



November 2017
SFR-45/17

Annual Financial Report

Fiscal Year Ended August 31, 2017

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Fiscal Year Ended August 31, 2017

Prepared by
Financial Administration Division

SFR-45/17
November 2017

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Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon Niermann, *Commissioner*

Richard A. Hyde, P.E., *Executive Director*

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TABLE OF CONTENTS

	Page
Letter of Transmittal	v
Combined Financial Statements:	
Exhibit I Combined Balance Sheet/Statement of Net Position - Governmental Funds	2
Exhibit II Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds	4
Exhibit VI Combined Statement of Fiduciary Net Position	5
Notes to the Financial Statements	8
Combining Financial Statements:	
Exhibit A-1 Combining Balance Sheet - All General and Consolidated Funds	26
Exhibit A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All General and Consolidated Funds	28
Exhibit J-1 Combining Statement of Changes in Assets and Liabilities - All Agency Funds	30
Schedules:	
Schedule 1A Schedule of Expenditures of Federal Awards	32
Schedule 1B Schedule of State Grant Pass Throughs From/To State Agencies	36

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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

November 15, 2017

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Ursula Parks, Director, Legislative Budget Board
Lisa Collier, First Assistant 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, 2017, in compliance with Texas Government Code Annotated, §2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) 34, 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 Mr. Greg Yturralde at 512-239-1951.

Sincerely,


Richard A. Hyde, P.E.
Executive Director

**COMBINED
FINANCIAL
STATEMENTS**

-UNAUDITED-

**EXHIBIT I
COMBINED BALANCE SHEET / STATEMENT OF
NET POSITION - Governmental Funds
August 31, 2017**

	Governmental Fund Type General Funds (Exh. A-1)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Position
Assets					
Current Assets:					
Cash in Bank	\$ 50.00	\$	\$	\$	\$ 50.00
Cash in State Treasury	2,096,129,571.05				2,096,129,571.05
Cash Equivalents	62,604,594.59				62,604,594.59
Legislative Appropriations	25,056,212.07				25,056,212.07
Receivables From:					
Federal	8,934,109.72				8,934,109.72
A/R - Licenses, Fees, & Permits	2,242,651.14				2,242,651.14
Due From Other Agencies	1,914,793.63				1,914,793.63
Consumable Inventories	94,066.57				94,066.57
Total Current Assets	\$ 2,196,976,048.77	\$	\$	\$	\$ 2,196,976,048.77
Non - Current Assets:					
Capital Assets:					
Non-Depreciable or Non-Amortizable					
Land and Land Improvements	\$	\$ 20.00	\$	\$	\$ 20.00
Construction in Progress		-			-
Depreciable					
Buildings and Building Improvements		5,142,425.74			5,142,425.74
Less - Accumulated Depreciation		(3,319,110.99)			(3,319,110.99)
Furniture and Equipment		50,743,471.45			50,743,471.45
Less - Accumulated Depreciation		(40,005,179.59)			(40,005,179.59)
Vehicles, Boats, & Aircraft		10,217,410.10			10,217,410.10
Less - Accumulated Depreciation		(6,912,012.83)			(6,912,012.83)
Computer Software - Intangible		15,031,936.89			15,031,936.89
Less Accumulated Amortization		(13,234,670.84)			(13,234,670.84)
Total Non Current Assets	\$	\$ 17,664,289.93	\$	\$	\$ 17,664,289.93
Total Assets	\$ 2,196,976,048.77	\$ 17,664,289.93	\$	\$	\$ 2,214,640,338.70

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 Position
Liabilities					
Current Liabilities:					
Payables from:					
Accounts Payable	\$ 21,901,604.18	\$	\$	\$	\$ 21,901,604.18
Payroll Payable	18,079,422.72				18,079,422.72
Contracts Retainage Payable	915,487.83				915,487.83
Due to Other Agencies	4,072,237.96				4,072,237.96
Employees Compensable Leave (Note 5)			9,316,269.80		9,316,269.80
Pollution Remediation Obligations (Note 5)			29,713,036.92		29,713,036.92
Total Current Liabilities	<u>\$ 44,968,752.69</u>	<u>\$</u>	<u>\$ 39,029,306.72</u>	<u>\$</u>	<u>\$ 83,998,059.41</u>
Non-Current Liabilities:					
Employees' Compensable Leave (Note 5)	\$	\$	7,443,133.14	\$	\$ 7,443,133.14
Pollution Remediation Obligations (Note 5)			212,978,365.84		212,978,365.84
Total Non-Current Liabilities	<u>\$</u>	<u>\$</u>	<u>\$ 220,421,498.98</u>	<u>\$</u>	<u>\$ 220,421,498.98</u>
Total Liabilities	<u>\$ 44,968,752.69</u>	<u>\$</u>	<u>\$ 259,450,805.70</u>	<u>\$</u>	<u>\$ 304,419,558.39</u>
Fund Financial Statement					
Fund Balances:					
Nonspendable	\$ 94,066.57	\$	\$	\$	\$ 94,066.57
Restricted	62,605,170.45				62,605,170.45
Committed	2,064,966,195.57				2,064,966,195.57
Assigned	1,505,241.55				1,505,241.55
Unassigned	22,836,621.94				22,836,621.94
Total Fund Balances	<u>\$ 2,152,007,296.08</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,152,007,296.08</u>
Total Liabilities and Fund Balances	<u>\$ 2,196,976,048.77</u>	<u>\$</u>	<u>\$ 259,450,805.70</u>	<u>\$</u>	<u>\$ 2,456,426,854.47</u>
Government-Wide Statement of Net Position					
Net Position:					
Invested in Capital Assets, Net of Related Debt	\$ 17,664,289.93	\$	\$	\$	\$ 17,664,289.93
Unrestricted			(259,450,805.70)		(259,450,805.70)
Total Net Position	<u>\$ 17,664,289.93</u>	<u>\$</u>	<u>\$ (259,450,805.70)</u>	<u>\$</u>	<u>\$ (241,786,515.77)</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, 2017

