

ANNUAL  
FINANCIAL REPORT

Texas Education Agency

For the Twelve Months Ending  
August 31, 2014







**TEXAS EDUCATION AGENCY**  
Austin, Texas

**Year Ended August 31, 2014**





TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Michael Williams  
Commissioner

November 20, 2014

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller  
Ursula Parks, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

We are pleased to submit the Annual Financial Report of the Texas Education Agency for the year ended August 31, 2014, 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 Shirley Beaulieu, Chief Financial Officer at (512) 475-3773.

Sincerely,

A handwritten signature in black ink that reads "Michael Williams". The signature is written in a cursive, flowing style.

Michael Williams  
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, 2014

	Governmental Fund Types			Governmental Funds Total FY2014
	General (Exhibit A-1)	Special Revenue Fund 0002	Permanent Fund Fund 0044	
<b>ASSETS</b>				
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	4,992,961.72	5,017,961.72
Cash in State Treasury	558,675,357.94	18,334,021.19	23,628,159.47	600,637,538.60
Securities Lending Collateral (Note 3)	0.00	0.00	1,183,251,177.00	1,183,251,177.00
Short-Term Investments	0.00	0.00	46,935,798.06	46,935,798.06
Legislative Appropriations	63,471,352.78	0.00	0.00	63,471,352.78
Receivables:				
Federal	614,388,003.27	0.00	0.00	614,388,003.27
Intergovernmental	560,125,141.00	0.00	0.00	560,125,141.00
Interest and Dividends	78,926.81	46,385.31	64,311,130.10	64,436,442.22
Accounts	324.76	0.00	475,600.00	475,924.76
Taxes	0.00	74,213,631.00	0.00	74,213,631.00
Investment Trade Receivable	0.00	0.00	6,884,764.20	6,884,764.20
Interfund Receivables (Note 12)	206,923.48	0.00	0.00	206,923.48
Due From Other Agencies (Note 12)	124,630,334.59	71,767,087.44	0.00	196,397,422.03
Consumable Inventories	94,315.24	0.00	0.00	94,315.24
Total Current Assets	\$ 1,921,695,819.87	\$ 164,361,124.94	\$ 1,330,479,590.55	\$ 3,416,536,535.36
Non-Current Assets:				
Receivables:				
Taxes	\$ 0.00	\$ 491.14	\$ 0.00	\$ 491.14
Investments (Note 3)	0.00	0.00	30,653,545,215.57	30,653,545,215.57
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	\$ 0.00	\$ 491.14	\$ 30,653,545,215.57	\$ 30,653,545,706.71
Total Assets	\$ 1,921,695,819.87	\$ 164,361,616.08	\$ 31,984,024,806.12	\$ 34,070,082,242.07
<b>DEFERRED OUTFLOWS</b>				
Deferred Outflow of Revenues	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Deferred Outflows	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Payables:				
Accounts	\$ 710,383,415.93	\$ 0.00	\$ 1,464,638.98	\$ 711,848,054.91
Other Intergovernmental	301,058,743.00	0.00	0.00	301,058,743.00
Payroll	5,731,974.63	0.00	662,821.84	6,394,796.47
Other	0.00	0.00	6.93	6.93
Investment Trade Payable	0.00	0.00	35,338,695.47	35,338,695.47
Interfund Payables (Note 12)	206,923.48	0.00	0.00	206,923.48
Due to Other Agencies (Note 12)	11,604,509.74	0.00	0.00	11,604,509.74
Unearned Revenues	1,174,156.35	0.00	0.00	1,174,156.35
Employee Compensable Leave (Note 5)	0.00	0.00	0.00	0.00
Obligations / Securities Lending	0.00	0.00	1,241,999,322.00	1,241,999,322.00
Total Current Liabilities	\$ 1,030,159,723.13	\$ 0.00	\$ 1,279,465,485.22	\$ 2,309,625,208.35
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	\$ 1,030,159,723.13	\$ 0.00	\$ 1,279,465,485.22	\$ 2,309,625,208.35
<b>DEFERRED INFLOWS</b>				
Deferred Inflow of Resources	\$ 0.00	\$ 4,025.65	\$ 15,277,925.42	\$ 15,281,951.07
Total Deferred Inflows	\$ 0.00	\$ 4,025.65	\$ 15,277,925.42	\$ 15,281,951.07
<b>Fund Financial Statement</b>				
Fund Balances (Deficits):				
Nonspendable	\$ 94,315.24	\$ 0.00	\$ 9,409,229,540.62	\$ 9,409,323,855.86
Restricted	58,774,525.44	164,357,590.43	21,280,051,854.86	21,503,183,970.73
Committed	799,388,699.42	0.00	0.00	799,388,699.42
Assigned	12,135,158.90	0.00	0.00	12,135,158.90
Unassigned	21,143,397.74	0.00	0.00	21,143,397.74
Total Fund Balances	\$ 891,536,096.74	\$ 164,357,590.43	\$ 30,689,281,395.48	\$ 31,745,175,082.65
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,921,695,819.87	\$ 164,361,616.08	\$ 31,984,024,806.12	\$ 34,070,082,242.07
<b>Government-wide Statement - Net Position</b>				
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.



UNAUDITED

Statewide Adjustments				Statement of Net Position FY2014
Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments		
\$ 0.00	\$ 0.00	\$ 0.00	\$	140.00
0.00	0.00	0.00		5,017,961.72
0.00	0.00	0.00		600,637,538.60
0.00	0.00	0.00		1,183,251,177.00
0.00	0.00	0.00		46,935,798.06
0.00	0.00	0.00		63,471,352.78
0.00	0.00	0.00		614,388,003.27
0.00	0.00	0.00		560,125,141.00
0.00	0.00	0.00		64,436,442.22
0.00	0.00	0.00		475,924.76
0.00	0.00	0.00		74,213,631.00
0.00	0.00	0.00		6,884,764.20
0.00	0.00	0.00		206,923.48
0.00	0.00	0.00		196,397,422.03
0.00	0.00	0.00		94,315.24
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>3,416,536,535.36</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$	491.14
0.00	0.00	0.00		30,653,545,215.57
16,509,327.13	0.00	0.00		16,509,327.13
67,629,233.06	0.00	0.00		67,629,233.06
<u>\$ 84,138,560.19</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>30,737,684,266.90</u>
<u>\$ 84,138,560.19</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>34,154,220,802.26</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>0.00</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>0.00</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$	711,848,054.91
0.00	0.00	0.00		301,058,743.00
0.00	0.00	0.00		6,394,796.47
0.00	0.00	0.00		6.93
0.00	0.00	0.00		35,338,695.47
0.00	0.00	0.00		206,923.48
0.00	0.00	0.00		11,604,509.74
0.00	0.00	0.00		1,174,156.35
0.00	3,764,987.04	0.00		3,764,987.04
0.00	0.00	0.00		1,241,999,322.00
<u>\$ 0.00</u>	<u>\$ 3,764,987.04</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>2,313,390,195.39</u>
<u>\$ 0.00</u>	<u>\$ 2,907,897.52</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>2,907,897.52</u>
<u>\$ 0.00</u>	<u>\$ 2,907,897.52</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>2,907,897.52</u>
<u>\$ 0.00</u>	<u>\$ 6,672,884.56</u>	<u>\$ 0.00</u>	<u>\$</u>	<u>2,316,298,092.91</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (15,281,951.07)</u>	<u>\$</u>	<u>0.00</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (15,281,951.07)</u>	<u>\$</u>	<u>0.00</u>
				\$ 9,409,323,855.86
				21,503,183,970.73
				799,388,699.42
				12,135,158.90
				21,143,397.74
				<u>\$ 31,745,175,082.65</u>
\$ 84,138,560.19	\$ 0.00	\$ 0.00	\$	84,138,560.19
0.00	0.00	15,281,951.07		15,281,951.07
0.00	(6,672,884.56)	0.00		(6,672,884.56)
<u>\$ 84,138,560.19</u>	<u>\$ (6,672,884.56)</u>	<u>\$ 15,281,951.07</u>	<u>\$</u>	<u>31,837,922,709.35</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, 2014

	Governmental Fund Types			Governmental Funds Total FY2014
	General (Exhibit A-2)	Special Revenue Fund 0002	Permanent Fund Fund 0044	
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations	\$ 189,964,653.75	\$ 0.00	\$ 0.00	\$ 189,964,653.75
Additional Appropriations	9,831,000.92	0.00	0.00	9,831,000.92
Taxes	0.00	817,389,279.62	0.00	817,389,279.62
Federal Revenue (Sch. 1A)	4,952,491,356.49	0.00	0.00	4,952,491,356.49
Federal Grant Pass-Through Revenue (Sch. 1A)	17,866,004.12	0.00	0.00	17,866,004.12
State Grant Pass-Through Revenue (Sch. 1B)	614,406.93	0.00	0.00	614,406.93
Licenses, Fees and Permits	708,299.04	0.00	0.00	708,299.04
Interest and Other Investment Income	1,584,814.99	451,996.07	581,462,307.25	583,499,118.31
Net Increase (Decrease) in Fair Value	0.00	0.00	3,644,288,933.59	3,644,288,933.59
Sales of Goods and Services	135,508.25	0.00	0.00	135,508.25
Other	1,171,426,528.20	0.00	0.00	1,171,426,528.20
<b>Total Revenues</b>	<b>\$ 6,344,622,572.69</b>	<b>\$ 817,841,275.69</b>	<b>\$ 4,225,751,240.84</b>	<b>\$ 11,388,215,089.22</b>
<b>EXPENDITURES</b>				
Salaries and Wages	\$ 50,268,862.12	\$ 0.00	\$ 6,916,501.91	\$ 57,185,364.03
Payroll Related Costs	14,282,333.71	0.00	1,649,856.42	15,932,190.13
Professional Fees and Services	148,322,189.41	0.00	4,475,121.68	152,797,311.09
Travel	907,110.05	0.00	208,509.07	1,115,619.12
Materials and Supplies	1,038,073.65	0.00	346,397.43	1,384,471.08
Communication and Utilities	4,295,250.47	0.00	1,295,190.44	5,590,440.91
Repairs and Maintenance	730,368.05	0.00	434,085.63	1,164,453.68
Rentals and Leases	1,411,251.76	0.00	828,974.79	2,240,226.55
Printing and Reproduction	57,540.90	0.00	13,909.67	71,450.57
Claims and Judgements	35,000.00	0.00	0.00	35,000.00
Federal Grant Pass Through Expenditures (Sch. 1A)	83,210,300.12	0.00	0.00	83,210,300.12
State Grant Pass Through Expenditures (Sch. 1B)	114,906,404.45	905,867.00	0.00	115,812,271.45
Intergovernmental Payments	23,953,517,896.48	1,227,474,826.00	0.00	25,180,992,722.48
Public Assistance Payments	54,390,468.83	0.00	0.00	54,390,468.83
Other Expenditures	30,438,463.06	0.00	1,831,007.12	32,269,470.18
Capital Outlay	21,288,504.27	0.00	61,043.70	21,349,547.97
Depreciation and Amortization Expense	0.00	0.00	0.00	0.00
<b>Total Expenditures / Expenses</b>	<b>\$ 24,479,100,017.33</b>	<b>\$ 1,228,380,693.00</b>	<b>\$ 18,060,597.86</b>	<b>\$ 25,725,541,308.19</b>
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (18,134,477,444.64)	\$ (410,539,417.31)	\$ 4,207,690,642.98	\$ (14,337,326,218.97)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In (Note 12)	\$ 18,036,803,176.24	\$ 838,672,345.92	\$ 130,000,000.00	\$ 19,005,475,522.16
Transfers Out (Note 12)	(528,774.53)	(419,336,172.96)	(838,672,345.92)	(1,258,537,293.41)
Legislative Transfers In (Note 12)	500,000.00	0.00	0.00	500,000.00
Legislative Transfers Out (Note 12)	(13,885,700.00)	0.00	0.00	(13,885,700.00)
Gain (Loss) on Sale of Capital Assets	0.00	0.00	0.00	0.00
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 18,022,888,701.71</b>	<b>\$ 419,336,172.96</b>	<b>\$ (708,672,345.92)</b>	<b>\$ 17,733,552,528.75</b>
Net Change in Fund Balances / Net Assets	\$ (111,588,742.93)	\$ 8,796,755.65	\$ 3,499,018,297.06	\$ 3,396,226,309.78
<b>Fund Financial Statement - Fund Balances</b>				
Fund Balance - September 1, 2013	\$ 1,006,627,337.56	\$ 155,560,834.78	\$ 27,190,263,098.42	\$ 28,352,451,270.76
Restatements (Note 14)	0.00	0.00	0.00	0.00
Fund Balance, September 1, 2013, as Restated	\$ 1,006,627,337.56	\$ 155,560,834.78	\$ 27,190,263,098.42	\$ 28,352,451,270.76
Appropriations Lapsed	\$ (3,502,497.89)	\$ 0.00	\$ 0.00	\$ (3,502,497.89)
<b>Fund Balances - August 31, 2014</b>	<b>\$ 891,536,096.74</b>	<b>\$ 164,357,590.43</b>	<b>\$ 30,689,281,395.48</b>	<b>\$ 31,745,175,082.65</b>
<b>Government-wide Statement - Net Position</b>				
Change in Net Position				\$ 31,745,175,082.65
Net Position - September 1, 2013				
<b>Net Position - August 31, 2014</b>				<b>\$ 31,745,175,082.65</b>

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

UNAUDITED

Statewide Adjustments			
Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities FY2014
\$ 0.00	\$ 0.00	\$ 0.00	\$ 189,964,653.75
0.00	0.00	0.00	9,831,000.92
0.00	0.00	(132,318.98)	817,256,960.64
0.00	0.00	0.00	4,952,491,356.49
0.00	0.00	0.00	17,866,004.12
0.00	0.00	0.00	614,406.93
0.00	0.00	0.00	708,299.04
0.00	0.00	(1,263,401.43)	582,235,716.88
0.00	0.00	0.00	3,644,288,933.59
0.00	0.00	0.00	135,508.25
0.00	0.00	0.00	1,171,426,528.20
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (1,395,720.41)</u>	<u>\$ 11,386,819,368.81</u>
\$ 0.00	\$ 581,417.37	\$ 0.00	\$ 57,766,781.40
0.00	0.00	0.00	15,932,190.13
0.00	0.00	0.00	152,797,311.09
0.00	0.00	0.00	1,115,619.12
0.00	0.00	0.00	1,384,471.08
0.00	0.00	0.00	5,590,440.91
0.00	0.00	0.00	1,164,453.68
0.00	0.00	0.00	2,240,226.55
0.00	0.00	0.00	71,450.57
0.00	0.00	0.00	35,000.00
0.00	0.00	0.00	83,210,300.12
0.00	0.00	0.00	115,812,271.45
0.00	0.00	0.00	25,180,992,722.48
0.00	0.00	0.00	54,390,468.83
0.00	0.00	0.00	32,269,470.18
(21,349,547.97)	0.00	0.00	(0.00)
8,838,583.33	0.00	0.00	8,838,583.33
<u>\$ (12,510,964.64)</u>	<u>\$ 581,417.37</u>	<u>\$ 0.00</u>	<u>\$ 25,713,611,760.92</u>
\$ 12,510,964.64	\$ (581,417.37)	\$ (1,395,720.41)	\$ (14,326,792,392.11)
\$ 0.00	0.00	\$ 0.00	\$ 19,005,475,522.16
0.00	0.00	0.00	(1,258,537,293.41)
0.00	0.00	0.00	500,000.00
0.00	0.00	0.00	(13,885,700.00)
(368.47)	0.00	0.00	(368.47)
<u>\$ (368.47)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 17,733,552,160.28</u>
\$ 12,510,596.17	\$ (581,417.37)	\$ (1,395,720.41)	\$ 3,406,759,768.17
			\$ 28,352,451,270.76
			0.00
			\$ 28,352,451,270.76
			\$ (3,502,497.89)
			<u>\$ 31,755,708,541.04</u>
\$ 12,510,596.17	\$ (581,417.37)	\$ (1,395,720.41)	\$ 31,755,708,541.04
71,627,964.02	(6,091,467.19)	16,677,671.48	82,214,168.31
<u>\$ 84,138,560.19</u>	<u>\$ (6,672,884.56)</u>	<u>\$ 15,281,951.07</u>	<u>\$ 31,837,922,709.35</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 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 Number 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB Statement Number 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 Newedge USA, LLC. is integral to the Permanent School Fund's investment management activities.

