,220,000.00
General Obligation	1,588,715,838.95	309,158,082.06	
Accretion	1,196,740.05	4,411,994.18	
Hedging Derivative Instruments	243,060,133.00	75,117,582.00	4,289,371.00
Total Noncurrent Liabilities	1,832,972,712.00	388,687,658.24	26,509,371.00
TOTAL LIABILITIES	1,936,116,585.65	443,418,505.20	37,346,850.87
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted for the Veterans' Land Board	380,832,903.04	72,315.72 279,655,288.63	35,524,303.95 22,022,212.69
TOTAL NET ASSETS (Exhibit IV)	380,832,903.04	279,727,604.35	57,546,516.64

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

UNAUDITED

VETERANS MORT REV BONDS FUND 9999 U/F (0701)	PROPRIETARY FUNDS TOTALS (Memorandum Only)	
	2010	2009
	\$	\$
	4,028,142.14	675,828.00
	3,499,500.00	3,499,500.00
	309,133.15	0.00
	(228,836.79)	0.00
<u>357,351.25</u>	<u>2,612,527,454.50</u>	<u>2,279,277,135.41</u>
<u>2,752,630.16</u>	<u>3,137,741,595.91</u>	<u>2,751,446,410.87</u>
	15,636,038.80	15,506,776.85
805.09	4,910,980.91	6,528,490.37
	27,191,305.45	23,097,731.35
	152,680.17	114,738.23
	400,000.00	375,000.00
	87,304,681.80	94,203,594.81
	5,041,943.32	6,388,257.43
	28,075,375.12	100,014,197.50
<u>805.09</u>	<u>168,713,005.57</u>	<u>246,228,786.54</u>
	22,809,807.00	23,209,807.00
589,807.00	1,897,873,921.01	1,775,737,417.35
	5,608,734.23	9,451,298.45
	322,467,086.00	0.00
<u>589,807.00</u>	<u>2,248,759,548.24</u>	<u>1,808,398,522.80</u>
<u>590,612.09</u>	<u>2,417,472,553.81</u>	<u>2,054,627,309.34</u>
	35,596,619.67	37,809,301.73
<u>2,162,018.07</u>	<u>684,672,422.43</u>	<u>659,009,799.80</u>
<u>2,162,018.07</u>	<u>720,269,042.10</u>	<u>696,819,101.53</u>

EXHIBIT IV

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

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	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 Uncollectibles of (\$76,670.26))			21,692,205.58
Medical Assistance Cost Recovery			
(Net of Provisions for Uncollectibles of (\$148,905.86))			9,045,553.13
Medicare Reimbursements			
(Net of Provisions for Uncollectibles of \$70,454.05)			7,320,502.34
Interest & Investment Income:			
Loan Programs	77,983,355.01	23,198,408.55	
Earnings on GNMA Certificates			
Gain (Loss) on Loan Programs	2,487,766.83	586,983.28	
Operating Federal Revenues - VA Per Diem			26,341,750.91
Other Revenues:			
Third Party Reimbursements			10,720.63
Miscellaneous Income	87.39	44,883.34	8,212.27
TOTAL OPERATING REVENUES	80,471,209.23	23,830,275.17	64,418,944.86
OPERATING EXPENSES			
Professional Fees and Services	2,537,037.89	1,205,407.07	54,176,233.08
Travel		267.28	4,863.66
Materials and Supplies		582.24	2,622,068.80
Communications and Utilities			64.00
Repairs and Maintenance		22,005.00	155,600.33
Rentals and Leases (Note 8)		2,766.20	1,484.00
Printing and Reproduction	4,138.30	290,935.94	89.43
Depreciation and Amortization		32,515.20	3,682,329.61
Debt Service Interest	58,429,746.66	16,052,709.02	
Other Operating Expenses	6,291,834.78	1,602,795.29	10,508.31
TOTAL OPERATING EXPENSES	67,262,757.63	19,209,983.24	60,653,241.22
OPERATING INCOME (LOSS) (Exhibit V)	13,208,451.60	4,620,291.93	3,765,703.64

UNAUDITED

VETERANS MORT REV BONDS FUND 9999 U/F (0701)	PROPRIETARY FUNDS TOTALS (Memorandum Only)	
	2010	2009
	\$	\$
	21,692,205.58	24,698,843.63
	9,045,553.13	9,338,261.68
	7,320,502.34	8,695,562.78
	101,181,763.56	106,136,259.06
35,596.13	35,596.13	86,668.95
	3,074,750.11	(2,012,231.15)
	26,341,750.91	22,813,353.71
	10,720.63	19,346.02
	53,183.00	61,760.70
<u>35,596.13</u>	<u>168,756,025.39</u>	<u>169,837,825.38</u>
	57,918,678.04	59,550,638.80
	5,130.94	4,767.39
	2,622,651.04	1,931,099.38
	64.00	0.00
	177,605.33	835,207.71
	4,250.20	12,585.93
	295,163.67	1,220.93
	3,714,844.81	3,712,913.09
48,170.98	74,530,626.66	103,735,547.59
	7,905,138.38	4,054,811.32
<u>48,170.98</u>	<u>147,174,153.07</u>	<u>173,838,792.14</u>
<u>(12,574.85)</u>	<u>21,581,872.32</u>	<u>(4,000,966.76)</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, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	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			2,187,822.19
Gifts/Pledges/Donations			35,586.79
Investment Income	2,326,198.99	4,211,065.45	237,708.95
Net Increase (Decrease) in Fair Value of Investments	5,601,631.53	9,706,278.41	12,288.73
Debt Service Interest			(1,435,234.37)
Borrower Rebate/Agent Fees - Securities Lending	(22,506.23)	(92,195.47)	
TOTAL NONOPERATING REVENUES (EXPENSES)	7,905,324.29	13,825,148.39	1,038,172.29
INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	21,113,775.89	18,445,440.32	4,803,875.93
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS			
Transfers In	49,098,313.92	88,054,261.85	466,706.15
Transfers Out	(101,995,565.42)	(54,789,293.10)	(1,526,946.35)
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	(52,897,251.50)	33,264,968.75	(1,060,240.20)
CHANGE IN NET ASSETS	(31,783,475.61)	51,710,409.07	3,743,635.73
NET ASSETS - August 31, 2009	411,654,018.65	229,187,664.28	53,802,880.91
Restatements (Note 14)	962,360.00	(1,170,469.00)	
NET ASSETS - August 31, 2009, as Restated	412,616,378.65	228,017,195.28	53,802,880.91
NET ASSETS - August 31, 2010 (Exhibit III)	380,832,903.04	279,727,604.35	57,546,516.64

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

UNAUDITED

VETERANS MORT REV BONDS FUND 9999 U/F (0701)	PROPRIETARY FUNDS TOTALS (Memorandum Only)	
\$	2010 \$	2009 \$
	2,187,822.19	400,141.28
	35,586.79	5,513.34
55.23	6,775,028.62	8,691,247.63
	15,320,198.67	6,722,414.65
	(1,435,234.37)	(1,457,239.59)
	(114,701.70)	(559,105.53)
55.23	22,768,700.20	13,802,971.78
(12,519.62)	44,350,572.52	9,802,005.02
	137,619,281.92	227,826,617.23
	(158,311,804.87)	(250,962,724.28)
0.00	(20,692,522.95)	(23,136,107.05)
(12,519.62)	23,658,049.57	(13,334,102.03)
2,174,537.69	696,819,101.53	710,153,203.56
	(208,109.00)	0.00
2,174,537.69	696,610,992.53	710,153,203.56
2,162,018.07	720,269,042.10	696,819,101.53

EXHIBIT V
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	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			21,802,682.43
Receipts from Veterans Administration			27,228,735.65
Receipts from Medicare			7,299,584.81
Receipts from Medicaid			8,730,778.61
Receipts from Loan Payments	356,055,868.41	31,668,755.77	
Receipts from GNMA Certificates			
Other Operating Cash Receipts			570,902.59
Loan Fundings	(257,360,427.09)	(395,986.49)	
Payments to Suppliers of Goods and Services	(8,402,349.75)	(3,368,678.22)	(61,822,395.74)
Payments for Other Expenses		(5,646.85)	(3,000.00)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	90,293,091.57	27,898,444.21	3,807,288.35
NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Debt Issuance	362,436,317.00		
Payments for Debt Service - Principal	(229,365,000.00)	(23,433,000.00)	
Payments for Debt Service - Interest	(60,534,134.62)	(15,093,505.64)	
Transfers from Other Funds	49,582,575.05	85,013,946.77	(905.60)
Transfers to Other Funds	(102,479,826.55)	(51,331,630.88)	(2,187,614.31)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	19,639,930.88	(4,844,189.75)	(2,188,519.91)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipts from Veterans Administration			1,227,022.50
Transfers from Other Funds			203,793.02
Payments for Additions to Capital Assets		(741,522.57)	(1,086,179.78)
Payments for Debt Service - Principal			(375,000.00)
Payments for Debt Service - Interest			(1,437,187.50)
Transfers to Other Funds			
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	0.00	(741,522.57)	(1,467,551.76)
INVESTING ACTIVITIES			
Proceeds from Interest and Investment Income	2,734,578.81	4,278,318.87	271,590.78
Proceeds from Sale of Investments	106,469,304.28	165,856,800.08	18,115,000.00
Payments to Acquire Investments	(104,516,469.41)	(137,511,068.57)	(18,348,035.97)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,687,413.68	32,624,050.38	38,554.81
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	114,620,436.13	54,936,782.27	189,771.49
CASH AND CASH EQUIVALENTS - August 31, 2009	149,925,922.64	36,906,569.28	11,671,484.19
CASH AND CASH EQUIVALENTS - August 31, 2010	264,546,358.77	91,843,351.55	11,861,255.68

UNAUDITED

VETERANS MORT REV BONDS FUND 9999 U/F (0701)	PROPRIETARY FUNDS TOTALS (Memorandum Only)	
	2010	2009
	\$	\$
	21,802,682.43	24,151,711.83
	27,228,735.65	22,167,544.02
	7,299,584.81	8,944,097.10
	8,730,778.61	9,030,073.27
	387,724,624.18	664,590,964.75
1,540,712.96	1,540,712.96	98,765.41
	570,902.59	470,944.11
	(257,756,413.58)	(472,956,780.71)
	(73,593,423.71)	(62,863,286.37)
	(8,646.85)	(522.60)
<u>1,540,712.96</u>	<u>123,539,537.09</u>	<u>193,633,510.81</u>
	362,436,317.00	102,930,861.50
	(252,798,000.00)	(71,597,194.00)
(48,305.16)	(75,675,945.42)	(102,954,273.58)
	134,595,616.22	221,459,818.32
	(155,999,071.74)	(238,818,212.27)
<u>(48,305.16)</u>	<u>12,558,916.06</u>	<u>(88,979,000.03)</u>
	1,227,022.50	147,335.44
	203,793.02	867,577.46
	(1,827,702.35)	(967,986.03)
	(375,000.00)	(350,000.00)
	(1,437,187.50)	(1,459,062.50)
	0.00	(660,563.70)
<u>0.00</u>	<u>(2,209,074.33)</u>	<u>(2,422,699.33)</u>
	7,284,520.86	12,113,837.30
32.40	290,441,104.36	190,095,339.73
	(260,375,573.95)	(226,919,124.01)
<u>32.40</u>	<u>37,350,051.27</u>	<u>(24,709,946.98)</u>
1,492,440.20	171,239,430.09	77,521,864.47
900,859.97	199,404,836.08	121,937,466.04
<u>2,393,300.17</u>	<u>370,644,266.17</u>	<u>199,459,330.51</u>

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EXHIBIT V (concluded)
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	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)	13,208,451.60	4,620,291.93	3,765,703.64
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation and Amortization		32,515.20	3,682,329.61
Classification Differences	58,429,746.66	16,052,709.02	35,586.79
(Increase) Decrease in Receivables	1,189,089.36	(715,291.82)	681,634.62
(Increase) Decrease in Loans and Contracts	18,393,051.27	7,310,230.86	
(Increase) Decrease in Other Assets	(367,274.84)	831,827.90	559.50
Increase (Decrease) in Payables	(117,694.48)	(317,747.16)	(4,361,602.02)
Increase (Decrease) in Other Liabilities	(442,278.00)	83,908.28	3,076.21
TOTAL ADJUSTMENTS	77,084,639.97	23,278,152.28	41,584.71
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	90,293,091.57	27,898,444.21	3,807,288.35
NONCASH TRANSACTIONS			
Capital Appreciation Bond Interest Accretion	(202,588.43)	(996,790.93)	
Change in Fair Value of Investments	660,839.97	111,615.56	12,288.73
TOTAL NONCASH TRANSACTIONS	458,251.54	(885,175.37)	12,288.73

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

UNAUDITED

VETERANS MORT REV BONDS FUND 9999 U/F (0701)	PROPRIETARY FUNDS TOTALS (Memorandum Only)	
	2010	2009
	\$	\$
(12,574.85)	21,581,872.32	(4,000,966.76)
	3,714,844.81	3,712,913.09
48,170.98	74,566,213.45	103,741,060.93
102.86	1,155,535.02	52,522,045.05
	25,703,282.13	33,639,819.49
1,505,013.97	1,970,126.53	126,650.45
	(4,797,043.66)	3,940,079.13
	(355,293.51)	(48,090.57)
<u>1,553,287.81</u>	<u>101,957,664.77</u>	<u>197,634,477.57</u>
<u>1,540,712.96</u>	<u>123,539,537.09</u>	<u>193,633,510.81</u>
	(1,199,379.36)	(1,717,248.03)
	784,744.26	6,629,123.53
<u>0.00</u>	<u>(414,635.10)</u>	<u>4,911,875.50</u>

EXHIBIT VI

*COMBINED STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS*

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

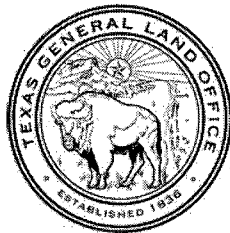
	LOCAL FUNDS (9999) (EXH. D-1)	ALL OTHER AGENCY FUNDS (EXH. D-1)	FIDUCIARY FUNDS TOTALS (Memorandum Only)	
			2010	2009
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	200.00		200.00	200.00
Cash in Bank (Note 3)	130,801.77		130,801.77	108,607.27
Cash in State Treasury		27,377.36	27,377.36	27,849.97
Cash Equivalents (Note 3)			0.00	64,277.67
Receivables:				
Interest and Dividends		16.40	16.40	23.27
Accounts Receivable		276,951.05	276,951.05	26,237.50
Due From Other Funds	16.00	192,187.69	192,203.69	166,484.17
Total Current Assets	<u>131,017.77</u>	<u>496,532.50</u>	<u>627,550.27</u>	<u>393,679.85</u>
TOTAL ASSETS	<u>131,017.77</u>	<u>496,532.50</u>	<u>627,550.27</u>	<u>393,679.85</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	4,308.75		4,308.75	7,684.00
Funds Held for Others	126,709.02	437,808.45	564,517.47	263,456.96
Due to Other Agencies			0.00	96,301.39
Deferred Revenue		58,724.05	58,724.05	26,237.50
Total Current Liabilities	<u>131,017.77</u>	<u>496,532.50</u>	<u>627,550.27</u>	<u>393,679.85</u>
TOTAL LIABILITIES	<u>131,017.77</u>	<u>496,532.50</u>	<u>627,550.27</u>	<u>393,679.85</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 ANNUAL FINANCIAL REPORT
AUGUST 31, 2010



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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. 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 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 Adopt-A-Beach specialty license plates. For every 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. In Fiscal Year 2010, the GLO began collecting revenue from the sale of the San Jacinto Texas Historic District specialty license plates. For every 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.

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' 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 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 is used to convert governmental fund type capital assets from modified accrual to full accrual basis of accounting.

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

Other Adjustment Fund Type is used to convert all other governmental fund type 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.

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.

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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.

Fees collected for the purpose of paying for the recording of land patents are deposited to the Land Patent Recording Fee Account. Fees collected from land loan applicants are deposited into the Veterans Service Fee Account, 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. Revenues are recognized when they become both measurable and available. 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 basis of accrual. 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 unpaid employees' compensable leave, the unmatured debt service (principal and interest) on general long-term debt, long-term capital leases, long-term claims and judgments, and full accrual revenues and expenses. The activity will be recognized in these fund types.

Proprietary funds are accounted for on 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 nonoperating 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 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 are monies or other resources restricted by legal or contractual requirements, and include proceeds of enterprise fund general obligation or revenue bonds.

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 as defined in GASB Statement No. 31. Securities lent and cash collateral are reported as assets on the balance sheet. The gross income and costs of securities lending transactions are reported as revenues and expenses on the operating statement. 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 2010 for the production months August 2010 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 estimated fair value on 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. 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. Purchases

UNAUDITED

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.

LIABILITIES

Accounts Payable represent 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.

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 resignation, retirement, and use of leave balances by covered employees. Current Employees' Compensable Leave represents leave balances that will expire within one year, while Noncurrent Employees' Compensable Leave represents leave balances that do not expire within one year.

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, and in the Long-Term Liability Adjustment Fund Type for governmental funds. Bonds Payable are recorded at par. Capital appreciation bonds pay no interest until maturity. The annual accretion, or increase in the amount of the liability arising from accrued and unpaid interest on the bonds, has been recognized in the financial statements and is reflected in Bonds Payable. Bonds Payable are 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.

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

FUND BALANCE/NET ASSETS

Reserved for Encumbrances represents commitments of the value of contracts awarded or assets ordered prior to year-end, but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Reserved for Public Schools represents the accumulation of resources for the permanent school fund.

Reserved for Loans and Contracts represents resources related to notes issued for the sale of real property and investments in real assets.

Unreserved represents the fiscal year-end undesignated balance for all governmental funds.

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 results 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 consists 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 Nonoperating 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.

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets for governmental activities for the year ended August 31, 2010, is presented in *Table 1* below. Changes in capital assets for business-type activities are presented in *Table 2* on page 35.

Table 1

CHANGES IN CAPITAL ASSETS								
Governmental Activities								
	Balance	Adjustments	Reclassifications			Additions	Deletions	Balance
	09-01-2009		Completed CIP	Incr-Int'agy Transfers	Decr-Int'agy Transfers			
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-depreciable Assets</i>								
Land and Land Improvements	2,375,543.00				570,550.00	(9,000.00)		2,937,093.00
Construction in Progress	287,137.89				428,071.59			715,209.48
Other Capital Assets	155,012,105.25	57,894,537.00						212,906,642.25
Total Non-depreciable Assets	157,674,786.14	57,894,537.00	0.00	0.00	998,621.59	(9,000.00)		216,558,944.73
<i>Depreciable Assets</i>								
Buildings and Building Improvements	28,249,325.66				506,751.80			28,756,077.46
Furniture and Equipment	5,583,441.65	(393,152.05)		159,900.00	156,794.36	(150,720.29)		5,356,263.67
Vehicles, Boats, and Aircraft	2,821,074.65				220,269.64	(210,459.58)		2,804,914.71
Facilities and Other Improvements	307,316.92				108,005.08			415,322.00
Total Depreciable Assets at Historical Costs	36,961,158.88	(393,152.05)	0.00	159,900.00	991,820.88	(361,179.87)		37,332,577.84
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(5,126,719.61)				(1,640,414.92)			(6,767,134.53)
Furniture and Equipment	(4,199,573.79)	365,485.25		(103,271.40)	(351,027.99)	150,720.29		(4,137,667.64)
Vehicles, Boats, and Aircraft	(1,859,556.86)				(278,038.00)	205,283.91		(1,906,340.95)
Facilities and Other Improvements	(11,601.15)				(13,686.84)			(25,287.99)
Total Accumulated Depreciation	(11,197,451.41)	365,485.25	0.00	(103,271.40)	(2,283,167.75)	356,004.20		(12,836,431.11)
Depreciable Assets, Net	25,763,707.47	(27,666.80)	0.00	56,628.60	(1,291,346.87)	(5,175.67)		24,496,146.73
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software		392,152.05						392,152.05
Total Amortizable Assets at Historical Costs	0.00	392,152.05	0.00	0.00	0.00	0.00		392,152.05
<i>Less Accumulated Amortization for</i>								
Intangible Computer Software		(365,485.25)			(9,999.96)			(375,485.21)
Total Accumulated Amortization	0.00	(365,485.25)	0.00	0.00	(9,999.96)	0.00		(375,485.21)
Amortizable Assets - Intangibles, Net	0.00	26,666.80	0.00	0.00	(9,999.96)	0.00		16,666.84
Governmental Activities Capital Assets, Net	183,438,493.61	57,893,537.00	0.00	56,628.60	(302,725.24)	(14,175.67)		241,071,758.30

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Table 2

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

	Balance 09-01-2009	Adjustments	Reclassifications			Additions	Deletions	Balance 08-31-2010
			Completed CIP	Incr-Int'agy Transfers	Decr-Int'agy Transfers			
<i>Non-depreciable Assets</i>								
Land and Land Improvements	3,499,500.00							3,499,500.00
Construction in Progress	675,828.00					3,352,314.14		4,028,142.14
Total Non-depreciable Assets	4,175,328.00	0.00	0.00	0.00	0.00	3,352,314.14	0.00	7,527,642.14
<i>Depreciable Assets</i>								
Buildings and Building Improvements	78,320,062.04							78,320,062.04
Furniture and Equipment	522,864.76	(309,133.15)				11,600.00	(11,907.80)	213,423.81
Vehicles, Boats, and Aircraft	46,501.14							46,501.14
Total Depreciable Assets at Historical Costs	78,889,427.94	(309,133.15)	0.00	0.00	0.00	11,600.00	(11,907.80)	78,579,986.99
<i>Less Accumulated Depreciation for:</i>								
Buildings and Building Improvements	(21,948,301.79)					(3,653,640.84)		(25,601,942.63)
Furniture and Equipment	(339,452.75)	190,823.67				(16,547.89)	11,907.80	(153,269.17)
Vehicles, Boats, and Aircraft	(30,446.90)					(6,642.96)		(37,089.86)
Total Accumulated Depreciation	(22,318,201.44)	190,823.67	0.00	0.00	0.00	(3,676,831.69)	11,907.80	(25,792,301.66)
Depreciable Assets, Net	56,571,226.50	(118,309.48)	0.00	0.00	0.00	(3,665,231.69)	0.00	52,787,685.33
<i>Amortizable Assets - Intangibles</i>								
Intangible Computer Software		309,133.15						309,133.15
Total Amortizable Assets - Intangibles at Historical Costs	0.00	309,133.15	0.00	0.00	0.00	0.00	0.00	309,133.15
<i>Less Accumulated Amortization for</i>								
Intangible Computer Software		(190,823.67)				(38,013.12)		(228,836.79)
Total Accumulated Amortization	0.00	(190,823.67)	0.00	0.00	0.00	(38,013.12)	0.00	(228,836.79)
Amortizable Assets - Intangibles, Net	0.00	118,309.48	0.00	0.00	0.00	(38,013.12)	0.00	80,296.36
Business-Type Activities Capital Assets, Net	60,746,554.50	0.00	0.00	0.00	0.00	(350,930.67)	0.00	60,395,623.83

**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 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.

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 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 MORTGAGE REVENUE BOND PROGRAM

Tex. Nat. Res. Code Ann., §164.011(d) specifies that money in the Veterans Mortgage Revenue Bond Program "shall be invested in authorized investments as provided by a bond resolution or order of the board." The Trust Indenture relating to the Veterans' Land Board of the State of Texas Veterans Mortgage Revenue Bonds, Taxable Series 2000A define "Eligible Investments" to include, though not exclusively: investment agreements, direct obligations of the United States, agency obligations, master repurchase agreements, certificates of deposit, commercial paper, and any other investment authorized for investment under Tex. Nat. Res. Code Ann., §164. 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., §403.245 and §660.026. Funds are in an interest-bearing account.
- c. The Land Patent Recording Fee Account is authorized by Tex. Nat. Res. Code Ann., §51.242. Funds are in an interest-bearing account.

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Table 3

DEPOSITS		
<u>Type of Deposit</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
	\$	\$
Current Assets - Cash in Bank:		
Governmental Funds	54,708.00	54,708.00
Fiduciary Funds	130,801.77	130,801.77
Total	185,509.77	185,509.77

DEPOSITS

Carrying amounts of bank accounts at August 31, 2010, are listed in *Table 3* above. 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, 2010, exposed to custodial credit risk.

INVESTMENTS

VETERANS' LAND BOARD

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

Student Loan Marketing Association (SLMA), the Federal Home 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 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 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, 2010, the weighted average maturity of the portfolio was approximately 3.16 years, and the modified duration was approximately 2.64 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, 2010, 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, 2010, 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 Bank of New York Mellon Trust Company, N.A. as trustee for the Veterans' Land Board of the State of Texas Veterans Homes Revenue Refunding Bonds, Series 2002. Money and investments related to the Veterans Mortgage Revenue Bond Program are held by U.S. Bank National Association as trustee for the Veterans' Land Board of the State of Texas Veterans Mortgage Revenue Bonds, Taxable Series 2000A.

As of August 31, 2010, 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 \$645,399,184.56; the fair value of the total portfolio of investments in the State of Texas David A. Gloier Texas

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State Veterans Home Program was \$20,922,072.08; and, the fair value of the total portfolio of investments in the Veterans Mortgage Revenue Bond Program was \$2,750,651.42. 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, 2010, can be found in *Table 4* on page 40, *Table 5* and *Table 6* on page 41.

SCHOOL LAND BOARD

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

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

With regard to externally managed investments, the Investment Policy authorizes an Investment Advisory Committee (IAC) to review potential investments and make recommendations to the SLB for the investment of money in the RESFA. The current IAC is comprised of five members, chaired by the deputy commissioner of Funds Management, chief investment officer of the Texas General Land Office. The IAC meets periodically to review potential investments and works in conjunction with the SLB's real 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 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 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 reconciled State Street Summary of Investments – External Portfolio at June 30, 2010, and adjusting it for cash transactions that transpired during July and August 2010.

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

Table 4

INVESTMENT PORTFOLIO AT FAIR VALUE

<u>Land and Housing Assistance Funds</u>	
<u>Investment Type</u>	<u>Fair Value</u>
	\$
U.S. Treasury Securities	85,449,582.62
U.S. Treasury Strips	24,790,485.20
U.S. Government Agency Obligations	139,300,302.85
Money Market Mutual Fund	54,201,723.02
Commercial Paper	119,976,741.00
Taxable Municipals	105,342,620.95
Miscellaneous Investments	6,042,930.00
Securities Lending - Cash Collateral Investment Pool ⁽³⁾	28,075,375.12
Total Investments	<u>563,179,760.76</u> ⁽¹⁾
Cash in State Treasury ⁽²⁾	<u>82,219,423.80</u>
Total Investments and Cash in State Treasury	<u>645,399,184.56</u>
Consisting of the following:	
Cash Equivalents	274,170,286.52
Current Investments	4,992,687.50
Noncurrent Investments	255,941,411.62
Security Lending Collateral ⁽³⁾	28,075,375.12
Total Investments, as above	<u>563,179,760.76</u>

⁽¹⁾ Includes \$20,827,029.86 and \$12,223,475.35 in the Fund I Bond Reserve and the Fund I Mortgage Reserve, respectively. The Bond and Mortgage Reserves are pledged only to support the Fund I Housing Assistance Bonds. As long as the Fund I Bond Reserve contains an amount equal to maximum average annual debt service requirements on the Fund I Housing Assistance Bonds, (i) any excess may be released from the Fund I Bond Reserve but will otherwise be considered as part of Housing Fund I, and (ii) any investment earnings relating to the Fund I Bond Reserve are automatically released from the Fund I Bond Reserve but are otherwise considered as part of Housing Fund I. Investment earnings relating the Fund I Mortgage Reserve may generally be used for any lawful purpose permitted for monies in Housing Fund I.

⁽²⁾ Cash in the State Treasury is managed by the Treasury Operations Division of the Texas Comptroller of Public Accounts.

⁽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.

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Table 5

INVESTMENT PORTFOLIO AT FAIR VALUE	
<u>Veterans Homes Program</u>	
<u>Investment Type</u>	<u>Fair Value</u>
	\$
Money Market Mutual Fund	8,992.82
U.S. Government Agency Obligations	9,060,816.40
Total Investments	9,069,809.22
Cash in State Treasury ⁽¹⁾	11,852,262.86
Total Investments and Cash in State Treasury	20,922,072.08
Consisting of the following:	
Cash Equivalents	8,992.82
Current Investments	9,060,816.40
Total Investments, as above	9,069,809.22

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

Table 6

INVESTMENT PORTFOLIO AT FAIR VALUE	
<u>Mortgage Revenue Housing Program</u>	
<u>Investment Type</u>	<u>Fair Value</u>
	\$
Money Market Mutual Fund	2,393,300.17
GNMA Mortgage-Backed Pass-Through Certificates	357,351.25
Total Investments	2,750,651.42
Consisting of the following:	
Cash Equivalents	2,393,300.17
Noncurrent Investments	357,351.25
Total Investments, as above	2,750,651.42

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 prices on the last day of each fiscal year, and estimates of future production from existing wells. The estimate of future production is based on calculated production rates derived from royalty income and reduced to account for estimated depletion. Hard mineral future 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 7* below.

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 2010, the VLB entered into no reverse repurchase agreements. As of August 31, 2010, there are no outstanding reverse repurchase agreements.

SECURITIES LENDING

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

The VLB, through a Securities Lending Authorization Agreement with its investment custodian and securities lending agent, State Street, lends its securities to broker-dealers and banks pursuant to a loan agreement in exchange for authorized collateral. Authorized collateral includes cash, U.S. government securities, and irrevocable letters of credit. State Street cannot pledge or sell collateral securities

Table 7

INVESTMENT PORTFOLIO AT FAIR VALUE		
Permanent School Fund		
Investment Type	Historical Cost	Fair Value
Investments in Real Assets	\$	\$
Sovereign Lands ⁽¹⁾	500,866.07	272,522,971.00
Discretionary Internal Investments	438,589,208.65	429,936,765.70
Other Lands	23,870,809.29	125,122,824.02
Minerals ^{(1),(2)}	13,391,088.24	2,376,770,393.00
Investments with External Managers	1,149,558,438.33	749,750,315.05
Total Investments ⁽³⁾	1,625,910,410.58	3,954,103,268.77
Cash in State Treasury ⁽⁴⁾	1,004,301,521.43	1,004,301,521.43
Total Investments and Cash in State Treasury	2,630,211,932.01	4,958,404,790.20
Consisting of the following:		
Noncurrent Investments	1,625,910,410.58	3,954,103,268.77
Total Investments, as above	1,625,910,410.58	3,954,103,268.77

⁽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.

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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 pool. As of August 31, 2010, the investment pool had an average duration of 28.03 days and an average weighted maturity of 142.04 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, 2010, 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, 2010, were \$28,075,375.12 and \$27,488,955.07, 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.

NOTE 5: LONG-TERM LIABILITIES

During the year ended August 31, 2010, the changes noted in *Table 8* on page 44 occurred in long-term liabilities.

BONDS PAYABLE

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

Table 8

CHANGES IN LONG-TERM LIABILITIES						
	Balance 09-01-2009	Additions ⁽¹⁾	Deductions	Balance 08-31-2010	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities	\$	\$	\$	\$	\$	\$
Employees' Compensable Leave	5,058,069.29	3,713,969.58	3,539,725.94	5,232,312.93	2,804,690.41	2,427,622.52
Total, Governmental Activities	5,058,069.29	3,713,969.58	3,539,725.94	5,232,312.93	2,804,690.41	2,427,622.52
Business-Type Activities						
Revenue Bonds Payable	23,584,807.00		375,000.00	23,209,807.00	400,000.00	22,809,807.00
General Obligation B/P	1,882,946,923.19	350,704,379.10	252,798,000.00	1,980,853,302.29	91,319,000.00	1,889,534,302.29
Unamortized Premium	2,833,644.85	12,906,317.00	763,983.78	14,975,978.07	1,027,625.12	13,948,352.95
Total, Business-Type Activities	1,909,365,375.04	363,610,696.10	253,936,983.78	2,019,039,087.36	92,746,625.12	1,926,292,462.24
Total, Governmental and Business-Type Activities	1,914,423,444.33	367,324,665.68	257,476,709.72	2,024,271,400.29	95,551,315.53	1,928,720,084.76

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

CLAIMS AND JUDGMENTS

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

The Texas General Land Office paid one new claim during Fiscal Year 2010, for property damage resulting from an automobile accident involving an agency employee.

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, 2010.

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. 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. *Table 9* on page 45 lists the various tranches of general obligation bond authorization.

BONDS ISSUED

GENERAL OBLIGATION BONDS

During Fiscal Year 2010, 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

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Table 9

**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
(319,741,419.54)	Outstanding balance (Land General Obligation Bonds)
<u>(1,665,466,137.99)</u>	Outstanding balance (Housing General Obligation Bonds)
<u>2,014,792,445.47</u> ⁽²⁾	Amount remaining to issue (General Obligation Bonds)

(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.

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.

\$50,000,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2009B Bonds

Issue Date: September 3, 2009
 Sr. Manager: Goldman Sachs & Co.
 True Interest Cost: 4.00%
 Net Proceeds: \$54,132,661.97
 Net Reoffering Premium: \$4,535,934.70
 Costs of Issuance: \$403,272.73

The Series 2009B Bonds were issued to augment the Veterans' Housing Assistance Fund II.

\$82,795,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2009C Taxable Refunding Bonds

Issue Date: November 18, 2009
 Sr. Manager: J.P. Morgan
 True Interest Cost: Variable-Rate
 Net Proceeds: \$82,537,030.87
 Costs of Issuance: \$257,969.13

The Series 2009C Taxable Refunding Bonds were issued to refund the Veterans' Housing Assistance Program, Fund II Series 1999A-1 Taxable Bonds and the Veterans' Housing Assistance Program, Fund II Series 1999B Bonds.

\$74,995,000 State of Texas Veterans' Housing Assistance Program, Fund II Series 2010A Bonds

Issue Date: February 25, 2010
Sr. Manager: Morgan Stanley
True Interest Cost: 3.25%
Net Proceeds: \$82,845,726.83
Net Reoffering Premium: \$8,370,382.30
Costs of Issuance: \$519,655.47

The Series 2010A Bonds were issued to augment the Veterans' Housing Assistance Fund II.

\$66,720,000 State of Texas Veterans Bonds, Taxable Refunding Series 2010B

Issue Date: May 10, 2010
Sr. Manager: J.P. Morgan
True Interest Cost: Variable-Rate
Net Proceeds: \$66,452,561.85
Costs of Issuance: \$267,438.15

The Series 2010B Taxable Refunding Bonds were issued to refund the Veterans' Housing Assistance Program Fund II. Series 2000C Bonds.

\$74,995,000 State of Texas Veterans Bonds, Series 2010C

Issue Date: August 20, 2010
Sr. Manager: Morgan Stanley
True Interest Cost: Variable-Rate
Net Proceeds: \$74,704,752.30
Costs of Issuance: \$290,247.70

The Series 2010C Bonds were issued to augment the Veterans' Housing Assistance Fund II.

DEMAND BONDS

Included in long-term debt are the outstanding principal amounts of several issues of general obligation variable-rate demand bonds backed by the full faith and credit of the state of Texas, as described below. A summary of the liquidity agreements have been provided in *Table 10* on page 47.

\$6,800,000 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, 2011. The liquidity provider receives an annual fee of 0.12 percent. As of August 31, 2010, 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

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Table 10

VETERANS' LAND BOARD LIQUIDITY FACILITIES AS OF AUGUST 31, 2010

Liquidity Provider	Bond Transaction	Available Principal Commitment at 8/31/10	Liquidity Agreement Expiration Date
J. P. Morgan Chase Bank, N.A.	1) Vet Hsg Fund II Tax Bds Ser 99A-2	\$ 150,000,000.00	11/2/2012
	2) Vet Land Tax Ref Bds Ser 2000	39,960,000.00	11/3/2012
	3) Vet Land Tax Bds Ser 2000A	17,265,000.00	11/3/2012
	4) Vet Hsg Fund I Tax Ref Bds Ser 2005C	28,025,000.00	11/2/2012
	5) Vet Hsg Fund II Tax Ref Bds Ser 2009C	82,795,000.00	11/16/2012
		<u>318,045,000.00</u>	
Landesbank Hessen-Thüringen	1) Vet Hsg Fund II Bds Ser 2002A-2	33,865,000.00	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	36,420,000.00	12/31/2015 *
	4) Vet Hsg Fund II Bds Ser 2003B	37,685,000.00	12/31/2015 *
	5) Vet Land Tax Ref Bds Ser 2002	27,685,000.00	12/31/2015 *
	6) Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00	6/01/2011
	7) Vet Land Tax Bds Ser 2002A	17,870,000.00	6/01/2011
	8) Vet Land Tax Ref Bds Ser 2006A	28,125,000.00	6/01/2011
	9) Vet Land Tax Ref Bds Ser 2006B	21,895,000.00	6/01/2011
	10) Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000.00	6/01/2011
	11) Vet Hsg Fund II Tax Ref Bds Ser 2006C	20,285,000.00	6/01/2011
		<u>337,180,000.00</u>	
	<i>* Per the most recent standby bond purchase agreement, Helaba has the option to terminate the agreement on the last business day of June 2011, June 2013, or June 2015.</i>		
State of Texas Comptroller's Office	1) Vet Hsg Bds Ser '94A-1	6,800,000.00	8/31/2011
	2) Vet Hsg Ref Bds Ser '95	48,435,000.00	8/31/2011
	3) Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00	8/31/2011
	4) Vet Land Ref Bds Ser '99A	25,180,000.00	8/31/2011
		<u>100,415,000.00</u>	
Dexia Credit Local	1) Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865,000.00	11/15/2011
	2) Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000.00	11/15/2011
	3) Vet Hsg Fund I Tax Ref Bds Ser 2004C, Vet Hsg Fund II Tax Ref Bds Ser 2004D	34,370,000.00	11/15/2011
	4) Vet Land Tax Ref Bds Ser 2005	20,780,000.00	11/15/2011
	5) Vet Hsg Fund II Ser 2006A	42,040,000.00	11/15/2011
	6) Vet Land Tax Ref Bds Ser 2006C	36,525,000.00	11/15/2011
	7) Vet Hsg Fund II Ser 2006E Taxable Ref Bds	39,560,000.00	11/15/2011
	8) Vet Hsg Fund II Ser 2007B	46,340,000.00	11/15/2011
	9) Vet Hsg Fund II Ser 2007C Taxable Ref Bds	41,655,000.00	11/15/2011
	10) Vet Hsg Fund II Series 2008A	46,835,000.00	11/15/2011
	11) Vet Hsg Fund II Series 2008B	47,810,000.00 *	9/11/2010
		<u>420,315,000.00</u>	
	<i>* Liquidity Agreement Substitution effective 9/1/2010 with Lloyds TSB Bank plc; expiration date is 9/01/2012</i>		
State Street Bank and Trust Co.	1) Vet Land Tax Ref Bds Ser 2003	23,490,000.00	11/17/2010
	2) Vet Hsg Fund II Bds Ser 2004A	37,540,000.00	11/17/2010
	3) Vet Land Tax Ref Bds Ser 2004	22,235,000.00	11/17/2010
	4) Vet Hsg Fund II Bds Ser 2005A	40,300,000.00	11/17/2010
	5) Vet Hsg Fund II Bds Ser 2005B	40,505,000.00	11/17/2010
	6) Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00	2/01/2012
	7) Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00	2/01/2012
	8) Vet Hsg Fund II Tax Ref Bds Ser 2005D	11,540,000.00	2/01/2012
	9) Vet Hsg Fund II Bds Ser 2007A	44,465,000.00	2/01/2012
		<u>270,075,000.00</u>	
Sumitomo Mitsui Banking Corp.	1) Vet Land Bds Ser 2002	17,390,000.00	8/11/2012
	2) Vet Hsg Fund II Bds Ser 2004B	40,685,000.00	8/11/2012
	3) Vet Hsg Fund II Bds Ser 2006D	44,145,000.00	8/11/2012
	4) Vet Bonds, Tax Ref Series 2010B	66,720,000.00	5/20/2013
		<u>168,940,000.00</u>	
Lloyds TSB Bank plc	1) Vet Hsg Fund II Series 2010C	74,995,000.00	8/20/2012
		<u>74,995,000.00</u>	
		<u><u>1,689,965,000.00</u></u>	

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 1, 2011. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2010, 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 to pay the purchase price of the bonds delivered to it. The liquidity agreement terminates on February 1, 2012. The liquidity provider receives an annual fee of 0.25 percent. As of August 31, 2010, 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 November 2, 2012. The liquidity provider receives an annual fee of 0.88 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$25,180,000 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

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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, 2011. The liquidity provider receives an annual fee of 0.12 percent. As of August 31, 2010, 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 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, 2011. The liquidity provider receives an annual fee of 0.12 percent. As of August 31, 2010, 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 February 1, 2012. The liquidity provider receives an annual fee of 0.25 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$33,865,000 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, 2010, 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, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$36,420,000 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, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$37,685,000 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, 2010, 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 Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of 0.065 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$37,540,000 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, 2010. The liquidity provider receives an annual fee of 0.11 percent. As of August 31, 2010, 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 Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of 0.065 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$40,685,000 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 11, 2012. The liquidity provider receives an annual fee of 0.75 percent. As of August 31, 2010, 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;
\$27,150,000 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

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

Under a standby bond purchase agreement between the board and Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of 0.065 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$40,300,000 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, 2010. The liquidity provider receives an annual fee of 0.11 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$40,505,000 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, 2010. The liquidity provider receives an annual fee of 0.11 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$21,045,000 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 Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of 0.065 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$28,025,000 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 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 November 2, 2012. The liquidity provider receives an annual fee of 0.88 percent. As of August 31, 2010, 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 February 1, 2012. The liquidity provider receives an annual fee of 0.25 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$28,125,000 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.