	General Funds (Exh. A-2)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
Revenues					
Legislative Appropriations:					
Original Appropriations	\$ 8,661,615.00	\$	\$	\$	\$ 8,661,615.00
Additional Appropriations	3,636,118.95				3,636,118.95
Taxes	70,622,570.72				70,622,570.72
Federal Revenues	56,627,806.99				56,627,806.99
Federal Pass-Through Revenues	11,906,190.84				11,906,190.84
State Grant Pass-Through Revenues	-				-
Licenses, Fees and Permits	368,709,418.19				368,709,418.19
Interest & Investment Income	367,324.18				367,324.18
Settlement of Claims	2,162,134.43				2,162,134.43
Sales of Goods and Services	80,653.59				80,653.59
Other	676,426.57				676,426.57
Total Revenues	\$ 523,450,259.46	\$	\$	\$	\$ 523,450,259.46
Expenditures					
Salaries and Wages	\$ 163,767,248.86	\$	\$ 182,676.96	\$	\$ 163,949,925.82
Payroll Related Costs	61,517,763.57				61,517,763.57
Professional Fees and Services	67,983,697.64				67,983,697.64
Travel	1,453,714.63				1,453,714.63
Materials and Supplies	5,504,151.08				5,504,151.08
Communications and Utilities	2,327,736.01				2,327,736.01
Repairs and Maintenance	3,238,956.55				3,238,956.55
Rentals and Leases	6,381,436.59				6,381,436.59
Printing and Reproduction	240,198.91				240,198.91
Claims and Judgements	29,036.61				29,036.61
Federal Pass-Through Expenditures	12,959,509.59				12,959,509.59
State Grant Pass-Through Expenditures	6,820,405.79				6,820,405.79
Intergovernmental Payments	77,488,542.69				77,488,542.69
Public Assistance Programs	708,214.74				708,214.74
Other Expenditures	76,077,466.35				76,077,466.35
Capital Outlay	6,576,618.36	(6,576,618.36)			-
Depreciation Expense		5,875,608.62			5,875,608.62
Total Expenditures	\$ 493,074,697.97	\$ (701,009.74)	\$ 182,676.96	\$	\$ 492,556,365.19
Excess (Deficiency) of Revenues over Expenditures	\$ 30,375,561.49	\$ 701,009.74	\$ (182,676.96)	\$	\$ 30,893,894.27
Other Financing Sources (Uses)					
Transfers In	\$ 145,402,073.44	\$	\$	\$	\$ 145,402,073.44
Transfers Out	(18,559,806.65)				(18,559,806.65)
Net Change in Pollution Remediation Obligation			(7,888,831.55)		(7,888,831.55)
Insurance Recoveries	-				-
Sale of Capital Assets	326,041.08	(326,041.08)			-
Gain on Capital Assets		65,937.21			65,937.21
Increase in Net Assets Due to Interagency Transfer					-
Decrease in Net Assets Due to Interagency Transfer		(3,531.50)			-
Total Other Financing Sources (Uses)	\$ 127,168,307.87	\$ (263,635.37)	\$ (7,888,831.55)	\$	\$ 119,015,840.95
Net Change in Fund Balances/Net Position	\$ 157,543,869.36	\$ 437,374.37	\$ (8,071,508.51)	\$	\$ 149,909,735.22
Fund Financial Statement - Fund Balances					
Fund Balances - Beginning	\$ 1,995,053,807.85	\$	\$	\$	\$ 1,995,053,807.85
Restatements - (Note 14)	-				-
Fund Balances, as Restated	1,995,053,807.85				1,995,053,807.85
Appropriations Lapsed	(590,381.13)				(590,381.13)
Fund Balances - August 31, 2017	\$ 2,152,007,296.08	\$	\$	\$	\$ 2,152,007,296.08
Government-Wide Statement of Net Position					
Net Change in Net Position		\$ 437,374.37	\$ (8,071,508.51)	\$	\$ (7,634,134.14)
Net Position, September 1, 2016		\$ 19,036,272.22	\$ 267,522,314.21	\$	\$ 286,558,586.43
Restatement (Note 14)		(1,809,356.66)			(1,809,356.66)
Net Position, September 1, 2016, as Restated		\$ 17,226,915.56	\$ 267,522,314.21	\$	\$ 284,749,229.77
Net Position, August 31, 2017		\$ 17,664,289.93	\$ 259,450,805.70	\$	\$ 277,115,095.63

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EXHIBIT VI
COMBINED STATEMENT OF FIDUCIARY NET POSITION
August 31, 2017

	Agency Funds <u>(Exhibit J-1)</u>
Assets	
Current Assets:	
Cash in State Treasury	\$ 22,949.83
Cash Equivalents	<u>7,912,569.80</u>
Total Current Assets	\$ <u>7,935,519.63</u>
 Total Assets	 \$ <u>7,935,519.63</u>
 Liabilities	
Current Liabilities:	
Funds Held for Others	\$ <u>7,935,519.63</u>
Total Current Liabilities	\$ <u>7,935,519.63</u>
 Total Liabilities	 \$ <u>7,935,519.63</u>
 Net Position	
Net Position:	\$ <u>-</u>
Total Net Position	\$ <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 and strives to protect our state's human and natural resources consistent with sustainable economic development.

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 is 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.

Component Units

The TCEQ does not have any component units.

Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

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 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.

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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.

Used Oil Recycling Account (0146) - The Used Oil Recycling Account is established in the State Treasury. The account consists of fees collected by the State Comptroller from the sale of automotive oil, 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 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, the Lower Brazos 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, Lower Brazos and South Texas Watermaster Offices. The account pays the compensation and necessary expenses of the Watermaster Offices.

Restore Act Federal Fund (0174) - This account is to receive federal money related to the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies (RESTORE) of the Gulf Coast States Act. For cleanup associated with the April 20, 2010 explosion and spill of the Deepwater Horizon oil rig in the Gulf of Mexico. Amounts are receipts from the Gulf Coast Restoration Trust Fund in the U.S. Treasury.

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 two thirds of the fees assessed on municipal solid waste disposal in the state. In addition, it receives fees imposed on industrial solid waste disposal, 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 and disposal of industrial solid or hazardous waste. 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

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delivery of petroleum products. The account may be used to pay expenses associated with the program.

License Plate Trust Fund (0802) - This account is created in the treasury for deposit of specialty license plate fees and related revenue. Dedicated balances and revenues are to be deposited into accounts within the fund to be used in accordance with their specific statutory purpose.

Restore Act Trust Fund (0930) - This account is held outside the treasury with the comptroller. Its purpose is to receive federal money related to the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies (RESTORE) of the Gulf Coast States Act. It will be used for cleanup associated with the April 20, 2010, explosion and spill of the Deepwater Horizon oil rig in the Gulf of Mexico. Amounts are receipts from the Gulf Coast Restoration Trust Fund in the U.S. Treasury.

Solid Waste Disposal Fees Account (5000) - This account receives one third 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.

Workplace Chemicals List (5020) - This account receives fees from facility operators for filing tier two forms relating to hazardous chemicals. Up to 20% may be used for grants to local emergency planning committees, and up to 15% to administer Ch. 502, Hazardous Communications Act. The remainder may be used for administering Manufacturing Facility (Ch. 505) and Public Employer Community (Ch. 506) Right-to-Know Acts.

Environmental Testing Laboratory Accreditation Account (5065) - This account was created by H.B. 2912, 77th Leg., R.S., to fund the creation of an Environmental Testing Laboratory 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.

Perpetual Care Account (5096) - This account in General Revenue was created by H.B. 1567, H.B. 1678 and H.B. 3318, 78th Leg., R.S., to receive most fees and administrative penalties relating to radioactive waste under Health and Safety Ch. 401.

Environmental Radiation and Perpetual Care (5158) - This account supports the activities of the Texas Low-Level Radioactive Waste Disposal Compact Commission. It is for deposit of certain radioactive materials and devices regulation fees and low-level radiation waste disposal fees.

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

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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.

Basis of Accounting

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

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end.

The State of Texas considers receivables collected within sixty days after fiscal 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. The following activities are recognized in these fund types:

- Capital assets
- Accumulated depreciation
- Unpaid employee compensable leave
- Long-term pollution remediation obligations

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. 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.

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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 used or 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.

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.

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 Position

“Fund balance” is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the governmental fund statements. “Net position” is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the government-wide and fiduciary 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:
 - Not in spendable form or

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- Legally or contractually required to be maintained intact.
- Restricted fund balance includes those resources that have constraints placed on their use through external parties — such as creditors, grantors, contributors, laws or regulations of other governments — or by law through constitutional provisions or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed through legislation passed into law 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 the constraints do not meet the requirements to be reported as either restricted nor committed. Intent is expressed by:
 - The Texas Legislature or
 - 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.

Net Investment in Capital Assets

Net Investment in Capital Assets 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 Position

Restricted net position results when constraints placed on net resources are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that 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.

