

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR 2013



THE RAILROAD COMMISSION OF TEXAS

David Porter
Commissioner

Barry T. Smitherman
Chairman

Christi Craddick
Commissioner



ANNUAL FINANCIAL REPORT

UNAUDITED

RAILROAD COMMISSION OF TEXAS
Austin, Texas

Year Ended August 31, 2013



RAILROAD COMMISSION OF TEXAS

BARRY T. SMITHERMAN, *CHAIRMAN*
DAVID PORTER, *COMMISSIONER*
CHRISTI CRADDICK, *COMMISSIONER*

November 12, 2013

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

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Railroad Commission of Texas for the year ended August 31, 2013, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Wei Wang at (512) 463-5011. Mr. Wang may also be contacted for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry T. Smitherman".

Barry T. Smitherman, ChairmanA handwritten signature in black ink, appearing to read "David Porter".

David Porter, CommissionerA handwritten signature in black ink, appearing to read "Christi Craddick".

Christi Craddick, Commissioner

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RAILROAD COMMISSION OF TEXAS (455)

Combined Financial Statements

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RAILROAD COMMISSION OF TEXAS (455)

Exhibit I - Combined Balance Sheet/Statement of Net Assets - Governmental Funds

As of August 31, 2013

	Governmental Fund Types		Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
	General Funds	Governmental Funds Total			
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	\$ -	\$ -			\$ -
Cash in State Treasury	37,482,283.29	37,482,283.29			37,482,283.29
Legislative Appropriations	6,744,999.80	6,744,999.80			6,744,999.80
Federal Receivable	256,386.47	256,386.47			256,386.47
Due from Other Agencies	-	-			-
Consumable Inventories	27,624.70	27,624.70			27,624.70
Prepaid Items	1,993,904.00	1,993,904.00			1,993,904.00
Total Current Assets	\$ 46,505,198.26	\$ 46,505,198.26	\$ -	\$ -	\$ 46,505,198.26
Non-Current Assets:					
Capital Assets (Note 2):					
Non-Depreciable:					
Other Capital Assets	-	-	\$ -	-	\$ -
Depreciable:					
Buildings and Building Improvements	-	-	117,266.40	-	117,266.40
Less Accumulated Depreciation	-	-	(101,692.36)	-	(101,692.36)
Furniture and Equipment	-	-	3,494,065.54	-	3,494,065.54
Less Accumulated Depreciation	-	-	(3,181,185.24)	-	(3,181,185.24)
Vehicles, Boats, and Aircraft	-	-	6,267,278.34	-	6,267,278.34
Less Accumulated Depreciation	-	-	(2,143,516.26)	-	(2,143,516.26)
Amortizable:					
Computer Software	-	-	617,771.17	-	617,771.17
Less Accumulated Amortization	-	-	(614,301.92)	-	(614,301.92)
Total Non-Current Assets	-	-	4,455,685.67	-	4,455,685.67
Total Assets	\$ 46,505,198.26	\$ 46,505,198.26	\$ 4,455,685.67	\$ -	\$ 50,960,883.93
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Payables from:					
Accounts Payable	\$ 4,778,475.86	\$ 4,778,475.86		\$ -	\$ 4,778,475.86
Payroll Payable	4,146,453.43	4,146,453.43		-	4,146,453.43
Due to Other Agencies	3,023,933.94	3,023,933.94		-	3,023,933.94
Deferred Revenue (Fed Sch 1A - Note 7)	1,483,859.42	1,483,859.42		-	1,483,859.42
Employees' Compensable Leave (Note 5)	-	-		2,486,001.24	2,486,001.24
Pollution Remediation Obligation (Note 5)	-	-		7,187,750.28	7,187,750.28
Total Current Liabilities	\$ 13,432,722.65	\$ 13,432,722.65	\$ -	\$ 9,673,751.52	\$ 23,106,474.17
Non-Current Liabilities:					
Employees' Compensable Leave (Note 5)	-	-		1,696,828.27	1,696,828.27
Total Non-Current Liabilities	\$ -	\$ -	\$ -	\$ 1,696,828.27	\$ 1,696,828.27
Total Liabilities	\$ 13,432,722.65	\$ 13,432,722.65	\$ -	\$ 11,370,579.79	\$ 24,803,302.44
Fund Financial Statement - Fund					
Fund Balances (Deficits):					
Nonspendable	\$ 2,021,528.70	2,021,528.70			2,021,528.70
Restricted	979,905.95	979,905.95			979,905.95
Committed	28,972,134.01	28,972,134.01			28,972,134.01
Assigned	-	-			-
Unassigned	1,098,906.95	1,098,906.95			1,098,906.95
Total Fund Balances	\$ 33,072,475.61	\$ 33,072,475.61			\$ 33,072,475.61
Total Liabilities and Fund Balances	\$ 46,505,198.26	\$ 46,505,198.26			
Government-wide Statement - Net Assets					
Net Assets:					
Invested in Capital Assets, Net of Related Debt					
			\$ 4,455,685.67		\$ 4,455,685.67
Restricted for:					
Employee Benefits				(4,182,829.51)	(4,182,829.51)
Pollution Remediation Obligation				(7,187,750.28)	(7,187,750.28)
Claims and Judgments				-	-
Total Net Assets			\$ 4,455,685.67	\$ (11,370,579.79)	\$ 26,157,581.49

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

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RAILROAD COMMISSION OF TEXAS (455)

Exhibit II - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances /
Statement of Activities - Governmental Funds