#### Investments

Investments other than land endowment and other real property interest investments are reported at fair value in accordance with Governmental Accounting Standards Board Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pool*. 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'.

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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, 2014 is presented in Note 12.

**Note 2 Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2014, is presented below:

Primary Government								
			Reclassifications					
	Balance 09/01/2013	Adjustments/ Restatements	Completed CIP	Inc- Int'agy Trans	Dec- Int'agy Trans	Additions	Deletions	Balance 08/31/2014
Governmental Activities								
Non-Depreciable Assets:								
Construction in Progress	\$10,156,619.12					\$6,312,708.01		\$16,469,327.13
Other Tangible Capital Assets	40,000.00							40,000.00
<b>Total Non-Depreciable Assets</b>	<b>\$10,196,619.12</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$6,312,708.01</b>	<b>\$0.00</b>	<b>\$16,509,327.13</b>



	Primary Government							Balance 08/31/2014
	Balance 09/01/2013	Adjustments/ Restatements	Reclassifications			Additions	Deletions	
			Completed CIP	Inc- Int'agy Trans	Dec- Int'agy Trans			
<b>Depreciable Assets:</b>								
Furniture and Equipment	\$16,034,003.39					\$434,751.10	(\$4,891,511.59)	\$11,577,242.90
Vehicles, Boats and Aircraft	82,082.71							82,082.71
<b>Total Depreciable Assets at Historical Cost</b>	<b>\$16,116,086.10</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$434,751.10</b>	<b>(\$4,891,511.59)</b>	<b>\$11,659,325.61</b>
<b>Less Accumulated Depreciation for:</b>								
Furniture and Equipment	(\$14,501,230.11)					(\$467,414.71)	\$4,891,143.12	(\$10,077,501.70)
Vehicles, Boats and Aircraft	(77,019.32)					(2,641.44)		(79,660.76)
<b>Total Accumulated Depreciation</b>	<b>(\$14,578,249.43)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$470,056.15)</b>	<b>\$4,891,143.12</b>	<b>(\$10,157,162.46)</b>
<b>Depreciable Assets, Net</b>	<b>\$1,537,836.67</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$35,305.05)</b>	<b>(\$368.47)</b>	<b>\$1,502,163.15</b>
<b>Amortizable Assets:</b>								
Computer Software	\$16,615,784.13					\$0.00	(\$47,500.00)	\$16,568,284.13
Other Capital Intangible Assets	64,771,147.82					14,602,088.86		79,373,236.68
<b>Total Amortizable Assets – Intangible</b>	<b>\$81,386,931.95</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$14,602,088.86</b>	<b>(\$47,500.00)</b>	<b>\$95,941,520.81</b>
<b>Less Accumulated Amortization for:</b>								
Computer Software	(\$11,346,071.56)					(\$1,769,731.80)	\$47,500.00	(\$13,068,303.36)
Other Capital Intangible Assets	(10,147,352.16)					(6,598,795.38)	0.00	(16,746,147.54)
<b>Total Accumulated Amortization</b>	<b>(\$21,493,423.72)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$8,368,527.18)</b>	<b>\$47,500.00</b>	<b>(\$29,814,450.90)</b>
<b>Amortizable Assets – Intangible - Net</b>	<b>\$59,893,508.23</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$6,233,561.68</b>	<b>\$0.00</b>	<b>\$66,127,069.91</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$71,627,964.02</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$12,510,964.64</b>	<b>(\$368.47)</b>	<b>\$84,138,560.19</b>

**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 the international equity portfolio.

**Cash**

The Cash in Bank amount includes \$25,000.00 for the Travel Cash in Bank account at August 31, 2014. 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. Additionally, Cash in Bank includes \$229,873.99 in repatriated currencies and \$1,301,522.06 in private equity distributions that were received at the custodian bank after the custodian bank's processing cutoff. These funds were in U.S. dollars but not included in the short-term investment fund for the PSF; they were invested in the overnight account.

The total cash in bank available as of August 31, 2014 is as follows:

	<b>Bank Balance</b>
Cash in Bank - Travel Advance	\$ 25,000.00
Cash in Bank - Permanent School Fund	4,992,961.72
<b>Total Cash in Bank (Exh. I)</b>	<b>\$ 5,017,961.72</b>

**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.

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Investments at fair value as of August 31, 2014 are as follows:

Investments	Fair Value
Absolute Return Investments	\$ 3,066,836,395.00
Real Estate Investments	1,279,092,788.00
Private Equity Investments	1,073,299,321.48
Risk Parity Strategies	2,066,634,303.00
Real Return - Commodities	836,691,640.00
Domestic Equity	9,255,234,116.90
International Equity – Foreign Currency Denominated	5,367,756,274.43
International Equity – USD Denominated (ADR/GDR)	111,851,272.56
Emerging Market Debt	2,122,036,110.00
Asset Backed Securities	45,761,693.09
Collateralized Loan Obligations	96,169,176.13
Commercial Mortgage Backed Securities	134,978,232.87
Corporate Obligations	1,116,394,130.56
Yankee - Corporate Obligations	46,561,167.00
Non Agency Mortgage Backed Securities	59,544,429.87
Non-U.S. Government Agency Obligations	65,880,449.49
Non-U.S. Government Sovereign Debt Obligations	102,039,255.00
Preferred Stock	914,919.73
U.S. Government Agency Commercial Mortgage Backed Securities	105,566,447.78
U.S. Government Agency Mortgage Backed Securities	1,014,403,706.40
U.S. Government Agency Obligations	186,953,105.61
U.S. Taxable Municipal Bonds	56,081,364.30
U.S. Treasury Securities	1,390,313,215.00
U.S. Treasury TIPS	1,052,551,701.37
<b>Total Investments (Exh. I)</b>	<b>\$30,653,545,215.57</b>

**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, 2014 is subject to custodial credit risk because the collateral

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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, 2014 is as follows:

Invested Securities Lending Collateral	Amortized Cost	Fair Value
Asset Backed Floating Rate Notes	\$ 1,143,937.00	\$ 1,143,158.00
Corporate Floating Rate Notes	173,137,445.00	114,307,503.00
Repurchase Agreements	407,084,931.00	407,084,931.00
Interest Bearing Notes	24,300,000.00	24,353,020.00
Commercial Paper	236,346,223.00	236,362,837.00
Certificates of Deposit	381,986,786.00	381,999,728.00
Time Deposits	18,000,000.00	18,000,000.00
<b>Total Securities Lending Collateral (Exh. I)</b>	<b>\$1,241,999,322.00</b>	<b>\$1,183,251,177.00</b>

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, 2014 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	Moody's	\$ 7,677,884.65
Asset Backed Securities	AAA		14,121,056.48
Asset Backed Securities	Aa	Moody's	8,406,069.30
Asset Backed Securities	A		15,556,682.66
Collateralized Loan Obligations	BBB		59,170,211.13
Collateralized Loan Obligations	Baa	Moody's	36,998,965.00
Commercial Mortgage Backed Obligations	Aaa	Moody's	101,561,469.51
Commercial Mortgage Backed Obligations	AA		11,350,260.00
Commercial Mortgage Backed Obligations	Aa	Moody's	22,066,503.36
Corporate Obligations	AA	Fitch	13,581,590.00
Corporate Obligations	AA		10,545,200.00
Corporate Obligations	Aa	Moody's	16,289,542.00
Corporate Obligations	A	Moody's	220,100,989.43
Corporate Obligations	A	Fitch	15,211,425.00
Corporate Obligations	A		17,954,445.00
Corporate Obligations	BBB		98,158,435.00
Corporate Obligations	Baa	Moody's	686,144,469.13
Corporate Obligations	BBB	Fitch	33,540,735.00

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Investment Type	Rating	Rating Service	Fair Value
Corporate Obligations	BB		4,867,000.00
Yankee – Corporate Obligations	A		5,210,500.00
Yankee – Corporate Obligations	Baa	Moody's	30,630,007.00
Yankee – Corporate Obligations	BBB		10,720,660.00
Non Agency Mortgage Backed Securities	AAA		51,143,244.39
Non Agency Mortgage Backed Securities	CCC		8,401,185.48
Non U.S. Government Agency Obligations	AAA		9,992,360.00
Non U.S. Government Agency Obligations	Aa	Moody's	10,001,780.00
Non U.S. Government Agency Obligations	A		24,986,309.49
Non U.S. Government Agency Obligations	BBB		20,900,000.00
Non-U.S. Sovereign Government Debt	Aa	Moody's	20,036,000.00
Non-U.S. Sovereign Government Debt	AA		5,109,375.00
Non-U.S. Sovereign Government Debt	A		17,236,380.00
Non-U.S. Sovereign Government Debt	BBB		32,640,000.00
Non-U.S. Sovereign Government Debt	Baa		27,017,500.00
Preferred Stock	B	Moody's	914,919.73
U.S. Government Agency Commercial Mortgage Backed Securities	AA		85,117,329.78
U.S. Government Agency Commercial Mortgage Backed Securities	A	Moody's	5,156,410.00
U.S. Government Agency Commercial Mortgage Backed Securities	A	Fitch	15,292,708.00
U.S. Government Agency Mortgage Backed Securities	AA		996,690,958.07
U.S. Government Agency Obligations	AA		186,953,105.61
U.S. Taxable Municipal Bonds	AAA		28,649,214.50
U.S. Taxable Municipal Bonds	Aa	Moody's	22,330,290.00
U.S. Taxable Municipal Bonds	A	Moody's	5,101,859.80
U.S. Treasury Securities	AA		1,390,313,215.00
U.S. Treasury Inflation Protected Securities	AA		1,052,551,701.37
<b>Total Credit Risk Rated Debt Securities</b>			<b>\$5,456,399,945.87</b>
Corporate Obligations	Withdrawn Rating	Moody's	\$ 300.00
U.S. Government Agency Mortgage Backed Securities	Not Rated		17,712,748.33
<b>Total Fixed Income</b>			<b>\$5,474,112,994.20</b>

**Credit Risk for Invested Securities Lending Collateral**

The following presents the rated investments of the cash collateral as of August 31, 2014. 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

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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		\$ 1,143,158.00
Certificate of Deposit	A-1		274,709,492.00
Certificate of Deposit	A-1+		107,290,236.00
Commercial Paper	A-1		148,184,145.00
Commercial Paper	A-1+		88,178,692.00
Floating Rate Notes	A		11,303,977.00
Floating Rate Notes	A+		17,924,485.00
Floating Rate Notes	AA-		72,579,017.00
Floating Rate Notes	AA+		12,500,024.00
Interest Bearing Notes	A-1		24,353,020.00
Repurchase Agreements	Not Rated		407,084,931.00
Time Deposits	A-1		18,000,000.00
<b>Total Investments</b>			<b>\$1,183,251,177.00</b>

**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, 2014, the Barclay's Capital U.S. Aggregate Bond Index duration is 5.39 years and the Barclay's Capital U.S. TIPS Index duration is 6.87 years.

Investments by investment type, fair value, and the effective weighted duration rate as of August 31, 2014 are as follows for the core fixed income portfolio and the real return portfolio:

Investment Type	Fair Value	Effective Weighted Duration (Years)
Asset Backed Securities	\$ 45,761,693.09	2.0541
Collateralized Loan Obligations	96,169,176.13	.0951
Commercial Mortgage Backed Securities	134,978,232.87	2.8975
Corporate Obligations	1,116,394,130.56	7.5766
Yankee – Corporate Obligations	46,561,167.00	9.8353
Non Agency Mortgage Backed Securities	59,544,429.87	5.6826
Non U.S. Government Agency Obligations	65,880,449.49	2.3654

Investment Type	Fair Value	Effective Weighted Duration (Years)
Non-U.S. Sovereign Government Debt	102,039,255.00	6.9096
Preferred Stock	914,919.73	NA
U.S. Government Agency Commercial Mortgage Backed Securities	105,566,447.78	4.0021
U. S. Government Agency Mortgage Backed Securities	1,014,403,706.40	4.4372
U. S. Government Agency Obligations	186,953,105.61	5.0877
U.S. Taxable Municipal Securities	56,081,364.30	11.1219
U. S. Treasury Securities	1,390,313,215.00	5.5766
U.S. Treasury TIPS	159,612,374.47	5.2863
<b>Total Fixed Income Portfolio (Excluding Real Return TIPS)</b>	<b>\$ 4,581,173,667.30</b>	<b>5.6128</b>
Real Return - U. S. Treasury TIPS Portfolio	892,939,326.90	7.8182
<b>Total Fixed Income Investments</b>	<b>\$ 5,474,112,994.20</b>	<b>6.8039</b>

#### 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	\$ 1,143,158.00	\$ 1,143,158.00	\$ 0.00
Certificates of Deposit	381,999,728.00	381,999,728.00	0.00
Commercial Paper	236,362,837.00	236,362,837.00	0.00
Floating Rate Notes	114,307,503.00	114,307,503.00	0.00
Interest Bearing Notes	24,353,020.00	24,353,020.00	0.00
Repurchase Agreements	407,084,931.00	407,084,931.00	0.00
Time Deposits	18,000,000.00	18,000,000.00	0.00
<b>Total</b>	<b>\$1,183,251,177.00</b>	<b>\$1,183,251,177.00</b>	<b>\$ 0.00</b>

#### 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, 2014, the Permanent School Fund held \$611,556,297.52 in fixed income securities and mortgage backed obligations issued by the Federal National Mortgage Association (Fannie Mae) and \$424,843,026.51 in fixed income securities and mortgage backed obligations issued by the Federal Home Loan Mortgage Corporation (Freddie Mac). Neither of these investments represent a

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concentration of more than 2.5% of the PSF total market value. However, the investments in both the Fannie Mae and Freddie Mac securities equal more than 5% of the fixed income total portfolio market value. These entities are government-sponsored enterprises chartered by Congress and, since September 2008, have 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.

