

ANNUAL
FINANCIAL REPORT

Texas Education Agency

For the Twelve Months Ending
August 31, 2018

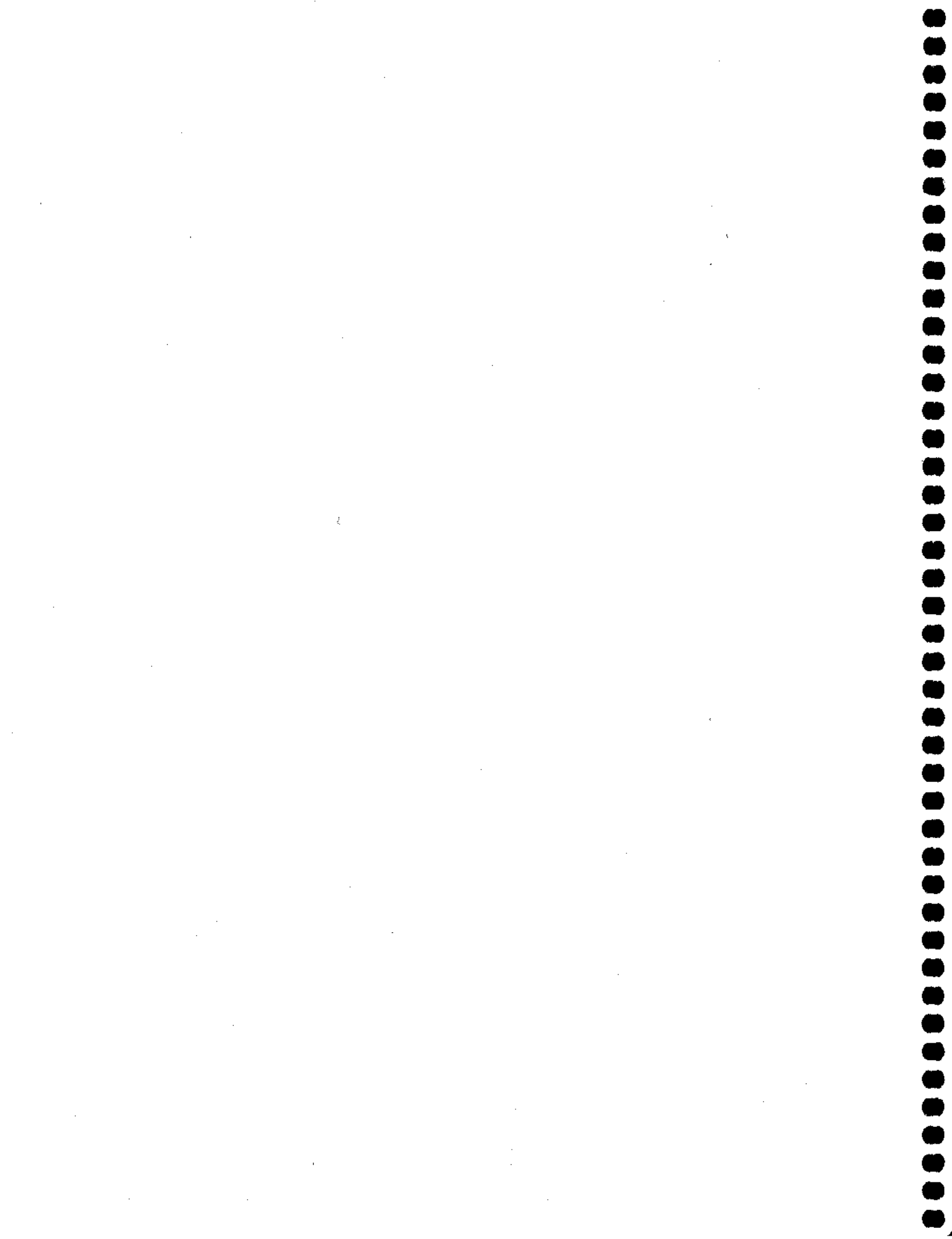






TEXAS EDUCATION AGENCY
Austin, Texas

Year Ended August 31, 2018





Texas Education Agency

Commissioner Mike Morath

1701 North Congress Avenue • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • tea.texas.gov

November 20, 2018

Honorable Gregg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Ursula Parks, Director, Legislative Budget Board
Lisa R. Collier, CPA, State Auditor's Office

We are pleased to submit the Annual Financial Report of the Texas Education Agency for the year ended August 31, 2018, in compliance with Texas Government Code Annotated, Section 2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

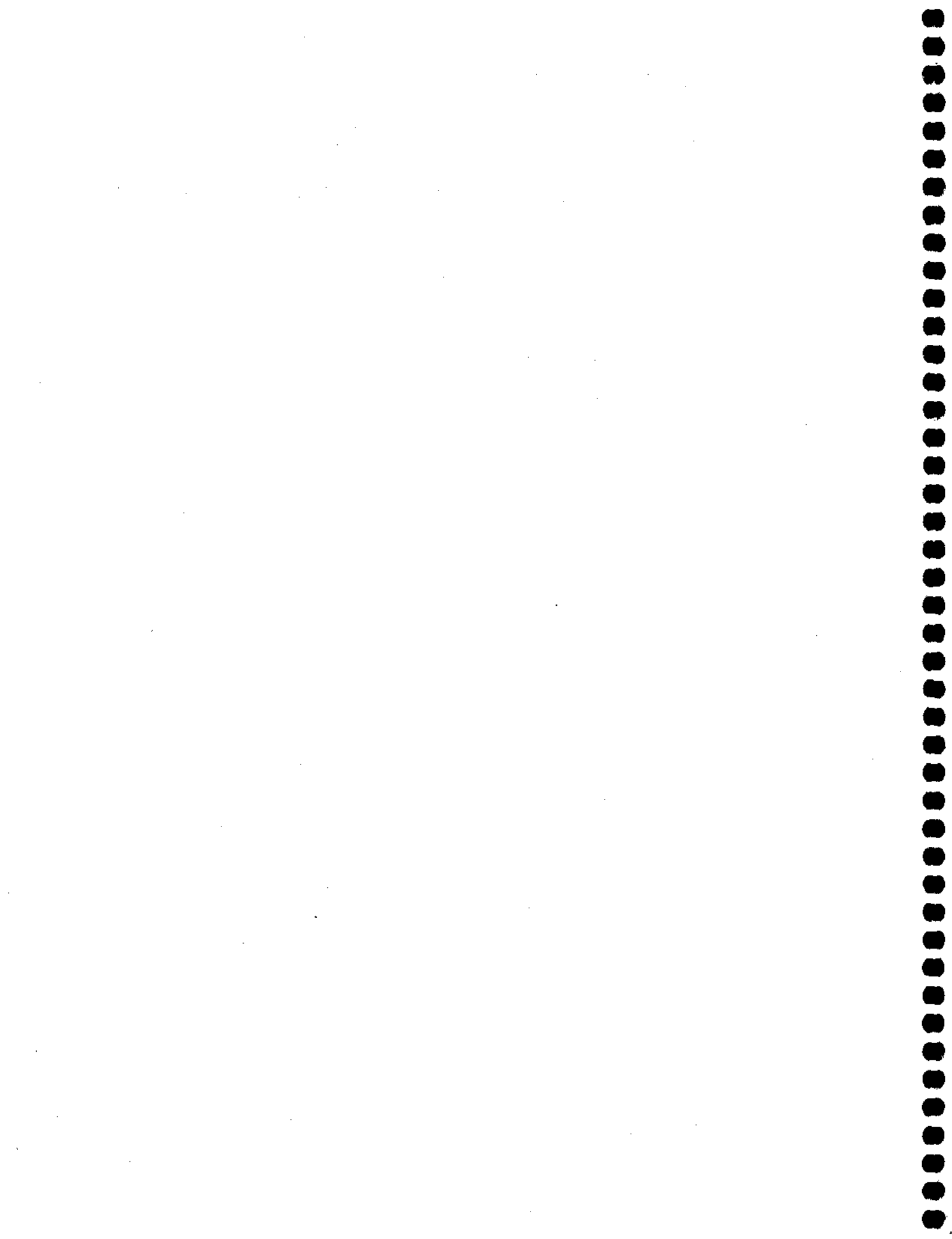
Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial 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 (CAFR)*; 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 Mary Ann Uranga Gill, Chief Financial Officer at (512) 463-9071.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Morath", is written over a faint, larger version of the signature.

Mike Morath
Commissioner of Education



TEXAS EDUCATION AGENCY

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Texas Education Agency (701)
Exhibit I
Combined Balance Sheet/Statement of Net Assets -
Governmental Funds
 August 31, 2018

	Governmental Fund Types			Governmental Funds
	General (Exhibit A-1)	Special Revenue Fund 002	Permanent Fund Fund 0044	Total FY2018
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 140.00	\$ 0.00	\$ 0.00	\$ 140.00
Cash in Bank (Note 3)	25,000.00	0.00	3,897,221.97	3,922,221.97
Cash in State Treasury	1,028,878,131.89	21,004,461.08	47,852,962.17	1,097,735,555.14
Cash Equivalents	0.00	0.00	13,400,990.00	13,400,990.00
Securities Lending Collateral (Note 3)	0.00	0.00	2,212,055,255.98	2,212,055,255.98
Short-Term Investments	28,035.63	0.00	134,980,081.32	135,008,116.95
Legislative Appropriations	115,902,609.56	0.00	0.00	115,902,609.56
Receivables:				
Federal	786,088,797.26	0.00	0.00	786,088,797.26
Intergovernmental	528,232,462.00	0.00	0.00	528,232,462.00
Interest and Dividends	1,856,882.80	251,925.18	73,182,963.56	75,091,771.54
Accounts	0.00	0.00	1,042,500.00	1,042,500.00
Taxes	0.00	77,726,084.88	0.00	77,726,084.88
Investment Trade Receivable	0.00	0.00	10,492,592.56	10,492,592.56
Interfund Receivables (Note 12)	442,004.34	0.00	0.00	442,004.34
Due From Other Agencies (Note 12)	151,875,745.66	75,681,688.94	0.00	227,557,434.90
Consumable Inventories	71,995.69	0.00	0.00	71,995.69
Total Current Assets	\$ 2,613,201,805.13	\$ 174,664,160.06	\$ 2,496,904,567.56	\$ 5,284,770,532.75
Non-Current Assets:				
Receivables:				
Investments (Note 3)	\$ 7,036,917.58	\$ 0.00	\$ 33,747,441,549.39	\$ 33,754,478,466.97
Capital Assets (Note 2):				
Non-Depreciable or Non-Amortizable	0.00	0.00	0.00	0.00
Depreciable or Amortizable, Net	0.00	0.00	0.00	0.00
Total Non-Current Assets	\$ 7,036,917.58	\$ 0.00	\$ 33,747,441,549.39	\$ 33,754,478,466.97
Total Assets	\$ 2,620,238,722.71	\$ 174,664,160.06	\$ 36,244,346,116.95	\$ 39,039,248,999.72
DEFERRED OUTFLOWS				
Deferred Outflow of Revenues	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Deferred Outflows	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Payables:				
Accounts	\$ 853,428,243.46	\$ 0.00	\$ 2,277,618.15	\$ 855,705,861.61
Other Intergovernmental	279,339,296.00	0.00	0.00	279,339,296.00
Payroll	6,843,057.70	0.00	1,028,211.14	7,871,268.84
Other	0.00	0.00	415.91	415.91
Investment Trade Payable	0.00	0.00	60,073,270.51	60,073,270.51
Interfund Payables (Note 12)	442,004.34	0.00	0.00	442,004.34
Due to Other Agencies (Note 12)	7,222,924.77	0.00	0.00	7,222,924.77
Unearned Revenues	996,090.20	0.00	0.00	996,090.20
Employee Compensable Leave (Note 5)	0.00	0.00	0.00	0.00
Obligations / Securities Lending	0.00	0.00	2,237,804,964.01	2,237,804,964.01
Total Current Liabilities	\$ 1,148,271,616.47	\$ 0.00	\$ 2,301,184,479.72	\$ 3,449,456,066.19
Non-Current Liabilities:				
Employee Compensable Leave (Note 5)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Non-Current Liabilities	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Liabilities	\$ 1,148,271,616.47	\$ 0.00	\$ 2,301,184,479.72	\$ 3,449,456,066.19
DEFERRED INFLOWS				
Deferred Inflow of Resources	\$ 0.00	\$ 0.00	\$ 31,759,268.39	\$ 31,759,268.39
Total Deferred Inflows	\$ 0.00	\$ 0.00	\$ 31,759,268.39	\$ 31,759,268.39
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable	\$ 71,995.69	\$ 0.00	\$ 32,644,387,395.37	\$ 32,644,459,391.06
Restricted	943,146,145.57	174,664,160.06	1,267,014,873.47	2,384,825,279.10
Committed	454,485,244.12	0.00	0.00	454,485,244.12
Assigned	0.00	0.00	0.00	0.00
Unassigned	74,263,720.86	(0.00)	0.00	74,263,720.86
Total Fund Balances	\$ 1,471,967,106.24	\$ 174,664,160.06	\$ 33,911,402,368.84	\$ 35,558,033,635.14
Total Liabilities, Deferred Inflows and Fund Balances	\$ 2,620,238,722.71	\$ 174,664,160.06	\$ 36,244,346,116.95	\$ 39,039,248,999.72
Government-wide Statement - Net Position				
Net Position:				
Invested in Capital Assets, Net of Related Debt				
Restricted				
Expendable				
Unrestricted				
Total Net Position				

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

Statewide Adjustments			Statement of Net Position FY2018
Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	
\$ 0.00	\$ 0.00	\$ 0.00	\$ 140.00
0.00	0.00	0.00	3,922,221.97
0.00	0.00	0.00	1,097,735,555.14
0.00	0.00	0.00	13,400,990.00
0.00	0.00	0.00	2,212,055,255.98
0.00	0.00	0.00	135,008,116.95
0.00	0.00	0.00	115,902,609.56
0.00	0.00	0.00	786,088,797.26
0.00	0.00	0.00	528,232,462.00
0.00	0.00	0.00	75,091,771.54
0.00	0.00	0.00	1,042,500.00
0.00	0.00	0.00	77,726,084.86
0.00	0.00	0.00	10,492,592.56
0.00	0.00	0.00	442,004.34
0.00	0.00	0.00	227,557,434.90
0.00	0.00	0.00	71,895.69
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 5,284,770,532.75</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 33,754,478,466.97
40,000.00	0.00	0.00	40,000.00
38,730,536.53	0.00	0.00	38,730,536.53
<u>\$ 38,770,536.53</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 33,793,249,003.50</u>
<u>\$ 38,770,536.53</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 39,078,019,536.25</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 855,705,861.61
0.00	0.00	0.00	279,339,296.00
0.00	0.00	0.00	7,671,268.84
0.00	0.00	0.00	415.91
0.00	0.00	0.00	60,073,270.51
0.00	0.00	0.00	442,004.34
0.00	0.00	0.00	7,222,924.77
0.00	0.00	0.00	996,090.20
0.00	4,494,573.12	0.00	4,494,573.12
0.00	0.00	0.00	2,237,804,964.01
<u>\$ 0.00</u>	<u>\$ 4,494,573.12</u>	<u>\$ 0.00</u>	<u>\$ 3,453,950,669.31</u>
<u>\$ 0.00</u>	<u>\$ 2,519,357.93</u>	<u>\$ 0.00</u>	<u>\$ 2,519,357.93</u>
<u>\$ 0.00</u>	<u>\$ 2,519,357.93</u>	<u>\$ 0.00</u>	<u>\$ 2,519,357.93</u>
<u>\$ 0.00</u>	<u>\$ 7,013,931.05</u>	<u>\$ 0.00</u>	<u>\$ 3,456,470,027.24</u>
\$ 0.00	\$ 0.00	\$ (31,759,268.39)	\$ 0.00
\$ 0.00	\$ 0.00	\$ (31,759,268.39)	\$ 0.00
			\$ 32,644,459,391.06
			2,384,825,279.10
			454,485,244.12
			0.00
			74,263,720.86
			<u>\$ 35,558,033,635.14</u>
\$ 38,770,536.53	\$ 0.00	\$ 0.00	\$ 38,770,536.53
0.00	0.00	31,759,268.39	31,759,268.39
0.00	(7,013,931.05)	0.00	(7,013,931.05)
<u>\$ 38,770,536.53</u>	<u>\$ (7,013,931.05)</u>	<u>\$ 31,759,268.39</u>	<u>\$ 35,621,549,509.01</u>

Texas Education Agency (701)
Exhibit II
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balance/Statement of Activities - Governmental Funds
 For the fiscal year ended August 31, 2018

	Governmental Fund Types			Governmental Funds Total FY2018
	General (Exhibit A-2)	Special Revenue Fund 0002	Permanent Fund Fund 0044	
REVENUES				
Legislative Appropriations:				
Original Appropriations	\$ 201,770,830.00	\$ 0.00	\$ 0.00	\$ 201,770,830.00
Additional Appropriations	9,386,865.98	0.00	0.00	9,386,865.98
Taxes	0.00	902,168,592.40	0.00	902,168,592.40
Federal Revenue (Sch. 1A)	5,326,951,914.30	0.00	0.00	5,326,951,914.30
Federal Grant Pass-Through Revenue (Sch. 1A)	20,972,688.23	0.00	0.00	20,972,688.23
Licenses, Fees and Permits	4,831,306.67	0.00	0.00	4,831,306.67
Interest and Other Investment Income	10,742,211.23	2,351,393.55	950,580,790.23	963,674,395.01
Net Increase (Decrease) in Fair Value	24,495.37	0.00	1,351,257,480.90	1,351,281,976.27
Sales of Goods and Services	26,694.00	0.00	0.00	26,694.00
Other	2,031,049,936.99	0.00	0.00	2,031,049,936.99
Total Revenues	\$ 7,605,756,942.77	\$ 904,519,985.95	\$ 2,302,546,339.85	\$ 10,812,823,268.57
EXPENDITURES				
Salaries and Wages	\$ 58,855,794.06	\$ 0.00	\$ 12,302,547.54	\$ 71,158,341.60
Payroll Related Costs	18,331,487.18	0.00	2,662,484.65	20,993,971.73
Professional Fees and Services	174,284,850.34	0.00	6,208,132.18	180,492,982.52
Travel	1,033,907.84	0.00	194,789.08	1,228,696.92
Materials and Supplies	661,547.55	0.00	53,613.07	715,160.62
Communication and Utilities	5,976,123.83	0.00	3,705,945.87	9,682,069.70
Repairs and Maintenance	569,113.35	0.00	99,418.80	668,532.15
Rentals and Leases	2,145,287.55	0.00	1,007,789.43	3,153,076.98
Printing and Reproduction	53,979.62	0.00	15,950.33	69,929.95
Claims and Judgements	11,500.00	0.00	0.00	11,500.00
Federal Grant Pass Through Expenditures (Sch. 1A)	72,452,755.59	0.00	0.00	72,452,755.59
State Grant Pass Through Expenditures (Sch. 1B)	129,625,159.95	862,685.00	0.00	130,487,844.95
Intergovernmental Payments	25,682,896,811.02	1,026,093,488.00	0.00	26,708,990,099.02
Public Assistance Payments	43,879,391.89	0.00	0.00	43,879,391.89
Other Expenditures	9,482,009.07	0.00	41,049,829.51	50,531,838.58
Capital Outlay	70,296.33	0.00	4,814.51	75,110.84
Depreciation and Amortization Expense	0.00	0.00	0.00	0.00
Total Expenditures / Expenses	\$ 26,200,329,815.17	\$ 1,026,956,173.00	\$ 67,305,314.87	\$ 27,294,591,303.04
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (18,594,572,872.40)	\$ (122,436,187.05)	\$ 2,235,241,024.98	\$ (16,481,768,034.47)
OTHER FINANCING SOURCES (USES):				
Transfers In (Note 12)	\$ 19,946,184,558.36	\$ 1,235,835,058.08	\$ 235,000,000.00	\$ 21,417,019,616.44
Transfers Out (Note 12)	(200,296,678.75)	(1,119,835,058.08)	(1,235,835,058.08)	(2,555,966,794.91)
Total Other Financing Sources (Uses)	\$ 19,745,887,879.61	\$ 116,000,000.00	\$ (1,000,835,058.08)	\$ 18,861,052,821.53
Net Change in Fund Balances / Net Assets	\$ 1,151,315,007.21	\$ (6,436,187.05)	\$ 1,234,405,966.90	\$ 2,379,284,787.06
Fund Financial Statement - Fund Balances				
Fund Balance - September 1,	\$ 334,875,786.72	\$ 181,100,347.11	\$ 32,676,996,401.94	\$ 33,192,972,535.77
Fund Balance, September 1, , as Restated	\$ 334,875,786.72	\$ 181,100,347.11	\$ 32,676,996,401.94	\$ 33,192,972,535.77
Appropriations Lapsed	\$ (14,223,687.69)	\$ 0.00	\$ 0.00	\$ (14,223,687.69)
Fund Balances - August 31, 2018	\$ 1,471,967,106.24	\$ 174,664,160.06	\$ 33,911,402,366.84	\$ 35,558,033,635.14
Government-wide Statement - Net Position				
Change in Net Position				\$ 35,558,033,635.14
Net Position - September 1,				
Net Position, September 1, , as Restated				
Net Position - August 31, 2018				\$ 35,558,033,635.14

