



November 2011
SFR-45/11

Annual Financial Report

Fiscal Year Ended August 31, 2011

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Prepared by
Financial Administration Division

SFR-045/11
November 2011



Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*

Mark R. Vickery, P.G., *Executive Director*

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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

November 17, 2011

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

Lady and Gentlemen:

We are pleased to submit the annual financial report of the Texas Commission on Environmental Quality for the year ended August 31, 2011, 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. Pamela McKinney may be contacted at 239-0189 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Mark R. Vickery".

Mark R. Vickery, P. G.
Executive Director

**COMBINED
FINANCIAL
STATEMENTS**

-UNAUDITED-

**EXHIBIT I
COMBINED BALANCE SHEET / STATEMENT OF
NET ASSETS - Governmental Funds
August 31, 2011**

	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
Assets						
Current Assets:						
Cash in Bank	\$ 7,450.00	\$	\$	\$	\$ 7,450.00	\$
Cash in State Treasury	995,565,374.62				995,565,374.62	
Cash Equivalents	16,552,638.87				16,552,638.87	
Legislative Appropriations	6,466,478.76				6,466,478.76	274,400.99
Receivables From:						
Federal	8,532,349.29				8,532,349.29	
A/R - Licenses, Fees, & Permits	1,832,767.34				1,832,767.34	
Other Intergovernmental						
Due From Other Funds						
Due From Other Agencies	6,357,210.93				6,357,210.93	
Consumable Inventories	186,770.16				186,770.16	
Total Current Assets	\$ 1,035,501,039.97	\$	\$	\$	\$ 1,035,501,039.97	\$ 274,400.99
Non - Current Assets:						
Capital Assets:						
Non-Depreciable or Non-Amortizable						
Land and Land Improvements	\$ 20.00	\$	\$	\$	\$ 20.00	\$
Construction in Progress	4,712,225.60				4,712,225.60	
Depreciable						
Buildings and Building Improvements	4,544,105.74				4,544,105.74	
Less - Accumulated Depreciation	(2,401,175.58)				(2,401,175.58)	
Furniture and Equipment	56,491,091.67				56,491,091.67	
Less - Accumulated Depreciation	(45,629,633.41)				(45,629,633.41)	
Vehicles, Boats, & Aircraft	10,410,941.87				10,410,941.87	
Less - Accumulated Depreciation	(5,793,581.55)				(5,793,581.55)	
Computer Software - Intangible	6,821,679.79				6,821,679.79	
Less Accumulated Amortization	(5,947,861.69)				(5,947,861.69)	
Total Non Current Assets	\$	\$ 23,207,812.44	\$	\$	\$ 23,207,812.44	\$
Total Assets	\$ 1,035,501,039.97	\$ 23,207,812.44	\$	\$	\$ 1,058,708,852.41	\$ 274,400.99

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

-UNAUDITED-

	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
Liabilities						
Current Liabilities:						
Payables from:						
Accounts Payable	\$ 6,118,878.69	\$	\$	\$	\$ 6,118,878.69	\$ 8,743.62
Payroll Payable	15,879,595.82				15,879,595.82	660.00
Contracts Retainage Payable	794,816.43				794,816.43	
Due to Other Funds						
Due to Other Agencies	11,203,837.89				11,203,837.89	55,060.49
Employees Compensable Leave (Note 5)			9,206,054.09		9,206,054.09	
Pollution Remediation Obligations (Note 5)			33,863,618.74		33,863,618.74	
Total Current Liabilities	\$ 33,997,128.83	\$	\$ 43,069,672.83	\$	\$ 77,066,801.66	\$ 64,464.11
Non-Current Liabilities:						
Employees' Compensable Leave (Note 5)	\$	\$	\$ 7,629,238.06	\$	\$ 7,629,238.06	\$
Pollution Remediation Obligations (Note 5)			210,918,923.40		210,918,923.40	
Total Non-Current Liabilities	\$	\$	\$ 218,548,161.46	\$	\$ 218,548,161.46	\$
Total Liabilities	\$ 33,997,128.83	\$	\$ 261,617,834.29	\$	\$ 295,614,963.12	\$ 64,464.11
Fund Financial Statement						
Fund Balances:						
Nonspendable	\$ 186,770.16	\$	\$	\$	\$ 186,770.16	\$
Restricted	16,552,638.87				16,552,638.87	
Committed	978,405,090.03				978,405,090.03	
Assigned	6,351,962.08				6,351,962.08	
Unassigned	7,450.00				7,450.00	209,936.88
Total Fund Balances	\$ 1,001,503,911.14	\$	\$	\$	\$ 1,001,503,911.14	\$ 209,936.88
Total Liabilities and Fund Balance	\$ 1,035,501,039.97	\$	\$ 261,617,834.29	\$	\$ 1,297,118,874.26	\$ 274,400.99
Government-Wide Statement of Net Assets						
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 23,207,812.44	\$	\$	\$	\$ 23,207,812.44	
Unrestricted			(261,617,834.29)		(261,617,834.29)	
Total Net Assets	\$ 23,207,812.44	\$	\$ (261,617,834.29)	\$	\$ (238,410,021.85)	

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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, 2011