**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, 2014, 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, 2014 these securities totaled \$1,314,492,816.92.

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, 2014 these securities totaled \$96,169,176.13.

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, 2014 these securities totaled \$45,761,693.09.

**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, 2014 is as follows:

<b>Deposits</b>	<b>Amount</b>
<b>Currency</b>	
Australian Dollar	\$ 704,536.84
Brazil Real	153,397.89
British Pound Sterling	158,733.31
Canadian Dollar	6,299.21
Egyptian Pound	87,612.87
Euro Currency Unit	35,452.83
Indonesian Rupiah	53.02
Japanese Yen	32.79
Malaysian Ringgit	9,093.38
New Taiwan Dollar	2,290,355.24
New Turkish Lira	52.64
Peruvian Nuevo Sol	610.82
Philippines Peso	184.66
Polish Zloty	149.44



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<b>Deposits</b>	<b>Amount</b>
South Korean Won	14,984.56
Various Other Currency Balances	16.17
<b>Total Deposits Subject to Foreign Currency Risk</b>	<b>\$3,461,565.67</b>

<b>Investments in Equity Securities</b>	<b>Fair Value</b>
<b>Currency</b>	
Australian Dollar	\$ 313,650,921.25
Brazil Real	144,080,620.91
British Pound Sterling	827,219,604.36
Canadian Dollar	425,205,012.25
Chilean Peso	16,689,305.30
Columbian Peso	12,151,349.12
Czech Koruna	2,684,924.29
Danish Krone	58,035,243.09
Egyptian Pound	2,877,004.52
Euro Currency Unit	1,168,018,597.75
Hong Kong Dollar	348,033,331.38
Hungarian Forint	2,335,029.15
Indonesian Rupiah	31,245,961.29
Israeli Shekel	11,768,464.02
Japanese Yen	782,304,109.81
Malaysian Ringgit	45,819,824.08
Mexican New Peso	64,084,297.10
New Taiwan Dollar	144,926,013.48
New Turkish Lira	20,039,173.59
New Zealand Dollar	5,112,738.52
Norwegian Krone	33,109,808.43
Philippines Peso	13,010,315.77
Polish Zloty	18,752,116.71
Qatari Riyal	6,167,355.38
Russian Ruble	42,476,475.88
Singapore Dollar	56,310,362.47
South African Rand	91,239,167.75
South Korean Won	184,646,082.34
Swedish Krona	115,460,514.12
Swiss Franc	347,207,787.54
Thailand Baht	27,755,925.41
United Arab Imarates Dirham	5,338,837.37
<b>Total Securities Subject to Foreign Currency Risk</b>	<b>\$5,367,756,274.43</b>

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 equity 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% of the fair value plus accrued income for domestic corporate securities and 105% 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%. 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, 2014, the Permanent School Fund invested cash collateral had weighted average maturity of 36 days to reset date.

During the fiscal year ending August 31, 2014, 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, 2013, no losses were recovered in the fiscal year ending August 31, 2014.

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 \$58,824,270.00; however, the estimated market value is \$0.00 as of August 31, 2014.

As of August 31, 2014, the fair value of securities on loan to brokers equaled \$2,599,086,526.62 against non-cash collateral with a fair value of \$1,424,413,595.55 and invested cash collateral with an amortized cost of \$1,241,999,322.00 and a fair value of \$1,183,251,177.00.

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 \$2.67 billion in non-cash and cash collateral while the borrowers owe securities back to the Fund with a fair value of approximately \$2.60 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 FY2014 due to the continuation of extremely low interest rates, most cash collateral loans were negotiated with 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.

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Net income generated from securities lending transactions is then split between the Permanent School Fund and its securities lending agent. For fiscal year 2014, gross securities lending revenue totaled \$9,407,786.93, including negative rebates (brokers paid instead of receiving rebates) in the amount of \$3,359,992.78. Gross expenditures for bank fees and other adjustments totaled \$1,411,089.40. Net securities lending income totaled \$7,996,697.55.

**Note 4 Short-Term Debt**

Not applicable.

**Note 5 Long-Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2014, the following changes occurred in liabilities:

Governmental Activities	Balance 09-01-13	Additions	Reductions	Balance 08-31-14	Amounts Due Within One Year
Compensable Leave	\$ 6,091,467.19	\$ 5,084,047.68	\$ 4,502,630.31	\$ 6,672,884.56	\$ 3,764,987.04
<b>Total Governmental Activities</b>	\$ 6,091,467.19	\$ 5,084,047.68	\$ 4,502,630.31	\$ 6,672,884.56	\$ 3,764,987.04

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 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%) of the market value of the portfolio's total assets. The Permanent School Fund may exceed the ten percent (10%) 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

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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, 2014, the Permanent School Fund invested in S&P 500 Index Futures contracts and S&P 400 Index Futures contracts as detailed below with FCM Newedge USA, LLC:

Futures Contract	Maturity Date	Number of Contracts	Notional Value	FCM Margin Deposit
S&P 500 e-mini	September 19, 2014	55	\$ 5,503,850.00	\$253,000.00
S&P 500 e-mini	December 19, 2014	28	2,790,760.00	128,800.00
S&P 400 e-mini	September 19, 2014	10	1,437,100.00	67,000.00
S&P 400 e-mini	December 19, 2014	4	573,280.00	26,800.00
<b>Total Futures</b>			<b>\$ 10,304,990.00</b>	<b>\$475,600.00</b>

The amount of net realized gains on the futures contracts for the period ended August 31, 2014 was \$1,014,685.22 and is included in the net change in fair value of investments on the Statement of Revenues, Expenditures and Changes in Fund Balance. The futures contracts themselves have no fair value at August 31, 2014. If Newedge USA, LLC failed, the loss that would be recognized at August 31, 2014 would be \$503,110.06, which is the sum of the FMC Margin Deposit of \$475,600 and the net unpaid year-end variation margin gain of \$27,510.06.

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	\$ 116,715.52
Permanent Fund	683,975.08
<b>Total</b>	<b>\$ 800,690.60</b>

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, 2014	
2015	\$ 827,513.27
2016	815,879.01

Year Ended August 31, 2014	
2017	822,990.75
2018	229,135.32
2019	109,791.60
2020-2024	329,374.80
2025-2029	0.00
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$ 3,134,684.75</b>

**Capital Leases**

The Agency had no active capital leases during fiscal year 2014.

**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, 2014, which tie to Exhibits I and II, are as follows:

<b>INTERFUND RECEIVABLES/PAYABLES:</b>			
Current Portion	Current Interfund Receivable	Current Interfund Payable	Purpose
<b>GENERAL REVENUE (01)</b>			
Appd. Fund 0900, D23 1900		\$ 206,923.48	Reimb. between funds
<b>Totals for Fund 0900</b>		<b>\$ 206,923.48</b>	
Appd. Fund 0148, D23 0148	\$ 206,923.48		Reimb. between funds

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<b>INTERFUND RECEIVABLES/PAYABLES:</b>			
Current Portion	Current Interfund Receivable	Current Interfund Payable	Purpose
<b>Totals for Fund 0148</b>	\$ 206,923.48		
<b>Total Interfund Receivable/Payable (Exh I)</b>	\$ 206,923.48	\$ 206,923.48	
<b>AGENCY FUNDS (09)</b>			
Appd. Fund 0900, D23 0900		\$ 3,529.33	Reimb. between funds
<b>Totals for Fund 0900</b>		\$ 3,529.33	
Appd. Fund 1000, D23 1000	\$ 3,529.33		Reimb. between funds
<b>Totals for Fund 0001</b>	\$ 3,529.33		
<b>Total Interfund Receivable/Payable (Exh J-1)</b>	\$ 3,529.33	\$ 3,529.33	

<b>DUE FROM/TO OTHER AGENCIES:</b>			
	Due From Other Agencies	Due To Other Agencies	Source
<b>GENERAL REVENUE (01)</b>			
Appd. Fund 0001, D23 0001			
Agency 721, D23 Fund 7999		\$ 1,472,994.92	State P-T
<b>Totals for Fund 0001</b>		\$ 1,472,994.92	
Appd. Fund 0003, D23 Fund 0003			
Agency 755, D23 Fund 7999	\$ 751.02		State P-T
<b>Totals for Fund 0003</b>	\$ 751.02		
Appd. Fund 0148, D23 Fund 0148			
Agency 320, D23 Fund 5026	\$ 2,967,697.72		Fed P-T
Agency 529, D23 Fund 0001	146,108.83		Fed P-T
Agency 538, D23 Fund 0001		\$ 156,106.49	Fed P-T
Agency 555, D23 Fund 7999		46,704.43	Fed P-T
Agency 556, D23 Fund 7999		275,714.32	Fed P-T
Agency 644, D23 Fund 0220		184,104.08	Fed P-T
Agency 644, D23 Fund 0271		228,611.10	Fed P-T
Agency 644, D23 Fund 0274		34,893.42	Fed P-T
Agency 644, D23 Fund 0285		30,173.28	Fed P-T
Agency 696, D23 Fund 0991		199,066.75	Fed P-T
Agency 711, D23 Fund 7999		132,710.64	Fed P-T
Agency 712, D23 Fund 7999		151,666.61	Fed P-T
Agency 721, D23 Fund 7999		2,974,029.60	Fed P-T
Agency 723, D23 Fund 7999		84,396.23	Fed P-T

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<b>DUE FROM/TO OTHER AGENCIES:</b>			
	<b>Due From Other Agencies</b>	<b>Due To Other Agencies</b>	<b>Source</b>
Agency 730, D23 Fund 7999		99,981.03	Fed P-T
Agency 733, D23 Fund 7999		181,102.11	Fed P-T
Agency 738, D23 Fund 7999		65,219.10	Fed P-T
Agency 742, D23 Fund 7999		242,123.45	Fed P-T
Agency 744, D23 Fund 7999		3,130,891.82	Fed P-T
Agency 750, D23 Fund 7999		512,991.92	Fed P-T
Agency 752, D23 Fund 7999		162,930.31	Fed P-T
Agency 755, D23 Fund 7999		44,350.12	Fed P-T
Agency 760, D23 Fund 7999		21,004.35	Fed P-T
Agency 772, D23 Fund 0090		218,585.01	Fed P-T
Agency 781, D23 Fund 0001		447,635.52	Fed P-T
<b>Totals for Fund 0148</b>	<b>\$ 3,113,806.55</b>	<b>\$ 9,624,991.69</b>	
Appd. Fund 0171, D23 Fund 0171			
Agency 730, D23 Fund 7999		\$ 1,591.63	Fed P-T
<b>Totals for Fund 0171</b>		<b>\$ 1,591.63</b>	
Appd. Fund 0193, D23 Fund 0193			
Agency 362, D23 Fund 5025	\$ 121,484,035.66		Lottery Proceeds
Agency 744, D23 Fund 7999		\$ 504,931.50	State P-T
<b>Totals for Fund 0193</b>	<b>\$ 121,484,035.66</b>	<b>\$ 504,931.50</b>	
Appd. Fund 0802, D23 Fund 2250			
Agency 608, D23 Fund 0802	\$ 9,413.42		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2260			
Agency 608, D23 Fund 0802	132.00		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2270			
Agency 608, D23 Fund 0802	2,584.06		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2271			
Agency 608, D23 Fund 0802	5,354.85		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2273			
Agency 608, D23 Fund 0802	7,645.17		License Plate Proceeds
Appd. Fund 0802, D23 Fund 2274			
Agency 608, D23 Fund 0802	5,420.22		License Plate Proceeds
<b>Totals for Fund 0802</b>	<b>\$ 30,549.72</b>		
Appd. Fund 5140, D23 Fund 5140			
Agency 608, D23 Fund 5140	\$ 1,191.64		License Plate Proceeds

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<b>DUE FROM/TO OTHER AGENCIES:</b>			
	Due From Other Agencies	Due To Other Agencies	Source
<b>Totals for Fund 5140</b>	\$ 1,191.64		
<b>SPECIAL REVENUE (02)</b>			
Appd. Fund 0002, D23 Fund 0002			
Agency 902, D23 Fund 0001	\$ 71,767,087.44		Fuel Tax
<b>Totals for Fund 0002</b>	\$ 71,767,087.44		
<b>Total Due From/To Other Agencies (Exh I)</b>	\$ 196,397,422.03	\$ 11,604,509.74	

<b>TRANSFERS IN/OUT:</b>		
	TRANSFERS IN	TRANSFERS OUT
<b>GENERAL REVENUE (01)</b>		
Appd. Fund 0001, D23 Fund 0001		
Agency 902, D23 Fund 0001		\$ 528,774.53
<b>Total Transfers for Fund 0001</b>		\$ 528,774.53
Appd. Fund 0003, D23 Fund 0003		
Agency 701, D23 Fund 0002	\$ 419,336,172.96	
<b>Total Transfers for Fund 0003</b>	\$ 419,336,172.96	
Appd. Fund 0193, D23 Fund 0193		
Agency 362, D23 Fund 5025	\$ 1,203,771,930.50	
Agency 902, D23 Fund 0001	13,731,505,546.12	
Agency 902, D23 Fund 0304	2,666,189,526.66	
<b>Total Transfers for Fund 0193</b>	\$ 17,601,467,003.28	
Appd. Fund 5135, D23 Fund 5135		
Agency 902, D23 Fund 0001	\$ 16,000,000.00	
<b>Total Transfers for Fund 5135</b>	\$ 16,000,000.00	
<b>SPECIAL REVENUE (02)</b>		
Appd. Fund 0002, D23 Fund 0002		
Agency 701, D23 Fund 0003		\$ 419,336,172.96
Agency 701, D23 Fund 0044	\$ 838,672,345.92	
<b>Total Transfers for Fund 0002</b>	\$ 838,672,345.92	\$ 419,336,172.96
<b>PERMANENT FUND (19)</b>		
Appd. Fund 0044, D23 Fund 0044		
Agency 305, D23 Fund 0013	\$ 130,000,000.00	
Agency 701, D23 Fund 0002		\$ 838,672,345.92



Total Transfers for Fund 0044	\$ 130,000,000.00	\$ 838,672,345.92
Total Transfers (Exh II)	\$ 19,005,475,522.16	\$ 1,258,537,293.41
<b>LEGISLATIVE TRANSFERS IN/OUT:</b>		
	TRANSFERS IN	TRANSFERS OUT
<b>GENERAL REVENUE (01)</b>		
Appd. Fund 0001, D23 Fund 0001		
Agency 320, D23 Fund 0001	\$ 500,000.00	\$ 13,885,700.00
<b>Total Legislative (Exh II)</b>	<b>\$ 500,000.00</b>	<b>\$ 13,885,700.00</b>

### Note 13 Continuance 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, 2015. 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, 2014, 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 very little risk 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

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

1. Sterling City ISD, et. al v. Robert Scott—Travis County District Court—Case No. D-1-GV-10-000124

This litigation was commenced in 2010 challenging the Agency implementation of Section 42.008 of the Texas Education Code and the predecessor provision in Section 42.2516(h) as that section was enacted in 2006. Five school districts contend that the Agency improperly limited their additional revenue "caused by" increases in school finance formulas by considering local property value increases. Other allegations involve improper rulemaking and unconstitutional state property tax. The Commissioner contends that the statutes are constitutional, were correctly implemented and filed a plea to the jurisdiction contesting the court's ability to order refunds of amounts the districts had already paid.

