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November 2012  
SFR-45/12

# Annual Financial Report

Fiscal Year Ended August 31, 2012



# **Annual Financial Report**

Fiscal Year Ended August 31, 2012

Prepared by  
Chief Financial Officer Division

SFR-045/12  
November 2012



**Bryan W. Shaw, Ph.D.,** *Chairman*  
**Carlos Rubinstein,** *Commissioner*  
**Toby Baker,** *Commissioner*

**Zak Covar,** *Executive Director*

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Bryan W. Shaw, Ph.D., *Chairman*  
Carlos Rubinstein, *Commissioner*  
Toby Baker, *Commissioner*  
Zak Covar, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

November 16, 2012

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

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Commission on Environmental Quality for the year ended August 31, 2012, in compliance with Texas Government Code Annotated, §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 Ms. Liz Day, Chief Financial Officer, at 239-0299. Ms. Gina Shultz may be contacted at 239-0352 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in blue ink, appearing to read "Zak Covar".

Zak Covar  
Executive Director



**COMBINED  
FINANCIAL  
STATEMENTS**

-UNAUDITED-

**EXHIBIT I  
COMBINED BALANCE SHEET / STATEMENT OF  
NET ASSETS - Governmental Funds  
August 31, 2012**

	Governmental Fund Type General Funds (Exh. A-1)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets	Discrete Governmental Component Units
<b>Assets</b>						
<b>Current Assets:</b>						
Cash in Bank	\$ 50.00	\$	\$	\$	\$ 50.00	\$
Cash in State Treasury	1,182,531,044.31				1,182,531,044.31	
Cash Equivalents	16,730,124.95				16,730,124.95	
Legislative Appropriations	18,551,347.34				18,551,347.34	150,256.76
Receivables From:						
Federal	5,831,135.90				5,831,135.90	
A/R - Licenses, Fees, & Permits	1,044,245.36				1,044,245.36	
Due From Other Agencies	4,088,010.04				4,088,010.04	
Consumable Inventories	149,697.36				149,697.36	
<b>Total Current Assets</b>	<b>\$ 1,228,925,655.26</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 1,228,925,655.26</b>	<b>\$ 150,256.76</b>
<b>Non - Current Assets:</b>						
Capital Assets:						
Non-Depreciable or Non-Amortizable						
Land and Land Improvements	\$	\$ 20.00	\$	\$	\$ 20.00	\$
Construction in Progress		5,760,573.69			5,760,573.69	
Depreciable						
Buildings and Building Improvements		4,544,105.74			4,544,105.74	
Less - Accumulated Depreciation		(2,545,069.74)			(2,545,069.74)	
Furniture and Equipment		56,767,616.77			56,767,616.77	
Less - Accumulated Depreciation		(47,141,555.71)			(47,141,555.71)	
Vehicles, Boats, & Aircraft		9,273,812.15			9,273,812.15	
Less - Accumulated Depreciation		(5,789,435.25)			(5,789,435.25)	
Computer Software - Intangible		8,325,508.82			8,325,508.82	
Less Accumulated Amortization		(6,542,737.04)			(6,542,737.04)	
<b>Total Non Current Assets</b>	<b>\$</b>	<b>\$ 22,652,839.43</b>	<b>\$</b>	<b>\$</b>	<b>\$ 22,652,839.43</b>	<b>\$</b>
<b>Total Assets</b>	<b>\$ 1,228,925,655.26</b>	<b>\$ 22,652,839.43</b>	<b>\$</b>	<b>\$</b>	<b>\$ 1,251,578,494.69</b>	<b>\$ 150,256.76</b>

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

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

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	Governmental Fund Type General Funds (Exh. A-1)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets	Discrete Governmental Component Units
<b>Liabilities</b>						
Current Liabilities:						
Payables from:						
Accounts Payable	\$ 6,611,163.54	\$	\$	\$	\$ 6,611,163.54	\$ 5,288.94
Payroll Payable	15,556,075.89				15,556,075.89	
Contracts Retainage Payable	527,593.32				527,593.32	
Due to Other Agencies	6,363,347.13				6,363,347.13	20,126.95
Employees Compensable Leave (Note 5)			8,918,498.87		8,918,498.87	
Pollution Remediation Obligations (Note 5)			31,300,780.01		31,300,780.01	
<b>Total Current Liabilities</b>	<u>\$ 29,058,179.88</u>	<u>\$</u>	<u>\$ 40,219,278.88</u>	<u>\$</u>	<u>\$ 69,277,458.76</u>	<u>\$ 25,415.89</u>
Non-Current Liabilities:						
Employees' Compensable Leave (Note 5)	\$	\$	\$ 7,011,844.72	\$	\$ 7,011,844.72	\$
Pollution Remediation Obligations (Note 5)			194,501,119.52		194,501,119.52	
<b>Total Non-Current Liabilities</b>	<u>\$</u>	<u>\$</u>	<u>\$ 201,512,964.24</u>	<u>\$</u>	<u>\$ 201,512,964.24</u>	<u>\$</u>
<b>Total Liabilities</b>	<u>\$ 29,058,179.88</u>	<u>\$</u>	<u>\$ 241,732,243.12</u>	<u>\$</u>	<u>\$ 270,790,423.00</u>	<u>\$ 25,415.89</u>
<b>Fund Financial Statement</b>						
Fund Balances:						
Nonspendable	\$ 149,697.36	\$	\$	\$	\$ 149,697.36	\$
Restricted	16,730,124.95				16,730,124.95	
Committed	1,164,358,991.68				1,164,358,991.68	
Assigned	18,628,611.39				18,628,611.39	
Unassigned	50.00				50.00	124,840.87
Total Fund Balances	<u>\$ 1,199,867,475.38</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,199,867,475.38</u>	<u>\$ 124,840.87</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,228,925,655.26</u>	<u>\$</u>	<u>\$ 241,732,243.12</u>	<u>\$</u>	<u>\$ 1,470,657,898.38</u>	<u>\$ 150,256.76</u>
<b>Government-Wide Statement of Net Assets</b>						
Net Assets:						
Invested in Capital Assets, Net of Related Debt		\$ 22,652,839.43	\$	\$	\$ 22,652,839.43	
Unrestricted			(241,732,243.12)		(241,732,243.12)	
Total Net Assets		<u>\$ 22,652,839.43</u>	<u>\$ (241,732,243.12)</u>	<u>\$</u>	<u>\$ (219,079,403.69)</u>	

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**EXHIBIT II**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**Statement of Activities - Governmental Funds**  
**For the Year Ended August 31, 2012**

	General Funds (Exh. A-2)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities	Discrete Governmental Component Units
<b>Revenues</b>						
Legislative Appropriations:						
Original Appropriations	\$ 5,492,079.00	\$	\$	\$	\$ 5,492,079.00	\$
Additional Appropriations	1,296,364.60				1,296,364.60	
Taxes	60,155,319.31				60,155,319.31	
Federal Revenues	51,728,488.44				51,728,488.44	
Federal Pass-Through Revenues	8,009,951.25				8,009,951.25	
Licenses, Fees and Permits	372,563,186.33				372,563,186.33	
Interest & Investment Income	3,948,425.62				3,948,425.62	
Settlement of Claims	457,960.41				457,960.41	
Sales of Goods and Services	79,199.77				79,199.77	
Other	3,564,343.15				3,564,343.15	
<b>Total Revenues</b>	<b>\$ 507,295,317.88</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 507,295,317.88</b>	<b>\$ -</b>
<b>Expenditures</b>						
Salaries and Wages	\$ 150,384,065.91	\$	\$ 904,948.56	\$	\$ 151,289,014.47	\$
Payroll Related Costs	36,476,439.58				36,476,439.58	
Professional Fees and Services	59,344,157.37				59,344,157.37	
Travel	1,620,157.10				1,620,157.10	2,998.56
Materials and Supplies	5,566,107.76				5,566,107.76	3,297.24
Communications and Utilities	2,127,189.78				2,127,189.78	
Repairs and Maintenance	4,535,253.73				4,535,253.73	80.00
Rentals and Leases	6,801,443.32				6,801,443.32	
Printing and Reproduction	341,963.20				341,963.20	
Claims and Judgements	335,328.33				335,328.33	
Federal Pass-Through Expenditures	7,756,221.49				7,756,221.49	
State Grant Pass-Through Expenditures	8,167,770.31				8,167,770.31	36,177.13
Intergovernmental Payments	26,941,894.38				26,941,894.38	
Public Assistance Programs	(9,439.43)				(9,439.43)	
Other Expenditures	73,995,612.91				73,995,612.91	42,142.13
Capital Outlay	4,599,271.74	(4,560,511.74)			38,760.00	
Depreciation Expense		4,764,231.47			4,764,231.47	
<b>Total Expenditures</b>	<b>\$ 388,983,437.48</b>	<b>\$ 203,719.73</b>	<b>\$ 904,948.56</b>	<b>\$</b>	<b>\$ 390,092,105.77</b>	<b>\$ 84,695.06</b>
Excess (Deficit) of Revenues over Expenditures	\$ 118,311,880.40	\$ (203,719.73)	\$ (904,948.56)	\$	\$ 117,203,212.11	\$ (84,695.06)
<b>Other Financing Sources (Uses)</b>						
Transfers In	\$ 116,380,997.87	\$	\$	\$	\$ 116,380,997.87	\$
Transfers Out	(36,506,624.85)				(36,506,624.85)	
Net Change in Pollution Remediation Obligation			(18,980,642.61)		(18,980,642.61)	
Sale of Capital Assets	169,011.73	(169,011.73)			-	
Loss on Capital Assets		(264,670.36)			(264,670.36)	
Decrease in Net Assets Due to Interagency Transfer		(24,141.90)			(24,141.90)	
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 80,043,384.75</b>	<b>\$ (457,823.99)</b>	<b>\$ (18,980,642.61)</b>	<b>\$</b>	<b>\$ 60,604,918.15</b>	<b>\$</b>
<b>Net Change in Fund Balances/Net Assets</b>	<b>\$ 198,355,265.15</b>	<b>\$ (661,543.72)</b>	<b>\$ (19,885,591.17)</b>	<b>\$</b>	<b>\$ 177,808,130.26</b>	<b>\$ (84,695.06)</b>
<b>Fund Financial Statement - Fund Balance</b>						
<b>Fund Balance - Beginning</b>	<b>\$ 1,001,667,702.52</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 1,001,667,702.52</b>	<b>\$ 209,936.88</b>
Restatements - (Note 14)	(1,807.42)				(1,807.42)	
<b>Fund Balance as Restated</b>	<b>1,001,665,895.10</b>				<b>1,001,665,895.10</b>	<b>209,936.88</b>
Appropriations Lapsed	(153,684.87)				(153,684.87)	(400.95)
<b>Fund Balances - August 31, 2012</b>	<b>\$ 1,199,867,475.38</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 1,199,867,475.38</b>	<b>\$ 124,840.87</b>
<b>Government-wide Statement of Net Assets</b>						
Net Change in Net Assets		\$ (661,543.72)	\$ (19,885,591.17)	\$	\$ (20,547,134.89)	
Net Assets-Beginning		\$ 23,207,812.44	\$ 261,617,834.29	\$	\$ 284,825,646.73	
Restatement (Note 14)		106,570.71			106,570.71	
Net Assets, September 1, 2011, as Restated and Adjusted		\$ 23,314,383.15	\$ 261,617,834.29	\$	\$ 284,932,217.44	
Net Assets-August 31, 2012		\$ 22,652,839.43	\$ 241,732,243.12	\$	\$ 264,385,082.55	