	General Funds (Exh. A-2)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities	Discrete Governmental Component Units
Revenues						
Legislative Appropriations:						
Original Appropriations	\$ 13,350,369.00	\$	\$	\$	\$ 13,350,369.00	\$ 287,853.00
Additional Appropriations	3,490,820.58				3,490,820.58	
Taxes	44,210,722.45				44,210,722.45	
Federal Revenues	64,435,126.53				64,435,126.53	
Federal Pass-Through Revenues	17,400,935.71				17,400,935.71	
Licenses, Fees and Permits	336,490,029.23				336,490,029.23	
Interest & Investment Income	5,005,526.24				5,005,526.24	
Settlement of Claims	193,908.16				193,908.16	
Sales of Goods and Services	94,614.47				94,614.47	
Other	4,629,106.14				4,629,106.14	
Total Revenues	\$ 489,301,158.51	\$	\$	\$	\$ 489,301,158.51	\$ 287,853.00
Expenditures						
Salaries and Wages	\$ 158,070,249.19	\$	\$ (612,492.77)	\$	\$ 157,457,756.42	\$ 2,340.00
Payroll Related Costs	39,316,016.21				39,316,016.21	
Professional Fees and Services	56,461,633.07				56,461,633.07	28,184.17
Travel	1,627,679.13				1,627,679.13	17,921.89
Materials and Supplies	8,011,031.81				8,011,031.81	59.46
Communications and Utilities	2,265,544.55				2,265,544.55	
Repairs and Maintenance	3,364,773.29				3,364,773.29	
Rentals and Leases	6,552,260.05				6,552,260.05	
Printing and Reproduction	397,973.27				397,973.27	54.32
Claims and Judgements	146,917.70				146,917.70	
Federal Pass-Through Expenditures	10,423,900.99				10,423,900.99	
State Grant Pass-Through Expenditures	13,885,661.19				13,885,661.19	219,429.78
Intergovernmental Payments	72,622,577.54				72,622,577.54	
Public Assistance Programs	(89,655.03)				(89,655.03)	
Other Expenditures	71,837,123.40				71,837,123.40	34,190.20
Capital Outlay	9,380,087.16	(9,380,087.16)			-	
Depreciation Expense		5,077,042.42			5,077,042.42	
Total Expenditures	\$ 454,273,773.52	\$ (4,303,044.74)	\$ (612,492.77)	\$	\$ 449,358,236.01	\$ 302,179.82
Excess (Deficit) of Revenues over Expenditures	\$ 35,027,384.99	\$ 4,303,044.74	\$ 612,492.77	\$	\$ 39,942,922.50	\$ (14,326.82)
Other Financing Sources (Uses)						
Transfers In	\$ 71,979,361.73	\$	\$	\$	\$ 71,979,361.73	\$
Transfers Out	(7,534,388.00)				(7,534,388.00)	
Net Change in Pollution Remediation Obligation			72,109,983.82		72,109,983.82	
Sale of Capital Assets	54,962.44	(54,962.44)			-	
Loss on Capital Assets		(286,478.55)			(286,478.55)	
Donated Asset					-	
Insurance Recoveries	17,381.44				17,381.44	
Decrease in Net Assets Due to Interagency Transfer		(8,248.08)			(8,248.08)	
Total Other Financing Sources (Uses)	\$ 64,517,317.61	\$ (349,689.07)	\$ 72,109,983.82	\$	\$ 136,277,612.36	\$
Net Change in Fund Balances/Net Assets	\$ 99,544,702.60	\$ 3,953,355.67	\$ 72,722,476.59	\$	\$ 176,220,534.86	\$ (14,326.82)
Fund Financial Statement - Fund Balance						
Fund Balance - Beginning	\$ 902,135,515.09	\$	\$	\$	\$ 902,135,515.09	\$ 224,263.70
Appropriations Lapsed	(176,306.55)				(176,306.55)	
Fund Balances - August 31, 2011	\$ 1,001,503,911.14	\$	\$	\$	\$ 1,001,503,911.14	\$ 209,936.88
Government-wide Statement of Net Assets						
Net Change in Net Assets		\$ 3,953,355.67	\$ 72,722,476.59	\$	\$ 76,675,832.26	
Net Assets-Beginning		\$ 19,211,976.77	\$ (334,340,310.88)	\$	\$ (315,128,334.11)	
Restatement (Note 14)		42,480.00			42,480.00	
Net Assets, September 1, 2010, as Restated and Adjusted		\$ 19,254,456.77	\$ (334,340,310.88)	\$	\$ (315,085,854.11)	
Net Assets-August 31, 2011		\$ 23,207,812.44	\$ (261,617,834.29)	\$	\$ (238,410,021.85)	

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EXHIBIT VI
COMBINED STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
August 31, 2011

	Agency Funds <u>(Exhibit J-1)</u>
Assets	
Current Assets:	
Cash in State Treasury	\$ 104,055.69
Cash Equivalents	<u>3,169,462.06</u>
Total Current Assets	\$ <u>3,273,517.75</u>
Total Assets	\$ <u>3,273,517.75</u>
Liabilities	
Current Liabilities:	
Funds Held for Others	\$ <u>3,273,517.75</u>
Total Current Liabilities	\$ <u>3,273,517.75</u>
Total Liabilities	\$ <u>3,273,517.75</u>
Net Assets	
Net Assets:	\$ <u>-</u>
Total Net Assets	\$ <u><u>-</u></u>

**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

The TCEQ has one discrete component unit, the Texas On-site Wastewater Treatment Research Council. 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 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

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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 78th 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 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.

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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, 77th 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, 78th 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, 78th 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 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

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information about the Council can be found in Note 19. Pursuant to H.B. 2694 82nd 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. For federal contracts and grants, revenues have been accrued to the extent earned by eligible expenditures within each fiscal year. Annual water use assessments in the Watermaster Administration Fund, which are generally paid in advance, have been deferred upon receipt and recognized as revenue in the fiscal year to which the assessments pertain. 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, 2011, is presented below:

PRIMARY GOVERNMENT						
	Balance 9/1/2010	Adjust - ments	Reclassification- Decrease - Int'agy Transfers	Additions	Deletions	Balance 8/31/2011
GOVERNMENTAL ACTIVITIES						
Non-depreciable or						
Non-amortizable Assets						
Land and Land Improvements Infrastructure	\$			20.00		20.00
Construction in Progress		267,763.74		4,444,461.86		4,712,225.60
Other Tangible Capital Assets						-
Land Use Rights						-
Other Intangible Capital Assets						-
Total Non-depreciable or Non-amortizable Assets	\$	267,763.74	-	-	4,444,481.86	4,712,245.60
Depreciable Assets						
Buildings and Building						
Improvements Infrastructure	\$	4,544,105.74				4,544,105.74
Facilities and Other Improvements						-
Furniture and Equipment		53,922,298.83	(15,415.00)	3,332,230.77	(748,022.93)	56,491,091.67
Vehicle, Boats and Aircraft		9,757,006.32	(50,226.00)	1,398,874.53	(694,712.98)	10,410,941.87
Other Capital Assets						-
Total Depreciable Assets	\$	68,223,410.89	-	(65,641.00)	4,731,105.30	(1,442,735.91)
Less Accumulated Depreciation for:						
Buildings and Building						
Improvements Infrastructure	\$	(2,257,281.42)		(143,894.16)		(2,401,175.58)
Facilities and Other Improvements						-
Furniture and Equipment		(42,923,837.48)	42,480.00	12,538.33	(3,458,802.35)	697,988.09
Vehicles, Boats and Aircraft		(5,297,655.81)		44,854.59	(944,087.16)	403,306.83
Other Capital Assets						-
Total Accumulated Depreciation	\$	(50,478,774.71)	42,480.00	57,392.92	(4,546,783.67)	1,101,294.92
Depreciable Assets, Net	\$	17,744,636.18	42,480.00	(8,248.08)	184,321.63	(341,440.99)
Amortizable Assets-Intangible						
Land Use Rights						-
Computer Software	\$	6,674,752.29		204,500.00	(57,572.50)	6,821,679.79
Other Capital Intangible Assets						-
Total Amortizable Assets-Intangible	\$	6,674,752.29	-	-	204,500.00	(57,572.50)
Less Accumulated Amortization for:						
Land Use Rights						
Computer Software	\$	(5,475,175.44)		(530,258.75)	57,572.50	(5,947,861.69)
Other Intangible Capital Assets						-
Total Accumulated Amortization	\$	(5,475,175.44)	-	(530,258.75)	57,572.50	(5,947,861.69)
Amortizable Assets-Intangible, Net	\$	1,199,576.85	-	(325,758.75)	-	873,818.10
Governmental Activities						
Capital Assets, Net	\$	19,211,976.77	42,480.00	(8,248.08)	4,303,044.74	(341,440.99)

