



ANNUAL
FINANCIAL
REPORT

FOR THE FISCAL YEAR 2012



DAVID PORTER
COMMISSIONER

BARRY T. SMITHERMAN
CHAIRMAN

BUDDY GARCIA
COMMISSIONER

ANNUAL FINANCIAL REPORT

UNAUDITED

RAILROAD COMMISSION OF TEXAS
Austin, Texas

Year Ended August 31, 2012



RAILROAD COMMISSION OF TEXAS

BARRY T. SMITHERMAN, CHAIRMAN
DAVID PORTER, COMMISSIONER
BUDDY GARCIA, COMMISSIONER

November 20, 2012

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

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Railroad Commission of Texas for the year ended August 31, 2012, 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 David Pollard at (512) 463-5011. Mr. Pollard may also be contacted for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely

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

Barry T. Smitherman, Chairman

David Porter, Commissioner

A handwritten signature in black ink, appearing to read "Buddy Garcia".

Buddy Garcia, 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
 August 31, 2012

	<u>Governmental Fund Types</u>	
	General Funds	Governmental Funds Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand	\$ 1,000.00	\$ 1,000.00
Cash in State Treasury	25,839,894.42	25,839,894.42
Legislative Appropriations	4,306,177.10	4,306,177.10
Federal Receivable	2,132,637.82	2,132,637.82
Due from Other Agencies	921,072.30	921,072.30
Consumable Inventories	35,617.00	35,617.00
Total Current Assets	<u>\$ 33,236,398.64</u>	<u>\$ 33,236,398.64</u>
Non-Current Assets:		
Capital Assets (Note 2):		
Non-Depreciable:		
Other Capital Assets	-	-
Depreciable:		
Buildings and Building Improvements	-	-
Less Accumulated Depreciation	-	-
Furniture and Equipment	-	-
Less Accumulated Depreciation	-	-
Vehicles, Boats, and Aircraft	-	-
Less Accumulated Depreciation	-	-
Amortizable:		
Computer Software	-	-
Less Accumulated Amortization	-	-
Total Non-Current Assets	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 33,236,398.64</u>	<u>\$ 33,236,398.64</u>
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Payables from:		
Accounts Payable	\$ 3,178,756.26	\$ 3,178,756.26
Payroll Payable	3,849,044.35	3,849,044.35
Due to Other Agencies	3,026,138.60	3,026,138.60
Deferred Revenue (Fed Sch 1A - Note 7)	201,281.68	201,281.68
Employees' Compensable Leave (Note 5)	-	-
Pollution Remediation Obligation (Note 5)	-	-
Total Current Liabilities	<u>\$ 10,255,220.89</u>	<u>\$ 10,255,220.89</u>
Non-Current Liabilities:		
Employees' Compensable Leave (Note 5)	-	-
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 10,255,220.89</u>	<u>\$ 10,255,220.89</u>

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Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
		\$ 1,000.00
		25,839,894.42
		4,306,177.10
		2,132,637.82
		921,072.30
		35,617.00
\$ -	\$ -	\$ 33,236,398.64

\$ -	-	\$ -
117,266.40	-	117,266.40
(96,628.84)	-	(96,628.84)
3,523,468.09	-	3,523,468.09
(3,027,680.33)	-	(3,027,680.33)
5,341,180.47	-	5,341,180.47
(2,164,474.19)	-	(2,164,474.19)
617,771.17	-	617,771.17
(610,139.24)	-	(610,139.24)
3,700,763.53	-	3,700,763.53
\$ 3,700,763.53	\$ -	\$ 36,937,162.17

	\$ -	\$ 3,178,756.26
	-	3,849,044.35
	-	3,026,138.60
	-	201,281.68
	2,319,062.56	2,319,062.56
	14,301,073.03	14,301,073.03
\$ -	\$ 16,620,135.59	\$ 26,875,356.48

	1,697,645.69	1,697,645.69
\$ -	\$ 1,697,645.69	\$ 1,697,645.69
\$ -	\$ 18,317,781.28	\$ 28,573,002.17

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RAILROAD COMMISSION OF TEXAS (455)