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**EXHIBIT VI**  
**COMBINED STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**  
**August 31, 2012**

	Agency Funds <u>(Exhibit J-1)</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash in State Treasury	\$ 19,804.88
Cash Equivalents	<u>2,728,212.42</u>
<b>Total Current Assets</b>	<b>\$ <u>2,748,017.30</u></b>
 <b>Total Assets</b>	 <b>\$ <u>2,748,017.30</u></b>
 <b>Liabilities</b>	
<b>Current Liabilities:</b>	
Funds Held for Others	\$ <u>2,748,017.30</u>
<b>Total Current Liabilities</b>	<b>\$ <u>2,748,017.30</u></b>
 <b>Total Liabilities</b>	 <b>\$ <u>2,748,017.30</u></b>
 <b>Net Assets</b>	
Net Assets:	\$ <u>-</u>
<b>Total Net Assets</b>	<b>\$ <u><u>-</u></u></b>



**NOTES TO THE  
FINANCIAL  
STATEMENTS**

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Entity

The Texas Commission on Environmental Quality (TCEQ) 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 and Universities*.

In accordance with Senate Bill 2, Acts of the 72nd Legislature First Called Session, Subchapter B, the state's environmental protection functions were consolidated within the TCEQ. The TCEQ operates as a regulatory agency to implement the provisions of the constitution and laws of the state with regard to promoting the judicious use and maximum conservation and protection of the quality of air, land, and both surface and ground water.

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

The TCEQ includes within this report all components as determined by an analysis of their relationship to the TCEQ, as listed below.

#### Discretely Presented Component Unit

Until September 1, 2011, the TCEQ had one discrete component unit, the Texas On-site Wastewater Treatment Research Council. Pursuant to H.B. 2694 82<sup>nd</sup> Legislative Regular Session, effective September 1, 2011, the Council was abolished and all activities and functions related to the Council's administration, grants, and appropriations were absorbed by the TCEQ. Information on the component unit can be found in Note 19.

#### Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. These accounts are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

#### **Governmental Fund Types and Government-wide Adjustment Fund Types**

##### **General Revenue Funds**

General Revenue Fund (0001) - The general revenue fund is used to account for all financial resources of the state except those required to be accounted for in another fund. This fund accounts for legislative appropriations from the State's General Revenue Fund, and miscellaneous appropriated and unappropriated receipts. The Pollution Control Equipment Review Fee is also deposited to this fund.

Natural Resource Trustee Account (9999) - This account was created by an agreement effective July 24, 1995, between the Texas General Land Office, the Texas Parks and Wildlife Department, the TCEQ and the State Treasurer (Comptroller) specifically as a joint repository for Natural Resource Damages (NRD) settlement funds. By federal statute (42 USC 9607 Comprehensive Environmental Response Compensation and Liability Act and 33 USC 2706 Oil Pollution Act) the NRD settlement funds can be used only for restoration of natural resources affected by releases of oil or hazardous substances. Pursuant to these statutes, NRD settlement funds must be placed in a revolving, interest bearing account and must be

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available without further appropriation. Under the agreement, all transactions must be jointly authorized by all three agencies. For these reasons, these funds are kept separate from the agency's operating budget. TCEQ is given the primary responsibility for implementing the constitution and laws of the state relating to the conservation of natural resources and the protection of the environment. For this reason, it was determined that the TCEQ would report the Natural Resource Trustee Account.

Low Level Radioactive Waste Fund (0088) - The passage of H.B. 1567 by the 78<sup>th</sup> Legislature provided for the licensing of a low-level radioactive waste disposal site in Texas and established procedures to accept and evaluate license applications. The bill allows a proposed disposal facility to accept compact waste (waste from Texas and Vermont or waste that has been approved for importation to this state by the Compact Commission) and to accept federal facility waste at a separate and adjacent facility under one TCEQ license.

Air Control Board Account (0102) - The Air Control Board Account is established in the State Treasury to receive federal revenue in connection with the Texas Clean Air Act and is used by the TCEQ to perform the mandates of that Act.

Used Oil Recycling Account (0146) - The Used Oil Recycling Account is established in the State Treasury. The account consists of fees collected from the sale of automotive oil by the State Comptroller who subsequently transfers the fees to the TCEQ pursuant to the provisions of Health and Safety Code, Chapter 371.

Clean Air Account (0151) - The Clean Air Account is established in the State Treasury to receive Clean Air Act fees. Fees in the account are used to safeguard the air resources of the state. Fees deposited to this fund include the Motor Vehicle Safety and Emissions Inspection Fee, the Air Inspection Fee, and the Air Permit Fee.

Water Resource Management Account (0153) - This account receives revenue from numerous water program fees, including the Consolidated Water Quality Fee, the Water Utility Regulatory Assessment Fee, the Public Health Service Fee, the Water Utility Bond Proceeds Fee and the General Permit Fee. This account is used to support and administer the TCEQ water quality and water utility programs.

Watermaster Administration Account (0158) - This account derives revenue from assessments paid by the holders of water rights in the Lower Rio Grande river basin, the Concho river basin, and river basins in South Texas. Water rights assessments are based on the amount of budgeted operating expenditures of the Lower Rio Grande, Concho, and South Texas Watermaster Offices. The account pays the compensation and necessary expenses of the Watermaster Offices.

Texas Spill Response Account (0452) - This State Treasury account was established under Water Code Chapter 26. The account may only be used for cleanup activities related to discharges or spills of hazardous substances into surface waters of the State. The account consists of funds appropriated by the Legislature and any fines, civil penalties or other reimbursements to the account. The account balance may not exceed \$5 million, exclusive of fines and penalties.

TCEQ Occupational Licensing Account (0468) - This account is authorized to administer the State's regulatory and licensing programs for waterworks and wastewater system operators, landscape irrigators, petroleum storage tank professionals and others.

Waste Management Account (0549) - This account receives fees imposed on industrial solid waste disposal or hazardous waste generation, radioactive substances licensing, the Voluntary Clean-Up Program Fee, and numerous other fees. This account pays for regulation of industrial solid and hazardous waste and for related administrative costs incurred by the TCEQ.

Hazardous & Solid Waste Remediation Fee Account (0550) - This account receives revenue from fees imposed on the sale of batteries, disposal of industrial solid or hazardous waste, and from interest on cash

-UNAUDITED-

balances in this account. This account is used for the necessary removal and remedial action at sites which hazardous waste or hazardous substances have been disposed if funds from a liable party, third party or the federal government are insufficient.

Petroleum Storage Tank Remediation Account (0655) - This account receives fees assessed on the bulk delivery of petroleum products. The account may be used to pay expenses associated with the program.

Solid Waste Disposal Fees Account (5000) - This account receives half of the fees assessed on municipal solid waste disposal in the state, as well as fees on the transport and use of sludge. Revenues deposited to this account are allocated to local and regional solid waste projects.

Voluntary Environmental Lab Accreditation Account (5065) - This account was created by H.B. 2912, 77<sup>th</sup> Leg. R.S., to fund the creation of a Voluntary Environmental Lab accreditation program. Revenue deposited to this account is generated by lab accreditation fees.

Texas Emission Reduction Plan Account (5071) - This account receives revenue from surcharges on motor vehicle titles, sales of on- and off-road diesel vehicles, and commercial vehicle registration and inspection. The revenue may only be used to implement and administer programs established under the plan.