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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 1, 2011. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$21,895,000 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 11, 2011. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2010, 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 1, 2011. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$20,285,000 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 1, 2011. The liquidity provider receives an annual fee of 0.55 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$42,040,000 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 Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of 0.065 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$44,145,000 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 11, 2012. The liquidity provider receives an annual fee of 0.75 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$36,525,000 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

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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 Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of .065 percent. As of August 31, 2010, 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 Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of .065 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$44,465,000 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 February 1, 2012. The liquidity provider receives an annual fee of .25 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$46,340,000 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 Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of .065 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$41,655,000 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 Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of 0.065 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$46,385,000 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 Dexia Credit Local, 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 15, 2011. The liquidity provider receives an annual fee of 0.10 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

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\$47,810,000 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 Dexia Credit Local, 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 11, 2010. The liquidity provider receives an annual fee of 0.325 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$82,795,000 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 fund 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, 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 16, 2012. The liquidity provider receives an annual fee of 0.88 percent. As of August 31, 2010, there were \$0 purchased bonds held by the liquidity provider under the terms of the liquidity agreement.

\$66,720,000 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, 2010, 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 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 Lloyds TSB Bank plc, 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 20, 2012. The liquidity provider receives an annual fee of 0.48 percent. As of August 31, 2010, 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, 2010, \$44,700,000.00 of the defeased bonds

remained outstanding. The proceeds of the refundings, together with additional securities and cash owned by the board, were deposited with the board's escrow agents pursuant to the special escrow fund agreements. These agreements provide that the special escrow funds are irrevocably pledged to the payment of principal and interest on the refunded bonds. The escrow agent will retire the remaining defeased debt as it matures. Details of the refunding transactions are outlined in *Table 11* on page 61.

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

With the issuance of the refunding bonds, all of the outstanding Veterans' Land Bond Series 1949 through 1985B were refunded, which released available monies from certain covenants in the resolutions that authorized the issuance of those bonds. The future receipts were pledged by the resolution authorizing the Series 1985, 1986, 1989, 1990, and 1991 Refunding Bonds. In April 1998, the board completed a current refunding of the Series 1985 and 1986 Refunding Bonds with its Series 1998A and 1998B Taxable Refunding Bonds. Thus, upon completion of the 1998 transactions, assets formerly pledged to the Series 1985 and 1986 Refunding Bonds became assets of the Series 1998A and 1998B Taxable Refunding Bonds. In October 1999, the board completed a current refunding of the current interest bond portion of the Series 1989 Refunding Bonds with its Series 1999B Taxable Refunding Bonds. Thus, assets formerly pledged to the Series 1989 Refunding Bonds became assets of the Series 1999B Taxable Refunding Bonds. In November 2000, the board completed a current refunding of the current interest bond portion of the Series 1990 Refunding Bonds with its Series 2000 Taxable Refunding Bonds. Thus, assets formerly pledged to the Series 1990 Refunding Bonds became assets of the Series 2000 Taxable Refunding Bonds. In November 2002, the board completed a current refunding of the current interest bond portion of the Series 1991 Refunding Bonds with its Series 2002 Taxable Refunding Bonds. Thus, assets formerly pledged to the Series 1991 Refunding Bonds became assets of the Series 2002 Taxable Refunding Bonds.

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Table 11

	1985	1986	Total
	Refunding	Refunding	Refunding
Series Defeased	1976-1982	1951-1972A, 1978-1985B, and 1983 Refunding	
Refunding Bonds Issued	\$ 173,760,000.00	\$ 542,785,000.00	\$ 716,545,000.00
Additional Securities and Cash Provided	19,890,121.00	58,781,385.00	78,671,506.00
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
Total Defeased Debt	216,000,000.00	573,813,000.00	789,813,000.00
Total Retired by Escrow Agent at 08-31-2010	201,000,000.00	544,113,000.00	745,113,000.00
Outstanding Defeased Debt	15,000,000.00	29,700,000.00	44,700,000.00
Escrow Agent	Bank of New York Jacksonville, FL	Bank of New York Jacksonville, FL	
Final Maturity Date of Series Defeased	2015	2020	

ADMINISTRATION OF LOAN PROGRAMS

Under the Veterans' Land Program, eligible veterans may qualify for a loan of up to \$80,000.00 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, 2010, is 7.25 percent.

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

In January 1984, the Veterans' Land Board began providing housing loans. Currently under this program, eligible Texas veterans may qualify for a loan of up to \$325,000.00. 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 2010. 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, 2010, and the issue and final maturity dates are presented in **Table 12** on page 63 and **Table 13** on page 64, and a summary of bond transactions is presented in **Table 14** on page 65 and **Table 15** on page 66.

DERIVATIVES

PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS

Objective of the swaps. The board is currently a party to forty-one pay-fixed, receive-variable interest rate swaps that are associated with forty-three 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

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Table 12

OUTSTANDING BONDS

Bond Issue	Issue Date	Final Maturity Date	Bonds Outstanding 08-31-2010
			\$
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	6,800,000.00
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	2,629,226.05
Vet Hsg Ref Bds Ser '95	10-31-1995	12-01-2016	48,435,000.00
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	5,360,000.00
Vet Hsg Fund II Tax Bds Ser '99A-2	10-07-1999	12-01-2029	150,000,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2000D	11-16-2000	12-01-2010	15,420,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2000E	11-16-2000	12-01-2010	10,750,000.00
Vet Hsg Fund II Bds Ser 2001A-1	03-22-2001	06-01-2032	31,680,000.00
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-1	12-18-2001	12-01-2028	10,725,000.00
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-1	07-10-2002	12-01-2022	9,925,000.00
Vet Hsg Fund II Bds Ser 2002A-2	07-10-2002	06-01-2033	33,865,000.00
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	36,420,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-2003	06-01-2034	37,685,000.00
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	37,540,000.00
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	40,685,000.00
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	27,150,000.00
Vet Hsg Fund II Bds Ser 2005A	02-24-2005	06-01-2035	40,300,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-2005	06-01-2036	40,505,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	11-16-2005	12-01-2025	28,025,000.00
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	20,285,000.00
Vet Hsg Fund II Bds Ser 2006A	06-01-2006	12-01-2036	42,040,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-2006	12-01-2036	44,145,000.00
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	44,465,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-2007	06-01-2038	46,340,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	11-14-2007	06-01-2029	41,655,000.00
Vet Hsg Fund II Bds Ser 2008A	03-26-2008	12-01-2028	46,835,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-2008	12-01-2038	47,810,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-2009	12-01-2023	49,110,000.00
Vet Hsg Fund II Bds Ser 2009B	09-03-2009	12-01-2024	50,000,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C	11-18-2009	12-01-2021	82,795,000.00
Vet Hsg Fund II Bds Ser 2010A	02-25-2010	12-01-2025	74,995,000.00
Veterans Bonds, Tax Ref Ser 2010B	05-20-2010	12-01-2031	66,720,000.00
Veterans Bonds Series 2010C	08-20-2010	12-01-2040	74,995,000.00
Total, Veterans' Housing Bonds			1,652,159,226.05

(Continued on Table 13)

Table 13

OUTSTANDING BONDS (Continued from Table 12)

<u>Bond Issue</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Bonds Outstanding 08-31-2010</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 '90 ⁽¹⁾	09-26-1990	12-01-2020	2,449,099.16
Vet Land Ref Bds Ser '91 ⁽¹⁾	11-19-1991	12-01-2021	4,257,370.83
Vet Land Bds Ser '94 ⁽¹⁾	05-05-1994	12-01-2024	3,242,662.93
Vet Land Bds Ser '96 ⁽¹⁾	03-06-1996	12-01-2026	3,429,943.32
Vet Land Ref Bds Ser '99A	04-28-1999	12-01-2018	25,180,000.00
Vet Land Tax Bds Ser 2000A	07-26-2000	12-01-2030	16,915,000.00
Vet Land Bds Ser 2000	07-26-2000	12-01-2030	17,265,000.00
Vet Land Tax Ref Bds Ser 2000	11-15-2000	12-01-2020	39,960,000.00
Vet Land Bds Ser 2002	02-21-2002	12-01-2032	17,390,000.00
Vet Land Tax Bds Ser 2002A	02-21-2002	12-01-2032	17,870,000.00
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	23,490,000.00
Vet Land Tax Ref Bds Ser 2004	11-18-2004	12-01-2024	22,235,000.00
Vet Land Tax Ref Bds Ser 2005	11-16-2005	12-01-2026	20,780,000.00
Vet Land Tax Ref Bds Ser 2006A	05-10-2006	12-01-2027	28,125,000.00
Vet Land Tax Ref Bds Ser 2006B	05-10-2006	12-01-2026	21,895,000.00
Vet Land Tax Ref Bds Ser 2006C	11-15-2006	12-01-2027	36,525,000.00
Total, Veterans' Land Bonds			328,694,076.24
Total, General Obligation Bonds - Self-Supporting			1,980,853,302.29
Revenue Bonds - Self-Supporting			
<i>Veterans Homes Revenue Bonds</i>			
(Proceeds used to construct Texas State Veterans Homes)			
Vet Home Revenue Ref Bds Ser 2002 ⁽¹⁾	05-09-2002	08-01-2035	22,620,000.00
Total, Veterans Homes Revenue Bonds			22,620,000.00
<i>Veterans Mortgage Revenue Bonds</i>			
(Proceeds used to provide housing loans to eligible Texas veterans)			
Vet Mortgage Revenue Tax Bds Ser 2000A	03-01-2000	12-25-2032	589,807.00
Total, Veterans Mortgage Revenue Bonds			589,807.00
Total, Revenue Bonds - Self-Supporting			23,209,807.00
Total, All Bonds (Tables 12 and 13)			2,004,063,109.29

⁽¹⁾ Includes accreted interest on discount bonds.

⁽²⁾ Excludes unamortized premium on bonds.

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Table 14

BOND TRANSACTIONS

Bond Issue	Bonds Payable 09-01-2009	Bonds Issued	Annual Interest Accretion on Discount Bonds	Bonds Matured	Bonds Extinguished by Defeasance or Redeemed Prior to Maturity	Bonds Payable 08-31-2010
	\$	\$	\$	\$	\$	\$
General Obligation Bonds - Self-Supporting						
<i>Veterans' Housing Bonds</i>						
Vet Hsg Bds Ser '94A-1	7,100,000.00			300,000.00		6,800,000.00
Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00					55,000,000.00
Vet Hsg Ref Bds Ser '94C	3,186,637.62		202,588.43	760,000.00		2,629,226.05
Vet Hsg Ref Bds Ser '95	53,105,000.00			4,670,000.00		48,435,000.00
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	24,910,000.00			885,000.00	18,665,000.00	5,360,000.00
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00					150,000,000.00
Vet Hsg Fund II Bds Ser '99B	66,845,000.00			1,000,000.00	65,845,000.00	0.00
Vet Hsg Fund I Tax Ref Bds Ser '99C	16,530,000.00			16,530,000.00		0.00
Vet Hsg Fund I Tax Ref Bds Ser '99D	9,540,000.00			9,540,000.00		0.00
Vet Hsg Fund II Bds Ser 2000C	68,705,000.00			1,985,000.00	66,720,000.00	0.00
Vet Hsg Fund I Tax Ref Bds Ser 2000D	15,420,000.00					15,420,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2000E	10,750,000.00					10,750,000.00
Vet Hsg Fund II Bds Ser 2001A-1	32,950,000.00			1,270,000.00		31,680,000.00
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00					20,000,000.00
Vet Hsg Fund II Bds Ser 2001C-1	13,090,000.00			690,000.00	1,675,000.00	10,725,000.00
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00					25,000,000.00
Vet Hsg Fund II Bds Ser 2002A-1	10,215,000.00			290,000.00		9,925,000.00
Vet Hsg Fund II Bds Ser 2002A-2	34,585,000.00			720,000.00		33,865,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B	19,780,000.00					19,780,000.00
Vet Hsg Fund II Bds Ser 2003A	38,555,000.00			2,135,000.00		36,420,000.00
Vet Hsg Fund II Bds Ser 2003B	39,805,000.00			2,120,000.00		37,685,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865,000.00					47,865,000.00
Vet Hsg Fund II Bds Ser 2004A	39,845,000.00			2,305,000.00		37,540,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000.00					16,535,000.00
Vet Hsg Fund II Bds Ser 2004B	42,870,000.00			2,185,000.00		40,685,000.00
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	30,595,000.00			3,445,000.00		27,150,000.00
Vet Hsg Fund II Bds Ser 2005A	42,505,000.00			2,205,000.00		40,300,000.00
Vet Hsg Fund II Bds Ser 2005B	42,990,000.00			2,485,000.00		40,505,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	30,245,000.00			2,220,000.00		28,025,000.00
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	20,850,000.00			565,000.00		20,285,000.00
Vet Hsg Fund II Bds Ser 2006A	44,445,000.00			2,405,000.00		42,040,000.00
Vet Hsg Fund II Bds Ser 2006D	46,325,000.00			2,180,000.00		44,145,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00					39,560,000.00
Vet Hsg Fund II Bds Ser 2007A	46,760,000.00			2,295,000.00		44,465,000.00
Vet Hsg Fund II Bds Ser 2007B	48,270,000.00			1,930,000.00		46,340,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	46,600,000.00			4,945,000.00		41,655,000.00
Vet Hsg Fund II Bds Ser 2008A	48,790,000.00			1,955,000.00		46,835,000.00
Vet Hsg Fund II Bds Ser 2008B	49,365,000.00			1,555,000.00		47,810,000.00
Vet Hsg Fund II Bds Ser 2009A	50,000,000.00			890,000.00		49,110,000.00
Vet Hsg Fund II Bds Ser 2009B		50,000,000.00				50,000,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C		82,795,000.00				82,795,000.00
Vet Hsg Fund II Bds Ser 2010A		74,995,000.00				74,995,000.00
Veterans Bonds, Tax Ref Ser 2010B		66,720,000.00				66,720,000.00
Veterans Bonds Series 2010C		74,995,000.00				74,995,000.00
Total, Veterans' Housing Bonds	1,531,816,637.62	349,505,000.00	202,588.43	76,460,000.00	152,905,000.00	1,652,159,226.05

(Continued on Table 15)

Table 15

BOND TRANSACTIONS (Continued from Table 14)

Bond Issue	Bonds Payable 09-01-2009	Bonds Issued	Annual Interest Accretion on Discount Bonds	Bonds Matured	Bonds Extinguished by Defeasance or Redeemed Prior to Maturity	Bonds Payable 08-31-2010
	\$	\$	\$	\$	\$	\$
General Obligation Bonds - Self-Supporting						
<i>Veterans' Land Bonds</i>						
Vet Land RefBds Ser '89	2,167,345.70		37,654.30	2,205,000.00		0.00
Vet Land RefBds Ser '90	4,723,261.75		220,837.41	2,495,000.00		2,449,099.16
Vet Land RefBds Ser '91	6,178,490.84		316,879.99	2,238,000.00		4,257,370.83
Vet Land Bds Ser '94	3,776,037.54		213,625.39	747,000.00		3,242,662.93
Vet Land Bds Ser '96	3,820,149.74		207,793.58	598,000.00		3,429,943.32
Vet Land RefBds Ser '99A	27,075,000.00			1,895,000.00		25,180,000.00
Vet Land Tax Ref Bds Ser '99B	7,215,000.00			7,215,000.00		0.00
Vet Land Bds Ser 2000	17,330,000.00			415,000.00		16,915,000.00
Vet Land Tax Bds Ser 2000A	17,650,000.00			385,000.00		17,265,000.00
Vet Land Tax Ref Bds Ser 2000	39,960,000.00					39,960,000.00
Vet Land Bds Ser 2002	17,815,000.00			425,000.00		17,390,000.00
Vet Land Tax Bds Ser 2002A	18,230,000.00			360,000.00		17,870,000.00
Vet Land Tax Ref Bds Ser 2002	27,685,000.00					27,685,000.00
Vet Land Tax Ref Bds Ser 2003	24,545,000.00			1,055,000.00		23,490,000.00
Vet Land Tax Ref Bds Ser 2004	22,755,000.00			520,000.00		22,235,000.00
Vet Land Tax Ref Bds Ser 2005	21,300,000.00			520,000.00		20,780,000.00
Vet Land Tax Ref Bds Ser 2006A	28,930,000.00			805,000.00		28,125,000.00
Vet Land Tax Ref Bds Ser 2006B	22,450,000.00			555,000.00		21,895,000.00
Vet Land Tax Ref Bds Ser 2006C	37,525,000.00			1,000,000.00		36,525,000.00
Total, Veterans' Land Bonds	351,130,285.57	0.00	996,790.67	23,433,000.00	0.00	328,694,076.24
Total, General Obligation Bonds - Self-Supporting	1,882,946,923.19	349,505,000.00	1,199,379.10	99,893,000.00	152,905,000.00	1,980,853,302.29
Revenue Bonds - Self-Supporting						
<i>Veterans Home Revenue Bonds</i>						
Vet Home Revenue Ref Bds Ser 2002	22,995,000.00			375,000.00		22,620,000.00
Total, Veterans Home Revenue Bonds	22,995,000.00	0.00	0.00	375,000.00	0.00	22,620,000.00
<i>Veterans Mortgage Revenue Bonds</i>						
Vet Mortgage Revenue Tax Bds Ser 2000A	589,807.00					589,807.00
Total, Veterans Mortgage Revenue Bonds	589,807.00	0.00	0.00	0.00	0.00	589,807.00
Total, Revenue Bonds - Self-Supporting	23,584,807.00	0.00	0.00	375,000.00	0.00	23,209,807.00
Total, All Bonds (Tables 14 and 15)	1,906,531,730.19	349,505,000.00	1,199,379.10	100,268,000.00	152,905,000.00	2,004,063,109.29

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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, 2010, were as shown in **Table 16** on pages 68 and 69. The notional amounts and amortization schedules of the swaps match those of the associated variable-rate bonds.

PAY-VARIABLE, RECEIVE-FIXED INTEREST RATE SWAPS

Objective of the swaps. The board is currently a party to one pay-variable, receive-fixed interest rate swap that is associated with a taxable variable-rate bond issue. The swap was overlaid on an existing pay-fixed, receive-variable swap and effectively results in unhedged variable-rate bonds with an expected borrowing cost significantly below market over the life of the swap.

Terms, fair values, and credit ratings. The terms, fair values, and counterparty credit ratings related to the outstanding fixed-to-variable swaps as of August 31, 2010, were as shown in **Table 17** on page 70. The notional amounts and amortization schedules of the swaps match those of the associated funds.

PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS

Objective of the swaps. The board is currently a party to five pay-variable, receive-variable interest rate swaps that are associated with three 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, 2010, were as shown in **Table 18** on page 70. 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 16** on pages 68 and 69, and in **Table 17** and **Table 18** on page 70, the credit ratings of the board's counterparties range from AAA to A- by Standard & Poor's and Aaa to A3 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 forty-seven currently outstanding swaps are spread among seven different

Table 16

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	48,435,000.00	11-29-1995	5.5200%	Actual Bond Rate
Vet Land Ref Bds Ser '99A	25,180,000.00	06-01-1999	5.1120%	68% of 6M LIBOR
Vet Land Tax Ref Bds Ser 2000	39,960,000.00	12-01-2000	6.1060%	100% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00	03-22-2001	4.3000%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00	12-18-2001	4.3650%	68% of 1M LIBOR
Vet Land Bds Ser 2002	17,390,000.00	02-21-2002	4.1400%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2002A-2	23,650,000.00	07-10-2002	3.8725%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2002	27,685,000.00	12-01-2002	4.9350%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2002B	19,780,000.00	12-01-2002	4.9100%	100% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2003A	36,420,000.00	03-04-2003	3.3040%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2003B	37,685,000.00	10-22-2003	3.4030%	64.5% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2003	23,490,000.00	12-01-2003	5.1230%	100% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865,000.00	12-01-2003	5.1900%	100% of 6M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000.00	06-01-2004	5.4500%	100% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2004B	40,685,000.00	09-15-2004	3.6800%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2004	22,235,000.00	12-01-2004	5.4550%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2004C,D	34,370,000.00	12-01-2004	5.3480%	100% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2005A	40,300,000.00	02-24-2005	3.2790%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2005	20,780,000.00	12-01-2005	6.5170%	100% of 6M LIBOR
Vet Hsg Fund I/II Tax Ref Bds Ser 2005C,D	23,580,000.00	12-01-2005	5.1450%	100% of 1M LIBOR
Vet Hsg Fund I Tax Ref Bds Ser 2005C	15,985,000.00	12-01-2005	4.9290%	100% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2006A	42,040,000.00	06-01-2006	3.5170%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2006A	28,125,000.00	06-01-2006	6.5400%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2006C	20,285,000.00	06-01-2006	5.7900%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000.00	06-01-2006	5.8300%	100% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2006B	21,895,000.00	06-01-2006	4.6100%	100% of 6M LIBOR
Vet Hsg Fund II Bds Ser 2006D	44,145,000.00	09-20-2006	3.6890%	68% of 1M LIBOR
Vet Land Tax Ref Bds Ser 2006C	36,525,000.00	12-01-2006	6.5130%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00	12-01-2006	5.4610%	100% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2007C	41,655,000.00	12-01-2007	4.6580%	100% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007A	44,465,000.00	02-22-2007	3.6450%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2007B	46,340,000.00	06-26-2007	3.7120%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008A	46,835,000.00	03-26-2008	3.1890%	68% of 1M LIBOR
Vet Hsg Fund II Bds Ser 2008B	47,810,000.00	09-11-2008	3.2250%	68% of 1M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2009C	16,950,000.00	12-01-2009	6.2200%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2009C	65,845,000.00	12-01-2009	5.4525%	100% of 6M LIBOR
Vet Hsg Fund II Tax Ref Bds Ser 2010B	66,720,000.00	06-01-2010	5.4010%	100% of 1M LIBOR
Vet Bds Ser 2010C	74,995,000.00	08-20-2010	2.3095%	68% of 1M LIBOR
Vet Tax Ref Bds Ser 2010D	16,480,000.00	12-01-2010	5.2090%	100% of 1M LIBOR
Vet Tax Ref Bds Ser 2010E	49,995,000.00	12-01-2010	2.7900%	100% of 1M LIBOR
Vet Homes Rev Ref Bds, Ser 2012	21,795,000.00	08-01-2012	3.7600%	68% of 1M LIBOR
Total	<u>1,418,040,000.00</u>			

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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	N/A	N/A	N/A	(8,020,200.00)	12/01/2016	A- / A3
N/A	N/A	N/A	N/A	(4,719,823.00)	12/01/2018	A- / A3
1M LIBOR >= 7.00%	Optional	Permanent	2,700,000.00	(10,073,528.00)	12/01/2020	AAA / Aaa
N/A	N/A	Permanent	N/A	(6,120,935.00)	12/01/2029	A / A3
N/A	N/A	N/A	N/A	(8,911,091.00)	12/01/2033	AAA / Aaa
N/A	N/A	N/A	N/A	(4,524,815.00)	12/01/2032	A / A2
N/A	N/A	N/A	N/A	(6,756,552.00)	06/01/2033	AA- / Aa1
6M LIBOR >= 7.00%	Mandatory	N/A	2,785,000.00	(5,920,459.00)	12/01/2021	A / A2
6M LIBOR > 7.00%	Mandatory	Periodic	2,165,000.00	(4,341,370.00)	06/01/2023	AAA / Aaa
N/A	N/A	Periodic	N/A	(5,390,557.00)	06/01/2034	AA- / Aa1
N/A	N/A	N/A	N/A	(5,797,587.00)	06/01/2034	AAA / Aaa
1M LIBOR >= 7.00%	Mandatory	N/A	1,896,000.00	(5,312,186.00)	12/01/2023	AA- / Aa1
6M LIBOR > 7.00%	Mandatory	Periodic	4,470,000.00	(10,394,830.00)	06/01/2021	AAA / Aaa
6M LIBOR >= 7.00%	Mandatory	Periodic	1,442,000.00	(4,906,232.00)	12/01/2024	AA- / Aa1
N/A	N/A	Periodic	N/A	(7,660,063.00)	12/01/2034	AA- / Aa1
6M LIBOR >= 7.00%	Mandatory	N/A	2,075,000.00	(5,961,459.00)	12/01/2024	A / A2
1M LIBOR >= 7.00%	Mandatory	Periodic	2,594,000.00	(8,107,509.00)	06/01/2020	AA- / Aa1
N/A	N/A	Periodic	N/A	(6,036,527.00)	06/01/2035	AAA / Aaa
6M LIBOR >= 7.00%	Mandatory	N/A	1,542,000.00	(8,058,486.00)	12/01/2026	AA- / Aa1
1M LIBOR >= 7.00%;	Mandatory	Periodic	1,367,000.00	(6,899,584.00)	06/01/2026	AA- / Aa1
6MLIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Periodic	Periodic	566,500.00			
1M LIBOR >= 7.00%;	Mandatory	Periodic	484,000.00	(3,640,284.00)	12/01/2023	AA- / Aa1
6MLIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Periodic	Periodic	267,000.00			
N/A	N/A	N/A	N/A	(7,387,907.00)	12/01/2036	AAA / Aaa
6M LIBOR >= 7.00%	Mandatory	N/A	1,931,000.00	(10,857,681.00)	12/01/2027	AA- / Aa1
6M LIBOR >= 7.00%	Mandatory	N/A	1,493,000.00	(6,423,211.00)	12/01/2027	AA- / Aa1
1M LIBOR >= 7.00%	Mandatory	Periodic	1,992,000.00	(14,083,249.00)	12/01/2026	AA- / Aa1
6M LIBOR >= 7.00%	Mandatory	Periodic	886,000.00	(4,692,194.00)	12/01/2026	AAA / Aaa
N/A	N/A	Periodic	N/A	(8,443,559.00)	12/01/2036	A+ / Aa3
1M LIBOR >= 7.00%	Mandatory	Periodic	2,725,000.00	(14,457,003.00)	12/01/2027	AA- / Aa1
1M LIBOR >= 7.00%	Mandatory	N/A	2,652,000.00	(13,587,730.00)	12/01/2026	AA- / Aa1
6MLIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Periodic	Periodic	1,017,500.00			
1M LIBOR >= 7.00%;	Mandatory	Periodic	934,700.00	(11,298,779.00)	06/01/2029	AA- / Aa1
SIFMA/5Y ISDA CMS > 71%			1,020,000.00			
N/A	N/A	Periodic	N/A	(8,684,994.00)	06/01/2037	AAA / Aaa
N/A	N/A	N/A	N/A	(9,417,702.00)	06/01/2038	AA- / Aa1
N/A	N/A	N/A	N/A	(6,822,270.00)	06/01/2037	AAA / Aaa
N/A	N/A	N/A	N/A	(7,420,051.00)	06/01/2038	AAA / Aaa
6M LIBOR >= 7.00%	Mandatory	N/A	612,000.00	(4,618,836.00)	12/01/2021	AA- / Aa1
6M LIBOR >= 7.00%	Mandatory	N/A	2,740,000.00	(22,120,064.00)	06/01/2031	AA- / Aa1
1M LIBOR >= 7.00%;	Mandatory	Periodic	2,355,000.00	(25,096,519.00)	12/01/2031	AA- / Aa1
6MLIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Periodic	Periodic	1,427,000.00			
N/A	N/A	Periodic	N/A	(3,529,639.00)	12/01/2040	A / A2
1M LIBOR >= 7.00%;	Mandatory	Periodic	465,850.00	(5,157,850.00)	12/01/2030	AA- / Aa1
6MLIBOR > 4.00% and SIFMA/LIBOR Ratio > 74%	Periodic	Periodic	208,400.00			
N/A	N/A	N/A	N/A	(1,142,302.00)	06/01/2032	AAA / Aaa
1M LIBOR >= 7.00%	Mandatory	Periodic	578,750.00	(4,289,371.00)	08/01/2035	AAA / Aaa
			47,391,700.00	(327,084,988.00)		

Table 17

PAY-VARIABLE, RECEIVE-FIXED INTEREST RATE SWAPS											
Associated Bond Issue	Notional Amount	Effective Date	Variable Rate Paid	Fixed Rate Received	Knock-out Barrier	Knock-out Type	Knock-out Period	Up-Front Knock-out Premium Received	Fair Value	Swap Termination Date	Counterparty Credit Ratings
	\$							\$	\$		
Vet Land Tax Ref Bds Ser 2006B	21,895,000.00	06-01-2006	100% of 6M LIBOR	4.61%	6M LIBOR >= 8.00%	Mandatory	Periodic	674,000.00	4,617,902.00	12-01-2026	AA-/ Aa1
Total	21,895,000.00							674,000.00	4,617,902.00		

Table 18

PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS							
Associated Bond Issue	Notional Amount	Effective Date	Variable-Rate Paid	Variable-Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Ratings
	\$				\$		
Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00	09-27-2002	132.60% of SIFMA	100% of 3M LIBOR	8,395.67	12-01-2010	AA- / Aa1
Vet Hsg Fund II Tax Bds Ser '99A-2	90,000,000.00	08-05-2002	134.40% of SIFMA	100% of 1M LIBOR	(166,563.24)	09-01-2011	AA- / Aa1
Vet Hsg Fund II Tax Bds Ser '99A-2	60,000,000.00	08-05-2002	134.40% of SIFMA	100% of 1M LIBOR	(109,615.00)	09-01-2011	AAA / Aaa
Vet Land Tax Bds Ser 2000A/2002A	35,135,000.00	08-05-2002	131.25% of SIFMA	100% of 1M LIBOR	(2,013,576.88)	12-01-2032	A / A2
Vet Hsg Fund II Ser 2009A	31,630,000.00	03-10-2009	100.00% of SIFMA	94.35% of 3M LIBOR	618,298.00	12-01-2023	AAA / Aaa
Total	241,765,000.00				(1,663,061.45)		

Table 19

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

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Table 20

ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT OUTSTANDING AND NET SWAP PAYMENTS – FISCAL YEAR 2010 DISCLOSURE TABLE

Fiscal Year Ending 08-31-2010	Variable-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
2011	\$ 50,480,000.00	\$ 4,459,653.77	\$ 56,636,311.44	\$ 111,575,965.21
2012	53,595,000.00	4,341,300.75	54,585,354.68	112,521,655.43
2013	59,010,000.00	4,168,450.75	52,407,886.24	115,586,336.99
2014	61,815,000.00	3,976,498.75	49,959,122.38	115,750,621.13
2015	69,890,000.00	3,779,569.00	47,408,443.89	121,078,012.89
2016-2020	396,745,000.00	15,187,563.25	187,657,378.08	599,589,941.33
2021-2025	327,480,000.00	9,260,399.50	105,956,352.14	442,696,751.64
2026-2030	237,875,000.00	4,491,538.25	49,383,991.41	291,750,529.66
2031-2035	127,935,000.00	1,486,981.25	13,437,716.36	142,859,697.61
2036-2040	32,180,000.00	214,097.75	1,477,613.50	33,871,711.25
2041-2045	1,025,000.00	1,486.25	10,932.24	1,037,418.49
Total	1,418,030,000.00	51,367,539.27	618,921,102.36	2,088,318,641.63

Table 21

**PAY-VARIABLE, RECEIVE-VARIABLE SWAPS:
ESTIMATED DEBT SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT
OUTSTANDING AND NET SWAP PAYMENTS - FISCAL YEAR 2010 DISCLOSURE TABLE**

Fiscal Year Ending 08-31-2010	Variable-Rate Bonds		Interest Rate Swaps, Net	Totals
	Principal	Interest		
2011	\$ 790,000.00	\$ 548,246.00	\$ 275,025.14	\$ 1,613,271.14
2012	845,000.00	545,875.25	153,446.66	1,544,321.91
2013	890,000.00	543,359.50	44,416.01	1,477,775.51
2014	950,000.00	540,691.50	43,179.80	1,533,871.30
2015	1,010,000.00	537,849.50	41,862.97	1,589,712.47
2016-2020	6,055,000.00	2,640,157.75	186,569.38	8,881,727.13
2021-2025	18,495,000.00	2,487,298.75	139,056.16	21,121,354.91
2026-2030	175,785,000.00	1,959,179.25	74,753.39	177,818,932.64
2031-2035	5,315,000.00	19,408.25	8,992.72	5,343,400.97
Total	210,135,000.00	9,822,065.75	967,302.23	220,924,367.98

counterparties, with no more than approximately 47 percent of the total notional amount of swaps outstanding being associated with any single counterparty.

The board's swap agreements also contain collateralization provisions that require counterparties to post collateral in the full amount of the fair value of the swap if the counterparty's credit rating is at or below A+ by Standard & Poor's or A1 by Moody's Investors Service. 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 19* on page 70.

Swap payments and associated debt. Using rates as of August 31, 2010, 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 20* and *Table 21* on page 71. 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 and pay-variable, receive-fixed 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, 2010, the fair value of swaps determined to be effective cash flow hedging derivative instruments was (\$322,467,086.00), and the change in fair value of those swaps during the fiscal year was (\$84,094,133.00).

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, 2010, the fair value of swaps determined to be investment derivative investments was (\$1,663,061.00), and the change in fair value of those swaps during the fiscal year was (\$1,454,952.00).