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

August 31, 2012

	Governmental Fund Types	
	General Funds	Governmental Funds Total
Fund Financial Statement - Fund		
Fund Balances (Deficits):		
Nonspendable	\$ 35,617.00	35,617.00
Restricted	3,876,660.65	3,876,660.65
Committed	15,996,872.11	15,996,872.11
Assigned	-	-
Unassigned	3,072,027.99	3,072,027.99
Total Fund Balances	\$ 22,981,177.75	\$ 22,981,177.75
Total Liabilities and Fund Balances	\$ 33,236,398.64	\$ 33,236,398.64

Government-wide Statement - Net Assets

Net Assets:

 Invested in Capital Assets,

 Net of Related Debt

 Restricted for:

 Employee Benefits

 Pollution Remediation Obligation

 Claims and Judgments

Total Net Assets

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

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Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
		35,617.00
		3,876,660.65
		15,996,872.11
		-
		<u>3,072,027.99</u>
		<u>\$ 22,981,177.75</u>
\$ 3,700,763.53		\$ 3,700,763.53
	(4,016,708.25)	(4,016,708.25)
	(14,301,073.03)	(14,301,073.03)
	-	-
<u>\$ 3,700,763.53</u>	<u>\$ (18,317,781.28)</u>	<u>\$ 8,364,160.00</u>

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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, 2012

	General Fund	Governmental Funds Total
REVENUES		
Legislative Appropriations:		
Original Appropriations	\$ 13,732,453.90	\$ 13,732,453.90
Additional Appropriations	2,641,878.36	2,641,878.36
Federal Revenue (Fed Sch 1A)	15,613,566.14	15,613,566.14
Federal Pass Through Revenue (Fed Sch 1A)	6,511,979.92	6,511,979.92
State Grant Pass Through Revenue (Fed Sch 1B)	1,137,903.70	1,137,903.70
Licenses, Fees and Permits	44,069,490.39	44,069,490.39
Interest and Investment Income	207,510.24	207,510.24
Sales of Goods and Services	851,369.18	851,369.18
Other	587,087.72	587,087.72
Total Revenues	\$ 85,353,239.55	\$ 85,353,239.55
EXPENDITURES		
Salaries and Wages	34,833,967.54	34,833,967.54
Payroll Related Costs	10,178,784.21	10,178,784.21
Professional Fees and Services	4,648,273.47	4,648,273.47
Travel	384,489.41	384,489.41
Materials and Supplies	2,367,142.74	2,367,142.74
Communication and Utilities	478,138.60	478,138.60
Repairs and Maintenance	467,007.79	467,007.79
Rentals and Leases	809,837.43	809,837.43
Printing and Reproduction	545,085.09	545,085.09
Claims and Judgements	786.24	786.24
Federal Pass Through Expenditures	259,000.00	259,000.00
Intergovernmental Payments	8,803,510.76	8,803,510.76
Public Assistance Payments	458,328.62	458,328.62
Other Expenditures	22,305,320.53	22,305,320.53
Capital Outlay (Note 2)	2,385,808.28	2,385,808.28
Amortization Expense (Note 2)		
Depreciation Expense (Note 2)		-
Pollution Remediation Obligation	-	-
Total Expenditures/Expenses	\$ 88,925,480.71	\$ 88,925,480.71
Excess (deficiency) of revenues over expenditures	\$ (3,572,241.16)	\$ (3,572,241.16)

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Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
		\$ 13,732,453.90
		2,641,878.36
		15,613,566.14
		6,511,979.92
		1,137,903.70
		44,069,490.39
		207,510.24
		851,369.18
		587,087.72
\$ -	\$ -	\$ 85,353,239.55
	415,799.88	35,249,767.42
		10,178,784.21
		4,648,273.47
		384,489.41
		2,367,142.74
		478,138.60
		467,007.79
		809,837.43
		545,085.09
		786.24
		259,000.00
		8,803,510.76
		458,328.62
		22,305,320.53
(2,385,808.28)		-
8,362.68		8,362.68
810,505.34		810,505.34
-	8,016,550.56	8,016,550.56
\$ (1,566,940.26)	\$ 8,432,350.44	\$ 95,790,890.89
\$ 1,566,940.26	\$ (8,432,350.44)	\$ (10,437,651.34)

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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 - *continued*