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

Statewide Adjustments			
Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities FY2018
\$ 0.00	\$ 0.00	\$ 0.00	\$ 201,770,830.00
0.00	0.00	0.00	9,386,865.98
0.00	0.00	(12,212,342.52)	889,956,249.88
0.00	0.00	0.00	5,326,951,914.30
0.00	0.00	0.00	20,972,688.23
0.00	0.00	0.00	4,831,308.67
0.00	0.00	10,133,903.47	973,808,298.48
0.00	0.00	0.00	1,351,281,976.27
0.00	0.00	0.00	26,694.00
0.00	0.00	0.00	2,031,049,936.89
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (2,078,439.05)</u>	<u>\$ 10,810,744,829.52</u>
\$ 0.00	\$ 456,309.14	\$ 0.00	\$ 71,614,650.74
0.00	0.00	0.00	20,993,971.73
0.00	0.00	0.00	180,492,982.52
0.00	0.00	0.00	1,228,696.92
0.00	0.00	0.00	715,160.62
0.00	0.00	0.00	9,682,069.70
0.00	0.00	0.00	668,532.15
0.00	0.00	0.00	3,153,076.98
0.00	0.00	0.00	69,929.95
0.00	0.00	0.00	11,500.00
0.00	0.00	0.00	72,452,755.59
0.00	0.00	0.00	130,487,844.95
0.00	0.00	0.00	28,708,990,099.02
0.00	0.00	0.00	43,879,391.89
0.00	0.00	0.00	50,531,838.58
(75,110.84)	0.00	0.00	0.00
11,943,329.95	0.00	0.00	11,943,329.95
<u>\$ 11,868,219.11</u>	<u>\$ 456,309.14</u>	<u>\$ 0.00</u>	<u>\$ 27,306,915,831.29</u>
<u>\$ (11,868,219.11)</u>	<u>\$ (456,309.14)</u>	<u>\$ (2,078,439.05)</u>	<u>\$ (16,496,171,001.77)</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 21,417,019,616.44
0.00	0.00	0.00	(2,555,966,794.91)
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 18,861,052,821.53</u>
<u>\$ (11,868,219.11)</u>	<u>\$ (456,309.14)</u>	<u>\$ (2,078,439.05)</u>	<u>\$ 2,384,881,819.76</u>
			\$ 33,192,972,535.77
			\$ 33,192,972,535.77
			\$ (14,223,687.69)
			<u>\$ 35,543,630,667.84</u>
\$ (11,868,219.11)	\$ (456,309.14)	\$ (2,078,439.05)	\$ 35,543,630,667.84
50,638,755.64	(6,557,621.91)	33,837,707.44	77,918,841.17
<u>\$ 50,638,755.64</u>	<u>\$ (6,557,621.91)</u>	<u>\$ 33,837,707.44</u>	<u>\$ 77,918,841.17</u>
<u>\$ 38,770,536.53</u>	<u>\$ (7,013,931.05)</u>	<u>\$ 31,759,268.39</u>	<u>\$ 35,621,549,509.01</u>

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NOTES TO THE FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Entity - The Texas Education Agency is an agency of the State of Texas and its 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*.

The Texas Education Agency consists of the Commissioner of Education and agency staff. The Agency is statutorily charged with administering and monitoring compliance with education programs required by federal or state law and with funding public primary and secondary education in Texas.

Due to the statewide requirements embedded in Government Accounting Standards Board Statement No. 34 (GASB 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.

The Agency does not have any blended or discretely presented component units.

Fund Structure - The accompanying financial statements of the Texas Education Agency are presented on the basis of funds, each of which is considered a separate accounting entity.

Governmental Fund Types & Government-wide Adjustment Fund Types

General Fund - The General Fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for private-purpose trusts or for major capital projects) that are legally restricted to use for specified purposes. The Available School Fund (fund 0002) derives a significant portion of its financing from legally dedicated motor fuel tax revenue. It is restricted to providing funding for schools and funding for the State Instructional Materials Fund (fund 0003).

Permanent Funds - 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 programs of the State of Texas. The annual distribution provided by the fund is calculated using a total return methodology, and by the Texas Constitution, and may be used for purposes that support the programs of the State of Texas. The Permanent School Fund is a permanent fund administered by the State Board of Education in a trustee capacity. All investment activity of the Permanent School Fund is reported in this fund.

Adjustment Fund Types - The Capital Asset Adjustment Fund Type, Long-Term Liabilities Adjustment Fund Type, and Other Adjustments Fund Type are used to convert governmental fund types' capital assets, debt, and other fund type activity from modified accrual to full accrual basis.

Fiduciary Fund Types

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

Agency Funds - Agency Funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

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

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

The Permanent School Fund has implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

The Permanent School Fund is classified as a governmental permanent fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The Permanent School Fund does not present a Statement of Cash Flows because governmental funds are not required to present this statement. Measurement focus refers to the definition of the resource flows measured, and has to do with the types of transactions or events reported in the statement of revenues, expenditures, and changes in fund balance. Basis of accounting refers to the timing of the recognition of transactions or events.

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). 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 Equity

ASSETS

Cash and Cash Equivalents

The money market account held at the Permanent School Fund's Custodian, The Bank of New York Mellon (Custodian), is integral to the Permanent School Fund's cash management activities rather than investment activities. The collateral margin account held at Societe Generale Americas Securities, LLC is integral to the Permanent School Fund's investment management activities.

Investments

Investments are reported at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Fair value is determined on the basis of market valuations provided by the Custodian. Short-term securities, which have maturities less than one year at the time of purchase, are valued at amortized cost, which approximates fair value.

Inventories

Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories that appear in the governmental fund type. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. The capitalization threshold for intangible capital assets is \$1 million for internally generated computer software and \$100,000 for purchased software and intellectual rights. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Purchase of assets by government funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Donated assets are reported at fair value on the acquisition date. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

LIABILITIES

Accounts Payable

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

Other Intergovernmental Payables

Other Intergovernmental Payables represents the amounts owed to school districts in Texas.

Employees' Compensable Leave

Employees' Compensable Leave represents the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets.

Capital Lease Obligations

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or non-current in the statement of net assets.

FUND BALANCE/NET POSITION

The difference between fund assets and liabilities is 'Net Position' on the government-wide statements and the 'Fund Balance' is the difference between fund assets and liabilities on the governmental fund statements.

Fund Balance Components

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* requires that governmental fund balances be classified in the fund financial statements as nonspendable, restricted, committed, assigned and unassigned.

- Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form, such as consumable inventories, or (2) legally or contractually required to be maintained intact.
- Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority.

- Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example a budget or finance committee) or official to which the governing body has delegated the authority to assign amount to be used for specific purposes.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund. Negative fund balances of other fund types are also classified as 'Unassigned'.

Invested in Capital Assets, Net of Related Debt

Invested in Capital Assets, Net of Related Debt, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

Interfund Activity and Transactions

The Agency has the following types of transactions between funds:

- 1) Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- 2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- 3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current"; repayment for two (or more) years is classified as "Non-Current".
- 4) Interfund sales and purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the Agency's interfund receivables and payables at August 31, 2018 is presented in Note 12.

Note 2 Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2018, is presented below:

Primary Government

	Balance 09/01/2017	Adjustments/ Restatements	Reclassifications			Additions	Deletions	Balance 08/31/2018
			Completed CIP	inc-int'gy Trans	Dec-int'gy Trans			
Governmental Activities								
Non-Depreciable Assets:								
Construction in Progress								
Other Tangible Capital Assets	\$ 40,000.00							\$ 40,000.00
Total Non-Depreciable Assets	\$ 40,000.00							\$ 40,000.00
Depreciable Assets:								
Furniture and Equipment	\$ 3,572,024.28					\$ 75,110.84		\$ 3,647,135.12
Vehicles, Boats and Aircraft	\$ 82,082.71							82,082.71
Total Depreciable Assets at Historical Costs	\$ 3,654,106.99					\$ 75,110.84		\$ 3,729,217.83
Less Accumulated Depreciation for:								
Furniture and Equipment	\$ (3,141,923.53)					\$ (164,802.31)		\$ (3,306,725.84)
Vehicles, Boats, and Aircraft	\$ (82,082.71)							(82,082.71)
Total Accumulated Depreciation	\$ (3,224,006.24)					\$ (164,802.31)		\$ (3,388,808.55)
Depreciable Assets, Net	\$ 430,100.75					\$ (89,691.47)		\$ 340,409.28
Amortizable Assets:								
Computer Software	\$ 32,898,872.39							\$ 32,898,872.39
Other Capital Intangible Assets	\$ 79,673,236.68							\$ 79,673,236.68
Total Amortizable Assets - Intangible	\$ 112,572,109.07							\$ 112,572,109.07
Less Accumulated Amortization for:								
Computer Software	\$ (21,782,848.09)					\$ (3,811,208.16)		\$ (25,594,056.25)
Other Intangible Capital Assets	\$ (40,620,606.09)					\$ (7,967,319.48)		(48,587,925.57)
Total Accumulated Amortization	\$ (62,403,454.18)					\$ (11,778,527.64)		(74,181,981.82)
Amortizable Assets - Intangible - Net	\$ 50,168,654.89					\$ (11,778,527.64)		\$ 38,390,127.25
Governmental Activities, Capital Assets, Net	\$ 50,638,755.64					\$ (11,868,219.11)		\$ 38,770,536.53

Note 3 Deposits, Investments, and Repurchase Agreements

Deposits and investments of the Permanent School Fund are exposed to risks that have the potential to result in losses. GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB Statement No. 3* establishes and modifies disclosure requirements related to deposit and investment risks. Deposit risks include custodial credit and foreign currency risk. Investment risks include credit risk (custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. This statement applies to all state and local governments.

The Texas Constitution and applicable statutes delegate to the State Board of Education the authority and responsibility for investment of the Permanent School Fund (PSF or Fund) excluding investment of the land endowment, which is the responsibility of the School Land Board. In making these investments, the State Board of Education is charged with exercising the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income there from as well as the probable safety of their capital. The PSF is authorized to purchase, sell, and invest its funds and funds under its control in accordance with the Texas Administrative Code. The deposit policy of the Fund states that all residual cash must be invested on a daily basis. Permissible investments subject to Constitutional and State Board of Education imposed restrictions include the following:

- a) Equities listed on well recognized principal U. S. or foreign exchanges or nationally recognized over-the-counter markets, including common or preferred stocks; futures; corporate bonds, debentures, convertible preferred corporate stocks that may be converted into equities; and, investment trusts.
- b) Fixed income securities, including U. S. or foreign treasury or government agency obligations, U. S. or foreign corporate bonds, asset or mortgage backed securities, taxable municipal obligations, Yankee bonds, supranational bonds denominated in U. S. dollars, and 144A securities. Fixed income securities must be rated at least BBB- by Standard and Poor's, Baa3 by Moody's and BBB by Fitch at time of purchase. Fixed income securities may not be purchased unless there is stated par value amount due at maturity.
- c) Short term U. S. Government or U. S. Government agency securities, money market funds, corporate discounted instruments, corporate-issued commercial paper, U. S. or foreign bank time deposits, bankers acceptances, and fully collateralized repurchase agreements. Short term money market instruments must be rated at least A-1 by Standard and Poor's or P-1 by Moody's at time of purchase.
- d) Real estate investments in real properties as well as investments in real estate related securities and real estate related debt.
- e) Private equity investments including, but not limited to venture capital, buy-out investing, mezzanine financing and distressed debt.
- f) Absolute return investments.
- g) Real return investments.
- h) Risk parity.
- i) Any new form of investment or non-publicly traded investment approved by the SBOE based on risk and return characteristics consistent with the Fund's goals and objectives.
- j) Currency hedging strategies, as approved by the State Board of Education, for international portfolios.

Cash

The Cash in Bank amount includes \$25,000.00 for the Travel Cash in Bank account at August 31, 2018. The Cash in Bank for the PSF amount represents the U. S. dollar equivalent of amounts held in foreign currencies for which trade settlement is pending and dividend payments that are awaiting repatriation, totaling \$3,897,221.97. The total cash in bank available as of August 31, 2018 is as follows:

	Bank Balance
Cash in Bank - Travel Advance	\$ 25,000.00
Cash in Bank - Permanent School Fund	3,897,221.97
Total Cash in Bank (Exh. I)	\$ 3,922,221.97

Investments

Security transactions are recorded on a trade date basis. Public market investments, except those held within the alternative investments, are registered in the nominee name of The Bank of New York Mellon, the Custodian of the Permanent School Fund, at the Depository Trust Company. At the Custodian, the securities are held in the name of the Permanent School Fund. Certain physical securities are held in the name of the Fund. Alternative investments are held within LLCs (limited liability companies) or LPs (limited partnerships) in the name of the Texas Education Agency.

Investments recorded as of August 31, 2018 are as follows:

Permanent School Fund - Investments	Recorded Value
Absolute Return Investments	\$ 3,521,819,970.88
Real Estate Investments	2,541,299,208.09
Private Equity Investments	3,115,327,740.32
Risk Parity Strategies	2,306,404,334.10
Real Return - Commodities	969,350,102.84
Domestic Equity	7,577,405,666.09
International Equity – Foreign Currency Denominated	4,954,578,327.36
International Equity – USD Denominated (ADR/GDR)	263,340,396.02
International Equity – Emerging Markets	923,271,012.19
Emerging Market Debt	2,112,907,327.18
Asset Backed Securities	32,604,182.84
Collateralized Loan Obligations	279,059,902.11
Commercial Mortgage Backed Securities	70,367,569.74
Corporate Obligations	1,163,152,136.95
Non Agency Mortgage Backed Securities	99,192,631.21
Non-U.S. Government Agency Obligations	96,574,878.04
Non-U.S. Government Sovereign Debt Obligations	78,843,455.00
U.S. Government Agency Commercial Mortgage Backed Securities	41,044,766.65
U.S. Government Agency Mortgage Backed Securities	713,357,393.47
U.S. Government Agency Obligations	155,020,812.00
U.S. Taxable Municipal Bonds	62,417,314.21
U.S. Treasury Securities	1,640,768,931.16
U.S. Treasury TIPS	1,042,734,480.94
Total Investments (Exh. I)	\$ 33,760,842,539.39

Charter District Bond Guarantee Reserve Fund - Investments	Recorded Value
Fixed Income Exchange Traded Funds	\$ 7,036,917.58
Total Investments (Exh. I)	\$ 7,036,917.58

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

GASB 72 defines "fair value" as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy under GASB 72 are described below:

- Level 1 inputs – Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 inputs – Inputs, other than quoted prices in active markets that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 Inputs – Prices or valuations that require inputs that are both significant to the fair measurement and unobservable. Valuation under Level 3 generally involves a significant degree of judgment from management. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for the investments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment.

In accordance with GASB 72, valuation techniques used for assets and liabilities accounted for at fair value are generally categorized into three types:

1. Market approach valuation techniques use prices and other relevant information from market transactions involving identical or comparable assets or liabilities. Valuation techniques consistent with the market approach include comparables and matrix pricing. Comparables use market multiples, which might lie in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment, considering both quantitative and qualitative factors specific to the measurement. Matrix pricing is a mathematical technique used principally to value certain securities without relying exclusively on quoted prices for the specific securities, but comparing the securities to benchmark or comparable securities.

2. Income approach valuation techniques convert future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. These techniques rely on current market expectations of future amounts. Examples of income approach valuation techniques include present value techniques; option-pricing models, binomial or lattice models that incorporate present value techniques; and the multi-period excess earnings method.
3. Cost approach valuation techniques are based upon the amount that, at present, would be required to replace the service capacity of an asset, or the current replacement cost. That is, from the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to market participant (buyer) to acquire or construct a substitute asset of comparable utility.

The three approaches described above are consistent with generally accepted valuation methodologies. While all three approaches are not applicable to all assets or liabilities accounted for at fair value, where appropriate and possible, one or more valuation techniques may be used. The selection of the valuation method to apply considers the definition of an exit price and the nature of the asset being valued, and significant expertise and judgment is required. For assets accounted for at fair value, the valuation selected is generally the market or income approach. For the year ended August 31, 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following table presents information about the Permanent School Fund's assets measured at fair value as of August 31, 2018.