-UNAUDITED-

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2017, is presented below:

	PRIMARY GOVERNMENT							
	Balance		Reclassifications			Balance		
	9/1/2016	Adjustments	Completed CIP	Interagency Transaction	Interagency Transaction	Additions	Deletions	8/31/2017
GOVERNMENTAL ACTIVITIES								
Non-depreciable or								
Non-amortizable Assets								
Land and Land Improvements Infrastructure	\$ 20.00							20.00
Construction in Progress	1,809,356.66	(1,809,356.66)						-
Other Tangible Capital Assets	-							-
Land Use Rights	-							-
Other Intangible Capital Assets	-							-
Total Non-depreciable or Non-amortizable Assets	\$ 1,809,376.66	(1,809,356.66)	-	-	-	-	-	20.00
Depreciable Assets								
Buildings and Building Improvements Infrastructure	\$ 5,131,376.74					11,049.00		5,142,425.74
Facilities and Other Improvements	-							-
Furniture and Equipment	55,468,371.62	10,175.52				4,793,567.81	(9,528,643.50)	50,743,471.45
Vehicle, Boats and Aircraft	10,405,134.52				(25,225.00)	1,772,001.55	(1,934,500.97)	10,217,410.10
Other Capital Assets	-							-
Total Depreciable Assets	\$ 71,004,882.88	10,175.52	-	-	(25,225.00)	6,576,618.36	(11,463,144.47)	66,103,307.29
Less Accumulated Depreciation for:								
Buildings and Building Improvements Infrastructure	\$ (3,149,380.59)					(169,730.40)		(3,319,110.99)
Facilities and Other Improvements	-							-
Furniture and Equipment	(46,691,790.09)	(10,175.52)				(2,730,320.33)	9,427,106.35	(40,005,179.59)
Vehicles, Boats and Aircraft	(7,926,498.20)				21,693.50	(783,142.38)	1,775,934.25	(6,912,012.83)
Other Capital Assets	-							-
Total Accumulated Depreciation	\$ (57,767,668.88)	(10,175.52)	-	-	21,693.50	(3,683,193.11)	11,203,040.60	(50,236,303.41)
Depreciable Assets, Net	\$ 13,237,214.00	-	-	-	(3,531.50)	2,893,425.25	(260,103.87)	15,867,003.88
Amortizable Assets - Intangible								
Land Use Rights	-							-
Computer Software	\$ 15,321,936.89						(290,000.00)	15,031,936.89
Other Capital Intangible Assets	-							-
Total Amortizable Assets - Intangible	\$ 15,321,936.89	-	-	-	-	-	(290,000.00)	15,031,936.89
Less Accumulated Amortization for:								
Land Use Rights	\$ -							-
Computer Software	(11,332,255.33)					(2,192,415.51)	290,000.00	(13,234,670.84)
Other Intangible Capital Assets	-							-
Total Accumulated Amortization	\$ (11,332,255.33)	-	-	-	-	(2,192,415.51)	290,000.00	(13,234,670.84)
Amortizable Assets - Intangible, Net	\$ 3,989,681.56	-	-	-	-	(2,192,415.51)	-	1,797,266.05
Governmental Activities								
Capital Assets, Net	\$ 19,036,272.22	(1,809,356.66)	-	-	(3,531.50)	701,009.74	(260,103.87)	17,664,289.93

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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, 2017, 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, 2017, the fair value of investments were:

Governmental and Business-Type Activities

Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶	\$	62,604,594.59
Total	<u>\$</u>	<u>62,604,594.59</u>

Fair Value

Fiduciary Funds

Repurchase Agreements-Texas Treasury Safekeeping Trust Co ❶	\$	7,912,569.80
Total	<u>\$</u>	<u>7,912,569.80</u>

Fair Value

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. As of August 31, 2017, the agency’s credit quality distribution for securities with credit risk exposure was:

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB
09	9999	Repurchase Agreements Texas Treasury Safekeeping Trust Co	7,912,569.80			
01	9999	Repurchase Agreements Texas Treasury Safekeeping Trust Co	62,604,594.59			

-UNAUDITED-

NOTE 4: SHORT-TERM DEBT

Not applicable

NOTE 5: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The following changes occurred in liabilities during the fiscal year ended August 31, 2017.

Governmental Activities	Balance 9/01/16	Additions	Reductions	Balance 8/31/17	Amounts Due Within One Year	Amounts Due Thereafter
Employees' Compensable Leave	\$16,942,079.90	\$ 21,337,017.00	\$ 21,519,693.96	\$ 16,759,402.94	\$ 9,316,269.80	\$7,443,133.14
Pollution Remediation Obligations	\$250,580,234.31	\$26,786,588.09	\$ 34,675,419.64	\$ 242,691,402.76	\$ 29,713,036.92	\$ 212,978,365.84
Total Governmental Activities	\$267,522,314.21	\$ 48,123,605.09	\$ 56,195,113.60	\$ 259,450,805.70	\$ 39,029,306.72	\$ 220,421,498.98

Employees' Compensable Leave

If a state employee had continuous employment with the state for at least six months, the 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.

Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the statement of net position. No liability is recorded for non-vesting employees accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid.

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 205 active sites at fiscal year end, with a total estimated pollution remediation obligation of \$45,401,455.21.

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

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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 309 active State Lead sites, with a total estimated pollution remediation obligation of \$64,071,698.02.

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 one of two events occurs: either the SSDAP performs the initial assessment and ranking of the site, or the PA/SI Program evaluates the site for the Federal Superfund Program. Sites evaluated by the PA/SI program are later referred to the SSDAP if they do not meet the criteria for the Federal Superfund Program or if EPA does not include them in the Federal Superfund Program. Sites referred to SSDAP are assessed and ranked for potential referral to the State Superfund Program.

The objective of the State and Federal Superfund Programs is to address environmental problems associated with the imminent and 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, because these sites are funded by PRPs;
- 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 not known if these sites will require cleanup under the Superfund Programs.

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 better understanding of site conditions are 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 FY17 resulted in collections of \$230,000.00.

At the end of FY17, Texas had 67 sites with Pollution Remediation Obligations in the State and Federal Superfund programs and two sites that required an immediate response or removal action. The current total Superfund liability, as of 8/31/17, is \$133,218,249.53.

-UNAUDITED-

NOTE 6: BONDED INDEBTEDNESS

Not Applicable

NOTE 7: DERIVATIVES

Not Applicable

NOTE 8: LEASES

Operating Leases

Included in the expenditures reported in the financial statements is the following amount of rent paid under operating leases: \$5,511,264.20

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

Year Ending August 31, 2017	Amount
2018	\$ 5,297,486.42
2019	4,993,071.52
2020	4,453,137.30
2021	4,201,124.30
2022	3,765,147.42
2023 – 2027	<u>15,958,409.50</u>
Total Minimum Future Lease Payments	\$ <u>38,668,376.46</u>

NOTE 9: DEFINED BENEFIT PENSION PLANS AND DEFINED CONTRIBUTION PLAN

Not Applicable

NOTE 10: DEFERRED COMPENSATION

Not Applicable

NOTE 11: POSTEMPLOYMENT 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 Texas Commission on Environmental Quality will be abolished effective September 1, 2023, unless continued in existence by the 88th Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2024, to close out its operations.

-UNAUDITED-

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET POSITION

During Fiscal Year 2017, the TCEQ had previously reported the cumulative cost of multiple separate enhancement projects for an application as construction in progress. Upon further review and discussion with the Comptroller's reporting staff, it was decided the projects should be reported separately. None of the standalone projects met the reporting thresholds. The deletion of the construction in progress associated with the application required the restatement of net position as shown.

	Capital Assets	
Fund Balance/Net Position September 1, 2016	\$	19,036,272.22
Restatements:	\$	(1,809,356.66)
Fund Balance/Net Position September 1, 2016 as restated	\$	17,226,915.56

-UNAUDITED-

NOTE 15: CONTINGENCIES AND COMMITMENTS

The Texas Commission on Environmental Quality receives federal financial assistance for specific purposes that are subject to review or audit by the federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowance, 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, 2017, 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	\$ 1,381,552.97	\$ 22,930,688.51	\$ 24,312,241.48
0088	Low Level Radioactive	26,405.67	27,840,087.70	27,866,493.37
0146	Used Oil Recycling	5,951.52	22,052,186.68	22,058,138.20
0151	Clean Air	9,381,756.77	196,281,513.87	205,663,270.64
0153	Water Resource Management	7,967,845.78	8,143,735.12	16,111,580.90
0468	Occupational Licensing	(2,386.19)	9,140,045.77	9,137,659.58
0549	Waste Management	538,728.54	29,229,316.21	29,768,044.75
0550	Hazardous & Solid Waste Remediation Fee	8,820,682.40	25,649,278.01	34,469,960.41
0655	Petroleum Storage Tank Remediation	7,261,266.12	124,613,827.11	131,875,093.23
5000	Solid Waste Disposal Fee	1,397.40	133,804,834.97	133,806,232.37
5020	Workplace Chemicals List	190,099.47	1,251,000.52	1,441,099.99
5065	Environmental Testing Laboratory Accreditation	11,633.36	1,010,881.98	1,022,515.34
5071	Texas Emissions Reduction Plan	139,528,030.52	1,269,848,302.80	1,409,376,333.32
5093	Dry Cleaning Facility Release	970,560.83	21,218,828.72	22,189,389.55
5094	Operating Permit Fees	695,984.11	7,879,685.82	8,575,669.93
5158	Environmental Radiation Perpetual Care	98,139.69	5,635,668.11	5,733,807.80

-UNAUDITED-

NOTE 16: SUBSEQUENT EVENTS

Not Applicable

NOTE 17: RISK MANAGEMENT

The TCEQ is exposed to a variety of claims resulting from the performance of its duties. The agency assumes substantially all risks 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.