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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, 2011, the carrying amount of deposits was \$7,450.00 as presented below.

Governmental and Business-Type Activities

Cash in Bank – Carrying Amount	\$ 7,450.00
Cash in Bank (Exh. I)	<u>\$ 7,450.00</u>

Investments

As of August 31, 2011, 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	\$ 16,552,638.87
Total	<u>\$ 16,552,638.87</u>

Fiduciary Funds

Fair Value

Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶	\$ 3,169,462.06
Total	<u>\$ 3,169,462.06</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	3,169,462.06			
01	9999	Repurchase Agreements Texas Treasury Safekeeping Trust Co	16,552,638.87			

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, 2011, the following changes occurred in liabilities.

Governmental Activities	Balance 9/01/10	Additions	Reductions	Balance 8/31/11	Amounts Due Within One Year	Amounts Due Thereafter
Employees' Compensable Leave	\$ 17,447,784.92	\$ 19,954,623.31	\$ 20,567,116.08	\$ 16,835,292.15	\$ 9,206,054.09	\$ 7,629,238.06
Pollution Remediation Obligations	\$ 316,892,525.96	\$ 25,601,739.01	\$ 97,711,722.83	\$ 244,782,542.14	\$ 33,863,618.74	\$ 210,918,923.40
Total Governmental Activities	\$ 334,340,310.88	\$ 45,556,362.32	\$ 118,278,838.91	\$ 261,617,834.29	\$ 43,069,672.83	\$ 218,548,161.46

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 Dry Cleaners. 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 160 active sites at fiscal year end, with a total estimated pollution remediation obligation of \$36,883,389.43.

Leaking Petroleum Storage Tanks

The TCEQ oversees cleanups of leaking petroleum storage tanks (LPST) and reimburses eligible parties from the PST Remediation Fund, which has paid for the vast majority of LPST cleanups. Revenue is generated from a fee on the delivery of petroleum products removed from bulk storage facilities. The reimbursement program is scheduled to expire September 1, 2012. Under state law, leaking tanks discovered and reported after December 23, 1998, are not covered under the remediation fund. These subsequent cleanups 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. 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 549 reimbursement eligible and State Lead active sites, with a total estimated pollution remediation obligation of

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\$51,222,683.69. The amount of the estimated pollution remediation assumes that there will be no major increases in the cost of providing these cleanup services.

Superfund

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

The primary objective of the Superfund Program 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 from those sites identified and referred by the SSDAP. The major functions of the Superfund Program are to: investigate and evaluate the release or threatened release of hazardous substances, identify responsible parties, and remediate Federal and State Superfund sites.

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

Superfund sites for which one or more Potentially Responsible Party (PRP) has stepped forward and agreed to fund the investigation and cleanup.

Federal sites in Remedial Investigation (RI), Feasibility Study (FS), and Remedial Design (RD) phases were not included, since those sites are funded through the 100% federal match grant coverage.

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, Senior Superfund Project Managers estimated costs for the Superfund phases of investigation and cleanup, based on experience with similar sites. Site estimates may change drastically from one year to another as the investigations continue. This inventory of estimated liabilities is limited to sites that have been assessed and ranked for the Superfund program. Sites under evaluation for state Superfund or in the queue for evaluation were not included in this cost breakdown considering that it was not known if the site requires any cleanup activities. Cost recovery activities during the fiscal year resulted in collections of \$4,699,791.53.

At the end of the fiscal year, Texas had 70 sites (excluding the Immediate Response sites) in the State and Federal Superfund programs with a liability of \$156,006,506.36. Additionally, Texas had four (4) sites in the Immediate Responses/Removals program, for a liability of \$669,962.66. The total combined liability for the State and Federal Superfund and the Immediate Response at fiscal year-end was \$156,676,469.02.

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, 2011	Amount
2012	\$ 4,899,629.41
2013	4,625,236.11
2014	3,946,377.02
2015	3,495,832.82
2016	3,415,765.94
2017 – 2021	<u>2,036,617.38</u>
Total Minimum Future Lease Payments	\$ <u>22,419,458.68</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 2011, a depreciation adjustment required the restatement of the amounts in net assets as shown.

	Capital Assets Adjustments
Net Assets August 31, 2010	\$ 19,211,976.77
Restatements:	\$ 42,480.00
Net Assets September 1, 2010, As Restated	\$ 19,254,456.77

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.

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As of August 31, 2011, the TCEQ significant 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	\$ 6,351,962.08	\$ 194,220.16	\$ 6,546,182.24
0151	Clean Air	\$ 19,504,819.03	\$ 25,233,219.18	\$ 44,738,038.21
0153	Water Resource Management	\$ 14,634,998.29	\$ 1,701,109.25	\$ 16,336,107.54
0549	Waste Management	\$ 1,687,745.57	\$ 23,092,200.77	\$ 24,779,946.34
0550	Hazardous & Solid Waste Remediation Fee	\$ 12,666,897.04	\$ 43,076,347.31	\$ 55,743,244.35
0655	Petroleum Storage Tank Remediation	\$ 8,184,373.00	\$ 141,572,519.33	\$ 149,756,892.33
5000	Solid Waste Disposal Fee	\$ 1,193,430.94	\$ 90,527,021.15	\$ 91,720,452.09
5071	Texas Emissions Reduction Plan	\$ 123,366,166.65	\$ 412,827,253.39	\$ 536,193,420.04
5093	Dry Cleaning Facility Release	\$ 3,959,817.97	\$ 17,499,428.74	\$ 21,459,246.71
5094	Operating Permit Fees	\$ 1,609,471.38	\$ 1,152,768.07	\$ 2,762,239.45

NOTE 16: SUBSEQUENT EVENTS

Not Applicable

NOTE 17: RISK MANAGEMENT

The TCEQ is exposed to a variety of civil claims resulting from the performance of its duties. It is agency policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The TCEQ assumes substantially all risks associated with tort 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 government 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. Liabilities are evaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. As of August 31, 2011, the TCEQ had no liabilities meeting the accrual criteria.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

The TCEQ's overall fund balance increased \$99.4 million from the FY 2010 ending balance of \$902.1 million to the FY 2011 ending balance of \$1.0 billion. Major contributors affecting the change are identified below.