Dry Cleaning Facility Release Account (5093) - This account was created by H.B. 1366, 78<sup>th</sup> Leg. R.S., to receive revenues from fees on dry cleaning establishments and on the purchase of dry cleaning solvents. The revenues are used to fund the cleanup of releases of dry cleaning solvents into the soil or water of the state.

Operating Permit Fees Account (5094) - This account was created by H.B. 1481, 78<sup>th</sup> Leg. R.S., to receive revenue generated by the Air Emissions Fee to cover the costs of developing and administering the federal permit programs under Title IV or V of the federal Clean Air Act.

Suspense Type Activities Account (0900) - This account provides a temporary depository for money held in suspense pending final disposition. Items held in the account are cleared to the various other accounts or refunded to the payer.

#### Capital Assets Adjustment Fund Type

The Capital Assets Adjustment fund converts governmental fund types' capital assets from modified accrual to full accrual.

#### Long-Term Liabilities Adjustment Fund Type

The Long-Term Liabilities Adjustment fund converts governmental fund types' debt from modified accrual to full accrual.

#### Other Adjustments Fund Type

The Other Adjustments fund converts all other governmental fund type activity from modified accrual to full accrual.

### **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.

#### Agency Funds

Agency Funds are used to account for assets held in a custodial capacity for the benefit of other agencies or individuals.

### **Component Unit**

#### Governmental Component Unit

The Texas On-site Wastewater Treatment Research Council (Council) is a discretely presented governmental

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component unit of the TCEQ. The Council's financial information is included in Exhibits I and II in the Discrete Governmental Component Unit column, and follows the governmental fund accounting principles. Additional information about the Council can be found in Note 19. Pursuant to H.B. 2694 82<sup>nd</sup> Legislative Regular Session, effective September 1, 2011, the Council was abolished and all activities and functions related to the Council's administration, grants, and appropriations were absorbed by the TCEQ.

### **Basis of Accounting**

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

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

### **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). The Commissioners adopt an annual operating budget and policies consistent with these appropriations. Encumbrance accounting is utilized for budgetary control purposes. An encumbrance is defined as an outstanding purchase order or other commitment for goods or services. It reserves a part of the applicable appropriation for future expenditure. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

### **Assets, Liabilities and Fund Balances/Net Assets**

#### **Assets**

##### Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

##### Receivables

Receivables represent revenue from licenses, fees, permits and federal funds that has been earned but not received. This account is presented net of Allowance for Bad Debts.

##### Inventories and Prepaid Items

Consumable Inventories includes supplies and postage on hand. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental fund types. 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 are capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

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## **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.

### Payroll Payable

Payroll Payable represents the liability for August salaries at the balance sheet date for which payment is pending.

### Contracts Retainage Payable

Contract Retainage Payable represents the liability for amounts retained pursuant to contract agreements at the balance sheet date for which payment is pending.

### 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. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

### Pollution Remediation Obligations

Pollution Remediation Obligations represent obligations to address the detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Pollution Remediation Obligations are accounted for in the long-term liabilities adjustment column, as current (for amounts due within one year) and non-current (for amounts due thereafter). Pollution Remediation Obligations are recognized in the financial statements when an obligating event has occurred and the outlays expected to be incurred to settle those liabilities are reasonably estimable.

## **Fund Balance/Net Assets**

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

### Fund Balance Components

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

- Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form 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 amounts 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.

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Invested in Capital Assets, Net of Related Debt

This 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 that 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 Activities and Balances**

The agency has the following types of transactions between funds:

- **Transfers:**  
Legally required transfers that are reported when incurred as ‘Transfers In’ by the recipient fund and as ‘Transfers Out’ by the disbursing fund.
  
- **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 that 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.

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**NOTE 2: CAPITAL ASSETS**

A summary of changes in Capital Assets for the year ended August 31, 2012, is presented below:

	PRIMARY GOVERNMENT						
	Balance		Reclassifications			Balance	
	9/1/2011	Adjustments	Inc-Int'agy Trans	Dec-Int'agy Trans	Additions	Deletions	8/31/2012
<b>GOVERNMENTAL ACTIVITIES</b>							
<b>Non-depreciable or</b>							
<b>Non-amortizable Assets</b>							
Land and Land Improvements Infrastructure	\$	20.00					20.00
Construction in Progress		4,712,225.60	75,562.71	(1,346,616.03)	2,319,401.41		5,760,573.69
Other Tangible Capital Assets							-
Land Use Rights							-
Other Intangible Capital Assets							-
<b>Total Non-depreciable or</b>							
Non-amortizable Assets	\$	4,712,245.60	75,562.71	(1,346,616.03)	-	2,319,401.41	5,760,593.69
<b>Depreciable Assets</b>							
Buildings and Building Improvements Infrastructure	\$	4,544,105.74					4,544,105.74
Facilities and Other Improvements							-
Furniture and Equipment		56,491,091.67		(91,819.50)	2,028,108.95	(1,659,764.35)	56,767,616.77
Vehicle, Boats and Aircraft		10,410,941.87		(20,154.00)	74,523.38	(1,191,499.10)	9,273,812.15
Other Capital Assets							-
<b>Total Depreciable Assets</b>	\$	71,446,139.28	-	(111,973.50)	2,102,632.33	(2,851,263.45)	70,585,534.66
Less Accumulated Depreciation for:							
Buildings and Building Improvements Infrastructure	\$	(2,401,175.58)				(143,894.16)	(2,545,069.74)
Facilities and Other Improvements							-
Furniture and Equipment		(45,629,633.41)		73,723.80	(3,138,289.90)	1,552,643.80	(47,141,555.71)
Vehicles, Boats and Aircraft		(5,793,581.55)		14,107.80	(874,899.06)	864,937.56	(5,789,435.25)
Other Capital Assets							-
<b>Total Accumulated Depreciation</b>	\$	(53,824,390.54)	-	87,831.60	(4,157,083.12)	2,417,581.36	(55,476,060.70)
<b>Depreciable Assets, Net</b>	\$	17,621,748.74	-	(24,141.90)	(2,054,450.79)	(433,682.09)	15,109,473.96
<b>Amortizable Assets - Intangible</b>							
Land Use Rights							-
Computer Software	\$	6,821,679.79	38,760.00	1,346,616.03		138,478.00	8,325,508.82
Other Capital Intangible Assets							-
<b>Total Amortizable Assets - Intangible</b>	\$	6,821,679.79	38,760.00	1,346,616.03	-	138,478.00	8,325,508.82
Less Accumulated Amortization for:							
Land Use Rights	\$						-
Computer Software		(5,947,861.69)	(7,752.00)			(607,148.35)	(6,542,737.04)
Other Intangible Capital Assets							-
<b>Total Accumulated Amortization</b>	\$	(5,947,861.69)	(7,752.00)	-	-	(607,148.35)	(6,542,737.04)
<b>Amortizable Assets - Intangible, Net</b>	\$	873,818.10	31,008.00	1,346,616.03	-	(468,670.35)	1,782,771.78
<b>Governmental Activities</b>							
<b>Capital Assets, Net</b>	\$	23,207,812.44	106,570.71	-	(24,141.90)	(203,719.73)	22,652,839.43

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**NOTE 3: DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS**

**Deposits of Cash in Bank**

The Texas Commission on Environmental Quality reports investments held in the Texas Treasury Safekeeping Trust Company. The Texas Treasury Safekeeping Trust Company is authorized by statute to make investments following the “prudent person rule”. There were no significant violations of legal provisions during the period.

As of August 31, 2012, the carrying amount of deposits was \$50.00 as presented below.

**Governmental and Business-Type Activities**

Cash in Bank – Carrying Amount	\$	50.00
Cash in Bank (Exh. I)	<u>\$</u>	<u>50.00</u>

**Investments**

As of August 31, 2012, the carrying value and fair value of investments are as presented below.

**Governmental and Business-Type Activities**

**Fair Value**

Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶	\$	16,730,124.95
Total	<u>\$</u>	<u>16,730,124.95</u>

**Fiduciary Funds**

**Fair Value**

Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶	\$	2,728,212.42
Total	<u>\$</u>	<u>2,728,212.42</u>

❶ – Repurchase Agreements with the Texas Treasury Safekeeping Trust Company are recorded as Cash Equivalents and as Repurchase Agreements in the Notes, based on Reporting Requirements for Annual Financial Reports of State Agencies and Universities.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB
09	9999	Repurchase Agreements Texas Treasury Safekeeping Trust Co	2,728,212.42			
01	9999	Repurchase Agreements Texas Treasury Safekeeping Trust Co	16,730,124.95			

**NOTE 4: SHORT-TERM DEBT**

Not applicable

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**NOTE 5: LONG-TERM LIABILITIES**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2012, the following changes occurred in liabilities.

Governmental Activities	Balance 9/01/11	Additions	Reductions	Balance 8/31/12	Amounts Due Within One Year	Amounts Due Thereafter
Employees' Compensable Leave	\$ 16,835,292.15	\$ 19,209,224.17	\$ 20,114,172.73	\$ 15,930,343.59	\$ 8,918,498.87	\$ 7,011,844.72
Pollution Remediation Obligations	\$ 244,782,542.14	\$ 10,597,687.20	\$ 29,578,329.81	\$ 225,801,899.53	\$ 31,300,780.01	\$ 194,501,119.52
Total Governmental Activities	\$ 261,617,834.29	\$ 29,806,911.37	\$ 49,692,502.54	\$ 241,732,243.12	\$ 40,219,278.88	\$ 201,512,964.24

**Employees' Compensable Leave**

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated vacation 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. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Pollution Remediation Obligations**

Dry Cleaners

The TCEQ is responsible for collecting fees for a remediation fund designed to help pay for the cleanup of contaminated dry cleaner sites. The fees are generated from the annual registration of facilities and drop stations, as well as from the sale of perchloroethylene and other dry cleaning solvents. The TCEQ receives applications for remediation, and then ranks and prioritizes them for corrective action. Legislation in 2007 established requirements for property owners and preceding property owners who wish to claim benefits from the remediation fund, and authorized a lien against property owners and preceding property owners who fail to pay registration fees due during corrective action. No additional cost recovery is allowed by statute.