A bench trial was held February 9<sup>th</sup>, 2011. The court issued a decision on July 8, 2011 ruling in part for the plaintiffs and in part for the Agency. Some of the school districts and the Agency appealed from the trial court decision (No. 11-12-00035-CV). The Eleventh Court of Appeals issued an opinion in October 2014. The opinion affirmed the trial court ruling for the plaintiff school districts. The Agency will be pursuing an appeal of the Eleventh Court of Appeals ruling.

2. Comb, et.al v. Benji's et al, No 4:10-cv-03498, pending in United States District Court, Southern District of Texas, Houston Division.

This litigation was filed in September of 2010 contesting a decision by the Agency-appointed board of managers of a charter school to cease operations due to insolvency. It also seeks damages for certain former employees and students of the charter. A preliminary injunction was denied and the trial court dismissed the case in March, 2012. The dismissal was appealed and the Fifth Circuit Court of Appeals dismissed the case in October of 2012. Several other cases involving the same circumstances and some of the same parties have been filed in state and federal courts but assert no claims directly against the agency. The Plaintiffs have filed a motion for rehearing with the 5<sup>th</sup> Circuit and this motion is still pending.

3. U.S. v. Texas: Cause No. 6:71-CV-5281, US District Court, Eastern District of Texas, Tyler Division.

Texas has been subject to a federal court statewide desegregation order since 1971. Over the past several years, several interventions have resulted in trials before the court relating to student transfers under the order and the provision of services to limited English proficient students. Pursuant to an order of the Fifth Circuit Court of Appeals in March of 2010, all Texas school districts except the original nine defendant districts have been released from the Court's order. On October 31, 2012, the Texas Attorney General's Office and the United States Department of Justice jointly moved to dismiss the part of the case involving the 1971 order eliminating a dual school system, which was granted by the Court. Texas school districts are no longer subject to the order. The state has moved to dismiss the remaining intervention in the case involving bilingual education and is awaiting the Court's ruling.

4. LULAC v. Texas, et. al, Cause No. 6:14-CV-0138, US District Court, Eastern District of Texas, Tyler Division.

This suit was filed by the League of United Latin American Citizens against the State of Texas, Southwest Independent School District and North East Independent School District. The suit alleges that current practices by the state and by the school districts violate the Equal Educational Opportunities Act of 1974 (20 U.S.C. § 1703(f)). LULAC is pursuing class certification.

5. Alphonso Crutch Life Support Center v. Scott, No. 10-0929, pending in the Texas Supreme Court.

This suit was filed by a charter school to contest withholding of funds by the Agency due to certain audit findings involving the 2002-2003 through 2006-2007 school years. The Supreme Court remanded the case to allow Plaintiffs an opportunity to replead part of the case. The Plaintiffs have re-pleaded their case and the Agency has filed a plea to the jurisdiction and no evidence summary judgment motion. The district court has not ruled on these motions.

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Additional litigation has been filed by the same charter school following revocation of its charter after an administrative hearing at the State Office of Administrative Hearings (Cause No. D-1-GN-13-002830, 261<sup>st</sup> Judicial District Court of Travis County) contending that it was denied due process in the revocation proceeding. The trial court granted TEA's plea to the jurisdiction. The charter school has appealed this decision to the Third Court of Appeals, and this appeal is pending.

6. Texas Taxpayer and Student Fairness Coalition, et. al. vs. Scott, et. al., No. D-1-GN-11-003130, pending in Travis County District Court, 200<sup>th</sup> Judicial District.

This suit challenges the constitutionality of the public school finance system in Texas and requests an injunction against any distribution of funds under that system. Trial began on October 22, 2012 and a preliminary decision against the State was announced. The case was reopened to supplement the record and a four week proceeding for that purpose occurred in January and February, 2014. The district court issued a final judgment along with findings of facts and conclusions of law on August 28, 2014. The judgment enjoined payments under chapter 41 and 42 of the education code, however, it was delayed until July 1, 2015 to allow the Texas Legislature an opportunity to cure the constitutional deficiencies determined by the court. Appeal from the District Court decision would most likely be directly to the Texas Supreme Court.

7. Bridgeport ISD, et al v. TEA; 261st Judicial District Court of Travis County, Cause No. D-1-GN-12-3824 & No. D-1-GV-13-0270.

A group of school districts challenged the agency's implementation of federal accountability requirements as part of the acceptance of Title I and other federal grant programs, contending that the acceptance of the federal grant and resulting requirements on school districts constituted unauthorized rulemaking. The trial court granted TEA's plea to the jurisdiction and the plaintiffs have filed an appeal with the 3<sup>rd</sup> Court of Appeals. The 3<sup>rd</sup> Court of Appeals court denied the plaintiffs' appeal, and the plaintiffs have since filed a motion for rehearing with the 3<sup>rd</sup> Court of Appeals, which is now pending.

8. Texas Education Agency v. American Youthworks, Inc., Court of Appeals Number: 03-14-00283-CV; 03-14-00420-CV Trial Court Case Number: D-1-GN-14-000672.

A charter school filed suit in Travis County District Court alleging that the statute authorizing the charter school's revocation was unconstitutional. Two other charter schools, Honors Academy and Azleway Charter School have intervened in the lawsuit. The district court denied the Agency's plea to the jurisdiction, and the Agency has appealed this order. The appeal is pending before the Third Court of Appeals.

9. Charles Taylor v. Dee Margo and Michael Williams; El Paso District Court Cause Number 20 13-DCV -2873.

An individual who was elected to the El Paso ISD Board of Trustees filed suit in El Paso District Court alleging that the appointment of a Board of Managers in El Paso violated the individual's constitutional rights and the Election Code. This case is pending before the El Paso District Court.

10. Burnham Wood Charter School District v. TEA and Michael Williams; 53<sup>rd</sup> District Court of Travis County, Cause Number D-1-GN-13-001234.

A charter school has appealed to district court a State Office of Administrative Hearings decision and TEA order dismissing the charter school's appeals under Texas Education Code Section 7.057 of matters related to TEA investigations and state funding determinations. The district court action also includes claims of ultra vires conduct and due process violations. The case remains pending.

11. Donika Ivy v. Michael Williams, U.S. District Court for the Western District of Texas, Austin Division, Cause No. A-11-CA-660 LY.

An individual sued the Commissioner claiming that the Commissioner must use his regulatory authority over driving safety schools to require these commercial schools to comply with the Americans with Disabilities Act and Section 504 of the Rehabilitation Act. The U.S. District Court denied the Commissioner's plea to the jurisdiction, and the Commissioner has appealed this ruling to the Fifth Circuit Court of Appeals. The matter is pending before the Fifth Circuit.

The PSF has potential liability in two sets of defense class actions asserting fraudulent conveyance claims and seeking 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 these matters, management believes that it is unlikely that these suits will result in any liability to the PSF during this year's audit period [for the next 12 months] therefore, in accordance with GAAP, no accrual for these matters is currently reflected in the accompanying financial statements. The Attorney General's Office is representing the PSF in both matters and asserting sovereign immunity and other defenses.

1. In re: Lyondell Chemical Company, No. 09-10023; Edward S. Weisfelner, as Trustee of the LB Creditor Trust v. Morgan Stanley, Adv. Pro. No. 10-04609 (Bankr. S.D.N.Y.) and Edward S. Weisfelner, as Litigation Trustee of the LB Litigation Trust v. Holmes, Adv. Pro. No. 10-05525 (Bankr. S.D.N.Y.). The PSF received approximately \$17.5 million for Lyondell stock.
2. 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, 2014 the SBOE has approved and the Fund has made capital commitments to externally managed real estate investment funds in a total amount of \$1,576.4 million and private equity program capital commitments to private equity limited partnerships in the total amount of \$1,712.2 million, to be implemented over the next several years. Unfunded commitments at August 31, 2014 totaled \$520 million in real estate investments and \$739 million 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. Currently there is no purchase of 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. At the present, there are no recorded liabilities.

### 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" and "perpetual" 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% 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 2014, the distribution to the ASF totaled \$838,672,345.92.

### **Note 19 The Financial Reporting Entity**

Not applicable.

### **Note 20 Stewardship, Compliance, and Accountability**

As of August 31, 2014, the Agency had several intergovernmental receivables and payables which will be settled from 2015 appropriations.

### **Note 21**

Not applicable.

### **Note 22 Donor-Restricted Endowments**

Net assets of the Permanent School Fund represent the residual interest in the Fund's assets after liabilities are deducted. The State of Texas Constitution describes the Fund as "permanent" and "perpetual" with proceeds produced by the Permanent School Fund to be used to complement taxes in financing public education. Under an obligation to maintain trust principal, the Permanent School Fund's assets are held in a trustee capacity for the benefit of public free schools. The Permanent School Fund is dedicated by Sections 2 and 5 of Article VII of the Texas Constitution and may not be expended except as allowed by the constitution. Article VII, Section 5(b) allows an appropriation from the Permanent School Fund for the purpose of managing its investment, and Article VII, Section 5(d) allows the Permanent School Fund to be pledged to guarantee bonds issued by school districts or the state for the purpose of construction and improvement of instructional facilities. Article VII, Section (a) provides for a percentage of the Permanent School Fund's value to be transferred to the Available School Fund as determined by the State Board of Education or the Legislature, not to exceed the lesser of six percent or the total return on all investment assets over the current year and preceding nine years.

	Permanent School Fund (PSF)
Non Spendable Net Assets of the PSF	\$ 9,409,229,540.62
Restricted Net Assets of the PSF	21,280,051,854.86
<b>Total Net PSF Assets at August 31, 2014 (Exh. I)</b>	<b>\$ 30,689,281,395.48</b>

**Note 23 Extraordinary and Special Items**

Not applicable.

**Note 24 Disaggregation of Receivable and Payable Balances**

As of August 31, 2014, the Agency had several intergovernmental receivables and payables which would be settled in the 2015 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 2014, the Agency reported deferred inflows of resources in connection with motor fuel tax revenue for Fund 0002 and fixed income and international equity investments for Fund 0044 as presented below:

As of August 31, 2014	Deferred Outflows of Resources	Deferred Inflows of Resources
Available School Fund (0002):		
Motor Fuel Tax	\$0.00	\$ 4,025.65
Permanent School Fund (0044):		
Interest and International Dividends	0.00	15,277,925.42
<b>Total (Exh. I)</b>	<b>\$0.00</b>	<b>\$15,281,951.07</b>

Deferred inflows of resources of \$15,281,951.07 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 processing fee, which was lowered from \$2,300.00 to \$1,500.00 on January 1, 2014. 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 82<sup>nd</sup> 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 Comptroller of Public Accounts in the state treasury. 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 80<sup>th</sup> 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 July 1, 2010, the SBOE authorized capacity multiplier for the State Capacity Limit was increased to three (3) times the cost value of the Fund, including the portion managed by the School Land Board (SLB).

As of August 31, 2014, the capacity of the Guarantee Program is \$117,318,653,038.00 under Federal law and \$82,636,531,020.00 under State law. Total outstanding bonds guaranteed by the Permanent School Fund under this program total \$58,364,350,783.77 at August 31, 2014; of that, \$58,061,805,783.77 is for school district guarantees (816 school districts) and \$302,545,000.00 is for charter district guarantees (6 charter districts). These dollar amounts represent the outstanding principal amount of the bonds issued. They do not reflect any subsequent accretions in value

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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, 2014.

Guarantees extend through the maturity dates of the bonds. As of August 31, 2014, the total principal debt guaranteed on bond issues is \$58,364,350,783.77, the expected interest to be paid out over the remaining life of those bond issues is \$37,655,567,587.10, and the final maturity is scheduled to occur in the year 2051.