The Natural Resource Trustee Account (9999) increased by \$41 thousand from the beginning balance of \$16.5 million. The account received \$187 thousand in settlement of claims.

The Clean Air Account (0151) decrease of \$9.2 million is the result of increased appropriations authorized by the 81st Legislature for the Low-Income Vehicle Repair Assistance Program (LIRAP).

The Water Resource Management Account (0153) fund balance increase of \$4.1 million is attributed to an increase in revenue between FY 2010 and FY 2011 caused by a higher rate for the public health service fee and the consolidated water quality fee. The agency increased water rates prior to FY 2010 to generate sufficient revenue to meet Account 0153 appropriations and maintain the account's fund balance.

The Waste Management Account (0549) experienced a decrease of \$3.6 million in fund balance. The decrease was caused by appropriations exceeding the revenue collected for FY 2011. The slower revenue growth is attributed to a slowdown of state economic activity linked to waste disposal, especially in the construction industry.

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The Hazardous & Solid Waste Remediation Fee Account (0550) ended the year with a \$511 thousand increase in fund balance. The increase in fund balance is the result of cost recovery operations by the agency in FY 2010 and FY 2011.

The Petroleum Storage Tank Account (0655) fund balance increased \$2.3 million in FY 2011 because annual revenue deposited into the fund exceeds the annual level of appropriations authorized from this account. House Bill 2694, 82nd Legislature, continued the fee and provided the agency with the ability to adjust the rates by rule.

The Solid Waste Disposal Fee Account (5000) fund balance increased \$7.3 million in FY 2011 because revenue in the fund exceeded appropriations authorized from this account. The fund balance is expected to continue increasing until this pattern is adjusted.

The Texas Emission Reduction Plan Account (5071) fund balance increased \$107 million during FY 2011, due to a reduction in appropriation levels. An additional factor contributing to the increase was a five percent budget reduction for the 2010-2011 biennium and an additional budget reduction of two and a half percent for fiscal year 2011 requested by the Legislative Budget Board. The agency also submitted an additional \$35 million appropriation reduction to the Governor's Office during the 82nd Legislative session.

The Dry Cleaning Facility Release Account (5093) ended the year with a \$2.6 million decrease in fund balance due to expenditures in excess of 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 \$7.7 million decrease in fund balance. The decrease is a result of expenditure and other fund obligations exceeding the annual revenue deposited into this account. The revenue collections declined due to the impact of low rates of inflation on the fee rate structure and declining air emission levels from Title V facilities. The TCEQ has adopted a rate change for the FY 2012 billing that will generate approximately \$35 million.

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

The Texas On-site Wastewater Treatment Research Council (Council) is a discretely presented governmental component unit of the TCEQ. The Council awards competitive grants and contracts to support applied research, demonstration projects and information transfer regarding on-site wastewater treatment. The Council is not an advisory council and does not regulate the on-site wastewater industry in Texas. The Council's statutory authority is found in Chapter 367 of the Texas Health and Safety Code and its rules are in TAC, Ch. 286, Title 31.

The Council's fiscal operations (revenues, budget, expenditures and administration) are maintained by the TCEQ. The On-Site Wastewater Treatment Research Council Fee is collected for its operations. The Council's financial information is presented in a separate column in the combined financial statements to emphasize that they are legally separate from the TCEQ. Pursuant to H.B. 2694, 82nd 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

**COMBINING
FINANCIAL
STATEMENTS**

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

-UNAUDITED-

EXHIBIT A-1
COMBINING BALANCE SHEET
All General and Consolidated Funds
August 31, 2011

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)
Assets									
Current Assets:									
Cash in Bank	\$ 7,450.00								
Cash in State Treasury			11,732,533.97	2,430,931.73	11,005,789.84	49,616,045.13	19,623,774.89	1,584,935.78	118,584.14
Cash Equivalents		16,552,638.87							
Legislative Appropriations	6,466,478.76								
Receivables:									
Federal	1,998,403.20					1,816,222.81	2,286,471.18		
Accounts Receivable	45.00		815,320.87			35,766.90	1,333.32	104,775.99	
Other Intergovernmental									
Due From Other Funds									
Due From Other Agencies						3,646.17	2,194,683.81		
Consumable Inventories	186,770.16								
Total Current Assets	\$ 8,659,147.12	\$ 16,552,638.87	\$ 12,547,854.84	\$ 2,430,931.73	\$ 11,005,789.84	\$ 51,471,681.01	\$ 24,106,263.20	\$ 1,689,711.77	\$ 118,584.14
Liabilities									
Current Liabilities									
Payables:									
Accounts Payable	\$ 545,869.04		\$ 6,525.50	\$ (748.10)	\$ 79,017.10	\$ 1,013,697.12	\$ 926,657.03	\$ 1,899.53	\$
Payroll Payable			48,913.88		76,465.42	3,119,201.48	4,696,296.72	81,592.15	
Contracts Retainage Payable			713.93			60,352.86	23,446.86		
Due to Other Funds									
Due to Other Agencies	1,567,095.84		64,851.74			2,540,391.34	2,123,755.05		
Total Current Liabilities	\$ 2,112,964.88	\$ -	\$ 121,005.05	\$ (748.10)	\$ 155,482.52	\$ 6,733,642.80	\$ 7,770,155.66	\$ 83,491.68	\$ -
Fund Balances									
Nonspendable	\$ 186,770.16								
Restricted		16,552,638.87							
Committed			12,426,849.79	2,431,679.83	10,850,307.32	44,738,038.21	16,336,107.54	1,606,220.09	118,584.14
Assigned	6,351,962.08								
Unassigned	7,450.00								
Total Fund Balance	\$ 6,546,182.24	\$ 16,552,638.87	\$ 12,426,849.79	\$ 2,431,679.83	\$ 10,850,307.32	\$ 44,738,038.21	\$ 16,336,107.54	\$ 1,606,220.09	\$ 118,584.14
Total Liabilities and Fund Balances	\$ 8,659,147.12	\$ 16,552,638.87	\$ 12,547,854.84	\$ 2,430,931.73	\$ 11,005,789.84	\$ 51,471,681.01	\$ 24,106,263.20	\$ 1,689,711.77	\$ 118,584.14