The pollution remediation obligation is measured by using the national average cleanup cost, as calculated by the State Coalition for Remediation of Drycleaners. Direct salary and benefit costs are added to the national average, and the total cost is multiplied by the number of active sites. The amount of the estimated pollution remediation assumes that there will be no major increases in the cost of providing these cleanup services. The TCEQ has 165 active sites at fiscal year end, with a total estimated pollution remediation obligation of \$36,591,876.27.

Leaking Petroleum Storage Tanks

The TCEQ oversees cleanups of leaking petroleum storage tanks (LPST). Cleanup costs are paid by the owners' environmental liability insurance or other financial assurance mechanisms or from their own funds. If the responsible party is unknown or is unwilling or financially unable to do the work, state and federal funds are used to pay for the corrective actions. Revenue is generated from a fee on the delivery of petroleum products removed from bulk storage facilities. State statutes allow cost recovery from the current owner or any previous responsible owner; however, to date this has not been necessary.

The TCEQ calculates expected outlays related to this pollution remediation by establishing the average cost of cleanup and multiplying that cost by the number of active sites, plus direct salaries and benefits for the duration of the cleanup. This methodology is based upon historical experience in estimating these cleanups. At fiscal year end there were 460 active State Lead sites, with a total estimated pollution remediation obligation of \$42,722,594.40. The amount of the estimated pollution remediation assumes that there will be no major increases in the cost of providing these cleanup services.

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### Superfund

The TCEQ Superfund Section includes the State Superfund, Federal Superfund, Superfund Site Discovery and Assessment (SSDAP) and the Preliminary Assessment/Site Inspection (PA/SI) Programs. On behalf of the TCEQ, the Section identifies, ranks, and addresses sites contaminated with hazardous substances, which no parties are willing to address through a permit, corrective action, voluntary cleanup or enforcement program. These sites are identified through referral from internal and external groups such as TCEQ Enforcement, TCEQ Regional Offices, TCEQ Water Supply Division, public complaints and the United States Environmental Protection Agency (EPA).

When a site is referred to the TCEQ Superfund Section, either SSDAP performs the initial assessment and ranking of the site, or the PA/SI Program evaluates the site for the Federal Superfund Program. Those sites evaluated by the PA/SI program that do not meet the Federal Superfund Program criteria or that EPA does not take into the Federal Superfund Program are referred to SSDAP. Sites referred to SSDAP are assessed and ranked for referral to the State Superfund Program.

The objective of the State and Federal Superfund Programs is to address environmental problems associated with the imminent or substantial endangerment to public health and safety or the environment due to a release or threatened release of hazardous substances. The State and Federal Superfund Programs meet this objective by investigating and evaluating the release or threatened release of hazardous substances, identifying responsible parties, and remediating State and Federal Superfund sites.

The Pollution Remediation Obligation for Superfund sites was calculated by estimating the remediation obligations for active Superfund Section sites in Texas. The following sites or site phases were excluded from the estimation:

- Potentially Responsible Party (PRP) funded investigations and cleanups;
- Federal sites' costs associated with the Remedial Investigation (RI), Feasibility Study (FS), and Remedial Design (RD) because these phases are funded through the 100% federal match grant coverage; and
- SSDAP and PA/SI sites in the queue for evaluation under the State or Federal Superfund Program because it is unknown if these sites require cleanup activities.

Site estimates were based on budget projections to cover necessary activities for the upcoming fiscal year, along with estimated costs for future years and phases, plus direct salaries and benefits. For sites without available budget projections, estimated costs were provided for the Superfund phases of investigation and cleanup, based on staff experience with similar sites. Site estimates may change drastically from one year to another as the investigations progress and a better understanding of site conditions is obtained. The estimate of liabilities is limited to sites that have been or are being assessed and ranked for the Superfund program. Cost recovery activities during FY12 resulted in collections of \$1,583,004.55.

At the end of FY12, Texas had 72 sites with Pollution Remediation Obligations in the State and Federal Superfund programs and one (1) site that may require an immediate response or removal action. The current total Superfund liability, as of August 31, 2012, is \$146,487,428.86.

### **NOTE 6: BONDED INDEBTEDNESS**

Not Applicable

### **NOTE 7: DERIVATIVE INSTRUMENTS**

Not Applicable

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**NOTE 8: LEASES**

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

Year Ending August 31, 2012	Amount
2013	\$ 4,823,997.68
2014	3,963,756.98
2015	3,500,024.72
2016	3,419,414.72
2017	3,172,767.48
2018 – 2022	<u>1,612,673.39</u>
Total Minimum Future Lease Payments	\$ <u>20,492,634.97</u>

**NOTE 9: RETIREMENT PLANS**

Not Applicable

**NOTE 10: DEFERRED COMPENSATION**

Not Applicable

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

Not Applicable

**NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS**

Not Applicable

**NOTE 13: CONTINUANCE SUBJECT TO REVIEW**

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2023, unless continued in existence by the Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2024, to close out its operations.

**NOTE 14: ADJUSTMENTS TO FUND BALANCES/NET ASSETS**

During fiscal year 2012, a depreciation adjustment required the restatement of net assets as shown.

	Capital Assets Adjustments
Net Assets August 31, 2011	\$ 23,207,812.44
Restatements:	\$ 106,570.71
Net Assets September 1, 2011	\$ 23,314,383.15

There was prior year unappropriated activity that rolled forward in the General Revenue fund in FY 2012. During the General Revenue Reconciliation, an adjustment entry was required in order to match the Legislative Appropriation amount on the Balance Sheet to the Legislative Appropriation amount on the General Revenue Spreadsheet.

	General Revenue Fund
Fund Balance August 31, 2011	\$ 6,546,182.24
Restatement:	\$ (1807.42)
Fund Balance September 1, 2011 As Restated	\$ 6,544,374.82

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**NOTE 15: CONTINGENCIES AND COMMITMENTS**

As a grantee receiving funds from various federal granting agencies, the TCEQ may be liable for refunding any disallowed costs to those agencies. Based on prior experience, management believes such disallowances, if any, will be immaterial.

The TCEQ is involved in several administrative claims proceedings and lawsuits that could result in possible liabilities in the event of an adverse ruling. However, while adverse rulings regarding any of these claims are possible, it is management's opinion that the possibility of adverse rulings is unlikely.

As of August 31, 2012, the TCEQ encumbered expenditures in governmental funds for signed contracts and purchase orders as presented in the table below:

Appropriated Fund Number	Appropriated Account Name	Encumbrance	Available Fund Balance	Total Fund Balance
0001	General Revenue	\$ 18,439,230.95	\$ 149,747.36	\$ 18,588,978.31
0151	Clean Air	\$ 14,476,832.82	\$ 72,678,198.96	\$ 87,155,031.78
0153	Water Resource Management	\$ 14,618,270.27	\$ 1,138,754.03	\$ 15,757,024.30
0549	Waste Management	\$ 1,216,810.01	\$ 26,186,932.18	\$ 27,403,742.19
0550	Hazardous & Solid Waste Remediation Fee	\$ 8,072,724.70	\$ 40,345,970.98	\$ 48,418,695.68
0655	Petroleum Storage Tank Remediation	\$ 6,349,673.72	\$ 142,664,030.41	\$ 149,013,704.13
5000	Solid Waste Disposal Fee	\$ 1,397.40	\$ 102,730,549.94	\$ 102,731,947.34
5071	Texas Emissions Reduction Plan	\$ 65,354,743.92	\$ 587,284,569.97	\$ 652,639,313.89
5093	Dry Cleaning Facility Release	\$ 1,446,188.76	\$ 19,026,930.51	\$ 20,473,119.27
5094	Operating Permit Fees	\$ 887,968.08	\$ 6,906,858.51	\$ 7,794,826.59

**NOTE 16: SUBSEQUENT EVENTS**

Not Applicable

**NOTE 17: RISK MANAGEMENT**

As a grantee receiving funds from various federal granting agencies, the TCEQ may be liable for refunding any disallowed costs to those agencies. Based on prior experience, management believes such disallowances, if any, will be immaterial.

The TCEQ is involved in several administrative claims proceedings and lawsuits that could result in possible liabilities in the event of an adverse ruling. However, while adverse rulings regarding any of these claims are possible, it is management's opinion that the possibility of adverse rulings is unlikely.

**NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS**

The TCEQ's overall fund balance increased \$200 million from the FY 2011 adjusted ending balance (\$1.0 billion) to the FY 2012 (\$1.2 billion). Major contributors affecting the change include the following accounts.

The Low-Level Radioactive Waste Account (0088) increase of \$14.4 million is the result of \$12.5 million received from the state of Vermont. Revenue will increase significantly in future years now that the facility has begun accepting waste.

The Clean Air Account (0151) increase of \$42.4 million is the result of decreased appropriations authorized by the 82<sup>nd</sup> Legislature for the Low-Income Vehicle Repair Assistance Program (LIRAP).

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The Water Resource Management Account (0153) fund ended the year with a decrease of \$600 thousand in fund balance. The decrease is the result of increased appropriations authorized by the 82nd Legislature, which resulted in expenditure and other fund obligations exceeding the annual revenue deposited into this account.