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Texas Education Agency (701)  
 Exhibit A-1  
 Combining Balance Sheet-  
 All General and Consolidated Funds  
 August 31, 2014

	General Revenue Fund 0001	State Instructional Materials Fund 0003	Charter District Bond Guarantee Reserve Fund 0053	License Plate Trust Fund 0802	Consolidat Federal Health, Education & Welfare Fund 0148
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	\$ 140.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Cash in Bank	25,000.00	0.00	0.00	0.00	0.00
Cash in State Treasury	0.00	117,036,933.85	273,284.71	0.00	9,752,402.22
Legislative Appropriations	63,471,352.78	0.00	0.00	0.00	0.00
Receivables:					
Federal	0.00	0.00	0.00	0.00	567,740,367.77
Intergovernmental	0.00	0.00	0.00	0.00	0.00
Interest and Dividends	428.40	78,343.14	58.71	11.22	85.34
Accounts	0.00	324.76	0.00	0.00	0.00
Interfund Receivables (Note 12)	0.00	0.00	0.00	0.00	206,923.48
Due From Other Agencies (Note 12)	0.00	751.02	0.00	30,549.72	3,113,806.55
Consumable Inventories	94,315.24	0.00	0.00	0.00	0.00
Total Current Assets	<u>\$ 63,591,236.42</u>	<u>\$ 117,116,352.77</u>	<u>\$ 273,343.42</u>	<u>\$ 30,560.94</u>	<u>\$ 580,813,585.36</u>
<b>Total Assets</b>	<u>\$ 63,591,236.42</u>	<u>\$ 117,116,352.77</u>	<u>\$ 273,343.42</u>	<u>\$ 30,560.94</u>	<u>\$ 580,813,585.36</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Current Liabilities:					
Payables:					
Accounts	\$ 24,345,586.45	\$ 64,634,551.14	\$ 0.00	\$ 30,560.94	\$ 562,389,522.05
Other Intergovernmental	0.00	0.00	0.00	0.00	0.00
Payroll	3,306,495.22	6,606.20	0.00	0.00	2,418,873.21
Interfund Payables (Note 12)	0.00	0.00	0.00	0.00	0.00
Due to Other Agencies (Note 12)	1,472,994.92	0.00	0.00	0.00	9,624,991.69
Unearned Revenues	1,093,287.95	0.00	0.00	0.00	80,868.40
Total Current Liabilities	<u>\$ 30,218,364.54</u>	<u>\$ 64,641,157.34</u>	<u>\$ 0.00</u>	<u>\$ 30,560.94</u>	<u>\$ 574,514,255.35</u>
<b>Total Liabilities</b>	<u>\$ 30,218,364.54</u>	<u>\$ 64,641,157.34</u>	<u>\$ 0.00</u>	<u>\$ 30,560.94</u>	<u>\$ 574,514,255.35</u>
<b>Fund Financial Statement - Fund</b>					
Fund Balances (Deficits):					
Nonspendable	\$ 94,315.24	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Restricted	0.00	52,475,195.43	0.00	0.00	6,299,330.01
Committed	0.00	0.00	273,343.42	0.00	0.00
Assigned	12,135,158.90	0.00	0.00	0.00	0.00
Unassigned	21,143,397.74	(0.00)	(0.00)	(0.00)	0.00
<b>Total Fund Balances</b>	<u>\$ 33,372,871.88</u>	<u>\$ 52,475,195.43</u>	<u>\$ 273,343.42</u>	<u>\$ (0.00)</u>	<u>\$ 6,299,330.01</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 63,591,236.42</u>	<u>\$ 117,116,352.77</u>	<u>\$ 273,343.42</u>	<u>\$ 30,560.94</u>	<u>\$ 580,813,585.36</u>

UNAUDITED

ted Accounts	Consolidated Accounts				
Federal School Lunch Fund 0171	Foundation School Fund 0193	Educator Excellence Fund 5135	Special License Plates-General Fund 5140	Suspense Fund (D23 Fund 1900) 0900	Memorandum Totals FY2014 Exhibit I
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 140.00
0.00	0.00	0.00	0.00	0.00	25,000.00
0.00	339,145,025.22	92,260,788.46	0.00	206,923.48	558,675,357.94
0.00	0.00	0.00	0.00	0.00	63,471,352.78
46,647,635.50	0.00	0.00	0.00	0.00	614,388,003.27
0.00	560,125,141.00	0.00	0.00	0.00	560,125,141.00
0.00	0.00	0.00	0.00	0.00	78,926.81
0.00	0.00	0.00	0.00	0.00	324.76
0.00	0.00	0.00	0.00	0.00	206,923.48
0.00	121,484,035.66	0.00	1,191.64	0.00	124,630,334.59
0.00	0.00	0.00	0.00	0.00	94,315.24
<u>\$ 46,647,635.50</u>	<u>\$ 1,020,754,201.88</u>	<u>\$ 92,260,788.46</u>	<u>\$ 1,191.64</u>	<u>\$ 206,923.48</u>	<u>\$ 1,921,695,819.87</u>
<u>\$ 46,647,635.50</u>	<u>\$ 1,020,754,201.88</u>	<u>\$ 92,260,788.46</u>	<u>\$ 1,191.64</u>	<u>\$ 206,923.48</u>	<u>\$ 1,921,695,819.87</u>
\$ 46,646,043.87	\$ 8,267,785.05	\$ 4,068,174.79	\$ 1,191.64	\$ 0.00	\$ 710,383,415.93
0.00	301,058,743.00	0.00	0.00	0.00	301,058,743.00
0.00	0.00	0.00	0.00	0.00	5,731,974.63
0.00	0.00	0.00	0.00	206,923.48	206,923.48
1,591.63	504,931.50	0.00	0.00	0.00	11,604,509.74
0.00	0.00	0.00	0.00	0.00	1,174,156.35
<u>\$ 46,647,635.50</u>	<u>\$ 309,831,459.55</u>	<u>\$ 4,068,174.79</u>	<u>\$ 1,191.64</u>	<u>\$ 206,923.48</u>	<u>\$ 1,030,159,723.13</u>
<u>\$ 46,647,635.50</u>	<u>\$ 309,831,459.55</u>	<u>\$ 4,068,174.79</u>	<u>\$ 1,191.64</u>	<u>\$ 206,923.48</u>	<u>\$ 1,030,159,723.13</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 94,315.24
0.00	0.00	0.00	0.00	0.00	58,774,525.44
0.00	710,922,742.33	88,192,613.67	0.00	0.00	799,388,699.42
0.00	0.00	0.00	0.00	0.00	12,135,158.90
(0.00)	(0.00)	0.00	0.00	0.00	21,143,397.74
<u>\$ (0.00)</u>	<u>\$ 710,922,742.33</u>	<u>\$ 88,192,613.67</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 891,536,096.74</u>
<u>\$ 46,647,635.50</u>	<u>\$ 1,020,754,201.88</u>	<u>\$ 92,260,788.46</u>	<u>\$ 1,191.64</u>	<u>\$ 206,923.48</u>	<u>\$ 1,921,695,819.87</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, 2014

	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
<b>REVENUES</b>						
Legislative Appropriations:						
Original Appropriations	\$ 189,964,653.75	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Additional Appropriations	9,631,000.92	0.00	0.00	0.00	0.00	0.00
Federal Revenue (Sch. 1A)	349,087.00	0.00	0.00	0.00	3,136,821,049.13	1,815,321,220.36
Federal Grant Pass-Through Revenue (Sch. 1A)	0.00	0.00	0.00	0.00	17,866,004.12	0.00
State Grant Pass-Through Revenue (Sch. 1B)	614,406.93	0.00	0.00	0.00	0.00	0.00
Licenses, Fees and Permits	439,731.08	0.00	0.00	257,210.47	0.00	0.00
Interest and Other Investment Income	177,189.94	1,407,427.93	93.42	103.70	0.00	0.00
Sales of Goods and Services	134,163.71	1,344.54	0.00	0.00	0.00	0.00
Other	1,122,585.65	0.00	273,250.00	0.00	0.00	0.00
<b>Total Revenues</b>	<b>\$ 202,632,818.98</b>	<b>\$ 1,408,772.47</b>	<b>\$ 273,343.42</b>	<b>\$ 257,314.17</b>	<b>\$ 3,154,687,053.25</b>	<b>\$ 1,815,321,220.36</b>
<b>EXPENDITURES</b>						
Salaries and Wages	\$ 27,928,922.78	\$ 982,514.56	\$ 0.00	\$ 0.00	\$ 21,357,424.78	\$ 0.00
Payroll Related Costs	6,910,578.42	395,812.54	0.00	0.00	6,975,942.75	0.00
Professional Fees and Services	57,032,357.73	919,183.46	0.00	0.00	50,485,626.79	0.00
Travel	347,250.19	249,750.92	0.00	0.00	310,108.94	0.00
Materials and Supplies	626,527.45	4,676.27	0.00	0.00	406,648.55	0.00
Communication and Utilities	3,686,080.21	7,160.32	0.00	0.00	602,009.94	0.00
Repairs and Maintenance	456,792.80	1,669.88	0.00	0.00	271,905.37	0.00
Rentals and Leases	771,854.12	14,407.96	0.00	0.00	624,581.68	0.00
Printing and Reproduction	18,409.39	2,417.46	0.00	0.00	36,477.05	0.00
Claims and Judgements	35,000.00	0.00	0.00	0.00	0.00	0.00
Federal Grant Pass Through Expenditures (Sch. 1A)	0.00	0.00	0.00	0.00	83,077,767.90	132,532.22
State Grant Pass Through Expenditures (Sch. 1B)	5,436,702.33	1,591,495.38	0.00	0.00	0.00	0.00
Intergovernmental Payments	34,726,331.45	493,952,131.99	0.00	17,107.44	2,953,619,654.78	1,815,188,688.14
Public Assistance Payments	24,478,059.28	0.00	0.00	240,206.73	28,977,402.75	0.00
Other Expenditures	8,052,439.33	(54,182.05)	0.00	0.00	2,844,350.41	0.00
Capital Outlay	2,490,482.12	500,124.88	0.00	0.00	5,098,342.10	0.00
<b>Total Expenditures / Expenses</b>	<b>\$ 172,997,787.60</b>	<b>\$ 498,567,163.57</b>	<b>\$ 0.00</b>	<b>\$ 257,314.17</b>	<b>\$ 3,154,688,243.79</b>	<b>\$ 1,815,321,220.36</b>
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 29,635,031.38	\$ (497,158,391.10)	\$ 273,343.42	\$ (0.00)	\$ (1,190.54)	\$ (0.00)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In (Note 12)	\$ 0.00	\$ 419,336,172.96	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Transfers Out (Note 12)	(528,774.53)	0.00	0.00	0.00	0.00	0.00
Legislative Transfers In (Note 12)	500,000.00	0.00	0.00	0.00	0.00	0.00
Legislative Transfers Out (Note 12)	(13,885,700.00)	0.00	0.00	0.00	0.00	0.00
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (13,914,474.53)</b>	<b>\$ 419,336,172.96</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
Net Change in Fund Balances / Net Assets	\$ 15,720,556.85	\$ (77,822,218.14)	\$ 273,343.42	\$ (0.00)	\$ (1,190.54)	\$ (0.00)
<b>Fund Financial Statement - Fund Balances</b>						
Fund Balance - September 1, 2013	\$ 21,154,812.92	\$ 130,297,413.57	\$ (0.00)	\$ 0.00	\$ 6,300,520.55	\$ 0.00
Appropriations Lapsed	(3,502,497.89)	0.00	0.00	0.00	0.00	0.00
<b>Fund Balance - August 31, 2014</b>	<b>\$ 17,652,315.03</b>	<b>\$ 130,297,413.57</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 6,299,330.01</b>	<b>\$ 0.00</b>

UNAUDITED

Consolidated Accounts				
Foundation School Fund 0193	Educator Excellence Fund 5135	Special License Plates-General Fund 5140	Suspense Fund (D23 Fund 1900) 0900	Memorandum Totals FY2014 Exhibit II
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 189,964,653.75
0.00	0.00	0.00	0.00	9,831,000.92
0.00	0.00	0.00	0.00	4,952,491,356.49
0.00	0.00	0.00	0.00	17,866,004.12
0.00	0.00	0.00	0.00	614,406.93
0.00	0.00	11,357.49	0.00	708,299.04
0.00	0.00	0.00	0.00	1,584,814.99
0.00	0.00	0.00	0.00	135,508.25
1,170,030,692.55	0.00	0.00	0.00	1,171,426,528.20
<u>\$ 1,170,030,692.55</u>	<u>\$ 0.00</u>	<u>\$ 11,357.49</u>	<u>\$ 0.00</u>	<u>\$ 6,344,622,572.69</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 50,268,862.12
0.00	0.00	0.00	0.00	14,282,333.71
39,891,167.99	(6,146.56)	0.00	0.00	148,322,189.41
0.00	0.00	0.00	0.00	907,110.05
221.38	0.00	0.00	0.00	1,038,073.65
0.00	0.00	0.00	0.00	4,295,250.47
0.00	0.00	0.00	0.00	730,368.05
408.00	0.00	0.00	0.00	1,411,251.76
237.00	0.00	0.00	0.00	57,540.90
0.00	0.00	0.00	0.00	35,000.00
0.00	0.00	0.00	0.00	83,210,300.12
107,878,206.74	0.00	0.00	0.00	114,906,404.45
18,647,069,009.08	8,944,973.60	0.00	0.00	23,953,517,896.48
183,442.58	500,000.00	11,357.49	0.00	54,390,468.83
19,595,855.37	0.00	0.00	0.00	30,438,463.06
13,199,555.17	0.00	0.00	0.00	21,288,504.27
<u>\$ 18,827,818,103.31</u>	<u>\$ 9,438,827.04</u>	<u>\$ 11,357.49</u>	<u>\$ 0.00</u>	<u>\$ 24,479,100,017.33</u>
<u>\$ (17,657,787,410.76)</u>	<u>\$ (9,438,827.04)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (18,134,477,444.64)</u>
\$ 17,601,467,003.28	\$ 16,000,000.00	\$ 0.00	\$ 0.00	\$ 18,036,803,176.24
0.00	0.00	0.00	0.00	(528,774.53)
0.00	0.00	0.00	0.00	500,000.00
0.00	0.00	0.00	0.00	(13,885,700.00)
<u>\$ 17,601,467,003.28</u>	<u>\$ 16,000,000.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 18,022,888,701.71</u>
<u>\$ (56,320,407.48)</u>	<u>\$ 6,561,172.96</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (111,588,742.93)</u>
\$ 767,243,149.81	\$ 81,631,440.71	\$ 0.00	\$ 0.00	\$ 1,006,627,337.56
0.00	0.00	0.00	0.00	(3,502,497.89)
<u>\$ 710,922,742.33</u>	<u>\$ 88,192,613.67</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 891,536,096.74</u>

(UNAUDITED)

Texas Education Agency (701)  
Exhibit J-1  
Combining Statement of Changes in Assets and Liabilities - Agency Funds  
August 31, 2014