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

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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)	Total
\$ 7,119,887.36	\$ 27,059,076.00	\$ 57,804,024.06	\$ 150,111,911.75	\$ 92,875,030.64	\$ 525,875.14	\$ 534,109,227.73	\$ 21,740,701.04	\$ 5,875,054.09	\$ 2,231,991.33	\$ 7,450.00
										995,565,374.62
										16,552,638.87
										6,466,478.76
										-
	784,239.62	168,855.00	1,478,157.48							8,532,349.29
111.00	383,717.18			368,450.42			121,786.37	1,460.29		1,832,767.34
										-
										-
	34,396.15					4,124,484.80				6,357,210.93
										186,770.16
<u>\$ 7,119,998.36</u>	<u>\$ 28,261,428.95</u>	<u>\$ 57,972,879.06</u>	<u>\$ 151,590,069.23</u>	<u>\$ 93,243,481.06</u>	<u>\$ 525,875.14</u>	<u>\$ 538,233,712.53</u>	<u>\$ 21,862,487.41</u>	<u>\$ 5,876,514.38</u>	<u>\$ 2,231,991.33</u>	<u>\$ 1,035,501,039.97</u>
\$ 32,090.69	\$ 429,343.44	\$ 654,326.83	\$ 369,417.58	\$ 1,467,115.34	\$	\$ 34,000.00	\$ 217,129.64	\$ 342,537.95	\$	\$ 6,118,878.69
123,101.36	2,922,274.96	1,238,196.04	681,991.16		38,203.77	169,780.08	36,150.00	2,647,428.80		15,879,595.82
10,191.22	662.41	264,030.26	163,533.68	55,913.63		5,688.58	149,961.06	60,321.94		794,816.43
	129,201.80	73,081.58	618,234.48			1,830,823.83		63,986.24	2,192,415.99	11,203,837.89
<u>\$ 165,383.27</u>	<u>\$ 3,481,482.61</u>	<u>\$ 2,229,634.71</u>	<u>\$ 1,833,176.90</u>	<u>\$ 1,523,028.97</u>	<u>\$ 38,203.77</u>	<u>\$ 2,040,292.49</u>	<u>\$ 403,240.70</u>	<u>\$ 3,114,274.93</u>	<u>\$ 2,192,415.99</u>	<u>\$ 33,997,128.83</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 186,770.16
										16,552,638.87
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	978,405,090.03
										6,351,962.08
										7,450.00
<u>\$ 6,954,615.09</u>	<u>\$ 24,779,946.34</u>	<u>\$ 55,743,244.35</u>	<u>\$ 149,756,892.33</u>	<u>\$ 91,720,452.09</u>	<u>\$ 487,671.37</u>	<u>\$ 536,193,420.04</u>	<u>\$ 21,459,246.71</u>	<u>\$ 2,762,239.45</u>	<u>\$ 39,575.34</u>	<u>\$ 1,001,503,911.14</u>
<u>\$ 7,119,998.36</u>	<u>\$ 28,261,428.95</u>	<u>\$ 57,972,879.06</u>	<u>\$ 151,590,069.23</u>	<u>\$ 93,243,481.06</u>	<u>\$ 525,875.14</u>	<u>\$ 538,233,712.53</u>	<u>\$ 21,862,487.41</u>	<u>\$ 5,876,514.38</u>	<u>\$ 2,231,991.33</u>	<u>\$ 1,035,501,039.97</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, 2011

	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)
Revenues									
Legislative Appropriations :									
Original Appropriations	\$ 13,350,369.00	\$	\$	\$	\$	\$	\$	\$	\$
Additional Appropriations	3,490,820.58								
Taxes									
Federal Revenues	14,184,899.62					12,647,288.70	22,113,993.11		
Federal Pass-Through	1,047,786.02					9,199.24	15,624,274.55		
Licenses, Fees and Permits	733,625.07		1,390,067.91		1,640,046.36	99,870,157.65	60,180,777.24	1,522,864.65	
Interest & Investment Income		17,270.38	111,542.83			55,584.93	677.07		
Settlement of Claims		187,749.00							
Sales of Goods and Services	1,017.86						91,012.04		
Other Revenues	(488.00)					3,667.97	2,194.97		
Total Revenues	\$ 32,808,030.15	\$ 205,019.38	\$ 1,501,610.74	\$ -	\$ 1,640,046.36	\$ 112,585,898.49	\$ 98,012,928.98	\$ 1,522,864.65	\$ -
Expenditures									
Salaries and Wages	\$ 6,619,982.80	\$	\$ 968,470.87	\$	\$ 658,515.95	\$ 30,056,008.64	\$ 43,463,357.90	\$ 865,439.87	\$
Payroll Related Costs	2,593,898.86		232,989.12		53,118.92	12,449,423.61	8,585,116.37	130,038.72	
Professional Fees and Services	3,568,847.83	107,183.12	42,396.03		114,910.00	8,693,758.00	14,506,081.20	205,093.00	
Travel	154,884.60		17,201.89		1,629.13	304,787.78	447,164.00	19,752.87	
Materials and Supplies	624,328.46		17,481.21		17,155.72	2,657,737.70	1,934,529.16	73,359.21	
Communications and Utilities	53,838.46		664.44		27,462.09	513,829.24	494,513.68	27,171.57	
Repairs and Maintenance	116,995.17		6,087.50		95,803.53	887,735.27	903,990.07	30,240.05	
Rentals and Leases	202,246.20		7,157.48		3,321.18	1,393,786.30	1,974,322.93	94,493.10	
Printing and Reproduction	22,183.71		52.93			15,999.82	30,028.78	209.16	
Claims and Judgements						48,717.03	1,282.62		
Federal Pass-Through Expenditures	2,939,525.52					1,294,003.43	4,446,935.46		
State Grant Pass-Through Expenditures	1,317,774.83		698,323.86			3,806,671.54	639,290.96		
Intergovernmental Payments	3,766,133.22					53,743,005.05	5,008,136.86		
Public Assistance Programs	-								
Other Operating Expenditures	510,366.83		35,859.50		5,281.68	2,962,953.94	10,469,992.91	10,374.97	
Capital Outlay	3,752,545.94		102,940.00			2,517,207.85	998,278.93	85,725.00	
Total Expenditures	\$ 26,243,552.43	\$ 107,183.12	\$ 2,129,624.83	\$ -	\$ 977,198.20	\$ 121,345,625.20	\$ 93,903,021.83	\$ 1,541,897.52	\$ -
Excess (Deficit) of Revenues over Expenditures	\$ 6,564,477.72	\$ 97,836.26	\$ (628,014.09)	\$ -	\$ 662,848.16	\$ (8,759,726.71)	\$ 4,109,907.15	\$ (19,032.87)	\$ -
Other Financing Sources (Uses)									
Operating Transfers In	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating Transfers Out	(6,197,359.64)	(57,000.00)				(450,000.00)	(677.07)		
Insurance Recoveries						14,881.44			
Sale of Capital Assets	54,962.44								
Total Other Financing Sources (Uses)	\$ (6,142,397.20)	\$ (57,000.00)	\$ -	\$ -	\$ -	\$ (435,118.56)	\$ (677.07)	\$ -	\$ -
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 422,080.52	\$ 40,836.26	\$ (628,014.09)	\$ -	\$ 662,848.16	\$ (9,194,845.27)	\$ 4,109,230.08	\$ (19,032.87)	\$ -
Fund Balance - Beginning	\$ 6,300,408.27	\$ 16,511,802.61	\$ 13,054,863.88	\$ 2,431,679.83	\$ 10,187,459.16	\$ 53,932,883.48	\$ 12,226,877.46	\$ 1,625,252.96	\$ 118,584.14
Appropriations Lapsed	(176,306.55)								
Fund Balance - Ending	\$ 6,546,182.24	\$ 16,552,638.87	\$ 12,426,849.79	\$ 2,431,679.83	\$ 10,850,307.32	\$ 44,738,038.21	\$ 16,336,107.54	\$ 1,606,220.09	\$ 118,584.14