The Waste Management Account (0549) increase of \$2.6 million in fund balance is the result of decreased appropriations authorized by the 82<sup>nd</sup> Legislature.

The Hazardous & Solid Waste Remediation Fee Account (0550) ended the year with a \$7.3 million decrease in fund balance. The decrease in fund balance is the result of fund obligations, especially professional remediation services that exceed annual revenue deposited into this account. The revenue collections also declined due to slower economic activity.

The Petroleum Storage Tank Account (0655) ended the year with a \$700 thousand decrease in fund balance. The decrease is a result of expenditure and other fund obligations exceeding the annual revenue deposited into this account. House Bill 2694, 82<sup>nd</sup> Legislature, continued the fee and provided the agency with the ability to adjust the rates by rule. The rate reduction was effective July 2012.

The Solid Waste Disposal Fee Account (5000) fund balance increased \$11 million in FY 2012 because annual revenue deposited into the fund exceeds the annual level of appropriations authorized from this account.

The Texas Emission Reduction Plan Account (5071) fund balance increased \$116.5 million during FY 2012, due to a reduction in appropriation levels between FY 2011 and FY 2012, along with an increase in revenue.

The Dry Cleaning Facility Release Account (5093) ended the year with a \$1.0 million decrease in fund balance due to expenditures in excess of revenue collections. As dry cleaner sites begin the remediation phase, the expenditures will continue to increase. The revenue collections declined due to slower economic activity, which directly impacts the dry cleaning business.

The Operating Permit Fees Account (5094) ended the year with a \$5 million increase in fund balance. The increase in the fund balance is the result of a rate change for the FY 2012 billing.

#### **NOTE 19: THE FINANCIAL REPORTING ENTITY**

As required by Generally Accepted Accounting Principles, the financial statements present the TCEQ and its component unit. The component unit discussed in this note is included in the TCEQ reporting entity because of the fiscal dependency of the component unit on the TCEQ.

##### **Individual Component Unit Disclosures**

Formerly, the Texas On-site Wastewater Treatment Research Council (Council) was a discretely presented governmental component unit of the TCEQ. The Council awarded competitive grants and contracts to support applied research, demonstration projects and information transfer regarding on-site wastewater treatment. The Council was not an advisory council and did not regulate the on-site wastewater industry in Texas.

The Council's fiscal operations (revenues, budget, expenditures and administration) were maintained by the TCEQ. The On-Site Wastewater Treatment Research Council Fee was collected for its operations. The Council's financial information was presented in a separate column in the combined financial statements to emphasize that they were legally separate from the TCEQ. Pursuant to H.B. 2694, 82<sup>nd</sup> Legislative Regular Session, effective September 1, 2011, the Council was abolished and all activities and functions related to the Council's administration, grants, and appropriations were absorbed by the TCEQ.

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

Not Applicable

#### **NOTE 21: N/A**

Not Applicable

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**NOTE 22: DONOR-RESTRICTED ENDOWMENTS**

Not Applicable

**NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS**

Not Applicable

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

Not Applicable

**NOTE 25: TERMINATION BENEFITS**

Not Applicable

**NOTE 26: SEGMENT INFORMATION**

Not Applicable



**C O M B I N I N G**

**F I N A N C I A L**

**S T A T E M E N T S**

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**EXHIBIT A-1  
COMBINING BALANCE SHEET  
All General and Consolidated Funds  
August 31, 2012**

**Consolidated Funds**

	General Revenue Account (0001)	Texas Natural Resource Trustees Account (9999)	Low Level Radioactive Waste Account (0088)	Air Control Board Account (0102)	Used Oil Recycling Account (0146)	Clean Air Account (0151)	Water Resource Management Account (0153)	Watermaster Administration Account (0158)	Texas Spill Response Account (0452)
<b>Assets</b>									
<b>Current Assets:</b>									
Cash in Bank	\$ 50.00	\$	\$	\$	\$	\$	\$	\$	\$
Cash in State Treasury			26,822,210.81	2,430,931.73	13,992,531.90	92,178,094.08	19,820,395.53	1,695,831.12	118,584.14
Cash Equivalents		16,730,124.95							
Legislative Appropriations	18,551,347.34								
<b>Receivables:</b>									
Federal	216,209.75					1,223,787.83	2,926,666.32		
Accounts Receivable						5,116.86	3,672.15	15,749.21	
Due From Other Agencies			89,134.06			6,073.49	973,591.04		
Consumable Inventories	149,697.36								
<b>Total Current Assets</b>	<b>\$ 18,917,304.45</b>	<b>\$ 16,730,124.95</b>	<b>\$ 26,911,344.87</b>	<b>\$ 2,430,931.73</b>	<b>\$ 13,992,531.90</b>	<b>\$ 93,413,072.26</b>	<b>\$ 23,724,325.04</b>	<b>\$ 1,711,580.33</b>	<b>\$ 118,584.14</b>
<b>Liabilities</b>									
<b>Current Liabilities</b>									
<b>Payables:</b>									
Accounts Payable	\$ 79,428.39	\$	\$ 6,959.73	\$ (748.10)	\$ 562.95	\$ 2,073,717.09	\$ 1,057,983.65	\$ 1,854.25	\$
Payroll Payable			13,520.56		62,958.79	3,056,962.38	5,084,390.74	95,764.20	
Contracts Retainage Payable						94.15	25,733.76		
Due to Other Agencies	248,897.75		97,687.88			1,127,266.86	1,799,192.59		
<b>Total Current Liabilities</b>	<b>\$ 328,326.14</b>	<b>\$ -</b>	<b>\$ 118,168.17</b>	<b>\$ (748.10)</b>	<b>\$ 63,521.74</b>	<b>\$ 6,258,040.48</b>	<b>\$ 7,967,300.74</b>	<b>\$ 97,618.45</b>	<b>\$ -</b>
<b>Fund Balances</b>									
Nonspendable	\$ 149,697.36	\$	\$	\$	\$	\$	\$	\$	\$
Restricted		16,730,124.95							
Committed			26,793,176.70	2,431,679.83	13,929,010.16	87,155,031.78	15,757,024.30	1,613,961.88	118,584.14
Assigned	18,439,230.95								
Unassigned	50.00								
<b>Total Fund Balance</b>	<b>\$ 18,588,978.31</b>	<b>\$ 16,730,124.95</b>	<b>\$ 26,793,176.70</b>	<b>\$ 2,431,679.83</b>	<b>\$ 13,929,010.16</b>	<b>\$ 87,155,031.78</b>	<b>\$ 15,757,024.30</b>	<b>\$ 1,613,961.88</b>	<b>\$ 118,584.14</b>
<b>Total Liabilities and Fund Bal</b>	<b>\$ 18,917,304.45</b>	<b>\$ 16,730,124.95</b>	<b>\$ 26,911,344.87</b>	<b>\$ 2,430,931.73</b>	<b>\$ 13,992,531.90</b>	<b>\$ 93,413,072.26</b>	<b>\$ 23,724,325.04</b>	<b>\$ 1,711,580.33</b>	<b>\$ 118,584.14</b>

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

-UNAUDITED-

**Consolidated Funds**

TCEQ Occupational Licensing Account (0468)	Waste Management Account (0549)	Hazardous & Solid Waste Remediation Fee Account (0550)	Petroleum Storage Tank Remediation Account (0655)	Solid Waste Disposal Fee Account (5000)	Environmental Testing Accreditation Account (5065)	Texas Emissions Reduction Account (5071)	Dry Cleaning Facility Release Account (5093)	Operating Permit Fees Account (5094)	Perpetual Care Account (5096)	Suspense Type Activities Account (0900)	Total
\$ 7,320,898.20	\$ 29,180,589.60	\$ 50,773,064.10	\$ 149,870,488.32	\$ 102,483,066.75	\$ 928,735.10	\$ 651,392,597.89	\$ 20,747,930.23	\$ 9,989,953.78	\$ 2,595,760.59	\$ 189,380.44	\$ 50.00
	787,876.00	1,545.00	469,845.00			205,206.00					1,182,531,044.31
	265,080.56			248,880.59			620.08	505,125.91			16,730,124.95
	32,630.35					2,986,581.10					18,551,347.34
<u>\$ 7,320,898.20</u>	<u>\$ 30,266,176.51</u>	<u>\$ 50,774,609.10</u>	<u>\$ 150,340,333.32</u>	<u>\$ 102,731,947.34</u>	<u>\$ 928,735.10</u>	<u>\$ 654,584,384.99</u>	<u>\$ 20,748,550.31</u>	<u>\$ 10,495,079.69</u>	<u>\$ 2,595,760.59</u>	<u>\$ 189,380.44</u>	<u>\$ 1,228,925,655.26</u>
\$ 9,129.64	\$ 192,648.73	\$ 1,117,145.60	\$ 399,638.84	\$	\$	\$ 1,268,575.20	\$ 167,132.86	\$ 237,134.71	\$	\$	\$ 6,611,163.54
135,880.14	2,593,584.01	1,068,496.37	697,274.12		48,833.84	209,147.59	26,144.76	2,463,118.39			15,556,075.89
10,191.22	9,433.09	170,271.45	229,716.23				82,153.42				527,593.32
	66,768.49					467,348.31			2,556,185.25		6,363,347.13
<u>\$ 155,201.00</u>	<u>\$ 2,862,434.32</u>	<u>\$ 2,355,913.42</u>	<u>\$ 1,326,629.19</u>	<u>\$ -</u>	<u>\$ 48,833.84</u>	<u>\$ 1,945,071.10</u>	<u>\$ 275,431.04</u>	<u>\$ 2,700,253.10</u>	<u>\$ 2,556,185.25</u>	<u>\$ -</u>	<u>\$ 29,058,179.88</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 149,697.36
7,165,697.20	27,403,742.19	48,418,695.68	149,013,704.13	102,731,947.34	879,901.26	652,639,313.89	20,473,119.27	7,794,826.59	39,575.34		1,164,358,991.68
										189,380.44	18,628,611.39
											50.00
<u>\$ 7,165,697.20</u>	<u>\$ 27,403,742.19</u>	<u>\$ 48,418,695.68</u>	<u>\$ 149,013,704.13</u>	<u>\$ 102,731,947.34</u>	<u>\$ 879,901.26</u>	<u>\$ 652,639,313.89</u>	<u>\$ 20,473,119.27</u>	<u>\$ 7,794,826.59</u>	<u>\$ 39,575.34</u>	<u>\$ 189,380.44</u>	<u>\$ 1,199,867,475.38</u>
<u>\$ 7,320,898.20</u>	<u>\$ 30,266,176.51</u>	<u>\$ 50,774,609.10</u>	<u>\$ 150,340,333.32</u>	<u>\$ 102,731,947.34</u>	<u>\$ 928,735.10</u>	<u>\$ 654,584,384.99</u>	<u>\$ 20,748,550.31</u>	<u>\$ 10,495,079.69</u>	<u>\$ 2,595,760.59</u>	<u>\$ 189,380.44</u>	<u>\$ 1,228,925,655.26</u>