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Table 22

DEBT SERVICE REQUIREMENTS BY BOND ISSUE

Bond Issue	Principal	Interest	Total Debt Service
	\$	\$	\$
General Obligation Bonds - Self Supporting			
<i>Veterans' Housing Bonds</i>			
Vet Hsg Bds Ser '94A-1	6,800,000.00	174,080.00	6,974,080.00
Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00	4,523,750.00	59,523,750.00
Vet Hsg Ref Bds Ser '94C	3,040,000.00	0.00	3,040,000.00
Vet Hsg Ref Bds Ser '95	48,435,000.00	504,933.75	48,939,933.75
Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00	1,147,530.00	26,147,530.00
Vet Hsg Fund II Tax Bds Ser '99A-1	5,360,000.00	4,413,440.50	9,773,440.50
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00	7,312,500.00	157,312,500.00
Vet Hsg Fund I Tax Ref Bds Ser 2000D	15,420,000.00	545,097.00	15,965,097.00
Vet Hsg Fund II Tax Ref Bds Ser 2000E	10,750,000.00	380,012.50	11,130,012.50
Vet Hsg Fund II Bds Ser 2001A-1	31,680,000.00	20,321,012.50	52,001,012.50
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00	929,437.50	20,929,437.50
Vet Hsg Fund II Bds Ser 2001C-1	10,725,000.00	3,548,955.00	14,273,955.00
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00	1,487,448.00	26,487,448.00
Vet Hsg Fund II Bds Ser 2002A-1	9,925,000.00	3,911,127.50	13,836,127.50
Vet Hsg Fund II Bds Ser 2002A-2	33,865,000.00	1,592,692.50	35,457,692.50
Vet Hsg Fund II Tax Ref Bds Ser 2002B	19,780,000.00	576,937.50	20,356,937.50
Vet Hsg Fund II Bds Ser 2003A	36,420,000.00	1,261,264.00	37,681,264.00
Vet Hsg Fund II Bds Ser 2003B	37,685,000.00	1,367,916.00	39,052,916.00
Vet Hsg Fund II Tax Ref Bds Ser 2003	47,865,000.00	1,196,658.75	49,061,658.75
Vet Hsg Fund II Bds Ser 2004A	37,540,000.00	1,314,896.00	38,854,896.00
Vet Hsg Fund II Tax Ref Bds Ser 2004	16,535,000.00	609,446.25	17,144,446.25
Vet Hsg Fund II Bds Ser 2004B	40,685,000.00	1,396,200.00	42,081,200.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C	7,220,000.00	155,006.25	7,375,006.25
Vet Hsg Fund II Tax Ref Bds Ser 2004D	27,150,000.00	729,321.25	27,879,321.25
Vet Hsg Fund II Bds Ser 2005A	40,300,000.00	1,478,072.00	41,778,072.00
Vet Hsg Fund II Bds Ser 2005B	40,505,000.00	1,473,200.00	41,978,200.00
Vet Hsg Fund I Bds Ser 2005C	28,025,000.00	710,362.25	28,735,362.25
Vet Hsg Fund II Bds Ser 2005D	11,540,000.00	372,635.50	11,912,635.50
Vet Hsg Fund II Bds Ser 2006B	38,570,000.00	1,528,922.50	40,098,922.50
Vet Hsg Fund II Bds Ser 2006C	20,285,000.00	748,221.25	21,033,221.25
Vet Hsg Fund II Bds Ser 2006A	42,040,000.00	2,113,580.00	44,153,580.00
Vet Hsg Fund II Bds Ser 2006D	44,145,000.00	1,783,312.00	45,928,312.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00	1,584,677.50	41,144,677.50
Vet Hsg Fund II Bds Ser 2007A	44,465,000.00	1,836,080.00	46,301,080.00
Vet Hsg Fund II Bds Ser 2007B	46,340,000.00	1,789,485.00	48,129,485.00
Vet Hsg Fund II Bds Ser 2007C	41,655,000.00	1,610,560.00	43,265,560.00
Vet Hsg Fund II Bds Ser 2008A	46,835,000.00	2,465,290.00	49,300,290.00
Vet Hsg Fund II Bds Ser 2008B	47,810,000.00	2,133,598.50	49,943,598.50
Vet Hsg Fund II Bds Ser 2009A	49,110,000.00	25,739,756.25	74,849,756.25
Vet Hsg Fund II Bds Ser 2009B	50,000,000.00	27,255,337.50	77,255,337.50
Vet Hsg Fund II Tax Ref Bds Ser 2009C	82,795,000.00	2,902,892.75	85,697,892.75
Vet Hsg Fund II Bds Ser 2010A	74,995,000.00	41,552,250.00	116,547,250.00
Veterans Bonds, Tax Ref Ser 2010B	66,720,000.00	2,695,136.75	69,415,136.75
Veterans Bonds Series 2010C	74,995,000.00	3,243,730.52	78,238,730.52
Total, Veterans' Housing Bonds	1,652,570,000.00	184,416,763.02	1,836,986,763.02

(Continued on Table 23)

Table 23

DEBT SERVICE REQUIREMENTS BY BOND ISSUE (Continued from Table 22)

<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 Ref Bds Ser '90	2,495,000.00	0.00	2,495,000.00
Vet Land Ref Bds Ser '91	4,477,000.00	0.00	4,477,000.00
Vet Land Bds Ser '94	3,735,000.00	0.00	3,735,000.00
Vet Land Bds Ser '96	4,062,000.00	0.00	4,062,000.00
Vet Land Ref Bds Ser '99A	25,180,000.00	339,471.00	25,519,471.00
Vet Land Bds Ser 2000	16,915,000.00	12,653,050.36	29,568,050.36
Vet Land Bds Tax Ser 2000A	17,265,000.00	637,035.75	17,902,035.75
Vet Land Tax Ref Bds Ser 2000	39,960,000.00	757,523.50	40,717,523.50
Vet Land Bds Ser 2002	17,390,000.00	793,509.00	18,183,509.00
Vet Land Bds Tax Ser 2002A	17,870,000.00	725,000.00	18,595,000.00
Vet Land Tax Ref Bds Ser 2002	27,685,000.00	669,907.25	28,354,907.25
Vet Land Tax Ref Bds Ser 2003	23,490,000.00	561,780.00	24,051,780.00
Vet Land Tax Ref Bds Ser 2004	22,235,000.00	605,795.50	22,840,795.50
Vet Land Tax Ref Bds Ser 2005	20,780,000.00	762,615.00	21,542,615.00
Vet Land Tax Ref Bds Ser 2006A	28,125,000.00	1,051,811.25	29,176,811.25
Vet Land Tax Ref Bds Ser 2006B	21,895,000.00	850,213.75	22,745,213.75
Vet Land Tax Ref Bds Ser 2006C	36,525,000.00	1,382,998.75	37,907,998.75
Total, Veterans' Land Bonds	330,084,000.00	21,790,711.11	351,874,711.11
Total, General Obligation Bonds - Self-Supporting	1,982,654,000.00	206,207,474.13	2,188,861,474.13
Revenue Bonds - Self-Supporting			
<i>Veterans Home Revenue Bonds</i>			
Vet Homes Revenue Refunding Bds Ser 2002	22,620,000.00	22,673,437.50	45,293,437.50
Total, Veterans Home Revenue Bonds	22,620,000.00	22,673,437.50	45,293,437.50
<i>Veterans Mortgage Revenue Bonds</i>			
Vet Mortgage Revenue Tax Bds Ser 2000A	589,807.00	1,078,815.24	1,668,622.24
Total, Veterans Mortgage Revenue Bonds	589,807.00	1,078,815.24	1,668,622.24
Total, Revenue Bonds - Self-Supporting	23,209,807.00	23,752,252.74	46,962,059.74
Total, All Bonds (Tables 22 and 23)	2,005,863,807.00	229,959,726.87	2,235,823,533.87

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Table 24

DEBT SERVICE REQUIREMENTS BY FISCAL YEAR			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Totals</u>
	\$	\$	\$
2011	91,719,000.00	19,922,090.47	111,641,090.47
2012	67,912,000.00	18,536,955.95	86,448,955.95
2013	72,982,000.00	17,976,837.70	90,958,837.70
2014	77,195,000.00	17,300,798.95	94,495,798.95
2015	84,599,000.00	16,558,782.20	101,157,782.20
2016-2020	461,412,000.00	70,646,268.83	532,058,268.83
2021-2025	447,380,000.00	48,305,426.43	495,685,426.43
2026-2030	464,380,000.00	16,175,755.80	480,555,755.80
2031-2035	205,079,807.00	4,321,226.54	209,401,033.54
2036-2040	32,180,000.00	214,097.75	32,394,097.75
2041	1,025,000.00	1,486.25	1,026,486.25
Total Debt Service	<u>2,005,863,807.00</u>	<u>229,959,726.87</u>	<u>2,235,823,533.87</u>

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

Table 25

<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	19,066,584.60 ⁽¹⁾	20,827,029.86 ⁽²⁾
Veterans' Housing Assistance Fund I Mortgage Reserve	7,500,000.00 ⁽³⁾	12,223,475.35 ⁽⁴⁾
Total, General Obligation Bonds - Self-Supporting	<u>26,566,584.60</u>	<u>33,050,505.21</u>
Total, All Bonds	<u>26,566,584.60</u>	<u>33,050,505.21</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, 2010.

⁽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, 2010.

DEBT SERVICE REQUIREMENTS

Table 22 on page 73, Table 23 on page 74, and Table 24 on page 75 represent principal and interest due on bonds from the period of September 1, 2010, through final maturity on December 1, 2040. The information is disclosed by fiscal year and bond issue, respectively.

RESERVE REQUIREMENTS

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

The bond reserve fund requirements and the reserve fund balances at August 31, 2010, are shown in Table 25 on page 75.

**NOTE 7:
CAPITAL LEASES**

The agency is not a party to any long-term lease agreements for financing the purchase of capital assets as of August 31, 2010.

**NOTE 8:
OPERATING LEASES**

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

Included in the expenditures or expenses reported in the financial statements are the amounts of rent paid or due under operating leases as presented in Table 26 and Table 27 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 28 on the right.

Table 26

CURRENT PAYMENTS	
Governmental Activities	
<u>Fund Type</u>	<u>Amount</u>
	\$
General Revenue Fund	338,581.61
Special Revenue Fund	182,350.30
Permanent Funds	160,115.91
Total, Memorandum Only	<u>681,047.82</u>

Table 27

CURRENT PAYMENTS	
Proprietary Activities	
<u>Fund Type</u>	<u>Amount</u>
	\$
Veterans' Land Program	2,766.20
Veterans Financial Assistance Program	1,484.00
Total, Memorandum Only	<u>4,250.20</u>

Table 28

FUTURE PAYMENTS	
Governmental Activities	
<u>Year Ended August 31,</u>	<u>Amount</u>
	\$
2011	556,993.80
2012	536,298.37
2013	212,283.51
2014	143,403.96
2015	127,972.03
2016 - 2020	49,150.78
Total Minimum Future Lease Rental Payments	<u>1,626,102.45</u>

**NOTE 9:
RETIREMENT PLANS**

Not applicable.

**NOTE 10:
DEFERRED COMPENSATION**

Not applicable.

**NOTE 11:
POST EMPLOYMENT HEALTH
CARE AND LIFE INSURANCE
BENEFITS**

Not applicable.

**NOTE 12:
INTERFUND ACTIVITY AND
TRANSACTIONS**

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

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

**NOTE 13:
CONTINUANCE SUBJECT TO
REVIEW**

Tex. Const. Art. XIV, §1 established the Texas General Land Office, and Tex. Const. Art. IV, §1 created the office of commissioner of the Texas General Land Office; therefore, the agency is not subject to abolishment. The 81st Legislature, Regular Session passed the House Bill 3461 with effective date June 19, 2009, in which Section 3, Subchapter A, Chapter 32, Texas Natural Resource Code, was amended by adding Section 32.003 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, 2017. 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 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**

The implementation of GASB Statement No. 34 required a one-time fund balance adjustment to the Fiscal Year 2009 ending historical cost value of capital assets which necessitated a Restatement of Net Assets as shown in *Table 29* below.

The implementation of GASB Statement No. 51 required a restatement of a portion of tangible assets to the intangible assets category as shown in *Table 30* and *Table 31* on page 78.

The implementation of GASB Statement No. 53 required a one-time fund balance adjustment to the Fiscal Year 2009 ending fund balance which necessitated a Restatement of Net Assets as shown in *Table 32* on page 78.

Table 29

RESTATEMENT OF NET ASSETS	
Governmental Funds	
	Governmental Funds
	\$
Net Assets August 31, 2009,	183,438,450.81
Restatement of Capital Assets	57,894,537.00
Net Assets August 31, 2009, As Restated	241,332,987.81

Table 30

GASB 51 RESTATEMENT	
Governmental Funds	
	Restatement
Furniture and Equipment	\$ (392,152.05)
Less Accumulated Depreciation	365,485.25
Intangible Computer Software	392,152.05
Less Accumulated Amortization	(365,485.25)

Table 31

GASB 51 RESTATEMENT	
Proprietary Funds	
	Restatement
Furniture and Equipment	\$ (309,133.15)
Less Accumulated Depreciation	190,823.67
Intangible Computer Software	309,133.15
Less Accumulated Amortization	(190,823.67)

Table 32

RESTATEMENT OF NET ASSETS	
Proprietary Funds	
	Governmental Funds
Net Assets August 31, 2009,	\$ 696,819,101.53
Restatements	(208,109.00)
Net Assets August 31, 2009, As Restated	696,610,992.53

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, 2001A-1-2, 2001C-1-2, 2002A-1-2, 2003A, 2003B, 2004A, 2004B, 2005A, 2005B, 2006A, 2006D, 2007A, 2007B, 2008A, 2008B, 2009A, 2009B, 2010A, 2010C, 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, 2010, there is no rebate liability.

CLAIMS

As of August 31, 2010, certain lawsuits were pending against the state and/or the commissioner of the Texas General Land Office, which challenge the permanent school fund's title to certain real property or past mineral income from that property. 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 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 a five million twelve thousand dollar judgment for the plaintiff and against the State. This award

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included prejudgment interest from March 12, 2002, the date this suit was filed, until March 4, 2009, the date the judgment was filed. This awarded amount also included accrued post judgment interest at a rate of 5 percent compounding annually from the date the judgment was entered until the date the judgment is satisfied. The State has appealed this judgment and it is currently pending in the First Court of Appeals. The plaintiff has subsequently filed bankruptcy. The probability of liability is reasonably possible. The possible amount of loss could be as high as five million and twelve thousand dollars plus pre and post judgment interest if the judgment is 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 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 has appealed. The case is still pending in the 84th Judicial District Court of Hutchinson County. 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 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.

Tex Rox, LLC v. State of Texas. The agency is a defendant in this suit to determine the ownership of sand, gravel, rock aggregate, granite, etc. The case is pending in the 205th Judicial District Court in Hudspeth County, Sierra Blanca Texas. 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 in part, reversed and remanded in part the trial court's decision. The State filed a merit brief in the Texas Supreme Court on December 21, 2009, and is waiting on the Court to set oral arguments. 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 the case pending the outcome of the appeal in the district court case. The 13th Court of Appeals affirmed the district court dismissal of the case on October 19, 2010. However, 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.

Balli Minerals & Royalty, LLC. and Abogado Minerals, L.P., v. State & Jerry Patterson, Land Commissioner. Abogado Minerals has sued the State for inverse condemnation based on a dispute as to the location of the boundary between state owned submerged land tracts and the littoral owners (mineral claimants) arising from certain accretion on South Padre Island. On June 29, 2010 all parties to the lawsuit signed a final settlement agreement which was entered by the district court on August 12, 2010. The settlement agreement did not affect the ownership of the surface of the disputed area, however the minerals and executive rights were checker boarded. The settlement agreement has not reached a final judgment due to the intervention of Isla Santiago Master Trust. The case is currently pending in the 419th Judicial District Court in Travis County. The possible final amount of loss is undeterminable at this time.

State & Jerry Patterson, Land Commissioner v. BP American Production Co./Nastar. 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. The case is now pending in the Supreme Court of Texas. 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.

Brannan, 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. Plaintiff has filed a motion for rehearing, The court of appeals denied this motion and withdrew the opinion from August 2009 and issued a new opinion. The case is currently pending in the Supreme Court of Texas. The probability of liability is possible. The possible final amount of the loss is undeterminable at this time.

Severance v. Jerry Patterson, Greg Abbott, & 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 this ruling. 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, which are currently pending. 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 unlawful claim 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.

SIGNIFICANT COMMITMENTS

DERIVATIVES

As a function of its normal business operations, The State Energy Marketing Program (SEMP) of the Texas General Land Office (TGLO) 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, 2010, 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 TGLO in the applicable SEMP contract files.

**NOTE 16:
SUBSEQUENT EVENTS**

On October 28, 2010, the board authorized the issuance of its \$49,995,000.00 State of Texas Veterans Bonds, Taxable Refunding Series 2010E. The proceeds of the bonds will be used to refund the State of Texas Veterans' Housing Assistance Program Fund II Series 2001A-1, 2001C-1, and 2002A-1 Bonds.

In October 2010, the School Land Board approved \$107 million in new capital commitments to two real assets investment funds for inclusion in the TXGLO PSF Real Assets Investment Portfolio.

On November 2, 2010 Commissioner Jerry Patterson was elected to a third term as Texas Land Commissioner with almost three million votes statewide.

**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: Commercial Crime Policy and Public Employee Dishonesty Coverage, Volunteer Insurance Coverage pursuant to the Statewide Volunteer Insurance Program, and Commercial Property Insurance.

The Commercial Crime Policy and Public Employee Dishonesty Insurance 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; 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 events of terrorism up to \$100,000,000.00, 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 33* below shows the changes in the balances of the agency's claim liabilities during Fiscal Year 2010, that are unrelated to the policies listed above.

Table 33

CLAIM LIABILITIES		
	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>
	\$	\$
Beginning of Fiscal Year	0.00	0.00
Current Year Claims and Changes in Estimates	2,386.49	1,452.72
Claim Payments	<u>(2,386.49)</u>	<u>(1,452.72)</u>
Balance at Fiscal Year-End	<u>0.00</u>	<u>0.00</u>

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.

RISK FINANCING

The Texas General Land Office paid \$1,452.72 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, 2010, by \$2,667,294,393.23 (presented as Net Assets). Of this amount, \$212,906,642.25 represents the agency's historical maps, and archives and records collections. Another \$2,345,977,506.11 is restricted for the benefit of the permanent school fund (PSF), much of which is dedicated for investing in real assets.

The implementation of GASB Statement No. 34 required reporting of capital assets in the government-wide financial statements. GASB Statement No. 34 Implementation Guide states: "Capital assets are reported at the historical cost. In absence of historical cost, the asset's estimated historical cost may be used." The GLO implemented GASB Statement No. 34 during Fiscal Year 2002. At that time, only a portion of the historical map collection value was restated. In Fiscal Year 2010, additional maps were evaluated which necessitated a restatement of \$57,894,537.00, bringing the archives and collection value to \$212,906,642.25.

The implementation of GASB Statement No. 51, titled *Accounting and Financial Reporting for Intangible Assets* required all applicable intangible assets be recognized in the Statement of Net Assets and be classified as capital assets. In Fiscal Year 2010, the agency restated a portion of its tangible assets to the intangible assets category.

Net Assets Proprietary Funds – The assets of the agency's proprietary funds exceeded its liabilities at August 31, 2010, by \$720,269,042.10. Of this amount, \$35,596,619.67 is invested in capital assets, net of related debt, while the remaining \$684,672,422.43 is restricted for the Veterans' Land Board programs.

The implementation of GASB Statement No. 53, titled *Accounting and Financial Reporting for Derivative Instruments* requires investment derivative instruments to be reported at fair value. In Fiscal Year 2010, the agency restated the beginning fund balance from \$696,819,101.53 to \$696,610,992.53, decreasing it by \$208,109.00, the net fair value change at August 31, 2009.

Operational activities in the housing and land programs resulted in an operating income of approximately \$17.82 million. Along with operational activities, the approximate income from investment activities of \$21.73 million and net Transfers Out of \$19.63 million to fund administrative costs and to construct veterans cemeteries and veterans homes, contributed to an increase in net assets of approximately \$19.93 million.

The State of Texas David A. Gloier Texas State Veterans Home Program operated at a profit of about \$3.77 million. With other nonoperating revenues, debt service interest expense, and Transfers In of approximately \$2.47 million, \$1.44 million, and \$466 thousand, respectively, the program increased net assets by approximately \$3.74 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

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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 \$230 million of capital commitments to externally managed real assets investment funds were funded between September 1, 2009 and August 31, 2010. At August 31, 2010, approximately \$1.247 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 719,174.56 surface acres valued at \$827,582,560.72. Of this, 430,541.79 acres are sovereign lands valued at \$272,522,971.00 located primarily in West Texas and representing 59 percent of the total acreage, but only 33 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, 2009, beginning basis for the fund's land surface portfolio value was \$471,362,488.71. From September 1, 2009, to August 31, 2010, no new surface land was acquired and a new co-investment in a property named Avondale. Contributions of approximately \$59 thousand were made to development projects. The basis of the fund's land surface portfolio at August 31, 2010, is \$462,960,884.01. In addition to the land surface portfolio, the permanent school fund also owns 12,584,195.83 acres of

Relinquishment Act, Submerged, Free Royalty, and Mineral Reserved Lands representing a basis of \$13,391,088.24.

Dispositions for the fiscal year ended August 31, 2010, equaled 2,116.21 acres sold, for a gain of approximately \$6.87 million.

LOANS AND CONTRACTS RECEIVABLES

Loans and contracts receivables are divided between current and noncurrent assets. Current loans and contracts receivable for land contracts is \$13,560,889.81, land mortgages is \$1,031,923.32, housing mortgages is \$47,678,402.52, and home improvement loans is \$552,533.25. Noncurrent loans and contracts receivables for land contracts are \$239,812,309.24, land mortgages are \$63,869,255.86, housing mortgages are \$1,660,591,513.60, and home improvement loans are \$8,535,054.59.

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 \$2,937,093.00, construction in progress for the veterans cemeteries of \$715,209.48, and other assets of \$212,906,642.25 for the historical archives collections. Buildings of \$28,756,077.46 less accumulated depreciation of (\$6,767,134.53), furniture and equipment of \$5,356,263.67 less accumulated depreciation of (\$4,137,667.64), and vehicles, boats, and aircraft of \$2,804,914.71 less accumulated depreciation of (\$1,906,340.95), and facilities and other improvements of \$415,322.00, less accumulated depreciation of (\$25,287.99), and intangible computer software of \$392,152.05, less accumulated amortization of (\$375,485.21) are also reported in the governmental funds.

The Veterans' Land Board continues its construction of a Texas State Veterans Cemetery in Corpus Christi, Texas. The construction of the cemetery is fully funded by Veterans Administration grants.

The Veterans Home Revenue Bond Fund reports land (non-depreciable) of \$3,499,500.00, construction-in-progress of \$4,028,142.14, buildings of \$78,320,062.04 less accumulated depreciation of (\$25,601,942.63), furniture and equipment of \$213,423.81 less accumulated depreciation of (\$153,269.17), and vehicles, boats, and aircraft of \$46,501.14 less accumulated depreciation of (\$37,089.86),

and intangible computer software of \$146,555.00, less accumulated amortization of (\$138,574.36).

LONG-TERM DEBT

The agency's debt obligations associated with bonds increased by \$112,507,357.17. Changes in bonds payable is represented by \$364,480,978.07 of new issuances including premiums received, \$1,199,379.10 of accreted interest, \$100,268,000.00 of retired or matured bonds, including amortization of premiums, and \$152,905,000.00 of refunded or extinguished bonds. For additional details on bonds, see Schedules 2-A and 2-B.

SIGNIFICANT COMMITMENTS

Between September 1, 2009, and August 31, 2010, the Board made capital commitments to five externally managed real assets investment funds and one real assets co-investment vehicle in a total amount of \$272 million. At August 31, 2010, the board had approved total capital commitments associated with any investments that were subsequently sold or dissolved of \$2.122 billion to thirty-four funds, and one co-investment vehicle, of which approximately \$971 million remains unfunded.

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 August 2009, the board adopted a resolution that releases \$100 million from the RESFA during Fiscal Year 2010 to the State Board of Education for investment in the PSF. The funds will be released in four quarterly installments of \$25 million each on the 25th day (or next succeeding business day if the 25th day is not a business day) of November 2009, February 2010, May 2010, and August 2010, respectively.

Suffering the financial consequences of Hurricane Ike and the collapse of the credit markets, Reliant pursued "Strategic Alternatives" in 2008. During this period of time, the company ceased to write new business. Reliant subsequently sold itself, including its name, to NRG and the business renewed in May 2009. To protect its future interest, the GLO engaged another company in November 2009 since

the GLO had a non-exclusive contract with Reliant. Reliant filed suit alleging we terminated their contract with the GLO without cause or proper notice. The suit was withdrawn after being settled in June 2010 by mutual agreement of the parties and without monetary compensation being paid by any party. Reliant continues to write business on behalf of the GLO.

BANKRUPTCIES

The agency has potential lost revenue for the permanent school fund due to two currently pending bankruptcy claims associated with mineral activity on state lands. These revenues have not been established as receivables and therefore, would not have an impact on the current financial statements.

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 the 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 \$2,735,001.71 through August 31, 2010.

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.

COASTAL COORDINATION COUNCIL

The Coastal Coordination Council administers the Coastal Management Program (CMP). The land commissioner chairs the council. The other members of the council are the chairman of the Texas Parks and Wildlife Department or a member of the commission designated by the chairman; the chairman of the Texas Commission on Environmental Quality or a member of the commission designated by the chairman; a member of the Railroad

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Commission of Texas appointed by that commission; the presiding officer of the Texas Water Development Board or a member of the board designated by the presiding officer; the presiding officer of the Texas Transportation Commission or a member of the commission designated by the presiding officer; a member of the State Soil and Water Conservation Board appointed by that board; the director of the Texas A&M University Sea Grant Program serving as a nonvoting member; and four gubernatorial appointees. The appointees are a local elected official who resides in the coastal area, an owner of a business located in the coastal area who resides in the coastal area, a resident from the coastal area, and a representative of agriculture.

Tex. Nat. Res. Code, Ch. 33, subchapter F charges the council with adopting uniform goals and policies to guide decision making by all entities regulating or managing natural resource use within the Texas coastal area. The council reviews significant actions taken or authorized by state agencies and subdivisions that may adversely affect coastal natural resources to determine their consistency with the CMP's goals and policies. In addition, the council oversees the CMP's Grants Program and Small Business and Individual Permitting Assistance Program. Financial support was not given or received.

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 contributed 523.5 acres

of land in Fort Bend County and Cherokee Sugar Land, LP contributed 145.341 acres. 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 submits an annual budget to the PSF for approval. For the Fiscal Year 2010, a total of approximately \$59 thousand was contributed to fund development costs. Additionally, a contingent payment of \$643 thousand for development cost has accrued. The joint tenancy in common received an audit of its balance sheet on December 31, 2009. The report is available upon request. The August 31, 2010, financial statements of the joint tenancy in common have been consolidated into the PSF's financial statements.

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

COMPLIANCE

The implementation of GASB Statement No. 34 required reporting of capital assets in the Government-wide Financial Statements. GASB Statement No. 34 implementation guide states: "Capital assets are reported at the historical cost. In absence of historical cost, the assets' estimated historical cost may be used." In Fiscal Year 2002, GLO implemented GASB Statement No. 34. At that time, only a portion of the historical map collection value was restated. In Fiscal Year 2010, additional maps were evaluated which necessitated a restatement of \$57,894,537.00.

In June 2007, the GASB issued Statement No. 51, titled *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 took effect on September 1, 2009 and required all applicable intangible assets to be recognized in the Statement of Net Assets and be classified as capital assets. In Fiscal Year 2010, the agency restated a portion of tangible assets to the intangible assets category as referenced in Note 14, and updated its note disclosure to comply with GASB Statement No. 51 requirements.

On June 30, 2008, the GASB issued Statement No. 53, titled *Accounting and Financial Reporting for Derivative Instruments*. GASB issued Statement No. 53 requires investment derivative instruments to be reported at fair value. In Fiscal Year 2010, the agency restated the beginning fund balance as referenced in Note 14 and updated its note disclosure to comply with Statement No. 53 requirements.

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

Table 34

DONOR RESTRICTED ENDOWMENTS	
	Permanent School Fund (PSF)
	\$
Unexpendable Corpus of the PSF	2,332,957,551.04
Expendable Income of the PSF	<u>439,249.24</u>
Total Net PSF Assets at August 31, 2010	<u><u>2,333,396,800.28</u></u>

NOTE 23:

**EXTRAORDINARY AND SPECIAL
ITEMS**

Not applicable.

NOTE 24:

**DISAGGREGATION OF
RECEIVABLE AND PAYABLE
BALANCES**

Details of the receivable and payable balances that may have been obscured by aggregation on the financial statements are reported in *Table 35* on page 87.

NOTE 25:

TERMINATION BENEFITS

Not applicable.

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Table 35

DISAGGREGATION OF SIGNIFICANT RECEIVABLES AND PAYABLES	
	Receivables
Federal Receivables	\$
<i>Governmental Funds</i>	
Department of Interior	500,155.25
Department of Commerce	2,043,875.69
Department of Defense	182,247.66
Department of Veterans Affairs - Cemeteries	1,422,714.30
Other Federal Agencies	222,447.49
Total Net Federal Receivables	4,371,440.39
<i>As Reported on the Financial Statements (Exhibit I)</i>	
Current Federal Receivables	4,371,440.39
<i>Proprietary Funds</i>	
Department of Veterans Affairs - State Veterans Homes	3,955,932.86
Department of Veterans Affairs - American Reinvestment and Recovery Act of 2009	1,399,090.50
Total Net Federal Receivables	5,355,023.36
<i>As Reported on the Financial Statements (Exhibit III)</i>	
Current Federal Receivables	5,355,023.36
Accounts Receivables	
<i>Governmental Funds</i>	
Gas Royalties	38,625,356.43
Oil Royalties	24,136,950.90
State Energy Marketing Program	8,648,864.17
Leases	247,032.79
Other Revenues	2,887,108.24
Total Net Accounts Receivable	74,545,312.53
<i>As Reported on the Financial Statements (Exhibit I)</i>	
Current Accounts Receivable	74,545,312.53
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	18,283.48
Veterans' Land Contracts	756,687.99
Texas State Veterans Homes (net of allowances)	3,286,018.43
Total Net Accounts Receivable	4,060,989.90
<i>As Reported on the Financial Statements (Exhibit III)</i>	
Current Accounts Receivable	4,060,989.90
	Payables
Accounts Payable	\$
<i>Governmental Funds</i>	
State Energy Marketing Program	3,941,236.53
State Veterans Cemetery Program	493,226.58
General Governmental Expenditures	3,185,082.02
Total Accounts Payable	7,619,545.13
<i>As Reported on the Financial Statements (Exhibit I)</i>	
Current Accounts Payable	7,619,545.13
<i>Proprietary Funds</i>	
Veterans' Housing Mortgages	2,526,567.40
Veterans' Land Contracts	4,746,773.63
Veterans Homes	8,362,697.77
Total Accounts Payable	15,636,038.80
<i>As Reported on the Financial Statements (Exhibit III)</i>	
Current Accounts Payable	15,636,038.80

Table 36

CONDENSED STATEMENT OF NET ASSETS	
	Veterans Homes Revenue Bonds
	\$
Assets	
Current Restricted Assets:	
Cash and Cash Equivalents	3,738,252.58
Other Current Assets	5,016,144.43
Other Non-Current Assets	4,289,371.00
Capital Assets, Net of Depreciation	<u>25,425,807.99</u>
Total Assets	38,469,576.00
Liabilities	
Current Liabilities	5,564,711.68
Noncurrent Liabilities	<u>26,509,371.00</u>
Total Liabilities	32,074,082.68
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	2,805,807.99
Restricted Net Assets	<u>3,589,685.33</u>
Total Net Assets	<u>6,395,493.32</u>

Table 37

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	
	Veterans Homes Revenue Bonds
	\$
Operating Revenues (Expenses)	
Sale of Goods and Services	37,231,839.07
Other Operating Revenues	13,852.01
Operating Expenses	(33,875,190.20)
Depreciation and Amortization	<u>(1,830,640.65)</u>
Net Operating Income (Loss)	1,539,860.23
Nonoperating Revenues (Expenses)	
Other Nonoperating Revenues	99,818.96
Interest Expense	<u>(1,435,234.37)</u>
Net Nonoperating Revenues (Expenses)	(1,335,415.41)
Other Transfers - Transfer In	0.00
Other Transfers - Transfer Out	<u>(577,296.00)</u>
Change in Net Assets	(372,851.18)
Beginning Net Assets	<u>6,768,344.50</u>
Ending Net Assets	<u>6,395,493.32</u>

Table 38

CONDENSED STATEMENT OF CASH FLOWS	
	Veterans Homes Revenue Bonds
	\$
Net Cash Provided (Used) by:	
Operating Activities	1,330,256.86
Noncapital Financing Activities	(577,296.00)
Capital and Related Financing Activities	(1,812,187.50)
Investing Activities	<u>84,966.56</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(974,260.08)
Beginning Cash and Cash Equivalents	<u>4,712,512.66</u>
Ending Cash and Cash Equivalents	<u>3,738,252.58</u>
Noncash Transactions	
Net Change in Fair Value of Investments	\$ 2,022.02

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 require these homes' revenues, expenses, gains and losses, assets, and liabilities to be separately accounted for and independently audited. Illustrated in *Table 36*, *Table 37*, and *Table 38* on this page are the condensed financial statements of the homes related to the revenue bonds.

NOTE 27: LEASES

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

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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. CEs can also be 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 public entities, 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.

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 outside an existing 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 (including commercial leases on investment property).

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, and the power wattage (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, Part 1, Chapter 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 explicitly fall into one of the other established categories.

LEASING ACTIVITY

The historical cost of all internally managed properties available for leasing activity is \$462,960,884.01. The fair value of the properties is \$827,582,560.72. 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 \$697 thousand are reported for twenty-six leases in Fiscal Year 2010.

Table 39

FUTURE LEASE PAYMENTS						
Lease Categories	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Years 2016 & Beyond
Coastal Easements	\$ 202,932.45	\$ 188,865.18	\$ 151,419.56	\$ 106,415.77	\$ 57,840.55	\$ 61,670.60
Coastal Leases	9,334.65	1,254.65	2,454.65	2,444.65	2,444.65	84,546.90
Commercial Leases and Easements	1,427,256.79	1,380,636.50	1,278,873.28	1,145,485.47	1,042,920.79	10,807,748.76
Miscellaneous Easements	225,478.43	209,843.16	198,383.20	183,783.20	179,958.65	1,284,449.96
Special Documents	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	600.00
Surface Leases	<u>11,840,346.07</u>	<u>11,666,795.12</u>	<u>11,178,519.36</u>	<u>10,989,905.24</u>	<u>10,875,435.85</u>	<u>272,586,231.27</u>
Total Lease Payments	<u>13,706,548.39</u>	<u>13,448,594.61</u>	<u>12,810,850.05</u>	<u>12,429,234.33</u>	<u>12,159,800.49</u>	<u>284,825,247.49</u>

During the Fiscal Year 2010, one lease with accrued rental revenue, reported as a receivable, paid a total of \$3.31 million and was converted to a monthly rental payment.

Table 39 above, 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 28:
PROPERTY ACQUIRED THROUGH
FORECLOSURE AND
DELINQUENCIES**

SECURITY AND INSURANCE

The Veterans' Land Board holds title to lands under contracts for deed in the land program. A voluntary group credit life insurance program is available to contract holders. The Veterans' Land Board also originates land mortgage

loans. These land mortgage loans are not insured. Any loss or gain on the disposal of a foreclosed land mortgage loan will depend on the value of the property at the Real Estate Owned (REO) sale, which can be unpredictable.

Housing mortgages secured by first liens are insured by the Federal Housing Authority (FHA), the Veterans Administration (VA), or qualified Private Mortgage Insurers (Conventional PMI). 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, 2010, are presented in **Table 40** on page 91.

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.

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Table 40

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	15,772	1,764,008,281.43	98.95
Second	167	3,687,330.15	1.05
Totals per Administrator	<u>15,939</u>	<u>1,767,695,611.58</u>	<u>100.00</u>
Adjustment for Timing Differences		6,731,142.89	
Outstanding Principal Balance (Exh. III)		<u>1,774,426,754.47</u> ⁽¹⁾	

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

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.

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 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 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, 2010, are listed in *Table 41* below.

Home improvement loans are FHA-insured for 90 percent of the unpaid principal, accrued interest at a rate set by FHA, and assignment expenses. At August 31, 2010, there were 521 home improvement loans with an outstanding balance on the administrator's books of \$8,863,264.04 (adjusted for timing differences of \$224,323.80, the outstanding principal balance on Exhibit III is \$9,087,587.84).

Table 41

HOUSING AND LAND MORTGAGES		
<u>Type</u>	<u>Number</u>	<u>Percent of Total Number of Loans</u>
Conventional	3,824	23.99
FHA	776	4.87
VA	9,594	60.19
Other	1,745	10.95
Total	<u>15,939</u>	<u>100.00</u>

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, 2010, as listed in *Table 42* below.

Based on Veterans' Contract for Deed Land Program history, it is projected that of the accounts delinquent in excess of 90 days, 64 land contracts for deed could result in foreclosure, 4 land mortgage and 70 housing mortgages could result in foreclosures, and insurance proceeds could be collected on 3 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 43 below shows land contract for deeds, land mortgages, housing mortgages, and home improvement loans delinquent in excess of 90 days at August 31, 2010.