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)	Totals
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
						44,210,722.45				3,350,369.00
						351,314.00				3,490,820.58
452,129.00	8,285,999.62	1,288,653.00	5,110,849.48							44,210,722.45
	184,113.33	535,562.57								64,435,126.53
2,616,291.83	31,207,391.93	24,523,624.95	29,293,810.10	17,716,311.89	489,902.23	34,709,420.66	4,310,834.00	26,283,590.76	1,312.00	17,400,935.71
		507,892.58				4,107,837.94	204,720.51			336,490,029.23
		1,659.33				4,499.83				5,005,526.24
								2,584.57		193,908.16
126.00	19,111.93	4,530,135.53	57,630.67		875.00	451.57	15,393.15	7.35		94,614.47
\$ 3,068,546.83	\$ 39,696,616.81	\$ 31,387,527.96	\$ 34,462,290.25	\$ 17,716,311.89	\$ 490,777.23	\$ 83,384,246.45	\$ 4,530,947.66	\$ 26,286,182.68	\$ 1,312.00	\$ 489,301,158.51
\$ 1,159,451.48	\$ 28,653,419.87	\$ 11,889,048.05	\$ 6,549,292.08	\$	\$ 358,756.46	\$ 1,899,274.43	\$ 516,545.15	\$ 24,412,685.64	\$	\$ 158,070,249.19
336,158.22	4,136,448.81	3,740,777.05	3,409,604.29		46,087.32	192,557.04	101,340.88	3,308,457.00		39,316,016.21
186,350.24	5,088,048.14	12,428,580.95	2,949,902.73	498,396.40	65,729.77	117,243.10	6,322,423.05	1,566,689.51		56,461,633.07
46,911.01	268,342.80	239,592.77	59,006.38		20,013.05	2,242.82	4,214.46	41,935.57		1,627,679.13
5,580.91	1,202,715.48	271,674.96	537,948.56		2,446.01	17,152.83	1,065.60	647,856.00		8,011,031.81
5,214.82	475,262.44	80,104.05	114,477.92			1,109.36		471,896.48		2,265,544.55
12,994.00	535,917.33	664,709.73	(256,700.67)		360.50	1,226.54	141,998.00	223,416.27		3,364,773.29
2,800.00	805,133.53	41,406.23	814,298.72			1,250.00		1,212,044.38		6,552,260.05
3,454.41	88,016.29	194,645.61	969.89			82.81		42,329.86		397,973.27
	600.00	94,647.50	1,328.12					342.43		146,917.70
			1,743,436.58							10,423,900.99
88,057.00	170,977.56	130,334.30	59.06			6,229,212.01		804,960.07		13,885,661.19
	48,938.00	163,417.66	44,733.16	9,838,180.86		(89,655.03)		10,032.73		72,622,577.54
										(89,655.03)
243,540.58	1,267,384.52	579,701.35	16,137,139.08	37,974.68	1,425.57	38,533,108.41	29,552.10	1,012,467.28		71,837,123.40
	523,689.12	357,778.30	6,829.33			789,872.50		245,220.19		9,380,087.16
\$ 2,090,512.67	\$ 43,264,893.89	\$ 30,876,418.51	\$ 32,112,325.23	\$ 10,374,551.94	\$ 494,818.68	\$ 47,694,676.82	\$ 7,117,139.24	\$ 34,000,333.41	\$ -	\$ 454,273,773.52
\$ 978,034.16	\$ (3,568,277.08)	\$ 511,109.45	\$ 2,349,965.02	\$ 7,341,759.95	\$ (4,041.45)	\$ 35,689,569.63	\$ (2,586,191.58)	\$ (7,714,150.73)	\$ 1,312.00	\$ 35,027,384.99
\$	\$	\$	\$	\$	\$	\$ 71,979,361.73	\$	\$	\$	\$ 71,979,361.73
	2,500.00					(829,351.29)				(7,534,388.00)
						-				17,381.44
										54,962.44
\$ -	\$ 2,500.00	\$ -	\$ -	\$ -	\$ -	\$ 71,150,010.44	\$ -	\$ -	\$ -	\$ 64,517,317.61
\$ 978,034.16	\$ (3,565,777.08)	\$ 511,109.45	\$ 2,349,965.02	\$ 7,341,759.95	\$ (4,041.45)	\$ 106,839,580.07	\$ (2,586,191.58)	\$ (7,714,150.73)	\$ 1,312.00	\$ 99,544,702.60
\$ 5,976,580.93	\$ 28,345,723.42	\$ 55,232,134.90	\$ 147,406,927.31	\$ 84,378,692.14	\$ 491,712.82	\$ 429,353,839.97	\$ 24,045,438.29	\$ 10,476,390.18	\$ 38,263.34	\$ 902,135,515.09
										(176,306.55)
\$ 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	\$ 1,001,503,911.14