	Beginning Balances September 1, 2013	Additions	Deductions	Ending Balances August 31, 2014
<b>Child Support Addenda</b>				
<b>Deducts Fund (0807)</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ 8,314.12	\$ 94,238.47	\$ 96,226.81	\$ 6,325.78
Total Assets	<u>\$ 8,314.12</u>	<u>\$ 94,238.47</u>	<u>\$ 96,226.81</u>	<u>\$ 6,325.78</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 8,314.12	\$ 94,238.47	\$ 96,226.81	\$ 6,325.78
Total Liabilities	<u>\$ 8,314.12</u>	<u>\$ 94,238.47</u>	<u>\$ 96,226.81</u>	<u>\$ 6,325.78</u>
<b>Private Driving School Security</b>				
<b>Trust Fund (0829)</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ 4,262.74	\$ 15,737.26	\$ 20,000.00	\$ 0.00
Total Assets	<u>\$ 4,262.74</u>	<u>\$ 15,737.26</u>	<u>\$ 20,000.00</u>	<u>\$ 0.00</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 4,262.74	\$ 15,737.26	\$ 20,000.00	\$ 0.00
Total Liabilities	<u>\$ 4,262.74</u>	<u>\$ 15,737.26</u>	<u>\$ 20,000.00</u>	<u>\$ 0.00</u>
<b>City, County, MTA &amp; SPD Sales</b>				
<b>Tax Trust Fund (0882)</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ 0.00	\$ 361.26	\$ 361.26	\$ 0.00
Total Assets	<u>\$ 0.00</u>	<u>\$ 361.26</u>	<u>\$ 361.26</u>	<u>\$ 0.00</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 0.00	\$ 361.26	\$ 361.26	\$ 0.00
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 361.26</u>	<u>\$ 361.26</u>	<u>\$ 0.00</u>
<b>Agency Suspense</b>				
<b>Fund (0900)</b>				
<b>ASSETS</b>				
Cash in State Treasury	\$ 355.24	\$ 9,052,336.93	\$ 9,049,162.84	\$ 3,529.33
Total Assets	<u>\$ 355.24</u>	<u>\$ 9,052,336.93</u>	<u>\$ 9,049,162.84</u>	<u>\$ 3,529.33</u>
<b>LIABILITIES</b>				
Interfund Payable	\$ 250.24	\$ 3,529.33	\$ 250.24	\$ 3,529.33
Funds Held for Others	105.00	9,048,807.60	9,048,912.60	0.00
Total Liabilities	<u>\$ 355.24</u>	<u>\$ 9,052,336.93</u>	<u>\$ 9,049,162.84</u>	<u>\$ 3,529.33</u>

(UNAUDITED)

Texas Education Agency (701)  
Exhibit J-1  
Combining Statement of Changes in Assets and Liabilities - Agency Funds  
August 31, 2014

	<u>Beginning Balances</u> <u>September 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u> <u>August 31, 2014</u>
<b>Unappropriated</b>				
<b>General Revenue Fund (1000)</b>				
<b>ASSETS</b>				
Cash on Hand	\$ 30.00	\$ 32,037.25	\$ 30.00	\$ 32,037.25
Cash in State Treasury	0.00	31,812,989.70	31,812,989.70	0.00
Interfund Receivable	250.24	3,529.33	250.24	3,529.33
Total Assets	<u>\$ 280.24</u>	<u>\$ 31,848,556.28</u>	<u>\$ 31,813,269.94</u>	<u>\$ 35,566.58</u>
<b>LIABILITIES</b>				
Funds Held for Others	\$ 280.24	\$ 31,848,556.28	\$ 31,813,269.94	\$ 35,566.58
Total Liabilities	<u>\$ 280.24</u>	<u>\$ 31,848,556.28</u>	<u>\$ 31,813,269.94</u>	<u>\$ 35,566.58</u>
<b>Totals - All Agency Funds</b>				
<b>ASSETS</b>				
Cash on Hand	\$ 30.00	\$ 32,037.25	\$ 30.00	\$ 32,037.25
Cash in State Treasury	12,932.10	40,975,663.62	40,978,740.61	9,855.11
Interfund Receivable	250.24	3,529.33	250.24	3,529.33
Total Assets	<u>\$ 13,212.34</u>	<u>\$ 41,011,230.20</u>	<u>\$ 40,979,020.85</u>	<u>\$ 45,421.69</u>
<b>LIABILITIES</b>				
Interfund Payable	\$ 250.24	\$ 3,529.33	\$ 250.24	\$ 3,529.33
Funds Held for Others	12,962.10	41,007,700.87	40,978,770.61	41,892.36
Total Liabilities	<u>\$ 13,212.34</u>	<u>\$ 41,011,230.20</u>	<u>\$ 40,979,020.85</u>	<u>\$ 45,421.69</u>

Texas Education Agency (701)  
 Schedule 1A - Expenditures of Federal Awards  
 For the fiscal year ended August 31, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA	Pass-Through From			Direct Program Amount
		Agency / University Number	Agency / University Amount	Non-State Entities Amount	
<b>U.S. Department of Education</b>					
<i>Direct Programs:</i>					
Adult Education - Basic Grants to States	84.002			\$	979,054.40
<i>Pass-Through To:</i>					
Texas A & M University (Main University)					
<i>Pass-Through To Non-State Entities</i>					
Total	84.002			\$	979,054.40
Migrant Education - State Grant Program	84.011			\$	60,969,276.62
<i>Pass-Through To:</i>					
University of Texas at Austin					
<i>Pass-Through To Non-State Entities</i>					
Total	84.011			\$	60,969,276.62
Title I Program for Neglected & Delinquent Children & Youth	84.013			\$	2,412,611.03
<i>Pass-Through To:</i>					
Texas Juvenile Justice Department					
Texas Department of Criminal Justice					
<i>Pass-Through To Non-State Entities</i>					
Total	84.013			\$	2,412,611.03
Career and Technical Education - Basic Grants to States	84.048			\$	85,605,322.93
<i>Pass-Through To:</i>					
Texas A & M AgriLife Extension					
Texas A & M AgriLife Research					
Texas Juvenile Justice Department					
Texas Department of Criminal Justice					
Texas Tech University					
University of Texas at Tyler					
University of North Texas					
Stephen F. Austin State University					
Texas A & M University - Corpus Christi					
Texas Higher Education Coordinating Board					
<i>Pass-Through To Non-State Entities</i>					
Total	84.048			\$	85,605,322.93
Migrant Education Coordination Program	84.144			\$	60,000.00
Total	84.144			\$	60,000.00
Education for Homeless Children and Youth	84.196			\$	6,236,636.55
<i>Pass-Through To Non-State Entities</i>					
Total	84.196			\$	6,236,636.55
Eisenhower Professional Development State Grants	84.281			\$	(154.08)
<i>Pass-Through To Non-State Entities</i>					
Total	84.281			\$	(154.08)
Charter Schools	84.282			\$	6,423,952.30
<i>Pass-Through To:</i>					
University of Texas of the Permian Basin					
University of Texas at Tyler					
<i>Pass-Through To Non-State Entities</i>					
Total	84.282			\$	6,423,952.30
Twenty-First Century Community Learning Centers	84.287			\$	124,451,642.25
<i>Pass-Through To:</i>					
University of Texas at Tyler					
<i>Pass-Through To Non-State Entities</i>					
Total	84.287			\$	124,451,642.25
State Grants for Innovative Programs	84.298			\$	(358.56)
<i>Pass-Through To Non-State Entities</i>					
Total	84.298			\$	(358.56)



Total Pass-Through From and Direct Program	Agency / University Number	Pass-Through To		Expenditures Amount	Total Pass-Through to and Expenditures Amount
		Agency / University Amount	Non-State Entities Amount		
\$ 979,054.40				\$ (7,119.28)	\$ (7,119.28)
	711	\$ 32,082.32			32,082.32
			\$ 954,091.36		954,091.36
\$ 979,054.40		\$ 32,082.32	\$ 954,091.36	\$ (7,119.28)	\$ 979,054.40
\$ 60,969,276.62				\$ 1,743,458.08	\$ 1,743,458.08
	721	\$ 414,599.12			414,599.12
			\$ 58,811,219.42		58,811,219.42
\$ 60,969,276.62		\$ 414,599.12	\$ 58,811,219.42	\$ 1,743,458.08	\$ 60,969,276.62
\$ 2,412,611.03				\$ 17,522.52	\$ 17,522.52
	644	\$ 1,026,085.04			1,026,085.04
	696	1,230,535.39			1,230,535.39
			\$ 138,468.08		138,468.08
\$ 2,412,611.03		\$ 2,256,620.43	\$ 138,468.08	\$ 17,522.52	\$ 2,412,611.03
\$ 85,605,322.93				\$ 1,872,299.59	\$ 1,872,299.59
	555	\$ 158,429.35			158,429.35
	556	310,988.93			310,988.93
	644	150,822.30			150,822.30
	696	661,023.26			661,023.26
	733	416,797.97			416,797.97
	750	170,026.86			170,026.86
	752	1,094,772.77			1,094,772.77
	755	285,168.56			285,168.56
	760	226,361.85			226,361.85
	781	25,344,895.94			25,344,895.94
			\$ 54,913,735.55		54,913,735.55
\$ 85,605,322.93		\$ 28,819,287.79	\$ 54,913,735.55	\$ 1,872,299.59	\$ 85,605,322.93
\$ 60,000.00				\$ 60,000.00	\$ 60,000.00
\$ 60,000.00				\$ 60,000.00	\$ 60,000.00
\$ 6,236,636.55			\$ 6,236,636.55		\$ 6,236,636.55
\$ 6,236,636.55			\$ 6,236,636.55		\$ 6,236,636.55
\$ (154.08)			\$ (154.08)		\$ (154.08)
\$ (154.08)			\$ (154.08)		\$ (154.08)
\$ 6,423,952.30				\$ 239,898.79	\$ 239,898.79
	742	\$ 242,123.45			242,123.45
	750	4,043.88			4,043.88
			\$ 5,937,886.18		5,937,886.18
\$ 6,423,952.30		\$ 246,167.33	\$ 5,937,886.18	\$ 239,898.79	\$ 6,423,952.30
\$ 124,451,642.25				\$ 4,837,632.88	\$ 4,837,632.88
	750	\$ 3,773,132.65			3,773,132.65
			\$ 115,840,876.72		115,840,876.72
\$ 124,451,642.25		\$ 3,773,132.65	\$ 115,840,876.72	\$ 4,837,632.88	\$ 124,451,642.25
\$ (358.56)			\$ (358.56)		\$ (358.56)
\$ (358.56)			\$ (358.56)		\$ (358.56)

Texas Education Agency (701)  
 Schedule 1A - Expenditures of Federal Awards  
 For the fiscal year ended August 31, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA	Pass-Through From			Direct Program Amount
		Agency / University Number	Agency / University Amount	Non-State Entities Amount	
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities <i>Pass-Through To:</i> Texas School for the Blind and Visually Impaired	84.326			\$	553,852.21
<b>Total</b>	<b>84.326</b>			<b>\$</b>	<b>553,852.21</b>
Advanced Placement Program <i>Pass-Through To Non-State Entities</i>	84.330			\$	2,318,502.00
<b>Total</b>	<b>84.330</b>			<b>\$</b>	<b>2,318,502.00</b>
Gaining Early Awareness and Readiness for Undergraduate Programs <i>Pass-Through To:</i> University of Texas at Austin Texas Tech University <i>Pass-Through To Non-State Entities</i>	84.334			\$	4,763,900.58
<b>Total</b>	<b>84.334</b>			<b>\$</b>	<b>4,763,900.58</b>
Class Size Reduction <i>Pass-Through To Non-State Entities</i>	84.340			\$	(939.60)
<b>Total</b>	<b>84.340</b>			<b>\$</b>	<b>(939.60)</b>
Reading First State Grants <i>Pass-Through To Non-State Entities</i>	84.357			\$	(16,308.42)
<b>Total</b>	<b>84.357</b>			<b>\$</b>	<b>(16,308.42)</b>
Rural Education <i>Pass-Through To Non-State Entities</i>	84.358			\$	6,844,917.52
<b>Total</b>	<b>84.358</b>			<b>\$</b>	<b>6,844,917.52</b>
English Language Acquisition State Grants <i>Pass-Through To:</i> Texas A & M University (Main University) <i>Pass-Through To Non-State Entities</i>	84.365			\$	115,883,973.49
<b>Total</b>	<b>84.365</b>			<b>\$</b>	<b>115,883,973.49</b>
Mathematics and Science Partnerships <i>Pass-Through To:</i> Texas A & M Engineering Experiment Station University of Texas at Austin University of Texas Medical Branch at Galveston Texas Tech University University of Texas at Dallas University of Texas at Tyler Texas A & M University - Corpus Christi <i>Pass-Through To Non-State Entities</i>	84.366			\$	15,830,340.04
<b>Total</b>	<b>84.366</b>			<b>\$</b>	<b>15,830,340.04</b>
Improving Teacher Quality State Grants <i>Pass-Through To:</i> Texas Juvenile Justice Department Texas Department of Criminal Justice University of Texas at Austin University of Houston Texas Tech University 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>	84.367			\$	190,624,028.89
<b>Total</b>	<b>84.367</b>			<b>\$</b>	<b>190,624,028.89</b>
Grants for Enhanced Assessment Instruments	84.368			\$	299,037.28
<b>Total</b>	<b>84.368</b>			<b>\$</b>	<b>299,037.28</b>

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		
\$ 553,852.21				\$ 7,540.20	\$ 7,540.20
	771	\$ 546,312.01			\$ 546,312.01
\$ 553,852.21		\$ 546,312.01		\$ 7,540.20	\$ 553,852.21
\$ 2,318,502.00			\$ 177,840.00	\$ 2,140,662.00	\$ 2,140,662.00
\$ 2,318,502.00			\$ 177,840.00	\$ 2,140,662.00	\$ 2,318,502.00
\$ 4,763,900.58				\$ 2,261,943.33	\$ 2,261,943.33
	721	\$ 1,286,602.82			1,286,602.82
	733	\$ 28,306.79			28,306.79
			\$ 1,187,047.64		1,187,047.64
\$ 4,763,900.58		\$ 1,314,909.61	\$ 1,187,047.64	\$ 2,261,943.33	\$ 4,763,900.58
\$ (939.60)					\$ (939.60)
\$ (939.60)			\$ (939.60)		\$ (939.60)
\$ (16,308.42)					\$ (16,308.42)
\$ (16,308.42)			\$ (16,308.42)	\$ 0.00	\$ (16,308.42)
\$ 6,844,917.52			\$ 6,549,317.20	\$ 295,600.32	\$ 295,600.32
\$ 6,844,917.52			\$ 6,549,317.20	\$ 295,600.32	\$ 6,844,917.52
\$ 115,883,973.49				\$ 2,715,723.06	\$ 2,715,723.06
	711	\$ 172,327.92			172,327.92
			\$ 112,995,922.51		112,995,922.51
\$ 115,883,973.49		\$ 172,327.92	\$ 112,995,922.51	\$ 2,715,723.06	\$ 115,883,973.49
\$ 15,830,340.04				\$ 139,405.68	\$ 139,405.68
	712	\$ 540,762.51			540,762.51
	721	10,314,196.00			10,314,196.00
	723	627,797.00			627,797.00
	733	643,899.03			643,899.03
	738	642,421.16			642,421.16
	750	651,927.52			651,927.52
	760	(0.27)			(0.27)
			\$ 2,269,931.41		2,269,931.41
\$ 15,830,340.04		\$ 13,421,002.95	\$ 2,269,931.41	\$ 139,405.68	\$ 15,830,340.04
\$ 190,624,028.89				\$ 4,144,624.63	\$ 4,144,624.63
	644	\$ 271,729.54			271,729.54
	696	106,117.06			106,117.06
	721	87,191.98			87,191.98
	730	3,024.05			3,024.05
	733	21,600.00			21,600.00
	750	13,782.00			13,782.00
	771	940.80			940.80
	772	18,520.00			18,520.00
			\$ 185,956,498.83		185,956,498.83
\$ 190,624,028.89		\$ 522,905.43	\$ 185,956,498.83	\$ 4,144,624.63	\$ 190,624,028.89
\$ 299,037.28				\$ 299,037.28	\$ 299,037.28
\$ 299,037.28				\$ 299,037.28	\$ 299,037.28