Domestic Equity Portfolios	Level 1	Level 2	Level 3	Total
Advertising, Media, & Publishing	\$ 148,943,808.68			\$ 148,943,808.68
Aerospace & Defense	168,444,230.82			168,444,230.82
Agriculture & Environment	83,797,097.27			83,797,097.27
Banking & Finance	849,303,986.40			849,303,986.40
Biotechnology & Chemistry	301,979,836.84			301,979,836.84
Business Services	193,956,747.31			193,956,747.31
Capital Goods & Vehicles	3,104,905.45			3,104,905.45
Construction & Machinery	198,287,704.01			198,287,704.01
Consumer Goods	619,819,422.34			619,819,422.34
Energy & Utilities	701,047,029.59			701,047,029.59
Food & Beverage	218,468,415.12			218,468,415.12
Health & Pharmaceutical	845,196,937.54			845,196,937.54
Industrial Commodities	50,608,099.39			50,608,099.39
Industrial Manufacturing	199,817,430.33			199,817,430.33
Information Technology & Electronics	1,865,460,408.69			1,865,460,408.69
Insurance	304,191,218.37			304,191,218.37
Investment Management	319,749,272.07			319,749,272.07
Other	18,529,302.83			18,529,302.83
Packaging	23,748,876.39			23,748,876.39
Real Estate	10,603,940.91			10,603,940.91
Telecommunications	205,583,769.86			205,583,769.86

Travel & Entertainment	246,763,225.88			246,763,225.88
Subtotal – Domestic Equity	\$ 7,577,405,666.09			\$7,577,405,666.09

International Equity Portfolios	Level 1	Level 2	Level 3	Total
Advertising, Media, & Publishing	\$ 52,290,142.32			\$ 52,290,142.32
Aerospace & Defense	56,024,757.87			56,024,757.87
Agriculture & Environment	19,119,771.78			19,119,771.78
Banking & Finance	819,295,288.41			819,295,288.41
Biotechnology & Chemistry	187,656,298.07			187,656,298.07
Capital Goods & Vehicles	18,787,870.70			18,787,870.70
Commercial Services	88,798,934.29			88,798,934.29
Communications	215,705,558.28			215,705,558.28
Construction & Machinery	292,205,405.02			292,205,405.02
Consumer Goods	437,623,691.53			437,623,691.53
Energy & Utilities	632,129,041.95			632,129,041.95
Food & Beverage	334,463,737.48			334,463,737.48
Health & Pharmaceutical	408,008,372.92			408,008,372.92
Industrial Commodities	122,147,583.16			122,147,583.16
Industrial Manufacturing	249,610,200.49			249,610,200.49
Information Technology & Electronics	585,369,602.41			585,369,602.41
Insurance	268,806,680.28			268,806,680.28
Investment Management	147,611,625.78			147,611,625.78
Packaging	3,786,308.69			3,786,308.69
Real Estate	110,360,524.79		14.59	110,360,539.38
Travel & entertainment	168,117,312.57			168,117,312.57
Subtotal - International Equity	\$ 5,217,918,708.79		\$ 14.59	\$ 5,217,918,723.38

Fixed Income Portfolio	Level 1	Level 2	Level 3	Total
Asset Backed Securities		\$ 32,604,182.84		\$ 32,604,182.84
Collateralized Loan Obligations		279,059,902.11		279,059,902.11
Commercial Mortgage Backed Securities		70,367,569.74		70,367,569.74
U.S. Government Agency Commercial Mortgage Backed Securities		41,044,766.65		41,044,766.65
Corporate Obligations		1,163,152,136.95		1,163,152,136.95
Non-Agency Mortgage Backed Securities		99,192,631.21		99,192,631.21

Fixed Income Portfolio	Level 1	Level 2	Level 3	Total
Non-U.S. Government Agency Obligations		96,574,878.04		96,574,878.04
Non-U.S. Sovereign Government Debt Obligations		78,843,455.00		78,843,455.00
U.S. Government Agency Obligations		155,020,812.00		155,020,812.00
U.S. Government Agency Mortgage Backed Securities		713,357,393.47		713,357,393.47
U.S. Taxable Municipal Obligations		62,417,314.21		62,417,314.21
U.S. Treasury Securities	1,640,768,931.16			1,640,768,931.16
Subtotal – Fixed Income	\$ 1,640,768,931.16	\$ 2,791,635,042.22		\$ 4,432,403,973.38
Real Return Portfolio	Level 1	Level 2	Level 3	Total
U.S. Treasury TIPS	\$ 1,042,734,480.94			\$ 1,042,734,480.94
U.S. Treasury Securities	160,271,257.98			160,271,257.98
Subtotal – Real Return	\$ 1,203,005,738.92			\$ 1,203,005,738.92
Total investment by fair value level	\$ 15,639,099,044.96	\$ 2,791,635,042.22	\$ 14.59	\$ 18,430,734,101.77

The Fund measures the fair value of its securities lending program cash collateral by the same methodology described above, as follows:

Invested Securities Lending Collateral	Level 1	Level 2	Level 3	Fair Value
Asset Backed Floating Rate Notes		\$ 448,107,106.66		\$ 448,107,106.66
Corporate Floating Rate Notes		1,302,662,917.82		1,302,662,917.82
Commercial Paper		66,732,339.50		66,732,339.50
Repurchase Agreements		394,552,892.00		394,552,892.00
Total Securities Lending Collateral		\$ 2,212,055,255.98		\$ 2,212,055,255.98

The following table presents information about Charter District Bond Guarantee Reserve Fund's assets measured at fair value as of August 31, 2018.

Charter District Bond Guarantee Reserve Fund	Level 1	Level 2	Level 3	Total
US Fixed Income ETF	\$ 4,421,254.16			\$ 4,421,254.16
US Fixed Income Index ETF	2,615,663.42			2,615,663.42
Subtotal	\$ 7,036,917.58			\$ 7,036,917.58

The Fund utilizes the net asset value (NAV) per share as a method for determining fair value for its investments in absolute return, real estate, private equity, emerging market debt, emerging market equity, risk parity and real return strategies. These investments calculate the NAV consistent with Governmental Accounting Standards Board's measurement principles for investment companies and the Fund does not intend to sell all or portion of the investment for an amount that is different from the NAV. These investments are exempt from classification within the fair value hierarchy.

The following table presents information about the Fund's assets measured at NAV at August 31, 2018.

Investments measured at NAV		
Absolute Return Investments	\$	3,521,819,970.88
Real Estate Investments		2,541,299,208.09
Private Equity Investments		3,115,327,740.32
Emerging Market Debt		2,112,907,327.18
Emerging Market Equity		923,271,012.19
Risk Parity Strategies		2,306,404,334.10
Real Return - Commodities		809,078,844.86
Total investments measured at NAV	\$	15,330,108,437.62

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice	Liquidity Expectation	
Absolute Return - Credit	\$ 872,307,381.00		Daily, Monthly, Quarterly, Semi-Annual, Annual, Distribution Provision	45-180 days		(1)
Absolute Return - Relative Value	454,112,798.00		Monthly, Quarterly	15-90 days		(2)
Absolute Return - Multi-Strategy	591,468,743.00		Quarterly, Semi-Annual, Distribution Provision	45-180 days		(3)
Absolute Return - Equity	803,926,266.00		Monthly, Quarterly, Annual, Multiple	18-93 days		(4)
Absolute Return - Macro	640,741,404.00		Daily, Monthly, Quarterly	2-90 days		(5)
Absolute Return - Commodities	61,887,422.00		Quarterly	90 days		(6)

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice	Liquidity Expectation	
Absolute Return - Other	97,375,956.88		not applicable	none		(7)
Real Estate Investments	2,541,299,208.09	\$ 1,527,910,749.00	none	none	1-19 years	(8)
Private Equity - Large Capital Buy-out	574,558,251.00	264,256,332.00	none	none	10-15 years	(9)
Private Equity - Mid Capital Buy-out	1,420,090,404.32	872,816,300.00	none	none	10-15 years	(9)
Private Equity - Special Situations	506,059,842.00	422,587,943.00	none	none	10-15 years	(9)
Private Equity - Venture/Growth Capital	614,619,243.00	475,187,533.00	none	none	10-15 years	(9)
Emerging Market Debt	2,112,907,327.18		Daily	1-5 days		
Emerging Market Equity	923,271,012.19		Daily	1-3 days		
Risk Parity Strategies	2,306,404,334.10		Monthly	5-15 days		(10)
Real Return - Commodities	809,078,844.86		Daily	3 days		(11)
Total investments measured at NAV	\$ 15,330,108,437.62	\$ 3,562,758,857.00				

- (1) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 18.6% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 60.0% of the fair value have certain gate restrictions ranging from 12.5% to 50.0%. The restriction period at August 31, 2018 ranges from September 28, 2018 to April 1, 2022 for these investments.
- (2) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 16.2% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 42.0% of the fair value have certain gate restrictions ranging from 25.0% to 50.0%. The restriction period at August 31, 2018 ranges from September 14, 2018 to March 1, 2019 for these investments.
- (3) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 0.3% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 58.0% of the fair value have certain gate restrictions ranging from 5.0% to 25.0%. The restriction period at August 31, 2018 ranges from October 1, 2018 to July 1, 2020 for these investments.

- (4) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 7.3% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 49.0% of the fair value have certain gate restrictions ranging from 12.5% to 50.0%. The restriction period at August 31, 2018 ranges from September 1, 2018 to May 16, 2019 for these investments.
- (5) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 61.0% of the fair value have certain gate restrictions ranging from 25.0% to 50.0%. The restriction period at August 31, 2018 ranges from September 1, 2018 to January 1, 2019 for these investments.
- (6) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 74.0% of the fair value have certain gate restrictions of 20.0%. The restriction period at August 31, 2018 is October 2, 2018.
- (7) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 23.9% of the fair value do not have redemption provisions and distributions will be made as the underlying investments are liquidated.
- (8) Investment includes real estate funds that primarily invest in real estate, including commercial, residential and industrial, and real estate financing. Investments are located in the Americas, Asia, Australia, New Zealand, and Europe. The investments have been valued using the NAV per share for the fund. The majority of these investments are in close end funds and cannot be redeemed. Investments representing 55.5% of the fair value are open ended, and require redemption notice ranging from 0 to 90 days. Investments representing 5.4% of the fair value have lock periods of 24 months. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the funds will be liquidated over the next 1-19 years.
- (9) Investment includes 4 separate private equity funds and direct investments in limited partnerships, each utilizing various strategies as listed. There are no redemption provisions with the investment funds, distributions will be made as the underlying investments are liquidated. The underlying assets are expected to be liquidated over the next 10-15 years. The underlying investments are within various industries including communications, consumer services, distressed debt, diversified, energy, financial services, healthcare, manufacturing, software and technology.
- (10) Investment includes two externally managed funds with 50.0% of the fair value of the investment subject to a redemption notice of 5 days and 50.0% subject to a redemption notice of 15 days.
- (11) Investment includes two externally managed funds which have been valued using the NAV.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the deposits may not be recovered. Except for the requirement to invest cash daily, the State Constitution, applicable statutes, and the Permanent School Fund's investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. The Travel deposits in the bank are insured or collateralized with securities held by Texas Education Agency or its agent in the Agency's name. Collateral for Cash in State Treasury is held in the State's name. The Permanent School Fund deposits in the bank, which are subject to custodial credit risk, are uninsured and uncollateralized.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Permanent School Fund will not be able to recover the value of the investment or securities held as collateral that are in the possession of an outside party. Because Permanent School Fund investments are registered in the nominee name of The Bank of New York Mellon at the Depository Trust Company and held in the name of the Permanent School Fund at The Bank of New York Mellon, Permanent School Fund investments are not subject to custodial credit risk. However, the invested securities lending collateral detailed below as of August 31, 2018 is subject to custodial credit risk because the collateral is purchased and held by the counterparty, The Bank of New York Mellon, who is contracted to serve as both the custodian and the securities lending agent.

The invested securities lending collateral subject to custodial credit risk as of August 31, 2018 is as follows:

Invested Securities Lending Collateral	Amortized Cost	Fair Value
Asset Backed Floating Rate Notes	\$ 447,902,124.33	\$ 448,107,106.66
Commercial Paper	66,731,125.16	66,732,339.50
Corporate Floating Rate Notes	1,328,618,822.52	1,302,662,917.82
Repurchase Agreements	394,552,892.00	394,552,892.00
Total Securities Lending Collateral (Exh. I)	\$ 2,237,804,964.01	\$ 2,212,055,255.98

The State Constitution, applicable statutes, and the Permanent School Fund's investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments, including securities lending collateral investments.

Credit Risk for Debt Investments

Credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligation to pay interest and repay principal.

The rated debt investments of the Permanent School Fund as of August 31, 2018 are as indicated in the table below. Unless otherwise noted, the Standard and Poor's rating scale was used to rate the securities. For issues where the rating services differ, the lower rating is disclosed.

Investment Type	Rating	Rating Service	Fair Value
Asset Backed Securities	AAA		\$ 28,627,855.26
Asset Backed Securities	A		3,976,327.58
Collateralized Loan Obligations	Baa	Moody's	204,803,745.86
Collateralized Loan Obligations	BBB		74,256,156.25
Commercial Mortgage Backed Obligations	AAA	Fitch	10,089,632.78
Commercial Mortgage Backed Obligations	Aaa	Moody's	37,142,637.46
Commercial Mortgage Backed Obligations	AA	Fitch	5,739,360.24
Commercial Mortgage Backed Obligations	Aa	Moody's	17,395,939.26
Corporate Obligations	AA		40,195,058.50
Corporate Obligations	A		149,011,189.67

Investment Type	Rating	Rating Service	Fair Value
Corporate Obligations	A	Moody's	32,914,813.13
Corporate Obligations	BBB		634,743,634.22
Corporate Obligations	BBB	Fitch	59,001,791.65
Corporate Obligations	Baa	Moody's	237,939,984.08
Corporate Obligations	Ba	Moody's	9,345,365.70
Non Agency Mortgage Backed Securities	AAA		18,881,774.95
Non Agency Mortgage Backed Securities	AAA	Fitch	23,447,092.35
Non Agency Mortgage Backed Securities	Aaa	Moody's	25,974,382.84
Non Agency Mortgage Backed Securities	AA		12,243,521.74
Non Agency Mortgage Backed Securities	AA	Fitch	9,294,405.24
Non Agency Mortgage Backed Securities	Aa	Moody's	9,351,454.09
Non U.S. Government Agency Obligations	AAA		41,583,785.59
Non U.S. Government Agency Obligations	Aaa	Moody's	9,708,868.00
Non U.S. Government Agency Obligations	AA		9,985,750.00
Non U.S. Government Agency Obligations	AA	Fitch	15,007,074.45
Non U.S. Government Agency Obligations	A		9,956,000.00
Non U.S. Government Agency Obligations	BBB		7,385,000.00
Non U.S. Government Agency Obligations	Baa	Moody's	2,948,400.00
Non-U.S. Sovereign Government Debt	A	Fitch	13,027,000.00
Non-U.S. Sovereign Government Debt	A	Moody's	11,057,500.00
Non-U.S. Sovereign Government Debt	BBB		49,777,085.00
Non-U.S. Sovereign Government Debt	Baa	Moody's	4,981,870.00
U.S. Government Agency Commercial Mortgage Backed Securities	AA		114,333.88
U.S. Government Agency Commercial Mortgage Backed Securities	A	Moody's	15,731,885.78
U.S. Government Agency Commercial Mortgage Backed Securities	A	Fitch	16,887,897.50
U.S. Government Agency Commercial Mortgage Backed Securities	BBB	Fitch	8,310,649.49
U.S. Government Agency Obligations	AA		155,020,812.00
U.S. Government Agency Mortgage Backed Securities	AA		713,357,393.47
U.S. Taxable Municipal Bonds	AAA		11,659,821.00
U.S. Taxable Municipal Bonds	AA		20,987,865.55
U.S. Taxable Municipal Bonds	AA	Fitch	7,857,337.50
U.S. Taxable Municipal Bonds	Aa	Moody's	11,000,828.46
U.S. Taxable Municipal Bonds	A		5,319,811.70
U.S. Taxable Municipal Bonds	A	Fitch	5,591,650.00
U.S. Treasury Inflation Protected Securities	AA		1,042,734,480.94
U.S. Treasury Securities	AA		1,801,040,189.14

Investment Type	Rating	Rating Service	Fair Value
Total Credit Risk Rated Debt Securities			\$ 5,635,409,412.30
Corporate Obligations	Withdrawn Rating	Moody's	\$ 300.00
Total Fixed Income			\$ 5,635,409,712.30

Credit Risk for Invested Securities Lending Collateral

The following presents the rated investments of the cash collateral as of August 31, 2018. The Standard & Poor's (S&P) rating scale is used as the primary source for ratings. The investment policy of the Permanent School Fund defines the various permissible collateral investments, including required ratings, at the time of purchase. Fixed rate negotiable certificates of deposit drawn on certain prescribed banks, commercial paper, asset backed commercial paper, and the short term corporate debt other than commercial paper must carry a "Tier 1" rating, defined as the highest short-term rating category by Standard & Poor's, Moody's or Fitch. Floating rate bank obligations as defined in the investment policy of the Permanent School Fund must be rated at least Aa2 by Moody's Investor Service and AA by Standard & Poor's Corporation. Asset backed securities shall be rated Aaa or AAA by Moody's and Standard & Poor's respectively. Reverse repurchase agreements must have a counterparty rated Tier 1 and the underlying collateral will be Tier 1 if the security is a short term security and at least Aa2 Moody's/AA Standard & Poor's or better if the collateral is corporate debt (other than commercial paper). Foreign sovereign debt issued by a foreign government rated Aa2 Moody's/AA Standard & Poor's or better is permissible collateral.

Investment Type	Rating	Rating Service	Fair Value
Asset Backed Floating Rate Notes	AAA		\$ 217,470,988.00
Asset Backed Floating Rate Notes	AAA	Fitch	230,636,118.66
Commercial Paper	A-1		41,750,990.00
Commercial Paper	P-1	Moody's	24,981,349.50
Floating Rate Notes	AA		494,589,147.00
Floating Rate Notes	A		606,004,206.00
Floating Rate Notes	A	Fitch	141,752,472.00
Floating Rate Notes	A1	Moody's	1,112,990.00
Floating Rate Notes	A2	Moody's	59,204,102.82
Repurchase Agreements	Not Rated		394,552,892.00
Total Investments			\$ 2,212,055,255.98

Interest Rate Risk for Debt Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of the investment. Duration is a measure of the price sensitivity of a debt investment to changes arising from movements in interest rates.

Duration is the weighted average maturity of an instrument's cash flows, where the present value of the cash flows serves as the weights. The duration of an instrument can be calculated by first multiplying the time until receipt of cash flow by the ratio of the present value of that cash flow to the instrument's total present value. The sum of these weighted time periods is the duration of the instrument. Effective duration extends this analysis to incorporate

an option adjusted measure of an instrument's sensitivity to changes in interest rates. The State Board of Education approved Investment Procedures Manual mandates the average duration of the core fixed income portfolio be consistent with the duration of the Barclay's Capital U.S. Aggregate Bond Index (formerly the Lehman Bros. Aggregate Index) and the real return portfolio (TIPS) be consistent with the Barclay's Capital U.S. TIPS Index. As of August 31, 2018, the Barclay's Capital U.S. Aggregate Bond Index duration is 6.32 years and the Barclay's Capital U.S. TIPS Index duration is 6.18 years.

Investments by investment type, fair value, and the effective weighted duration rate as of August 31, 2018 are as follows for the core fixed income, real return, and emerging market debt portfolios:

Investment Type	Fair Value	Effective Weighted Duration (Years)
Asset Backed Securities	\$ 32,604,182.84	0.509
Collateralized Loan Obligations	279,059,902.11	0.945
Commercial Mortgage Backed Securities	70,367,569.74	4.265
Corporate Obligations	1,163,152,136.95	7.565
Non Agency Mortgage Backed Securities	99,192,631.21	4.100
Non U.S. Government Agency Obligations	96,574,878.04	2.757
Non-U.S. Sovereign Government Debt	78,843,455.00	7.736
U.S. Government Agency Commercial Mortgage Backed Securities	41,044,766.65	3.712
U. S. Government Agency Obligations	155,020,812.00	4.192
U. S. Government Agency Mortgage Backed Securities	713,357,393.47	4.920
U.S. Taxable Municipal Securities	62,417,314.21	8.535
U. S. Treasury Securities	1,640,768,931.16	6.622
Total Fixed Income Portfolio (Excluding Real Return TIPS & Commodities)	\$ 4,432,403,973.38	5.950
Real Return - U. S. Treasury TIPS Portfolio	\$ 1,042,734,480.94	6.320
Real Return Commodities – U.S. Treasury Securities	\$ 160,271,257.98	0.205
Emerging Market Debt Portfolio	\$ 2,112,907,327.18	5.140

Interest Rate Risk for Invested Securities Lending Collateral

The Permanent School Fund's investment policy defines the maturities of all permissible securities lending collateral investments. The maximum maturity for invested securities lending collateral is 397 days except for bank time deposits which is 60 days, bankers acceptances which is 45 days, reverse repurchase agreements which is 180 days and three years on floating rate securities, including U. S. Government, U. S. Agencies, Bank Obligations, Corporate Debt or Asset Backed Securities with a maximum reset period of 90 days. The maximum weighted average maturity of the entire collateral portfolio is 180 days. The maximum weighted average interest rate exposure of the entire portfolio is 60 days.

The following provides information about the interest rate risks and maturities associated with invested collateral by investment type:

Investment Type	Fair Value	Investment Maturities in Less Than One Year	Investment Maturities Greater Than One Year
Asset Backed Floating Rate Notes	\$ 448,107,106.66	\$ 248,342,593.66	\$ 199,764,513.00
Corporate Floating Rate Notes	1,302,662,917.82	1,289,064,291.82	13,598,626.00
Commercial Paper	66,732,339.50	66,732,339.50	
Repurchase Agreements	394,552,892.00	394,552,892.00	
Total	\$ 2,212,055,255.98	\$ 1,998,692,116.98	\$ 213,363,139.00

Concentration of Credit Risk

Concentration of credit risk is the risk of loss due to the magnitude of the Permanent School Fund's investment in a single issuer. The investment policies of the Permanent School Fund preclude engaging in any purchase transaction after which the cumulative market value of equity securities, fixed income securities, or cash equivalent securities of a single corporation (excluding the U. S. government or its agencies) exceeds 2.5% of the Permanent School Fund's total market value or 5.0% of the manager's total portfolio market value. As of August 31, 2018, the Permanent School Fund held \$382,505,626.01 in fixed income securities and mortgage backed obligations issued by the Federal National Mortgage Association (Fannie Mae) and \$288,538,120.01 in fixed income securities and mortgage backed obligations issued by the Federal Home Loan Mortgage Corporation (Freddie Mac). While this investment represents more than 5.0% of the fixed income portfolio market value total, it does not exceed a concentration of more than 2.5% of the total PSF market value. Fannie Mae is a government-sponsored enterprise chartered by Congress and, since September 2008, has been in conservatorship, operating under the direction of the Federal Housing Finance Agency. The U.S. Department of the Treasury has an agreement to provide required capital to correct net worth deficiencies; therefore, the credit risk is the same as holding U.S. Government securities.