Note 17 Risk Management				
Claims and Judgements				
	Beginning Balance 9/1/2016	Increases	Decreases	Ending Balance 8/31/2017
FY 2017	-	\$ 21,138.61	\$ (21,138.61)	-

NOTE 18: MANAGEMENT’S DISCUSSION AND ANALYSIS

The TCEQ’s overall fund balance increased \$157 million from the FY 2016 adjusted ending balance (\$1.9 billion) to the FY 2017 (\$2.1 billion). Major contributors affecting the change include the following accounts.

The General Revenue Account (0001) fund balance decreased by \$1.3 million in FY 2017 primarily due to the expenditure of additional appropriations for litigation expenses for the Rio Grande River Compact.

The Low Level Radioactive Waste Account (0088) fund balance decreased by \$1.5 million in FY 2017. Account expenditures and obligations exceeded the annual revenues. The account has a strong fund balance due to the \$25 million payment from the State of Vermont to join the compact. The fund balance will become more stable as a result of SB 1330, 85th Legislature which instructed the Comptroller to deposit the fee dedicated to support the Compact Commission to account 0088 instead of GR.

The Used Oil Recycling Account (0146) fund balance increased by \$2.4 million in FY 2017. The increase is due to annual revenue deposited into the account exceeding the annual level of appropriations authorized from this account. This will be the last time this account is reported. SB 1105, 85th Legislature abolished the account and transferred the existing fund balance (~\$22 million) and appropriations to the Water Resource Management Account (0153).

The Clean Air Account (0151) fund balance increased by \$7.1 million in FY 2017. The increase is due to annual revenue deposited into the fund exceeding the annual level of appropriations authorized from this account. The Governor’s veto of the LIRAP program appropriations in the 85th Legislative Session is expected to cause an increase in fund balance for FY 2018 however as counties opt out of the program, the additional revenue will decrease. It is still anticipated that the fund balance will continue to grow.

-UNAUDITED-

The Water Resource Management Account (0153) fund balance increased by \$6.2 million in FY 2017. Most of the increase is the result of fee increases for the Public Health Services fee and the Consolidated Water Quality fee. The transfer of fund balance from the Used Oil Recycling Account (0146) will result in a large increase to fund balance in FY 2018.

The Hazardous & Solid Waste Remediation Fee Account (0550) fund balance increased by \$1.6M in FY 2017. The increase is primarily due to higher than anticipated revenue receipts for the Lead Acid Battery fee. Cost recovery revenue from remediated sites were less than \$250k which is a 10 year low.

The Petroleum Storage Tank Remediation Account (0655) fund balance decreased by \$9.1 million in FY 2017 due to HB7, 84th Legislature which required the agency to reduce revenue by the amount of appropriations for pre-1998 PST sites. The agency anticipates a similar level of decrease in future years.

The Solid Waste Disposal Fee Account (5000) fund balance increased \$5.4 million in FY 2017. The increase is due to annual revenue deposited into the account exceeding the annual level of appropriations authorized from this account.

The Workplace Chemicals List Account (5020) fund balance decreased by \$4.2 million in FY 2017. The decrease is due to an exceptional item of \$4M that was expended in FY 2017 to provide grants to emergency local planning committees. This was a one-time expense though and should not affect fund balance in the future.

The Texas Emission Reduction Plan Account (5071) fund balance increased by \$149.8 million in FY 2017. The increase is due to annual revenue deposited into the account exceeding the annual level of appropriations authorized from this account. Unless appropriations are increased, the fund balance will continue to grow.

The Operating Permit Fees Account (5094) fund balance increased by \$1.3 million in FY 2017. The increase is due to annual revenue deposited into the account exceeding the annual level of appropriations authorized from this account.

The Environmental Radiation & Perpetual Care Account (5158) fund balance increased by \$3.3 million in FY 2017. The account is dedicated to performing remediation activities at contaminated radioactive sites in the state. The agency did not enter into any contracts in FY 17 for this purpose which allowed the fund balance to grow by the collected revenue.

NOTE 19: THE FINANCIAL REPORTING ENTITY

As required by Generally Accepted Accounting Principles, the financial statements present the Texas Commission on Environmental Quality. The TCEQ has no component units.

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not Applicable

NOTE 21: N/A

Not Applicable

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Not Applicable

-UNAUDITED-

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

NOTE 27: SERVICE CONCESSION ARRANGEMENTS

Not Applicable

NOTE 28: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Not Applicable

NOTE 29: TROUBLE DEBT RESTRUCTURING

Not Applicable

NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES

Not Applicable

NOTE 31: TAX ABATEMENTS

Not Applicable

-UNAUDITED-

NOTE 32: FUND BALANCES

GAAP Fund	Fund	AFR 54 Class	Citation	Comments
0930	0930	Restricted	<p>TEX. GOV'T CODE ANN. Sec. 403.011, sec. 404.094(b)</p> <p>H.B. 1, 84th Leg., R.S., (General Appropriations Act), Article IX, Sec. 6.24, Op. Tex. Atty Gen. No. KP-0078.</p> <p>The Federal statute authorizing the Gulf Coast Restoration Trust Fund is 33 U.S. Code § 1321(a)(35) pursuant to section 1602(a)-(b) of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012.</p>	<p>This account is held outside the treasury with the comptroller. Its purpose is to receive federal money related to the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies (RESTORE) of the Gulf Coast States Act. It will be used for cleanup associated with the April 20, 2010, explosion and spill of the Deepwater Horizon oil rig in the Gulf of Mexico. Amounts are receipts from the Gulf Coast Restoration Trust Fund in the U.S. Treasury.</p>
9999	9993	Restricted	<p>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)</p>	<p>The NRD settlement funds can be used only for restoration of natural resources affected by releases of oil or hazardous substances.</p>