Table 42

PROPERTY ACQUIRED THROUGH FORECLOSURE				
<u>Type</u>	<u>Total Number of Loans</u>	<u>Number Acquired Through Foreclosure/ Forfeiture</u>	<u>Principal Balance</u>	<u>Percent of Total Number of Loans</u>
			\$	
Land Contracts	15,971	51	973,646.46	0.32
Land Mortgages	1,279	0	0.00	0.00
Housing Mortgages	14,660	17	1,255,659.17	0.12

Table 43

DELINQUENCIES IN EXCESS OF 90 DAYS				
<u>Type</u>	<u>Total Number of Loans</u>	<u>Number Delinquent</u>	<u>Principal Balance of Delinquencies</u>	<u>Percent of Total Number of Loans</u>
			\$	
Land Contracts	15,971	193	3,932,926.31	1.21
Land Mortgages	1,279	11	494,527.18	0.86
Housing Mortgages	14,660	209	20,458,820.43	1.43
Home Improvement Loans	521	10	150,259.57	1.92

TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

COMBINING
FINANCIAL STATEMENTS

UNAUDITED ANNUAL FINANCIAL REPORT
August 31, 2010

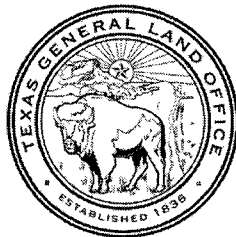


EXHIBIT A-1

*COMBINING BALANCE SHEET
GENERAL AND CONSOLIDATED FUNDS*

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	GENERAL REVENUE FUND 0001 U/F(0001)	GENERAL REVENUE FUND 0001 U/F(3691)	COASTAL PROTECTION FUND 0027 U/F (0027)
	\$	\$	\$
ASSETS			
Current Assets:			
Cash in State Treasury		683.99	19,535,091.69
Legislative Appropriation	43,963,774.70		
Receivables:			
Federal	919,773.87	723,560.15	1,305,392.07
Interest and Dividends		1,458.41	18,410.71
Accounts	657,632.14		34,110.62
Due From:			
Other Funds	1,076,530.43	793,765.79	350.00
Other Agencies			
Consumable Inventories	34,520.22		
Notes Receivable			
Total Current Assets	46,652,231.36	1,519,468.34	20,893,355.09
Noncurrent Assets:			
Notes Receivable			
Total Noncurrent Assets	0.00	0.00	0.00
TOTAL ASSETS	46,652,231.36	1,519,468.34	20,893,355.09
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Current Liabilities:			
Payables:			
Vouchers and Accounts	1,477,295.69	723,560.15	273,133.10
Payroll	748,352.24		743,568.20
Due To:			
Other Funds		793,765.79	0.02
Other Agencies	134,216.65		276,649.01
Deferred Revenues	591,378.48		
Total Current Liabilities	2,951,243.06	1,517,325.94	1,293,350.33
TOTAL LIABILITIES	2,951,243.06	1,517,325.94	1,293,350.33
FUND FINANCIAL STATEMENT - FUND BALANCES			
Fund Balances (Note 1):			
Reserved for:			
Encumbrances	29,352,639.83		2,814,471.27
Inventory	34,520.22		
Loans and Contracts			
Reserved for Other	5,342,697.65		
Unreserved/Undesignated	8,971,130.60	2,142.40	16,785,533.49
TOTAL FUND BALANCES (Exhibit A-2)	43,700,988.30	2,142.40	19,600,004.76
TOTAL LIABILITIES AND FUND BALANCES	46,652,231.36	1,519,468.34	20,893,355.09

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

UNAUDITED

CONSOLIDATED ACCOUNTS				TOTALS	
COASTAL PUBLIC LAND MANAGEMENT FEE FUND 0450 U/F (0450)	CAPITAL TRUST FUND 0543 U/F (0543)(0544)	DEPARTMENTAL SUSPENSE FUND 0900 U/F (0900)(0902)	DEDICATED SPECIALTY LICENSE PLATES FUND FUND 5140 U/F (0014)	(EXH. 1) 2010	2009
\$	\$	\$	\$	\$	\$
285,490.30	13,124,712.80	1,237,615.87		34,183,594.65	31,220,700.15
				43,963,774.70	60,349,031.62
	850.74			2,948,726.09	1,239,387.92
9,599.60	96,949.12			20,719.86	23,222.15
				798,291.48	773,648.03
			14,098.42	1,870,646.22	130,934.25
				14,098.42	59,715.49
	1,600.66			34,520.22	34,479.78
295,089.90	13,224,113.32	1,237,615.87	14,098.42	1,600.66	1,455.15
				83,835,972.30	93,832,574.54
	5,828.05			5,828.05	7,428.71
0.00	5,828.05	0.00	0.00	5,828.05	7,428.71
295,089.90	13,229,941.37	1,237,615.87	14,098.42	83,841,800.35	93,840,003.25
		7,361.43		2,481,350.37	2,132,325.51
15,736.13				1,507,656.57	1,811,642.21
		1,054,787.21		1,848,553.02	176,323.26
	423,781.00			834,646.66	527,514.19
131,527.08	8,303.55	175,467.23		906,676.34	1,001,707.95
147,263.21	432,084.55	1,237,615.87	0.00	7,578,882.96	5,649,513.12
147,263.21	432,084.55	1,237,615.87	0.00	7,578,882.96	5,649,513.12
				32,167,111.10	24,105,202.07
				34,520.22	34,479.78
	5,828.05			5,828.05	7,428.71
147,826.69	12,792,028.77		14,098.42	5,342,697.65	30,119,958.38
				38,712,760.37	33,923,421.19
147,826.69	12,797,856.82	0.00	14,098.42	76,262,917.39	88,190,490.13
295,089.90	13,229,941.37	1,237,615.87	14,098.42	83,841,800.35	93,840,003.25

EXHIBIT A-2

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

For the Year Ended August 31, 2010

(With comparative memorandum totals for the Year Ended August 31, 2009)

	GENERAL REVENUE FUND 0001 U/F(0001)	GENERAL REVENUE FUND 0001 U/F(3691)	COASTAL PROTECTION FUND 0027 U/F (0027)
	\$	\$	\$
REVENUES			
Legislative Appropriations:			
Original	8,079,787.00		
Additional Appropriations	4,026,162.48		
Federal Revenues (Sch. 1A)	7,903,454.93	3,214,289.89	2,141,618.36
Federal Grant Pass-Through Revenues (Sch. 1A)	1,932,702.71		3,974.71
Licenses, Fees, and Permits	916,175.12		15,921,191.32
Interest and Other Investment Income		2,142.40	231,678.50
Land Income			
Sale of Goods and Services	119,028.09		
Other Revenues	1,436,514.33		263,588.82
TOTAL REVENUES	24,413,824.66	3,216,432.29	18,562,051.71
EXPENDITURES			
Salaries and Wages	6,768,162.84		7,193,661.44
Payroll Related Costs	3,862,446.45		1,632,099.82
Professional Fees and Services	22,921,341.14	3,213,269.45	2,171,127.68
Travel	172,112.12	272.70	154,646.62
Materials and Supplies	396,701.02		298,609.80
Communication and Utilities	234,331.87		163,958.57
Repairs and Maintenance	2,732,120.37		923,363.18
Rentals and Leases (Note 8)	136,119.60		202,462.01
Printing and Reproduction	34,652.46	238.52	31,357.63
Claims and Judgments (Note 17)			1,452.72
Federal Grant Pass-Through Expenditures (Sch. 1A)	3,106,327.93		1,476,892.04
State Grant Pass-Through Expenditures (Sch. 1B)	14,489.83		
Intergovernmental Payments	10,432,729.27		388,318.48
Public Assistance Payments			1,248,844.44
Other Expenditures	281,716.74	509.22	802,538.07
Capital Outlay	70,481.66		184,297.34
TOTAL EXPENDITURES	51,163,733.30	3,214,289.89	16,873,629.84
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(26,749,908.64)	2,142.40	1,688,421.87

UNAUDITED

CONSOLIDATED ACCOUNTS			TOTALS	
COASTAL PUBLIC LAND MANAGEMENT FEE FUND 0450 U/F (0450)	CAPITAL TRUST FUND 0543 U/F (0543)(0544)	DEDICATED SPECIALTY LICENSE PLATES FUND FUND 5140 U/F (0014)	(EXH. II) 2010	2009
\$	\$	\$	\$	\$
			8,079,787.00	10,975,462.00
			4,026,162.48	4,081,967.43
			13,259,363.18	6,575,621.76
			1,936,677.42	20,759,160.68
250,216.92		10,612.46	17,098,195.82	17,446,514.52
	379.69		234,200.59	358,088.93
	105,322.25		105,322.25	2,168,967.71
			119,028.09	67,221.44
			1,700,103.15	911,078.69
250,216.92	105,701.94	10,612.46	46,558,839.98	63,344,083.16
179,122.60			14,140,946.88	14,633,626.65
27,499.77			5,522,046.04	5,303,241.96
			28,305,738.27	11,244,737.09
			327,031.44	378,281.19
		897.17	696,207.99	1,158,156.15
(86.15)			398,204.29	405,481.10
			3,655,483.55	13,314,175.68
		606.00	338,581.61	501,600.30
			66,854.61	124,411.07
			1,452.72	0.00
			4,583,219.97	1,655,087.18
			14,489.83	0.00
		1,378.60	10,821,047.75	9,259,238.03
9,415.10			1,250,223.04	1,527,490.45
			1,094,179.13	2,322,805.77
			254,779.00	413,404.77
215,951.32	0.00	2,881.77	71,470,486.12	62,241,737.39
34,265.60	105,701.94	7,730.69	(24,911,646.14)	1,102,345.77

- to next page

EXHIBIT A-2 (concluded)

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

For the Year Ended August 31, 2010

(With comparative memorandum totals for the Year Ended August 31, 2009)

	GENERAL REVENUE FUND 0001 U/F(0001)	GENERAL REVENUE FUND 0001 U/F(3691)	COASTAL PROTECTION FUND 0027 U/F (0027)
<i>OTHER FINANCING SOURCES (USES)</i>	\$	\$	\$
Transfers In	12,596,804.00		8,244.95
Transfers Out			
Sale of Capital Assets			
Legislative Financing Sources			
Appropriations Lapsed			
<i>TOTAL OTHER FINANCING SOURCES (USES)</i>	<u>12,596,804.00</u>	<u>0.00</u>	<u>8,244.95</u>
<i>NET CHANGE IN FUND BALANCE</i>	(14,153,104.64)	2,142.40	1,696,666.82
<i>FUND FINANCIAL STATEMENT - FUND BALANCES</i>			
<i>FUND BALANCES - August 31, 2009</i>	<u>57,854,092.94</u>		<u>17,903,337.94</u>
<i>FUND BALANCES - August 31, 2010 (Exhibit A-1)</i>	<u>43,700,988.30</u>	<u>2,142.40</u>	<u>19,600,004.76</u>

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

UNAUDITED

CONSOLIDATED ACCOUNTS			TOTALS	
COASTAL PUBLIC LAND MANAGEMENT FEE FUND 0450 U/F (0450)	CAPITAL TRUST FUND 0543 U/F (0543)(0544)	DEDICATED SPECIALTY LICENSE PLATES FUND FUND 5140 U/F (0014)	(EXH. II) 2010	2009
\$	\$	\$	\$	\$
	790,555.45		13,395,604.40	12,852,243.47
	(422,081.00)		(422,081.00)	(4,658,518.33)
	10,550.00		10,550.00	179,156.59
			0.00	39,000,000.00
			0.00	(589.82)
0.00	379,024.45	0.00	12,984,073.40	47,372,291.91
34,265.60	484,726.39	7,730.69	(11,927,572.74)	48,474,637.68
113,561.09	12,313,130.43	6,367.73	88,190,490.13	39,715,852.45
147,826.69	12,797,856.82	14,098.42	76,262,917.39	88,190,490.13

TEXAS GENERAL LAND OFFICE
AND VETERANS' LAND BOARD

UNAUDITED

EXHIBIT B-1

*COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS*

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	TEXAS STATE		TOTALS	
	VETERANS LAND ADMIN. FEE FUND (0522) U/F (0522)	VETERANS CEMETERY FUND (0374) U/F (6000 - 6005)	(EXH. I) 2010	2009
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash:				
Cash on Hand	200.00		200.00	0.00
Cash in Bank (Note 3)	10,000.00		10,000.00	10,000.00
Cash in State Treasury	3,569,857.49	104,929.95	3,674,787.44	4,081,601.28
Receivables:				
Federal		1,422,714.30	1,422,714.30	297,993.99
Interest and Dividends	2,978.65	130.17	3,108.82	4,573.29
Due From Other Funds		344,347.23	344,347.23	395,000.00
Total Current Assets	<u>3,583,036.14</u>	<u>1,872,121.65</u>	<u>5,455,157.79</u>	<u>4,789,168.56</u>
TOTAL ASSETS	<u>3,583,036.14</u>	<u>1,872,121.65</u>	<u>5,455,157.79</u>	<u>4,789,168.56</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current Liabilities:				
Payables:				
Accounts	25,022.62	493,226.58	518,249.20	491,838.74
Payroll	1,406,145.16	9,129.47	1,415,274.63	1,315,972.32
Retainage		344,295.13	344,295.13	287,836.12
Due To:				
Other Funds	50.50	456,280.89	456,331.39	721.75
Total Current Liabilities	<u>1,431,218.28</u>	<u>1,302,932.07</u>	<u>2,734,150.35</u>	<u>2,096,368.93</u>
TOTAL LIABILITIES	<u>1,431,218.28</u>	<u>1,302,932.07</u>	<u>2,734,150.35</u>	<u>2,096,368.93</u>
FUND FINANCIAL STATEMENT - FUND BALANCES				
Fund Balances (Note 1):				
Reserved for:				
Encumbrances	261,441.15	569,189.58	830,630.73	1,271,133.36
Imprest Accounts	10,200.00		10,200.00	10,000.00
Unreserved/Designated for Others	1,880,176.71		1,880,176.71	1,411,666.27
TOTAL FUND BALANCES (Exhibit B-2)	<u>2,151,817.86</u>	<u>569,189.58</u>	<u>2,721,007.44</u>	<u>2,692,799.63</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>3,583,036.14</u>	<u>1,872,121.65</u>	<u>5,455,157.79</u>	<u>4,789,168.56</u>

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

EXHIBIT B-2

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

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	TEXAS STATE		TOTALS	
	VETERANS LAND ADMIN. FEE FUND (0522) U/F (0522)	VETERANS CEMETERY FUND (0374) U/F (6000 - 6005)	(EXH. II) 2010	2009
	\$	\$	\$	\$
REVENUES				
Federal Revenues		1,644,860.99	1,644,860.99	4,212,842.45
Interest and Other Investment Income	29,837.11	12,944.18	42,781.29	54,365.67
Sale of Goods and Services		63,900.00	63,900.00	46,200.00
Other Revenues	6,258.63	2,082.75	8,341.38	4,340.00
TOTAL REVENUES	36,095.74	1,723,787.92	1,759,883.66	4,317,748.12
EXPENDITURES				
Salaries and Wages	13,915,173.64	90,851.46	14,006,025.10	14,889,868.63
Payroll Related Costs	2,419,019.48	165,572.87	2,584,592.35	2,493,003.07
Professional Fees and Services	111,362.58	2,122,339.69	2,233,702.27	1,840,498.09
Travel	369,696.56	12,343.84	382,040.40	438,869.17
Materials and Supplies	804,537.40	54,743.87	859,281.27	892,369.51
Communication and Utilities	178,529.84	79,082.22	257,612.06	283,762.73
Repairs and Maintenance	233,138.99	9,615.66	242,754.65	252,638.44
Rentals and Leases (Note 8)	178,192.80	4,157.50	182,350.30	117,775.02
Printing and Reproduction	98,878.02		98,878.02	123,816.08
Other Expenditures	588,361.27	(1,653.59)	586,707.68	928,176.78
Capital Outlay	55,431.31	934,823.39	990,254.70	4,432,122.14
TOTAL EXPENDITURES	18,952,321.89	3,471,876.91	22,424,198.80	26,692,899.66
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,916,226.15)	(1,748,088.99)	(20,664,315.14)	(22,375,151.54)
OTHER FINANCING SOURCES (USES)				
Transfers In	24,834,715.19	2,495,343.37	27,330,058.56	30,851,495.44
Transfers Out	(5,269,059.19)	(1,368,476.42)	(6,637,535.61)	(7,715,388.39)
TOTAL OTHER FINANCING SOURCES (USES)	19,565,656.00	1,126,866.95	20,692,522.95	23,136,107.05
NET CHANGE IN FUND BALANCE	649,429.85	(621,222.04)	28,207.81	760,955.51
FUND FINANCIAL STATEMENT - FUND BALANCES				
FUND BALANCES - August 31, 2009	1,502,388.01	1,190,411.62	2,692,799.63	1,931,844.12
FUND BALANCES - August 31, 2010 (Exhibit B-1)	2,151,817.86	569,189.58	2,721,007.44	2,692,799.63

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

EXHIBIT C-1a

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

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	VET BDS TAX SER '94A1 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 SER '92 FUND (0590) U/F (0590)
	\$	\$	\$	\$
ASSETS				
Current Assets:				
Cash and Cash Equivalents (Note 3):				
Cash in State Treasury	433,181.86	4,334.76	3,432,342.04	16,106,386.37
Cash Equivalents	98,730,879.78	304,451.43	11,265.83	31,940.86
Securities Lending Collateral (Note 3)				303,000.00
Derivative Instruments				
Investments - Securities at Market Value (Note 3)				
Loans Receivables:				
Housing Mortgages	2,295,234.74		1,274,160.77	6,502,627.21
Home Improvement Loans	26,971.25		34,104.29	264,132.36
Interest and Dividends Receivables:				
Investment Interest	1,783.38	15.36	23,478.87	66,118.88
Housing Mortgages Interest	290,020.67		123,142.46	1,100,999.88
Home Improvement Loans Interest	2,231.15		1,450.39	31,143.31
Accounts Receivable (Net of Allowance for Uncollectibles)			8,564.25	9,719.23
Due from Other Funds	5,590.29	2,500,000.00	11,000,000.00	2,366.15
Total Current Assets	101,785,893.12	2,808,801.55	15,908,508.90	24,418,434.25
Noncurrent Assets:				
Investments - Securities at Market Value (Note 3)			1,354,922.95	13,107,345.75
Derivative Instruments				
Deferred Outflow of Resources			8,020,200.00	28,508,707.00
Loans Receivables:				
Housing Mortgages	71,235,446.59		31,005,211.76	198,719,428.27
Home Improvement Loans	175,640.89		329,602.21	3,370,308.91
Property Acquired Through Foreclosure - Housing Mortgages (Note 28)	19,538.88		187,138.72	242,725.54
Total Noncurrent Assets	71,430,626.36	0.00	40,897,075.64	243,948,515.47
TOTAL ASSETS	173,216,519.48	2,808,801.55	56,805,584.54	268,366,949.72
LIABILITIES				
Current Liabilities:				
Accounts Payable	88,200.70		34,362.65	243,008.13
Debt Service Interest Payable			32,693.63	359,128.97
Due to Other Funds	13,709,793.33		299.17	5.12
Bonds Payable (Net of Unamortized Discounts and Premiums):				
General Obligation		258,719.20	5,060,000.00	16,130,000.00
Accretion		501,280.80		
Obligations Under Securities Lending (Note 3)				303,000.00
Total Current Liabilities	13,797,994.03	760,000.00	5,127,355.45	17,035,142.22
Noncurrent Liabilities:				
Bonds Payable (Net of Unamortized Discounts and Premiums):				
General Obligation		672,486.00	43,375,000.00	173,715,000.00
Accretion		1,196,740.05		
Hedging Derivative Instruments			8,020,200.00	28,508,707.00
Total Noncurrent Liabilities	0.00	1,869,226.05	51,395,200.00	202,223,707.00
TOTAL LIABILITIES	13,797,994.03	2,629,226.05	56,522,555.45	219,258,849.22
NET ASSETS				
Restricted for the Veterans' Land Board	159,418,525.45	179,575.50	283,029.09	49,108,100.50
TOTAL NET ASSETS (Exhibit C-2a)	159,418,525.45	179,575.50	283,029.09	49,108,100.50

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

UNAUDITED

VET BDS SER '94A1&B1-3 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (0808 - 0826)	VET BDS TAXABLE FUND (0384) U/F (0828 - 0849)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. III)	
\$	\$	\$	\$	\$	2010	2009
1,082.22	31,237,648.97	12,625,903.40	78.91	51.75	63,841,010.28	69,848,232.57
4,444,833.24	94,086,973.86	141,039.06	1,154,465.35	1,799,499.08	200,705,348.49	80,077,690.07
		5,225,000.00			5,528,000.00	15,515,785.00
		8,395.67			8,395.67	0.00
					0.00	7,583,077.70
	20,792,110.41	16,814,269.39			47,678,402.52	46,398,226.67
	79,686.69	147,638.66			552,533.25	446,116.66
33.58	44,168.89	52,978.75	68,495.74	32,604.13	289,677.58	374,411.18
	2,409,652.69	4,502,645.37			8,426,461.07	9,593,673.98
	4,301.88	22,231.68			61,358.41	77,297.49
					18,283.48	59,063.10
200,000.00	7,429.68	5.35			13,715,391.47	14,642,107.77
4,645,949.04	148,661,973.07	39,540,107.33	1,223,040.00	1,832,154.96	340,824,862.22	244,615,682.19
2,217,348.35		12,610,154.75	20,826,950.95	12,223,423.60	62,340,146.35	50,867,579.87
	618,298.00	(276,178.24)			342,119.76	0.00
	98,379,434.00	108,151,792.00			243,060,133.00	0.00
	789,666,785.03	569,964,641.95			1,660,591,513.60	1,682,655,768.60
	1,967,944.14	2,691,558.44			8,535,054.59	6,250,443.30
	427,519.69	378,736.34			1,255,659.17	445,929.16
2,217,348.35	891,059,980.86	693,520,705.24	20,826,950.95	12,223,423.60	1,976,124,626.47	1,740,219,720.93
6,863,297.39	1,039,721,953.93	733,060,812.57	22,049,990.95	14,055,578.56	2,316,949,488.69	1,984,835,403.12
	696,958.89	1,464,037.03			2,526,567.40	2,644,261.88
	3,336,519.16	422,955.75			4,151,297.51	5,729,132.37
	3,978.76	1,307.24			13,715,383.62	14,641,922.75
300,000.00	33,802,625.12	21,170,000.00			76,721,344.32	76,677,027.44
		5,225,000.00			501,280.80	481,824.80
300,000.00	37,840,081.93	28,283,300.02	0.00	0.00	5,528,000.00	15,515,785.00
					103,143,873.65	115,689,954.24
6,500,000.00	866,238,352.95	498,215,000.00			1,588,715,838.95	1,455,995,997.81
					1,196,740.05	1,495,432.42
	98,379,434.00	108,151,792.00			243,060,133.00	0.00
6,500,000.00	964,617,786.95	606,366,792.00	0.00	0.00	1,832,972,712.00	1,457,491,430.23
6,800,000.00	1,002,457,868.88	634,650,092.02	0.00	0.00	1,936,116,585.65	1,573,181,384.47
63,297.39	37,264,085.05	98,410,720.55	22,049,990.95	14,055,578.56	380,832,903.04	411,654,018.65
63,297.39	37,264,085.05	98,410,720.55	22,049,990.95	14,055,578.56	380,832,903.04	411,654,018.65

EXHIBIT C-1b

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

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	VET LAND REF BDS		
	VET LAND REF BDS TAX REF '89, '90, '91, 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)
	\$	\$	\$
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash in State Treasury	17,182,809.46	307,939.80	367.44
Cash Equivalents	58,124,608.79	8,647,944.90	2,260,500.93
Securities Lending Collateral (Note 3)	22,547,375.12		
Investments - Securities at Market Value (Note 3)	4,992,687.50		
Loans Receivables:			
Land Contracts	12,313,616.99	691,335.52	
Land Mortgages	1,031,923.32		
Interest and Dividends Receivables:			
Investment Interest	697,386.74	41,778.25	21.50
Land Contracts	2,693,898.03	148,462.20	
Land Mortgages	285,412.33		
Accounts Receivable (Net of Allowance for Uncollectibles)	756,687.99		
Due from Other Funds	2,296,759.34	15,922.32	630,000.00
Total Current Assets	122,923,165.61	9,853,382.99	2,890,889.87
Noncurrent Assets:			
Investments - Securities at Market Value (Note 3)	183,146,021.37	7,526,761.60	352,577.30
Derivative Instruments	(2,013,576.88)		
Deferred Outflow of Resources	65,872,944.00	4,719,823.00	
Loans Receivables:			
Land Contracts	210,625,281.64	9,480,790.41	
Land Mortgages	63,869,255.86		
Property Acquired Through Foreclosure (Note 28)			
Land Contracts	952,538.09	12,553.60	
Depreciable Capital Assets (Note 2):			
Furniture and Equipment			
Less Accumulated Depreciation			
Non-Depreciable Capital Assets:			
Amortizable Intangible Assets:			
Computer Software	162,578.15		
Less Accumulated Amortization	(90,262.43)		
Total Noncurrent Assets	522,524,779.80	21,739,928.61	352,577.30
TOTAL ASSETS	645,447,945.41	31,593,311.60	3,243,467.17
LIABILITIES			
Current Liabilities:			
Accounts Payable	4,447,759.37	6,004.42	
Debt Service Interest Payable	379,608.05		
Due to Other Funds	11,463,313.65	38,098.73	
Deferred Revenues	143,481.62	3,665.41	
Bonds Payable (Net of Unamortized Discounts and Premiums):			
General Obligation	7,019,767.50	2,040,000.00	260,867.34
Accretion	3,559,232.50		486,132.66
Obligations Under Securities Lending (Note 3)	22,547,375.12		
Total Current Liabilities	49,560,537.81	2,087,768.56	747,000.00

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850 - 0874)	TOTALS	
	(EXH. III)	
	2010	2009
\$	\$	\$
887,296.82	18,378,413.52	3,680,584.84
4,431,883.41	73,464,938.03	33,248,432.64
	22,547,375.12	84,498,412.50
	4,992,687.50	49,746,235.68
555,937.30	13,560,889.81	13,959,859.13
	1,031,923.32	389,192.79
21,581.31	760,767.80	798,790.58
211,803.38	3,054,163.61	2,751,301.41
	285,412.33	152,100.01
	756,687.99	444,869.52
9,937,371.19	12,880,052.85	8,085,693.01
<u>16,045,873.41</u>	<u>151,713,311.88</u>	<u>197,755,472.11</u>
2,575,905.00	193,601,265.27	163,375,488.42
	(2,013,576.88)	0.00
4,524,815.00	75,117,582.00	0.00
19,706,237.19	239,812,309.24	273,786,210.51
	63,869,255.86	37,449,346.66
8,554.77	973,646.46	1,837,449.17
	0.00	162,578.15
	0.00	(57,747.23)
	162,578.15	0.00
	(90,262.43)	0.00
<u>26,815,511.96</u>	<u>571,432,797.67</u>	<u>476,553,325.68</u>
<u>42,861,385.37</u>	<u>723,146,109.55</u>	<u>674,308,797.79</u>
293,009.84	4,746,773.63	683,523.13
261,457.76	641,065.81	678,653.10
17,539.85	11,518,952.23	8,015,520.98
5,533.14	152,680.17	114,738.23
1,262,702.64	10,583,337.48	17,526,567.37
495,297.36	4,540,662.52	5,906,432.63
	22,547,375.12	84,498,412.50
<u>2,335,540.59</u>	<u>54,730,846.96</u>	<u>117,423,847.94</u>

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EXHIBIT C-1b (concluded)

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

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	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	250,559,986.96	23,140,000.00	874,408.32
Accretion	1,397,483.03		1,621,254.61
Hedging Derivative Instruments	65,872,944.00	4,719,823.00	
Total Noncurrent Liabilities	<u>317,830,413.99</u>	<u>27,859,823.00</u>	<u>2,495,662.93</u>
TOTAL LIABILITIES	<u>367,390,951.80</u>	<u>29,947,591.56</u>	<u>3,242,662.93</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted for the Veterans' Land Board	72,315.72		
	<u>277,984,677.89</u>	<u>1,645,720.04</u>	<u>804.24</u>
TOTAL NET ASSETS (Exhibit C-2b)	<u>278,056,993.61</u>	<u>1,645,720.04</u>	<u>804.24</u>

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 - 0874)	TOTALS	
	(EXH. III)	
	2010	2009
	\$	\$
34,583,686.78	309,158,082.06	319,741,419.54
1,393,256.54	4,411,994.18	7,955,866.03
4,524,815.00	75,117,582.00	0.00
<u>40,501,758.32</u>	<u>388,687,658.24</u>	<u>327,697,285.57</u>
<u>42,837,298.91</u>	<u>443,418,505.20</u>	<u>445,121,133.51</u>
	72,315.72	162,578.15
<u>24,086.46</u>	<u>279,655,288.63</u>	<u>229,025,086.13</u>
<u>24,086.46</u>	<u>279,727,604.35</u>	<u>229,187,664.28</u>

EXHIBIT C-1c

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

August 31, 2010

(With comparative memorandum totals for August 31, 2009)

	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 2000 FUND (0374) U/F (0665)
	\$	\$	\$	\$	\$
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 3):					
Cash in State Treasury	93,071.60	1,958,006.26	410,874.50	1,266,166.32	3,819.01
Cash Equivalents					6,314.89
Investments - Securities at Market Value (Note 3)					707,504.40
Receivables:					
Federal Receivables	819,732.48	359,950.57	324,028.14	1,004,901.43	
Interest Receivables	802.82	2,094.56	667.21	1,448.75	3.55
Accounts Receivable	390,207.38	783,642.07	636,612.21	688,265.78	
Allowance for Doubtful Accounts	(88,104.47)	(227,071.00)	(151,365.63)	(237,175.82)	
Due from Other Funds					
Total Current Assets	1,215,709.81	2,876,622.46	1,220,816.43	2,723,606.46	717,641.85
Non-Current Assets:					
Deferred Outflow of Resources					4,289,371.00
Capital Assets (Note 2):					
Depreciable Capital Assets:					
Vehicles, Boats, and Aircraft		46,501.14			
Less Accumulated Depreciation		(37,089.86)			
Furniture and Equipment	29,671.17	68,632.99	49,290.69	21,228.96	
Less Accumulated Depreciation	(29,671.17)	(41,228.30)	(19,468.43)	(21,228.96)	
Buildings	10,816,311.94	10,584,217.37	10,476,498.29	10,128,639.89	
Less Accumulated Depreciation	(4,553,912.61)	(4,456,195.38)	(4,222,346.24)	(4,155,043.50)	
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	6,742,399.33	6,230,837.96	6,438,974.31	6,013,596.39	4,289,371.00
TOTAL ASSETS	7,958,109.14	9,107,460.42	7,659,790.74	8,737,202.85	5,007,012.85
LIABILITIES					
Current Liabilities:					
Payables:					
Vouchers and Accounts Payable (Note 1)	1,668,487.07	1,209,497.17	1,074,181.10	1,093,734.42	
Debt Service Interest Payable	29,453.12	29,453.12	29,453.13	29,453.13	
Due to Other Funds					999.42
Revenue Bonds Payable (Note 6)	100,000.00	100,000.00	100,000.00	100,000.00	
Total Current Liabilities	1,797,940.19	1,338,950.29	1,203,634.23	1,223,187.55	999.42
Non-Current Liabilities:					
Revenue Bonds Payable (Note 6)	5,555,000.00	5,555,000.00	5,555,000.00	5,555,000.00	
Hedging Derivative Instruments					4,289,371.00
Total Non-Current Liabilities	5,555,000.00	5,555,000.00	5,555,000.00	5,555,000.00	4,289,371.00
TOTAL LIABILITIES	7,352,940.19	6,893,950.29	6,758,634.23	6,778,187.55	4,290,370.42
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,087,399.33	575,837.96	783,974.31	358,596.39	
Restricted for the Texas State Veterans Home Program	(482,230.38)	1,637,672.17	117,182.20	1,600,418.91	716,642.43
TOTAL NET ASSETS	605,168.95	2,213,510.13	901,156.51	1,959,015.30	716,642.43

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	
						(Memorandum Only)	
						2010	2009
\$	\$	\$	\$	\$	\$	\$	\$
	44.22	341,250.37	3,951,079.54	3,265,819.38	562,131.66	11,852,262.86	11,518,813.57
2,677.93						8,992.82	184,716.85
8,353,312.00						9,060,816.40	8,815,491.70
		1,399,090.50	267,434.95	710,186.96	469,698.33	5,355,023.36	4,879,470.20
	79.31		3,766.89	3,389.96	905.63	13,158.68	13,994.86
			812,498.69	758,566.84	357,179.40	4,426,972.37	4,779,479.92
			(232,613.93)	(150,085.61)	(56,487.41)	(1,142,903.87)	(1,298,025.94)
999.42	533,707.95			171,658.41		706,365.78	1,261.26
8,356,989.35	533,831.48	1,740,340.87	4,802,166.14	4,759,535.94	1,333,427.61	30,280,688.40	28,895,202.42
						4,289,371.00	0.00
						46,501.14	46,501.14
						(37,089.86)	(30,446.90)
			22,057.20	7,206.20	15,336.60	213,423.81	360,286.61
			(21,962.96)	(7,206.20)	(12,503.15)	(153,269.17)	(281,705.52)
			11,819,162.06	11,298,648.54	13,196,583.95	78,320,062.04	78,320,062.04
			(3,077,972.53)	(2,883,799.29)	(2,252,673.08)	(25,601,942.63)	(21,948,301.79)
	1,409,849.78	2,618,292.36				4,028,142.14	675,828.00
			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	0.00
			(6,535.68)	(6,535.68)	(6,438.00)	(138,574.36)	0.00
0.00	1,409,849.78	2,618,292.36	10,043,273.09	9,066,838.57	11,759,246.32	64,612,679.11	60,641,723.58
8,356,989.35	1,943,681.26	4,358,633.23	14,845,439.23	13,826,374.51	13,092,673.93	94,893,367.51	89,536,926.00
	533,707.95		942,366.71	1,107,165.17	733,558.18	8,362,697.77	12,178,991.84
		1,735,596.44			220,373.74	117,812.50	119,765.63
						1,956,969.60	440,287.62
						400,000.00	375,000.00
0.00	533,707.95	1,735,596.44	942,366.71	1,107,165.17	953,931.92	10,837,479.87	13,114,045.09
						22,220,000.00	22,620,000.00
						4,289,371.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	26,509,371.00	22,620,000.00
0.00	533,707.95	1,735,596.44	942,366.71	1,107,165.17	953,931.92	37,346,850.87	35,734,045.09
	1,409,849.78	439,288.20	10,043,273.09	9,066,838.57	11,759,246.32	35,524,303.95	37,646,723.58
8,356,989.35	123.53	2,183,748.59	3,859,799.43	3,652,370.77	379,495.69	22,022,212.69	16,156,157.33
8,356,989.35	1,409,973.31	2,623,036.79	13,903,072.52	12,719,209.34	12,138,742.01	57,546,516.64	53,802,880.91

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, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	VET BDS TAX SER '94A1 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 SER '92 FUND (0590) U/F (0590)
	\$	\$	\$	\$
OPERATING REVENUES				
Interest on Housing Mortgages	3,861,998.02		1,626,054.61	10,352,996.12
Interest on Home Improvement Loans	16,353.40		15,035.78	150,200.69
Gain (Loss) on Housing Mortgage and Home Improvement Loans	2,431,442.78		9,999.47	(9,714.48)
Miscellaneous Income	87.39			
TOTAL OPERATING REVENUES	6,309,881.59	0.00	1,651,089.86	10,493,482.33
OPERATING EXPENSES				
Professional Fees and Services	120,216.48		35,893.45	163,605.79
Printing and Reproduction				
Debt Service Interest		202,588.43	2,799,174.74	7,443,940.09
Other Operating Expenses	4,647.70	400.00	100,719.82	800,682.06
TOTAL OPERATING EXPENSES	124,864.18	202,988.43	2,935,788.01	8,408,227.94
OPERATING INCOME (LOSS) (Exhibit C-3a)	6,185,017.41	(202,988.43)	(1,284,698.15)	2,085,254.39
NONOPERATING REVENUES (EXPENSES)				
Investment Income	98,756.23	262.70	92,896.30	353,490.11
Net Increase (Decrease) in Fair Value of Investments	279,613.65		(19,391.25)	1,695,463.25
Borrower Rebate/Agent Fees - Securities Lending	(5,633.97)		(589.93)	(523.91)
TOTAL NONOPERATING REVENUES (EXPENSES)	372,735.91	262.70	72,915.12	2,048,429.45
INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS	6,557,753.32	(202,725.73)	(1,211,783.03)	4,133,683.84
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS				
Transfers In	7,016,000.00	338,000.00	2,145,000.00	1,631,000.00
Transfers Out	(5,146,000.00)		(745,000.00)	(3,896,413.00)
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	1,870,000.00	338,000.00	1,400,000.00	(2,265,413.00)
CHANGE IN NET ASSETS	8,427,753.32	135,274.27	188,216.97	1,868,270.84
NET ASSETS - August 31, 2009	150,990,772.13	44,301.23	94,812.12	47,239,829.66
Restatements (Note 14)				
NET ASSETS - August 31, 2009, as Restated	150,990,772.13	44,301.23	94,812.12	47,239,829.66
NET ASSETS - August 31, 2010 (Exhibit C-1a)	159,418,525.45	179,575.50	283,029.09	49,108,100.50

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

UNAUDITED

VET BDS SER '94A1&B1-3 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (0808 - 0826)	VET BDS TAXABLE FUND (0384) U/F (0828 - 0849)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. IV)	
\$	\$	\$	\$	\$	2010	2009
					\$	\$
	32,772,359.63	29,043,526.95			77,656,935.33	81,862,406.64
	50,194.78	94,635.03			326,419.68	307,584.84
	14,010.86	42,028.20			2,487,766.83	(2,651,813.49)
					87.39	0.00
0.00	32,836,565.27	29,180,190.18	0.00	0.00	80,471,209.23	79,518,177.99
	1,436,945.97	780,376.20			2,537,037.89	1,752,675.39
	3,032.66	1,105.64			4,138.30	1,220.93
18,370.55	28,502,390.91	19,463,281.94			58,429,746.66	79,341,377.07
15,995.30	2,873,271.25	2,495,070.55	1,048.10		6,291,834.78	2,579,049.20
34,365.85	32,815,640.79	22,739,834.33	1,048.10	0.00	67,262,757.63	83,674,322.59
(34,365.85)	20,924.48	6,440,355.85	(1,048.10)	0.00	13,208,451.60	(4,156,144.60)
112,538.43	343,382.39	532,450.95	479,634.81	312,787.07	2,326,198.99	2,776,815.02
248,566.99	(1,207,191.51)	2,716,954.73	1,375,278.02	512,337.65	5,601,631.53	2,135,268.19
(2,420.60)	(2,627.34)	(2,967.99)	(7,703.09)	(39.40)	(22,506.23)	(101,565.85)
358,684.82	(866,436.46)	3,246,437.69	1,847,209.74	825,085.32	7,905,324.29	4,810,517.36
324,318.97	(845,511.98)	9,686,793.54	1,846,161.64	825,085.32	21,113,775.89	654,372.76
(324,500.08)	33,044,000.00	5,248,814.00			49,098,313.92	99,966,348.20
(500.00)	(54,775,000.00)	(37,432,652.50)	0.08		(101,995,565.42)	(134,846,416.19)
(325,000.08)	(21,731,000.00)	(32,183,838.50)	0.08	0.00	(52,897,251.50)	(34,880,067.99)
(681.11)	(22,576,511.98)	(22,497,044.96)	1,846,161.72	825,085.32	(31,783,475.61)	(34,225,695.23)
63,978.50	57,948,952.03	121,837,050.51	20,203,829.23	13,230,493.24	411,654,018.65	445,879,713.88
	1,891,645.00	(929,285.00)			962,360.00	0.00
63,978.50	59,840,597.03	120,907,765.51	20,203,829.23	13,230,493.24	412,616,378.65	445,879,713.88
63,297.39	37,264,085.05	98,410,720.55	22,049,990.95	14,055,578.56	380,832,903.04	411,654,018.65

EXHIBIT C-2b

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

For the Year Ended August 31, 2010

(With comparative memorandum totals for the nine months ended August 31, 2009)

	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)
	\$	\$	\$
OPERATING REVENUES			
Interest on Land Loans	21,012,172.73	762,899.91	
Gain (Loss) on Land Loans	614,368.48	(16,690.65)	
Miscellaneous Income	44,883.34		
TOTAL OPERATING REVENUES	21,671,424.55	746,209.26	0.00
OPERATING EXPENSES			
Professional Fees and Services	382,147.77	823,259.30	
Travel	267.28		
Materials and Supplies	582.24		
Repairs and Maintenance	22,005.00		
Rental of Furnishings and Equipment	2,766.20		
Printing and Reproduction	166.06		
Depreciation and Amortization	32,515.20		
Debt Service Interest	12,655,377.26	1,238,133.47	213,625.39
Other Operating Expenses	1,438,092.08	(55,984.49)	450.00
TOTAL OPERATING EXPENSES	14,533,919.09	2,005,408.28	214,075.39
OPERATING INCOME (LOSS) (Exhibit C-3b)	7,137,505.46	(1,259,199.02)	(214,075.39)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	3,706,475.85	301,036.82	61,567.92
Net Increase (Decrease) in Fair Value of Investments	9,621,532.30	33,214.81	42,625.64
Borrower Rebate/Agent Fees-Sec. Lending	(85,654.13)	(4,741.23)	
TOTAL NONOPERATING REVENUES (EXPENSES)	13,242,354.02	329,510.40	104,193.56
INCOME (LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS	20,379,859.48	(929,688.62)	(109,881.83)
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS			
Transfers In	83,272,654.79	55,000.00	844,000.00
Transfers Out	(49,665,951.60)	(1,375,099.00)	(744,000.00)
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	33,606,703.19	(1,320,099.00)	100,000.00
CHANGE IN NET ASSETS	53,986,562.67	(2,249,787.62)	(9,881.83)
NET ASSETS - August 31, 2009	225,240,899.94	3,895,507.66	10,686.07
Restatements (Note 14)	(1,170,469.00)		
NET ASSETS - August 31, 2009, as Restated	224,070,430.94	3,895,507.66	10,686.07
NET ASSETS - August 31, 2010 (Exhibit C-1b)	278,056,993.61	1,645,720.04	804.24