As of August 31, 2018, the concentration of credit risk of investments held within the Charter District Bond Guarantee Reserve Fund (fund 0053) was as follows:

Fund Type	Issuer	Carry Value	% of Total Portfolio
01	iShares Agency Bond ETF	\$ 580,860.78	8.25
01	iShares CMBS ETF	362,991.87	5.17
01	Schwab Short-Term US Treasury ETF	2,116,110.96	30.07
01	SPDR Portfolio Intermediate Term Corporate Bond ETF	2,034,802.64	28.92
01	Vanguard Intermediate Term Treasury ETF	998,873.70	14.19
01	Vanguard Mortgage Backed Securities ETF	943,277.63	13.40

Investments with Fair Values that are Highly Sensitive to Interest Rate Changes

In accordance with Permanent School Fund investment policies, the Permanent School Fund may invest in asset backed and mortgage backed obligations. The Permanent School Fund may also invest in investments that have floating rates with periodic changes in market rates, zero coupon bonds, and stripped U. S. Treasury and Agency securities created from coupon securities. At August 31, 2018, the Permanent School Fund held investments that are highly sensitive to interest rate changes.

Mortgage backed obligations are subject to early principal payment in a period of declining interest rates. These securities also tend to increase in maturity as interest rates rise. The resultant reduction or extension in expected cash flows will affect the fair value of these securities. As of August 31, 2018 these securities totaled \$923,962,361.07.

Collateralized Loan Obligations are asset backed securities backed by the receivables on leveraged business loans, and are similar to collateralized mortgage obligations. The investor receives scheduled debt payments from the underlying loans but assumes most of the risk in the event that borrowers default. The securities held by PSF are in low duration tranches to mitigate default risk but are still subject to this risk. As of August 31, 2018 these securities totaled \$279,059,902.11.

Asset backed obligations are backed by home equity loans, auto loans, equipment loans, and credit card receivables. Pre-payments by the obligees of the underlying assets in periods of declining interest rates could reduce or eliminate the stream of income that would have been received. Conversely, rising interest rates could extend the stream of income that would have been received. As of August 31, 2018 these securities totaled \$32,604,182.84.

Foreign Currency Risk for Deposits and Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment. The exposure to foreign currency risk as of August 31, 2018 is as follows:

Deposits	Amount
Currency	
Australian Dollar	\$ 182,691.17
Brazil Real	224,452.75
Canadian Dollar	34,321.46
Chilean Peso	1,425.09
Chinese Yuan Renminbi	105.22
Colombian Peso	0.06
Czech Koruna	0.04
Danish Krone	(10.68)
Egyptian Pound	0.05
Euro Currency Unit	(23.48)
Hong Kong Dollar	78,337.81
Hungarian Forint	0.01
Israeli Shekel	1,389.52
Japanese Yen	39,141.14
Malaysian Ringgit	39,236.12
Mexican Peso	42,980.18
Moroccan Dirham	1.39
New Taiwan Dollar	1,158,328.71
New Zealand Dollar	0.23
Norwegian Krone	53,300.88

Deposits	Amount
Peruvian Sol	0.22
Philippines Peso	26.67
Polish Zloty	1.13
Pound Sterling	1,197,128.80
Qatari Riyal	12.23
Singapore Dollar	54,107.78
South African Rand	26,563.42
South Korean Won	420,228.36
Swedish Krona	331,247.36
Swiss Franc	5,141.98
Thailand Baht	44.42
Turkish Lira	7,040.79
United Arab Emirates Dirham	1.14
Total Deposits Subject to Foreign Currency Risk	\$ 3,897,221.97

Investments in Equity Securities	Fair Value
Currency	
Australian Dollar	\$ 246,458,903.69
Brazil Real	75,094,914.14
Canadian Dollar	350,644,642.50
Chilean Peso	13,676,160.72
Chinese Yuan Renminbi	8,194,006.95
Columbian Peso	6,465,603.66
Czech Koruna	2,151,933.86
Danish Krone	62,953,381.18
Egyptian Pound	1,450,940.97
Euro Currency Unit	1,160,881,640.51
Hong Kong Dollar	416,464,246.09
Hungarian Forint	4,182,678.67
Indonesian Rupiah	26,864,545.25
Israeli Shekel	11,000,939.10
Japanese Yen	862,809,918.05
Malaysian Ringgit	32,093,591.66
Mexican Peso	40,152,529.11
New Taiwan Dollar	158,055,083.87
New Zealand Dollar	8,156,744.14
Norwegian Krone	25,954,663.37
Philippines Peso	14,482,706.51

Investments in Equity Securities	Fair Value
Polish Zloty	15,450,825.07
Pound Sterling	615,937,453.95
Qatari Riyal	12,202,722.81
Russian Ruble (New)	32,455,160.97
Singapore Dollar	44,002,510.58
South African Rand	77,629,894.70
South Korean Won	191,058,497.71
Swedish Krona	95,192,160.65
Swiss Franc	296,842,360.49
Thailand Baht	31,669,881.71
Turkish Lira	6,590,568.88
United Arab Emirates Dirham	7,356,515.84
Total Securities Subject to Foreign Currency Risk	\$ 4,954,578,327.36

The investment policy of the Permanent School Fund allows for international diversification to improve the risk and return characteristics of the Permanent School Fund. As such, the Permanent School Fund investments are exposed to foreign currency risk. The investment policy of the Permanent School Fund does not contain legal or policy requirements that limit the exposure to foreign currency risk. However, with State Board of Education approval, the Permanent School Fund is permitted to hedge currency. Hedging currency is a way to limit exposure to foreign currency risk. Currently, however, foreign currency exchange forward contracts are only executed as part of normal trading of foreign denominated securities.

Securities Lending

The Permanent School Fund is authorized to conduct a securities lending program in accordance with Article 7, Section 5 of the Texas Constitution. The implementation policy for the program is further defined in Texas Administrative Code Title 19, Part 2, Chapter 33. The Permanent School Fund, through its current securities lending agent The Bank of New York Mellon (Agent), lends securities to certain brokers in exchange for authorized collateral.

Authorized collateral includes cash, government securities, irrevocable letters of credit, and other assets specifically agreed to by the Agent and the State Board of Education. The Permanent School Fund receives collateral against the loaned securities in an amount of 102.0% of the fair value plus accrued income for domestic corporate securities and 105.0% of the fair value plus accrued income for foreign securities; except in the case of foreign securities denominated and payable in U. S. Dollars, the required percentage is 102.0%. Collateral provided for Reverse Repurchase Agreements is maintained at various percentages depending on the type of security provided as collateral.

The Agent indemnifies the State Board of Education against losses as a result of the broker's failure to return loaned securities. Securities collateral cannot be pledged or sold unless the borrower defaults. All securities within the Permanent School Fund portfolio are available to be loaned to brokers based on market demand. The contract does not restrict the total aggregate value of loaned securities outstanding at any one time and loans are made to a specific list of brokers. The Permanent School Fund has the option to set a maximum aggregate loan limit for each broker.

As defined by the lending agreement, the length of maturities permitted for loans are clearly selected, defined, and approved by the lender. Loans made in this program can be terminated on demand by either party and are considered to have a one-day maturity, although cash collateral is invested in securities having longer maturities. As of August 31, 2018, the Permanent School Fund invested cash collateral had weighted average maturity of 24 days to reset date.

During the fiscal year ending August 31, 2018, the Agent did not experience any losses on securities lending activity as a result of borrower defaults. Since there were no losses related to borrower defaults in the fiscal year ending August 31, 2017, no losses were recovered in the fiscal year ending August 31, 2018.

Assets held in the invested cash collateral pool experienced a permanent impairment as of September 30, 2008. The original amortized cost of these permanently impaired assets totaled \$104,953,800.00. Partial cash recoveries since impairment have reduced the amortized cost to \$71,717,706.42. Beginning in April 2013, all Fund earnings from the securities lending program have been directed to further reduce the amortized cost. At fiscal year-end, these assets remain in the cash collateral pool at an amortized cost of \$26,481,540.54; however, the estimated market value is \$0.00 as of August 31, 2018.

As of August 31, 2018, the fair value of securities on loan to brokers equaled \$2,242,803,358.32 against non-cash collateral with a fair value of \$96,881,226.32 and invested cash collateral with an amortized cost of \$2,237,804,964.01 and a fair value of \$2,212,055,255.98.

At fiscal year end, the Fund does not have a credit risk associated with the securities lending program, because the Fund owes the borrowers a total of approximately \$2.29 billion in non-cash and cash collateral while the borrowers owe securities back to the Fund with a fair value of approximately \$2.24 billion.

Securities lending income is earned either through fees paid by the borrower to the lender or by splitting returns from invested cash collateral. In some cases, the investment of cash collateral fails to provide enough income to pay the borrower a rebate and also earn a return for the lender, so the lender and borrower may negotiate a negative rebate or fee to be paid by the borrower. During FY2018, most cash collateral loans were negotiated without a negative rebate. The other type of arrangement is for the borrower to provide securities or letters of credit as collateral for the securities lent, and pay a negotiated lender fee.

Net income generated from securities lending transactions is then split between the Permanent School Fund and its securities lending agent. For fiscal year 2018, gross securities lending revenue totaled \$10,339,545.49, gross expenditures for bank fees and other adjustments totaled \$1,434,011.44, while net securities lending income totaled \$8,905,534.05.

Note 4 Short-Term Debt

Not applicable.

Note 5 Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2018, the following changes occurred in liabilities:

Governmental Activities	Balance 09-01-17	Additions	Reductions	Balance 08-31-18	Amounts Due Within One Year
Compensable Leave	\$ 6,557,621.91	\$ 6,560,840.99	\$ 6,104,531.85	\$ 7,013,931.05	\$ 4,494,573.12
Total Governmental Activities	\$ 6,557,621.91	\$ 6,560,840.99	\$ 6,104,531.85	\$ 7,013,931.05	\$ 4,494,573.12

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. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Note 6 Bonded Indebtedness

Not applicable.

Note 7 Derivative Instruments

Derivatives are financial instruments, the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivatives include swap contracts, futures contracts, options, options on futures contracts and forward contracts.

The Permanent School Fund enters into futures contracts in its internally managed portfolios to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes, and therefore classifies its futures contracts as investments.

The State Board of Education approved Investments Procedure Manual defines the parameters for investing in futures contracts. The total amount of a portfolio's financial futures contract obligation should not exceed ten percent (10.0%) of the market value of the portfolio's total assets. The Permanent School Fund may exceed the ten percent (10.0%) rule during a transition approved by the State Board of Education. In no instance will the total amount of the contracts be an amount greater than the market value of a portfolio's cash and short-term securities.

Upon entering into a futures contract, initial margin deposit requirements are satisfied by segregating specific securities or cash as collateral for the account of the Futures Commission Merchant (FCM) broker (the Permanent School Fund's agent in acquiring the futures position). During the period the futures positions are open, the contracts are marked to market daily; that is, they are valued at the close of business each day, and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The Permanent School Fund executes such contracts on major exchanges through major financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

As of August 31, 2018, the Permanent School Fund invested in S&P 500 Index Futures contracts, S&P 400 Index Futures contracts, and various Commodity Futures contracts as detailed below with the FCM:

	Changes in Fair Value		
	Classification	Amount	Notional Value
Equity Futures	Investment revenue	\$ 4,382,519.80	\$ 26,471,950.00
Commodity Futures	Investment revenue	\$ (7,275,313.21)	\$ 166,790,317.50

The futures contracts themselves have no fair value at August 31, 2018. If the FCM failed, the loss that would be recognized at August 31, 2018 would be \$13,934,293.85, which is the net of the FCM Margin Deposit of \$14,408,690.00 and the net unpaid year-end variation margin gain and initial margin of sold contracts totaling (\$474,396.15).

Foreign currency balances are not maintained by the Permanent School Fund except for transactions that occur as part of normal security transactions; buys, sales and income payment. Foreign currency exchange (FX) contracts are executed by the external investment manager on the same day as security transactions. The investment manager buys or sells the FX contract in the currency native to the security transaction. These foreign exchange contracts hedge against the risk of currency changes between trade and settlement dates. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. For income payments received in other currencies, the custodian bank executes foreign exchange spot contracts to repatriate payments to U.S. dollars on actual income payment date.

Note 8 Leases

Operating Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

Fund Type	Amount
General Fund	\$ 649,669.63
Permanent Fund	806,194.36
Total	\$ 1,455,863.99

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31, 2018	Amount
2019	\$ 1,990,704.01
2020	2,021,573.57
2021	2,052,859.28
2022	2,063,755.28
2023	759,689.12
2024-2028	59,790.00
Total Minimum Future Lease Rental Payments	\$ 8,948,371.26

Capital Leases

The Agency had no active capital leases during fiscal year 2018.

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 Activity and Transactions, numerous transactions are recorded between funds and agencies. At year end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Due From Other Funds or Due To Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

The Agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual fund balances and activity at August 31, 2018, which tie to Exhibits I and II, are as follows:

INTERFUND RECEIVABLES/PAYABLES:			
Current Portion	Current Interfund Receivable	Current Interfund Payable	Purpose
GENERAL REVENUE (01)			
Appd. Fund 0001, D23 0001	\$ 1,050.00		Reimb. between funds
Totals for Fund 0001	\$ 1,050.00		
Appd. Fund 0148, D23 0148	\$ 435,434.47		Reimb. between funds
Totals for Fund 0900	\$ 435,434.47		

INTERFUND RECEIVABLES/PAYABLES:			
Current Portion	Current Interfund Receivable	Current Interfund Payable	Purpose
Appd. Fund 0193, D23 193	\$ 5,519.87		Reimb. between funds
Totals for Fund 0193	\$ 5,519.87		
Appd. Fund 0900, D23 1900		\$ 442,004.34	Reimb. between funds
Totals for Fund 0900		\$ 442,004.34	
Total Interfund Receivable/Payable (Exh I)	\$ 442,004.34	\$ 442,004.34	

DUE FROM/TO OTHER AGENCIES:			
	Due From Other Agencies	Due To Other Agencies	Source
GENERAL REVENUE (01)			
Appd. Fund 0001, D23 0001			
Agency 721, D23 Fund 7999		\$ 155,817.13	State P-T
Agency 733, D23 Fund 7999		\$ 6,687.50	State P-T
Totals for Fund 0001		\$ 162,504.63	
Appd. Fund 0003, D23 Fund 0003			
Agency 772, D23 Fund 0090		\$ 50,000.00	State P-T
Totals for Fund 0003		\$ 50,000.00	
Appd. Fund 0148, D23 Fund 0148			
Agency 320, D23 Fund 5026	\$ 2,585,503.84		Fed P-T
Agency 529, D23 Fund 0001	439,247.13	\$ 742.56	Fed P-T
Agency 644, D23 Fund 0220		60,308.30	Fed P-T
Agency 644, D23 Fund 0271		182,319.56	Fed P-T
Agency 644, D23 Fund 0274		45,679.48	Fed P-T
Agency 644, D23 Fund 0285		62,719.39	Fed P-T
Agency 696, D23 Fund 0991		167,615.94	Fed P-T
Agency 711, D23 Fund 7999		45,686.64	Fed P-T
Agency 721, D23 Fund 7999	782.74	4,049,028.22	Fed P-T
Agency 730, D23 Fund 7999		119,751.69	Fed P-T
Agency 742, D23 Fund 7999		39,878.61	Fed P-T
Agency 744, D23 Fund 7999		1,958,448.27	Fed P-T
Agency 753, D23 Fund 7999		40,575.70	Fed P-T
Agency 772, D23 Fund 0090		127,899.83	Fed P-T

DUE FROM/TO OTHER AGENCIES:			
	Due From Other Agencies	Due To Other Agencies	Source
Agency 781, D23 Fund 0001	61,179.75	109,139.90	Fed P-T
Totals for Fund 0148	\$ 3,086,713.46	\$ 7,009,794.09	
Appd. Fund 0171, D23 Fund 0171			
Agency 730, D23 Fund 7999		\$ 626.05	Fed P-T
Totals for Fund 0171		\$ 626.05	
Appd. Fund 0193, D23 Fund 0193			
Agency 362, D23 Fund 5025	\$ 145,674,618.77		Lottery Proceeds
Totals for Fund 0193	\$ 145,674,618.77		
Appd. Fund 0599, D23 Fund 0599			
Agency 902 D23 Fund 0599	\$ 3,090,501.64		Shared Cash
Totals for Fund 0599	\$ 3,090,501.64		
Appd. Fund 0802, D23 Fund 2242			
Agency 608, D23 Fund 0802	\$ 1,406.11		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2250			
Agency 608, D23 Fund 0802	5,827.72		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2270			
Agency 608, D23 Fund 0802	3,113.75		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2271			
Agency 608, D23 Fund 0802	2,823.30		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2273			
Agency 608, D23 Fund 0802	6,298.61		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2274			
Agency 608, D23 Fund 0802	4,442.60		License Plate Proceeds
Totals for Fund 0802	\$ 23,912.09		
SPECIAL REVENUE (02)			
Appd. Fund 0002, D23 Fund 0002			
Agency 902, D23 Fund 0001	\$ 75,681,688.94		Fuel Tax
Totals for Fund 0002	\$ 75,681,688.94		
Total Due From/To Other Agencies (Exh I)	\$ 227,557,434.90	\$ 7,222,924.77	

TRANSFERS IN/OUT:		
	TRANSFERS IN	TRANSFERS OUT
GENERAL REVENUE (01)		
Appd. Fund 0001, D23 Fund 0001		
Agency 701, D23 Fund 0148	\$ 160,429.00	
Agency 902, D23 Fund 0001		\$ 111,483.68
Total Transfers for Fund 0001	\$ 160,429.00	\$ 111,483.68
Appd. Fund 0003, D23 Fund 0003		
Agency 701, D23 Fund 0002	\$ 1,119,835,058.08	
Total Transfers for Fund 0003	\$ 1,119,835,058.08	
Appd. Fund 0148, D23 Fund 0148		
Agency 701, D23 Fund 0001		\$ 160,429.00
Total Transfers for Fund 0148		\$ 160,429.00
Appd. Fund 0193, D23 Fund 0193		
Agency 362, D23 Fund 5025	\$ 1,431,907,289.31	
Agency 902, D23 Fund 0001	15,749,627,766.13	\$ 200,000,000.00
Agency 902, D23 Fund 0304	1,641,074,266.75	
Total Transfers for Fund 0193	\$ 18,822,609,322.19	\$ 200,000,000.00
Appd. Fund 0599, D23 Fund 0599		
Agency 902, D23 Fund 0599	\$ 3,555,837.00	
Total Transfers for Fund 0599	\$ 3,555,837.00	
Appd. Fund 0802, D23 Fund 2242		
Agency 608, D23 Fund 0802	\$ 1,406.11	\$ 1,448.34
Appd. Fund 0802, D23 Fund 2250		
Agency 608, D23 Fund 0802	5,827.72	5,989.80
Appd. Fund 0802, D23 Fund 2260		
Agency 608, D23 Fund 0802		22.15
Appd. Fund 0802, D23 Fund 2270		
Agency 608, D23 Fund 0802	3,113.75	3,211.12
Appd. Fund 0802, D23 Fund 2271		
Agency 608, D23 Fund 0802	2,823.30	2,934.94
Appd. Fund 0802, D23 Fund 2273		
Agency 608, D23 Fund 0802	6,298.61	6,550.62

TRANSFERS IN/OUT:		
	TRANSFERS IN	TRANSFERS OUT
Appd. Fund 0802, D23 Fund 2274		
Agency 608, D23 Fund 0802	4,442.60	4,609.10
Total Transfers for Fund 0802	\$ 23,912.09	\$ 24,766.07
SPECIAL REVENUE (02)		
Appd. Fund 0002, D23 Fund 0002		
Agency 701, D23 Fund 0003		\$ 1,119,835,058.08
Agency 701, D23 Fund 0044	\$ 1,235,835,058.08	
Total Transfers for Fund 0002	\$ 1,235,835,058.08	\$ 1,119,835,058.08
PERMANENT FUND (19)		
Appd. Fund 0044, D23 Fund 0044		
Agency 305, D23 Fund 0013	\$ 235,000,000.00	
Agency 701, D23 Fund 0002		\$ 1,235,835,058.08
Total Transfers for Fund 0044	\$ 235,000,000.00	\$ 1,235,835,058.08
Total Transfers (Exh II)	\$ 21,417,019,616.44	\$ 2,555,966,794.91

Note 13 Continuanace Subject to Review

The Sunset Act provides for the periodic review and/or possible termination of certain state boards, commissions, and agencies. The Texas Education Agency is subject to that act and, unless continued in existence as provided by that act, will be abolished effective September 1, 2025. The State Board of Education is subject to review by the Sunset Advisory Commission at the same time as the Agency; however, the Board is created by the State Constitution and would not be abolished.