-UNAUDITED-

EXHIBIT J-1
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
All Agency Funds
August 31, 2011

	<u>Beginning Balances September 1, 2010</u>		<u>Additions</u>		<u>Deductions</u>		<u>Ending Balances August 31, 2011</u>
Child Support Deductions Fund (0807)							
Assets:							
Cash in State Treasury	\$ 28,787.89	\$	323,010.01	\$	330,678.68	\$	21,119.22
Liabilities:							
Funds Held for Others	\$ 28,787.89	\$	294,222.12	\$	301,890.79	\$	21,119.22
Suspense Fund (0900)							
Assets:							
Cash in State Treasury	\$ 154,180.49	\$	5,797,635.41	\$	5,787,389.43	\$	164,426.47
Liabilities:							
Funds Held for Others	\$ 154,180.49	\$	5,797,635.41	\$	5,787,389.43	\$	164,426.47
Employees' Savings Bond Fund (0901)							
Assets:							
Cash in State Treasury	\$ 3,826.25	\$	89,837.50	\$	175,153.75	\$	(81,490.00)
Liabilities:							
Funds Held for Others	\$ 3,826.25	\$	15,180.00	\$	100,496.25	\$	(81,490.00)
Securities Held In Trust (9999)							
Assets:							
Cash Equivalents	\$ 3,302,389.99	\$	-	\$	132,927.93	\$	3,169,462.06
Liabilities:							
Funds Held For Others	\$ 3,302,389.99	\$	-	\$	132,927.93	\$	3,169,462.06
Total - All Agency Funds							
Assets:							
Cash in State Treasury	\$ 186,794.63	\$	6,210,482.92	\$	6,293,221.86	\$	104,055.69
Cash Equivalents	3,302,389.99		-		132,927.93		3,169,462.06
Total Assets	\$ 3,489,184.62	\$	6,210,482.92	\$	6,426,149.79	\$	3,273,517.75
Liabilities:							
Funds Held For Others	\$ 3,489,184.62	\$	6,107,037.53	\$	6,322,704.40	\$	3,273,517.75
Total Liabilities	\$ 3,489,184.62	\$	6,107,037.53	\$	6,322,704.40	\$	3,273,517.75

(Exhibit VI)

SCHEDULES

-UNAUDITED-

SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2011

Federal Grantor / Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From		
		Agency/ University Number	State Agency or University Amount	Non-State Entities Amount
U.S. Department of Defense				
<i>Direct Programs:</i>				
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		\$ _____	\$ _____
Total U.S. Department of Defense			\$ _____	\$ _____
Environmental Protection Agency				
<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 AgriLife Research	66.034			
Texas Tech University	66.034			
University of Texas at Brownsville	66.034			
State Clean Diesel Grant Program	66.040			
ARRA - State Clean Diesel Grant Program	66.040			
Water Pollution Control - State, Interstate and Tribal Program Support	66.419			
<i>Pass-Through To:</i>				
Department of State Health Services	66.419			
Texas 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			
ARRA - Water Quality Management Planning	66.454			
<i>Pass-Through To:</i>				
Texas AgriLife Extension	66.454			
Texas A&M University - Kingsville	66.454			
Water Quality Management Planning	66.454			
<i>Pass-Through To:</i>				
University of Texas at Austin	66.454			
National Estuary Program	66.456			
<i>Pass-Through To:</i>				
Texas A&M University at Galveston	66.456			
Texas State University - San Marcos	66.456			
University of Houston - Clear Lake	66.456			
Nonpoint Source Implementation Grants	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			
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471			
Water Protection Grants to the States	66.474			
<i>Pass-Through To:</i>				
Texas Engineering Extension Service	66.474			
Texas State University - San Marcos	66.474			
Stephen F. Austin State University	66.474			
Performance Partnership Grants	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 State University - San Marcos	66.605			
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

-UNAUDITED-

Direct Program Amount	Total Pass- Through From & Direct Program	CFDA Number	Pass-Through To			Direct Expenditures Amount	Total Pass- Through To & Expenditures
			Agency/ University Number	State Agency/ University Amount	Non-State Entities Amount		
\$ 544,589.00	\$ 544,589.00	12.113				\$ 544,589.00	\$ 544,589.00
\$ 544,589.00	\$ 544,589.00					\$ 544,589.00	\$ 544,589.00
\$ 1,826,836.19	\$ 1,826,836.19	66.034				\$ 1,709,550.59	\$ 1,709,550.59
		66.034	556	25,468.97			25,468.97
		66.034	733	11,167.54			11,167.54
		66.034	747	80,649.09			80,649.09
351,314.00	351,314.00	66.040			351,314.00		351,314.00
1,662,960.72	1,662,960.72	66.040			1,662,960.72		1,662,960.72
4,010,786.52	4,010,786.52	66.419			348,449.80	1,595,311.39	1,943,761.19
		66.419	537	132,862.97			132,862.97
		66.419	556	294,213.67			294,213.67
		66.419	713	298,385.48			298,385.48
		66.419	721	33,896.15			33,896.15
		66.419	730	270,496.70			270,496.70
		66.419	754	485,783.05			485,783.05
		66.419	759	492,838.53			492,838.53
		66.419	760	45,000.00			45,000.00
		66.419	802	13,548.78			13,548.78
1,065,272.93	1,065,272.93	66.454			324,777.61	468,328.69	793,106.30
		66.454	555	193,319.84			193,319.84
		66.454	732	78,846.79			78,846.79
724,164.28	724,164.28	66.454			237,611.05	472,853.23	710,464.28
		66.454	721	13,700.00			13,700.00
651,447.75	651,447.75	66.456			266,583.88	91,753.83	358,337.71
		66.456	718	37,848.34			37,848.34
		66.456	754	16,617.59			16,617.59
		66.456	759	238,644.11			238,644.11
3,308,689.87	3,308,689.87	66.460			1,716,552.68	67,068.78	1,783,621.46
		66.460	555	236,167.77			236,167.77
		66.460	556	367,981.61			367,981.61
		66.460	713	31,973.43			31,973.43
		66.460	721	240,722.80			240,722.80
		66.460	732	114,377.05			114,377.05
		66.460	754	533,845.75			533,845.75
454,278.00	454,278.00	66.471				454,278.00	454,278.00
(115,519.70)	(115,519.70)	66.474				102,113.39	102,113.39
		66.474	716	16,247.99			16,247.99
		66.474	754	(15,058.66)			(15,058.66)
		66.474	755	(218,822.42)			(218,822.42)
32,342,044.82	32,342,044.82	66.605			774,766.54	30,191,722.56	30,966,489.10
		66.605	555	14,202.70			14,202.70
		66.605	601	200,000.00			200,000.00
		66.605	713	30.91			30.91
		66.605	714	539,831.27			539,831.27
		66.605	721	443,025.43			443,025.43
		66.605	754	178,465.41			178,465.41
229,765.00	229,765.00	66.608				229,765.00	229,765.00