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 - 0874)	TOTALS	
	(EXH. IV)	
	2010	2009
\$	\$	\$
1,423,335.91	23,198,408.55	23,966,267.58
(10,694.55)	586,983.28	639,582.34
	44,883.34	61,543.67
<u>1,412,641.36</u>	<u>23,830,275.17</u>	<u>24,667,393.59</u>
	1,205,407.07	1,243,355.62
	267.28	522.60
	582.24	0.00
	22,005.00	0.00
	2,766.20	0.00
290,769.88	290,935.94	0.00
	32,515.20	32,413.08
1,945,572.90	16,052,709.02	24,340,652.11
220,237.70	1,602,795.29	1,455,892.12
<u>2,456,580.48</u>	<u>19,209,983.24</u>	<u>27,072,835.53</u>
(1,043,939.12)	4,620,291.93	(2,405,441.94)
141,984.86	4,211,065.45	5,600,843.05
8,905.66	9,706,278.41	4,493,855.34
(1,800.11)	(92,195.47)	(457,539.68)
<u>149,090.41</u>	<u>13,825,148.39</u>	<u>9,637,158.71</u>
(894,848.71)	18,445,440.32	7,231,716.77
3,882,607.06	88,054,261.85	126,083,441.33
(3,004,242.50)	(54,789,293.10)	(112,255,902.74)
<u>878,364.56</u>	<u>33,264,968.75</u>	<u>13,827,538.59</u>
(16,484.15)	51,710,409.07	21,059,255.36
40,570.61	229,187,664.28	208,128,408.92
	(1,170,469.00)	0.00
<u>40,570.61</u>	<u>228,017,195.28</u>	<u>208,128,408.92</u>
<u>24,086.46</u>	<u>279,727,604.35</u>	<u>229,187,664.28</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, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	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 2000 FUND (0374) U/F (0665)
	\$	\$	\$	\$	\$
OPERATING REVENUES					
Charges for Services:					
Veterans Administration Per Diem	4,733,228.07	4,257,414.30	3,674,442.59	3,876,254.87	
Resident Payments (Net of Provisions for Bad Debt of (\$24,376.19))	3,144,830.77	3,122,275.98	3,315,135.09	2,982,627.22	
Medicare Reimbursements (Net of Provisions for Bad Debt of \$70,454.05)	686,204.84	873,831.99	1,073,559.47	1,028,571.10	
Medicaid Revenues (Net of Provisions for Bad Debt of (\$148,905.86))	549,091.07	1,398,776.80	1,311,243.04	975,775.94	
Other Assistance Payments (Net of Provisions for Bad Debt of (\$52,294.07))	5,350.89	56,024.08	141,326.52	25,874.44	
Third Party Reimbursements	4,519.00	1,079.56		500.00	
Revenue Transfers Within Fund	1,946.87	1,946.87	1,946.88	1,946.88	(7,787.50)
Miscellaneous Income	681.40	52.21	1,426.25	5,593.59	
TOTAL OPERATING REVENUES	9,125,852.91	9,711,401.79	9,519,079.84	8,897,144.04	(7,787.50)
OPERATING EXPENSES					
Professional Fees and Services	8,263,632.45	8,006,190.76	8,531,329.37	7,434,092.36	
Travel				(12.96)	
Materials and Supplies	382,311.43	390,893.51	300,050.46	407,309.10	
Communications and Utilities					
Repairs and Maintenance	34,074.51	28,279.25	50,926.97	36,422.99	
Rentals and Leases					
Printing and Reproduction					
Depreciation and Amortization	467,067.96	467,444.25	458,755.44	437,373.00	
Other Operating Expenses	2,275.00	575.00	3,365.00	475.00	3,000.00
TOTAL OPERATING EXPENSES	9,149,361.35	8,893,382.77	9,344,427.24	8,315,659.49	3,000.00
OPERATING INCOME (LOSS) (Exhibit C-3c)	(23,508.44)	818,019.02	174,652.60	581,484.55	(10,787.50)
NONOPERATING REVENUES/(EXPENSES)					
Federal Revenues				295.42	
Gifts/Pledges/Donations	2,570.19	2,813.00	13,505.00	7,459.64	
Investment Income	10,807.75	24,900.84	11,668.18	23,258.16	518.76
Net Increase (Decrease) in Fair Value of Investments					2,022.02
Interest Expense	(358,808.58)	(358,808.58)	(358,808.61)	(358,808.60)	
TOTAL NONOPERATING REVENUES/(EXPENSES)	(345,430.64)	(331,094.74)	(333,635.43)	(327,795.38)	2,540.78
INCOME/(LOSS) BEFORE OTHER REVENUES, (EXPENSES), GAINS/(LOSSES) AND TRANSFERS	(368,939.08)	486,924.28	(158,982.83)	253,689.17	(8,246.72)
OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS					
Transfers In					
Transfers Out	(144,324.00)	(144,324.00)	(144,324.00)	(144,324.00)	
TOTAL OTHER REVENUES, (EXPENSES), GAINS/(LOSSES), AND TRANSFERS	(144,324.00)	(144,324.00)	(144,324.00)	(144,324.00)	0.00
CHANGE IN NET ASSETS	(513,263.08)	342,600.28	(303,306.83)	109,365.17	(8,246.72)
NET ASSETS, AUGUST 31, 2009	1,118,432.03	1,870,909.85	1,204,463.34	1,849,650.13	724,889.15
NET ASSETS - August 31, 2010 (Exhibit C-1c)	605,168.95	2,213,510.13	901,156.51	1,959,015.30	716,642.43

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

UNAUDITED

GEN PURP FUND (0374) U/F (0666)	SURPLUS FUND (0374) U/F (0698)	TYLER FUND (0374) U/F (0656)	35% FED FUND (0374) U/F (6656)	ARRA 65% FUND (0374) U/F (0652)	MCALLEN FUND (0374) U/F (0653)	EL PASO FUND (0374) U/F (0653)	AMARILLO FUND (0374) U/F (0654)	TOTALS (Memorandum Only)	
\$	\$	\$	\$	\$	\$	\$	\$	2010	2009
				3,188,534.76	3,936,800.00	2,675,076.32		26,341,750.91	22,813,353.71
				3,180,896.45	3,367,338.81	2,579,101.26		21,692,205.58	24,698,843.63
				1,365,027.43	1,653,699.37	639,608.14		7,320,502.34	8,695,562.78
				2,231,749.26	1,283,124.03	511,967.34		8,261,727.48	8,598,183.79
				202,615.06	(14,315.90)	366,950.56		783,825.65	740,077.89
				1,688.07	1,998.00	936.00		10,720.63	19,346.02
				36.13	331.67	91.02		0.00	0.00
0.00	0.00	0.00	0.00	10,170,547.16	10,228,975.98	6,773,730.64		64,418,944.86	65,565,584.85
		1,800.41	3,076.21	8,004,423.74	7,967,249.96	5,969,314.44		54,176,233.08	56,554,607.79
		313.52		435,625.67	455,742.64	249,822.47		4,863.66	4,244.79
				(43,468.05)	45,435.68	3,928.98		2,622,068.80	1,931,099.38
		1,489.50		(5.50)				64.00	0.00
		89.43		600,298.30	569,105.88	682,284.78		155,600.33	835,207.71
		518.31		100.00	100.00	100.00		1,484.00	12,585.93
0.00	0.00	4,211.17	3,076.21	8,996,974.16	9,037,634.16	6,905,514.67		89.43	0.00
0.00	0.00	(4,211.17)	(3,076.21)	1,173,573.00	1,191,341.82	(131,784.03)		3,682,329.61	3,680,500.01
			2,186,824.80	701.97				10,508.31	19,870.00
				588.96	5,975.00	2,675.00		60,653,241.22	63,038,115.61
	68,048.17	844.13		44,079.23	41,809.96	11,773.77		3,765,703.64	2,527,469.24
	10,266.71								
0.00	78,314.88	844.13	2,186,824.80	45,370.16	47,784.96	14,448.77		2,187,822.19	400,141.28
0.00	78,314.88	(3,367.04)	2,183,748.59	1,218,943.16	1,239,126.78	(117,335.26)		35,586.79	5,513.34
								237,708.95	308,953.79
								12,288.73	93,291.12
								(1,435,234.37)	(1,457,239.59)
0.00	78,314.88	844.13	2,186,824.80	45,370.16	47,784.96	14,448.77		1,038,172.29	(649,340.06)
0.00	78,314.88	(3,367.04)	2,183,748.59	1,218,943.16	1,239,126.78	(117,335.26)		4,803,875.93	1,878,129.18
		737,500.97	(439,288.20)		171,658.41	(3,165.03)			
(0.97)		439,288.20	439,288.20	(452,881.12)	(647,122.83)	(728,221.83)		466,706.15	1,776,827.70
								(1,526,946.35)	(3,860,405.35)
(0.97)	0.00	1,176,789.17	0.00	(452,881.12)	(475,464.42)	(731,386.86)			
(0.97)	78,314.88	1,173,422.13	2,183,748.59	766,062.04	763,662.36	(848,722.12)		(1,060,240.20)	(2,083,577.65)
0.97	8,278,674.47	236,551.18	439,288.20	13,137,010.48	11,955,546.98	12,987,464.13		3,743,635.73	(205,448.47)
0.00	8,356,989.35	1,409,973.31	2,623,036.79	13,903,072.52	12,719,209.34	12,138,742.01		53,802,880.91	54,008,329.38
								57,546,516.64	53,802,880.91

EXHIBIT C-3a

STATEMENT OF CASH FLOWS

VETERANS' HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	VET BDS TAX SER '94A1 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 SER '92 FUND (0590) U/F (0590)
	\$	\$	\$	\$
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)				
OPERATING ACTIVITIES				
Receipts from Loan Payments	93,446,465.76		5,732,681.53	42,395,996.40
Fundings for Mortgage and Home Improvement Loans	(68,046,316.06)			(16,744,167.27)
Payments to Suppliers of Goods and Services	(130,843.15)	(400.00)	(120,875.41)	(951,715.37)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	25,269,306.55	(400.00)	5,611,806.12	24,700,113.76
NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Debt Issuance				
Payments for Debt Service - Principal		(760,000.00)	(4,670,000.00)	(18,750,000.00)
Payments for Debt Service - Interest			(2,794,361.24)	(7,765,827.94)
Transfers from Other Funds	7,016,000.00	768,087.93	968,415.58	2,506,887.54
Transfers to Other Funds	(4,496,000.00)		(745,000.00)	(3,896,413.00)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	2,520,000.00	8,087.93	(7,240,945.66)	(27,905,353.40)
INVESTING ACTIVITIES				
Proceeds from Interest and Investment Income	377,899.93	279.88	93,253.96	360,976.92
Proceeds from Sale of Investments			1,500,000.00	
Payments to Acquire Investments				
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	377,899.93	279.88	1,593,253.96	360,976.92
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,167,206.48	7,967.81	(35,885.58)	(2,844,262.72)
CASH AND CASH EQUIVALENTS - August 31, 2009	70,996,855.16	300,818.38	3,479,493.45	18,982,589.95
CASH AND CASH EQUIVALENTS - August 31, 2010	99,164,061.64	308,786.19	3,443,607.87	16,138,327.23

UNAUDITED

VET BDS SER '94A1&B1-3 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (0808 - 0826)	VET BDS TAXABLE FUND (0384) U/F (0828 - 0849)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. V)	
\$	\$	\$	\$	\$	2010	2009
	228,466,214.10	(13,985,489.38)			356,055,868.41	624,561,352.30
	(123,236,568.70)	(49,333,375.06)			(257,360,427.09)	(472,436,774.84)
(15,995.30)	(3,897,350.74)	(3,284,121.68)	(1,048.10)		(8,402,349.75)	(4,352,325.13)
(15,995.30)	101,332,294.66	(66,602,986.12)	(1,048.10)	0.00	90,293,091.57	147,772,252.33
	217,678,119.76	144,758,197.24			362,436,317.00	102,930,861.50
(300,000.00)	(166,840,000.00)	(38,045,000.00)			(229,365,000.00)	(48,750,000.00)
(18,370.55)	(27,847,098.10)	(22,108,476.79)			(60,534,134.62)	(80,218,831.78)
30,370.00	33,044,000.00	5,248,814.00			49,582,575.05	99,188,178.51
(500.00)	(54,775,000.00)	(37,432,652.50)	(1,134,261.05)		(102,479,826.55)	(134,067,155.06)
(288,500.55)	1,260,021.66	52,420,881.95	(1,134,261.05)	0.00	19,639,930.88	(60,916,946.83)
138,964.09	381,830.71	538,668.92	520,032.23	322,672.17	2,734,578.81	3,766,324.09
4,274,062.50	75,537,140.00	452,860.00	9,214,115.00	15,491,126.78	106,469,304.28	36,882,446.44
(720,000.00)	(74,499,340.28)	(6,029,330.50)	(9,146,978.63)	(14,120,820.00)	(104,516,469.41)	(30,044,321.27)
3,693,026.59	1,419,630.43	(5,037,801.58)	587,168.60	1,692,978.95	4,687,413.68	10,604,449.26
3,388,530.74	104,011,946.75	(19,219,905.75)	(548,140.55)	1,692,978.95	114,620,436.13	97,459,754.76
1,057,384.72	21,312,676.08	31,986,848.21	1,702,684.81	106,571.88	149,925,922.64	52,466,167.88
4,445,915.46	125,324,622.83	12,766,942.46	1,154,544.26	1,799,550.83	264,546,358.77	149,925,922.64

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EXHIBIT C-3a (concluded)

STATEMENT OF CASH FLOWS

HOUSING ASSISTANCE PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	VET BDS TAX SER '94A1 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 SER '92 FUND (0590) U/F (0590)
	\$	\$	\$	\$
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS) (Exhibit C-2a)	6,185,017.41	(202,988.43)	(1,284,698.15)	2,085,254.39
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Classification Differences		202,588.43	2,799,174.74	7,443,940.09
(Increase) Decrease in Receivables	226,531.91		(11,020.00)	1,225,391.84
(Increase) Decrease in Loans and Contracts	18,940,912.19		4,215,188.07	14,279,135.58
(Increase) Decrease in Other Assets	(25,129.17)		(137,533.53)	(245,091.69)
Increase (Decrease) in Payables	(36,541.55)		30,395.82	(35,893.58)
Increase (Decrease) in Other Liabilities	(21,484.24)		299.17	(52,622.87)
TOTAL ADJUSTMENTS	19,084,289.14	202,588.43	6,896,504.27	22,614,859.37
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	25,269,306.55	(400.00)	5,611,806.12	24,700,113.76
NONCASH TRANSACTIONS				
Capital Appreciation Bond Interest Accretion		(202,588.43)		
Change in Fair Value of Investments	279,613.65			
TOTAL NONCASH TRANSACTIONS	279,613.65	(202,588.43)	0.00	0.00

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

UNAUDITED

VET BDS SER '94A1&B1-3 FUND (0379) U/F (0379)	VET BDS TAX-EXEMPT FUND (0383) U/F (0800 - 0824)	VET BDS TAXABLE FUND (0384) U/F (0825 - 0849)	VET HSG BDS RESERVE FUND (0527) U/F (0527)	VET HSG MORT RESERVE FUND (0528) U/F (0528)	TOTALS (EXH. V)	
\$	\$	\$	\$	\$	2010	2009
(34,365.85)	20,924.48	6,440,355.85	(1,048.10)	0.00	13,208,451.60	(4,156,144.60)
18,370.55	28,502,390.91 835,473.86 72,186,104.75 13,289.06 105,928.03 (331,816.43)	19,463,281.94 (1,087,288.25) (91,228,289.32) 27,190.49 (181,583.20) (36,653.63)			58,429,746.66 1,189,089.36 18,393,051.27 (367,274.84) (117,694.48) (442,278.00)	79,341,377.07 53,711,183.88 19,079,133.06 (312,345.98) 88,915.76 20,133.14
18,370.55	101,311,370.18	(73,043,341.97)	0.00	0.00	77,084,639.97	151,928,396.93
(15,995.30)	101,332,294.66	(66,602,986.12)	(1,048.10)	0.00	90,293,091.57	147,772,252.33
1,035.19		380,183.29		7.84	(202,588.43) 660,839.97	(236,951.43) 1,871,075.73
1,035.19	0.00	380,183.29	0.00	7.84	458,251.54	1,634,124.30

EXHIBIT C-3b

STATEMENT OF CASH FLOWS

VETERANS' LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2010

(With comparative memorandum totals for the nine months ended August 31, 2009)

	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)
	\$	\$	\$
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 1)			
OPERATING ACTIVITIES			
Receipts from Loan Payments	25,506,898.56	2,315,386.98	
Fundings for Land Loans	(395,986.49)		
Payments to Suppliers of Goods and Services	(2,087,970.01)	(1,031,330.47)	(450.00)
Payments for Other Expenses	(5,612.45)	(11.97)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	23,017,329.61	1,284,044.54	(450.00)
NONCAPITAL FINANCING ACTIVITIES			
Payments for Debt Service - Principal	(19,353,000.00)	(1,895,000.00)	(747,000.00)
Payments for Debt Service - Interest	(12,104,711.84)	(1,238,133.47)	
Transfers from Other Funds	83,206,946.77	55,000.00	744,000.00
Transfers to Other Funds	(46,208,289.38)	(1,375,099.00)	(744,000.00)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	5,540,945.55	(4,453,232.47)	(747,000.00)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments for Additional Capital Assets	(741,522.57)		
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(741,522.57)	0.00	0.00
INVESTING ACTIVITIES			
Proceeds from Interest and Investment Income	3,740,384.03	307,656.94	70,200.12
Proceeds from Sale of Investments	131,266,985.82	24,114,825.45	3,524,988.81
Payments to Acquire Investments	(122,642,001.07)	(12,869,267.50)	(999,900.00)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	12,365,368.78	11,553,214.89	2,595,288.93
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,182,121.37	8,384,026.96	1,847,838.93
CASH AND CASH EQUIVALENTS - August 31, 2009	35,125,296.88	571,857.74	413,029.44
CASH AND CASH EQUIVALENTS - August 31, 2010	75,307,418.25	8,955,884.70	2,260,868.37

UNAUDITED

VET LAND BDS TAX-EXEMPT FUND (0385) U/F (0850 - 0874)	TOTALS	
	(EXH. V)	
	2010	2009
\$	\$	\$
3,846,470.23	31,668,755.77	40,029,612.45
(248,927.74)	(395,986.49)	(520,005.87)
(22.43)	(3,368,678.22)	(2,362,083.81)
	(5,646.85)	(522.60)
<u>3,597,520.06</u>	<u>27,898,444.21</u>	<u>37,147,000.17</u>
(1,438,000.00)	(23,433,000.00)	(22,795,000.00)
(1,750,660.33)	(15,093,505.64)	(22,682,862.66)
1,008,000.00	85,013,946.77	121,803,760.19
<u>(3,004,242.50)</u>	<u>(51,331,630.88)</u>	<u>(102,431,496.48)</u>
<u>(5,184,902.83)</u>	<u>(4,844,189.75)</u>	<u>(26,105,598.95)</u>
	(741,522.57)	(23,045.00)
<u>0.00</u>	<u>(741,522.57)</u>	<u>(23,045.00)</u>
160,077.78	4,278,318.87	7,884,071.25
6,950,000.00	165,856,800.08	119,245,308.29
<u>(999,900.00)</u>	<u>(137,511,068.57)</u>	<u>(162,144,728.38)</u>
<u>6,110,177.78</u>	<u>32,624,050.38</u>	<u>(35,015,348.84)</u>
4,522,795.01	54,936,782.27	(23,996,992.62)
<u>796,385.22</u>	<u>36,906,569.28</u>	<u>60,926,010.10</u>
<u>5,319,180.23</u>	<u>91,843,351.55</u>	<u>36,929,017.48</u>

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EXHIBIT C-3b (concluded)

STATEMENT OF CASH FLOWS

LAND PROGRAM PROPRIETARY FUNDS

For the Year Ended August 31, 2010

(With comparative memorandum totals for the nine months ended August 31, 2009)

	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)	7,137,505.46	(1,259,199.02)	(214,075.39)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation and Amortization	32,515.20		
Classification Differences	12,655,377.26	1,238,133.47	213,625.39
(Increase) Decrease in Receivables	(547,588.94)	(68,222.49)	
(Increase) Decrease in Loans and Contracts	3,213,228.60	1,606,999.72	
(Increase) Decrease in Other Assets	763,435.36	28,526.53	
Increase (Decrease) in Payables	(260,734.47)	(301,782.39)	
Increase (Decrease) in Other Liabilities	23,591.14	39,588.72	
TOTAL ADJUSTMENTS	15,879,824.15	2,543,243.56	213,625.39
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	23,017,329.61	1,284,044.54	(450.00)
NONCASH TRANSACTIONS			
Capital Appreciation Bond Interest Accretion	(575,371.66)		(213,625.69)
Change in Fair Value of Investments	109,510.00		
TOTAL NONCASH TRANSACTIONS	(465,861.66)	0.00	(213,625.69)

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 - 0874) \$	TOTALS	
	(EXH. V)	
	2010 \$	2009 \$
(1,043,939.12)	4,620,291.93	(2,405,441.94)
	32,515.20	32,413.08
1,945,572.90	16,052,709.02	24,340,652.11
(99,480.39)	(715,291.82)	(81,516.76)
2,490,002.54	7,310,230.86	14,560,686.43
39,866.01	831,827.90	425,109.02
244,769.70	(317,747.16)	343,321.94
20,728.42	83,908.28	(68,223.71)
<u>4,641,459.18</u>	<u>23,278,152.28</u>	<u>39,552,442.11</u>
<u>3,597,520.06</u>	<u>27,898,444.21</u>	<u>37,147,000.17</u>
(207,793.58)	(996,790.93)	(1,480,296.60)
2,105.56	111,615.56	2,946,886.79
<u>(205,688.02)</u>	<u>(885,175.37)</u>	<u>1,466,590.19</u>

EXHIBIT C-3c

STATEMENT OF CASH FLOWS

DAVID A. GLOIER TEXAS STATE VETERANS HOME PROGRAM

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	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 2000 FUND (0374) U/F (0665)
	\$	\$	\$	\$	\$
INCREASE/(DECREASE) IN					
CASH AND CASH EQUIVALENTS (Note 1)					
OPERATING ACTIVITIES					
Receipts from Residents	3,178,193.71	3,040,634.69	3,361,620.53	3,093,827.10	
Receipts from Veterans Administration	5,259,062.99	4,578,864.57	3,947,645.52	3,477,502.75	
Receipts from Medicare	613,716.80	824,637.99	1,082,666.40	1,076,176.81	
Receipts from Medicaid	521,549.72	1,380,648.11	1,305,411.79	982,087.62	
Receipts from Gifts/Pledges/Donations	2,570.19	2,813.00	13,505.00	7,459.64	
Other Operating Cash Receipts	7,149.27	57,133.70	134,629.65	40,367.12	(7,787.50)
Payments to Suppliers of Goods and Services	(9,367,138.29)	(8,996,065.18)	(9,691,818.11)	(8,593,808.73)	
Other Operating Payments					(3,000.00)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	215,104.39	888,666.88	153,660.78	83,612.31	(10,787.50)
NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds					
Transfers to Other Funds	(144,324.00)	(144,324.00)	(144,324.00)	(144,324.00)	
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(144,324.00)	(144,324.00)	(144,324.00)	(144,324.00)	0.00
CAPITAL AND RELATED FINANCING ACTIVITIES					
Receipts from Veterans Administration					
Transfers from Other Funds					
Payments for Additions to Capital Assets					
Payments for Debt Service Principal	(93,750.00)	(93,750.00)	(93,750.00)	(93,750.00)	
Payments for Debt Service Interest	(359,296.87)	(359,296.87)	(359,296.88)	(359,296.88)	
Transfers to Other Funds					
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(453,046.87)	(453,046.87)	(453,046.88)	(453,046.88)	0.00
INVESTING ACTIVITIES					
Receipts from Interest and Investment Income	10,532.91	24,864.59	12,137.54	24,010.99	550.01
Proceeds from Sale of Investments					1,813,000.00
Payments to Acquire Investments					(1,800,129.48)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	10,532.91	24,864.59	12,137.54	24,010.99	13,420.53
	(371,733.57)	316,160.60	(431,572.56)	(489,747.58)	2,633.03
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
CASH AND CASH EQUIVALENTS - August 31, 2009	464,805.17	1,641,845.66	842,447.06	1,755,913.90	7,500.87
CASH AND CASH EQUIVALENTS - August 31, 2010	93,071.60	1,958,006.26	410,874.50	1,266,166.32	10,133.90

UNAUDITED

GEN PURP FUND (0374) U/F (0666)	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 (Memorandum Only)	
\$	\$	\$	\$	\$	\$	\$	2010	2009
				3,158,542.49	3,382,773.88	2,587,090.03	21,802,682.43	24,151,711.83
				3,473,185.95	3,853,620.16	2,638,853.71	27,228,735.65	22,167,544.02
				1,354,469.37	1,697,883.11	650,034.33	7,299,584.81	8,944,097.10
				2,422,302.38	1,363,397.32	755,381.67	8,730,778.61	9,030,073.27
				588.96	5,975.00	2,675.00	35,586.79	5,513.34
				201,557.49	2,015.04	100,251.03	535,315.80	465,430.77
		(4,211.17)		(9,164,402.16)	(9,333,192.32)	(6,671,759.78)	(61,822,395.74)	(56,148,877.43)
							(3,000.00)	0.00
0.00	0.00	(4,211.17)	0.00	1,446,244.48	972,472.19	62,525.99	3,807,288.35	8,615,492.90
	(999.42)	93.82					(905.60)	467,879.62
(0.97)				(452,181.39)	(647,122.83)	(511,013.12)	(2,187,614.31)	(2,319,560.73)
(0.97)	(999.42)	93.82	0.00	(452,181.39)	(647,122.83)	(511,013.12)	(2,188,519.91)	(1,851,681.11)
							1,227,022.50	147,335.44
		203,793.02					203,793.02	867,577.46
		(200,407.65)	(885,772.13)				(1,086,179.78)	(944,941.03)
							(375,000.00)	(350,000.00)
							(1,437,187.50)	(1,459,062.50)
							0.00	(660,563.70)
0.00	0.00	3,385.37	341,250.37	0.00	0.00	0.00	(1,467,551.76)	(2,399,654.33)
	101,093.82	765.41		44,015.82	41,883.97	11,735.72	271,590.78	458,812.17
	16,302,000.00						18,115,000.00	33,967,585.00
	(16,547,906.49)						(18,348,035.97)	(34,730,074.36)
0.00	(144,812.67)	765.41	0.00	44,015.82	41,883.97	11,735.72	38,554.81	(303,677.19)
(0.97)	(145,812.09)	33.43	341,250.37	1,038,078.91	367,233.33	(436,751.41)	189,771.49	4,060,480.27
0.97	148,490.02	10.79	0.00	2,913,000.63	2,898,586.05	998,883.07	11,671,484.19	7,643,050.15
0.00	2,677.93	44.22	341,250.37	3,951,079.54	3,265,819.38	562,131.66	11,861,255.68	11,703,530.42

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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, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	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 2000 FUND (0374) U/F (0665)
	\$	\$	\$	\$	\$
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
OPERATING INCOME (LOSS) (Exhibit C-2c)	(23,508.44)	818,019.02	174,652.60	581,484.55	(10,787.50)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Depreciation and Amortization	467,067.96	467,444.25	458,755.44	437,373.00	
Bad Debt Expense					
Classification Differences	2,570.19	2,813.00	13,505.00	7,459.64	
Increase in Receivables	(15,975.03)	123,032.56	282,897.64	(201,376.93)	
Increase (Decrease) in Allowance for Doubtful Accounts	20,964.16	39,767.03	15,787.74	(50,214.86)	
Decrease in Inventories					
(Increase) Decrease in Loans and Contracts					
(Increase) Decrease in Other Assets		261.84		295.42	
Increase in Payables	(236,014.45)	(562,670.82)	(791,937.64)	(691,408.51)	
Increase (Decrease) in Other Liabilities					
TOTAL ADJUSTMENTS	238,612.83	70,647.86	(20,991.82)	(497,872.24)	0.00
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	215,104.39	888,666.88	153,660.78	83,612.31	(10,787.50)
NONCASH TRANSACTIONS					
Unrealized Gain on Investments					2,022.02
TOTAL NONCASH TRANSACTIONS	0.00	0.00	0.00	0.00	2,022.02

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

UNAUDITED

GEN PURP FUND (0374) U/F (0666)	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 (Memorandum Only)	
\$	\$	\$	\$	\$	\$	\$	2010	2009
0.00	0.00	(4,211.17)	(3,076.21)	1,173,573.00	1,191,341.82	(131,784.03)	3,765,703.64	2,527,469.24
				600,298.30	569,105.88	682,284.78	3,682,329.61	3,680,500.01
				588.96	5,975.00	2,675.00	0.00	0.00
				574,956.96	154,329.23	(81,107.74)	35,586.79	5,513.34
				(132,215.65)	(70,864.09)	21,653.60	836,756.69	(612,535.53)
							(155,122.07)	(493,033.75)
							0.00	0.00
							0.00	0.00
				2.24			559.50	(261.84)
				(770,959.33)	(877,415.65)	(431,195.62)	(4,361,602.02)	3,507,841.43
			3,076.21				3,076.21	0.00
0.00	0.00	0.00	3,076.21	272,671.48	(218,869.63)	194,310.02	41,584.71	6,088,023.66
0.00	0.00	(4,211.17)	0.00	1,446,244.48	972,472.19	62,525.99	3,807,288.35	8,615,492.90
	10,266.71						12,288.73	93,291.12
0.00	10,266.71	0.00	0.00	0.00	0.00	0.00	12,288.73	93,291.12

EXHIBIT D-1

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

For the Year Ended August 31, 2010

	BALANCE 09-01-2009	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2010
	\$	\$	\$	\$
UNAPPROPRIATED RECEIPTS				
<i>GENERAL REVENUE FUND (0001)</i>				
<i>U/F (0066)(0111)</i>				
ASSETS				
Current Assets:				
Cash in State Treasury		5,118,233.56	5,118,233.56	0.00
Accounts Receivable	26,237.50	276,951.05	26,237.50	276,951.05
Due from Other Funds	165,581.64	191,712.69	165,581.64	191,712.69
Total Current Assets	<u>191,819.14</u>	<u>5,586,897.30</u>	<u>5,310,052.70</u>	<u>468,663.74</u>
TOTAL ASSETS	<u>191,819.14</u>	<u>5,586,897.30</u>	<u>5,310,052.70</u>	<u>468,663.74</u>
LIABILITIES				
Current Liabilities:				
Funds Held for Others	69,280.25	5,528,173.25	5,187,513.81	409,939.69
Due to Other Agencies	96,301.39		96,301.39	0.00
Deferred Revenue	26,237.50	58,724.05	26,237.50	58,724.05
Total Current Liabilities	<u>191,819.14</u>	<u>5,586,897.30</u>	<u>5,310,052.70</u>	<u>468,663.74</u>
TOTAL LIABILITIES	<u>191,819.14</u>	<u>5,586,897.30</u>	<u>5,310,052.70</u>	<u>468,663.74</u>
OTHER AGENCY FUNDS				
<i>CHILD SUPPORT ADDENDA DEDUCTS - SUSPENSE (0807)</i>				
<i>U/F (8070)</i>				
ASSETS				
Current Assets:				
Cash in State Treasury	9,827.36	127,544.32	126,972.32	10,399.36
Total Current Assets	<u>9,827.36</u>	<u>127,544.32</u>	<u>126,972.32</u>	<u>10,399.36</u>
TOTAL ASSETS	<u>9,827.36</u>	<u>127,544.32</u>	<u>126,972.32</u>	<u>10,399.36</u>
LIABILITIES				
Current Liabilities:				
Funds Held for Others	9,827.36	127,544.32	126,972.32	10,399.36
Total Current Liabilities	<u>9,827.36</u>	<u>127,544.32</u>	<u>126,972.32</u>	<u>10,399.36</u>
TOTAL LIABILITIES	<u>9,827.36</u>	<u>127,544.32</u>	<u>126,972.32</u>	<u>10,399.36</u>
<i>U.S. SAVINGS BOND ACCOUNT (0901) U/F (0901)</i>				
ASSETS				
Current Assets:				
Cash in State Treasury	550.00	6,350.00	6,400.00	500.00
Total Current Assets	<u>550.00</u>	<u>6,350.00</u>	<u>6,400.00</u>	<u>500.00</u>
TOTAL ASSETS	<u>550.00</u>	<u>6,350.00</u>	<u>6,400.00</u>	<u>500.00</u>
LIABILITIES				
Current Liabilities:				
Funds Held for Others	550.00	6,350.00	6,400.00	500.00
Total Current Liabilities	<u>550.00</u>	<u>6,350.00</u>	<u>6,400.00</u>	<u>500.00</u>
TOTAL LIABILITIES	<u>550.00</u>	<u>6,350.00</u>	<u>6,400.00</u>	<u>500.00</u>

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EXHIBIT D-1 (concluded)

	BALANCE 09-01-2009	ADDITIONS	DEDUCTIONS	(EXH. VI) BALANCE 08-31-2010
	\$	\$	\$	\$
PURCHASE/LEASE LAND VACANCY TRUST				
<i>ACCOUNT (0873) U/F (0873)</i>				
ASSETS				
Current Assets:				
Cash in State Treasury	17,472.61	1,622.34	2,616.95	16,478.00
Receivable - Interest and Dividends	22.90	16.40	22.90	16.40
Due from Other Funds	105.78	475.00	105.78	475.00
Total Current Assets	17,601.29	2,113.74	2,745.63	16,969.40
TOTAL ASSETS	17,601.29	2,113.74	2,745.63	16,969.40
LIABILITIES				
Current Liabilities:				
Funds Held for Others	17,601.29	2,113.74	2,745.63	16,969.40
Total Current Liabilities	17,601.29	2,113.74	2,745.63	16,969.40
TOTAL LIABILITIES	17,601.29	2,113.74	2,745.63	16,969.40
LOCAL FUNDS (9999) U/F (9999)				
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	200.00			200.00
Cash in Banks (Note 3)	108,607.27	309,156.19	286,961.69	130,801.77
Cash Equivalents (Note 3)	64,277.67		64,277.67	0.00
Receivable - Interest and Dividends	0.37		0.37	0.00
Due From Other Funds	796.75	16.00	796.75	16.00
Total Current Assets	173,882.06	309,172.19	352,036.48	131,017.77
TOTAL ASSETS	173,882.06	309,172.19	352,036.48	131,017.77
LIABILITIES				
Current Liabilities:				
Accounts Payable	7,684.00	4,308.75	7,684.00	4,308.75
Funds Held for Others	166,198.06	304,863.44	344,352.48	126,709.02
Total Current Liabilities	173,882.06	309,172.19	352,036.48	131,017.77
TOTAL LIABILITIES	173,882.06	309,172.19	352,036.48	131,017.77
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	200.00			200.00
Cash in Banks (Note 3)	108,607.27	309,156.19	286,961.69	130,801.77
Cash in State Treasury	27,849.97	5,253,750.22	5,254,222.83	27,377.36
Cash Equivalents (Note 3)	64,277.67		64,277.67	0.00
Receivables:				
Interest and Dividends	23.27	16.40	23.27	16.40
Accounts Receivable	26,237.50	276,951.05	26,237.50	276,951.05
Due From Other Funds	166,484.17	192,203.69	166,484.17	192,203.69
Total Current Assets	393,679.85	6,032,077.55	5,798,207.13	627,550.27
TOTAL ASSETS	393,679.85	6,032,077.55	5,798,207.13	627,550.27
LIABILITIES				
Current Liabilities:				
Accounts Payable	7,684.00	4,308.75	7,684.00	4,308.75
Funds Held for Others	263,456.96	5,969,044.75	5,667,984.24	564,517.47
Due to Other Agencies	96,301.39		96,301.39	0.00
Deferred Revenue	26,237.50	58,724.05	26,237.50	58,724.05
Total Current Liabilities	393,679.85	6,032,077.55	5,798,207.13	627,550.27
TOTAL LIABILITIES	393,679.85	6,032,077.55	5,798,207.13	627,550.27

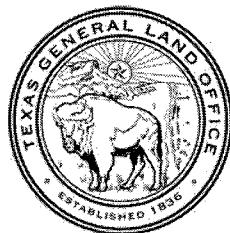
The accompanying notes to the financial statements are an integral part of this exhibit.