**COMBINING
FINANCIAL
STATEMENTS**

-UNAUDITED-

**EXHIBIT A-1
COMBINING BALANCE SHEET
All General and Consolidated Funds
August 31, 2017**

	General Revenue Account (0001)	Texas Natural Resource Trustee Account (9999)	Low Level Radioactive Waste Account (0088)	Used Oil Recycling Account (0146)	Clean Air Account (0151)	Water Resource Management Account (0153)	Watermaster Administration Account (0158)	Restore Act Federal Fund (0174)	Texas Spill Response Account (0452)	TCEQ Occupational Licensing Account (0468)
Assets										
Current Assets:										
Cash in Bank	\$ 50.00	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash in State Treasury			28,015,969.32	22,083,765.80	210,332,912.23	18,550,357.42	1,442,158.04			9,326,669.56
Cash Equivalents		62,604,594.59								
Legislative Appropriations	25,056,212.07									
Receivables:										
Federal					2,261,081.95	3,912,166.08				
Accounts Receivable					82,912.08	16,824.96	1,497.63			
Due From Other Agencies					389.13	1,867,515.07				
Consumable Inventories	94,066.57									
Total Current Assets	\$ 25,150,328.64	\$ 62,604,594.59	\$ 28,015,969.32	\$ 22,083,765.80	\$ 212,677,295.39	\$ 24,346,863.53	\$ 1,443,655.67	\$ -	\$ -	\$ 9,326,669.56
Liabilities										
Current Liabilities										
Payables:										
Accounts Payable	\$ 383,587.12	\$	\$ 15,246.21	\$ 2,186.10	\$ 2,584,112.05	\$ 941,229.49	\$ 49,842.28	\$	\$	\$ 18,898.43
Payroll Payable			134,229.74	23,441.50	3,897,599.64	5,465,085.02	164,910.85			159,920.33
Contracts Retainage Payable	79,415.68				30.91	139,183.35				10,191.22
Due to Other Agencies	375,084.36				532,282.15	1,689,784.77				
Total Current Liabilities	\$ 838,087.16	\$ -	\$ 149,475.95	\$ 25,627.60	\$ 7,014,024.75	\$ 8,235,282.63	\$ 214,753.13	\$ -	\$ -	\$ 189,009.98
Fund Balances										
Nonspendable	\$ 94,066.57	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted		62,604,594.59								
Committed			27,866,493.37	22,058,138.20	205,663,270.64	16,111,580.90	1,228,902.54			9,137,659.58
Assigned	1,381,552.97									
Unassigned	22,836,621.94									
Total Fund Balances	\$ 24,312,241.48	\$ 62,604,594.59	\$ 27,866,493.37	\$ 22,058,138.20	\$ 205,663,270.64	\$ 16,111,580.90	\$ 1,228,902.54	\$ -	\$ -	\$ 9,137,659.58
Total Liabilities and Fund Balances	\$ 25,150,328.64	\$ 62,604,594.59	\$ 28,015,969.32	\$ 22,083,765.80	\$ 212,677,295.39	\$ 24,346,863.53	\$ 1,443,655.67	\$ -	\$ -	\$ 9,326,669.56

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Consolidated Funds

Waste Management Account (0549)	Hazardous & Solid Waste Remediation Fee Account (0550)	Petroleum Storage Tank Remediation Account (0655)	License Plate Trust Fund (0802)	Restore Act Trust Fund (0930)	Solid Waste Disposal Fee Account (5000)	Workplace Chemicals List (5020)	Environmental Testing Lab Accreditation Account (5065)	Texas Emissions Reduction Plan Account (5071)	Dry Cleaning Facility Release Account (5093)	Operating Permit Fees Account (5094)	Perpetual Care Account (5096)	Environmental Radiation & Perpetual Care (5158)	Suspense Type Activities Account (0900)	Total
\$ 31,844,434.65	\$ 37,543,898.96	\$ 134,250,897.01	\$	\$ 575.86	\$ 133,559,132.27	\$ 1,515,183.67	\$ 1,089,731.56	\$ 1,422,393,621.99	\$ 22,849,767.09	\$ 10,681,989.34	\$ 4,641,009.90	\$ 5,883,807.80	\$ 123,688.58	\$ 2,096,129,571.05
														\$ 62,604,594.59
														\$ 25,056,212.07
1,161,103.00	110,510.00	1,164,728.57		324,520.12										\$ 8,934,109.72
611,296.59	3,093.76				247,100.10				4,418.09	1,275,507.93				\$ 2,242,651.14
45,895.68			993.75											\$ 1,914,793.63
\$ 33,662,729.92	\$ 37,657,502.72	\$ 135,415,625.58	\$ 993.75	\$ 325,095.98	\$ 133,806,232.37	\$ 1,515,183.67	\$ 1,089,731.56	\$ 1,422,393,621.99	\$ 22,854,185.18	\$ 11,957,497.27	\$ 4,641,009.90	\$ 5,883,807.80	\$ 123,688.58	\$ 2,196,976,048.77
\$ 699,872.88	\$ 1,902,995.25	\$ 1,850,967.72	\$	\$	\$	\$ 2,032.03	\$ 22,909.64	\$ 11,999,944.03	\$ 524,891.19	\$ 752,889.76	\$	\$ 150,000.00	\$	\$ 21,901,604.18
3,187,768.56	993,056.29	1,010,775.31				72,051.65	44,306.58	322,478.10	47,765.51	2,556,033.64				\$ 18,079,422.72
4,629.36	268,627.20	249,936.75						71,334.43	92,138.93					\$ 915,487.83
2,414.37	22,863.57	428,852.57		324,520.12				623,532.11		72,903.94				\$ 4,072,237.96
\$ 3,894,685.17	\$ 3,187,542.31	\$ 3,540,532.35	\$ -	\$ 324,520.12	\$ -	\$ 74,083.68	\$ 67,216.22	\$ 13,017,288.67	\$ 664,795.63	\$ 3,381,827.34	\$ -	\$ 150,000.00	\$ -	\$ 44,968,752.69
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 94,066.57
				575.86										\$ 62,605,170.45
29,768,044.75	34,469,960.41	131,875,093.23	993.75		133,806,232.37	1,441,099.99	1,022,515.34	1,409,376,333.32	22,189,389.55	8,575,669.93	4,641,009.90	5,733,807.80		\$ 2,064,966,195.57
													123,688.58	\$ 1,505,241.55
														\$ 22,836,621.94
\$ 29,768,044.75	\$ 34,469,960.41	\$ 131,875,093.23	\$ 993.75	\$ 575.86	\$ 133,806,232.37	\$ 1,441,099.99	\$ 1,022,515.34	\$ 1,409,376,333.32	\$ 22,189,389.55	\$ 8,575,669.93	\$ 4,641,009.90	\$ 5,733,807.80	\$ 123,688.58	\$ 2,152,007,296.08
\$ 33,662,729.92	\$ 37,657,502.72	\$ 135,415,625.58	\$ 993.75	\$ 325,095.98	\$ 133,806,232.37	\$ 1,515,183.67	\$ 1,089,731.56	\$ 1,422,393,621.99	\$ 22,854,185.18	\$ 11,957,497.27	\$ 4,641,009.90	\$ 5,883,807.80	\$ 123,688.58	\$ 2,196,976,048.77