(to next page)

-UNAUDITED-

SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2011
(concluded)

Federal Grantor / Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From		
		Agency/ University Number	State Agency or University Amount	Non-State Entities Amount
Environmental Protection Agency (continued)				
<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>				
Texas Water Development Board				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	580	11,125,835.59	
<i>Pass-Through To:</i>				
Texas Engineering Experiment Station	66.468			
University of Texas at Arlington	66.468			
Texas Engineering Extension Service	66.468			
University of Texas at Austin	66.468			
Texas State University - San Marcos	66.468			
Stephen F. Austin State University	66.468			
Total Environmental Protection Agency			\$ 11,125,835.59	\$ -
U.S. Department of Energy				
<i>Pass-Through From:</i>				
Comptroller - State Energy Conservation Office				
Miscellaneous - Pantex Nuclear Weapons Facility Subgrant	81.502	907	\$ 215,412.59	\$ -
Total U.S. Department of Energy			\$ 215,412.59	\$ -
U.S. Department of Homeland Security				
<i>Direct Programs:</i>				
National Dam Safety Program	97.041		\$ -	\$ -
Homeland Security Biowatch Program	97.091			
<i>Pass-Through From:</i>				
Texas Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	405	535,562.57	
Total U.S. Department of Homeland Security			\$ 535,562.57	\$ -
U.S. Department of Education				
<i>Pass-Through From:</i>				
Texas Higher Education Coordinating Board				
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	781	\$ 5,524,124.96	\$ -
Total U.S. Department of Education			\$ 5,524,124.96	\$ -
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 17,400,935.71	\$ -

NOTE 1 - RECONCILIATION

Per Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Governmental Fund Types (Exh II):	
Federal Revenues (Exh II)	\$ 64,435,126.53
Federal Pass-Through Revenues (Exh II)	17,400,935.71
Total	\$ 81,836,062.24

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

-UNAUDITED-

Direct Program Amount	Total Pass- Through From & Direct Program	CFDA Number	Pass-Through To			Direct Expenditures Amount	Total Pass- Through To & Expenditures
			Agency/ University Number	State Agency/ University Amount	Non-State Entities Amount		
15,305.00	15,305.00	66.709				15,305.00	15,305.00
775,206.00	775,206.00	66.802				775,206.00	775,206.00
2,748,014.48	2,748,014.48	66.804				1,004,577.90	1,004,577.90
		66.804	714	1,743,436.58			1,743,436.58
2,677,138.00	2,677,138.00	66.805				2,677,138.00	2,677,138.00
6,914,875.67	6,914,875.67	66.805				6,914,875.67	6,914,875.67
216,475.00	216,475.00	66.809				216,475.00	216,475.00
472,137.00	472,137.00	66.817				472,137.00	472,137.00
	11,125,835.59	66.468				7,891,649.82	7,891,649.82
		66.468	712	844,278.19			844,278.19
		66.468	714	1,048,520.25			1,048,520.25
		66.468	716	38,962.86			38,962.86
		66.468	721	712,793.96			712,793.96
		66.468	754	331,386.00			331,386.00
		66.468	755	258,244.51			258,244.51
\$ 60,331,191.53	\$ 71,457,027.12			\$ 10,423,900.99	\$ 5,683,016.28	\$ 55,350,109.85	\$ 71,457,027.12
\$ -	\$ 215,412.59	81.502		\$ -	\$ -	\$ 215,412.59	\$ 215,412.59
\$ -	\$ 215,412.59			\$ -	\$ -	\$ 215,412.59	\$ 215,412.59
\$ 782,397.00	\$ 782,397.00	97.041				\$ 782,397.00	\$ 782,397.00
2,776,949.00	2,776,949.00	97.091				2,776,949.00	2,776,949.00
	535,562.57	97.036					535,562.57
\$ 3,559,346.00	\$ 4,094,908.57			\$ -	\$ -	\$ 4,094,908.57	\$ 4,094,908.57
\$ -	\$ 5,524,124.96	84.397				\$ 5,524,124.96	\$ 5,524,124.96
\$ -	\$ 5,524,124.96			\$ -	\$ -	\$ 5,524,124.96	\$ 5,524,124.96
\$ 64,435,126.53	\$ 81,836,062.24			\$ 10,423,900.99	\$ 5,683,016.28	\$ 65,729,144.97	\$ 81,836,062.24

-UNAUDITED-

SCHEDULE 1B - SCHEDULE OF STATE GRANT PASS THROUGHS FROM/TO STATE AGENCIES
For the Fiscal Year Ended August 31, 2011

General Funds

Pass Through To:

General Land Office (Agency #305)	\$ (760,305.02)
Lamar University (Agency #734)	265,263.76
Parks & Wildlife Department (Agency #802)	11,001.72
Railroad Commission of Texas (Agency #455)	4,371,185.20
Tarleton State University (Agency #713)	215,174.84
Texas A&M University - Corpus Christi (Agency #760)	167,328.55
Texas A&M University (Main University) (Agency #711)	434,518.91
Texas A&M University at Galveston (Agency #718)	45,158.28
Texas AgriLife Extension (Agency #555)	38,783.28
Texas AgriLife Research (Agency #556)	236,611.60
Texas Engineering Experiment Station (Agency #712)	98,646.84
Texas State University - San Marcos (Agency #754)	191,747.76
Texas Tech University (Agency #733)	(752.45)
Texas Transportation Institute (Agency #727)	415,000.00
University of Houston - Clear Lake (Agency #759)	6,631.97
University of Houston (Agency #730)	903,247.96
University of North Texas (Agency #752)	210,792.34
University of Texas - Pan American (Agency #736)	8,299.75
University of Texas at Arlington (Agency #714)	615,994.00
University of Texas at Austin (Agency #721)	<u>6,411,331.90</u>

Total General Fund Pass Through

\$ 13,885,661.19
(Exh II)

Discrete Component Unit

Pass Through To:

Texas AgriLife Extension (Agency #555)	\$ 34,198.47
Texas Tech University (Agency #733)	<u>185,231.31</u>

Total Discrete Component Unit Pass Through

\$ 219,429.78
(Exh II)