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TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

SUPPLEMENTARY
SCHEDULES

UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2010



SCHEDULE 1-A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2010

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>National Oceanic and Atmospheric Administration (NOAA)</i>					
Direct Programs:					
Coastal Zone Management Administration Awards	11.419	NA			
Pass-Through To:					
Texas Cooperative Extension					
Texas Agricultural Experiment Station					
Texas Commission on Environmental Quality					
Texas A&M University					
Texas Engineering Experiment Station					
Texas A&M University - Galveston					
University of Texas at Austin					
Lamar University					
Texas A&M University - Corpus Christi					
Texas Parks and Wildlife Department					
Other Non-State Entities					
Direct Programs: (Recovery Act - Stimulus funds)					
Habitat Conservation	11.463	NA09NMF4630307			
Direct Programs:					
Habitat Conservation	11.463	NA09NMF4630376			
Total U.S. Department of Commerce				0.00	0.00
U.S. DEPARTMENT OF DEFENSE					
<i>Department of the Army, Office of the Chief of Engineers</i>					
Direct Programs:					
Collaborative Research and Development	12.114	CA-W912HZ-08-2-0012			
Pass-Through To:					
Texas A&M University - Corpus Christi					
Total U.S. Department of Defense				0.00	0.00
DEPARTMENT OF TRANSPORTATION					
<i>Federal Highway Administration</i>					
<i>Federal-Aid Highway Program, Federal Lands Highway Program</i>					
Direct Programs:					
Highway Planning and Construction	20.205				
Pass-Through From:					
Other Non-State Entities					152,992.89
Total Department of Transportation				0.00	152,992.89
GENERAL SERVICES ADMINISTRATION					
Pass Through From:					
Donation of Federal Surplus Personal Property (Non-monetary)	39.003				
Pass-Through From:					
Texas Facilities Commission			303	5,061.19	
Total General Services Administration				5,061.19	0.00

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	
\$	\$		\$	\$	\$	\$	
865,761.65	865,761.65				865,761.65	865,761.65	
21,702.19	21,702.19	555	21,702.19			21,702.19	
17,896.31	17,896.31	556	17,896.31			17,896.31	
80,000.00	80,000.00	582	80,000.00			80,000.00	
134,860.06	134,860.06	711	134,860.06			134,860.06	
32,537.19	32,537.19	712	32,537.19			32,537.19	
224,484.13	224,484.13	718	224,484.13			224,484.13	
237,087.74	237,087.74	721	237,087.74			237,087.74	
24,820.04	24,820.04	734	24,820.04			24,820.04	
292,210.35	292,210.35	760	292,210.35			292,210.35	
40,538.38	40,538.38	802	40,538.38			40,538.38	
985,113.97	985,113.97			985,113.97		985,113.97	
3,214,289.89	3,214,289.89				3,214,289.89	3,214,289.89	
103,039.09	103,039.09				103,039.09	103,039.09	
6,274,340.99	6,274,340.99		1,106,136.39	985,113.97	4,183,090.63	6,274,340.99	
539,340.06	539,340.06	760	539,340.06			539,340.06	
539,340.06	539,340.06			0.00	0.00	539,340.06	
	152,992.89				152,992.89	152,992.89	
0.00	152,992.89		0.00	0.00	152,992.89	152,992.89	
	5,061.19				5,061.19	5,061.19	
0.00	5,061.19		0.00	0.00	5,061.19	5,061.19	

SCHEDULE 1-A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2010

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. ENVIRONMENTAL PROTECTION AGENCY					
<i>Office of Water</i>					
Direct Programs:					
Beach Monitoring and Notification Program Implementation Grants	66.472	NA			
Pass-Through To:					
Lamar University					
University of Texas - Pan American					
Texas A&M University - Corpus Christi					
Other Non-State Entities					
<i>Office of International and Tribal Affairs</i>	66.931	NA			
Direct Programs:					
International Financial Assistance Projects sponsored by the Office of International and Tribal Affairs					
<i>Office of the Administrator</i>					
Performance Partnership Grants	66.605	NA			
Pass-Through From:					
Texas Commission on Environmental Quality			582	46,604.35	
Total U.S. Environmental Protection Agency				<u>46,604.35</u>	<u>0.00</u>
U.S. DEPARTMENT OF THE INTERIOR					
<i>Minerals Management Service</i>					
Direct Programs:					
Federal Oil and Gas Royalty Management	15.427	NA			
Marine Minerals Activities	15.424	M07AC12518			
Direct Programs:					
Pass-Through To:					
Texas A&M University - Galveston					
Coastal Impact Assistance Program (CIAP)	15.426	NA			
Pass-Through To:					
Texas Water Development Board					
Texas Railroad Commission					
Texas Parks and Wildlife Department					
Texas A&M University - Corpus Christi					
University of Texas at Austin					
Other Non-State Entities					
<i>Fish and Wildlife Services</i>					
Direct Programs:					
Coastal Program	15.630	NA			100,000.00
Total U.S. Department of the Interior				<u>0.00</u>	<u>100,000.00</u>

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	
\$	\$		\$	\$	\$	\$	
64,603.60	64,603.60				64,603.60	64,603.60	
29,232.00	29,232.00	734	29,232.00			29,232.00	
78,624.00	78,624.00	736	78,624.00			78,624.00	
262,899.65	262,899.65	760	262,899.65			262,899.65	
104,328.00	104,328.00			104,328.00		104,328.00	
6,729.15	6,729.15				6,729.15	6,729.15	
	46,604.35				46,604.35	46,604.35	
546,416.40	593,020.75		370,755.65	104,328.00	117,937.10	593,020.75	
130,053.98	130,053.98				130,053.98	130,053.98	
589.26	589.26				589.26	589.26	
7,108.42	7,108.42	718	7,108.42			7,108.42	
764,095.26	764,095.26				764,095.26	764,095.26	
504,169.70	504,169.70	580	504,169.70			504,169.70	
1,397,050.00	1,397,050.00	455	1,397,050.00			1,397,050.00	
511,900.82	511,900.82	802	511,900.82			511,900.82	
7,455.97	7,455.97	760	7,455.97			7,455.97	
139,302.96	139,302.96	721	139,302.96			139,302.96	
1,839,954.00	1,839,954.00			1,839,954.00		1,839,954.00	
	100,000.00				100,000.00	100,000.00	
5,301,680.37	5,401,680.37		2,566,987.87	1,839,954.00	994,738.50	5,401,680.37	

SCHEDULE 1-A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2010

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 HOMELAND SECURITY					
<i>Pass-Through From:</i>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	NA			
Texas Department of Transportation			601	(6,392.88)	
Texas Department of Public Safety			405	1,896,465.95	
Total U.S. Department of Homeland Security				1,890,073.07	0.00
U.S. DEPARTMENT OF VETERANS AFFAIRS					
<i>VA Health Administration Center</i>					
<i>Direct Programs: (Recovery Act - Stimulus funds)</i>					
Grants to States for Construction of State Home Facilities	64.005	NA			
Total U.S. Department of Veterans Affairs				0.00	0.00
U.S. DEPARTMENT OF VETERANS AFFAIRS					
<i>VA Health Administration Center</i>					
<i>Direct Programs:</i>					
Veterans State Nursing Home Care	64.015	NA			
<i>Veterans Benefits Administration</i>					
<i>Direct Programs:</i>					
Burial Expenses Allowance for Veterans	64.101	NA			
<i>National Cemetery System</i>					
<i>Direct Programs:</i>					
State Cemetery Grants	64.203	NA			
Total U.S. Department of Veterans Affairs				0.00	0.00
TOTAL FEDERAL FINANCIAL ASSISTANCE				1,941,738.61	252,992.89

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
\$	\$		\$	\$	\$	\$
	(6,392.88)				(6,392.88)	(6,392.88)
	1,896,465.95				1,896,465.95	1,896,465.95
0.00	1,890,073.07		0.00	0.00	1,890,073.07	1,890,073.07
2,186,824.80	2,186,824.80				2,186,824.80	2,186,824.80
2,186,824.80	2,186,824.80		0.00	0.00	2,186,824.80	2,186,824.80
26,342,748.30	26,342,748.30				26,342,748.30	26,342,748.30
229,800.00	229,800.00				229,800.00	229,800.00
1,394,813.58	1,394,813.58				1,394,813.58	1,394,813.58
27,967,361.88	27,967,361.88		0.00	0.00	27,967,361.88	27,967,361.88
42,815,964.50	45,010,696.00		4,583,219.97	2,929,395.97	37,498,080.06	45,010,696.00

SCHEDULE 1-A (concluded)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2010

NOTE 1 - NON-MONETARY ASSISTANCE

The donation of Federal Surplus Personal Property is presented at 23.3 percent of the federal cost of \$21,721.85. The surplus property is passed through from the Texas Facilities Commission (TFC). The federal grantor agency is the General Services Administration (GSA) and the federal CFDA number is 39.003. The estimated fair value for the fiscal year 2010 is \$5,061.19

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)	14,904,224.17
Federal Revenues (Exhibit IV)	28,529,573.10
Federal Pass-Through Revenues (Exhibit II)	1,936,677.42
Subtotal	<u>45,370,474.69</u>
Reconciling Items:	
U.S. Coast Guard National Pollution Funds Center CFDA 97.013	(121,794.01)
Gulf of Mexico Energy Security Act (GOMESA)	(243,045.87)
Donation of Federal Surplus Personal Property CFDA 39.003	<u>5,061.19</u>
TOTAL PASS-THROUGH TO AND EXPENDITURES PER FEDERAL SCHEDULE	<u><u>45,010,696.00</u></u>

NOTE 3 - FEDERALLY-FUNDED LOANS PROCESSED AND ADMINISTRATIVE COSTS RECOVERED

Not Applicable.

NOTE 4 - PETROLEUM VIOLATION ESCROW (PVE) FUNDS

Not Applicable - Comptroller's Office Only.

NOTE 5 - GOVERNMENTAL PUBLICATIONS

Not Applicable.

NOTE 6 - UNEMPLOYMENT INSURANCE FUNDS

Not Applicable.

NOTE 7 - REBATE FROM THE SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC)

Not Applicable - Agency 501 Only.

NOTE 8 - FEDERAL DEFERRED REVENUE

Total Federal Deferred Revenue 08/31/2010 0.00

SCHEDULE 1-B

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

For the Year Ended August 31, 2010

	\$
STATE PASS-THROUGH FROM:	
Texas Commission on Environmental Quality (Agency 582)	
Texas Emissions Reduction Plan (TERP) - Natural Gas Vehicle Initiative Program (refund of unexpended prior biennium allocation)	(2,000,000.00)
Texas Commission on Environmental Quality (Agency 582)	
Texas Emissions Reduction Plan (TERP) - Natural Gas Vehicle Initiative Program (2010-2011 biennium allocation)	<u>2,000,000.00</u>
TOTAL STATE PASS-THROUGH FROM OTHER AGENCIES (EXHIBIT II)	<u><u>0.00</u></u>
STATE PASS-THROUGH TO:	
The University of Texas in Austin (Agency 721)	
Interns Enrolled In The Study Of Geography - College Work Study Program	9,827.58
Texas State University – San Marcos (Agency 754)	
Interns Enrolled In The Study Of Geography - College Work Study Program	2,666.00
Texas A&M University – Corpus Christi (Agency 760)	
Interns Enrolled In The Study Of Geography - College Work Study Program	<u>1,996.25</u>
TOTAL STATE PASS-THROUGH TO OTHER AGENCIES (EXHIBIT II)	<u><u>14,489.83</u></u>

SCHEDULE 2-A

MISCELLANEOUS BOND INFORMATION

For the Year Ended August 31, 2010

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS ISSUED TO DATE	RANGE OF INTEREST RATES		YIELDS ON CAPITAL APPRECIATION BONDS		TERMS OF VARIABLE INTEREST RATES	SCHEDULED MATURITIES		FIRST CALL DATE ⁽¹⁾	
		FIRST	LAST	YEAR	YEAR					
General Obligation Bonds - Self-Supporting \$										
<i>Veterans' Housing Assistance Bonds</i>										
Vet Hsg Bds Ser '94A-1	10,000,000.00	VAR	VAR			Weekly	1995	2023	02-24-1994	
Vet Hsg Tax Ref Bds Ser '94A-2	59,600,000.00	VAR	VAR			Weekly	2033	2033	04-28-1994	
Vet Hsg Ref Bds Ser '94C	81,825,000.00	4.000%	6.400%				1995	2015	12-01-1995	
Vet Hsg Ref Bds Ser '94C	11,749,226.05			5.400%	6.700%		1999	2014	N/A	
Vet Hsg Ref Bds Ser '95	88,490,000.00	VAR	VAR			Weekly	1996	2016	10-31-1995	
Vet Hsg Fund II Tax Bds Ser '97B-2	25,000,000.00	VAR	VAR			Weekly	2021	2029	12-18-1997	
Vet Hsg Fund II Tax Bds Ser '99A-1	50,000,000.00	7.000%	8.060%				2000	2029	10-07-1999	
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00	VAR	VAR			Weekly	2029	2029	10-07-1999	
Vet Hsg Fund II Bds Ser '99B	100,000,000.00	4.300%	6.100%				2001	2031	10-07-1999	
Vet Hsg Fund I Tax Ref Bds Ser '99C	16,530,000.00	7.150%	7.150%				2009	2009	N/A	
Vet Hsg Fund II Tax Ref Bds Ser '99D	9,540,000.00	7.150%	7.150%				2009	2009	N/A	
Vet Hsg Fund II Bds Ser 2000C	100,000,000.00	4.950%	6.150%				2002	2031	05-10-2000	
Vet Hsg Fund I Tax Ref Bds Ser 2000D	15,420,000.00	7.070%	7.070%				2010	2010	N/A	
Vet Hsg Fund II Tax Ref Bds Ser 2000E	10,750,000.00	7.070%	7.070%				2010	2010	N/A	
Vet Hsg Fund II Bds Ser 2001A-1	40,000,000.00	3.900%	5.500%				2003	2032	03-22-2001	
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-1	35,000,000.00	3.100%	5.250%				2003	2028	12-01-2011	
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-1	11,700,000.00	2.100%	5.250%				2003	2022	06-01-2012	
Vet Hsg Fund II Bds Ser 2002A-2	38,300,000.00	VAR	VAR			Weekly	2003	2033	07-10-2002	
Vet Hsg Fund I Tax Ref Bds Ser 2002B	22,605,000.00	VAR	VAR			Weekly	2003	2023	11-06-2002	
Vet Hsg Fund II Bds Ser 2003A	50,000,000.00	VAR	VAR			Weekly	2003	2033	03-04-2003	
Vet Hsg Fund II Bds Ser 2003B	50,000,000.00	VAR	VAR			Weekly	2004	2034	10-22-2003	
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865,000.00	VAR	VAR			Weekly	2013	2021	11-20-2003	
Vet Hsg Fund II Bds Ser 2004A	50,000,000.00	VAR	VAR			Weekly	2004	2034	04-07-2004	
Vet Hsg Fund I Tax Ref Bds Ser 2004	19,550,000.00	VAR	VAR			Weekly	2004	2024	05-20-2004	
Vet Hsg Fund II Bds Ser 2004B	50,000,000.00	VAR	VAR			Weekly	2005	2034	09-15-2004	
Vet Hsg Fund I Tax Ref Bds Ser 2004C	7,220,000.00	VAR	VAR			Weekly	2015	2018	11-18-2004	
Vet Hsg Fund II Tax Ref Bds Ser 2004D	31,705,000.00	VAR	VAR			Weekly	2005	2020	11-18-2004	
Vet Hsg Fund II Bds Ser 2005A	50,000,000.00	VAR	VAR			Weekly	2005	2035	02-24-2005	
Vet Hsg Fund II Bds Ser 2005B	50,000,000.00	VAR	VAR			Weekly	2006	2036	08-09-2005	
Vet Hsg Fund I Tax Ref Bds Ser 2005C	41,730,000.00	VAR	VAR			Weekly	2006	2025	11-16-2005	
Vet Hsg Fund II Tax Ref Bds Ser 2005D	11,540,000.00	VAR	VAR			Weekly	2015	2026	11-16-2005	
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570,000.00	VAR	VAR			Weekly	2015	2026	05-10-2006	
Vet Hsg Fund II Tax Ref Bds Ser 2006C	22,325,000.00	VAR	VAR			Weekly	2006	2027	05-10-2006	
Vet Hsg Fund II Bds Ser 2006A	50,000,000.00	VAR	VAR			Weekly	2006	2036	06-01-2006	
Vet Hsg Fund II Bds Ser 2006D	50,000,000.00	VAR	VAR			Weekly	2007	2036	09-20-2006	
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00	VAR	VAR			Weekly	2015	2026	11-15-2006	
Vet Hsg Fund II Bds Ser 2007A	50,000,000.00	VAR	VAR			Weekly	2007	2037	02-22-2007	
Vet Hsg Fund II Bds Ser 2007B	50,000,000.00	VAR	VAR			Weekly	2008	2038	06-26-2007	
Vet Hsg Fund II Tax Ref Bds Ser 2007C	54,160,000.00	VAR	VAR			Weekly	2008	2029	11-14-2007	
Vet Hsg Fund II Bds Ser 2008A	50,000,000.00	VAR	VAR			Weekly	2008	2038	03-26-2008	
Vet Hsg Fund II Bds Ser 2008B	50,000,000.00	VAR	VAR			Weekly	2008	2038	09-11-2008	
Vet Hsg Fund II Bds Ser 2009A	50,000,000.00	2.000%	5.250%				2009	2023	N/A	
Vet Hsg Fund II Bds Ser 2009B	50,000,000.00	3.500%	5.000%				2010	2024	N/A	
Vet Hsg Fund II Tax Ref Bds Ser 2009C	82,795,000.00	VAR	VAR			Weekly	2010	2021	11-18-2009	
Vet Hsg Fund II Bds Ser 2010A	74,995,000.00	3.000%	5.000%				2010	2025	N/A	
Veterans Bonds, Tax Ref Ser 2010B	66,720,000.00	VAR	VAR			Weekly	2010	2031	05-20-2010	
Veterans Bonds Series 2010C	74,995,000.00	VAR	VAR			Weekly	2010	2040	08-20-2010	
Total, Veterans' Housing Assistance Bonds	2,235,239,226.05									

UNAUDITED

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS ISSUED TO DATE	RANGE OF INTEREST RATES		YIELDS		TERMS OF VARIABLE INTEREST RATES	SCHEDULED		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 '89	36,720,000.00	7.125%	7.125%				2004	2009	12-01-1999
Vet Land Ref Bds Ser '89	13,244,999.96			7.000%	7.000%		2004	2009	N/A
Vet Land Ref Bds Ser '90	39,960,000.00	7.400%	7.400%				2010	2020	12-01-2000
Vet Land Ref Bds Ser '90	17,429,099.16			7.400%	7.550%		2004	2010	N/A
Vet Land Ref Bds Ser '91	27,685,000.00	6.500%	6.500%				2012	2021	12-01-2001
Vet Land Ref Bds Ser '91	17,689,370.83			6.600%	6.900%		2004	2011	N/A
Vet Land Bds Ser '94	29,400,000.00	5.250%	6.400%				1996	2024	12-01-2004
Vet Land Bds Ser '94	11,457,662.93			5.500%	6.600%		1999	2014	N/A
Vet Land Bds Ser '96	30,000,000.00	3.350%	5.250%				1996	2026	06-01-2006
Vet Land Bds Ser '96	9,006,943.32			4.470%	5.670%		2001	2016	N/A
Vet Land Ref Bds Ser '99A	40,025,000.00	VAR	VAR			Weekly	1999	2018	04-28-1999
Vet Land Tax Ref Bds Ser '99B	36,720,000.00	VAR	VAR			Weekly	2004	2009	10-27-1999
Vet Land Bds Ser 2000	20,000,000.00	5.000%	6.000%				2001	2030	12-01-2010
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
Total, Veterans' Land Bonds	<u>629,933,076.20</u>								
Total, General Obligation Bonds - Self-Supporting	<u>2,865,172,302.25</u>								
Revenue Bonds - Self-Supporting									
<i>Veterans Homes Revenue Bonds</i>									
Vet Home Revenue Ref Bds Ser 2002	24,280,000.00			6.250%	6.434%		2006	2035	08-01-2002
Total, Veterans Homes Revenue Bonds	<u>24,280,000.00</u>								
<i>Veterans Mortgage Revenue Bonds</i>									
Vet Mortgage Revenue Tax Bds Ser 2000A	100,000,000.00	8.190%	8.190%				2032	2032	03-01-2000
Total, Veterans Mortgage Revenue Bonds	<u>100,000,000.00</u>								
Total, Revenue Bonds - Self-Supporting	<u>124,280,000.00</u>								
Total, All Bonds	<u>2,989,452,302.25</u>								

⁽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, 2010

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS OUTSTANDING 09-01-2009	BONDS ISSUED FY 2010 ⁽¹⁾	BONDS MATURED OR RETIRED	BONDS REFUNDED OR EXTINGUISHED	BONDS OUTSTANDING 08-31-2010
<i>General Obligation Bonds - Self-Supporting</i>	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds</i>					
Vet Hsg Bds Ser '94A-1	7,100,000.00		300,000.00		6,800,000.00
Vet Hsg Tax Ref Bds Ser '94A-2	55,000,000.00				55,000,000.00
Vet Hsg Ref Bds Ser '94C	3,186,637.62	202,588.43	760,000.00		2,629,226.05
Vet Hsg Ref Bds Ser '95	53,105,000.00		4,670,000.00		48,435,000.00
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	24,910,000.00		885,000.00	18,665,000.00	5,360,000.00
Vet Hsg Fund II Tax Bds Ser '99A-2	150,000,000.00				150,000,000.00
Vet Hsg Fund II Bds Ser '99B	66,845,000.00		1,000,000.00	65,845,000.00	0.00
Vet Hsg Fund I Tax Ref Bds Ser '99C	16,530,000.00		16,530,000.00		0.00
Vet Hsg Fund II Tax Ref Bds Ser '99D	9,540,000.00		9,540,000.00		0.00
Vet Hsg Fund II Bds Ser 2000C	68,705,000.00		1,985,000.00	66,720,000.00	0.00
Vet Hsg Fund I Tax Ref Bds Ser 2000D	15,420,000.00				15,420,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2000E	10,750,000.00				10,750,000.00
Vet Hsg Fund II Bds Ser 2001A-1	32,950,000.00		1,270,000.00		31,680,000.00
Vet Hsg Fund II Bds Ser 2001A-2	20,000,000.00				20,000,000.00
Vet Hsg Fund II Bds Ser 2001C-1	13,090,000.00		690,000.00	1,675,000.00	10,725,000.00
Vet Hsg Fund II Bds Ser 2001C-2	25,000,000.00				25,000,000.00
Vet Hsg Fund II Bds Ser 2002A-1	10,215,000.00		290,000.00		9,925,000.00
Vet Hsg Fund II Bds Ser 2002A-2	34,585,000.00		720,000.00		33,865,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B	19,780,000.00				19,780,000.00
Vet Hsg Fund II Bds Ser 2003A	38,555,000.00		2,135,000.00		36,420,000.00
Vet Hsg Fund II Bds Ser 2003B	39,805,000.00		2,120,000.00		37,685,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865,000.00				47,865,000.00
Vet Hsg Fund II Bds Ser 2004A	39,845,000.00		2,305,000.00		37,540,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004	16,535,000.00				16,535,000.00
Vet Hsg Fund II Bds Ser 2004B	42,870,000.00		2,185,000.00		40,685,000.00
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	30,595,000.00		3,445,000.00		27,150,000.00
Vet Hsg Fund II Bds Ser 2005A	42,505,000.00		2,205,000.00		40,300,000.00
Vet Hsg Fund II Bds Ser 2005B	42,990,000.00		2,485,000.00		40,505,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C	30,245,000.00		2,220,000.00		28,025,000.00
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	20,850,000.00		565,000.00		20,285,000.00
Vet Hsg Fund II Bds Ser 2006A	44,445,000.00		2,405,000.00		42,040,000.00
Vet Hsg Fund II Bds Ser 2006D	46,325,000.00		2,180,000.00		44,145,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560,000.00				39,560,000.00
Vet Hsg Fund II Bds Ser 2007A	46,760,000.00		2,295,000.00		44,465,000.00
Vet Hsg Fund II Bds Ser 2007B	48,270,000.00		1,930,000.00		46,340,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	46,600,000.00		4,945,000.00		41,655,000.00
Vet Hsg Fund II Bds Ser 2008A	48,790,000.00		1,955,000.00		46,835,000.00
Vet Hsg Fund II Bds Ser 2008B	49,365,000.00		1,555,000.00		47,810,000.00
Vet Hsg Fund II Bds Ser 2009A	50,000,000.00		890,000.00		49,110,000.00
Vet Hsg Fund II Bds Ser 2009B		50,000,000.00			50,000,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C		82,795,000.00			82,795,000.00
Vet Hsg Fund II Bds Ser 2010A		74,995,000.00			74,995,000.00
Veterans Bonds, Tax Ref Ser 2010B		66,720,000.00			66,720,000.00
Veterans Bonds Series 2010C		74,995,000.00			74,995,000.00
<i>Total, Veterans' Housing Assistance Bonds</i>	1,531,816,637.62	349,707,588.43	76,460,000.00	152,905,000.00	1,652,159,226.05

UNAUDITED

UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	GAIN/LOSS ON REFUNDING	NET BONDS OUTSTANDING 08-31-2010	AMOUNTS DUE WITHIN ONE YEAR
\$	\$	\$	\$	\$
			6,800,000.00	300,000.00
			55,000,000.00	0.00
			2,629,226.05	760,000.00
			48,435,000.00	5,060,000.00
			25,000,000.00	0.00
			5,360,000.00	470,000.00
			150,000,000.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			15,420,000.00	15,420,000.00
			10,750,000.00	10,750,000.00
			31,680,000.00	1,325,000.00
			20,000,000.00	0.00
			10,725,000.00	695,000.00
			25,000,000.00	0.00
			9,925,000.00	300,000.00
			33,865,000.00	755,000.00
			19,780,000.00	0.00
			36,420,000.00	2,075,000.00
			37,685,000.00	2,065,000.00
			47,865,000.00	0.00
			37,540,000.00	2,200,000.00
			16,535,000.00	0.00
			40,685,000.00	2,130,000.00
			7,220,000.00	0.00
			27,150,000.00	2,065,000.00
			40,300,000.00	2,145,000.00
			40,505,000.00	2,355,000.00
			28,025,000.00	710,000.00
			11,540,000.00	0.00
			38,570,000.00	0.00
			20,285,000.00	605,000.00
			42,040,000.00	2,235,000.00
			44,145,000.00	2,265,000.00
			39,560,000.00	0.00
			44,465,000.00	2,415,000.00
			46,340,000.00	2,195,000.00
			41,655,000.00	4,470,000.00
			46,835,000.00	2,305,000.00
			47,810,000.00	2,080,000.00
2,634,792.61			51,744,792.61	1,773,852.24
4,240,813.68			54,240,813.68	1,307,600.96
			82,795,000.00	1,490,000.00
8,100,371.78			83,095,371.78	1,181,171.92
			66,720,000.00	1,320,000.00
			74,995,000.00	0.00
14,975,978.07	0.00	0.00	1,667,135,204.12	77,222,625.12

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AND VETERANS' LAND BOARD

SCHEDULE 2-B (concluded)

CHANGES IN BONDED INDEBTEDNESS

For the Year Ended August 31, 2010

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	BONDS OUTSTANDING 09-01-2009	BONDS ISSUED FY 2010 ⁽¹⁾	BONDS MATURED OR RETIRED	BONDS REFUNDED OR EXTINGUISHED	BONDS OUTSTANDING 08-31-2010
	\$	\$	\$	\$	\$
General Obligation Bonds -					
Self-Supporting (concluded)					
<i>Veterans' Land Bonds</i>					
Vet Land Ref Bds Ser '89	2,167,345.70	37,654.30	2,205,000.00		
Vet Land Ref Bds Ser '90	4,723,261.75	220,837.41	2,495,000.00		2,449,099.16
Vet Land Ref Bds Ser '91	6,178,490.84	316,879.99	2,238,000.00		4,257,370.83
Vet Land Bds Ser '94	3,776,037.54	213,625.39	747,000.00		3,242,662.93
Vet Land Bds Ser '96	3,820,149.74	207,793.58	598,000.00		3,429,943.32
Vet Land Ref Bds Ser '99A	27,075,000.00		1,895,000.00		25,180,000.00
Vet Land Tax Ref Bds Ser '99B	7,215,000.00		7,215,000.00		
Vet Land Bds Ser 2000	17,330,000.00		415,000.00		16,915,000.00
Vet Land Tax Bds Ser 2000A	17,650,000.00		385,000.00		17,265,000.00
Vet Land Tax Ref Bds Ser 2000	39,960,000.00				39,960,000.00
Vet Land Bds Ser 2002	17,815,000.00		425,000.00		17,390,000.00
Vet Land Tax Bds Ser 2002A	18,230,000.00		360,000.00		17,870,000.00
Vet Land Tax Ref Bds Ser 2002	27,685,000.00				27,685,000.00
Vet Land Tax Ref Bds Ser 2003	24,545,000.00		1,055,000.00		23,490,000.00
Vet Land Tax Ref Bds Ser 2004	22,755,000.00		520,000.00		22,235,000.00
Vet Land Tax Ref Bds Ser 2005	21,300,000.00		520,000.00		20,780,000.00
Vet Land Tax Ref Bds Ser 2006A	28,930,000.00		805,000.00		28,125,000.00
Vet Land Tax Ref Bds Ser 2006B	22,450,000.00		555,000.00		21,895,000.00
Vet Land Tax Ref Bds Ser 2006C	37,525,000.00		1,000,000.00		36,525,000.00
Total, Veterans' Land Bonds	351,130,285.57	996,790.67	23,433,000.00	0.00	328,694,076.24
Total, General Obligation Bonds - Self-Supporting	1,882,946,923.19	350,704,379.10	99,893,000.00	152,905,000.00	1,980,853,302.29
Revenue Bonds - Self-Supporting					
<i>Veterans Homes Revenue Bonds</i>					
Vet Home Revenue Ref Bds Ser 2002	22,995,000.00		375,000.00		22,620,000.00
Total, Veterans Homes Revenue Bonds	22,995,000.00	0.00	375,000.00	0.00	22,620,000.00
<i>Veterans Mortgage Revenue Bonds</i>					
Vet Mortgage Revenue Tax Bds Ser 2000A	589,807.00				589,807.00
Total, Veterans Mortgage Revenue Bonds	589,807.00	0.00	0.00	0.00	589,807.00
Total, Revenue Bonds - Self-Supporting	23,584,807.00	0.00	375,000.00	0.00	23,209,807.00
Total, All Bonds	1,906,531,730.19	350,704,379.10	100,268,000.00	152,905,000.00	2,004,063,109.29

⁽¹⁾ Includes accretion on capital appreciation bonds

UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	GAIN/LOSS ON REFUNDING	NET BONDS OUTSTANDING 08-31-2010	AMOUNTS DUE WITHIN ONE YEAR
\$	\$	\$	\$	\$
			0.00	0.00
			2,449,099.16	2,495,000.00
			4,257,370.83	2,239,000.00
			3,242,662.93	747,000.00
			3,429,943.32	878,000.00
			25,180,000.00	2,040,000.00
			0.00	0.00
			16,915,000.00	435,000.00
			17,265,000.00	410,000.00
			39,960,000.00	305,000.00
			17,390,000.00	445,000.00
			17,870,000.00	380,000.00
			27,685,000.00	0.00
			23,490,000.00	1,125,000.00
			22,235,000.00	550,000.00
			20,780,000.00	570,000.00
			28,125,000.00	865,000.00
			21,895,000.00	570,000.00
			36,525,000.00	1,070,000.00
0.00	0.00	0.00	328,694,076.24	15,124,000.00
14,975,978.07	0.00	0.00	1,995,829,280.36	92,346,625.12
			22,620,000.00	400,000.00
0.00	0.00	0.00	22,620,000.00	400,000.00
			589,807.00	0.00
0.00	0.00	0.00	589,807.00	0.00
0.00	0.00	0.00	23,209,807.00	400,000.00
14,975,978.07	0.00	0.00	2,019,039,087.36	92,746,625.12

SCHEDULE 2-C

DEBT SERVICE REQUIREMENTS

August 31, 2010

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	2011	2012	2013	2014	2015
General Obligation Bonds - Self-Supporting	\$	\$	\$	\$	\$
<i>Veterans' Housing Assistance Bonds</i>					
Vet Hsg Bds Ser '94A-1 - Principal	300,000.00	300,000.00	400,000.00	400,000.00	400,000.00
Vet Hsg Bds Ser '94A-1 - Interest	21,280.00	20,320.00	19,200.00	17,920.00	16,640.00
Vet Hsg Tax Ref Bds Ser '94A-2 - Principal					
Vet Hsg Tax Ref Bds Ser '94A-2 - Interest	192,500.00	192,500.00	192,500.00	192,500.00	192,500.00
Vet Hsg Ref Bds Ser '94C - Principal	760,000.00	760,000.00	760,000.00	760,000.00	
Vet Hsg Ref Bds Ser '95 - Principal	5,060,000.00	5,835,000.00	6,225,000.00	6,810,000.00	7,390,000.00
Vet Hsg Ref Bds Ser '95 - Interest	123,943.50	109,235.25	92,954.25	75,357.00	56,187.00
Vet Hsg Fund II Tax Bds Ser '97B-2 - Principal					
Vet Hsg Fund II Tax Bds Ser '97B-2 - Interest	72,500.00	72,500.00	72,500.00	72,500.00	72,500.00
Vet Hsg Fund II Tax Bds Ser '99A-1 - Principal	470,000.00				
Vet Hsg Fund II Tax Bds Ser '99A-1 - Interest	365,596.00	349,146.00	349,146.00	349,146.00	349,146.00
Vet Hsg Fund II Tax Bds Ser '99A-2 - Principal					
Vet Hsg Fund II Tax Bds Ser '99A-2 - Interest	375,000.00	375,000.00	375,000.00	375,000.00	375,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2000D - Principal	15,420,000.00				
Vet Hsg Fund I Tax Ref Bds Ser 2000D - Interest	545,097.00				
Vet Hsg Fund II Tax Ref Bds Ser 2000E - Principal	10,750,000.00				
Vet Hsg Fund II Tax Ref Bds Ser 2000E - Interest	380,012.50				
Vet Hsg Fund II Bds Ser 2001A-1 - Principal	1,325,000.00	1,395,000.00	1,460,000.00	1,530,000.00	1,605,000.00
Vet Hsg Fund II Bds Ser 2001A-1 - Interest	1,678,253.75	1,613,142.50	1,544,757.50	1,472,977.50	1,398,045.00
Vet Hsg Fund II Bds Ser 2001A-2 - Principal					
Vet Hsg Fund II Bds Ser 2001A-2 - Interest	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Vet Hsg Fund II Bds Ser 2001C-1 - Principal	695,000.00	760,000.00	825,000.00	995,000.00	1,045,000.00
Vet Hsg Fund II Bds Ser 2001C-1 - Interest	545,240.00	509,030.00	469,377.50	425,135.00	373,752.50
Vet Hsg Fund II Bds Ser 2001C-2 - Principal					5,000.00
Vet Hsg Fund II Bds Ser 2001C-2 - Interest	80,000.00	80,000.00	80,000.00	80,000.00	80,000.00
Vet Hsg Fund II Bds Ser 2002A-1 - Principal	300,000.00	315,000.00	555,000.00	810,000.00	855,000.00
Vet Hsg Fund II Bds Ser 2002A-1 - Interest	511,812.50	498,348.75	483,866.25	449,137.50	406,087.50
Vet Hsg Fund II Bds Ser 2002A-2 - Principal	755,000.00	790,000.00	605,000.00	405,000.00	430,000.00
Vet Hsg Fund II Bds Ser 2002A-2 - Interest	101,032.50	98,745.00	96,345.00	94,845.00	93,607.50
Vet Hsg Fund I Tax Ref Bds Ser 2002B - Principal			670,000.00	1,415,000.00	1,505,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2002B - Interest	67,252.00	67,252.00	67,252.00	63,792.50	58,905.00
Vet Hsg Fund II Bds Ser 2003A - Principal	2,075,000.00	2,015,000.00	1,970,000.00	1,910,000.00	1,860,000.00
Vet Hsg Fund II Bds Ser 2003A - Interest	114,872.00	108,280.00	101,864.00	95,608.00	89,536.00
Vet Hsg Fund II Bds Ser 2003B - Principal	2,065,000.00	2,015,000.00	1,965,000.00	1,915,000.00	1,870,000.00
Vet Hsg Fund II Bds Ser 2003B - Interest	122,644.50	115,871.25	109,263.00	102,819.75	96,541.50
Vet Hsg Fund I Tax Ref Bds Ser 2003 - Principal			2,275,000.00	4,790,000.00	5,125,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2003 - Interest	167,527.50	167,527.50	167,527.50	155,443.75	138,390.00
Vet Hsg Fund II Bds Ser 2004A - Principal	2,200,000.00	2,105,000.00	2,015,000.00	1,940,000.00	1,870,000.00
Vet Hsg Fund II Bds Ser 2004A - Interest	118,352.00	111,392.00	104,728.00	98,344.00	92,192.00
Vet Hsg Fund I Tax Ref Bds Ser 2004 - Principal					
Vet Hsg Fund I Tax Ref Bds Ser 2004 - Interest	57,872.50	57,872.50	57,872.50	57,872.50	57,872.50
Vet Hsg Fund II Bds Ser 2004B - Principal	2,130,000.00	2,080,000.00	2,030,000.00	1,985,000.00	1,940,000.00
Vet Hsg Fund II Bds Ser 2004B - Interest	120,450.00	114,097.50	107,895.00	101,835.00	95,917.50
Vet Hsg Fund I Tax Ref Bds Ser 2004C - Principal					2,745,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2004C - Interest	25,270.00	25,270.00	25,270.00	25,270.00	25,270.00
Vet Hsg Fund II Tax Ref Bds Ser 2004D - Principal	2,065,000.00				
Vet Hsg Fund II Tax Ref Bds Ser 2004D - Interest	91,411.25	87,797.50	87,797.50	87,797.50	87,797.50

UNAUDITED

2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
2,400,000.00	2,600,000.00					6,800,000.00
61,440.00	17,280.00					174,080.00
			55,000,000.00			55,000,000.00
962,500.00	962,500.00	962,500.00	673,750.00			4,523,750.00
						3,040,000.00
17,115,000.00						48,435,000.00
47,256.75						504,933.75
	10,300,000.00	14,700,000.00				25,000,000.00
362,500.00	312,185.00	110,345.00				1,147,530.00
	4,890,000.00					5,360,000.00
1,745,730.00	905,530.50					4,413,440.50
		150,000,000.00				150,000,000.00
1,875,000.00	1,875,000.00	1,687,500.00				7,312,500.00
						15,420,000.00
						545,097.00
						10,750,000.00
						380,012.50
9,075,000.00	3,375,000.00	4,605,000.00	7,310,000.00			31,680,000.00
5,568,725.00	3,644,323.75	2,891,350.00	509,437.50			20,321,012.50
390,000.00	8,810,000.00	10,800,000.00				20,000,000.00
300,000.00	245,970.00	83,467.50				929,437.50
4,725,000.00	1,680,000.00					10,725,000.00
1,138,280.00	88,140.00					3,548,955.00
1,965,000.00	3,395,000.00	7,795,000.00	11,840,000.00			25,000,000.00
386,408.00	347,224.00	276,432.00	77,384.00			1,487,448.00
4,460,000.00	2,630,000.00					9,925,000.00
1,352,793.75	209,081.25					3,911,127.50
3,040,000.00	6,985,000.00	12,135,000.00	8,720,000.00			33,865,000.00
444,007.50	383,107.50	234,270.00	46,732.50			1,592,692.50
9,140,000.00	7,050,000.00					19,780,000.00
209,397.50	43,086.50					576,937.50
8,550,000.00	7,380,000.00	6,295,000.00	4,365,000.00			36,420,000.00
362,184.00	234,016.00	123,912.00	30,992.00			1,261,264.00
8,670,000.00	7,700,000.00	6,880,000.00	4,605,000.00			37,685,000.00
393,772.50	258,192.00	137,370.75	31,440.75			1,367,916.00
31,425,000.00	4,250,000.00					47,865,000.00
391,947.50	8,295.00					1,196,658.75
8,535,000.00	7,460,000.00	6,690,000.00	4,725,000.00			37,540,000.00
375,536.00	247,024.00	133,656.00	33,672.00			1,314,896.00
6,940,000.00	9,595,000.00					16,535,000.00
231,787.50	88,296.25					609,446.25
9,055,000.00	8,115,000.00	7,330,000.00	6,020,000.00			40,685,000.00
395,407.50	266,145.00	149,880.00	44,572.50			1,396,200.00
4,475,000.00						7,220,000.00
28,656.25						155,006.25
25,085,000.00						27,150,000.00
286,720.00						729,321.25
						-to next page

SCHEDULE 2-C (continued)