-UNAUDITED-

**EXHIBIT A-2**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**All General and Consolidated Funds**  
**For the Year Ended August 31, 2012**

	General Revenue Account (0001)	Texas Natural Resource Trustees Account (9999)	Low Level Radioactive Waste Account (0088)	Air Control Board Account (0102)	Used Oil Recycling Account (0146)	Clean Air Account (0151)	Water Resource Management Account (0153)	Watermaster Administration Account (0158)	Texas Spill Response Account (0452)
<b>Revenues</b>									
Legislative Appropriations :									
Original Appropriations	\$ 5,492,079.00	\$	\$	\$	\$	\$	\$	\$	\$
Additional Appropriations	1,296,364.60								
Taxes									
Federal Revenues	7,425,904.55					11,065,776.02	18,875,934.97		
Federal Pass-Through	901,089.19					23,527.53	6,860,525.20		
Licenses, Fees and Permits	1,013,136.83		15,929,108.28		3,953,985.94	104,657,978.00	62,251,188.29	1,464,514.75	
Interest & Investment Income		12,661.43	70,147.44			37,318.63	56.87		
Settlement of Claims		432,338.28							
Sales of Goods and Services	3,223.27						73,512.04		
Other Revenues	728.00					1,435.15	1,613.86		
<b>Total Revenues</b>	<b>\$ 16,132,525.44</b>	<b>\$ 444,999.71</b>	<b>\$ 15,999,255.72</b>	<b>\$ -</b>	<b>\$ 3,953,985.94</b>	<b>\$ 115,786,035.33</b>	<b>\$ 88,062,831.23</b>	<b>\$ 1,464,514.75</b>	<b>\$ -</b>
<b>Expenditures</b>									
Salaries and Wages	\$ 1,670,862.67	\$	\$ 869,834.46	\$	\$ 672,641.81	\$ 29,803,053.63	\$ 47,465,167.28	\$ 780,331.42	\$
Payroll Related Costs	1,598,342.00		107,687.92		101,818.33	11,767,472.01	9,881,902.33	111,709.55	
Professional Fees and Services	2,501,576.80	237,513.63	39,097.22		16,658.52	9,609,318.48	10,908,040.33	235,401.45	
Travel	75,773.21		21,245.60		3,940.20	275,258.14	542,810.16	26,181.26	
Materials and Supplies	337,509.97		21,300.87		7,891.13	1,694,126.48	1,468,738.72	80,651.87	
Communications and Utilities	16,211.32		1,469.62		(9,062.65)	703,085.31	490,262.99	26,423.35	
Repairs and Maintenance	94,900.46		4,467.77		32,703.60	1,040,875.04	821,993.91	18,583.42	
Rentals and Leases	172,926.18		5,615.23		10,235.20	1,292,592.10	2,119,800.67	131,996.95	
Printing and Reproduction	26,124.86		74.75		31.09	8,497.38	42,086.53	75.88	
Claims and Judgements						13,541.49	2,249.87	3,500.00	
Federal Pass-Through Expenditures	1,584,155.01					313,166.56	4,601,433.15		
State Grant Pass-Through Expenditures	885,845.74		501,879.66			1,529,362.32	659,916.37		
Intergovernmental Payments	2,170,177.87					11,223,075.02	6,442,027.84		
Public Assistance Programs	-					(9,439.43)			
Other Operating Expenditures	388,653.81		47,721.71		38,425.87	2,244,144.71	2,611,556.15	20,486.96	
Capital Outlay	2,003,633.62		12,534.00			1,399,730.36	583,871.30	21,430.85	
<b>Total Expenditures</b>	<b>\$ 13,526,693.52</b>	<b>\$ 237,513.63</b>	<b>\$ 1,632,928.81</b>	<b>\$ -</b>	<b>\$ 875,283.10</b>	<b>\$ 72,907,859.60</b>	<b>\$ 88,641,857.60</b>	<b>\$ 1,456,772.96</b>	<b>\$ -</b>
Excess (Deficit) of Revenues over Expenditures	\$ 2,605,831.92	\$ 207,486.08	\$ 14,366,326.91	\$ -	\$ 3,078,702.84	\$ 42,878,175.73	\$ (579,026.37)	\$ 7,741.79	\$ -
<b>Other Financing Sources (Uses)</b>									
Operating Transfers In	\$ 15,000,000.00	\$	\$	\$	\$	\$ 13,817.84	\$	\$	\$
Operating Transfers Out	(5,576,555.29)	(30,000.00)				(475,000.00)	(56.87)		
Sale of Capital Assets	169,011.73								
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 9,592,456.44</b>	<b>\$ (30,000.00)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (461,182.16)</b>	<b>\$ (56.87)</b>	<b>\$ -</b>	<b>\$ -</b>
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 12,198,288.36	\$ 177,486.08	\$ 14,366,326.91	\$ -	\$ 3,078,702.84	\$ 42,416,993.57	\$ (579,083.24)	\$ 7,741.79	\$ -
<b>Fund Balance - Beginning</b>	<b>\$ 6,546,182.24</b>	<b>\$ 16,552,638.87</b>	<b>\$ 12,426,849.79</b>	<b>\$ 2,431,679.83</b>	<b>\$ 10,850,307.32</b>	<b>\$ 44,738,038.21</b>	<b>\$ 16,336,107.54</b>	<b>\$ 1,606,220.09</b>	<b>\$ 118,584.14</b>
Restatements (if any)	(1,807.42)								
<b>Fund Balance As Restated</b>	<b>\$ 6,544,374.82</b>	<b>\$ 16,552,638.87</b>	<b>\$ 12,426,849.79</b>	<b>\$ 2,431,679.83</b>	<b>\$ 10,850,307.32</b>	<b>\$ 44,738,038.21</b>	<b>\$ 16,336,107.54</b>	<b>\$ 1,606,220.09</b>	<b>\$ 118,584.14</b>
Appropriations Lapsed	(153,684.87)								
<b>Fund Balance - Ending</b>	<b>\$ 18,588,978.31</b>	<b>\$ 16,730,124.95</b>	<b>\$ 26,793,176.70</b>	<b>\$ 2,431,679.83</b>	<b>\$ 13,929,010.16</b>	<b>\$ 87,155,031.78</b>	<b>\$ 15,757,024.30</b>	<b>\$ 1,613,961.88</b>	<b>\$ 118,584.14</b>