Note 14 Adjustments to Fund Balances and Net Assets

Not applicable.

Note 15 Contingencies and Commitments

Federal Assistance

The Agency has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

Bond Guarantee Program

As described by Note 30 in greater detail, the Agency administers a Bond Guarantee Program for qualified school districts and charter districts who choose to participate. The purpose of the Program is to ultimately reduce borrowing costs for participating districts by increasing their credit rating through association with the Program. The Agency, through the Permanent School Fund, commits to payment of scheduled principal and interest on behalf of a participating district in the event of that district's default.

As of August 31, 2018, no financial liability to the Permanent School Fund has been recorded in relation to the Fund's obligation to stand ready to perform over the term of the guarantee. The guarantee functions as a liquidity facility and an intercept program that carries little risk exposure to the Permanent School Fund. The guarantee is offered at a nominal cost to a school district or charter district that properly applies, receives endorsement by the Commissioner, and has its bonds approved by the State of Texas Attorney General.

Foundation School Program Guarantee Program

Legislation passed by the 2009 regular session of the Texas Legislature creates two programs to enhance the credit of school district and charter school debt issued for the purpose of financing facilities. Subchapters I and J of Chapter 45 of the Texas Education Code provide for credit enhancement "intercept" programs that would make payments from the state Foundation School Program appropriation in the event of a default on the part of a school district or charter school. The charter school program in subchapter J requires a pledge of private funds to that program equal to the amount of state funds made available. Any payments from the Foundation School Program or the private funds pledged would be recouped from state funds due to the district or charter. The Agency does not anticipate implementing these two programs due to the reopening of the school district bond guarantee program in 2010, and legislation adopted in 2011 making some charter schools eligible for the same type of bond guarantee as noted above.

Pending Litigation

Non-Permanent School Fund (PSF) Pending Litigation

The Agency is a party to certain litigation pending in state and federal court as noted below.

1. *LULAC v. Texas*, No. 5:15-CV-00219-RP, U.S. District Court, Western District of Texas, San Antonio Div.

This suit was filed by the League of United Latin American Citizens (LULAC) against the State of Texas, Southwest Independent School District (SWISD) and North East Independent School District (NEISD), after the Fifth Circuit Court of Appeals issued a reversal and remand in *U.S. v. Texas*, 601 F.3d 354 (5th Cir. 2010). The causes of action against NEISD were dismissed without prejudice in May, 2016. The suit alleges that current practices by the state and by SWISD violate the Equal Educational Opportunities Act of 1974 (20 U.S.C. § 1703(f)). LULAC pursued class certification, but this request has been denied. Plaintiff's have been given the opportunity to amend the complaint but have not yet done so. This suit does not seek specific monetary damages, but an injunction against the state could ultimately require spending in excess of \$10 million in order to achieve compliance.

The following cases are pending but deemed very low-risk loss contingency:

2. *Progreso Indep. Sch. Dist. v. Williams*, Cause No. D-1-GN-15-000834; In the 201st Judicial District of Travis, County, Texas

The school district brought suit in early 2015 challenging the TEA's recoupment of an over-allocation of funding after the agency determined after two final audits that the district received funding over a two-year period for students for whom the district failed to maintain any documentation that the students were residents of the district eligible to receive state funding. Plaintiff seeks to be repaid approximately \$1 million in recouped FSP payments and seeks attorney's fees. The case is pending in district court.

Michael Morath, in his Official Capacity as Texas Commissioner of Education and Michael Berry, in his Official Capacity as Deputy Commissioner of Education v. Progreso Indep. Sch. Dist., Cause No. 03-16-00254-CV; In the Third Court of Appeals

This is a lawsuit challenging the Commissioner's decision to appoint a board of managers to replace the Board of Trustees. The case was originally filed in the Travis County District Court, Cause No. D-1-GN-15-000005 on January 4, 2016. After the district court denied the Commissioner's plea to the jurisdiction and granted the Plaintiff a Temporary Injunction, the Commissioner appealed to the Third Court of Appeals.

On December 7, 2017, the Third Court of Appeals reversed the district court order denying the Commissioner's plea to the jurisdiction and rendered a judgment dismissing the school district's claims. The school district requested reconsideration of this decision. The Third Court of Appeals denied the school district's motion for reconsideration on April 6, 2018.

On May 21, 2018, the school district filed a petition for review of the Third Court of Appeals decision with the Texas Supreme Court. On August 29, 2018, the Commissioner filed his response to the Petition for Review. The Supreme Court is currently considering whether to accept or deny the Petition for Review. If the Petition for Review is granted, the Supreme Court will review the decision. If the Petition for Review is denied, the Third Court of Appeals opinion will be the final decision.

3. *Youth Empowerment Services, Inc. d/b/a Higgs Carter King Gifted and Talented Charter Academy v. Williams*, Cause Number D-1-GN-15-001090; In the 53rd District Court of Travis County, Texas

Plaintiff, a revoked charter school, sued TEA and the Commissioner in his official capacity alleging that the charter school's substantive and procedural due process rights were violated in an action revoking their charter contract, and that the Agency's directives regarding the return of state property in the possession of the charter school was an unconstitutional taking. The school's claim asserting a right to ownership of the state's real property remains pending. Plaintiff also seeks attorney's fees.

4. *The Phoenix School d/b/a Phoenix Charter School v. Williams*, Cause No. D-1-GN-15-003067; In the 419th District Court of Travis County

Plaintiff, a former-charter school, filed suit challenging the Commissioner's mandatory non-renewal of the charter under statute. Plaintiff also seeks attorney's fees. The Commissioner has filed a plea to the jurisdiction and the case remains pending at the trial court. The Commissioner filed a motion to Dismiss for Want of Prosecution, the Plaintiff has filed a Motion to Retain, and the Commissioner has filed a Reply to the Plaintiff's Motion to Retain. The case is currently pending.

5. *Transformative Learning System d/b/a Transformative Charter Academy v. Williams*; Cause No. D-1-GN-15-003711; In the 98th District Court, Austin, Texas; In the Third Court of Appeals (Cause No 03-17-00093-CV).

On August 31, 2015, the Plaintiff filed this lawsuit alleging that TEA directives that told the former charter school to return state property that it possesses violated the plaintiff's constitutional rights and that the action was a "taking" under the constitution. The Agency filed an answer on October 2, 2015. The trial court granted TEA's Plea to the Jurisdiction and denied TLS's Motion for Summary Judgment. This case has been appealed to the Third Court of Appeals in February 2017. Briefs (requesting oral arguments) and Reply Briefs have been filed; the case is currently pending.

6. *Excellence 2000, Inc., d/b/a Children First Academy of Dallas Charter School v. Texas Education Agency and Morath*; D-1-GN-16-003410; In the 53rd District Court of Travis County.

On August 1, 2016, TEA received notice that the Plaintiff filed this lawsuit challenging the non-renewal of its charter contract and the application of certain statutes and rules and alleging a violation of its due process rights. The Agency filed an answer on October 25, 2016, the case is currently pending.

7. *Lewis, et al v. Morath*, Cause No. D-1-GN-16-002211, In the 98th District Court of Travis County. Appealed to the Texas Third Court of Appeals, Cause No 03-16-00603-CV.

On May 23, 2016, this case was filed in the District Court, alleging the STAAR standardized tests administered in spring 2016 did not comply with the 2015 legislative directive. The district court denied TEA's Plea to the Jurisdiction. The Agency appealed to the Texas Third Court of Appeals. Briefs and Reply Briefs have been filed. The Third court of appeals issued an opinion affirming the lower court's ruling. On August 28, 2018, the Agency has filed a petition for review with the Texas Supreme Court, which is currently pending.

8. *Honors Academy, Inc. d/b/a Honors Academy, et al. v. TEA & Morath*, Cause No. 16-0519, Texas Supreme Court

The revoked charter schools filed this appeal to challenge the revocation of their open-enrollment charter. The district court denied the Agency's plea to the jurisdiction, and the Agency filed an interlocutory appeal to the 3rd court of appeals. The 3rd court of appeals reversed the trial court, granted the plea to the jurisdiction, and dismissed the case for lack of jurisdiction. The plaintiffs appealed to the Texas Supreme Court. The case was set for oral arguments on January 10, 2018.

On April 27, 2018, the Texas Supreme Court issued a judgment affirming the Third Court of Appeals judgment that granted the Commissioner's plea to the jurisdiction and dismissed the case for lack of jurisdiction. On June 13, 2018, the Honor's Academy filed a motion for rehearing. This motion for rehearing was denied and there are no more appeals available. This matter will not appear on future reports.

9. *La Feria ISD, et. al. v. TEA, et. al.*, Cause No. D-1-GN-16-00211, In the 98th Judicial District, Travis County, Cause No. 03-17-0038-CV, In the Third Court of Appeals, Austin, Texas.

On April 3, 2017, the Plaintiffs filed suit in Travis County District Court challenging the Agency's determination that property values for districts subject to Chapter 41 of the Education Code would be calculated in a way that would exclude one-half of the Local Option Homestead Exemption (LOHE). This calculation would lower the amount of recapture for a district that is both subject to Chapter 41 and has a LOHE. The plaintiffs argue that because the Agency had previously not recognized the LOHE exclusion for districts subject to Chapter 41, that the Agency needed Legislative permission to change its practice. The Agency filed a plea to the jurisdiction, which was denied by the district court. The Agency has appealed this matter to the Third Court of Appeals where this matter is currently pending.

Permanent School Fund (PSF) Litigation

The PSF has potential liability in a class action defense which asserts fraudulent conveyance claims and which seeks to recover moneys paid the PSF for the sale of publicly-traded securities in response to tender offers made in the context of leveraged buy-outs. While ultimately uncertain whether the PSF will have any liability for this matter, management believes that it is unlikely that this suit will result in any liability to the PSF for the next 12 months. Therefore, in accordance with GAAP, no accrual for this matter is currently reflected in the accompanying financial statements. The Attorney General's Office is representing the PSF and asserting sovereign immunity and other defenses.

1. *In re: Tribune Company*, No. 08-13141; *The Official Committee of Unsecured Creditors of Tribune Company v. Fitzsimmons*, Adv. Pro. No. 10-54010 (Bankr. D. Del); and *Deutsche Bank v. Employees Retirement Fund of the City of Dallas*, No. 3:11-CV-1167-F; (N. D. Tex. Dallas Div.) CONSOLIDATED in: *In re: Tribune Company Fraudulent Conveyance Litigation*; Nos. 11-MD-2296 and 12-MC-2296 (S. D. N. Y.). The PSF received approximately \$3.9 million for Tribune stock.

Significant Commitments

As of August 31, 2018, the SBOE has approved and the Fund has made capital commitments to externally managed real estate investment funds in a total amount of \$4.2 billion and private equity program capital commitments to private equity limited partnerships in the total amount of \$5.2 billion, to be implemented over several years. Unfunded commitments at August 31, 2018 totaled \$1.5 billion in real estate investments and \$2.0 billion in private equity programs.

Note 16 Subsequent Events

Not applicable.

Note 17 Risk Management

The Texas Education Agency is exposed to a variety of civil claims resulting from the performance of its duties. It is the Agency's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Agency assumes substantially all risks associated with tort claims and liability claims due to the performance of its duties. Besides the commercial insurance purchased on its three vehicles during the fiscal year, the Agency currently has not purchased any other commercial insurance nor is the Agency involved in any risk pools with other governmental entities.

The Agency's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Changes in the balances of the agency's claims during fiscal year 2018 were:

Governmental Activities	Balance 09-01-17	Additions	Reductions	Balance 08-31-18
Claims and Judgements	\$ 0.00	\$11,500.00	\$ 11,500.00	\$ 0.00
Total Governmental Activities	\$ 0.00	\$ 11,500.00	\$ 11,500.00	\$ 0.00

Note 18 Management Discussion and Analysis

The Permanent School Fund is a permanent fund of financial investment assets administered by the State Board of Education in a trustee capacity. The Permanent School Fund was created with a \$2,000,000.00 appropriation by the Legislature of 1854 expressly for the benefit of funding public education for present and future generations. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the Permanent School Fund. Additional Acts later gave more public domain land and rights to the Permanent School Fund. In 1953, the U. S. Congress passed the Submerged Lands Acts that relinquished to coastal States all rights of the U. S. navigable waters within State boundaries. Submerged lands were defined to be those lands beneath and beyond three miles. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. Concluding three years of litigation, the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three league (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the Permanent School Fund. The Permanent School Fund currently owns approximately 15 million acres. The responsibility for accounting for this land belongs to the General Land Office. The value of the land balance and any related transactions are carried on the General Land Office financial records.

Article 7 of the Texas Constitution assigns control of the Permanent School Fund's financial assets to the State Board of Education while administrative duties related to the fund reside with the Commissioner of Education.

The State Constitution describes the Permanent School Fund as "permanent" with proceeds produced by the Permanent School Fund to be used to complement taxes in financing public education. The sole purpose of the Permanent School Fund is to assist in the funding of public education for present and future generations. The Permanent School Fund calculates its annual distribution using a total return methodology. Article 7, Section 5 authorizes the SBOE to determine the amount to be distributed from the Permanent School Fund to the Available School Fund (ASF) each year of a fiscal biennium.

Two constraints in Article VII, Section 5 affect the amount that may be distributed. First, distributions made in each year are limited to not more than 6.0% of the average market value of the PSF for the 16 fiscal quarters preceding the legislative session before the state fiscal biennium, and second, the total amount distributed over the 10-year period as defined in subsection 5(a)(2) may not exceed the total return on all investment assets of the PSF over the same ten-year period.

Under administrative rules adopted in 2009, the SBOE determines whether a distribution to the Available School Fund (ASF) is permitted under the Texas Constitution, Article VII, §5(a)(2) and whether such distribution shall be made for each current state fiscal year. In fiscal year 2018, the distribution to the ASF totaled \$1,235,835,058.08.

Note 19 The Financial Reporting Entity

Not applicable.

Note 20 Stewardship, Compliance, and Accountability

As of August 31, 2018, the Agency had several intergovernmental receivables and payables which will be settled from 2019 appropriations.

Note 21

Not applicable.

Note 22 Donor-Restricted Endowments

Not applicable.

Note 23 Extraordinary and Special Items

Not applicable.

Note 24 Disaggregation of Receivable and Payable Balances

As of August 31, 2018, the Agency had several intergovernmental receivables and payables which would be settled in the 2019 appropriation accounts. By statute, the Foundation School Program pays out the settlement owed from the past school year in September of the following school year; the expenditure refund amounts owed back to the Fund are subtracted from the allocations made to the districts for the following year.

Note 25 Termination Benefits

Not applicable.

Note 26 Segment Information

Not applicable.

Note 27 Service Concession Arrangements

Not applicable.

Note 28 Deferred Outflows of Resources and Deferred Inflows of Resources

In fiscal year 2018, the Agency reported deferred inflows of resources in connection with fixed income and international equity investments for Fund 0044 as presented below:

As of August 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Permanent School Fund (0044):		
Interest and International Dividends		\$ 31,759,268.39
Total (Exh. I)		\$ 31,759,268.39

Deferred inflows of resources of \$31,759,268.39 were related to revenue measurable at year-end and due to the Agency, but not available within sixty days subsequent to year-end.

Note 29 Trouble Debt Restructuring

Not applicable.

Note 30 Non-Exchange Financial Guarantees

Bond Guarantee Program

In 1983, the voters of the State approved a constitutional amendment which provides for the guarantee of school district bonds by the Permanent School Fund. This amendment was statutorily codified in the Texas Education Code Title 2, Subtitle I, Chapter 45, Subchapter C. The Guarantee Program is administered by the Commissioner. For eligible bonds, including refunding bonds, school districts submit an application for guarantee and a \$1,500.00 processing fee. The Commissioner may endorse bonds for guarantee only after investigating the accreditation and financial viability of the applying school district. If the school district is considered viable and the bonds are approved by the State of Texas Attorney General, then the guarantee is endorsed at a zero premium charge to the district. In the event of a default by a school district, and upon proper notice to the Commissioner, the Permanent School Fund will transfer to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and/or interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled Bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld will be deposited to the credit of the Permanent School Fund. To date, no school districts have ever defaulted on their guaranteed bonded indebtedness.

In 2011, the 82nd Texas Legislature enacted a Bill that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program, and authorized the use of the Permanent School Fund to

guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Commissioner. Charter district applicants are subject to the same application fee structure as described above for school districts. Upon meeting certain statutory eligibility requirements and approval by the Commissioner, bonds properly issued by a charter district are fully guaranteed by the corpus of the Permanent School Fund. Implementation of the Charter District Bond Guarantee Program was deferred pending receipt of guidance from the Internal Revenue Service, which was received in September 2013, and the establishment of regulations to govern the program, which were published for public comment in December 2013, approved in January 2014, and became effective in March, 2014.

Statute requires charter district participants in the Program to contribute a portion of their savings that result from their participation in the Program to a Charter District Bond Guarantee Reserve Fund. This fund is maintained by the Texas Education Agency. In the event of a default by a charter district, the Commissioner shall instruct the Comptroller to transfer from the Charter District Bond Guarantee Reserve Fund to the district's paying agent the amount necessary to pay the maturing or matured principal and/or interest. If funds in the Charter District Bond Guarantee Reserve Fund are insufficient to pay the amount due on a bond in default, the payment process followed is the same as for school districts. As with school districts, no charter districts have defaulted on their guaranteed bond indebtedness.

The Internal Revenue Service issued Notice 2010-5 on December 16, 2009 stating that it intended to propose regulations to replace the previous federal law limit on the Guarantee program capacity to be no more than five times the cost value of the Permanent School Fund on that date. Section 4 of the Notice states that it may be relied on for bonds issued after December 16, 2009.

The 80th Texas Legislature adopted a change in the state law limit, amending Section 45.053 of the Texas Education Code to allow the State Board of Education (SBOE) to increase the guarantee capacity up to five times the cost value of the Permanent School Fund, provided that the Board determines that any increase will still allow school district bonds to receive the highest rating. Effective March 1, 2017, the SBOE authorized capacity multiplier for the State Capacity Limit was increased to 3.50 times the cost value of the Fund, including the portion managed by the School Land Board (SLB).

As of August 31, 2018, the capacity of the Guarantee Program is \$117,318,653,038.00 under Federal law and \$118,867,140,060.00 under State law. Total outstanding bonds guaranteed by the Permanent School Fund under this program total \$79,080,901,069.02 at August 31, 2018; of that, \$77,647,966,069.02 is for school district guarantees (844 school districts) and \$1,432,935,000.00 is for charter district guarantees (15 charter districts). These dollar amounts represent the outstanding principal amount of the bonds issued. They do not reflect any subsequent accretions in value for the compound interest bonds (zero coupon bonds), nor do they include interest on current interest bonds or variable rate notes. The balances also exclude bonds that have been refunded and released from the Bond Guarantee Program. The balance of bonds guaranteed under the program does not exceed the calculated capacity of the program as of August 31, 2018.