For the Fiscal Year Ended August 31, 2013

	General Fund	Governmental Funds Total	Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES					
Legislative Appropriations:					
Original Appropriations	\$ 14,953,070.00	\$ 14,953,070.00			\$ 14,953,070.00
Additional Appropriations	4,976,211.21	4,976,211.21			4,976,211.21
Federal Revenue (Fed Sch 1A)	9,217,266.68	9,217,266.68			9,217,266.68
Federal Pass Through Revenue (Fed Sch 1A)	5,397,828.49	5,397,828.49			5,397,828.49
State Grant Pass Through Revenue (Fed Sch 1B)	1,753,818.86	1,753,818.86			1,753,818.86
Licenses, Fees and Permits	69,328,332.15	69,328,332.15			69,328,332.15
Interest and Investment Income	307,400.68	307,400.68			307,400.68
Sales of Goods and Services	1,180,100.26	1,180,100.26			1,180,100.26
Other	149,960.92	149,960.92			149,960.92
Total Revenues	\$ 107,263,989.25	\$ 107,263,989.25	\$ -	\$ -	\$ 107,263,989.25
EXPENDITURES					
Salaries and Wages	37,884,313.44	37,884,313.44		166,121.26	38,050,434.70
Payroll Related Costs	11,871,737.24	11,871,737.24			11,871,737.24
Professional Fees and Services	9,218,796.71	9,218,796.71			9,218,796.71
Travel	485,939.31	485,939.31			485,939.31
Materials and Supplies	2,852,472.88	2,852,472.88			2,852,472.88
Communication and Utilities	662,869.92	662,869.92			662,869.92
Repairs and Maintenance	622,431.59	622,431.59			622,431.59
Rentals and Leases	791,141.14	791,141.14			791,141.14
Printing and Reproduction	775,835.79	775,835.79			775,835.79
Claims and Judgements	6,108.79	6,108.79			6,108.79
Federal Pass Through Expenditures	-	-			-
Intergovernmental Payments	1,765,180.31	1,765,180.31			1,765,180.31
Public Assistance Payments	114,628.04	114,628.04			114,628.04
Other Expenditures	26,510,544.43	26,510,544.43			26,510,544.43
Capital Outlay (Note 2)	1,702,654.18	1,702,654.18	(1,702,654.18)		-
Amortization Expense (Note 2)	-	-	4,162.68		4,162.68
Depreciation Expense (Note 2)	-	-	888,155.71		888,155.71
Pollution Remediation Obligation	-	-	-	(7,113,322.75)	(7,113,322.75)
Total Expenditures/Expenses	\$ 95,264,653.77	\$ 95,264,653.77	\$ (810,335.79)	\$ (6,947,201.49)	\$ 87,507,116.49
Excess (deficiency) of revenues over expenditures	\$ 11,999,335.48	\$ 11,999,335.48	\$ 810,335.79	\$ 6,947,201.49	\$ 19,756,872.76
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	\$ 235,150.68	\$ 235,150.68	\$ (235,150.68)	\$ -	\$ -
Transfers In	27,344,608.58	27,344,608.58	-	-	27,344,608.58
Transfers Out	(29,458,430.68)	(29,458,430.68)	-	-	(29,458,430.68)
Gain (Loss) on Sale of Capital Assets	-	-	179,737.03	-	179,737.03
Total other financing sources and uses	\$ (1,878,671.42)	\$ (1,878,671.42)	\$ (55,413.65)	\$ -	\$ (1,934,085.07)
Net Change in Fund Balances/Net Assets	\$ 10,120,664.06	\$ 10,120,664.06	\$ 754,922.14	\$ 6,947,201.49	\$ 17,822,787.69
Fund Financial Statement - Fund Balances					
Fund Balances - September 1, 2012	22,981,177.75	22,981,177.75			22,981,177.75
Restatements	-	-			-
Fund Balances - September 1, 2012, as Restated	22,981,177.75	22,981,177.75			22,981,177.75
Appropriations Lapsed	(29,366.20)	(29,366.20)	-	-	(29,366.20)
Fund Balances - August 31, 2013	\$ 33,072,475.61	\$ 33,072,475.61	\$ 754,922.14	\$ 6,947,201.49	\$ 40,774,599.24
Government-wide Statement - Net Assets					
Change in Net Assets		\$ 33,072,475.61	\$ 754,922.14	\$ 6,947,201.49	\$ 40,774,599.24
Net Assets - September 1, 2012			3,700,763.53	(18,317,781.28)	(14,617,017.75)
Net Assets - August 31, 2013		\$ 33,072,475.61	\$ 4,455,685.67	\$ (11,370,579.79)	26,157,581.49

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

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Exhibit VI - Combined Statement of Net Assets - Fiduciary Funds

For the Fiscal Year Ended August 31, 2013

	Agency Funds	Totals
ASSETS		
Current		
Cash in the State Treasury	\$ 37,164,823.20	\$ 37,164,823.20
Total Current Assets	<u>37,164,823.20</u>	<u>37,164,823.20</u>
Total Assets	<u>\$ 37,164,823.20</u>	<u>\$ 37,164,823.20</u>
LIABILITIES		
Current		
Accounts Payable	\$ -	\$ -
Funds Held for Others	37,164,823.20	37,164,823.20
Total Current Liabilities	<u>37,164,823.20</u>	<u>37,164,823.20</u>
Total Liabilities	<u>\$ 37,164,823.20</u>	<u>\$ 37,164,823.20</u>
NET ASSETS		
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>

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

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RAILROAD COMMISSION OF TEXAS (455)

Notes to the Financial Statements

RAILROAD COMMISSION OF TEXAS (455)

Notes to the Financial Statements**NOTE 1: Summary of Significant Accounting Policies****Entity**

The Railroad Commission 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*.