Texas Education Agency (701)  
 Schedule 1A - Expenditures of Federal Awards  
 For the fiscal year ended August 31, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA	Pass-Through From			Direct Program Amount
		Agency / University Number	Agency / University Amount	Non-State Entities Amount	
<u>Grants for State Assessments and Related Activities</u>	84.369			\$	21,725,206.59
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>84.369</b>			<b>\$</b>	<b>21,725,206.59</b>
<u>Striving Readers</u>	84.371			\$	53,224,074.26
<i>Pass-Through To:</i> University of Texas at Austin University of Texas Health Science Center at Houston					
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>84.371</b>			<b>\$</b>	<b>53,224,074.26</b>
<u>Education Jobs Fund</u>	84.410			\$	(17,271.41)
<i>Pass-Through To:</i> University of Houston					
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>84.410</b>			<b>\$</b>	<b>(17,271.41)</b>
<u>Troops to Teachers</u>	84.815			\$	248,327.63
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>84.815</b>			<b>\$</b>	<b>248,327.63</b>
<i>Pass-Through Programs:</i>					
<u>Special Education-Grants for Infants and Families</u>	84.181				
<i>Pass-Through From:</i> Department of Assistive and Rehabilitative Services		538	\$	76,265.55	
<i>Pass-Through To:</i> Texas School for the Deaf					
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>84.181</b>		<b>\$</b>	<b>76,265.55</b>	
<b>Totals - U.S. Department of Education</b>			<b>76,265.55</b>	<b>\$</b>	<b>699,419,624.50</b>
<b>U.S. Department of Health and Human Services</b>					
<i>Direct Programs:</i>					
<u>Developmental Disabilities Basic Support and Advocacy Grants</u>	93.630			\$	5,997,797.58
<i>Pass-Through To:</i> Department of Assistive and Rehabilitative Services Department of Aging and Disability Services Texas A & M University (Main University) University of Texas at Austin University of Texas at El Paso Texas Tech University University of North Texas					
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>93.630</b>			<b>\$</b>	<b>5,997,797.58</b>
<u>Adoption Opportunities</u>	93.652			\$	(6.07)
<b>Total</b>	<b>93.652</b>			<b>\$</b>	<b>(6.07)</b>
<u>Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems</u>	93.938			\$	(7,746.77)
<b>Total</b>	<b>93.938</b>			<b>\$</b>	<b>(7,746.77)</b>
<b>Totals - U.S. Department of Health and Human Services</b>				<b>\$</b>	<b>5,990,044.74</b>
<b>CCDF Cluster</b>					
<b>U.S. Department of Health and Human Services</b>					
<i>Pass-Through Programs:</i>					
<u>Child Care and Development Block Grant</u>	93.575				
<i>Pass-Through From:</i> Texas Workforce Commission		320	\$	10,606,990.61	
<i>Pass-Through To:</i> University of Texas Health Science Center at Houston					
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>93.575</b>		<b>\$</b>	<b>10,606,990.61</b>	

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		
\$ 21,725,206.59				\$ 17,926,384.00	\$ 17,926,384.00
\$ 21,725,206.59			\$ 3,798,822.59	\$ 17,926,384.00	\$ 21,725,206.59
\$ 53,224,074.26				\$ 910,683.50	\$ 910,683.50
	721	\$ 1,125,313.04			1,125,313.04
	744	474,114.49			474,114.49
			\$ 50,713,963.23		50,713,963.23
\$ 53,224,074.26		\$ 1,599,427.53	\$ 50,713,963.23	\$ 910,683.50	\$ 53,224,074.26
\$ (17,271.41)					
	730	\$ (270.05)			\$ (270.05)
			\$ (17,001.36)		\$ (17,001.36)
\$ (17,271.41)		\$ (270.05)	\$ (17,001.36)	\$ 0.00	\$ (17,271.41)
\$ 248,327.63					
			\$ 248,327.63		\$ 248,327.63
\$ 248,327.63			\$ 248,327.63		\$ 248,327.63
\$ 76,265.55					
	772	\$ 3,642.11			\$ 3,642.11
			\$ 72,623.44		72,623.44
\$ 76,265.55		\$ 3,642.11	\$ 72,623.44		\$ 76,265.55
\$ 699,495,890.05		\$ 53,122,147.15	\$ 606,768,446.32	\$ 39,605,296.58	\$ 699,495,890.05
\$ 5,997,797.58				\$ 1,611,674.23	\$ 1,611,674.23
	538	\$ 230,094.54			230,094.54
	539	1,983.00			1,983.00
	711	250,904.17			250,904.17
	721	22,031.33			22,031.33
	724	5,000.00			5,000.00
	733	560,280.53			560,280.53
	752	4,750.00			4,750.00
			\$ 3,311,079.78		3,311,079.78
\$ 5,997,797.58		\$ 1,075,043.57	\$ 3,311,079.78	\$ 1,611,674.23	\$ 5,997,797.58
\$ (6.07)				\$ (6.07)	\$ (6.07)
\$ (6.07)				\$ (6.07)	\$ (6.07)
\$ (7,746.77)				\$ (7,746.77)	\$ (7,746.77)
\$ (7,746.77)				\$ (7,746.77)	\$ (7,746.77)
\$ 5,990,044.74		\$ 1,075,043.57	\$ 3,311,079.78	\$ 1,603,921.39	\$ 5,990,044.74
\$ 10,606,990.61					
	744	\$ 10,608,055.02			\$ 10,608,055.02
			\$ (1,064.41)		\$ (1,064.41)
\$ 10,606,990.61		\$ 10,608,055.02	\$ (1,064.41)		\$ 10,606,990.61

Texas Education Agency (701)  
 Schedule 1A - Expenditures of Federal Awards  
 For the fiscal year ended August 31, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA	Pass-Through From			Direct Program Amount
		Agency / University Number	Agency / University Amount	Non-State Entities Amount	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596				
<i>Pass-Through From:</i>					
Texas Workforce Commission		320	\$ 2,497,279.49		
<i>Pass-Through To:</i>					
University of Texas Health Science Center at Houston					
<b>Total</b>	<b>93.596</b>		<b>\$ 2,497,279.49</b>		
<b>Totals - U.S. Department of Health and Human Services</b>			<b>\$ 13,104,270.10</b>		
<b>Child Nutrition Cluster</b>					
<b>U.S. Department of Agriculture</b>					
<i>Direct Programs:</i>					
School Breakfast Program	10.553			\$	509,134,816.42
<i>Pass-Through To:</i>					
University of Texas at Austin					
University of Houston					
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>10.553</b>			<b>\$</b>	<b>509,134,816.42</b>
National School Lunch Program	10.555			\$	1,306,186,403.94
<i>Pass-Through To:</i>					
University of Texas at Austin					
University of Houston					
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>10.555</b>			<b>\$</b>	<b>1,306,186,403.94</b>
<b>Totals - U.S. Department of Agriculture</b>			<b>\$ 1,815,321,220.36</b>		
<b>Special Education (IDEA) Cluster</b>					
<b>U.S. Department of Education</b>					
<i>Direct Programs:</i>					
Special Education - Grants to States	84.027			\$	978,689,601.47
<i>Pass-Through To:</i>					
Department of Assistive and Rehabilitative Services					
Texas Juvenile Justice Department					
Texas Department of Criminal Justice					
University of Texas at Austin					
University of Houston					
University of Texas Health Science Center at Houston					
University of Texas at Tyler					
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>					
<b>Total</b>	<b>84.027</b>			<b>\$</b>	<b>978,689,601.47</b>
Special Education - Preschool Grants	84.173			\$	21,652,451.50
<i>Pass-Through To:</i>					
University of Texas at Austin					
Texas School for the Deaf					
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>84.173</b>			<b>\$</b>	<b>21,652,451.50</b>
<b>Totals - U.S. Department of Education</b>			<b>\$ 1,000,342,052.97</b>		
<b>Statewide Data Systems Cluster</b>					
<b>U.S. Department of Education</b>					
<i>Direct Programs:</i>					
Statewide Data Systems	84.372			\$	2,350,239.55
<i>Pass-Through To:</i>					
Texas Higher Education Coordinating Board					
<b>Total</b>	<b>84.372</b>			<b>\$</b>	<b>2,350,239.55</b>

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		
\$ 2,497,279.49					
	744	\$ 2,497,279.49			\$ 2,497,279.49
\$ 2,497,279.49		\$ 2,497,279.49			\$ 2,497,279.49
\$ 13,104,270.10		\$ 13,105,334.51	\$ (1,064.41)		\$ 13,104,270.10
\$ 509,134,816.42					
	721	\$ 22,822.00			\$ 22,822.00
	730	7,605.88			7,605.88
			\$ 509,104,388.54		509,104,388.54
\$ 509,134,816.42		\$ 30,427.88	\$ 509,104,388.54		\$ 509,134,816.42
\$ 1,306,186,403.94					
	721	\$ 80,648.81			\$ 80,648.81
	730	21,455.53			21,455.53
			\$ 1,306,084,299.60		1,306,084,299.60
\$ 1,306,186,403.94		\$ 102,104.34	\$ 1,306,084,299.60		\$ 1,306,186,403.94
\$ 1,815,321,220.36		\$ 132,532.22	\$ 1,815,188,688.14		\$ 1,815,321,220.36
\$ 978,689,601.47				\$ 32,162,648.25	\$ 32,162,648.25
	538	\$ 5,131,125.00			5,131,125.00
	644	738,612.95			738,612.95
	696	85,973.53			85,973.53
	721	2,286,684.39			2,286,684.39
	730	287,382.45			287,382.45
	744	162,738.96			162,738.96
	750	63,057.00			63,057.00
	755	46,040.07			46,040.07
	771	4,174,919.89			4,174,919.89
	772	995,848.96			995,848.96
			\$ 932,554,570.02		932,554,570.02
\$ 978,689,601.47		\$ 13,972,383.20	\$ 932,554,570.02	\$ 32,162,648.25	\$ 978,689,601.47
\$ 21,652,451.50				\$ 46,359.55	\$ 46,359.55
	721	\$ 4,112.00			4,112.00
	772	8,975.50			8,975.50
			\$ 21,593,004.45		21,593,004.45
\$ 21,652,451.50		\$ 13,087.50	\$ 21,593,004.45	\$ 46,359.55	\$ 21,652,451.50
\$ 1,000,342,052.97		\$ 13,985,470.70	\$ 954,147,574.47	\$ 32,209,007.80	\$ 1,000,342,052.97
\$ 2,350,239.55				\$ 1,704,319.67	\$ 1,704,319.67
	781	\$ 645,919.88			645,919.88
\$ 2,350,239.55		\$ 645,919.88		\$ 1,704,319.67	\$ 2,350,239.55

Texas Education Agency (701)  
 Schedule 1A - Expenditures of Federal Awards  
 For the fiscal year ended August 31, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA	Pass-Through From			Direct Program Amount
		Agency / University Number	Agency / University Amount	Non-State Entities Amount	
ARRA - Statewide Data Systems, Recovery Act	84.384			\$	1,488,820.99
<b>Total</b>	<b>84.384</b>			<b>\$</b>	<b>1,488,820.99</b>
<b>Totals - U.S. Department of Education</b>					<b>\$ 3,839,060.54</b>
<b>School Improvement Grants Cluster</b>					
<b>U.S. Department of Education</b>					
<i>Direct Programs:</i>					
School Improvement Grants	84.377			\$	39,146,351.95
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>84.377</b>			<b>\$</b>	<b>39,146,351.95</b>
ARRA-School Improvement Grants, Recovery Act	84.388			\$	42,917,699.93
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>84.388</b>			<b>\$</b>	<b>42,917,699.93</b>
<b>Totals - U.S. Department of Education</b>					<b>\$ 82,064,051.88</b>
<b>TANF Cluster</b>					
<b>U.S. Department of Health and Human Services</b>					
<i>Pass-Through Programs:</i>					
Temporary Assistance for Needy Families	93.558				
<i>Pass-Through From:</i>					
Health and Human Services Commission		529	\$ 4,685,468.47		
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>93.558</b>		<b>\$ 4,685,468.47</b>		
<b>Totals - U.S. Department of Health and Human Services</b>					<b>\$ 4,685,468.47</b>
<b>Title I, Part A Cluster</b>					
<b>U.S. Department of Education</b>					
<i>Direct Programs:</i>					
Title I Grants to Local Educational Agencies	84.010			\$	1,345,708,328.57
<i>Pass-Through To:</i>					
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>					
<b>Total</b>	<b>84.010</b>			<b>\$</b>	<b>1,345,708,328.57</b>
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	84.389			\$	(193,027.07)
<i>Pass-Through To Non-State Entities</i>					
<b>Total</b>	<b>84.389</b>			<b>\$</b>	<b>(193,027.07)</b>
<b>Totals - U.S. Department of Education</b>					<b>\$ 1,345,515,301.50</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>					<b>\$ 17,866,004.12</b>
					<b>\$ 4,952,491,356.49</b>



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		
\$ 1,488,820.99				\$ 1,488,820.99	\$ 1,488,820.99
\$ 1,488,820.99				\$ 1,488,820.99	\$ 1,488,820.99
\$ 3,839,060.54		\$ 645,919.88		\$ 3,193,140.66	\$ 3,839,060.54
\$ 39,146,351.95			\$ 37,890,416.90	\$ 1,255,935.05	\$ 1,255,935.05
\$ 39,146,351.95			\$ 37,890,416.90	\$ 1,255,935.05	\$ 39,146,351.95
\$ 42,917,699.93			\$ 42,917,699.93		\$ 42,917,699.93
\$ 42,917,699.93			\$ 42,917,699.93		\$ 42,917,699.93
\$ 82,064,051.88			\$ 80,808,116.83	\$ 1,255,935.05	\$ 82,064,051.88
\$ 4,685,468.47			\$ 3,898,371.63	\$ 787,096.84	\$ 787,096.84
\$ 4,685,468.47			\$ 3,898,371.63	\$ 787,096.84	\$ 3,898,371.63
\$ 4,685,468.47			\$ 3,898,371.63	\$ 787,096.84	\$ 4,685,468.47
\$ 1,345,708,328.57				\$ 12,875,677.03	\$ 12,875,677.03
	721	\$ 966,760.20			966,760.20
	730	18,538.46			18,538.46
	750	49,378.00			49,378.00
	771	19,342.71			19,342.71
	772	89,832.72			89,832.72
\$ 1,345,708,328.57		\$ 1,143,852.09	\$ 1,331,688,799.45	\$ 12,875,677.03	\$ 1,331,688,799.45
\$ (193,027.07)					\$ (193,027.07)
			\$ (193,027.07)		\$ (193,027.07)
\$ (193,027.07)			\$ (193,027.07)		\$ (193,027.07)
\$ 1,345,515,301.50		\$ 1,143,852.09	\$ 1,331,495,772.38	\$ 12,875,677.03	\$ 1,345,515,301.50
\$ 4,970,357,360.61		\$ 83,210,300.12	\$ 4,795,616,985.14	\$ 91,530,075.35	\$ 4,970,357,360.61