DEBT SERVICE REQUIREMENTS

August 31, 2010

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	2011	2012	2013	2014	2015
<i>General Obligation Bonds -</i>	\$	\$	\$	\$	\$
<i>Self-Supporting (continued)</i>					
<i>Veterans' Housing Assistance Bonds (concluded)</i>					
Vet Hsg Fund II Bds Ser 2005A - Principal	2,145,000.00	2,095,000.00	2,040,000.00	1,985,000.00	1,935,000.00
Vet Hsg Fund II Bds Ser 2005A - Interest	127,232.00	120,408.00	113,752.00	107,264.00	100,952.00
Vet Hsg Fund II Bds Ser 2005B - Principal	2,355,000.00	2,240,000.00	2,135,000.00	2,050,000.00	1,970,000.00
Vet Hsg Fund II Bds Ser 2005B - Interest	127,696.00	120,256.00	113,176.00	106,416.00	99,920.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C - Principal	710,000.00	1,040,000.00	1,405,000.00	1,490,000.00	1,585,000.00
Vet Hsg Fund I Tax Ref Bds Ser 2005C - Interest	80,243.00	78,126.00	74,609.75	70,441.00	66,018.50
Vet Hsg Fund II Tax Ref Bds Ser 2005D - Principal					355,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2005D - Interest	33,466.00	33,466.00	33,466.00	33,466.00	33,466.00
Vet Hsg Fund II Tax Ref Bds Ser 2006B - Principal					1,125,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006B - Interest	134,995.00	134,995.00	134,995.00	134,995.00	134,995.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C - Principal	605,000.00	650,000.00	700,000.00	750,000.00	805,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006C - Interest	69,938.75	67,742.50	65,380.00	62,842.50	60,121.25
Vet Hsg Fund II Bds Ser 2006A - Principal	2,235,000.00	2,090,000.00	1,970,000.00	1,870,000.00	1,790,000.00
Vet Hsg Fund II Bds Ser 2006A - Interest	165,910.00	157,120.00	148,880.00	141,100.00	133,700.00
Vet Hsg Fund II Bds Ser 2006D - Principal	2,265,000.00	2,150,000.00	2,050,000.00	1,970,000.00	1,895,000.00
Vet Hsg Fund II Bds Ser 2006D - Interest	139,416.00	132,264.00	125,472.00	118,976.00	112,736.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E - Principal					1,140,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2006E - Interest	138,460.00	138,460.00	138,460.00	138,460.00	138,460.00
Vet Hsg Fund II Bds Ser 2007A - Principal	2,415,000.00	2,240,000.00	2,085,000.00	1,980,000.00	1,870,000.00
Vet Hsg Fund II Bds Ser 2007A - Interest	140,344.00	132,752.00	125,712.00	119,128.00	112,880.00
Vet Hsg Fund II Bds Ser 2007B - Principal	2,195,000.00	2,140,000.00	2,090,000.00	2,045,000.00	1,990,000.00
Vet Hsg Fund II Bds Ser 2007B - Interest	137,370.00	130,822.50	124,440.00	118,200.00	112,110.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C - Principal	4,470,000.00	3,425,000.00	2,735,000.00	1,160,000.00	1,345,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C - Interest	141,890.00	126,358.75	115,832.50	107,528.75	103,390.00
Vet Hsg Fund II Bds Ser 2008A - Principal	2,305,000.00	2,435,000.00	2,270,000.00	2,125,000.00	2,000,000.00
Vet Hsg Fund II Bds Ser 2008A - Interest	185,050.00	175,680.00	166,090.00	157,160.00	148,790.00
Vet Hsg Fund II Bds Ser 2008B - Principal	2,080,000.00	2,330,000.00	2,325,000.00	2,160,000.00	2,030,000.00
Vet Hsg Fund II Bds Ser 2008B - Interest	156,180.75	149,036.25	141,240.00	133,716.00	126,711.75
Vet Hsg Fund II Bds Ser 2009A - Principal	1,575,000.00	2,070,000.00	2,115,000.00	2,070,000.00	2,020,000.00
Vet Hsg Fund II Bds Ser 2009A - Interest	2,314,387.50	2,257,962.50	2,205,812.50	2,142,362.50	2,059,562.50
Vet Hsg Fund II Bds Ser 2009B - Principal	1,010,000.00	1,605,000.00	1,990,000.00	2,150,000.00	2,010,000.00
Vet Hsg Fund II Bds Ser 2009B - Interest	2,433,725.00	2,368,350.00	2,278,475.00	2,174,975.00	2,078,475.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C - Principal	1,490,000.00	2,060,000.00	2,230,000.00	2,420,000.00	3,765,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2009C - Interest	238,662.75	233,580.50	227,425.25	220,755.25	213,534.25
Vet Hsg Fund II Bds Ser 2010A - Principal	650,000.00	1,785,000.00	2,670,000.00	3,345,000.00	3,325,000.00
Vet Hsg Fund II Bds Ser 2009A - Interest	3,480,250.00	3,443,725.00	3,376,900.00	3,269,950.00	3,136,550.00
Veterans Bonds, Tax Ref Ser 2010B - Principal	1,320,000.00	1,410,000.00	1,505,000.00	1,605,000.00	1,610,000.00
Veterans Bonds, Tax Ref Ser 2010B - Interest	192,545.50	188,652.25	184,498.00	180,061.00	175,334.00
Veterans Bonds Series 2010C - Principal		1,900,000.00	2,795,000.00	3,205,000.00	3,150,000.00
Veterans Bonds Series 2010C - Interest	169,759.52	216,282.00	210,105.00	201,535.50	192,277.25
<i>Total, Veterans' Housing Assistance Bonds</i>	92,740,441.27	67,274,367.00	71,634,837.00	74,237,633.50	79,915,871.00

UNAUDITED

2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
8,970,000.00	7,910,000.00	7,020,000.00	6,200,000.00			40,300,000.00
415,528.00	279,872.00	159,880.00	53,184.00			1,478,072.00
8,885,000.00	7,710,000.00	6,820,000.00	5,995,000.00	345,000.00		40,505,000.00
410,256.00	277,032.00	160,648.00	57,232.00	568.00		1,473,200.00
9,875,000.00	11,290,000.00	630,000.00				28,025,000.00
250,668.75	89,341.75	913.50				710,362.25
4,195,000.00	5,710,000.00	1,280,000.00				11,540,000.00
136,350.75	66,221.50	2,733.25				372,635.50
13,485,000.00	18,535,000.00	5,425,000.00				38,570,000.00
555,283.75	281,855.00	16,808.75				1,528,922.50
4,985,000.00	7,110,000.00	4,680,000.00				20,285,000.00
252,428.75	147,647.50	22,120.00				748,221.25
8,080,000.00	7,410,000.00	7,350,000.00	7,730,000.00	1,515,000.00		42,040,000.00
567,200.00	412,930.00	266,190.00	116,080.00	4,470.00		2,113,580.00
8,680,000.00	7,900,000.00	7,460,000.00	7,380,000.00	2,395,000.00		44,145,000.00
476,984.00	344,496.00	221,768.00	103,552.00	7,648.00		1,783,312.00
13,545,000.00	18,425,000.00	6,450,000.00				39,560,000.00
571,672.50	298,375.00	22,330.00				1,584,677.50
8,290,000.00	7,425,000.00	7,305,000.00	7,700,000.00	3,155,000.00		44,465,000.00
480,384.00	355,392.00	238,248.00	118,840.00	12,400.00		1,836,080.00
9,320,000.00	8,360,000.00	7,570,000.00	6,920,000.00	3,710,000.00		46,340,000.00
473,977.50	340,897.50	221,025.00	112,005.00	18,637.50		1,789,485.00
4,160,000.00	4,815,000.00	19,545,000.00				41,655,000.00
448,971.25	421,890.00	144,698.75				1,610,560.00
8,740,000.00	7,615,000.00	7,250,000.00	7,425,000.00	4,670,000.00		46,835,000.00
632,530.00	469,690.00	321,520.00	175,570.00	33,210.00		2,465,290.00
8,835,000.00	7,625,000.00	7,290,000.00	7,560,000.00	5,575,000.00		47,810,000.00
540,366.75	405,347.25	282,834.75	161,188.50	36,976.50		2,133,598.50
7,630,000.00	31,630,000.00					49,110,000.00
9,034,937.50	5,724,731.25					25,739,756.25
8,260,000.00	32,975,000.00					50,000,000.00
9,190,462.50	6,730,875.00					27,255,337.50
22,310,000.00	18,545,000.00	23,390,000.00	6,585,000.00			82,795,000.00
889,640.25	572,329.50	292,421.50	14,543.50			2,902,892.75
15,155,000.00	13,240,000.00	34,825,000.00				74,995,000.00
13,644,250.00	10,330,000.00	870,625.00				41,552,250.00
10,675,000.00	15,665,000.00	22,940,000.00	9,990,000.00			66,720,000.00
797,587.00	607,919.75	338,959.25	29,580.00			2,695,136.75
14,770,000.00	13,440,000.00	12,360,000.00	11,535,000.00	10,815,000.00	1,025,000.00	74,995,000.00
829,030.25	623,920.50	436,363.00	262,783.50	100,187.75	1,486.25	3,243,730.52
411,408,559.25	388,466,160.25	427,630,770.00	190,257,539.75	32,394,097.75	1,026,486.25	1,836,986,763.02

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SCHEDULE 2-C (concluded)

DEBT SERVICE REQUIREMENTS

August 31, 2010

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	2011	2012	2013	2014	2015
<i>General Obligation Bonds - Self-Supporting (concluded)</i>	\$	\$	\$	\$	\$
<i>Veterans' Land Bonds</i>					
Vet Land Ref Bds Ser '90 - Principal	2,495,000.00				
Vet Land Ref Bds Ser '91 - Principal	2,239,000.00	2,238,000.00			
Vet Land Bds Ser '94 - Principal	747,000.00	747,000.00	747,000.00	747,000.00	747,000.00
Vet Land Bds Ser '96 - Principal	878,000.00	612,000.00	625,000.00	638,000.00	647,000.00
Vet Land Ref Bds Ser '99A - Principal	2,040,000.00	2,195,000.00	2,365,000.00	2,550,000.00	2,745,000.00
Vet Land Ref Bds Ser '99A - Interest	65,232.00	59,514.75	53,358.75	46,723.50	39,575.25
Vet Land Bds Ser 2000 - Principal	435,000.00	460,000.00	485,000.00	510,000.00	540,000.00
Vet Land Bds Ser 2000 - Interest	983,981.29	960,200.04	934,500.04	907,137.54	877,925.04
Vet Land Tax Bds Ser 2000A - Principal	410,000.00	440,000.00	465,000.00	495,000.00	530,000.00
Vet Land Tax Bds Ser 2000A - Interest	49,474.00	48,241.50	46,929.25	45,537.25	44,051.00
Vet Land Tax Ref Bds Ser 2000 - Principal	305,000.00	2,820,000.00	3,025,000.00	3,245,000.00	3,490,000.00
Vet Land Tax Ref Bds Ser 2000 - Interest	115,441.75	110,910.50	102,435.25	93,343.75	83,578.00
Vet Land Bds Ser 2002 - Principal	445,000.00	465,000.00	485,000.00	510,000.00	530,000.00
Vet Land Bds Ser 2002 - Interest	58,369.50	56,822.50	55,207.50	53,516.00	51,748.00
Vet Land Tax Bds Ser 2002A - Principal	380,000.00	405,000.00	425,000.00	455,000.00	480,000.00
Vet Land Tax Bds Ser 2002A - Interest	51,272.00	50,133.75	48,930.25	47,654.25	46,298.50
Vet Land Tax Ref Bds Ser 2002 - Principal			1,625,000.00	1,735,000.00	1,840,000.00
Vet Land Tax Ref Bds Ser 2002 - Interest	80,286.50	80,286.50	77,930.25	73,058.25	67,874.50
Vet Land Tax Ref Bds Ser 2003 - Principal	1,125,000.00	1,200,000.00	1,280,000.00	1,365,000.00	1,455,000.00
Vet Land Tax Ref Bds Ser 2003 - Interest	69,637.50	66,210.00	62,550.00	58,650.00	54,487.50
Vet Land Tax Ref Bds Ser 2004 - Principal	550,000.00	590,000.00	630,000.00	670,000.00	710,000.00
Vet Land Tax Ref Bds Ser 2004 - Interest	64,090.00	62,466.00	60,726.00	58,870.00	56,898.00
Vet Land Tax Ref Bds Ser 2005 - Principal	570,000.00	625,000.00	685,000.00	745,000.00	815,000.00
Vet Land Tax Ref Bds Ser 2005 - Interest	72,240.00	70,201.25	67,961.25	65,511.25	62,842.50
Vet Land Tax Ref Bds Ser 2006A - Principal	865,000.00	925,000.00	990,000.00	1,065,000.00	1,150,000.00
Vet Land Tax Ref Bds Ser 2006A - Interest	97,693.75	94,613.75	91,323.75	87,797.50	83,991.25
Vet Land Tax Ref Bds Ser 2006B - Principal	570,000.00	580,000.00	595,000.00	615,000.00	630,000.00
Vet Land Tax Ref Bds Ser 2006B - Interest	79,957.00	77,829.50	75,655.75	73,417.25	71,114.00
Vet Land Tax Ref Bds Ser 2006C - Principal	1,070,000.00	1,150,000.00	1,240,000.00	1,330,000.00	1,425,000.00
Vet Land Tax Ref Bds Ser 2006C - Interest	126,918.75	123,103.75	119,000.00	114,581.25	109,847.50
<i>Total, Veterans' Land Bonds</i>	17,038,594.04	17,312,533.79	17,463,508.04	18,400,797.79	19,384,231.04
<i>Total, General Obligation Bonds - Self-Supporting</i>	109,779,035.31	84,586,900.79	89,098,345.04	92,638,431.29	99,300,102.04
<i>Revenue Bonds - Self-Supporting</i>					
<i>Veterans Homes Revenue Bonds</i>					
Vet Home Revenue Ref Bds Ser 2002 - Principal	400,000.00	425,000.00	450,000.00	475,000.00	505,000.00
Vet Home Revenue Ref Bds Ser 2002 - Interest	1,413,750.00	1,388,750.00	1,362,187.50	1,334,062.50	1,304,375.00
<i>Total, Veterans Homes Revenue Bonds</i>	1,813,750.00	1,813,750.00	1,812,187.50	1,809,062.50	1,809,375.00
<i>Veterans Mortgage Revenue Bonds</i>					
Vet Mortgage Revenue Tax Bds Ser 2000A - Principal					
Vet Mortgage Revenue Tax Bds Ser 2000A - Interest	48,305.16	48,305.16	48,305.16	48,305.16	48,305.16
<i>Total, Veterans Mortgage Revenue Bonds</i>	48,305.16	48,305.16	48,305.16	48,305.16	48,305.16
<i>Total, Revenue Bonds - Self-Supporting</i>	1,862,055.16	1,862,055.16	1,860,492.66	1,857,367.66	1,857,680.16
<i>Total, All Bonds</i>	111,641,090.47	86,448,955.95	90,958,837.70	94,495,798.95	101,157,782.20

UNAUDITED

2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	TOTAL REQUIREMENTS
\$	\$	\$	\$	\$	\$	\$
						2,495,000.00
						4,477,000.00
						3,735,000.00
662,000.00						4,062,000.00
13,285,000.00						25,180,000.00
75,066.75						339,471.00
3,195,000.00	4,250,000.00	5,690,000.00	1,350,000.00			16,915,000.00
3,872,278.28	2,778,428.13	1,298,100.00	40,500.00			12,653,050.36
3,185,000.00	4,360,000.00	5,950,000.00	1,430,000.00			17,265,000.00
194,481.25	140,215.00	66,033.00	2,073.50			637,035.75
21,725,000.00	5,350,000.00					39,960,000.00
244,056.75	7,757.50					757,523.50
3,040,000.00	3,785,000.00	4,740,000.00	3,390,000.00			17,390,000.00
229,330.00	171,521.50	99,365.00	17,629.00			793,509.00
2,870,000.00	3,835,000.00	5,135,000.00	3,885,000.00			17,870,000.00
208,176.50	159,898.75	95,301.25	17,334.75			725,000.00
11,175,000.00	11,310,000.00					27,685,000.00
249,088.25	41,383.00					669,907.25
8,885,000.00	8,180,000.00					23,490,000.00
199,560.00	50,685.00					561,780.00
8,625,000.00	10,460,000.00					22,235,000.00
223,698.75	79,046.75					605,795.50
5,405,000.00	8,525,000.00	3,410,000.00				20,780,000.00
264,433.75	147,306.25	12,118.75				762,615.00
7,020,000.00	9,795,000.00	6,315,000.00				28,125,000.00
352,808.75	209,667.50	33,915.00				1,051,811.25
6,465,000.00	9,185,000.00	3,255,000.00				21,895,000.00
302,771.00	157,314.75	12,154.50				850,213.75
8,935,000.00	12,910,000.00	8,465,000.00				36,525,000.00
464,808.75	279,203.75	45,535.00				1,382,998.75
111,352,558.78	96,167,427.88	44,622,522.50	10,132,537.25	0.00	0.00	351,874,711.11
522,761,118.03	484,633,588.13	472,253,292.50	200,390,077.00	32,394,097.75	1,026,486.25	2,188,861,474.13
3,050,000.00	4,135,000.00	5,600,000.00	7,580,000.00			22,620,000.00
6,005,625.00	4,925,312.50	3,460,937.50	1,478,437.50			22,673,437.50
9,055,625.00	9,060,312.50	9,060,937.50	9,058,437.50	0.00	0.00	45,293,437.50
			589,807.00			589,807.00
241,525.80	241,525.80	241,525.80	112,712.04			1,078,815.24
241,525.80	241,525.80	241,525.80	702,519.04	0.00	0.00	1,668,622.24
9,297,150.80	9,301,838.30	9,302,463.30	9,760,956.54	0.00	0.00	46,962,059.74
532,058,268.83	493,935,426.43	481,555,755.80	210,151,033.54	32,394,097.75	1,026,486.25	2,235,823,533.87

SCHEDULE 2-D

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2010

BUSINESS-TYPE ACTIVITIES

General Obligation Bonds - Self Supporting

APPLICATION OF FUNDS		
DESCRIPTION OF ISSUE	PRINCIPAL	INTEREST
	\$	\$
Veterans' Housing Assistance Bonds	76,460,000.00	60,534,134.62
Veterans' Land Bonds	23,433,000.00	15,093,505.64
TOTAL	99,893,000.00	75,627,640.26

BUSINESS-TYPE ACTIVITIES

Revenue Bonds - Self-Supporting

DESCRIPTION OF ISSUE	PLEGGED AND OTHER SOURCES AND RELATED EXPENDITURES FOR FY 2010			
	NET AVAILABLE FOR		DEBT SERVICE	
	TOTAL	OPERATING	PRINCIPAL	INTEREST
	\$	EXPENSES/	\$	\$
	PLEGGED AND	EXPENDITURES		
	OTHER SOURCES	AND CAPITAL		
	TOTAL	OUTLAYS		
Veterans Homes Revenue Bonds	37,345,214.62	35,705,830.85	375,000.00	1,437,187.50
Veterans Mortgage Revenue Bonds	1,540,745.36	0.00	0.00	48,305.16
TOTAL	38,885,959.98	35,705,830.85	375,000.00	1,485,492.66

SCHEDULE 2-E

DEFEASED BONDS OUTSTANDING

August 31, 2010

BUSINESS-TYPE ACTIVITIES

<u>DESCRIPTION OF ISSUE</u>	<u>YEAR DEFEASED</u>	<u>PAR VALUE OUTSTANDING 08-31-2010</u>
		\$
<i>General Obligation Bonds - Self-Supporting</i>		
<i>Veterans' Land Bonds</i>		
Vet Land Bds Ser '76	1985	10,000,000.00
Vet Land Bds Ser '72	1986	12,500,000.00
Vet Land Bds Ser '72-A	1986	6,700,000.00
Vet Land Bds Ser '82	1986	15,500,000.00
<i>Total, Veterans' Land Bonds</i>		<u><u>44,700,000.00</u></u>

SCHEDULE 2-F

EARLY EXTINGUISHMENT AND REFUNDING

For the Year Ended August 31, 2010

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	1,715,000.00			
Vet Hsg Fund II Bds Ser 2001C-1	Early Extinguishment	1,675,000.00			
Vet Hsg Fund II Tax Bds Ser '99A-1	Current Refunding	16,950,000.00	16,950,000.00	489,880.26	246,753.16
Vet Hsg Fund II Bds Ser '99B	Current Refunding	65,845,000.00	65,845,000.00	1,903,281.74	958,684.84
Vet Hsg Fund II Bds Ser 2000C	Current Refunding	66,720,000.00	66,720,000.00	2,571,338.00	1,180,661.00
<i>Total, Veterans' Housing Bonds</i>		152,905,000.00	149,515,000.00	4,964,500.00	2,386,099.00
Total, General Obligation Bonds - Self-Supporting		152,905,000.00	149,515,000.00	4,964,500.00	2,386,099.00
Total, Business-Type Activities		152,905,000.00	149,515,000.00	4,964,500.00	2,386,099.00

SCHEDULE 2-G

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2010

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	FINAL		TRUE INTEREST COST (PERCENT)	BONDS ISSUED ⁽¹⁾	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2010
	DATE OF MATURITY BONDS	DATE					
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	2,800,000.00	400,000.00	6,800,000.00
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	93,574,226.05	34,610,000.00	56,335,000.00	2,629,226.05
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	32,190,000.00	7,865,000.00	48,435,000.00
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	6,345,000.00	38,295,000.00	5,360,000.00
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
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
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
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	20,130,000.00	10,725,000.00
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
Vet Hsg Fund II Bds Ser 2002A-2	07-10-02	06-01-33	3.87250	38,300,000.00	4,435,000.00		33,865,000.00
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	13,580,000.00		36,420,000.00
Vet Hsg Fund II Bds Ser 2003B	10-22-03	06-01-34	3.40300	50,000,000.00	12,315,000.00		37,685,000.00
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	12,460,000.00		37,540,000.00
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 II Bds Ser 2004B	09-15-04	12-01-34	3.68000	50,000,000.00	9,315,000.00		40,685,000.00
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 2004E	11-18-04	06-01-20	5.34800	31,705,000.00	4,555,000.00		27,150,000.00
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	9,700,000.00		40,300,000.00
Vet Hsg Fund II Bds Ser 2005B	08-09-05	06-01-36	3.08700	50,000,000.00	9,495,000.00		40,505,000.00

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SCHEDULE 2-G (continued)

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2010

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 08-31-2010
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	12-01-23	4.92900	19,860,000.00	3,875,000.00		15,985,000.00
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
Vet Hsg Fund I Tax Ref Bds Ser 2005C	11-16-05	12-01-25	5.14500	13,345,000.00	1,305,000.00		12,040,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2005E	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	2,040,000.00		20,285,000.00
Vet Hsg Fund II Bds Ser 2006A	06-01-06	12-01-36	3.51700	50,000,000.00	7,960,000.00		42,040,000.00
Vet Hsg Fund II Bds Ser 2006D	09-20-06	12-01-36	3.68900	50,000,000.00	5,855,000.00		44,145,000.00
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	5,535,000.00		44,465,000.00
Vet Hsg Fund II Bds Ser 2007B	06-26-07	06-01-38	3.71200	50,000,000.00	3,660,000.00		46,340,000.00
Vet Hsg Fund II Tax Ref Bds Ser 2007C	11-14-07	06-01-29	4.65800	54,160,000.00	12,505,000.00		41,655,000.00
Vet Hsg Fund II Bds Ser 2008A	03-26-08	12-01-38	3.18900	50,000,000.00	3,165,000.00		46,835,000.00
Vet Hsg Fund II Bds Ser 2008B	09-11-08	12-01-38	3.22500	50,000,000.00	2,190,000.00		47,810,000.00
Vet Hsg Fund II Bds Ser 2009A	03-05-09	12-01-23	4.33660	52,634,792.61	890,000.00		51,744,792.61
Vet Hsg Fund II Bds Ser 2009B	09-03-09	12-01-24	4.00000	54,240,813.68			54,240,813.68
Vet Hsg Fund II Tax Ref Bds Ser 2009C	11-01-09	12-01-21	6.22000	82,795,000.00			82,795,000.00
Vet Hsg Fund II Bds Ser 2010A	02-25-10	06-01-31	5.45250	83,095,371.78			83,095,371.78
Veterans Bonds, Tax Ref Ser 2010B	05-20-10	12-01-25	3.25000	66,720,000.00			66,720,000.00
Veterans Bonds Series 2010C	08-20-10	12-01-31	2.30950	74,995,000.00			74,995,000.00
Total, Veterans' Housing Assistance Bonds				3,867,635,204.12	738,065,000.00	1,462,435,000.00	1,667,135,204.12
<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

UNAUDITED

SCHEDULE 2-G (continued)

BUSINESS-TYPE ACTIVITIES

DESCRIPTION OF ISSUE	FINAL BOND		TRUE INTEREST COST (PERCENT)	BONDS ISSUED ⁽¹⁾	BONDS MATURED	BONDS REFUNDED OR EXTINGUISHED	BONDED DEBT 08-31-2010
	DATE OF MATURITY BONDS	DATE					
General Obligation Bonds - Self-Supporting (concluded)				\$	\$	\$	\$
<i>Veterans' Land Bonds (concluded)</i>							
Vet Land Bds Ser '83	04-01-83	12-01-01	8.18000	50,000,000.00		50,000,000.00	0.00
Vet Land Bds Ser '83A	06-01-83	06-01-01	7.76000	50,000,000.00		50,000,000.00	0.00
Vet Land Bds Ser '84	08-01-84	06-01-09	10.12300	75,000,000.00		75,000,000.00	0.00
Vet Land Bds Ser '85A	07-01-85	06-01-07	8.07560	75,000,000.00		75,000,000.00	0.00
Vet Land Bds Ser '85B	07-01-85	06-01-07	8.07560	100,000,000.00		100,000,000.00	0.00
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	40,857,662.93	12,860,000.00	24,755,000.00	3,242,662.93
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	39,006,943.32	11,542,000.00	24,035,000.00	3,429,943.32
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	57,389,099.16	14,980,000.00	39,960,000.00	2,449,099.16
Vet Land Ref Bds Ser '91	10-15-91	12-01-21	6.73835	45,374,370.83	13,432,000.00	27,685,000.00	4,257,370.83
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	14,845,000.00		25,180,000.00
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	3,085,000.00		16,915,000.00
Vet Land Tax Bds Ser 2000A	06-15-00	12-01-30	Floating	20,000,000.00	2,735,000.00		17,265,000.00
Vet Land Tax Ref Bds Ser 2000	11-15-00	12-01-20	6.10600	39,960,000.00			39,960,000.00
Vet Land Bds Ser 2002	02-21-02	12-01-32	4.14000	20,000,000.00	2,610,000.00		17,390,000.00
Vet Land Tax Bds Ser 2002A	02-21-02	12-01-32	Floating	20,000,000.00	2,130,000.00		17,870,000.00
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	5,795,000.00		23,490,000.00
Vet Land Tax Ref Bds Ser 2004	11-18-04	12-01-24	5.45500	24,755,000.00	2,520,000.00		22,235,000.00
Vet Land Tax Ref Bds Ser 2005	11-16-05	12-01-26	6.51700	22,795,000.00	2,015,000.00		20,780,000.00
Vet Land Tax Ref Bds Ser 2006A	05-10-06	12-01-27	6.54000	31,030,000.00	2,905,000.00		28,125,000.00
Vet Land Tax Ref Bds Ser 2006B	05-10-06	12-01-26	4.61000	24,035,000.00	2,140,000.00		21,895,000.00
Vet Land Tax Ref Bds Ser 2006C	11-15-06	12-01-27	6.51300	41,050,000.00	4,525,000.00		36,525,000.00
Total, Veterans' Land Bonds				<u>2,900,693,076.24</u>	<u>1,028,111,000.00</u>	<u>1,543,888,000.00</u>	<u>328,694,076.24</u>
Total, General Obligation Bonds - Self-Supporting				<u>6,768,328,280.36</u>	<u>1,766,176,000.00</u>	<u>3,006,323,000.00</u>	<u>1,995,829,280.36</u>
Revenue Bonds - Self-Supporting							
<i>Veterans Homes Revenue Bonds</i>							
Vet Home Rev Bds Ser 2000	03-28-00	11-15-32	7.15000	20,000,000.00		20,000,000.00	0.00
Vet Home Rev Ref Bds Ser 2002	05-09-02	08-01-35	6.25000	24,280,000.00	1,660,000.00		22,620,000.00
Total, Veterans Homes Revenue Bonds				<u>44,280,000.00</u>	<u>1,660,000.00</u>	<u>20,000,000.00</u>	<u>22,620,000.00</u>
<i>Veterans Mortgage Revenue Bonds</i>							
Vet Mort Rev Tax Bds Ser 2000A	03-25-00	12-25-32	8.19000	100,000,000.00	10,757,485.00	88,652,708.00	589,807.00
Vet Mort Rev Tax Ref Bds Ser 2001B	07-11-01	08-01-04	Floating	160,092,515.00	160,092,515.00		0.00
Total, Veterans Mortgage Revenue Bonds				<u>260,092,515.00</u>	<u>170,850,000.00</u>	<u>88,652,708.00</u>	<u>589,807.00</u>
Total, Revenue Bonds - Self-Supporting				<u>304,372,515.00</u>	<u>172,510,000.00</u>	<u>108,652,708.00</u>	<u>23,209,807.00</u>
Total, All Bonds				<u>7,072,700,795.36</u>	<u>1,938,686,000.00</u>	<u>3,114,975,708.00</u>	<u>2,019,039,087.36</u>

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

SCHEDULE 2-G (concluded)

DATA ON BOND ISSUES - BY SERIES

Period from October 1, 1949 through August 31, 2010

BUSINESS-TYPE ACTIVITIES

	\$
Note: Veterans' Housing Assistance Bonds maturing within one year	76,721,344.32
Veterans' Housing Assistance Accretion Bonds maturing within one year	501,280.80
Veterans' Land Bonds maturing within one year	10,583,337.48
Veterans' Land Accretion Bonds maturing within one year	4,540,662.22
Veterans Homes Revenue Bonds maturing within one year	<u>400,000.00</u>
Subtotal	<u>92,746,624.82</u>
Veterans' Housing Assistance Bonds maturing subsequent to one year	1,588,715,838.95
Veterans' Housing Assistance Bonds Accretion maturing subsequent to one year	1,196,740.05
Veterans' Land Bonds maturing subsequent to one year	309,158,082.06
Veterans' Land Bonds Accretion maturing subsequent to one year	4,411,994.48
Veterans Homes Revenue Bonds maturing subsequent to one year	22,220,000.00
Veterans Mortgage Revenue Bonds maturing subsequent to one year	<u>589,807.00</u>
Subtotal	<u>1,926,292,462.54</u>
Total (Exh. III)	<u><u>2,019,039,087.36</u></u>

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SCHEDULE 3

*DETAIL OF ADDITIONS AND DEDUCTIONS
AGENCY FUNDS*

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	<u>UNAPPROPRIATED RECEIPTS</u>		<u>OTHER AGENCY FUNDS</u>	
	<u>GENERAL REVENUE FUND (0001) U/F (0066)(0111)</u>		<u>CHILD SUPPORT ADDENDA DEDUCTS SUSPENSE (0807) U/F (8070)</u>	<u>EMPLOYEES' SAVINGS BOND ACCOUNT (0901) U/F (0901)</u>
	\$		\$	\$
BALANCES, SEPTEMBER 1, 2009	191,819.14		9,827.36	550.00
ADDITIONS				
Royalty and Rental Collections	2,966,329.04			
Taxes	525.17			
Interest and Investment Income	35,001.29			
Land Office Administration Fees	852,015.92			
Veterans' Land Board Fees				
Outer Continental Shelf Settlement Receipts	1,263,413.38			
Administrative Penalty-Late Document	469,612.50			
Veterans Service Fees and Down Payments				
Patent Recording Fees				
Natural Resource Damage Assessments				
Land Vacancy Applications				
Payroll Deductions			127,544.32	6,350.00
TOTAL ADDITIONS	5,586,897.30		127,544.32	6,350.00
DEDUCTIONS				
Refunds to Remitters				
Office Fees				
Title Report Fees				
Natural Resource Damage Assessments				
Child Support Payments			126,972.32	
Savings Bonds Purchased				6,400.00
Land Vacancy Expenses				
Transfers to Suspense Account to be Applied to Land Contracts Receivable and Fees at Sale Closing				
Transfers to Comptroller	5,310,052.70			
Transfer to TCEQ				
Miscellaneous				
TOTAL DEDUCTIONS	5,310,052.70		126,972.32	6,400.00
BALANCES, August 31, 2010 (EXH. D-1)	468,663.74		10,399.36	500.00

UNAUDITED

OTHER AGENCY FUNDS		TOTALS (Memorandum Only)	
PURCH/LEASE LAND VAC TRUST ACCOUNT (0873) U/F (0873)	LOCAL FUNDS (9999) U/F (9999)	2010	2009
\$	\$	\$	\$
17,094.27	173,882.06	393,172.83	1,520,326.09
		2,966,329.04	2,347,299.46
		525.17	39.10
226.74		35,228.03	7,656.82
		852,015.92	260,349.03
		0.00	182,650.98
		1,263,413.38	2,584,087.24
		469,612.50	140,299.35
	308,622.19	308,622.19	243,451.00
	550.00	550.00	5,376.81
		0.00	251.80
1,887.00		1,887.00	19,200.00
		133,894.32	16,327.36
2,113.74	309,172.19	6,032,077.55	5,806,988.95
	44,801.14	44,801.14	32,510.22
	432.00	432.00	5,713.38
	20,723.25	20,723.25	11,427.00
		0.00	219.76
		126,972.32	0.00
		6,400.00	6,400.00
2,745.63		2,745.63	20,339.95
	195,123.25	195,123.25	170,646.00
	64,277.67	5,310,052.70	6,683,552.02
	26,679.17	64,277.67	0.00
		26,679.17	2,826.86
2,745.63	352,036.48	5,798,207.13	6,933,635.19
16,462.38	131,017.77	627,043.25	393,679.85

SCHEDULE 4

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

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	TOTALS	
	2010	2009
<i>GENERAL REVENUE FUND (FUND 0001(0101)/AGENCY 320)</i>	\$	\$
Receipts from Mineral Sources:		
Oil Royalty	19.85	23.25
Gas Royalty	16.34	18.85
Receipts from Misc. Interest and Other Collections:		
Gas Production Tax	0.00	36,989.35
TOTAL AGENCY 320	36.19	37,031.45
<i>GENERAL REVENUE FUND (FUND 0001/AGENCY 694)</i>		
Receipts from Mineral Sources:		
Oil Royalty	8,254.12	7,598.39
Gas Royalty	14,483.85	12,088.90
Mineral Lease Rental	25.00	0.00
Receipts from Misc. Interest and Other Collections:		
Interest	0.00	101.33
TOTAL AGENCY 694	22,762.97	19,788.62
<i>GENERAL REVENUE FUND (FUND 0001/AGENCY 696)</i>		
Receipts from Mineral Sources:		
Oil Royalty	883,306.83	938,895.07
Gas Royalty	475,613.62	1,041,103.57
Mineral Lease Bonus	2,048,812.30	867,973.10
Mineral Lease Rental	76,397.40	359,147.10
Receipts from Misc. Interest and Other Collections:		
Interest	0.00	2,388.50
TOTAL AGENCY 696	3,484,130.15	3,209,507.34
<i>GENERAL REVENUE FUND (FUND 0001/AGENCY 902)</i>		
Receipts from Mineral Sources:		
Oil Royalty	88,028.36	98,978.33
Gas Royalty	1,637,041.19	1,637,423.29
Mineral Lease Bonus	1,199,978.38	1,018,289.91
Mineral Lease Rental	36,741.31	150.00
Outer Continental Shelf Judgment	1,421,281.85	3,359,256.21
Receipts from Misc. Interest and Other Collections:		
Miscellaneous	278,350.00	114,621.85
Interest	2,710.34	7,330.07
State of Texas Sales Tax	530.28	356.81
Veterans' Land Board Service Fees	0.00	179,713.86
Land Office Administrative Fees	837,094.00	267,431.69
TOTAL AGENCY 902	5,501,755.71	6,683,552.02
TOTAL GENERAL REVENUE FUND	9,008,685.02	9,949,879.43

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UNAUDITED

SCHEDULE 4 (continued)

	TOTALS	
	2010	2009
<i>SPECIALTY LICENSE PLATES FUND (FUND 0014/AGENCY 305/601)</i>	\$	\$
Receipts from Specialty License Plates:		
Specialty License Plates	10,612.46	5,122.92
TOTAL SPECIALTY LICENSE PLATES FUND	10,612.46	5,122.92
<i>STATE HIGHWAY FUND (FUND 0006/AGENCY 601)</i>		
Receipts from Mineral Sources:		
Oil Royalty	497,269.45	376,113.19
Gas Royalty	2,776,946.95	2,953,298.52
Mineral Lease Bonus	1,885,166.99	3,955,365.03
Mineral Lease Rental	2,351.50	12,254.25
Hard Mineral Royalty	105,786.44	584.72
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	45,028.50	34,588.00
Receipts from Misc. Interest and Other Collections:		
Interest	61,753.61	65,956.96
Transfer, Relinquishments & Filing Fees	425.00	0.00
Receipts from Real Asset Investments:		
Land Sales	121,195.20	127,054.99
TOTAL STATE HIGHWAY FUND	5,495,923.64	7,525,215.66
<i>PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305)</i>		
Receipts from Mineral Sources:		
Oil Royalty	123,618,871.04	110,165,989.10
Gas Royalty	132,378,385.03	236,257,559.94
Oil & Gas Lease Bonus	84,998,139.89	26,336,039.45
Oil & Gas Lease Rental	5,019,652.30	8,191,175.56
Mining Lease Royalty	481,816.64	612,705.45
Mining Lease Rental and Bonus	85,696.80	3,666.74
Talc Royalty	12,723.03	44,597.74
Talc Rental and Bonus	1,566.24	1,566.24
Coal and Lignite Royalty	0.00	177,310.38
Prospect Permits	23,305.26	17,488.54
Outer Continental Shelf Judgment	2,842,563.69	6,718,512.43
Judgment on Minerals	(3,516.91)	0.00
Miscellaneous Rentals, Royalty, and Easements	1,258,978.55	1,634,798.38
Receipts from Real Asset Investments:		
Internal Investment Receipts - Return of Capital	15,053,292.60	3,640,514.06
Internal Investment Receipts - Capital Gains	3,513,583.40	4,070,517.61
Internal Investment Receipts - Note Principal	162,707.03	359,245.41
Internal Investment Receipts - Note Interest	223,426.84	92,030.18
External Investment Receipts - Return of Capital	93,385,653.29	20,286,501.70
External Investment Receipts - Capital Gains	4,155,822.04	247,979.00
External Investment Receipts - Dividend	6,442,252.77	11,809,641.75
External Investment Receipts - Interest	6,858,342.18	43,361.01
External Investment Receipts - Misc.	8,985,419.60	1,941,918.44
Receipts from State Energy Marketing Program:		
SEMP Receipts for Third Party Purchases	51,395,843.52	97,785,443.98
State Power Program	10,597,237.74	8,515,918.30
Receipts from Surface Rentals, Easements, and Damages:		
Surface Damage Fees	1,045,872.05	1,437,901.19
Rental of Land - Escrow Consideration	0.00	11,850.00
Surface Lease Rental	1,894,282.43	1,494,077.53