Guarantees extend through the maturity dates of the bonds. As of August 31, 2018, the total principal debt guaranteed on bond issues is \$79,080,901,069.02, the expected interest to be paid out over the remaining life of those bond issues is \$44,280,724,748, and the final maturity is scheduled to occur in the year 2055.

Note 31 Tax Abatements

Not applicable.

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Note 32 Fund Balances

The agency has the following restrictions/covenants causing fund balances to be committed:

GAAP Fund	Fund	AFR 54 Class	Amounts	Citation	Comments
General:					
0001	0001	Nonspendable	\$ 71,995.69		Imprest Funds & Consumable Inventory
0003	0003	Restricted	\$ 936,587,137.51	Texas Constitution, Article 7, Sec. 3	To hold for expenditure money transferred from Available School Fund (0002) to provide free textbooks and instructional materials for use of children attending the public schools.
0053	0053	Committed	\$ 7,065,163.12	Texas Education Code Annotated., Sec. 45.0571	Committed for the payment of charter district bond guaranty defaults
0148	0148	Restricted	\$ 6,559,008.06	Various Federal CFDA's	Federal funds, restrictions are imposed by federal government agencies.
0193	0193	Committed	\$ 447,415,475.50	Texas Education Code Annotated., Sec. 42.253 and 42.259 and Texas Gov't Code Annotated, Sec 466.355	Committed for allocation of Foundation School Program funds to school districts based on formulas in the Texas Education Code.
Permanent:					
0044	0044	Restricted	\$ 1,267,014,973.47	Texas Constitution, Article 7, Sec. 5.(a), (b), & (d)	Appropriated expenditures, Available School Fund transfers, payment of guaranteed bond defaults

Texas Education Agency (701)
Exhibit A-1
Combining Balance Sheet-
All General and Consolidated Funds
 August 31, 2018

	Consolidated Accounts					
	General Revenue Fund 0001	State Instructional Materials Fund 0003	Charter District Bond Guarantee Reserve Fund 0053	License Plate Trust Fund 0802	Federal Health, Education & Welfare Fund 0148	Federal School Lunch Fund 0171
ASSETS						
Current Assets:						
Cash and Cash Equivalents:						
Cash on Hand	\$ 140.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Cash in Bank	25,000.00	0.00	0.00	0.00	0.00	0.00
Cash in State Treasury	0.00	943,282,152.21	0.00	0.00	12,193,753.04	0.00
Short-Term Investments	0.00	0.00	28,035.63	0.00	0.00	0.00
Legislative Appropriations	115,902,609.56	0.00	0.00	0.00	0.00	0.00
Receivables:						
Federal	0.00	0.00	0.00	0.00	639,245,911.08	146,842,886.18
Intergovernmental	0.00	0.00	0.00	0.00	0.00	0.00
Interest and Dividends	53,902.01	1,602,728.69	209.91	42.19	0.00	0.00
Interfund Receivables (Note 12)	1,050.00	0.00	0.00	0.00	435,434.47	0.00
Due From Other Agencies (Note 12)	0.00	0.00	0.00	23,912.09	3,086,713.46	0.00
Consumable Inventories	71,995.69	0.00	0.00	0.00	0.00	0.00
Total Current Assets	\$ 116,054,697.26	\$ 944,884,880.90	\$ 28,245.54	\$ 23,954.28	\$ 654,961,812.05	\$ 146,842,886.18
Non-Current Assets:						
Investments	\$ 0.00	\$ 0.00	\$ 7,036,917.58	\$ 0.00	\$ 0.00	\$ 0.00
Total Non-Current Assets	\$ 0.00	\$ 0.00	\$ 7,036,917.58	\$ 0.00	\$ 0.00	\$ 0.00
Total Assets	\$ 116,054,697.26	\$ 944,884,880.90	\$ 7,065,163.12	\$ 23,954.28	\$ 654,961,812.05	\$ 146,842,886.18
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Payables:						
Accounts	\$ 36,682,388.71	\$ 8,073,594.78	\$ 0.00	\$ 23,912.09	\$ 638,602,097.98	\$ 146,842,280.13
Other Intergovernmental	0.00	0.00	0.00	0.00	0.00	0.00
Payroll	3,902,997.17	174,148.61	0.00	0.00	2,765,911.92	0.00
Interfund Payables (Note 12)	0.00	0.00	0.00	0.00	0.00	0.00
Due to Other Agencies (Note 12)	162,504.63	50,000.00	0.00	0.00	7,009,794.09	526.05
Unearned Revenues	971,090.20	0.00	0.00	0.00	25,000.00	0.00
Total Current Liabilities	\$ 41,718,980.71	\$ 8,297,743.39	\$ 0.00	\$ 23,912.09	\$ 648,402,803.99	\$ 146,842,886.18
Total Liabilities	\$ 41,718,980.71	\$ 8,297,743.39	\$ 0.00	\$ 23,912.09	\$ 648,402,803.99	\$ 146,842,886.18
Fund Financial Statement - Fund						
Fund Balances (Deficits):						
Nonspendable	\$ 71,995.69	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Restricted	0.00	936,587,137.51	0.00	0.00	6,559,008.06	0.00
Committed	0.00	0.00	7,065,163.12	42.19	0.00	0.00
Assigned	0.00	0.00	0.00	0.00	0.00	0.00
Unassigned	74,263,720.86	0.00	0.00	0.00	(0.00)	(0.00)
Total Fund Balances	\$ 74,335,716.55	\$ 936,587,137.51	\$ 7,065,163.12	\$ 42.19	\$ 6,559,008.06	\$ (0.00)
Total Liabilities and Fund Balances	\$ 116,054,697.26	\$ 944,884,880.90	\$ 7,065,163.12	\$ 23,954.28	\$ 654,961,812.05	\$ 146,842,886.18

Consolidated Accounts

Foundation School Fund 0193	Economic Stabilization Fund 0599	Suspense Fund (D23 Fund 1900) 0900	Memorandum Totals FY2018 Exhibit I
\$ 0.00	\$ 0.00	\$ 0.00	\$ 140.00
0.00	0.00	0.00	25,000.00
72,955,658.99	0.00	446,567.65	1,028,878,131.89
0.00	0.00	0.00	28,035.63
0.00	0.00	0.00	115,902,609.58
0.00	0.00	0.00	786,088,797.28
528,232,462.00	0.00	0.00	528,232,462.00
0.00	0.00	0.00	1,656,882.80
5,519.87	0.00	0.00	442,004.34
145,874,618.77	3,090,501.64	0.00	151,875,745.96
0.00	0.00	0.00	71,995.69
<u>\$ 746,868,259.63</u>	<u>\$ 3,090,501.64</u>	<u>\$ 446,567.65</u>	<u>\$ 2,613,201,805.13</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 7,036,917.58
\$ 0.00	\$ 0.00	\$ 0.00	\$ 7,036,917.58
<u>\$ 746,868,259.63</u>	<u>\$ 3,090,501.64</u>	<u>\$ 446,567.65</u>	<u>\$ 2,620,238,722.71</u>
\$ 20,113,488.13	\$ 3,090,501.64	\$ 0.00	\$ 853,428,243.46
279,339,296.00	0.00	0.00	279,339,296.00
0.00	0.00	0.00	6,843,057.70
0.00	0.00	442,004.34	442,004.34
0.00	0.00	0.00	7,222,924.77
0.00	0.00	0.00	996,090.20
<u>\$ 299,452,784.13</u>	<u>\$ 3,090,501.64</u>	<u>\$ 442,004.34</u>	<u>\$ 1,148,271,616.47</u>
<u>\$ 299,452,784.13</u>	<u>\$ 3,090,501.64</u>	<u>\$ 442,004.34</u>	<u>\$ 1,148,271,616.47</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 71,995.69
0.00	0.00	0.00	943,146,145.57
447,415,475.50	0.00	4,563.31	454,485,244.12
0.00	0.00	0.00	0.00
(0.00)	0.00	0.00	74,263,720.86
<u>\$ 447,415,475.50</u>	<u>\$ 0.00</u>	<u>\$ 4,563.31</u>	<u>\$ 1,471,967,106.24</u>
<u>\$ 746,868,259.63</u>	<u>\$ 3,090,501.64</u>	<u>\$ 446,567.65</u>	<u>\$ 2,620,238,722.71</u>

Texas Education Agency (701)
Exhibit A-2
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balance - All General and Consolidated Funds
 For the fiscal year ended August 31, 2018

	General Revenue Fund 0001	State Instructional Materials Fund 0003	Charter District Bond Guarantee Reserve Fund 0053	License Plate Trust Fund 0802	Consolidated Federal Health, Education & Welfare Fund 0148
REVENUES					
Legislative Appropriations:					
Original Appropriations	\$ 201,770,830.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Additional Appropriations	9,388,865.98	0.00	0.00	0.00	0.00
Federal Revenue (Sch. 1A)	(893,838.00)	0.00	0.00	0.00	3,215,255,011.04
Federal Grant Pass-Through Revenue (Sch. 1A)	0.00	0.00	0.00	0.00	20,972,688.23
Licenses, Fees and Permits	932,665.02	0.00	3,701,505.13	197,136.52	0.00
Interest and Other Investment Income	836,654.51	9,825,005.85	80,133.73	417.14	0.00
Net Increase (Decrease) in Fair Value	0.00	0.00	24,485.37	0.00	0.00
Sales of Goods and Services	26,694.00	0.00	0.00	0.00	0.00
Other	1,271,942.82	0.00	0.00	22.00	0.00
Total Revenues	\$ 213,531,814.33	\$ 9,825,005.85	\$ 3,806,134.23	\$ 197,575.66	\$ 3,236,227,699.27
EXPENDITURES					
Salaries and Wages	\$ 35,329,697.01	\$ 1,420,477.96	\$ 0.00	\$ 0.00	\$ 22,105,666.09
Payroll Related Costs	9,683,402.93	668,211.51	0.00	0.00	7,979,850.06
Professional Fees and Services	33,069,227.57	409,741.11	0.00	0.00	90,223,416.50
Travel	457,024.23	168,817.88	0.00	0.00	308,800.78
Materials and Supplies	351,025.98	9,307.28	0.00	0.00	300,901.40
Communication and Utilities	3,549,266.29	727,573.26	0.00	0.00	1,582,269.70
Repairs and Maintenance	398,619.24	13,976.58	0.00	0.00	156,517.53
Rentals and Leases	717,142.52	52,130.00	0.00	0.00	1,370,261.33
Printing and Reproduction	31,316.81	8,462.92	0.00	0.00	13,888.29
Claims and Judgements	11,500.00	0.00	0.00	0.00	0.00
Federal Grant Pass Through Expenditures (Sch. 1A)	0.00	0.00	0.00	0.00	72,306,269.56
State Grant Pass Through Expenditures (Sch. 1B)	2,954,865.45	823,063.34	0.00	0.00	0.00
Intergovernmental Payments	65,546,710.58	374,052,872.56	0.00	11,161.14	3,019,693,406.52
Public Assistance Payments	25,533,647.10	0.00	0.00	185,975.38	17,584,254.59
Other Expenditures	8,104,410.13	(130,760.70)	0.00	0.00	1,506,812.12
Capital Outlay	22,847.93	695.73	0.00	0.00	46,752.67
Total Expenditures / Expenses	\$ 189,767,703.77	\$ 378,224,569.43	\$ 0.00	\$ 197,136.52	\$ 3,235,178,367.14
Excess (Deficit) of Revenues Over (Under)	\$ 27,774,110.56	\$ (368,399,563.58)	\$ 3,806,134.23	\$ 439.14	\$ 1,049,332.13
OTHER FINANCING SOURCES (USES):					
Transfers In (Note 12)	\$ 160,429.00	\$ 1,119,835,058.08	\$ 0.00	\$ 23,912.09	\$ 0.00
Transfers Out (Note 12)	(111,483.68)	0.00	0.00	(24,766.07)	(160,429.00)
Total Other Financing Sources (Uses)	\$ 48,945.32	\$ 1,119,835,058.08	\$ 0.00	\$ (853.98)	\$ (160,429.00)
Net Change in Fund Balances / Net Assets	\$ 27,823,055.88	\$ 751,435,494.50	\$ 3,806,134.23	\$ (414.84)	\$ 688,903.13
Fund Financial Statement - Fund Balances					
Fund Balance - September 1, 2017	\$ 60,736,348.36	\$ 185,151,643.01	\$ 3,259,028.89	\$ 457.03	\$ 5,670,104.93
Appropriations Lapsed	(14,223,687.69)	0.00	0.00	0.00	0.00
Fund Balance - August 31, 2018	\$ 46,512,660.67	\$ 185,151,643.01	\$ 3,259,028.89	\$ 457.03	\$ 5,670,104.93

Accounts	Consolidated Accounts				
Federal School Lunch Fund 0171	Foundation School Fund 0193	Economic Stabilization Fund 0599	Suspense Fund (D23 Fund 1900) 0900	Memorandum Totals FY2010 Exhibit II	
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 201,770,830.00	
0.00	0.00	0.00	0.00	9,388,865.98	
2,112,390,741.26	0.00	0.00	0.00	5,326,851,914.30	
0.00	0.00	0.00	0.00	20,972,688.23	
0.00	0.00	0.00	0.00	4,831,306.67	
0.00	0.00	0.00	0.00	10,742,211.23	
0.00	0.00	0.00	0.00	24,495.37	
0.00	0.00	0.00	0.00	26,694.00	
0.00	2,029,773,408.86	0.00	4,563.31	2,031,049,936.99	
\$ 2,112,390,741.26	\$ 2,029,773,408.86	\$ 0.00	\$ 4,563.31	\$ 7,605,756,942.77	
\$ 0.00	\$ (47.00)	\$ 0.00	\$ 0.00	\$ 58,855,794.06	
0.00	22.68	0.00	0.00	16,331,487.18	
0.00	50,582,465.16	0.00	0.00	174,284,650.34	
0.00	99,464.95	0.00	0.00	1,033,907.84	
0.00	312.89	0.00	0.00	661,547.55	
0.00	120,014.58	0.00	0.00	5,976,123.83	
0.00	0.00	0.00	0.00	569,113.35	
0.00	5,753.70	0.00	0.00	2,145,287.55	
0.00	811.60	0.00	0.00	53,979.62	
0.00	0.00	0.00	0.00	11,500.00	
146,486.03	0.00	0.00	0.00	72,452,755.59	
0.00	125,847,231.16	0.00	0.00	129,625,159.95	
2,112,244,255.23	20,107,792,367.99	3,555,837.00	0.00	25,682,896,611.02	
0.00	575,514.82	0.00	0.00	43,879,391.89	
0.00	1,547.52	0.00	0.00	9,482,009.07	
0.00	0.00	0.00	0.00	70,296.33	
\$ 2,112,390,741.26	\$ 20,285,025,460.05	\$ 3,555,837.00	\$ 0.00	\$ 26,200,329,815.17	
\$ 0.00	\$ (18,255,252,051.19)	\$ (3,555,837.00)	\$ 4,563.31	\$ (18,594,572,872.40)	
\$ 0.00	\$ 18,822,609,322.19	\$ 3,555,837.00	\$ 0.00	\$ 19,946,184,558.36	
0.00	(200,000,000.00)	0.00	0.00	(200,296,878.75)	
\$ 0.00	\$ 18,822,609,322.19	\$ 3,555,837.00	\$ 0.00	\$ 19,745,887,879.61	
\$ 0.00	\$ 367,357,271.00	\$ 0.00	\$ 4,563.31	\$ 1,151,315,007.21	
\$ 0.00	\$ 80,058,204.50	\$ 0.00	\$ 0.00	\$ 334,875,786.72	
0.00	0.00	0.00	0.00	(14,223,687.69)	
\$ 0.00	\$ 447,415,475.50	\$ 0.00	\$ 4,563.31	\$ 1,471,967,106.24	

(UNAUDITED)

Texas Education Agency (701)
Exhibit J-1
Combining Statement of Changes in Assets and Liabilities - Agency Funds
August 31, 2018

	Beginning Balances September 1, 2017	Additions	Deductions	Ending Balances August 31, 2018
<u>Child Support Addenda</u>				
<u>Deducts Fund (0807)</u>				
ASSETS				
Cash in State Treasury	\$ 12,411.02	\$ 159,699.39	\$ 158,799.29	\$ 13,311.12
Total Assets	<u>\$ 12,411.02</u>	<u>\$ 159,699.39</u>	<u>\$ 158,799.29</u>	<u>\$ 13,311.12</u>
LIABILITIES				
Funds Held for Others	\$ 12,411.02	\$ 159,699.39	\$ 158,799.29	\$ 13,311.12
Total Liabilities	<u>\$ 12,411.02</u>	<u>\$ 159,699.39</u>	<u>\$ 158,799.29</u>	<u>\$ 13,311.12</u>
<u>City, County, MTA & SPD Sales</u>				
<u>Tax Trust Fund (0882)</u>				
ASSETS				
Cash in State Treasury	\$ 0.00	\$ 560.36	\$ 560.36	\$ 0.00
Total Assets	<u>\$ 0.00</u>	<u>\$ 560.36</u>	<u>\$ 560.36</u>	<u>\$ 0.00</u>
LIABILITIES				
Funds Held for Others	\$ 0.00	\$ 560.36	\$ 560.36	\$ 0.00
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 560.36</u>	<u>\$ 560.36</u>	<u>\$ 0.00</u>
<u>Agency Suspense</u>				
<u>Fund (0900)</u>				
ASSETS				
Cash in State Treasury	\$ 0.00	\$ 10,501,884.83	\$ 10,484,800.89	\$ 17,083.94
Total Assets	<u>\$ 0.00</u>	<u>\$ 10,501,884.83</u>	<u>\$ 10,484,800.89</u>	<u>\$ 17,083.94</u>
LIABILITIES				
Interfund Payable	\$ 0.00	\$ 2,553.64	\$ 0.00	\$ 2,553.64
Funds Held for Others	0.00	10,499,331.19	10,484,800.89	14,530.30
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 10,501,884.83</u>	<u>\$ 10,484,800.89</u>	<u>\$ 17,083.94</u>

(UNAUDITED)

Texas Education Agency (701)
Exhibit J-1
Combining Statement of Changes in Assets and Liabilities - Agency Funds
August 31, 2018

	<u>Beginning Balances</u> <u>September 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balances</u> <u>August 31, 2018</u>
Unappropriated				
<u>General Revenue Fund (1000)</u>				
ASSETS				
Cash on Hand	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Cash in State Treasury	0.00	32,977,954.32	32,977,954.32	0.00
Interfund Receivable	0.00	2,553.64	0.00	2,553.64
Total Assets	<u>\$ 0.00</u>	<u>\$ 32,980,507.96</u>	<u>\$ 32,977,954.32</u>	<u>\$ 2,553.64</u>
LIABILITIES				
Funds Held for Others	\$ 0.00	\$ 32,980,507.96	\$ 32,977,954.32	\$ 2,553.64
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 32,980,507.96</u>	<u>\$ 32,977,954.32</u>	<u>\$ 2,553.64</u>
<u>Totals - All Agency Funds</u>				
ASSETS				
Cash on Hand	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Cash in State Treasury	12,411.02	43,640,098.90	43,622,114.86	30,395.06
Interfund Receivable	0.00	2,553.64	0.00	2,553.64
Total Assets	<u>\$ 12,411.02</u>	<u>\$ 43,642,652.54</u>	<u>\$ 43,622,114.86</u>	<u>\$ 32,948.70</u>
LIABILITIES				
Interfund Payable	\$ 0.00	\$ 2,553.64	\$ 0.00	\$ 2,553.64
Funds Held for Others	\$ 10,546.14	\$ 43,640,098.90	\$ 43,622,114.86	\$ 30,395.06
Total Liabilities	<u>\$ 10,546.14</u>	<u>\$ 43,642,652.54</u>	<u>\$ 43,622,114.86</u>	<u>\$ 32,948.70</u>