The Railroad Commission of Texas was established in 1891 and operates under constitutional and legislative mandates. The operations of the Commission are conducted under the direction of three Commissioners who are elected by popular vote to serve overlapping six-year terms. The Commission is a regulatory agency with enforcement powers in certain areas dealing primarily with energy, pipeline safety, environmental protection, and public safety. In addition to its headquarters located in the William B. Travis State Office Building in Austin, the Commission maintains offices in various cities throughout the State.

The Commission is a component unit of the statewide reporting entity, which will be audited.

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.

There are no component units within the Commission.

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 TypesGeneral Revenue Funds

The General Revenue Fund (Fund 0001) is the principal operating fund used to account for all financial resources of the state except those required to be accounted for in another fund.

Alternative Fuels Research and Education Fund (Fund 0101) – This fund was established by Chapter 113 of the Natural Resources Code to promote the use of liquefied petroleum gas (LP Gas) or other environmentally beneficial alternative fuels. Revenues are obtained from LP Gas delivery fees. On June 14, 2013, the Governor signed House Bill 7, which abolished the Alternative Fuels Research and Education Fund (Fund 0101). The Alternative Fuels Research and Education Program will continue within the Oil and Gas Regulation and Cleanup Fund (Fund 5155).

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Land Reclamation Fund (Fund 0454) – This fund was established by Chapter 131 of the Natural Resources Code for the reclamation of land affected by surface mining operations. Revenues are obtained from a federal grant.

Oil and Gas Regulation and Cleanup Fund (Fund 5155) – This fund was established by Chapter 81 of the Natural Resources Code for any purpose related to the regulation of oil and gas development, including oil and gas monitoring and inspections, oil and gas remediation, oil and gas well plugging, public information and services related to those activities, and administrative costs and state benefits for personnel involved in those activities.

Capital Assets Adjustment Fund Type

The Capital Assets Adjustment Fund (Fund 9998) will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

The Long-Term Liabilities Adjustment Fund (Fund 9997) will be used to convert governmental fund types' debt 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

Texasaver 401(k) Trust (Fund 0942) accounts for tax-deferred portion of salaries of state employees in accordance with the provisions of IRC Section 401(k).

Inactive Well Blanket Trust (Fund 5146) accounts for cash deposits provided by oil & gas operators to comply on an organizational basis with inactive well requirements under Natural Resources Code §89.023(a)(4)(E).

Inactive Well Individual Trust (Fund 5147) accounts for cash deposits provided by oil & gas operators to comply on a per-well basis with inactive well requirements under Natural Resources Code §89.023(a)(4)(E).

Inactive Well Escrow Trust (Fund 5148) accounts for cash deposits provided by oil & gas operators to comply with inactive well requirements under Natural Resources Code §89.023(a)(4)(F).

P5 Cash Option Trust (Fund 5149) accounts for the cash deposits provided by oil and gas operators to meet the statewide financial assurance requirements mandated by Natural Resources Code §91.104.

Basis of Accounting

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

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

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considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build Government-wide Financial Statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, long-term capital leases, long-term claims and judgments and full accrual revenues and expenses. The activity is recognized in these fund types.

Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Assets, Liabilities, and Fund 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.

Inventories and Prepaid Items

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

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if any 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.

Current Receivables-Current

Other receivables include year-end revenue accruals.

LIABILITIES

Accounts Payable

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

Other Payables-Current

Payables are the accrual at year-end of expenditure transactions.

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Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that become "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 noncurrent 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 Obligation

A pollution remediation obligation refers to a government's responsibility to address the current or potential detrimental effects of existing pollution through such activities as environmental assessments or cleanups. The Railroad Commission recognizes this liability when it begins to clean up pollution or conducts related remediation activities to the extent that the government is legally obligated to complete those activities.

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.

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are imposed by law through constitutional provisions or enabling legislation. This represents approved and

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RAILROAD COMMISSION OF TEXAS (455)

authorized orders to expend funds for plugging abandoned wells and cleanup of sites, pursuant to Chapter 89, Texas Natural Resource Code, and for site remediation pursuant to Chapter 91, Texas Natural Resource Code.

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.

Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as "Current". A balance for repayment due in two (or more) years is classified as "Non-Current".

Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

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NOTE 2: Capital Assets

	PRIMARY GOVERNMENT					Balance 08/31/2013
	Balance	Reclassifications		Additions	Deletions	
	09/1/2012	Inc-Int'agy	Dec-Int'agy			
		Trans	Trans			
Depreciable Assets:						
Buildings and Building Improvements	117,266.40					117,266.40
Infrastructure	-					-
Facilities & Other Improvements	-					-
Furniture and Equipment	3,523,468.09				(29,402.55)	3,494,065.54
Vehicle, Boats & Aircraft	5,341,180.47			1,702,654.18	(776,556.31)	6,267,278.34
Other Capital Assets	-					-
Total Depreciable Assets at Historical Cost	8,981,914.96	0.00	0.00	1,702,654.18	(805,958.86)	9,878,610.28
Less Accumulated Depreciation for:						
Buildings and Improvements	(96,628.84)			(5,063.52)	-	(101,692.36)
Infrastructure	-					-
Facilities & Other Improvements	-					-
Furniture and Equipment	(3,027,680.33)			(182,907.46)	29,402.55	(3,181,185.24)
Vehicles, Boats & Aircraft	(2,164,474.19)			(700,184.73)	721,142.66	(2,143,516.26)
Other Capital Assets	-					-
Total Accumulated Depreciation	(5,288,783.36)	0.00	0.00	(888,155.71)	750,545.21	(5,426,393.86)
Depreciable Assets, Net	3,693,131.60	0.00	0.00	814,498.47	(55,413.65)	4,452,216.42
Amortizable Assets – Intangible:						
Land use Rights - Term	-					-
Computer Software - Intangible	617,771.17					617,771.17
Other Intangible Capital Assets - Term	-					-
Total Intangible Assets at Historical Cost	617,771.17	-	-	-	-	617,771.17
Less Accumulated Amortization for:						
Land use Rights - Term	-					-
Computer Software - Intangible	(610,139.24)			(4,162.68)		(614,301.92)
Other Intangible Capital Assets - Term	-					-
Total Accumulated Amortization	(610,139.24)	-	-	(4,162.68)	-	(614,301.92)
Amortizable Assets – Net	7,631.93	-	-	(4,162.68)	-	3,469.25
Governmental Activities Capital Assets, Net	3,700,763.53	0.00	-	810,335.79	(55,413.65)	4,455,685.67