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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, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	TOTALS	
	2010	2009
<i>PERMANENT SCHOOL FUND (FUND 0044/AGENCY 305) (continued)</i>	\$	\$
Receipts from Surface Rentals, Easements, and Damages (continued):		
Coastal Private S-T Lease Rental	242,333.46	251,111.87
Coastal Public S-T Lease Rental	9,354.65	15,309.65
Coastal Commercial	1,298,400.85	981,231.90
Coastal Miscellaneous Easements	2,156,768.08	2,741,084.39
Geothermal Resources Rental & Bonus	128,021.92	257,516.80
Land Easement Rental, Riverbeds	118,246.00	122,594.05
Wind Lease Bonus	257,928.34	124,682.89
Wind Lease Royalties	34,262.67	39,322.65
Solar Surface Lease Rental or Bonus	4,383.60	5,660.00
Uplands Commercial	13,235,703.91	12,286,763.22
Uplands Miscellaneous Easements	102,761.55	94,031.77
Receipts from Misc. Interest and Other Collections:		
Interest	14,707,933.53	20,555,192.30
Miscellaneous	24,788,886.04	76,516.86
TOTAL PERMANENT SCHOOL FUND	611,516,901.65	579,449,328.46
<i>STATE PARKS FUND (FUND 0064/AGENCY 802)</i>		
Receipts from Mineral Sources:		
Oil Royalty	535,302.86	194,498.75
Gas Royalty	3,121,926.82	4,712,124.01
Mineral Lease Bonus	46,880.00	168,393.65
Mineral Lease Rental	4,771.33	21,936.40
Receipts from Surface Rentals, Easements, and Damages:		
Easements	242,972.16	2,664.66
Receipts from Misc. Interest and Other Collections:		
Interest	2,062.41	16,416.18
TOTAL STATE PARKS FUND	3,953,915.58	5,116,033.65
<i>TEXAS A & M UNIVERSITY MINERAL INVESTMENT FUND (FUND 0095/AGENCY 710)</i>		
Receipts from Mineral Sources:		
Oil Royalty	796,555.87	666,025.46
Gas Royalty	1,288,973.03	1,635,532.10
Mineral Lease Bonus	0.00	85.58
Mineral Lease Rental	1,200.00	284,600.00
Receipts from Misc. Interest and Other Collections:		
Interest	0.00	1,950.61
TOTAL TEXAS A & M UNIVERSITY MINERAL INVESTMENT FUND	2,086,728.90	2,588,193.75
<i>PAN AMERICAN UNIVERSITY (FUND 0004/AGENCY 736)</i>		
Receipts from Mineral Sources:		
Mineral Lease Rental	0.00	10,560.00
TOTAL PAN AMERICAN UNIVERSITY FUND	0.00	10,560.00

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UNAUDITED

SCHEDULE 4 (continued)

	TOTALS	
	2010	2009
<i>FOUNDATION SCHOOL FUND (FUND 0193/AGENCY 701)</i>		
Receipts from Real Asset Investments:		
Land Sales	0.00	61,477.00
TOTAL FOUNDATION SCHOOL FUND	0.00	61,477.00
<i>TEXAS TECH UNIVERSITY SPECIAL MINERAL FUND (FUND 0269/AGENCY 733)</i>		
Receipts from Mineral Sources:		
Oil Royalty	61,975.71	49,497.59
TOTAL TEXAS TECH UNIVERSITY SPECIAL MINERAL FUND	61,975.71	49,497.59
<i>MIDWESTERN UNIVERSITY MINERAL FUND (FUND 0412/AGENCY 735)</i>		
Receipts from Mineral Sources:		
Oil Royalty	8,043.41	6,652.14
TOTAL MIDWESTERN UNIVERSITY MINERAL FUND	8,043.41	6,652.14
<i>CAPITAL TRUST FUND (FUND 0543/AGENCY 537)</i>		
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	86,896.00	30,446.00
Receipts from Real Asset Investments:		
Land Sales	0.00	63,017.37
TOTAL AGENCY 537	86,896.00	93,463.37
<i>CAPITAL TRUST FUND (FUND 0543/AGENCY 539)</i>		
Receipts from Mineral Sources:		
Oil Royalty	102,214.71	87,948.02
Gas Royalty	306,161.57	321,578.38
Mineral Lease Bonus	20,068.00	0.00
Receipts from Surface Rentals, Easements, and Damages:		
Rental of Land	0.00	28,200.00
Receipts from Real Asset Investments:		
Land Sales	0.00	26,821.46
Receipts from Misc. Interest and Other Collections:		
Interest	50.00	1,172.78
TOTAL AGENCY 539	428,494.28	465,720.64
TOTAL CAPITAL TRUST FUND	515,390.28	559,184.01
<i>GAME, FISH, AND WATER SAFETY FUND (FUND 0930/AGENCY 802)</i>		
Receipts from Mineral Sources:		
Oil Royalty	140,600.43	104,494.94
Gas Royalty	46,635.64	55,154.48
Mineral Lease Bonus	3,926,695.20	21,917.30
Mineral Lease Rental	0.00	15,000.00
Receipts from Surface Rentals, Easements, and Damages:		
Easements	0.00	66,875.35
TOTAL GAME, FISH, AND WATER SAFETY FUND	4,113,931.27	263,442.07

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SCHEDULE 4 (concluded)

*SUMMARY OF TEXAS GENERAL LAND OFFICE
DEPOSITS TO OTHER AGENCIES - BY FUND AND AGENCY*
For the Year Ended August 31, 2010
(With comparative memorandum totals for the year ended August 31, 2009)

	TOTALS	
	2010	2009
<i>WORKFORCE COMMISSION FEDERAL FUND (FUND 5026/AGENCY 320)</i>	\$	\$
Receipts from Sales of Real Property:		
Other Sale of Real Property	441,256.10	2,585,880.87
Receipts from Misc. Interest and Other Collections:		
Interest	0.00	351.72
TOTAL WORKFORCE COMMISSION FEDERAL FUND	<u>441,256.10</u>	<u>2,586,232.59</u>
<i>TEXAS DEPARTMENT OF PUBLIC SAFETY (FUND 0006/AGENCY 405)</i>		
Receipts from Mineral Sources:		
Mineral Lease Rental	18.81	0.00
TOTAL TEXAS DEPARTMENT OF PUBLIC SAFETY FUND	<u>18.81</u>	<u>0.00</u>
<i>TEXAS PARKS AND WILDLIFE (WMA) (FUND 0096/AGENCY 802)</i>		
Receipts from Surface Rentals, Easements, and Damages:		
Game, Fish W Water Easements - Uplands	69,973.05	0.00
TOTAL TEXAS PARKS AND WILDLIFE (WMA) FUND	<u>69,973.05</u>	<u>0.00</u>
TOTAL, ALL FUNDS (Schedule 5)	<u><u>637,283,355.88</u></u>	<u><u>608,170,819.27</u></u>

SCHEDULE 5

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

For the Year Ended August 31, 2010

(With comparative memorandum totals for the year ended August 31, 2009)

	TOTALS	
	2010	2009
<i>RECEIPTS FROM MINERAL SOURCES</i>		
Oil Royalty	126,740,442.64	112,696,714.23
Gas Royalty	142,046,184.04	248,625,882.04
Mineral Lease Bonus	94,125,740.76	32,652,578.44
Mineral Lease Rental	5,141,157.65	8,610,308.89
Mining Lease Royalty	481,816.64	612,705.45
Mining Lease Rental and Bonus	85,696.80	3,666.74
Talc Royalty	12,723.03	44,597.74
Talc Rental and Bonus	1,566.24	1,566.24
Coal and Lignite Royalty	0.00	177,310.38
Hard Mineral Royalty	105,786.44	584.72
Judgment on Minerals	(3,516.91)	0.00
Prospect Permits	23,305.26	17,488.54
Outer Continental Shelf Judgment	4,263,845.54	10,077,768.64
Miscellaneous Rentals, Royalty, and Easements	1,258,978.55	1,634,798.38
TOTAL RECEIPTS FROM MINERAL SOURCES	374,283,726.68	415,155,970.43
<i>RECEIPTS FROM REAL ASSET INVESTMENTS</i>		
Internal Investment Receipts	18,953,009.87	8,162,307.26
External Investment Receipts	119,827,489.88	34,329,401.90
Other Land Sales	121,195.20	278,370.82
Sale of Building	441,256.10	2,585,880.87
TOTAL RECEIPTS FROM REAL ASSET INVESTMENTS	139,342,951.05	45,355,960.85
<i>RECEIPTS FROM STATE ENERGY MARKETING PROGRAM</i>		
SEMP Receipts for Third Party Purchases	51,395,843.52	97,785,443.98
State Power Program	10,597,237.74	8,515,918.30
TOTAL RECEIPTS FROM STATE ENERGY MARKETING PROGRAM	61,993,081.26	106,301,362.28
<i>RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES</i>		
Surface Damage Fees	1,045,872.05	1,437,901.19
Uplands Commercial	13,235,703.91	12,286,763.22
Coastal Commercial	1,298,400.85	981,231.90
Coastal S-T Lease Rental	251,688.11	266,421.52
Easements	2,572,474.84	2,904,656.17
Surface Lease Rental	1,894,282.43	1,494,077.53
Rental of Land	250,170.50	227,678.05
Wind Lease Royalties	34,262.67	39,322.65
Wind Lease Bonus	257,928.34	124,682.89
Geothermal Resources Rental & Bonus	128,021.92	257,516.80
Solar Surface Lease Rental or Bonus	4,383.60	5,660.00
TOTAL RECEIPTS FROM SURFACE RENTALS, EASEMENTS, AND DAMAGES	20,973,189.22	20,025,911.92
<i>RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS</i>		
Interest	14,774,509.89	20,650,860.45
State of Texas Sales Tax	530.28	356.81
Veterans' Land Board Service and Administrative Fees	837,094.00	447,145.55
Gas Production Tax	0.00	36,989.35
Miscellaneous	25,067,661.04	191,138.71
Specialty License Plates	10,612.46	5,122.92
TOTAL RECEIPTS FROM MISC. INTEREST AND OTHER COLLECTIONS	40,690,407.67	21,331,613.79
TOTAL, ALL SOURCES (Schedule 4)	637,283,355.88	608,170,819.27

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TEXAS GENERAL LAND OFFICE
VETERANS' LAND BOARD

ADDENDUM

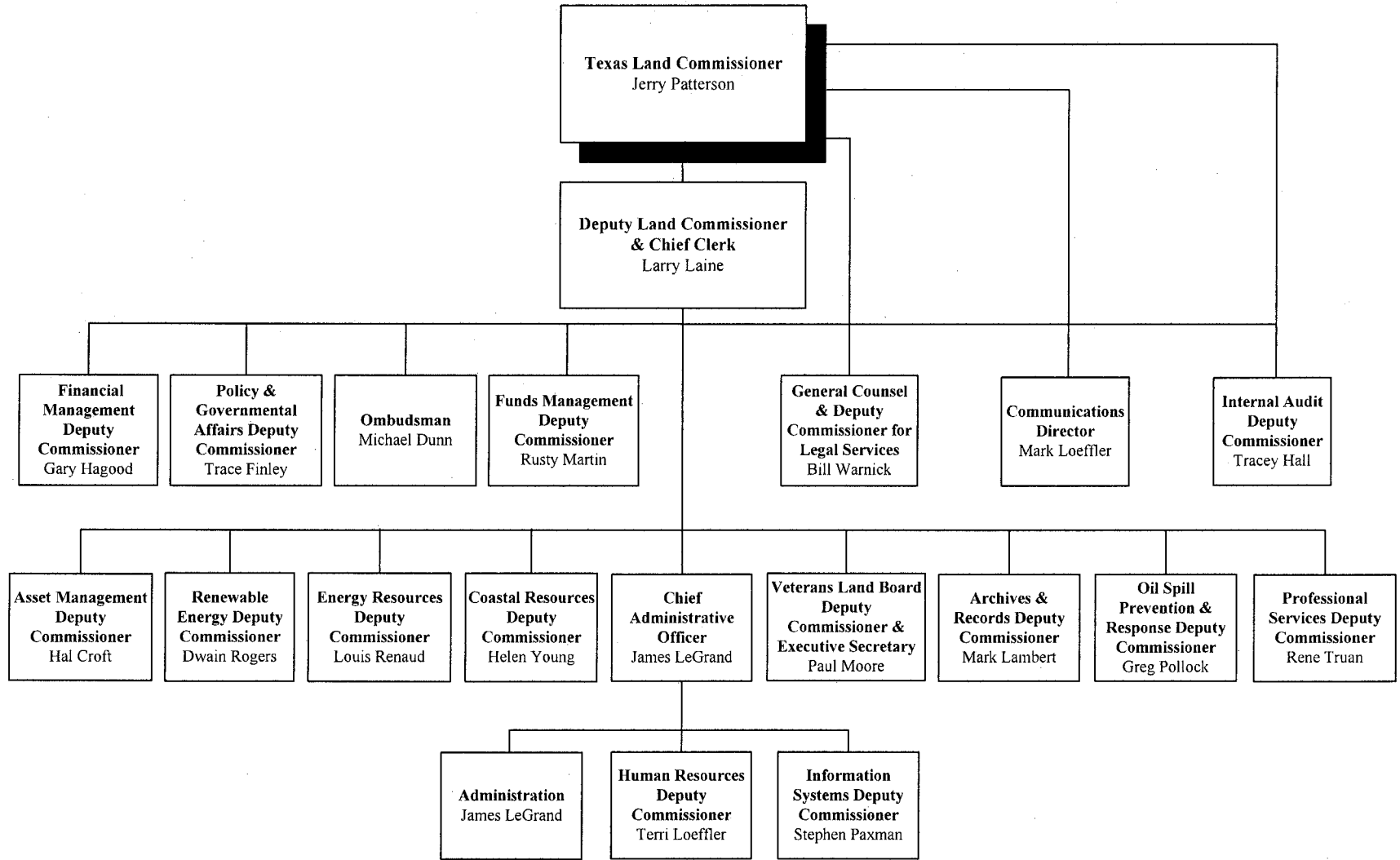
UNAUDITED ANNUAL FINANCIAL REPORT
AUGUST 31, 2010



General Land Office/Veterans' Land Board

Organizational Chart

UNAUDITED



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)	8,561.340
Bays, Inlets, Coves	1,460,832.262
Gulf of Mexico	2,443,603.650
Surveyed School Lands	430,541.790
Lakes	68,591.327
Islands	18,051.840
Navigation Districts	89,126.827
Relinquishment Act Land (mineral interest)	6,321,989.805
Free Royalty Land	823,050.680
Surface Sold and All or Part Minerals Reserved	350,388.102
Surface Sold and All or Part Minerals Acquired	271,449.468
Small Tracts	0.320
Escheated Lands	275.769
Court Judgments	51,318.865
Gifts	9,295.841
Undivided Interest	7,611.696
State Real Property Inventory	1,342,038.166
Permanent University Fund	2,109,190.870
Excess (estimated)	1,747,600.000
Veterans' Land Board (land contracts)	313,601.000
Total (estimated)	<u>18,867,119.618</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 313,601.00 acres

of veterans' land contracts to 15,971 qualified Texas veterans. Additionally, the Veterans' Land Board holds 1,279 land mortgages, 14,660 housing mortgages and 393 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; was re-elected in the November 2006 General Election for a term beginning January 1, 2007, and extending through December 31, 2010.

On November 2, 2010 Commissioner Jerry Patterson was elected to a third term as Texas Land Commissioner with almost three million votes statewide.

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 \$121.00 per day for in-state travel, and not exceeding the maximum out-of-state 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 2010. Expenses related to citizen members are paid from legislative appropriations granted to the Texas General Land Office. The citizen members serving at August 31, 2010, were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
David S. Herrmann	San Antonio	08-31-2007 ⁽¹⁾
Tommy Orr	Houston	08-29-2011 ⁽¹⁾

⁽¹⁾ Mr. Herrmann and Mr. Orr continue to serve until successors are 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, 2010, 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
Robert L. Stillwell	Houston	02-01-2015

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>
Antonio Falcon Chairman Texas Parks and Wildlife Commission	Rio Grande	02-01-2013
Wesley Lloyd	Waco	09-01-2011

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	09-01-2011

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 2010 fiscal year by the Texas General Land Office for various state land boards and/or commissions are presented on the following page. Three tracts were leased to the Texas Department of Aging and Disability Service resulting in \$20,068.00. Eleven tracts were leased for the Texas Department of Criminal Justice, resulting in \$1,452,561.30. One tract was leased to the Texas School for the Blind and Visually Impaired resulting in \$10,400.00, and three tracts were leased for the Texas Parks and Wildlife Department, resulting in \$3,973,575.20.

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 2010. The citizen members serving on this board at August 31, 2010, were:

<u>Member</u>	<u>City</u>	<u>Term Expires</u>
Alan K. Sandersen	Missouri City	12-29-2010
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 174.

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MINERAL LEASE SALES FY2010

Lease Sale Date	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 6, 2009	20	4,467.18	1,266,679.14	283.55
April 6, 2010	109	39,466.35	21,543,255.03	545.86
July 20, 2010 ⁽¹⁾	39	9,584.68	13,151,906.64	1,372.18
Total	168	53,518.21	35,961,840.81	671.96
Special Boards for Lease				
Texas Department of Aging and Disability Service				
<i>Oil and Gas</i>				
April 06, 2010	3	2.61	20,068.00	7,688.89
Total	3	2.61	20,068.00	7,688.89
Texas Department of Criminal Justice				
<i>Oil and Gas</i>				
April 6, 2010	11	3,691.32	1,452,561.30	393.51
Total	11	3,691.32	1,452,561.30	393.51
Texas School for the Blind and Visually Impaired				
<i>Oil and Gas</i>				
July 20, 2010	1	160.00	10,400.00	65.00
Total	1	160.00	10,400.00	65.00
Texas Parks and Wildlife				
<i>Oil and Gas</i>				
October 6, 2010	2	343.74	46,880.00	136.38
January 28, 2010	1	2,488.40	3,926,695.20	1,578.00
Total	3	2,832.14	3,973,575.20	1,403.03

⁽¹⁾ includes 2 Relinquishment Act Lands (RAL) tracts

Land program loans receivable, including properties acquired through forfeiture at August 31, 2010:

	<u>Land Contract for Deed (CFD)</u>	<u>Land Mortgage</u>	<u>Total Land Program Loans</u>
	\$	\$	\$
Principal Receivable	254,346,845.51	64,901,179.18	319,248,024.69
Interest Receivable	<u>3,054,163.61</u>	<u>2,693,898.03</u>	<u>5,748,061.64</u>
Total Land Program Loans Receivable	<u>257,401,009.12</u>	<u>67,595,077.21</u>	<u>324,996,086.33</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, 2009</u>	<u>Since Program Inception</u>
Total Acres Purchased	4,981,195.33	20,533.86	31,257.13
Total Purchase Price	\$1,807,224,246.13	\$69,277,027.00	\$107,281,283.00
Average Price Per Acre	\$362.81	\$3,373.79	\$3,432.22
Number of New Loans	122,499	1,375	2,141

Housing program loans receivable, including properties acquired through foreclosure at August 31, 2010:

	<u>Housing Mortgage</u>	<u>Home Improvement</u>	<u>Total Housing Program Loans</u>
	\$	\$	\$
Principal Receivable	1,709,525,575.29	9,087,587.84	1,718,613,163.13
Interest Receivable	<u>8,426,461.07</u>	<u>61,358.41</u>	<u>8,487,819.48</u>
Total Housing Program Loans Receivable	<u>1,717,952,036.36</u>	<u>9,148,946.25</u>	<u>1,727,100,982.61</u>

Housing program loans purchased during Fiscal Year 2010:

	<u>Housing Mortgage</u>	<u>Home Improvement</u>	<u>Total Housing Program Loans</u>
Housing Loan Principal	\$249,179,705.21	\$3,508,937.09	\$252,688,642.30
Number of Housing Loans	1,405	166	1,571

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

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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 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 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 maintains, manages, and makes available the original land grants and land patent records issued by the various governments of Texas: the Crown of Spain, 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 fiscal year 2009, the program began administrative oversight of the agency map collection. Proper archival standards continue to be used to conserve these valuable maps and associated documents. 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 various documents and publications produced by the various departments of the GLO. Other duties include processing correspondence for filming and indexing; preserving records and other material 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.

This 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 several publications, a quarterly newsletter, tours, exhibits, presentations to the public, a presence at historical functions 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 for years collaborated with the previous custodian of the map collection, the Surveying division, to assist with the maintenance, preservation of the thousands of maps and sketches that make up the agency's survey records. Now as the sole custodian of all the agency's archival documents and maps, the Archives and Records program are operates a partnership, entitled "Save Texas History!" that leverages private funding, in the form of donations and map and document sales, to help defray the expense of restoring and preserving these treasures for future generations of Texans. In fiscal year 2009, "Save Texas History!" began development of an educational program for fourth and seventh grade students and teachers in Texas. Teachers will now have access to specially designed lesson plans that focus on TEKS elements and involve the many archival documents and maps available at the GLO, as well as increased access online.

During fiscal year 2010 the Archives and Records program area continued its map and document digitization program. This project provides the agency with a comprehensive means of digitally preserving the historic maps and documents housed in the Texas General Land Office vaults. Up to this point, the digitization program has scanned more than 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, 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, providing 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. 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.

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.

The Archeology division reports to Inventory and Disposition Management and is responsible for the management and protection of cultural resources including historical, architectural, shipwreck, and archeological sites located on Permanent School Fund land, as well as lands managed by the Texas General Land Office on behalf of other state agencies. The staff archeologists review all proposed actions, projects, and permits to ensure they are in compliance with applicable federal and state laws and regulations relating to historic preservation and cultural resources protection and management.

COASTAL RESOURCES

Coastal Resources is comprised of five divisions: Coastal Assistance; Coastal Grants, Education and Outreach; Coastal Protection; Coastal Technical and Support Services; and Technical Integration of Coastal Planning and Policy. Coastal Resources is responsible for a number of initiatives designed to foster sound stewardship of Texas natural resources and economic growth along the Texas coast.

The Coastal Assistance Division administers the Coastal Impact Assistance Program (CIAP). The Energy Policy Act of 2005 authorized the 2005 CIAP. Two hundred and fifty million dollars will 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 will receive \$48,591,202.09 each fiscal year. Of this amount, \$31,584,281.36 will be awarded to the State and \$17,006,920.73 will be awarded to the 18 coastal counties. For fiscal years 2009 and 2010, the State will receive \$35,645,337.09. Of that amount \$23,169,469.11 will be awarded to the State and \$12,475,867.98 will be awarded to the 18 coastal counties.

The Coastal Assistance Division manages the Hazard Mitigation Program that works with other state agencies and local governments to implement state and federal coastal hazard mitigation efforts including grants from the Federal Emergency Management Agency (FEMA).

The Coastal Assistance Division oversees the Tide Gauge Program. In 1989, the Conrad Blucher Institute for Surveying and Science (CBI) at Texas A&M University-Corpus Christi 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.

The Coastal Assistance Division also administers three programs designed to foster sound stewardship of coastal natural resources. They are the Beach Access and Dune Protection Program, Natural Resource Damage Assessment (NRDA), and the Coastal Preserve Program. The Beach Access and Dune Protection 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.

NRDA is the legal and technical process where the Texas General Land Office, acting on the public's behalf as a state natural resource trustee, assesses damage and seeks compensation for, or restoration of, natural resources resulting from the unauthorized discharge of oil or release of hazardous substances. The Coastal Preserve Program oversees the conservation of designated state-owned, environmentally sensitive estuarine areas on the Texas coast and also manages a database on resource management codes available to potential users of coastal public land as guidance for development.

The Coastal Grants, Education and Outreach Division administers the CMP grants, and the EPA Beach Act federal funds, which supports the Texas Beach Watch Program. This division develops and disseminates education and outreach materials for the public with the assistance of the Office of Communications. The division also coordinates events such as the Caring for the Coast Conferences held in the coastal region and the CT2020 Technical Erosion Conference. The Caring for the Coast Conference was held June 4th and 5th, 2009, at the Galveston County Convention Center. Plans for a "hands on" workshop and regional public workshops for 2010 are being planned, along with the co-sponsoring of the International Submerged Lands Conference with the Port of Houston Authority to be held in the fall of 2010. This division also oversees the Texas Farm and Ranch Program. 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 the 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 Department of Agriculture or a designee, the presiding officer of the 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. The program is in the process of soliciting projects using FY2007 CIAP funding awarded to the program. During the 81st Legislative Session, HB 3682 was passed stating if real property acquired by grant, gift, devise or bequest is not held as part of the permanent school fund or possessed, administered or used by a particular state agency, board, commission, department, or other particular state entity, the commissioner may manage that real property or sell or exchange the real property under terms and conditions the commissioner determines to be in the best interest of the state. Proceeds of the sale that are not required for the management of real property under this subsection shall be deposited in the Texas farm and ranch

lands conservation fund established under Chapter 183. Real property acquired under this subsection may be dedicated by the commissioner to any state agency, board, commission or department, or a political subdivision or other government, for the benefit and use of the public in exchange for non-monetary consideration, if the commissioner determines that the exchange is in the best interest of the state.

Finally, the CMP grants program is entering its 14th cycle and the Land Office has been awarded approximately \$2.6 million for CMP authorized projects with subrecipients along the coast.

The Coastal Protection Division serves as staff to the Coastal Coordination Council (Council) and 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, the Council 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 Council 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 Protection Division also administers the state's coastal erosion program. The 76th Texas Legislature created the Coastal Erosion Planning and Response Act (CEPRA) program. This program represents the first-ever coastal erosion program in Texas and entails a coordinated effort of state, federal, and local entities to conduct erosion response projects, as well as related studies. Texas has 367 miles of Gulf beaches and more than 3,300 miles of bay shoreline. Texas beaches also suffer from the highest erosion rates in the country. The Texas Legislature has appropriated \$87.12 million for the CEPRA program through Fiscal Year 2011. 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 \$230 million. Erosion response projects conducted by the Coastal Protection 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 Coastal Technical and Support Services Division represents the customer service component of the Coastal

Resources program, providing assistance and support to both internal and external customers. The support services provided include budget preparation, financial analyses, financial monitoring, contract management, and risk assessments and when funding allows, auditing. The division also administers the Beach Maintenance Reimbursement Fund (BMRF)/Beach User Fee (BUF) Programs. The BMRF provides partial reimbursements to eligible coastal communities for expenses incurred in maintaining clean, safe and healthy beaches. The BUF program allows for the collection of fees by a local government in exchange for providing services to beach users in general. The technical services provided include geographic information systems (GIS) support, information systems coordination, electronic data management and updating, and reporting on Legislative Budget Board performance measures.

The Technical Integration of Coastal Planning and Policy (TICPP) Division was established in mid-2009 to better integrate grant programs and agency policy positions throughout Coastal Resources. The TICPP Division works to achieve these goals by seeking guidance from the Coastal Resources Deputy, Executive and coastal division directors for input on agency priorities for major coastal grant related projects such as beach nourishment, shoreline protection, dune restoration, public beach access, structure relocation and land acquisition. After input is gained, TICPP works to develop and coordinate the integration of grants to achieve agency priorities by taking actions such as reviewing existing grant scoring systems and making recommendations to management for improvements that better align agency's strategic initiatives. The TICPP Division also reviews and makes recommendations to improve guidelines, procedures, policies, rules and statute changes and regulations to insure integration of agency strategic priorities. The TICPP Division directs the preparation of required program reports, studies, performance measures and plans such as, LBB reports, legislative reports, NOAA reports and other reports to insure integration of agency policy positions. In addition to these duties, TICPP directs the preparation, development, review and/or revision of program related Commissioner letters and program area letters to reflect a consistent message concerning planning and policy priorities. This division also has the leading role in the development of Coastal Texas 2020, which is a long-term statewide initiative to unite local, state, and federal efforts to promote the environmental and economic health of the Texas coast.

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.

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.

FINANCIAL MANAGEMENT

Financial Management serves to enhance and strengthen accounting controls over all financial transactions of the agency. The responsibility of identifying, tracking, and reporting on the financial condition and results of agency operations is a cooperative effort between the following divisions: Administration & Special Projects, Financial Reporting & Accounting, Budget & Planning, Cash Management, and Financial Subsidiary Operations.

Administration & Special Projects and Systems Integration oversee and support the daily operations of the Financial Management program. Their main objective is to assist 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 and maintenance of the Beach Maintenance Funds.

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

FUNDS MANAGEMENT

The Funds Management program area is responsible for all of the strategic and tactical financial operations related to the financing mechanisms associated with the programs administered by the Veterans' Land Board of the State of Texas (VLB). Within that construct, Funds Management plans and manages the issuance of all tax-exempt and taxable bonds for the VLB and hedges associated interest rate risk by entering into interest rate swaps and other bond enhancement agreements. In addition, it oversees the financial operations of the VLB loan programs, including the certification and sale of GNMA pass-through mortgage-backed securities in the secondary market. Funds Management also manages the Veterans' Land Board investment portfolio to maximize return and minimize risk, while ensuring that programmatic liquidity and cash flow needs are satisfied. The program also ensures that the Veterans' Land Board investment portfolio maintains compliance with federal arbitrage regulations. Finally, 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 of potential investments, obtaining due diligence reports from 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

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Statement, managing the PSF's external accounting/custody/performance measurement entity, managing relationships with external investment fund managers, and preparing and presenting Quarterly Investment Reports to the IAC and SLB.

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

HUMAN RESOURCES

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

- posts agency job vacancies, attends job fairs and works to recruit diverse and qualified applicants, reviews hiring recommendations, and conducts new hire orientation;
- 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;
- maintains agency personnel information and statistics for internal, as well as for external, reporting needs;
- 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; 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: Administrative Services, Business Automation Services and Network Services.

The Administrative Services Division encompasses the administrative support and operations staff. The support

staff is responsible for the in-house training program; computer equipment and software inventory and licensing, agency-wide mail processing, document imaging and IT budgeting, planning, and legislative reporting including Biennial Operating Plan, Information Systems Strategic

Plan, Legislative Appropriations Requests and others. This group also processes revenue from all applications that distribute monies to the agency's subsidiary ledgers.

The Business Automation Services Division automates agency business services, processes, and workflow; develops custom business software for core agency business functions; integrates commercial business software and services with agency business systems; trains employees to use the software; and ensures that the agency business systems evolve through ongoing improvement and maintenance. The division produces custom GIS maps for agency staff and the public and manages and maintains the GLO internal and external websites.

Network Services Division is an enabler of business opportunity. The division is responsible for planning, designing, and managing 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 mail 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, commercial leases, surface leases, easements, boundary and title disputes, vacancies, and any other issue related to real property and the acquisition, disposition, and management of rural lands dedicated to the Permanent School Fund, including surface leases, coastal and miscellaneous easements, boundary determination, and title disputes.

The Oil and Gas team provides advice regarding state ownership and leasing of oil, gas, and other minerals. These issues include lease maintenance, pooling and unitization, the Relinquishment Act, Railroad Commission rules and orders, geophysical permits, and royalty audits and collections. Also, the Oil and Gas division provides advice about the energy marketing and the royalty-in-kind program.

The Coastal team advises agency clients on general legal matters and issues related to (i) the beach/dune system and other coastal resources, including protection of the public beach easement, coastal erosion response, hazard mitigation, natural resource damage assessments, the Texas Coastal Management Program, oil spill prevention and response, the coastal compliance program, and wetlands mitigation banking; and (ii) acquisition, disposition, and management of coastal lands dedicated to the Permanent School Fund, including surface leases, coastal and miscellaneous easements, boundary determinations, and title disputes.

The Administration team provides legal services for litigation and vacancy processing and determination, contracting, purchasing, open records, open meetings, rulemaking, legislation, employment, ethics, 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

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Texas General Land Office and Veterans' Land Board in a timely and helpful manner, and provides a single, consistent voice for the Texas General Land Office. The Office of Communications writes and disseminates news releases, advisories, articles and other informational pieces about the Texas General Land Office. The division also arranges public events to publicize agency activities and programs, provides briefing materials for the land commissioner, educates Texans on the benefits and programs offered by the Texas General Land Office, and keeps Texans informed of response efforts in the event of major oil spills. Additional duties include designing the agency's publications and web site, creating high-quality video products to highlight agency programs and events, and videotaping agency events and making copies available to the news media as another means of spreading the agency's message. The division also takes photographs at agency events and provides publications regarding agency programs, initiatives and benefits.

OIL SPILL PREVENTION AND RESPONSE

The Oil Spill Prevention and Response Act of 1991 (OSPRE) designated the Texas General Land Office as the lead state agency for the prevention of and response to oil spills in coastal waters. The program is funded by a one – one-third-cent-per-barrel fee on crude oil loaded or off-loaded in Texas ports by vessel. Revenue is deposited in the Coastal Protection Fund, which is capped at \$20 million.

Mounting an efficient and effective response is a primary objective of the Oil Spill Prevention and Response program area. Five regional offices have been opened to respond to almost 950 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 conduct audits, inspections, and harbor patrols by boat and vehicle; maintain response equipment; participate in oil spill response exercises with marine and shore-based industries; and provide public education services about oil spill prevention and response.

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

a ready condition and is available to supplement spill contractor and industry-owned equipment.

OSPRE requires all facilities that handle oil and pose a threat to coastal waters to submit contingency plan information to the Texas General Land Office for review and certification. These plans, which are periodically audited by field personnel, detail spill response strategies, identify sensitive natural resources, and list trained personnel and inventories of spill response equipment. Over 605 facilities 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 2,400 company accounts representing over 20,000 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 2010, significant improvements were made to the bilge facility in Freeport, and improvements were also made to the skid mounted bilge pump-out units in Corpus Christi. 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 1.8 million gallons of contaminated water have been cleaned and 1 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 30,000 oversized used oil filters have been recycled.

Since the Oil Spill Prevention and Response program was given enhanced authority to deal with the growing problem of abandoned vessels along the Texas coast, the program has overseen the removal of over 200 vessels, including the removal of 125 vessels related to Hurricane Ike. Although no state funds have been appropriated for vessel removals, the program has applied for grant funding through the Coastal Impact Assistance Program and will

continue to develop partnerships with local entities and NGOs to facilitate vessel removals.

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

- *Public Education.* Informs the oil industry, maritime community, environmental groups, and the general public about the mission of the oil spill program and its services, which is an important component of the goal to reduce discharges of petroleum products into coastal waters.
- *Emergency Management.* Maintains liaison with local emergency planning committees, local emergency management coordinators, and disaster district officials; this is essential for gathering local stakeholder input during major spill events. Maintains current contact information for elected officials in all coastal counties.
- *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 natural resource information during spill events, which is a critical component for a successful cleanup operation. Knowledge of endangered species, shoreline types, rookeries, and sensitive areas is essential to guide a response. Maintenance of offshore data buoys and trajectory modeling capability is also a component of this function.
- *Research and Development.* The Oil Spill Prevention and Response program is one of only a few state programs that fund oil spill-related research. Groundbreaking dispersant, shoreline cleaner, bioremediation studies, and HF radar have been funded and directed by the program.
- *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.

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.

POLICY AND GOVERNMENTAL AFFAIRS

Policy and Governmental Affairs supports the land commissioner and the Texas General Land Office by monitoring and analyzing federal and state legislation impacting the agency; building cooperative working relationships with local, state, and federal officials on issues under the agency's responsibility; initiating legislative contacts or responding to inquiries about agency programs and services; and ensuring the land commissioner's legislative proposals and priorities are properly represented and implemented.

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

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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 2010, the program was mandated by the Texas Natural Resources Code to appraise all real property owned by one of the largest state agencies, the Texas Department of Criminal Justice. In Fiscal Year 2010, appraisers continued assessing the value and utilization of property owned by another large state agency, the Texas Department of Transportation.

Under the Veterans' Land Board programs, appraisers assisted thousands of Texas veterans applying for loans by evaluating the property involved in their land, housing, or home improvement loans. Meeting the challenge through teamwork and coordination, Appraisal had another busy year, producing 2,866 reports on properties having a total market value of over \$3,220,672,143.00.

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 9,300 instruments of authorization for various upland and coastal uses of state-owned land in Fiscal Year 2010.

Asset Inspection consists of Uplands and Coastal Leasing, the Lower Coast Field Office, Upper Coast Field Office and the Uplands Field Office.

Uplands Leasing is responsible for over 719,500 acres of Permanent School Fund land located throughout 150 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 1,395 active upland surface leases, commercial leases, and miscellaneous easements on 616,283 acres of Permanent School Fund land. The Uplands range specialists completed 358 inspections in Fiscal Year 2010.

Coastal 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. Coastal Leasing also issues permits, easements, and leases on all state-owned coastal lands, including submerged lands in bays and within tidewater limits of coastal lakes, bayous, inlets, streams, estuaries, rivers, and creeks.

The Upper and Lower Coast Field Offices work directly with Coastal Leasing, and together, during Fiscal Year 2010, managed over 8,000 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 1,734 inspections in Fiscal Year 2010 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 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.

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 768,000 acres of Permanent School Fund uplands; an estimated 200,000 miles of boundary between private and state ownership along navigable streams; and between private uplands and state-owned submerged lands along the Texas Gulf Coast.

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 31 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.

RENEWABLE ENERGY

The Renewable Energy program area is responsible for seven functions related to the development of sustainable and renewable energy on state-owned land.

The program issues leases for geothermal, wind, and solar power production on state-owned land. Additionally, the program evaluates state lands for wind power and solar energy and other alternative energies potential and value; ensures lease compliance with state laws and agency policy; participates in lease sales for the Permanent School Fund (PSF) and makes recommendations to the School Land Board for final leasing consideration.

The program is involved in receiving monies from geothermal, wind power, and solar energy produced on state-owned lands and allocating those monies to the Permanent School Fund.

As part of a comprehensive approach to energy use, the program works to evaluate the sustainable energy development of state-owned lands, and organizes an annual United States-Mexico Border Energy Forum to ensure that the latest developments affecting natural gas and electric markets are readily accessible.

Finally, the program operates a natural gas initiative and incentive grant program to encourage the use of natural gas taken from state-owned lands in public customer fleets.

VETERANS' LAND BOARD (VLB)

The executive secretary/deputy commissioner, assistant executive secretary/associate deputy commissioner, division directors, and the Veterans' Land Board staff execute policy and supervise six major divisions of the program: Administration, Communications Center/Outreach Marketing, Loan Origination, Loan Servicing, Texas State Veterans Cemeteries and Texas States Veterans Homes.

The Administration division oversees the day-to-day operation of the Veterans' Land Board. 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 and long-term care industries. The division also oversees the Texas State Veterans Cemetery Program and future State of

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Texas David A. Gloier Texas State Veterans Homes projects.

The Communication Center 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 6:00 p.m. weekdays, with an ongoing 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 Outreach Marketing division develops and implements a strategy and marketing plan 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 Origination 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 Loan Servicing division 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 Servicing 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 Servicing 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.

The Texas State Veterans Home division oversees the operation of long-term skilled care nursing homes in Amarillo, Floresville, Temple, Big Spring, Bonham, El Paso, and McAllen. An eighth state veterans home is under construction in Tyler. We anticipate dedication of the home and it's opening in late CY 2012. It also oversees the planning process for additional homes. The division 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.