Texas Education Agency (701)
 Schedule 1A - Expenditures of Federal Awards
 For the fiscal year ended August 31, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA	Pass-Through From		Direct Program Amount
		Agency / University Number	Agency / University Amount	
U.S. Department of Defense				
<i>Direct Programs:</i>				
<u>Troops to Teachers Grant Program</u>	12.620			\$ 448,723.71
<i>Pass-Through To Non-State Entities</i>				
Total	12.620			\$ 448,723.71
Totals - U.S. Department of Defense				\$ 448,723.71
U.S. Department of Education				
<i>Direct Programs:</i>				
<u>Title I Grants to Local Educational Agencies</u>	84.010			\$ 1,412,840,947.93
<i>Pass-Through To:</i>				
Texas A&M University				
University of Texas at Austin				
University of Houston				
University of Texas of the Permian Basin				
University of Texas at Tyler				
Texas School for the Blind and Visually Impaired				
Texas School for the Deaf				
<i>Pass-Through To Non-State Entities</i>				
Total	84.010			\$ 1,412,840,947.93
<u>Migrant Education - State Grant Program</u>	84.011			\$ 59,729,560.13
<i>Pass-Through To:</i>				
Texas A&M University				
<i>Pass-Through To Non-State Entities</i>				
Total	84.011			\$ 59,729,560.13
<u>Title I Program for Neglected & Delinquent Children & Youth</u>	84.013			\$ 2,102,440.47
<i>Pass-Through To:</i>				
Texas Juvenile Justice Department				
Texas Department of Criminal Justice				
Texas A&M University				
<i>Pass-Through To Non-State Entities</i>				
Total	84.013			\$ 2,102,440.47
<u>Career and Technical Education - Basic Grants to States</u>	84.048			\$ 92,649,762.66
<i>Pass-Through To:</i>				
Texas A & M AgriLife Research				
Texas Juvenile Justice Department				
Texas Department of Criminal Justice				
University of North Texas				
Texas School For The Deaf				
Texas Higher Education Coordinating Board				
<i>Pass-Through To Non-State Entities</i>				
Total	84.048			\$ 92,649,762.66
<u>Education for Homeless Children and Youth</u>	84.196			\$ 7,392,454.85
Total	84.196			\$ 7,392,454.85
<u>Eisenhower Professional Development State Grants</u>	84.281			\$ (154.08)
<i>Pass-Through To Non-State Entities</i>				
Total	84.281			\$ (154.08)
<u>Charter Schools</u>	84.282			\$ 13,364,715.90
<i>Pass-Through To:</i>				
Sam Houston State University				
<i>Pass-Through To Non-State Entities</i>				
Total	84.282			\$ 13,364,715.90
<u>Twenty-First Century Community Learning Centers</u>	84.287			\$ 106,129,159.17
<i>Pass-Through To:</i>				
Texas A&M University				
University of Texas at Tyler				
<i>Pass-Through To Non-State Entities</i>				
Total	84.287			\$ 106,129,159.17

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures Amount	Total Pass-Through to and Expenditures Amount
	Agency / University Number	Agency / University Amount	Non-State Entities Amount		
\$ 448,723.71					
\$ 448,723.71		\$ 448,723.71		\$ 448,723.71	\$ 448,723.71
\$ 448,723.71		\$ 448,723.71		\$ 448,723.71	\$ 448,723.71
\$ 1,412,840,947.93				\$ 14,968,992.35	\$ 14,968,992.35
	711	\$ 10,873.23			10,873.23
	721	879,834.04			879,834.04
	730	18,701.93			18,701.93
	742	32,805.89			32,805.89
	750	46,171.00			46,171.00
	771	20,346.92			20,346.92
	772	55,916.70			55,916.70
\$ 1,412,840,947.93		\$ 1,064,649.71	\$ 1,396,807,305.87	\$ 14,968,992.35	\$ 1,412,840,947.93
\$ 59,729,560.13				\$ 1,991,956.29	\$ 1,991,956.29
	711	\$ 451.53			451.53
			\$ 57,737,152.31		57,737,152.31
\$ 59,729,560.13		\$ 451.53	\$ 57,737,152.31	\$ 1,991,956.29	\$ 59,729,560.13
\$ 2,102,440.47				\$ 20,831.05	\$ 20,831.05
	644	\$ 687,566.17			687,566.17
	696	892,472.64			892,472.64
	711	16.95			16.95
			\$ 501,553.66		501,553.66
\$ 2,102,440.47		\$ 1,580,055.76	\$ 501,553.66	\$ 20,831.05	\$ 2,102,440.47
\$ 92,649,762.66				\$ 5,969,264.74	\$ 5,969,264.74
	556	\$ 1,499.77			1,499.77
	644	158,690.90			158,690.90
	696	713,416.14			713,416.14
	752	2,137.94			2,137.94
	772	25,252.93			25,252.93
	781	27,393,103.62			27,393,103.62
			\$ 58,386,396.62		58,386,396.62
\$ 92,649,762.66		\$ 28,294,101.30	\$ 58,386,396.62	\$ 5,969,264.74	\$ 92,649,762.66
\$ 7,392,454.85					\$ 7,392,454.85
\$ 7,392,454.85					\$ 7,392,454.85
\$ (154.08)					\$ (154.08)
\$ (154.08)					\$ (154.08)
\$ 13,364,715.90				\$ 891,749.26	\$ 891,749.26
	753	\$ 254,416.40			254,416.40
			\$ 12,218,550.24		12,218,550.24
\$ 13,364,715.90		\$ 254,416.40	\$ 12,218,550.24	\$ 891,749.26	\$ 13,364,715.90
\$ 106,129,159.17				\$ 5,005,371.17	\$ 5,005,371.17
	711	\$ 1,807.38			1,807.38
	750	1,699,010.99			1,699,010.99
			\$ 99,422,969.63		99,422,969.63
\$ 106,129,159.17		\$ 1,700,818.37	\$ 99,422,969.63	\$ 5,005,371.17	\$ 106,129,159.17

Texas Education Agency (701)
 Schedule 1A - Expenditures of Federal Awards
 For the fiscal year ended August 31, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA	Pass-Through From		Direct Program Amount
		Agency / University Number	Agency / University Amount	
<u>State Grants for Innovative Programs</u>	84.298			\$ (358.56)
<i>Pass-Through To Non-State Entities</i>				
Total	84.298			\$ (358.56)
<u>Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities</u>	84.326			\$ 559,634.90
<i>Pass-Through To:</i>				
Texas School for the Blind and Visually Impaired				
Total	84.326			\$ 559,634.90
<u>Advanced Placement Program</u>	84.330			\$ (363,841.00)
<i>Pass-Through To Non-State Entities</i>				
Total	84.330			\$ (363,841.00)
<u>Gaining Early Awareness and Readiness for Undergraduate Programs</u>	84.334			\$ 4,872,530.65
<i>Pass-Through To Non-State Entities</i>				
Total	84.334			\$ 4,872,530.65
<u>Class Size Reduction</u>	84.340			\$ (939.60)
<i>Pass-Through To Non-State Entities</i>				
Total	84.340			\$ (939.60)
<u>Rural Education</u>	84.358			\$ 7,843,582.41
<i>Pass-Through To:</i>				
Texas A & M University				
<i>Pass-Through To Non-State Entities</i>				
Total	84.358			\$ 7,843,582.41
<u>English Language Acquisition State Grants</u>	84.365			\$ 110,160,015.16
<i>Pass-Through To:</i>				
Texas A & M University				
<i>Pass-Through To Non-State Entities</i>				
Total	84.365			\$ 110,160,015.16
<u>Mathematics and Science Partnerships</u>	84.366			\$ 15,077,177.92
<i>Pass-Through To:</i>				
University of Texas at Austin				
University of Texas at Dallas				
<i>Pass-Through To Non-State Entities</i>				
Total	84.366			\$ 15,077,177.92
<u>Supporting Effective Instruction State Grants</u>	84.367			\$ 176,868,515.67
<i>Pass-Through To:</i>				
Texas Juvenile Justice Department				
Texas Department of Criminal Justice				
Texas A & M University				
University of Texas at Austin				
University of Houston				
University of Texas of the Permian Basin				
University of Texas at Tyler				
Texas School for the Blind and Visually Impaired				
Texas School for the Deaf				
<i>Pass-Through To Non-State Entities</i>				
Total	84.367			\$ 176,868,515.67
<u>Competitive Grants for State Assessments</u>	84.368			\$ 106,541.20
Total	84.368			\$ 106,541.20
<u>Grants for State Assessments and Related Activities</u>	84.369			\$ 25,623,859.83
<i>Pass-Through To Non-State Entities</i>				
Total	84.369			\$ 25,623,859.83

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures Amount	Total Pass-Through to and Expenditures Amount
	Agency / University Number	Agency / University Amount	Non-State Entities Amount		
\$ (358.56)			\$ (358.56)	\$	(358.56)
\$ (358.56)			\$ (358.56)	\$	(358.56)
\$ 559,634.90				\$ 8,116.94	\$ 8,116.94
	771	\$ 551,517.96			\$ 551,517.96
\$ 559,634.90		\$ 551,517.96		\$ 8,116.94	\$ 559,634.90
\$ (363,841.00)			\$ 24,174.00	\$ (388,015.00)	(388,015.00)
\$ (363,841.00)			\$ 24,174.00	\$ (388,015.00)	(363,841.00)
\$ 4,872,530.65				\$ 3,802,981.68	\$ 3,802,981.68
			\$ 1,069,548.97		1,069,548.97
\$ 4,872,530.65			\$ 1,069,548.97	\$ 3,802,981.68	\$ 4,872,530.65
\$ (939.60)			\$ (939.60)	\$	(939.60)
\$ (939.60)			\$ (939.60)	\$	(939.60)
\$ 7,843,582.41				\$ 406,263.43	\$ 406,263.43
	711	\$ 320.17			320.17
			\$ 7,436,998.81		7,436,998.81
\$ 7,843,582.41		\$ 320.17	\$ 7,436,998.81	\$ 406,263.43	\$ 7,843,582.41
\$ 110,160,015.16				\$ 3,204,308.33	\$ 3,204,308.33
	711	\$ 313,775.76			313,775.76
			\$ 106,641,931.07		106,641,931.07
\$ 110,160,015.16		\$ 313,775.76	\$ 106,641,931.07	\$ 3,204,308.33	\$ 110,160,015.16
\$ 15,077,177.92				\$ 225,090.95	\$ 225,090.95
	721	\$ 14,852,823.51			14,852,823.51
	738	(736.54)			(736.54)
\$ 15,077,177.92		\$ 14,862,086.97		\$ 225,090.95	\$ 15,077,177.92
\$ 176,868,515.67				\$ 4,224,051.44	\$ 4,224,051.44
	644	\$ 190,934.83			190,934.83
	696	98,812.23			98,812.23
	711	1,384.71			1,384.71
	721	28,918.42			28,918.42
	730	1,336.14			1,336.14
	742	8,249.85			8,249.85
	750	10,066.00			10,066.00
	771	5,433.07			5,433.07
	772	12,202.80			12,202.80
			\$ 172,287,126.18		172,287,126.18
\$ 176,868,515.67		\$ 357,338.05	\$ 172,287,126.18	\$ 4,224,051.44	\$ 176,868,515.67
\$ 106,541.20				\$ 106,541.20	\$ 106,541.20
\$ 106,541.20				\$ 106,541.20	\$ 106,541.20
\$ 25,623,859.83				\$ 21,827,420.83	\$ 21,827,420.83
			\$ 3,796,439.00		3,796,439.00
\$ 25,623,859.83			\$ 3,796,439.00	\$ 21,827,420.83	\$ 25,623,859.83

Texas Education Agency (701)
 Schedule 1A - Expenditures of Federal Awards
 For the fiscal year ended August 31, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA	Pass-Through From		Direct Program Amount
		Agency / University Number	Agency / University Amount	
<u>Striving Readers/Comprehensive Literacy Development</u>	84.371			\$ 33,095.34
<i>Pass-Through To:</i> University of Texas at Austin				
<i>Pass-Through To Non-State Entities</i>				
Total	84.371			\$ 33,095.34
<u>Statewide Longitudinal Data Systems</u>	84.372			\$ 1,312,040.02
<i>Pass-Through To:</i> Texas Higher Education Coordinating Board				
<i>Pass-Through To Non-State Entities</i>				
Total	84.372			\$ 1,312,040.02
<u>School Improvement Grants</u>	84.377			\$ 49,994,828.60
<i>Pass-Through To:</i> Texas A&M University				
<i>Pass-Through To Non-State Entities</i>				
Total	84.377			\$ 49,994,828.60
<u>ARRA - School Improvement Grants, Recovery Act</u>	84.388			\$ (1,312,721.00)
<i>Pass-Through To Non-State Entities</i>				
Total	84.388			\$ (1,312,721.00)
<u>Student Support and Academic Enrichment Program</u>	84.424			\$ 34,392,986.61
<i>Pass-Through To:</i> Texas A & M University University of Texas at Austin University of Houston University of Texas at Tyler Texas School for the Blind and Visually Impaired Texas School for the Deaf				
<i>Pass-Through To Non-State Entities</i>				
Total	84.424			\$ 34,392,986.61
<u>Hurricane Education Recovery</u>	84.938			\$ 18,608,134.24
<i>Pass-Through To Non-State Entities</i>				
Total	84.938			\$ 18,608,134.24
<i>Pass-Through Programs:</i>				
<u>Education Research, Development and Dissemination</u>	84.305			
<i>Pass-Through From:</i> American Institutes for Research				\$ 23,212.63
Total	84.305			\$ 23,212.63
<u>Special Education-Grants for Infants and Families</u>	84.181			
<i>Pass-Through From:</i> Health and Human Services Commission		529	\$ 75,050.32	
<i>Pass-Through To:</i> Texas School for the Deaf				
<i>Pass-Through To Non-State Entities</i>				
Total	84.181		\$ 75,050.32	
Totals - U.S. Department of Education			\$ 75,050.32	\$ 23,212.63
\$ 2,137,983,969.42				
U.S. Department of Health and Human Services				
<i>Direct Programs:</i>				
<u>Developmental Disabilities Basic Support and Advocacy Grants</u>	93.630			\$ 4,744,851.53
<i>Pass-Through To:</i> Texas A & M University University of Texas at Austin Texas Tech University University of North Texas				
Total	93.630			\$ 4,744,851.53
<i>Pass-Through Programs:</i>				
<u>Developmental Disabilities Basic Support and Advocacy Grants</u>	93.630			\$ 15,000.00
<i>Pass-Through To Non-State Entities</i>				
Total	93.630			\$ 15,000.00
Totals - U.S. Department of Health and Human Services			\$ 15,000.00	\$ 4,744,851.53
CCDF Cluster				
U.S. Department of Health and Human Services				
<i>Pass-Through Programs:</i>				
<u>Child Care and Development Block Grant</u>	93.575			
<i>Pass-Through From:</i> Texas Workforce Commission		320	\$ 14,383,781.79	
<i>Pass-Through To:</i> University of Texas Health Science Center at Houston				
<i>Pass-Through To Non-State Entities</i>				
Total	93.575		\$ 14,383,781.79	
Totals - U.S. Department of Health and Human Services			\$ 14,383,781.79	

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures Amount	Total Pass-Throughs to and Expenditures Amount
	Agency / University Number	Agency / University Amount	Non-State Entities Amount		
\$ 33,095.34				\$ (2,861.96)	\$ (2,861.96)
	721	\$ 36,138.81			36,138.81
			\$ (181.51)		(181.51)
\$ 33,095.34		\$ 36,138.81	\$ (181.51)	\$ (2,861.96)	\$ 33,095.34
\$ 1,312,040.02				\$ 1,231,882.89	\$ 1,231,882.89
	781	\$ (34.92)			0.00
			\$ 80,192.05		(34.92)
\$ 1,312,040.02		\$ (34.92)	\$ 80,192.05	\$ 1,231,882.89	\$ 80,192.05
\$ 49,994,828.60				\$ 153,419.09	\$ 153,419.09
	711	\$ 454.45			454.45
			\$ 49,840,955.06		49,840,955.06
\$ 49,994,828.60		\$ 454.45	\$ 49,840,955.06	\$ 153,419.09	\$ 49,994,828.60
\$ (1,312,721.00)					\$ (1,312,721.00)
\$ (1,312,721.00)			\$ (1,312,721.00)		\$ (1,312,721.00)
\$ 34,392,986.61				\$ 305,481.08	\$ 305,481.08
	711	\$ 117.38			0.00
	721	22,372.00			117.38
	730	1,256.40			22,372.00
	750	9,331.44			1,256.40
	771	10,000.00			9,331.44
	772	5,310.00			10,000.00
			\$ 34,039,118.31		5,310.00
\$ 34,392,986.61		\$ 48,387.22	\$ 34,039,118.31	\$ 305,481.08	\$ 34,039,118.31
\$ 18,608,134.24				\$ 8,807.42	\$ 8,807.42
			\$ 18,599,326.82		18,599,326.82
\$ 18,608,134.24			\$ 18,599,326.82	\$ 8,807.42	\$ 18,608,134.24
\$ 23,212.63				\$ 23,212.63	\$ 23,212.63
\$ 23,212.63				\$ 23,212.63	\$ 23,212.63
\$ 75,050.32					
	772	\$ 4,969.44			4,969.44
			\$ 70,080.88		70,080.88
\$ 75,050.32		\$ 4,969.44	\$ 70,080.88		\$ 75,050.32
\$ 2,138,082,232.37		\$ 49,069,446.98	\$ 2,025,037,919.58	\$ 63,984,865.81	\$ 2,138,082,232.37
\$ 4,744,851.53				\$ 2,021,618.92	\$ 2,021,618.92
	711	\$ 209,349.69			209,349.69
	721	56,305.41			56,305.41
	733	37,675.83			37,675.83
	752	9,000.00			9,000.00
			\$ 2,410,901.68		0.00
\$ 4,744,851.53		\$ 312,330.93	\$ 2,410,901.68	\$ 2,021,618.92	\$ 2,410,901.68
\$ 15,000.00				\$ 15,000.00	\$ 15,000.00
\$ 15,000.00			\$ 15,000.00		\$ 15,000.00
\$ 4,769,851.53		\$ 312,330.93	\$ 2,425,901.68	\$ 2,021,618.92	\$ 4,769,851.53
				\$ 129,678.69	\$ 129,678.69
\$ 14,383,781.79					
	744	\$ 11,318,264.50			11,318,264.50
			\$ 2,935,838.60		2,935,838.60
\$ 14,383,781.79		\$ 11,318,264.50	\$ 2,935,838.60	\$ 129,678.69	\$ 14,383,781.79
\$ 14,383,781.79		\$ 11,318,264.50	\$ 2,935,838.60	\$ 129,678.69	\$ 14,383,781.79