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NOTE 3: Deposits, Investments and Repurchase Agreements

Not applicable.

NOTE 4: Short-Term Debt

Not applicable.

NOTE 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2013, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/2012	Additions	Deductions	Balance 08/31/2013	Amounts Due Within One Year
Employees' Compensable Leave	\$4,016,708.25	\$3,482,394.02	\$3,316,272.76	\$4,182,829.51	\$2,486,001.24
Pollution Remediation Obligation	14,301,073.03	27,704,885.27	34,818,208.02	7,187,750.28	7,187,750.28
Claims and Judgments	0.00	6,108.79	6,108.79	0.00	0.00
Total Governmental Activities	\$18,317,781.28	\$31,193,388.08	\$38,140,589.57	\$11,370,579.79	\$9,673,751.52

Claims & Judgments

The Attorney General's Claims Section assisted in settling two claims on the Commission's behalf during FY 2013, without resort to litigation, arising from two motor vehicle accidents involving Commission employees acting within the course and scope of employment. The first claim was for property damages only. The accident occurred on December 17, 2012, in Amarillo, Potter County, Texas. The claim was settled in full by a warrant issued February 6, 2013, payable to Dorothy L. Hawkins, in the amount of \$1,077.09. The second claim stemmed from an accident that occurred on February 5, 2013, in Nacogdoches County, Texas. The damage property claim was settled by a warrant issued May 16, 2013, payable to Joseph Broussard, in the amount of \$5,031.70. The personal injury claim by Mr. Broussard is pending.

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 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

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

Pollution Remediation Obligation

Under Texas Natural Resource Code §89.043, the Railroad Commission of Texas may plug abandoned wells if the wells will cause or are likely to cause a serious threat of pollution or injury to the public health. The Commission has 27 active well plugging projects as of August 31, 2013, with an estimated cost of \$5,848,559.63. Under Texas Natural Resource Code §91.113, the Commission may clean up abandoned oil and gas sites that are causing or are likely to cause the pollution of surface or subsurface water. The Commission has 10 active site remediation projects as of August 31, 2013, with an estimated cost of \$803,892.65. Funding for these programs come from regulatory and permit fees paid by the Oil and Gas industry.

Under the Texas Surface Coal Mining and Reclamation Act, the Railroad Commission administers funds from the U.S. Department of the Interior for the Abandoned Mine Land Reclamation Program. The Commission has one revegetation and erosion control project as of August 31, 2013, with an estimated cost of \$535,298.00.

The Railroad Commission of Texas recognizes a pollution remediation obligation when it commences, or legally obligates itself to commence, cleanup activities. An abandoned site becomes a candidate for state cleanup when the responsible party fails or refuses to take action, or is unknown, deceased, or bankrupt. Cleanup prioritization is based on public health, safety, and the protection of the environment.

The Commission enters into contracts with third parties for abandoned site remediation and abandoned well plugging. These contracts are used to estimate the amount of the plugging and pollution remediation obligation. Cost recoveries from the responsible parties are deposited into the Oil and Gas Regulation and Cleanup fund. These reimbursements are unanticipated and not budgeted.

NOTE 6: Bonded Indebtedness

Not applicable.

NOTE 7: Derivative Instruments

The Commission currently does not have any derivative contracts.

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NOTE 8: Leases

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

Fund Type	
General Funds	81,592.12
General Revenue Dedicated – Fund 0101	4,048.30
General Revenue Dedicated – Fund 5155	471,015.72
Federal Funds	26,327.91
Totals – Memorandum Only	\$ 582,984.05

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

Year Ended August 31	
2014	441,211.09
2015	398,413.54
2016	392,826.17
2017	390,933.85
2018	154,739.57
2019-2023	51,633.34
Total Minimum Future Lease Rental Payments	\$ 1,829,757.56

NOTE 9: Pension Plans and Optional Retirement Program

Not applicable.

NOTE 10: Deferred Compensation

Not applicable.

NOTE 11: Post-Employment Health Care and Life Insurance Benefits

Not applicable.

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NOTE 12: Interfund Balances/Activities

Interfund Receivables and Payables - Current			
Current Portion	Interfund Receivable	Interfund Payable	Purpose
Appd Fund 0001		1,744,019.75	Reclassify Expenditures
Appd Fund 5155		(1,744,019.75)	Reclassify Expenditures
Total Current Interfund Receivable / Payable		\$0.00	

NOTE 13: Continuance Subject to Review

Under the Texas Sunset Act, the Railroad Commission of Texas will be abolished effective September 1, 2017, unless continued in existence by the 85th Legislature as provided by the Act. If abolished, the Railroad Commission of Texas may continue until September 1, 2018 to close out operations.

NOTE 14: Adjustments to Fund Balances/ Net Assets

Not applicable.