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

-UNAUDITED-

TCEQ Occupational Licensing Account (0468)	Waste Management Account (0549)	Hazardous & Solid Waste Remediation Fee Account (0550)	Petroleum Storage Tank Remediation Account (0655)	Solid Waste Disposal Fee Account (5000)	Environmental Testing Accreditation Account (5065)	Texas Emissions Reduction Account (5071)	Dry Cleaning Facility Release Account (5093)	Operating Permit Fees Account (5094)	Perpetual Care Account (5096)	Suspense Type Activities Account (0900)	Totals
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 5,492,079.00
						60,155,319.31					1,296,364.60
			5,230,570.52			441,370.00					60,155,319.31
	8,031,552.38	657,380.00									51,728,488.44
	180,404.46	44,404.87									8,009,951.25
2,441,993.20	31,391,415.94	22,657,808.02	29,284,172.83	17,717,392.67	883,415.05	38,770,111.73	4,422,903.53	35,724,061.27			372,563,186.33
		321,834.17				3,384,878.60	121,528.48				3,948,425.62
		14,226.40				11,395.73					457,960.41
								2,464.46			79,199.77
641.92	965.10	2,489,284.91	7,412.52	5.00		1,043,758.58	(7,131.55)	40.60		25,589.06	3,564,343.15
\$ 2,442,635.12	\$ 39,604,337.88	\$ 26,184,938.37	\$ 34,522,155.87	\$ 17,717,397.67	\$ 883,415.05	\$ 103,806,833.95	\$ 4,537,300.46	\$ 35,726,566.33	\$ -	\$ 25,589.06	\$ 507,295,317.88
\$ 1,334,638.75	\$ 25,439,271.19	\$ 10,882,213.18	\$ 6,888,123.45	\$	\$ 315,560.59	\$ 1,981,574.54	\$ 245,765.93	\$ 22,035,027.01	\$	\$	\$ 150,384,065.91
453,415.23	3,283,132.22	3,318,738.88	2,864,259.39		42,478.84	327,259.55	54,107.14	2,564,116.19			36,476,439.58
87,561.35	4,199,351.97	16,989,334.31	7,622,682.56		75,770.47	147,281.17	5,186,625.40	1,487,943.71			59,344,157.37
43,030.67	267,047.27	136,800.39	115,348.57		28,229.52	8,660.44	3,430.92	72,400.75			1,620,157.10
25,815.68	683,338.40	174,675.67	325,962.07		3,576.27	27,076.54	5,646.22	709,797.87			5,566,107.76
26,278.18	140,972.01	194,652.32	79,450.07			231.41		457,215.85			2,127,189.78
53,840.34	382,956.35	279,494.61	1,005,212.71		2,107.03	115,989.16	3,615.10	678,514.23			4,535,253.73
10,369.32	781,010.62	253,191.37	857,315.48			700.00		1,165,690.20			6,801,443.32
4,433.12	88,189.40	8,939.08	34,770.32			86.58		128,654.21			341,963.20
1,095.00	553.28	186,038.76	123,774.23					4,575.70			335,328.33
			1,257,466.77								7,756,221.49
42,618.00	257,353.51	175,543.85				4,073,395.52		41,855.34			8,167,770.31
	41,996.30	21,501.30	11,229.84	6,678,083.32		258,108.20		95,694.69			26,941,894.38
											(9,439.43)
137,952.38	1,312,764.57	849,603.32	14,052,787.22	27,819.10	23,462.44	51,048,781.83	19,918.19	1,171,534.65			73,995,612.91
10,504.99	102,604.94	38,760.00	26,961.39			313,962.50	4,319.00	80,958.79			4,599,271.74
\$ 2,231,553.01	\$ 36,980,542.03	\$ 33,509,487.04	\$ 35,265,344.07	\$ 6,705,902.42	\$ 491,185.16	\$ 58,303,107.44	\$ 5,523,427.90	\$ 30,693,979.19	\$ -	\$ -	\$ 388,983,437.48
\$ 211,082.11	\$ 2,623,795.85	\$ (7,324,548.67)	\$ (743,188.20)	\$ 11,011,495.25	\$ 392,229.89	\$ 45,503,726.51	\$ (986,127.44)	\$ 5,032,587.14	\$ -	\$ 25,589.06	\$ 118,311,880.40
\$	\$	\$	\$	\$	\$	\$ 101,367,180.03	\$	\$	\$	\$	\$ 116,380,997.87
						(30,425,012.69)					(36,506,624.85)
											169,011.73
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,942,167.34	\$ -	\$ -	\$ -	\$ -	\$ 80,043,384.75
\$ 211,082.11	\$ 2,623,795.85	\$ (7,324,548.67)	\$ (743,188.20)	\$ 11,011,495.25	\$ 392,229.89	\$ 116,445,893.85	\$ (986,127.44)	\$ 5,032,587.14	\$ -	\$ 25,589.06	\$ 198,355,265.15
\$ 6,954,615.09	\$ 24,779,946.34	\$ 55,743,244.35	\$ 149,756,892.33	\$ 91,720,452.09	\$ 487,671.37	\$ 536,193,420.04	\$ 21,459,246.71	\$ 2,762,239.45	\$ 39,575.34	\$ 163,791.38	\$ 1,001,667,702.52
											(1,807.42)
\$ 6,954,615.09	\$ 24,779,946.34	\$ 55,743,244.35	\$ 149,756,892.33	\$ 91,720,452.09	\$ 487,671.37	\$ 536,193,420.04	\$ 21,459,246.71	\$ 2,762,239.45	\$ 39,575.34	\$ 163,791.38	\$ 1,001,665,895.10
											(153,684.87)
\$ 7,165,697.20	\$ 27,403,742.19	\$ 48,418,695.68	\$ 149,013,704.13	\$ 102,731,947.34	\$ 879,901.26	\$ 652,639,313.89	\$ 20,473,119.27	\$ 7,794,826.59	\$ 39,575.34	\$ 189,380.44	\$ 1,199,867,475.38

-UNAUDITED-

**EXHIBIT J-1**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**All Agency Funds**  
**August 31, 2012**

	<u>Beginning Balances September 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances August 31, 2012</u>
<b>Child Support Deductions Fund (0807)</b>				
<b>Assets:</b>				
Cash in State Treasury	\$ 21,119.22	\$ 260,413.55	\$ 261,727.89	\$ 19,804.88
<b>Liabilities:</b>				
Funds Held for Others	\$ 21,119.22	\$ 239,294.33	\$ 240,608.67	\$ 19,804.88
<b>Securities Held In Trust (9999)</b>				
<b>Assets:</b>				
Cash Equivalents	\$ 3,169,462.06	\$ -	\$ 441,249.64	\$ 2,728,212.42
<b>Liabilities:</b>				
Funds Held For Others	\$ 3,169,462.06	\$ -	\$ 441,249.64	\$ 2,728,212.42
<b>Total - All Agency Funds</b>				
<b>Assets:</b>				
Cash in State Treasury	\$ 21,119.22	\$ 260,413.55	\$ 261,727.89	\$ 19,804.88
Cash Equivalents	3,169,462.06	-	441,249.64	2,728,212.42
<b>Total Assets</b>	<u>\$ 3,190,581.28</u>	<u>\$ 260,413.55</u>	<u>\$ 702,977.53</u>	<u>\$ 2,748,017.30</u>
<b>Liabilities:</b>				
Funds Held For Others	\$ 3,190,581.28	\$ 239,294.33	\$ 681,858.31	\$ 2,748,017.30
<b>Total Liabilities</b>	<u>\$ 3,190,581.28</u>	<u>\$ 239,294.33</u>	<u>\$ 681,858.31</u>	<u>\$ 2,748,017.30</u>

(Exhibit VI)

# **S C H E D U L E S**

-UNAUDITED-

**SCHEDULE 1A  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended August 31, 2012**

Federal Grantor / Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From			
		Agency/ University Number	Identifying Number	State Agency or University Amount	Non-State Entities Amount
<b>U.S. Department of Defense</b>					
<i>Direct Programs:</i>					
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			\$	\$
<b>Total U.S. Department of Defense</b>				\$ 0.00	\$ 0.00
<b>Environmental Protection Agency</b>					
<i>Direct Programs:</i>					
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034			\$	\$
<i>Pass-Through To:</i>					
Texas A&M Agrilife Research	66.034				
Texas Tech University	66.034				
University of Texas at Brownsville	66.034				
<b>State Clean Diesel Grant Program</b>	66.040				
<b>ARRA - State Clean Diesel Grant Program</b>	66.040				
<b>Water Pollution Control - State, Interstate and Tribal Program Support</b>	66.419				
<i>Pass-Through To:</i>					
Department of State Health Services	66.419				
Texas A&M Agrilife Research	66.419				
Tarleton State University	66.419				
University of Texas at Austin	66.419				
University of Houston	66.419				
Texas State University - San Marcos	66.419				
University of Houston - Clear Lake	66.419				
Texas A&M University - Corpus Christi	66.419				
Parks and Wildlife Department	66.419				
<b>Water Quality Management Planning</b>	66.454				
<b>ARRA - Water Quality Management Planning</b>	66.454				
<i>Pass-Through To:</i>					
Texas AgriLife Extension	66.454				
Texas A&M University - Kingsville	66.454				
<b>National Estuary Program</b>	66.456				
<i>Pass-Through To:</i>					
Texas AgriLife Extension	66.456				
Texas A&M University at Galveston	66.456				
University of Houston - Clear Lake	66.456				
<b>Nonpoint Source Implementation Grants</b>	66.460				
<i>Pass-Through To:</i>					
Texas AgriLife Extension	66.460				
Texas AgriLife Research	66.460				
Tarleton State University	66.460				
University of Texas at Austin	66.460				
Texas A&M University - Kingsville	66.460				
Texas State University - San Marcos	66.460				
<b>Performance Partnership Grants</b>	66.605				
<i>Pass-Through To:</i>					
Texas AgriLife Extension	66.605				
Texas Department of Transportation	66.605				
Tarleton State University	66.605				
University of Texas at Arlington	66.605				
University of Texas at Austin	66.605				
Texas Transportation Institute	66.605				
Texas State University - San Marcos	66.605				
<b>Environmental Information Exchange Network Grant Program and Related Assistance</b>	66.608				