-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, 2017

	General Revenue Account (0001)	Texas Natural Resource Trustees Account (9999)	Low Level Radioactive Waste Account (0088)	Used Oil Recycling Account (0146)	Clean Air Account (0151)	Water Resource Management Account (0153)	Watermaster Administration Account (0158)	Restore Act Federal Fund (0174)	Texas Spill Response Account (0452)	TCEQ Occupational Licensing Account (0468)	Waste Management Account (0549)
Revenues											
Legislative Appropriations : Original Appropriations	\$ 8,661,615.00	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Additional Appropriations	3,636,118.95										
Taxes											
Federal Revenues	3,844,828.68				11,399,461.34	20,712,914.93					7,501,310.00
Federal Pass-Through	1,195,398.35				292,014.98	10,385,918.57					160,307.51
State Grant Pass-Through											
Licenses, Fees and Permits	1,165,153.18		450,298.00	2,690,216.05	121,741,851.63	77,059,565.02	2,331,808.74			2,754,180.47	37,252,865.92
Interest & Investment Income		366,769.40						(5.17)			
Settlement of Claims		2,150,297.16									
Sales of Goods and Services	1,822.79					5,314.90					
Other Revenues	14,752.63				1,607.24	15.42	10.98				
Total Revenues	\$ 18,519,689.58	\$ 2,517,066.56	\$ 450,298.00	\$ 2,690,216.05	\$ 133,434,935.19	\$ 108,233,728.84	\$ 2,331,819.72	\$ (5.17)	\$ -	\$ 2,754,180.47	\$ 44,914,483.43
Expenditures											
Salaries and Wages	\$ 2,200,945.55	\$	\$ 1,151,570.26	\$ 170,626.78	\$ 32,347,702.72	\$ 49,574,523.20	\$ 1,268,938.22	\$	\$	\$ 1,484,187.19	\$ 29,175,958.25
Payroll Related Costs	2,057,642.10		274,170.21	58,479.82	19,578,949.78	14,997,686.98	425,976.87			354,539.06	7,124,459.62
Professional Fees and Services	7,440,875.47	1,885,300.68	342.00	84,520.50	8,680,307.31	9,931,728.53	192,421.50			75,964.00	5,859,186.38
Travel	157,210.54		28,469.48		332,351.80	384,174.71	60,310.17			15,332.39	229,891.65
Materials and Supplies	531,562.46		4,468.64	5,333.79	1,592,336.68	1,126,559.35	111,268.48			20,012.19	293,553.72
Communications and Utilities	131,699.40		2,661.74	19,820.00	928,158.77	346,760.62	31,700.61			735.91	499,705.76
Repairs and Maintenance	91,155.66		2,280.29	183.03	1,188,912.69	556,912.57	36,030.60			38,853.00	153,279.07
Rentals and Leases	208,577.64		2,792.56		2,086,753.57	881,667.87	108,280.79				537,797.36
Printing and Reproduction	2,559.25				98,454.45	78,639.94	88.86			4,372.99	50,543.71
Claims and Judgements	2,120.00				16,793.61						522.00
Federal Pass-Through Expenditures					829,386.63	6,501,293.29					35,577.57
State Grant Pass-Through Expenditures	901,071.72		99,510.35		2,503,965.79	1,343,336.91					49,220.23
Intergovernmental Payments	646,354.95				51,881,056.23	9,274,561.04					20,476.00
Public Assistance Programs						35,981.67					
Other Operating Expenditures	250,307.90	825.00	49,401.18	(8,066.76)	1,531,246.66	1,936,529.99	55,725.94			179,783.99	274,854.79
Capital Outlay	182,390.33				2,819,339.26	1,105,096.47	81,229.39				830,184.75
Total Expenditures	\$ 14,804,472.97	\$ 1,886,125.68	\$ 1,615,666.71	\$ 330,897.16	\$ 126,415,715.95	\$ 98,075,453.14	\$ 2,371,971.43	\$ -	\$ -	\$ 2,173,780.72	\$ 45,135,210.86
Excess (Deficiency) of Revenues over Expenditures	\$ 3,715,216.61	\$ 630,940.88	\$ (1,165,368.71)	\$ 2,359,318.89	\$ 7,019,219.24	\$ 10,158,275.70	\$ (40,151.71)	\$ (5.17)	\$ -	\$ 580,399.75	\$ (220,727.43)
Other Financing Sources (Uses)											
Operating Transfers In	\$ 73.58	\$	\$ 282,905.85	\$	\$ 577,499.88	\$ 282,576.37	\$	\$	\$	\$	\$
Operating Transfers Out	(5,348,751.60)	(5,855,115.10)	(586,799.96)		(476,965.50)	(4,198,660.76)			(118,584.14)		
Insurance Recoveries											
Sale of Capital Assets	326,041.08										
Total Other Financing Sources (Uses)	\$ (5,022,636.94)	\$ (5,855,115.10)	\$ (303,894.11)	\$ -	\$ 100,534.38	\$ (3,916,084.39)	\$ -	\$ -	\$ (118,584.14)	\$ -	\$ -
Net Change in Fund Balances	\$ (1,307,420.33)	\$ (5,224,174.22)	\$ (1,469,262.82)	\$ 2,359,318.89	\$ 7,119,753.62	\$ 6,242,191.31	\$ (40,151.71)	\$ (5.17)	\$ (118,584.14)	\$ 580,399.75	\$ (220,727.43)
Fund Financial Statements/Fund Balances											
Fund Balances, September 1, 2016	\$ 26,210,042.94	\$ 67,828,768.81	\$ 29,335,756.19	\$ 19,698,819.31	\$ 198,543,517.02	\$ 9,869,389.59	\$ 1,269,054.25	\$ 5.17	\$ 118,584.14	\$ 8,557,259.83	\$ 29,988,772.18
Restatements (if any)											
Fund Balances, As Restated	\$ 26,210,042.94	\$ 67,828,768.81	\$ 29,335,756.19	\$ 19,698,819.31	\$ 198,543,517.02	\$ 9,869,389.59	\$ 1,269,054.25	\$ 5.17	\$ 118,584.14	\$ 8,557,259.83	\$ 29,988,772.18
Appropriations Lapsed	(590,381.13)										
Fund Balances, August 31, 2017	\$ 24,312,241.48	\$ 62,604,594.59	\$ 27,866,493.37	\$ 22,058,138.20	\$ 205,663,270.64	\$ 16,111,580.90	\$ 1,228,902.54	\$ -	\$ -	\$ 9,137,659.58	\$ 29,768,044.75

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (582)

-UNAUDITED-

Hazardous & Solid Waste Remediation Fee Account (0550)	Petroleum Storage Tank Remediation Account (0655)	License Plate Trust Fund (0802)	Restore Act Trust Fund (0930)	Solid Waste Disposal Fee Account (5000)	Workplace Chemicals List (5020)	Environmental Testing Lab Accreditation Account (5065)	Texas Emissions Reduction Plan Account (5071)	Dry Cleaning Facility Release Account (5093)	Operating Permit Fees Account (5094)	Perpetual Care Account (5096)	Environmental Radiation & Perpetual care Account (5158)	Suspense Type Activities Account (0900)	Totals
													\$ 8,661,615.00
							70,622,570.72						3,636,118.95
753,765.00 (127,448.57)	3,714,343.86		8,701,183.18										70,622,570.72
28,509,101.49	16,024,387.71	1,112.81 8.60	551.35	10,942,314.01	1,173,391.99	872,117.01	17,721,986.95	4,104,687.50	39,192,525.81		4,721,853.90		56,627,806.99
							6,522.37						11,906,190.84
759,672.64							(115,616.75)		8,830.80				367,324.18
29,895,090.56	19,738,731.57	1,121.41	8,701,734.53	10,942,314.01	1,173,391.99	872,117.01	88,235,463.29	4,104,687.50	39,201,363.69		4,721,853.90	15,977.33	2,162,134.43
													80,653.59
													676,426.57
													523,450,259.46
9,445,807.28	9,349,258.89		28,783.18		649,822.68	450,410.87	2,697,484.95	299,164.21	23,472,064.63				163,767,248.86
4,310,550.60	4,711,042.43		7,527.56		227,481.06	148,498.03	886,107.11	102,325.04	6,252,327.30				61,517,763.57
13,272,429.94	12,238,336.01		32,665.60		375,452.00	241,987.00	995,534.25	3,269,280.09	2,139,886.20		1,267,480.18		67,983,697.64
116,406.51	35,359.04		1,265.36		9,677.40	25,848.68	9,970.52	6,573.72	40,872.66				1,453,714.63
128,938.07	203,930.98				11,854.66		24,145.30	126.55	1,450,060.21				5,504,151.08
35,275.93	89,086.13				3,417.64	1,618.00	3,849.99		233,245.51				2,327,736.01
406,163.61	133,227.17				266.88		69,303.43		562,388.55				3,238,956.55
6,224.00	226,204.97		219.88				709,148.00		1,613,769.95				6,381,436.59
2,715.01	505.59	1,582.21			61.98		385.75		289.17				240,198.91
7,898.00									1,703.00				29,036.61
50,305.77	1,240,565.28		4,352,686.82										12,959,509.59
	487.00		4,278,034.78	5,501,066.00	3,281,579.11		1,446,707.72		426,287.30				6,820,405.79
					672,233.07		2,604,927.58						77,488,542.69
311,944.27	272,300.38	378.51		33,160.10	(10,940.16)	(22,567.48)	70,622,235.47	(294,201.37)	744,547.94		150,000.00		708,214.74
219,832.96	352,262.75								986,282.45				76,077,466.35
28,314,491.95	28,852,566.62	1,960.72	8,701,183.18	5,534,226.10	5,220,906.32	845,795.10	80,069,800.07	3,383,268.24	37,923,724.87		1,417,480.18		493,074,697.97
1,580,598.61	(9,113,835.05)	(839.31)	551.35	5,408,087.91	(4,047,514.33)	26,321.91	8,165,663.22	721,419.26	1,277,638.82		3,304,373.72	15,977.33	30,375,561.49
							878,286.16		751,801.28				145,402,073.44
							(1,014,676.46)						(18,559,806.65)
													326,041.08
							(136,390.30)		141,668,677.19		751,801.28		127,168,307.87
1,580,598.61	(9,113,835.05)	(839.31)	551.35	5,408,087.91	(4,183,904.63)	26,321.91	149,834,340.41	721,419.26	1,277,638.82	751,801.28	3,304,373.72	15,977.33	157,543,869.36
32,889,361.80	140,988,928.28	1,833.06	24.51	128,398,144.46	5,625,004.62	996,193.43	1,259,541,992.91	21,467,970.29	7,298,031.11	3,889,208.62	2,429,434.08	107,711.25	1,995,053,807.85
32,889,361.80	140,988,928.28	1,833.06	24.51	128,398,144.46	5,625,004.62	996,193.43	1,259,541,992.91	21,467,970.29	7,298,031.11	3,889,208.62	2,429,434.08	107,711.25	1,995,053,807.85
													(590,381.13)
34,469,960.41	131,875,093.23	993.75	575.86	133,806,232.37	1,441,099.99	1,022,515.34	1,409,376,333.32	22,189,389.55	8,575,669.93	4,641,009.90	5,733,807.80	123,688.58	2,152,007,296.08