NOTE 15: Contingent Liabilities

The Railroad Commission of Texas is a party to numerous lawsuits in the ordinary course of its business of regulating various segments of the energy industry. Some of these are enforcement actions that have been initiated by the Commission to collect penalties for violations of the Commission's rules. Other cases are appeals of administrative orders issued by the Commission and represent little or no potential for monetary recovery against the Commission.

None of the three pending cases listed below is likely to result in a recovery against the Commission.

(1) *Osmond Onwuzu v. Texas Railroad Commission*, Cause No. 03-2480-B, in the 114th Judicial District Court of Smith County, Texas, was filed on September 16, 2003, seeking unspecified damages for the alleged wrongful termination of plaintiff.

(2) *Rev. David Hudson, individually and on behalf of those similarly situated v. The State of Texas through the Texas Railroad Commission, et al.*, Cause No. 2:06-CV-246, in the United States District Court for the Eastern District of Texas, was filed on June 19, 2006, seeking compensatory damages, punitive damages, attorney's fees, and costs all in unspecified amounts together with a declaratory judgment that the Commission failed to properly enforce its

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environmental regulations allegedly resulting in contamination of water wells in Panola County, Texas. The Commissioners, individually, were added as defendants by an amended pleading. The Court signed an order on August 13, 2007, dismissing plaintiff's suit against the State of Texas through the Texas Railroad Commission on Eleventh Amendment grounds. The Attorney General filed a Motion to Dismiss the Plaintiff's "takings" claim and to dismiss the Commissioners individually. On January 12, 2010, the Court dismissed the Plaintiff's "takings" claim and closed the case administratively. The Attorney General does not anticipate further action in this case, but is continuing to monitor it.

(3) *Frederick Wright v. Railroad Commission of Texas*, Cause No. 201347739, pending in the 11th Judicial District Court of Harris County, Texas, was filed on August 14, 2013, seeking unspecified damages for the alleged wrongful termination of plaintiff.

The case listed below does have the potential for a monetary recovery against the Commission.

(4) *Gulf Energy Exploration Corp. v. Railroad Commission of Texas, Superior Energy Services, L.L.C., and Fugro Chance, Inc.*, No. 13-12-00252-CV, pending in the 13th Court of Appeals in Corpus Christi, Texas. This is a suit alleging that Superior, a contractor performing plugging operations for the Commission, allegedly plugged the wrong well on public lands in the Gulf of Mexico. The Texas Legislature, in Senate Concurrent Resolution No. 72, authorized Gulf Energy to sue the Commission for no more than \$2,500,000.00. The Attorney General filed an interlocutory appeal in the 13th Court of Appeals on the trial court's denial of the Commission's Plea to the Jurisdiction. On August 5, 2010, the 13th Court issued its opinion excluding the fraud and negligent misrepresentation claims and allowing the suit to proceed only on the grounds of breach of contract and simple negligence. The case was tried to a jury in Port Lavaca in January 2012. The jury rendered a verdict against the Commission. The Court entered a Judgment against the Commission for \$2,500,000.00 on March 19, 2012. The Attorney General has now appealed that Judgment to the 13th Court of Appeals in Corpus Christi where the case was argued on May 1, 2013. No opinion has been issued.

NOTE 16: Subsequent Events

There are no subsequent events to report for the Railroad Commission of Texas.

NOTE 17: Risk Management

The Railroad Commission, in performing its regulatory responsibilities, is exposed to property and casualty loss and worker's compensation claims. The Commission retains the risk to cover losses to which it may be exposed.

The Railroad Commission assumes substantially all risks with tort claims and liability claims due to the performance of its duties. Currently, there is no purchase of commercial insurance. The Commission also participates in the State Office of Risk Management's (SORM) Risk Management and Worker's Compensation Coverage Program.

The Railroad Commission'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 include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There

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were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years.

Changes in the balances of the Commission's claims liabilities during fiscal years 2012 and 2013 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2012	\$0.00	\$786.24	\$786.24	\$0.00
2013	\$0.00	\$6,108.79	\$6,108.79	\$0.00

NOTE 18: Management's Discussion and Analysis

Not applicable.

NOTE 19: The Financial Reporting Entity

Not applicable.

NOTE 20: Stewardship, Compliance and Accountability

As of November 20, 2013, management is unaware of any material violations of finance related legal and contract provisions.

With regard to compliance and accountability, there are:

1. no deficit fund balances or retained earnings in individual funds,
2. no expenditures exceeding appropriations in individual funds,
3. no changes in accounting principles, and
4. no changes in fund types.

NOTE 22: Donor Restricted Endowments

Not applicable.

NOTE 23: Extraordinary and Special Items

Not applicable.

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NOTE 24: Disaggregation of Receivable and Payable Balances

Federal Receivable

Federal Receivable Program	Net Federal Receivable
Environmental/Safety Programs	\$ 256,386.47
Total Net Federal Receivable	\$ 256,386.47
<u>As Reported on the financial statements</u>	
Current Federal Receivable	\$ 256,386.47
Non-current Federal Receivable	0.00
Total Net Federal Receivable	\$ 256,386.47

NOTE 25: Termination Benefits

Not applicable.

NOTE 26: Segment Information

Not applicable.

NOTE 27: Service Concession Arrangements

Not applicable.

NOTE 28: Troubled Debt Restructuring

Not applicable.

NOTE 29: Deferred Outflows and Deferred Inflows of Resources

Not applicable.