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

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Direct Program Amount	Total Pass Through From & Direct Program	CFDA Number	Pass-Through To			Expenditures Amount	Total Pass Through To & Expenditures
			Agency/ University Number	State Agency/ University Amount	Non-State Entities Amount		
\$ 645,400.00	\$ 645,400.00	12.113		\$ 0.00	\$ 0.00	\$ 645,400.00	\$ 645,400.00
\$ 645,400.00	\$ 645,400.00			\$ 0.00	\$ 0.00	\$ 645,400.00	\$ 645,400.00
\$ 2,100,627.60	\$ 2,100,627.60	66.034				\$ 2,010,073.29	\$ 2,010,073.29
		- 66.034	556	4.31		-	4.31
		- 66.034	733	10,310.00		-	10,310.00
		- 66.034	747	80,240.00		-	80,240.00
441,370.00	441,370.00	66.040				441,370.00	441,370.00
28,179.00	28,179.00	66.040				28,179.00	28,179.00
3,891,702.91	3,891,702.91	66.419			619,694.53	966,771.42	1,586,465.95
		- 66.419	537	264,200.00		-	264,200.00
		- 66.419	556	353,800.27		-	353,800.27
		- 66.419	713	209,461.61		-	209,461.61
		- 66.419	721	41,678.38		-	41,678.38
		- 66.419	730	799,905.30		-	799,905.30
		- 66.419	754	343,656.14		-	343,656.14
		- 66.419	759	154,648.09		-	154,648.09
		- 66.419	760	135,000.00		-	135,000.00
		- 66.419	802	2,887.17		-	2,887.17
559,099.00	559,099.00	66.454			230,302.04	328,796.96	559,099.00
258,898.34	258,898.34	66.454			243,131.20	18,469.24	261,600.44
		- 66.454	555	-7,609.59		-	-7,609.59
		- 66.454	732	4,907.49		-	4,907.49
702,610.42	702,610.42	66.456			143,503.50	228,530.38	372,033.88
		- 66.456	555	199,935.51		-	199,935.51
		- 66.456	718	55,740.23		-	55,740.23
		- 66.456	759	74,900.80		-	74,900.80
2,407,710.25	2,407,710.25	66.460			762,261.60	26,632.10	788,893.70
		- 66.460	555	-182,448.38		-	-182,448.38
		- 66.460	556	739,572.39		-	739,572.39
		- 66.460	713	166,888.66		-	166,888.66
		- 66.460	721	26,961.04		-	26,961.04
		- 66.460	732	319,356.23		-	319,356.23
		- 66.460	754	548,486.61		-	548,486.61
29,631,978.22	29,631,978.22	66.605			1,087,583.29	27,359,247.83	28,446,831.12
		- 66.605	555	43,966.87		-	43,966.87
		- 66.605	601	100,000.00		-	100,000.00
		- 66.605	713	18,877.58		-	18,877.58
		- 66.605	714	282,391.80		-	282,391.80
		- 66.605	721	385,419.58		-	385,419.58
		- 66.605	727	1,000.00		-	1,000.00
		- 66.605	754	353,491.27		-	353,491.27
82,344.00	82,344.00	66.608				82,344.00	82,344.00

(to next page)

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**SCHEDULE 1A**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended August 31, 2012**

Federal Grantor / Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From			
		Agency/ University Number	Identifying Number	State Agency or University Amount	Non-State Entities Amount
<b>Environmental Protection Agency (continued)</b>					
<i>Direct Programs:</i>					
Multi-Media Capacity Building Grants for States and Tribes	66.709				
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802				
Underground Storage Tank Prevention, Detection and Compliance Program	66.804				
<i>Pass-Through To:</i>					
University of Texas at Arlington	66.804				
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805				
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805				
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809				
State and Tribal Response Program Grants	66.817				
<i>Pass-Through From</i>					
<b>Texas Water Development Board</b>					
<i>Capitalization Grants for Drinking Water State Revolving Funds</i>	66.468	580		7,809,572.44	
<i>Pass-Through To:</i>					
Texas Engineering Experiment Station	66.468	580			
University of Texas at Arlington	66.468	580			
Texas A&M Engineering Extension Service	66.468	580			
University of Texas at Austin	66.468	580			
Texas State University - San Marcos	66.468	580			
<b>Total Environmental Protection Agency</b>				\$ 7,809,572.44	\$ 0.00
<b>U.S. Department of Energy</b>					
<i>Pass-Through From:</i>					
<b>Comptroller - State Energy Conservation Office</b>					
<i>Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emerg Resp Res</i>	81.214	907		\$ 225,284.94	\$ 0.00
<b>Total U.S. Department of Energy</b>				\$ 225,284.94	\$ 0.00
<b>U.S. Department of Homeland Security</b>					
<i>Direct Programs:</i>					
National Dam Safety Program	97.041			\$	\$
<i>Direct Programs:</i>					
<b>Homeland Security Cluster</b>					
<i>Biowatch Program</i>	97.091				
<i>Pass-Through From:</i>					
<b>Department of Public Safety</b>					
<i>Disaster Grants - Public Assistance (Presidentially Declared Disasters)</i>	97.036	405		44,404.87	
<b>Total U.S. Department of Homeland Security</b>				\$ 44,404.87	\$ 0.00
<b>U.S. Department of Education</b>					
<i>Pass-Through From:</i>					
<b>ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act</b>					
<i>Texas Higher Education Coordinating Board</i>	84.397	781		\$ -69,311.00	\$ 0.00
<b>Total U.S. Department of Education</b>				\$ -69,311.00	\$ 0.00
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				\$ 8,009,951.25	\$ 0.00
<b>Note 1 - Reconciliation</b>					
<b>Per Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Governmental Fund Types (Exh II):</b>					
Federal Revenues (Exh II)				\$ 51,728,488.44	
Federal Pass-Through Revenues (Exh II)				8,009,951.25	
<b>Total</b>				\$ 59,738,439.69	

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

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Direct Program Amount	Total Pass Through From & Direct Program	CFDA Number	Pass-Through To			Expenditures Amount	Total Pass Through To & Expenditures
			Agency/ University/ Number	State Agency/ University/ Amount	Non-State Entities Amount		
217,435.00	217,435.00	66.709				217,435.00	217,435.00
497,778.00	497,778.00	66.802				497,778.00	497,778.00
2,249,335.52	2,249,335.52	66.804				991,868.75	991,868.75
	-	66.804	714	1,257,466.77		-	1,257,466.77
3,276,091.00	3,276,091.00	66.805				3,276,091.00	3,276,091.00
442,534.18	442,534.18	66.805				442,534.18	442,534.18
230,735.00	230,735.00	66.809				230,735.00	230,735.00
551,627.00	551,627.00	66.817				551,627.00	551,627.00
	7,809,572.44	66.468				6,838,447.08	6,838,447.08
	-	66.468	712	67,334.61		-	67,334.61
	-	66.468	714	436,894.15		-	436,894.15
	-	66.468	716	26,153.90		-	26,153.90
	-	66.468	721	190,163.13		-	190,163.13
	-	66.468	754	250,579.57		-	250,579.57
<u>\$ 47,570,055.44</u>	<u>\$ 55,379,627.88</u>			<u>\$ 7,756,221.49</u>	<u>\$ 3,086,476.16</u>	<u>\$ 44,536,930.23</u>	<u>\$ 55,379,627.88</u>
<u>\$ 0.00</u>	<u>\$ 225,284.94</u>	81.214		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 225,284.94</u>	<u>\$ 225,284.94</u>
<u>\$ 557,461.00</u>	<u>\$ 557,461.00</u>	97.041		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 557,461.00</u>	<u>\$ 557,461.00</u>
<u>2,955,572.00</u>	<u>2,955,572.00</u>	97.091				<u>2,955,572.00</u>	<u>2,955,572.00</u>
<u>\$ 3,513,033.00</u>	<u>\$ 44,404.87</u>	97.036		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 44,404.87</u>	<u>\$ 44,404.87</u>
	<u>\$ 3,557,437.87</u>					<u>\$ 3,557,437.87</u>	<u>\$ 3,557,437.87</u>
<u>\$ 0.00</u>	<u>\$ -69,311.00</u>	84.397		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ -69,311.00</u>	<u>\$ -69,311.00</u>
<u>\$ 51,728,488.44</u>	<u>\$ -69,311.00</u>			<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ -69,311.00</u>	<u>\$ -69,311.00</u>
	<u>\$ 59,738,439.69</u>			<u>\$ 7,756,221.49</u>	<u>\$ 3,086,476.16</u>	<u>\$ 48,895,742.04</u>	<u>\$ 59,738,439.69</u>

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**SCHEDULE 1B - SCHEDULE OF STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES**  
**For the Fiscal Year Ended August 31, 2012**

**General Funds**

**Pass Through To:**

General Land Office (Agency #305)	\$	5,685.51
Lamar University (Agency #734)		94,833.22
Parks & Wildlife Department (Agency #802)		4,742.85
Railroad Commission of Texas (Agency #455)		1,137,903.70
Tarleton State University (Agency #713)		7,153.92
Texas A&M University - Corpus Christi (Agency #760)		83,045.58
Texas A&M University (Main University) (Agency #711)		257,785.10
Texas A&M University at Galveston (Agency #718)		159,773.06
Texas AgriLife Extension (Agency #555)		42,187.81
Texas AgriLife Research (Agency #556)		116,169.27
Texas Engineering Experiment Station (Agency #712)		554,414.49
Texas State University - San Marcos (Agency #754)		70,068.51
Texas Transportation Institute (Agency #727)		620,000.00
University of Houston - Clear Lake (Agency #759)		15,573.65
University of Houston (Agency #730)		729,914.75
University of North Texas (Agency #752)		207,167.74
Department of State Health Services (Agency #537)		90,073.00
University of Texas at Arlington (Agency #714)		652,166.40
University of Texas at Austin (Agency #721)		<u>3,319,111.75</u>
<b>Total General Fund Pass Through</b>	<b>\$</b>	<b><u>8,167,770.31</u></b> (Exh II)

**Discrete Component Unit**

**Pass Through To:**

Texas AgriLife Extension (Agency #555)	\$	(17,703.22)
Texas Tech University (Agency #733)		<u>53,880.35</u>
<b>Total Discrete Component Unit Pass Through</b>	<b>\$</b>	<b><u>36,177.13</u></b> (Exh II)