(UNAUDITED)

**Texas Education Agency (701)**  
**Schedule 1A**  
**Expenditures of Federal Awards**  
**For the fiscal year ended August 31, 2014**

**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)	\$ 4,952,491,356.49
Federal Pass-Through Revenues (Exh. II)	<u>17,866,004.12</u>
Total Pass-Through and Direct Expenditures per Federal Schedule	<u>\$ 4,970,357,360.61</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, 2014**

**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 09/01/2013	\$	79,196.03
Net Change During the Fiscal Year - Increase / (Decrease)		<u>1,672.37</u>
Federal Unearned Revenue As of 08/31/2014	\$	<u><u>80,868.40</u></u>

**CFDA Number**

84.815	\$	<u>80,868.40</u>
	\$	<u><u>80,868.40</u></u>

**Note 8 - Supplemental Nutrition Assistance Program (SNAP)**

Not applicable

(UNAUDITED)

Texas Education Agency (701)  
Schedule 1B  
Schedule of State Grant Pass-Throughs From/To State Agencies  
For the Year Ended August 31, 2014

Pass-Through From/To	Agency Number	Pass-Through Amount
<b>Pass-Through From:</b>		
<b>Skills Development</b>		
Texas Workforce Commission	320	\$ 614,406.93
		<u>\$ 614,406.93</u>
<b>Total Pass-Through from Other Agencies (Exh. II)</b>		<u>\$ 614,406.93</u>
<b>Pass-Through To:</b>		
<b>Available School Fund - Per Capita</b>		
Texas Juvenile Justice Department	644	\$ 340,829.00
University of Texas at Austin	721	257,546.00
University of Houston	730	33,650.00
Lamar University	734	14,898.00
University of Texas at Brownsville	747	21,694.00
University of Texas at Tyler	750	71,039.00
University of North Texas	752	94,617.00
Stephen F. Austin State University	755	64,804.00
Texas School for the Blind and Visually Impaired	771	6,673.00
Texas School for the Deaf	772	117.00
		<u>\$ 905,867.00</u>
<b>Council Early Childhood Intervention</b>		
Department of Assistive and Rehabilitative Services	538	\$ 16,498,102.00
		<u>\$ 16,498,102.00</u>
<b>Early Childhood School Readiness</b>		
University of Texas Health Science Center at Houston	744	\$ 3,179,824.71
		<u>\$ 3,179,824.71</u>
<b>Early High School Graduation Scholarships</b>		
Texas Higher Education Coordinating Board	781	\$ (660.00)
		<u>\$ (660.00)</u>
<b>Foundation School Program (FSP) - Formula</b>		
University of Texas at Austin	721	\$ 10,534,096.28
University of Houston	730	998,528.00
Lamar University	734	135,120.00
University of Texas at Brownsville	747	690,744.00
University of Texas at Tyler	750	3,384,124.00
University of North Texas	752	2,262,105.00
Stephen F. Austin State University	755	1,649,133.00
Texas School for the Blind and Visually Impaired	771	1,212,201.00
Texas School for the Deaf	772	5,248,050.00
		<u>\$ 26,114,101.28</u>

(UNAUDITED)

Texas Education Agency (701)  
Schedule 1B  
Schedule of State Grant Pass-Throughs From/To State Agencies  
For the Year Ended August 31, 2014

Pass-Through From/To	Agency Number	Pass-Through Amount
<b>FSP - Challenge Project - Adjutant General</b> Texas Military Department	401	\$ 175,000.00 <u>\$ 175,000.00</u>
<b>FSP - Texas Juvenile Justice Department</b> Texas Juvenile Justice Department	644	\$ 4,087,648.00 <u>\$ 4,087,648.00</u>
<b>FSP - Windham School District</b> Texas Department of Criminal Justice	696	\$ 52,500,000.00 <u>\$ 52,500,000.00</u>
<b>Juvenile Justice Alternative Education Program</b> Texas Juvenile Justice Department	644	\$ 5,212,755.00 <u>\$ 5,212,755.00</u>
<b>Limited English Proficient</b> Texas A&M University	711	\$ (3,941.25) <u>\$ (3,941.25)</u>
<b>School Lunch Matching</b> University of Texas at Austin University of Houston	721 730	\$ 1,219.25 324.84 <u>\$ 1,544.09</u>
<b>Student Success Initiative</b> University of Texas at Austin Texas School for the Deaf	721 772	\$ 3,734,931.80 249.25 <u>\$ 3,735,181.05</u>
<b>Students With Visual Impairment</b> Texas School for the Blind and Visually Impaired	771	\$ 115,377.00 <u>\$ 115,377.00</u>
<b>Instructional Materials Allotment</b> Texas Juvenile Justice Department Texas Department of Criminal Justice University of Texas at Austin University of Houston Stephen F. Austin State University Texas School for the Blind and Visually Impaired Texas School for Deaf	644 696 721 730 755 771 772	\$ 14,317.96 1,378,799.47 81,620.75 2,468.52 29,232.24 20,795.33 64,261.11 <u>\$ 1,591,495.38</u>
<b>Early College High School &amp; T-STEM</b> University of Texas at Austin Texas Higher Education Coordinating Board	721 781	\$ 1,100,944.19 599,033.00 <u>\$ 1,699,977.19</u>
<b>Total Pass-Through to Other Agencies (Exh. II)</b>		<u>\$ 115,812,271.45</u>



**ADDENDUM**

# Texas Education Agency

**Texas Governor**

**Commissioner of Education  
Michael L. Williams**

**State Board  
Of Education**

General Counsel  
**David Anderson**

Internal Auditor  
**Bill Wilson**

Governmental Relations  
**Julie Kopycinski**

Director of Communications  
**Gene Acuña**

Texas Permanent School  
Fund  
**Holland Timmins**

**Chief Deputy  
Lizette Gonzalez  
Reynolds**  
*Education Service Centers*

Chief Advisor, Policy and  
Operations  
**Kalese Hammonds**

**Deputy Commissioner  
Policy & Programs  
Michael Berry**  
*Rule Making*

**Deputy Commissioner  
Finance & Administration**

**Standards &  
Programs  
Monica Martinez**

**Educator Leadership &  
Quality  
Ryan Franklin,  
Acting**  
*Fingerprinting*

**Assessment &  
Accountability  
Crisis Cloudt**

**Accreditation &  
School Improvement  
Sally Partridge**  
*Waivers*

**Complaints,  
Investigations &  
Enforcement  
Alice McAfee**

**Chief School  
Finance Officer  
Lisa Dawn-Fisher**

**Grants & Federal  
Fiscal Compliance  
Nora Hancock**

**Chief Financial  
Officer  
Shirley Beaulieu**

**Information Technology/  
Statewide Education  
Data Systems  
Melody Parrish**  
*CIO/IRM/CDO*

Curriculum  
**Shelly Ramos**

Educator Preparation  
Programs –  
Accountability &  
Program  
Management  
**Tim Miller**

Student  
Assessment  
**Gloria  
Zyskowski**

Program  
Monitoring &  
Interventions  
**Michael  
Greenwalt**

Human  
Resources  
**Harvester Pope**

State Funding  
**Amanda  
Brownson**

Grants  
Administration  
**Cory Green**

Budget &  
Planning  
**Misti Hancock**

Information Technology/  
Statewide Education  
Data Systems  
**Lara Coffey**  
*CTO*

Federal & State  
Education Policy  
**Gene Lenz**

Educator Testing  
& Certification

Performance  
Reporting  
**Shannon  
Housson**

School  
Improvement &  
Support  
**Mark Baxter**

Financial  
Compliance  
**David Marx**

Federal Fiscal  
Compliance &  
Reporting

Accounting  
**Ai-Ching Reed**

Information Technology/  
Statewide Education  
Data Systems  
**Sharon Gaston**  
*Development*

Instructional  
Materials &  
Educational  
Technology  
**Kelly Callaway,  
Acting**

Educator  
Investigations  
**Doug Phillips**

Research &  
Analysis  
**Linda Roska**

Charter Schools  
**Heather Mauze**

Federal Fiscal  
Monitoring  
**Mark Hernandez**

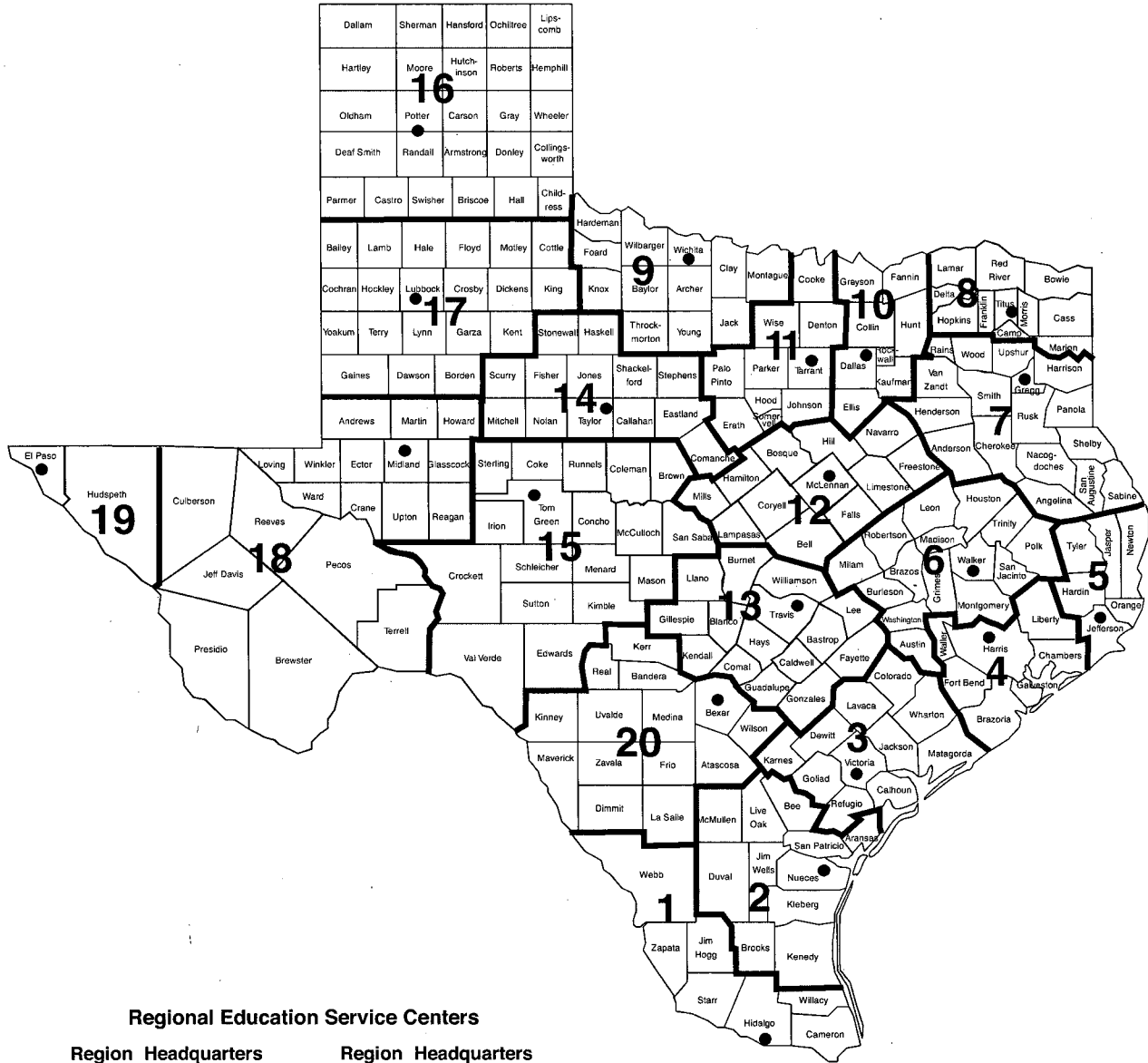
Purchasing,  
Contracts &  
Agency Services  
**Norma Barrera**

Information Technology/  
Statewide Education  
Data Systems  
**Terri Hanson**  
*Business Management*

**Effective Date: July 2, 2014**



# 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)*

**BARBARA CARGILL, The Woodlands**  
Chair of the State Board of Education  
District 8

**THOMAS RATLIFF, Mount Pleasant**  
Vice Chair of the State Board of Education  
District 9

**MAVIS B. KNIGHT, Dallas**  
Secretary of the State Board of Education  
District 13

**Board Members**

**LAWRENCE A. ALLEN, JR., Fresno**  
District 4

**TOM MAYNARD, Florence**  
District 10

**DONNA BAHORICH, Houston**  
District 6

**SUE MELTON-MALONE, Waco**  
District 14

**DAVID BRADLEY, Beaumont**  
District 7

**KEN MERCER, San Antonio**  
District 5

**RUBEN CORTEZ, JR., Brownsville**  
District 2

**GERALDINE MILLER, Dallas**  
District 12

**MARTHA M. DOMINGUEZ, El Paso**  
District 1

**MARISA B. PEREZ, San Antonio**  
District 3

**PATRICIA HARDY, Fort Worth**  
District 11

**MARTY ROWLEY, Amarillo**  
District 15

**MICHAEL L. WILLIAMS**  
Commissioner of Education  
(Executive Officer of the State Board of Education)

**Committees of the State Board of Education**

**INSTRUCTION**

Tom Maynard, Chair  
Sue Melton-Malone, Vice Chair  
Martha M. Dominguez  
Geraldine Miller  
Marisa B. Perez

**SCHOOL FINANCE/PERMANENT SCHOOL FUND**

Patricia Hardy, Chair  
Lawrence A. Allen, Jr., Vice Chair  
David Bradley  
Ken Mercer  
Thomas Ratliff

**SCHOOL INITIATIVES**

Donna Bahorich, Chair  
Marty Rowley, Vice Chair  
Barbara Cargill  
Ruben Cortez, Jr.  
Mavis B. Knight