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Combining Statement – Exhibits

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Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2013

	General Revenue	Consolidated Accounts				Total
	General Revenue Fund (0001) U/F (0001)	Alternative Fuels Research and Education Fund (0101) U/F (0101)	Oil and Gas Regulation and Cleanup Fund (5155) U/F (5155)	Land Reclamation Fund (0454) U/F (0454)	Federal Fund (5041) U/F (5041)	
ASSETS						
Current Assets:						
Cash and Cash Equivalents:						
Cash on Hand	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	5,755,167.66	29,173,725.18	246,544.23	2,306,846.22	\$ 37,482,283.29
Legislative Appropriations	6,744,999.80	-	-	-	-	\$ 6,744,999.80
Federal Receivable	-	-	-	-	256,386.47	\$ 256,386.47
Due from Other Agencies	-	-	-	-	-	\$ -
Consumable Inventories	27,624.70	-	-	-	-	\$ 27,624.70
Prepaid Items	1,993,904.00	-	-	-	-	\$ 1,993,904.00
Total Current Assets	\$ 8,766,528.50	\$ 5,755,167.66	\$ 29,173,725.18	\$ 246,544.23	\$ 2,563,232.69	\$ 46,505,198.26
Total Assets	\$ 8,766,528.50	\$ 5,755,167.66	\$ 29,173,725.18	\$ 246,544.23	\$ 2,563,232.69	\$ 46,505,198.26
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Payables from:						
Accounts Payable	\$ 2,412,758.89	\$ 32,137.60	\$ 2,280,291.86	\$ -	\$ 53,287.51	\$ 4,778,475.86
Payroll Payable	1,448,679.21	55,208.31	2,349,841.87	-	292,724.04	\$ 4,146,453.43
Interfund Payable	1,744,019.75	-	(1,744,019.75)	-	-	\$ -
Due to Other Agencies	40,635.00	2,983,298.94	-	-	-	\$ 3,023,933.94
Deferred Revenue (Fed Sch 1A - Note 7)	-	-	-	-	1,483,859.42	\$ 1,483,859.42
Total Current Liabilities	\$ 5,646,092.85	\$ 3,070,644.85	\$ 2,886,113.98	\$ -	\$ 1,829,870.97	\$ 13,432,722.65
Total Liabilities	\$ 5,646,092.85	\$ 3,070,644.85	\$ 2,886,113.98	\$ -	\$ 1,829,870.97	\$ 13,432,722.65
Fund Balances (Deficits):						
Nonspendable	2,021,528.70	-	-	-	-	2,021,528.70
Restricted	-	-	-	246,544.23	733,361.72	979,905.95
Committed	-	2,684,522.81	26,287,611.20	-	-	28,972,134.01
Assigned	-	-	-	-	-	-
Unassigned	1,098,906.95	-	-	-	-	1,098,906.95
Total Fund Balances	\$ 3,120,435.65	\$ 2,684,522.81	\$ 26,287,611.20	\$ 246,544.23	\$ 733,361.72	\$ 33,072,475.61
Total Liabilities and Fund Balances	\$ 8,766,528.50	\$ 5,755,167.66	\$ 29,173,725.18	\$ 246,544.23	\$ 2,563,232.69	\$ 46,505,198.26

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

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RAILROAD COMMISSION OF TEXAS (455)