-UNAUDITED-

EXHIBIT J-1
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
All Agency Funds
August 31, 2017

	<u>Beginning Balances September 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances August 31, 2017</u>
Child Support Deductions Fund (0807)				
Assets:				
Cash in State Treasury	\$ 22,819.25	\$ 313,138.25	\$ 313,007.67	\$ 22,949.83
Liabilities:				
Funds Held for Others	\$ 22,819.25	\$ 313,138.25	\$ 313,007.67	\$ 22,949.83
Securities Held In Trust (9999)				
Assets:				
Cash Equivalents	\$ 2,644,470.50	\$ 5,268,099.30	\$ -	\$ 7,912,569.80
Liabilities:				
Funds Held For Others	\$ 2,644,470.50	\$ 5,268,099.30	\$ -	\$ 7,912,569.80
Total - All Agency Funds				
Assets:				
Cash in State Treasury	\$ 22,819.25	\$ 313,138.25	\$ 313,007.67	\$ 22,949.83
Cash Equivalents	2,644,470.50	5,268,099.30	-	7,912,569.80
Total Assets	<u>\$ 2,667,289.75</u>	<u>\$ 5,581,237.55</u>	<u>\$ 313,007.67</u>	<u>\$ 7,935,519.63</u>
Liabilities:				
Funds Held For Others	\$ 2,667,289.75	\$ 5,581,237.55	\$ 313,007.67	\$ 7,935,519.63

(Exhibit VI)

S C H E D U L E S

**SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2017**

Federal Grantor / Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From			Direct Program Amount	
		Agency/ University Number	Identifying 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			\$	\$	\$ 335,225.00
Total U.S. Department of Defense				\$ 0.00	\$ 0.00	\$ 335,225.00
U.S. Department of Interior						
Coastal Impact Assistance Program						
<i>Pass-Through From</i>						
General Land Office	15.668	305		\$ 1,727,247.36	\$	0.00
<i>Pass-Through To:</i>						
Texas A&M Agrilife Research	15.668	305		(31.12)		
Tarleton State University	15.668	305		29,454.28		
Texas A&M University - Kingsville	15.668	305		0.46		
University of Texas Rio Grande Valley	15.668	305		2,255.12		
Total U.S. Department of Interior				\$ 1,758,926.10	\$ 0.00	\$ 0.00
U.S. Department of the Treasury						
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015			\$	\$	\$ 64,797.84
<i>Pass-Through To:</i>						
University of Houston	21.015			\$	\$	\$ 630,674.78
Texas A&M University - Corpus Christi	21.015					657,399.29
Total U.S. Department of Interior				\$ 0.00	\$ 0.00	\$ 1,352,871.91
Environmental Protection Agency						
<i>Direct Programs:</i>						
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034			\$	\$	\$ 1,938,524.48
<i>Pass-Through To:</i>						
Texas A&M Agrilife Research	66.034					13,640.41
Texas Tech University	66.034					22,416.60
University of Texas Rio Grande Valley	66.034					64,750.37
Multipurpose Grants to States and Tribes	66.204					57,193.00
<i>Pass-Through To:</i>						
University of Texas at Arlington	66.204					100,000.00
Water Pollution Control - State, Interstate and Tribal Program Support	66.419					2,202,425.97
<i>Pass-Through To:</i>						
Texas A&M Agrilife Research	66.419					626,236.01
Tarleton State University	66.419					485,150.83
University of Texas at Arlington	66.419					622,523.46
University of Texas at Austin	66.419					165,324.74
University of Houston	66.419					179,240.62
University of Houston - Clear Lake	66.419					139,549.00
Texas A&M University - Corpus Christi	66.419					33,838.25
Water Quality Management Planning	66.454					725,603.00
National Estuary Program	66.456					316,570.05
<i>Pass-Through To:</i>						
Texas A&M Agrilife Extension Service	66.456					74,651.55
Texas A&M University at Galveston	66.456					194,655.09
Nonpoint Source Implementation Grants	66.460					1,123,306.10
<i>Pass-Through To:</i>						
Railroad Commission of Texas	66.460					287,737.38
Texas A&M Agrilife Extension Service	66.460					193,607.91
Texas A&M Agrilife Research	66.460					276,150.56
Tarleton State University	66.460					234,055.78
Texas A&M University - Kingsville	66.460					30,006.72
Texas State University	66.460					508,511.00
Performance Partnership Grants	66.605					27,643,258.51
<i>Pass-Through To:</i>						
Department of State Health Services	66.605					3,039.21
Texas Agrilife Extension	66.605					14,111.88

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		
\$ 335,225.00	12.113		\$ 0.00	\$ 0.00	\$ 335,225.00	\$ 335,225.00
\$ 335,225.00			\$ 0.00	\$ 0.00	\$ 335,225.00	\$ 335,225.00
\$ 1,727,247.36	15.668			1,696,000.00	31,247.36	1,727,247.36
(31.12)	15.668	556	(31.12)			(31.12)
29,454.28	15.668	713	29,454.28			29,454.28
0.46	15.668	732	0.46			0.46
2,255.12	15.668	746	2,255.12			2,255.12
\$ 1,758,926.10			\$ 31,678.74	\$ 1,696,000.00	\$ 31,247.36	\$ 1,758,926.10
\$ 64,797.84	21.015				64,797.84	64,797.84
\$ 630,674.78	21.015	730	630,674.78			630,674.78
\$ 657,399.29	21.015	760	657,399.29			657,399.29
\$ 1,352,871.91			\$ 1,288,074.07	\$ 0.00	\$ 64,797.84	\$ 1,352,871.91
\$ 1,938,524.48	66.034		\$ 15,768.04	\$ 15,768.04	\$ 1,922,756.44	\$ 1,938,524.48
13,640.41	66.034	556	13,640.41			13,640.41
22,416.60	66.034	733	22,416.60			22,416.60
64,750.37	66.034	746	64,750.37			64,750.37
57,193.00	66.204				57,193.00	57,193.00
100,000.00	66.204	714	100,000.00			100,000.00
2,202,425.97	66.419			998,163.61	1,204,262.36	2,202,425.97
626,236.01	66.419	556	626,236.01			626,236.01
485,150.83	66.419	713	485,150.83			485,150.83
622,523.46	66.419	714	622,523.46			622,523.46
165,324.74	66.419	721	165,324.74			165,324.74
179,240.62	66.419	730	179,240.62			179,240.62
139,549.00	66.419	759	139,549.00			139,549.00
33,838.25	66.419	760	33,838.25			33,838.25
725,603.00	66.454			546,705.79	178,897.21	725,603.00
316,570.05	66.456			296,687.34	19,882.71	316,570.05
74,651.55	66.456	555	74,651.55			74,651.55
194,655.09	66.456	718	194,655.09			194,655.09
1,123,306.10	66.460			1,129,231.48	(5,925.38)	1,123,306.10
287,737.38	66.460	455	287,737.38			287,737.38
193,607.91	66.460	555	193,607.91			193,607.91
276,150.56	66.460	556	276,150.56			276,150.56
234,055.78	66.460	713	234,055.78			234,055.78
30,006.72	66.460	732	30,006.72			30,006.72
508,511.00	66.460	754	508,511.00			508,511.00
27,643,258.51	66.605			821,430.40	26,821,828.11	27,643,258.51
3,039.21	66.605	537	3,039.21			3,039.21
14,111.88	66.605	555	14,111.88			14,111.88

**SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2017**

Federal Grantor / Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through From			Direct Program Amount	
		Agency/ University Number	Identifying Number	State Agency or University Amount		Non-State Entities Amount
Texas A&M Agrilife Research	66.605				43,903.23	
University of Texas at Arlington	66.605				204,088.40	
University of Texas at Austin	66.605				485,156.39	
Texas Transportation Institute	66.605				149,540.12	
Texas Tech University	66.605				7,304.71	
University of Texas Rio Grande Valley	66.605				42,674.80	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608				326,889.00	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802				576,361.00	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804				0.58	
<i>Pass-Through To:</i> University of Texas at Arlington	66.804				1,240,565.28	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805				2,599,504.00	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809				314,037.00	
State and Tribal Response Program Grants	66.817				570,599.00	
<i>Pass-Through From</i> Texas Water Development Board <i>Capitalization Grants for Drinking Water State Revolving Funds</i> <i>Pass-Through To:</i> University of Texas at Arlington	66.468	580		7,470,813.76		
	66.468	580		2,132,750.36		
Total Environmental Protection Agency				\$ 9,603,564.12	\$ 0.00	\$ 44,836,701.99
U.S. Department of Energy <i>Pass-Through From:</i> Comptroller - State Energy Conservation Office <i>Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emerg Resp Res</i>	81.214	907		\$ 181,685.43	\$	\$
Total U.S. Department of Energy				\$ 181,685.43	\$ 0.00	\$ 0.00
Gulf Coast Ecosystem Restoration Council <i>Direct Programs:</i> Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program <i>Pass-Through To:</i> Parks and Wildlife Department	87.051			\$ 0.00	\$	\$ 4,285,958.20
	87.051			0.00		3,064,612.75
Total Gulf Coast Ecosystem Restoration Council				\$ 0.00	\$ 0.00	\$ 7,350,570.95
U.S. Department of Homeland Security <i>Direct Programs:</i> National Dam Safety Program <i>Pass-Through To:</i> Texas Department of Licensing and Regulation Texas A&M University	97.041			\$	\$	\$ 357,965.77
	97.041					(35.65)
	97.041					(0.98)
<i>Biowatch Program</i> <i>Pass-Through From:</i> Department of Public Safety <i>Disaster Grants - Public Assistance (Presidentially Declared Disasters)</i>	97.091					2,394,508.00
	97.036	405		362,015.19		
Total U.S. Department of Homeland Security				\$ 362,015.19	\$ 0.00	\$ 2,752,437.14
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 11,906,190.84	\$ 0.00	\$ 56,627,806.99
Note 1 - Reconciliation Per Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Governmental Fund Types (Exh II): Federal Revenues (Exh II) Federal Pass-Through Revenues (Exh II) Total				\$ 56,627,806.99		
				11,906,190.84		
				\$ 68,533,997.83		

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		
43,903.23	66.605	556	43,903.23		43,903.23	
204,088.40	66.605	714	204,088.40		204,088.40	
485,156.39	66.605	721	485,156.39		485,156.39	
149,540.12	66.605	727	149,540.12		149,540.12	
7,304.71	66.605	733	7,304.71		7,304.71	
42,674.80	66.605	746	42,674.80		42,674.80	
326,889.00	66.608			134,039.52	192,849.48	
576,361.00	66.802			576,361.00	576,361.00	
0.58	66.804			0.58	0.58	
1,240,565.28	66.804	714	1,240,565.28		1,240,565.28	
2,599,504.00	66.805			2,599,504.00	2,599,504.00	
314,037.00	66.809			314,037.00	314,037.00	
570,599.00	66.817			570,599.00	570,599.00	
7,470,813.76	66.468			7,470,813.76	7,470,813.76	
<u>2,132,750.36</u>	<u>66.468</u>	<u>714</u>	<u>2,132,750.36</u>		<u>2,132,750.36</u>	
\$ <u>54,440,266.11</u>			\$ <u>8,575,180.66</u>	\$ <u>3,942,026.18</u>	\$ <u>41,923,059.27</u>	
\$ <u>181,685.43</u>	81.214		\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>181,685.43</u>	
\$ <u>181,685.43</u>			\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>181,685.43</u>	
\$ 4,285,958.20	87.051		\$	\$ 4,278,034.78	\$ 7,923.42 \$ 4,285,958.20	
<u>3,064,612.75</u>	87.051	802	<u>3,064,612.75</u>		<u>3,064,612.75</u>	
\$ <u>7,350,570.95</u>			\$ <u>3,064,612.75</u>	\$ <u>4,278,034.78</u>	\$ <u>7,923.42</u> \$ <u>7,350,570.95</u>	
\$ 357,965.77	97.041		\$	\$	\$ 357,965.77 \$ 357,965.77	
(35.65)	97.041	452	(35.65)		(35.65)	
(0.98)	97.041	711	(0.98)		(0.98)	
2,394,508.00	97.091			2,394,508.00	2,394,508.00	
<u>362,015.19</u>	<u>97.036</u>			<u>362,015.19</u>	<u>362,015.19</u>	
\$ <u>3,114,452.33</u>			\$ <u>(36.63)</u>	\$ <u>0.00</u>	\$ <u>3,114,488.96</u> \$ <u>3,114,452.33</u>	
\$ <u>68,533,997.83</u>			\$ <u>12,959,509.59</u>	\$ <u>9,916,060.96</u>	\$ <u>45,658,427.28</u> \$ <u>68,533,997.83</u>	

-UNAUDITED-

**SCHEDULE 1B - SCHEDULE OF STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES
For the Fiscal Year Ended August 31, 2017**

Pass Through From:

Total Pass Through from Other Agencies (Exh. II) :	\$ <u><u>0.00</u></u> (Exh II)
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Pass Through To:

Department of State Health Services (Agency #537)	125,719.91
Texas AgriLife Extension (Agency #555)	71,365.66
Texas AgriLife Research (Agency #556)	213,597.91
Texas A&M University (Main University) (Agency #711)	189,712.27
Texas Engineering Experiment Station (Agency #712)	440,052.31
Tarleton State University (Agency #713)	301,273.79
University of Texas at Arlington (Agency #714)	1,540,236.73
University of Texas at Austin (Agency #721)	2,327,320.24
Texas A&M Transportation Institute (Agency #727)	385,000.00
University of Houston (Agency #730)	953,259.37
Texas A&M University - Corpus Christi (Agency #760)	72,874.60
Parks & Wildlife Department (Agency #802)	199,993.00

Total Pass-Through to Other Agencies (Exh. II):	\$ <u><u>6,820,405.79</u></u> (Exh II)
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