Texas Education Agency (701)
 Schedule 1A - Expenditures of Federal Awards
 For the fiscal year ended August 31, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA	Pass-Through From		Direct Program Amount
		Agency / University Number	Agency / University Amount	
Child Nutrition Cluster				
U.S. Department of Agriculture				
<i>Direct Programs:</i>				
<u>School Breakfast Program</u>	10.553			\$ 578,848,636.18
<i>Pass-Through To:</i>				
University of Texas at Austin				
University of Houston				
University of Texas at Tyler				
<i>Pass-Through To Non-State Entities</i>				
Total	10.553			\$ 578,848,636.18
<u>National School Lunch Program</u>	10.555			\$ 1,533,542,105.08
<i>Pass-Through To:</i>				
University of Texas at Austin				
University of Houston				
<i>Pass-Through To Non-State Entities</i>				
Total	10.555			\$ 1,533,542,105.08
Totals - U.S. Department of Agriculture				\$ 2,112,390,741.26
Special Education (IDEA) Cluster				
U.S. Department of Education				
<i>Direct Programs:</i>				
<u>Special Education - Grants to States</u>	84.027			\$ 1,051,997,454.43
<i>Pass-Through To:</i>				
Health and Human Services Commission				
Texas Juvenile Justice Department				
Texas Department of Criminal Justice				
University of Texas at Austin				
University of Houston				
University of Texas of the Permian Basin				
University of Texas at Tyler				
Sam Houston State University				
Stephen F. Austin State University				
Texas School for the Blind and Visually Impaired				
Texas School for the Deaf				
<i>Pass-Through To Non-State Entities</i>				
Total	84.027			\$ 1,051,997,454.43
<u>Special Education - Preschool Grants</u>	84.173			\$ 19,347,961.32
<i>Pass-Through To:</i>				
University of Texas at Austin				
Sam Houston State University				
Texas School for the Deaf				
<i>Pass-Through To Non-State Entities</i>				
Total	84.173			\$ 19,347,961.32
Totals - U.S. Department of Education				\$ 1,071,345,415.75
TANF Cluster				
U.S. Department of Health and Human Services				
<i>Pass-Through Programs:</i>				
<u>Temporary Assistance for Needy Families</u>	93.558			
<i>Pass-Through From:</i>				
Health and Human Services Commission		529	\$ 4,398,579.76	
<i>Pass-Through To Non-State Entities</i>				
Total	93.558		\$ 4,398,579.76	
Totals - U.S. Department of Health and Human Services				\$ 4,398,579.76
WIOA Cluster				
U.S. Department of Labor				
<i>Pass-Through From</i>				
<u>WIOA Adult Program</u>	17.258			
<i>Pass-Through From:</i>				
Texas Workforce Commission		320	\$ 1,206,993.64	
Total	17.258		\$ 1,206,993.64	
<u>WIOA Dislocated Worker Formula Grants</u>	17.278			
<i>Pass-Through From:</i>				
Texas Workforce Commission		320	\$ 908,282.72	
<i>Pass-Through To Non-State Entities</i>				
Total	17.278		\$ 908,282.72	
Totals - U.S. Department of Labor				\$ 2,115,276.36
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 20,972,688.23 \$ 38,212.63 \$ 5,326,913,701.67

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures Amount	Total Pass-Through to and Expenditures Amount
	Agency / University Number	Agency / University Amount	Non-State Entities Amount		
\$ 578,848,636.18					
	721	\$ 21,584.30		\$	21,584.30
	730	7,974.70			7,974.70
	750	6,676.50			6,676.50
			\$ 578,812,400.68		578,812,400.68
\$ 578,848,636.18		\$ 36,235.50	\$ 578,812,400.68	\$	578,848,636.18
\$ 1,533,542,105.08					
	721	\$ 74,919.19		\$	74,919.19
	730	35,331.34			35,331.34
			\$ 1,533,431,854.55		1,533,431,854.55
\$ 1,533,542,105.08		\$ 110,250.53	\$ 1,533,431,854.55	\$	1,533,542,105.08
\$ 2,112,390,741.26		\$ 146,486.03	\$ 2,112,244,255.23	\$	2,112,390,741.26
\$ 1,051,997,454.43				\$ 61,939,938.55	\$ 61,939,938.55
	529	\$ 5,131,125.00			5,131,125.00
	644	723,310.49			723,310.49
	696	140,334.25			140,334.25
	721	1,144,557.05			1,144,557.05
	730	307,435.25			307,435.25
	742	57,311.77			57,311.77
	750	94,612.00			94,612.00
	753	7,499.73			7,499.73
	755	29,132.46			29,132.46
	771	2,844,509.02			2,844,509.02
	772	1,111,556.18			1,111,556.18
			\$ 978,466,132.68		978,466,132.68
\$ 1,051,997,454.43		\$ 11,591,383.20	\$ 978,466,132.68	\$ 61,939,938.55	\$ 1,051,997,454.43
\$ 19,347,961.32				\$ 144,462.64	\$ 144,462.64
	721	\$ 5,647.72			5,647.72
	753	134.88			134.88
	772	19,061.35			19,061.35
			\$ 19,178,654.73		19,178,654.73
\$ 19,347,961.32		\$ 24,843.95	\$ 19,178,654.73	\$ 144,462.64	\$ 19,347,961.32
\$ 1,071,345,415.75		\$ 11,616,227.15	\$ 997,644,787.41	\$ 62,084,401.19	\$ 1,071,345,415.75
\$ 4,398,579.76				\$ 678,976.82	\$ 678,976.82
			\$ 3,719,602.94		3,719,602.94
\$ 4,398,579.76			\$ 3,719,602.94	\$ 678,976.82	\$ 4,398,579.76
\$ 4,398,579.76			\$ 3,719,602.94	\$ 678,976.82	\$ 4,398,579.76
\$ 1,206,993.64			\$ 1,206,993.64	\$	1,206,993.64
\$ 1,206,993.64			\$ 1,206,993.64	\$	1,206,993.64
\$ 908,282.72			\$ 908,282.72	\$	908,282.72
\$ 908,282.72			\$ 908,282.72	\$	908,282.72
\$ 2,115,276.36			\$ 2,115,276.36	\$	2,115,276.36
\$ 5,347,924,602.53		\$ 72,452,755.69	\$ 5,146,572,306.61	\$ 128,899,541.43	\$ 5,347,924,602.53

(UNAUDITED)

Texas Education Agency (701)
Schedule 1A
Expenditures of Federal Awards
For the fiscal year ended August 31, 2018

Note 1 - Non-Monetary Assistance

Not applicable.

Note 2 - Reconciliation

Below is a reconciliation of the total federal pass-through and federal expenditures as reported on the Schedule of Assistance to the total of federal revenues and federal grant 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, and Changes in Fund Balance/Statement of Net Activities - Governmental Fund Types (Exh. II):

Federal Revenues (Exh. II)	\$ 5,326,951,914.30
Federal Pass-Through Revenues (Exh. II)	20,972,688.23
	<hr/>
Total Pass-Through and Direct Expenditures per Federal Schedule	<u>\$ 5,347,924,602.53</u>

Note 3 - Student Loans

Not applicable.

Note 4 - Depository Libraries for Government Publications

Not applicable.

Note 5 - Unemployment Insurance Funds

Not applicable.

Note 6 - Rebates from the Special Supplemental Food Program for Women, Infant and Children (WIC)

Not applicable.

(UNAUDITED)

Texas Education Agency (701)
Schedule 1A
Expenditures of Federal Awards
For the fiscal year ended August 31, 2018

Note 7 - Federal Unearned Revenue

All unearned revenues related to federal programs reported below are prepaid federal grants that have not been earned by fiscal year-end.

Federal Unearned Revenue as of 09/01/2017	\$	-
Net Change During the Fiscal Year - Increase / (Decrease)		<u>25,000.00</u>
Federal Unearned Revenue as of 08/31/2018	\$	<u><u>25,000.00</u></u>

CFDA Number	
93.630	\$ 25,000.00
	<u>\$ 25,000.00</u>

Note 8 - Disaster Grants - Public Assistance

Not applicable.

Note 9 - Economic Adjustment Assistance

Not applicable.

Note 10 - Ten Percent de Minimis Indirect Cost Rate

TEA has not elected to use the 10 percent de minimis indirect cost rate.

(UNAUDITED)

Texas Education Agency (701)
Schedule 1B
Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2018

Pass-Through From/To	Agency Number	Pass-Through Amount
<u>Pass-Through To:</u>		
Available School Fund - Per Capita		
Texas Juvenile Justice Department	644	\$ 245,773.00
University of Texas at Austin	721	173,557.00
University of Houston	730	25,877.00
Lamar University	734	9,475.00
University of Texas of the Permian Basin	742	112,618.00
University of Texas Rio Grande Valley	746	21,462.00
University of Texas at Tyler	750	125,330.00
University of North Texas	752	78,381.00
Stephen F. Austin State University	755	51,381.00
Texas A&M International University	761	18,831.00
		<u>\$ 862,685.00</u>
Council Early Childhood Intervention		
Health and Human Services Commission	529	\$ 16,498,102.00
		<u>\$ 16,498,102.00</u>
Early Childhood School Readiness		
University of Texas Health Science Center at Houston	744	\$ 2,107,858.26
		<u>\$ 2,107,858.26</u>
Foundation School Program (FSP) - Formula		
University of Texas at Austin	721	\$ 12,075,885.00
University of Houston	730	1,080,280.00
Lamar University	734	392,031.00
University of Texas of the Permian Basin	742	4,813,430.00
University of Texas Rio Grande Valley	746	1,264,126.00
University of Texas at Tyler	750	5,491,821.00
University of North Texas	752	2,592,869.00
Sam Houston State University	753	1,160,363.00
Stephen F. Austin State University	755	1,917,852.00
Texas A&M International University	761	753,154.00
Texas School for the Blind and Visually Impaired	771	1,482,589.00
Texas School for the Deaf	772	8,825,503.00
		<u>\$ 41,849,903.00</u>
FSP - Challenge Project - Adjutant General		
Texas Military Department	401	\$ 1,906,000.00
		<u>\$ 1,906,000.00</u>
FSP - Texas Juvenile Justice Department		
Texas Juvenile Justice Department	644	\$ 3,969,236.00
		<u>\$ 3,969,236.00</u>
FSP - Windham School District		
Texas Department of Criminal Justice	696	\$ 53,182,720.00
		<u>\$ 53,182,720.00</u>

(UNAUDITED)

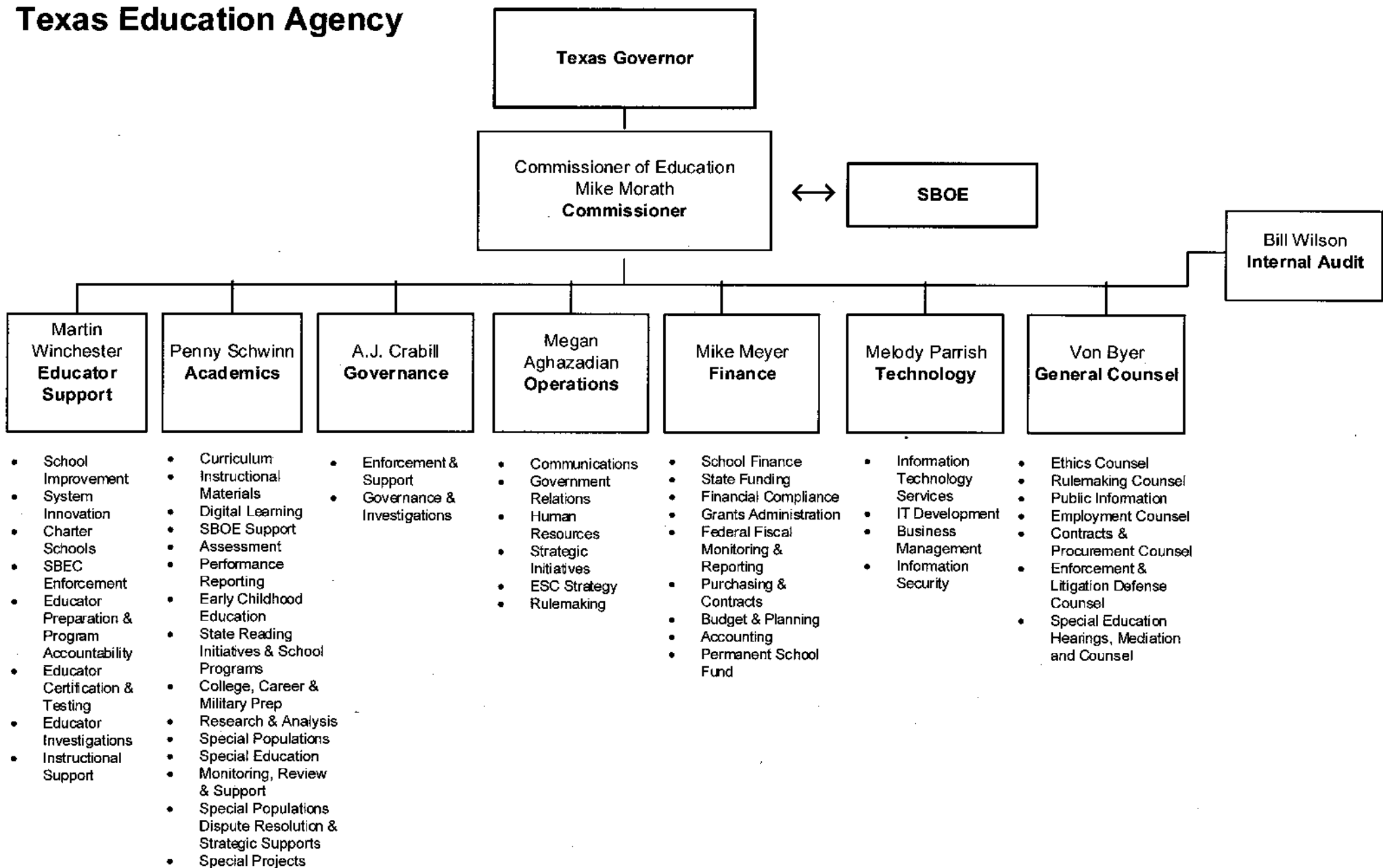
Texas Education Agency (701)
Schedule 1B
Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2018

Pass-Through From/To	Agency Number	Pass-Through Amount
Juvenile Justice Alternative Education Program		
Texas Juvenile Justice Department	644	\$ 6,250,000.00
		<u>\$ 6,250,000.00</u>
School Lunch Matching		
University of Texas at Austin	721	\$ 1,121.12
University of Houston	730	317.84
		<u>\$ 1,438.96</u>
Award Student Achievement and Ed Excellence		
Texas Tech University	733	\$ 6,687.50
		<u>\$ 6,687.50</u>
Students With Visual Impairment		
Texas School for the Blind and Visually Impaired	771	\$ 83,411.90
		<u>\$ 83,411.90</u>
Instructional Materials Allotment		
Texas Juvenile Justice Department	644	\$ 25,535.91
Texas Department of Criminal Justice	696	488,297.05
University of Texas at Austin	721	53,121.55
University of Houston	730	11,880.57
University of Texas at Tyler	750	73,438.14
Sam Houston State University	753	79,904.68
Stephen F. Austin State University	755	12,555.14
Texas School for the Blind and Visually Impaired	771	16,560.84
Texas School for the Deaf	772	61,769.46
		<u>\$ 823,063.34</u>
Early College High School & T-STEM		
University of Texas at Austin	721	\$ 357,654.63
		<u>\$ 357,654.63</u>
Autism Training		
Texas Tech University	733	\$ 140,500.02
		<u>\$ 140,500.02</u>
Onramp Dual Enrollment Course		
University of Texas at Austin	721	\$ 2,448,584.34
		<u>\$ 2,448,584.34</u>
		<u>\$ 130,487,844.95</u>

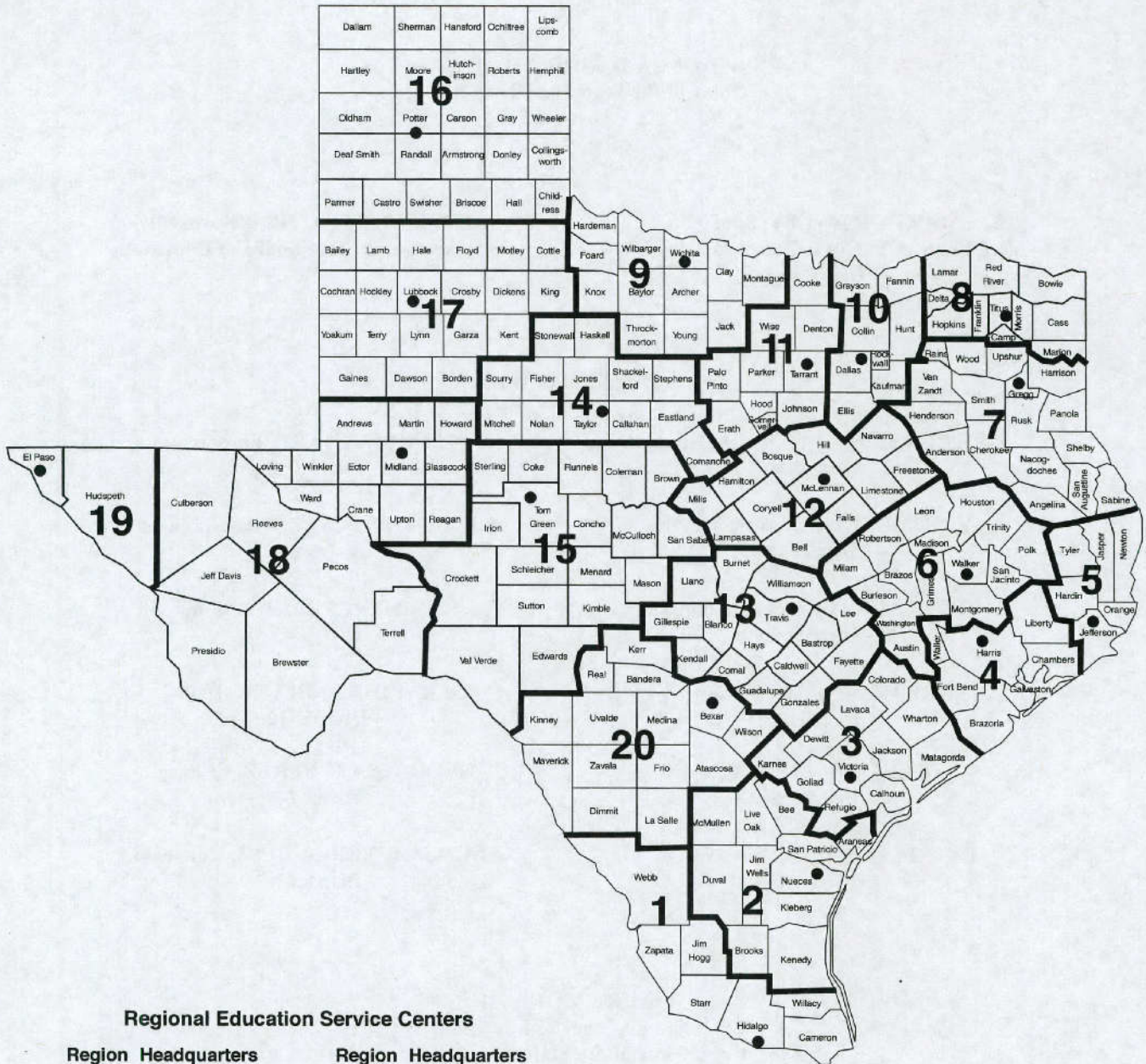
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ADDENDUM

Texas Education Agency



REGIONAL EDUCATION SERVICE CENTERS



Regional Education Service Centers

Region	Headquarters	Region	Headquarters
1	Edinburg	11	Fort Worth
2	Corpus Christi	12	Waco
3	Victoria	13	Austin
4	Houston	14	Abilene
5	Beaumont	15	San Angelo
6	Huntsville	16	Amarillo
7	Kilgore	17	Lubbock
8	Mount Pleasant	18	Midland
9	Wichita Falls	19	El Paso
10	Richardson	20	San Antonio

STATE BOARD OF EDUCATION
(State Board for Career and Technology Education)

DONNA BAHORICH, Houston
Chair of the State Board of Education
District 6

MARTY ROWLEY, Amarillo
Vice Chair of the State Board of Education
District 15

RUBEN CORTEZ, JR., Brownsville
Secretary of the State Board of Education
District 2

Board Members

LAWRENCE A. ALLEN, JR., Houston
District 4

TOM MAYNARD, Florence
District 10

ERIKA BELTRAN, Fort Worth
District 13

SUE MELTON-MALONE, Robiusion
District 14

DAVID BRADLEY, Beaumont
District 7

KEN MERCER, San Antonio
District 5

BARBARA CARGILL, Conroe
District 8

GERALDINE MILLER, Dallas
District 12

KEVEN ELLIS, Lufkin
District 9

GEORGINA C. PÉREZ, El Paso
District 1

PATRICIA HARDY, Fort Worth
District 11

MARISA B. PEREZ-DIAZ, Converse
District 3

MIKE MORATH
Commissioner of Education
(Executive Officer of the State Board of Education)

Texas State Board of Education Districts

Dallas/Ft Worth area