Exhibit A-2 - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2013

	General Revenue	Consolidated Accounts			Consolidated Accounts			Total
	General Revenue Fund (0001) U/F (0001)	Alternative Fuels Research and Education Fund (0101) U/F (0101)	Oil Field Cleanup Fund (0145) U/F (0145)	Oil and Gas Regulation and Cleanup Fund (5155) U/F (5155)	Land Reclamation Fund (0454) U/F (0454)	Federal Fund (5041) U/F (5041)	Unappropriated General Revenue EFF (1000) U/F (1000)	
REVENUES								
Legislative Appropriations:								
Original Appropriations	\$ 14,953,070.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,953,070.00
Additional Appropriations	4,976,211.21	-	-	-	-	-	-	4,976,211.21
Federal Revenue (Fed Sch 1A)	-	-	-	-	-	7,904,078.56	1,313,188.12	9,217,266.68
Federal Pass Through Revenue (Fed Sch 1A)	-	-	-	5,327,362.53	-	70,465.96	-	5,397,828.49
State Grant Pass Through Revenue (Fed Sch 1B)	-	1,753,818.86	-	-	-	-	-	1,753,818.86
Licenses, Fees and Permits	2,925,327.48	1,803,173.90	-	64,599,830.77	-	-	-	69,328,332.15
Interest and Investment Income	-	13,454.92	0.47	292,163.37	-	1,781.92	-	307,400.68
Sales of Goods and Services	35,116.59	-	-	1,144,983.67	-	-	-	1,180,100.26
Other	49,783.13	99,677.79	-	500.00	-	-	-	149,960.92
Total Revenues	\$ 22,939,508.41	\$ 3,670,125.47	\$ 0.47	\$ 71,364,840.34	\$ -	\$ 7,976,326.44	\$ 1,313,188.12	\$ 107,263,989.25
EXPENDITURES								
Salaries and Wages	12,942,660.67	414,171.21	-	21,052,095.69	-	3,475,385.87	-	37,884,313.44
Payroll Related Costs	3,205,913.86	157,876.35	-	7,367,531.49	-	1,140,415.54	-	11,871,737.24
Professional Fees and Services	1,281,806.52	13,984.37	-	3,933,988.21	-	3,989,017.61	-	9,218,796.71
Travel	140,523.57	32,702.65	(181.90)	94,733.29	-	218,161.70	-	485,939.31
Materials and Supplies	1,020,799.63	29,289.63	-	1,604,981.33	-	197,422.29	-	2,852,472.88
Communication and Utilities	167,533.49	10,870.94	-	447,389.90	-	37,075.59	-	662,869.92
Repairs and Maintenance	360,548.76	4,751.15	-	238,226.01	-	18,905.67	-	622,431.59
Rentals and Leases	127,250.91	10,642.03	-	616,870.26	-	36,377.94	-	791,141.14
Printing and Reproduction	543,533.62	7,793.99	-	208,344.39	-	16,163.79	-	775,835.79
Claims and Judgements	5,031.70	-	-	1,077.09	-	-	-	6,108.79
Federal Pass Through Expenditures	-	-	-	-	-	-	-	-
Intergovernmental Payments	-	347,626.99	-	-	-	1,417,553.32	-	1,765,180.31
Public Assistance Payments	-	15,777.76	-	-	-	98,850.28	-	114,628.04
Other Expenditures	1,387,324.89	748,814.14	-	24,260,559.41	-	113,845.99	-	26,510,544.43
Capital Outlay	1,207,875.80	58,782.00	-	381,026.00	-	54,970.38	-	1,702,654.18
Total Expenditures/Expenses	\$ 22,390,803.42	\$ 1,853,063.21	\$ (181.90)	\$ 60,206,823.07	\$ -	\$ 10,814,145.97	\$ -	\$ 95,264,653.77
Excess(deficiency) of revenues over expenditures	\$ 548,704.99	\$ 1,817,062.26	\$ 182.37	\$ 11,158,017.27	\$ -	\$ (2,837,819.53)	\$ 1,313,188.12	\$ 11,999,335.48
OTHER FINANCING SOURCES (USES)								
Sale of Capital Assets	235,150.68	-	-	-	-	-	-	235,150.68
Transfers In	221.24	-	-	27,344,387.34	-	-	-	27,344,608.58
Transfers Out	(477,584.25)	-	(182.37)	(27,344,204.97)	-	(58,935.17)	(1,577,523.92)	(29,458,430.68)
Total other financing sources and uses	\$ (242,212.33)	\$ -	\$ (182.37)	\$ 182.37	\$ -	\$ (58,935.17)	\$ (1,577,523.92)	\$ (1,878,671.42)
Net Change in Fund Balances	306,492.66	1,817,062.26	-	11,158,199.64	-	(2,896,754.70)	(264,335.80)	10,120,664.06
Fund Financial Statement - Fund Balances								
Fund Balances, September 1, 2012	2,843,309.19	867,460.55	-	15,129,411.56	246,544.23	3,630,116.42	264,335.80	22,981,177.75
Restatements	-	-	-	-	-	-	-	-
Fund Balances, September 1, 2012, as Restated	\$ 2,843,309.19	\$ 867,460.55	\$ -	\$ 15,129,411.56	\$ 246,544.23	\$ 3,630,116.42	\$ 264,335.80	\$ 22,981,177.75
Appropriations Lapsed	(29,366.20)	-	-	-	-	-	-	(29,366.20)
Fund Balances - August 31, 2013	\$ 3,120,435.85	\$ 2,684,522.81	\$ -	\$ 26,287,611.20	\$ 246,544.23	\$ 733,361.72	\$ 0.00	\$ 33,072,475.61

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

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Exhibit J-1 Combining Statement of Changes in Assets and Liabilities - Agency Funds

For the Fiscal Year Ended August 31, 2013

	Beginning Balance September 1, 2012	Additions	Deductions	Ending Balance August 31, 2013
Trust Accounts: Fund 5146, 5147, 5148, 5149				
ASSETS				
Current				
Cash in the State Treasury	\$ 29,250,818.24	\$ 41,793,640.75	\$ 33,910,403.63	\$ 37,134,055.36
Total Assets	<u>\$ 29,250,818.24</u>	<u>\$ 41,793,640.75</u>	<u>\$ 33,910,403.63</u>	<u>\$ 37,134,055.36</u>
LIABILITIES				
Current				
Accounts Payable	\$ -	\$ 2,317,742.95	\$ 2,317,742.95	\$ -
Funds Held for Others	\$ 29,250,818.24	\$ 12,638,425.77	\$ 4,755,188.65	\$ 37,134,055.36
Total Liabilities	<u>\$ 29,250,818.24</u>	<u>\$ 14,956,168.72</u>	<u>\$ 7,072,931.60</u>	<u>\$ 37,134,055.36</u>

Child Support Employee Deducts (0807)

ASSETS				
Current				
Cash in the State Treasury	\$ 8,688.88	\$ 111,747.44	\$ 112,016.28	\$ 8,420.04
Total Assets	<u>\$ 8,688.88</u>	<u>\$ 111,747.44</u>	<u>\$ 112,016.28</u>	<u>\$ 8,420.04</u>
LIABILITIES				
Current				
Accounts Payable	\$ -	\$ 103,327.40	\$ 103,327.40	\$ -
Funds Held for Others	\$ 8,688.88	\$ 111,747.44	\$ 112,016.28	\$ 8,420.04
Total Liabilities	<u>\$ 8,688.88</u>	<u>\$ 215,074.84</u>	<u>\$ 215,343.68</u>	<u>\$ 8,420.04</u>

Suspense Fund (0900) U/F (0900)

ASSETS				
Current				
Cash in the State Treasury	\$ 57,725.60	\$ 7,855,374.79	\$ 7,890,752.59	\$ 22,347.80
Total Assets	<u>\$ 57,725.60</u>	<u>\$ 7,855,374.79</u>	<u>\$ 7,890,752.59</u>	<u>\$ 22,347.80</u>
LIABILITIES				
Current				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	\$ 57,725.60	\$ 7,855,374.79	\$ 7,890,752.59	\$ 22,347.80
Total Liabilities	<u>\$ 57,725.60</u>	<u>\$ 7,855,374.79</u>	<u>\$ 7,890,752.59</u>	<u>\$ 22,347.80</u>

TOTAL- ALL AGENCY FUNDS

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
ASSETS				
Current				
Cash in State Treasury	\$ 29,317,232.72	\$ 49,760,762.98	\$ 41,913,172.50	\$ 37,164,823.20
Total Assets	<u>\$ 29,317,232.72</u>	<u>\$ 49,760,762.98</u>	<u>\$ 41,913,172.50</u>	<u>\$ 37,164,823.20</u>
LIABILITIES				
Current				
Accounts Payable	\$ -	\$ 2,421,070.35	\$ 2,421,070.35	\$ -
Funds Held for Others	\$ 29,317,232.72	\$ 20,605,548.00	\$ 12,757,957.52	\$ 37,164,823.20
Total Liabilities	<u>\$ 29,317,232.72</u>	<u>\$ 23,026,618.35</u>	<u>\$ 15,179,027.87</u>	<u>\$ 37,164,823.20</u>

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

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RAILROAD COMMISSION OF TEXAS (455)

Schedules

Agency 455 - Railroad Commission of Texas
 Schedule 1A
 For the Fiscal Year Ended August 31, 2013

Certified

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Pass-through From			Direct Program Amount	Total PT From and Direct Prog. Amount	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
			Agy/ Univ No	Agencies or Universities Amount	Non- State Entities Amount			Agy/ Univ No.	Agencies or Universities Amount		
U.S. Department of the Interior											
<u>Direct Programs:</u>											
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250				1,635,427.04	1,635,427.04			1,635,427.04	1,635,427.04	
Abandoned Mine Land Reclamation (AMLR) Program	15.252				4,427,552.25	4,427,552.25			4,427,552.25	4,427,552.25	
Science and Technology Projects Related to Coal Mining and Reclamation	15.255				59,150.89	59,150.89			59,150.89	59,150.89	
<u>Pass-Through From:</u>											
Coastal Impact Assistance Program	15.668					5,327,362.53			5,327,362.53	5,327,362.53	
<u>Pass-Through From:</u>											
General Land Office			305	5,327,362.53							
Totals - U.S. Department of the Interior				5,327,362.53	0.00	6,122,130.18	11,449,492.71	0.00	0.00	11,449,492.71	11,449,492.71
U.S. Department of Transportation											
<u>Direct Programs:</u>											
Pipeline Safety Program State Base Grant	20.700				432,500.62	432,500.62			432,500.62	432,500.62	
PHMSA Pipeline Safety Program One Call Grant	20.721				83,638.64	83,638.64			83,638.64	83,638.64	
Totals - U.S. Department of Transportation				0.00	0.00	516,139.26	516,139.26	0.00	0.00	516,139.26	516,139.26
Environmental Protection Agency											
State Underground Water Source Protection	66.433				639,625.95	639,625.95			639,625.95	639,625.95	
State and Tribal Response Program Grants	66.817				170,032.16	170,032.16			170,032.16	170,032.16	
Totals - Environmental Protection Agency				0.00	0.00	809,658.11	809,658.11	0.00	0.00	809,658.11	809,658.11
U.S. Department of Energy											
ARRA - Conservation Research and Development	81.086				1,769,339.13	1,769,339.13		1,468,629.88	300,709.25	1,769,339.13	
<u>Pass-Through From:</u>											
	81.122					70,465.96			70,465.96	70,465.96	

ARRA - Electricity Delivery and Energy Reliability,
Research, Development and Analysis

Pass-Through From:

Comptroller - State Energy Conservation Office

907 70,465.96

Totals - U.S. Department of Energy

70,465.96 0.00 1,769,339.13 1,839,805.09 0.00 1,468,629.88 371,175.21 1,839,805.09

Total Expenditures of Federal Awards

5,397,828.49 0.00 9,217,266.68 14,615,095.17 0.00 1,468,629.88 13,146,465.29 14,615,095.17

RAILROAD COMMISSION OF TEXAS (455)

SCHEDULE 1A

Schedule of Expenditures of Federal Awards — Notes

For the Fiscal Year Ended August 31, 2013

Note 2 - Reconciliation

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of **federal revenues** and **federal grant** pass-through revenues as reported in the general-purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Federal Revenues:

Per Combined Governmental Operating Statement/Statement of Activities

Governmental Funds - Federal Revenue (Exhibit II)	\$ 9,217,266.68
Governmental Funds - Federal Pass-Through Revenues (Exhibit II)	<u>5,397,828.49</u>
Total Pass Through and Expenditures per Federal Schedule	<u><u>\$ 14,615,095.17</u></u>

Note 7 - Federal Deferred Revenue

CFDA	Balance	Net Change	Balance
	September 1, 2012		August 31, 2013
20.700 Pipeline Safety (Suspension)	\$ 158,427.04	\$ 1,325,432.58	\$ 1,483,859.62
20.721 Pipeline Safety (One Call)	42,854.64	(42,854.64)	-
Total	<u>\$ 201,281.68</u>	<u>\$ 1,282,577.94</u>	<u>\$ 1,483,859.62</u>

The deferred revenue of \$1,483,859.62 consists of federal grant advances that have not been earned.

RAILROAD COMMISSION OF TEXAS (455)

SCHEDULE 1B

Schedule of State Grant Pass Throughs From/To State Agencies

For the Fiscal Year Ended August 31, 2013

Pass Through From:

Texas Commission on Environmental Quality (Agency 582)	<u>\$ 1,753,818.86</u>
Total Pass-Through From Other Agencies (Exhibit II)	<u>\$ 1,753,818.86</u>