For the Fiscal Year Ended August 31, 2012

	General Fund	Governmental Funds Total
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	\$ 441,240.67	\$ 441,240.67
Transfers In	132,380,242.71	132,380,242.71
Transfers Out	(134,374,985.54)	(134,374,985.54)
Gain (Loss) on Sale of Capital Assets	-	-
Total other financing sources and uses	\$ (1,553,502.16)	\$ (1,553,502.16)
 Net Change in Fund Balances/Net Assets	 \$ (5,125,743.32)	 \$ (5,125,743.32)
 Fund Financial Statement - Fund Balances		
Fund Balances - September 1, 2011	28,062,414.38	28,062,414.38
Restatements	1,127,432.98	1,127,432.98
Fund Balances - September 1, 2011, as Restated	29,189,847.36	29,189,847.36
 Appropriations Lapsed	(1,082,926.29)	(1,082,926.29)
Fund Balances - August 31, 2012	\$ 22,981,177.75	\$ 22,981,177.75
 Government-wide Statement - Net Assets		
 Change in Net Assets		 \$ 22,981,177.75
Net Assets - September 1, 2011		
Net Assets - August 31, 2012		\$ 22,981,177.75

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

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Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
\$ (441,240.67)	\$ -	\$ -
15,900.87	-	132,396,143.58
-	-	(134,374,985.54)
343,728.09	-	343,728.09
<u>\$ (81,611.71)</u>	<u>\$ -</u>	<u>\$ (1,635,113.87)</u>
<u>\$ 1,485,328.55</u>	<u>\$ (8,432,350.44)</u>	<u>\$ (12,072,765.21)</u>
		28,062,414.38
		1,127,432.98
		<u>29,189,847.36</u>
		(1,082,926.29)
<u>\$ 1,485,328.55</u>	<u>\$ (8,432,350.44)</u>	<u>\$ 16,034,155.86</u>
<u>\$ 1,485,328.55</u>	<u>\$ (8,432,350.44)</u>	<u>\$ 16,034,155.86</u>
<u>2,215,434.98</u>	<u>(9,885,430.84)</u>	<u>(7,669,995.86)</u>
<u>\$ 3,700,763.53</u>	<u>\$ (18,317,781.28)</u>	<u>8,364,160.00</u>

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RAILROAD COMMISSION OF TEXAS (455)
 Exhibit VI - Combined Statement of Net Assets - Fiduciary Funds
 For the Fiscal Year Ended August 31, 2012

	Agency Funds	Totals
ASSETS		
Current		
Cash in the State Treasury	\$ 29,317,232.72	\$ 29,317,232.72
Total Current Assets	29,317,232.72	29,317,232.72
Total Assets	\$ 29,317,232.72	\$ 29,317,232.72
LIABILITIES		
Current		
Accounts Payable	\$ -	\$ -
Funds Held for Others	29,317,232.72	29,317,232.72
Total Current Liabilities	29,317,232.72	29,317,232.72
Total Liabilities	\$ 29,317,232.72	\$ 29,317,232.72
NET ASSETS		
Total Net Assets	\$ -	\$ -

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 Types**General 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.

Oil-Field Cleanup Fund (Fund 0145) – This fund was established by Chapter 91 of the Natural Resources Code to cleanup and prevent pollution from oil and gas activities. Revenues are obtained from oil and gas industry fees and penalties. This fund was abolished in 2012 and replaced with the Oil and Gas Regulation and Cleanup Fund.

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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

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RAILROAD COMMISSION OF TEXAS (455)

operations of the fiscal year or liquidate liabilities existing at fiscal year-end. The State of Texas 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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RAILROAD COMMISSION OF TEXAS (455)

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.

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RAILROAD COMMISSION OF TEXAS (455)

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 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". Balances for repayment due in two (or more) years are 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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RAILROAD COMMISSION OF TEXAS (455)

NOTE 2: Capital Assets

	PRIMARY GOVERNMENT					
	Balance September 1, 2011	Reclassifications		Additions	Deletions	Balance August 31, 2012
		Inc-Int'agy Transfers	Dec-Int'agy Transfers			
Governmental Activities						
Depreciable Assets:						
Buildings and Building Improvements	\$117,266.40	\$ -	\$ -	\$ -	\$ -	\$117,266.40
Infrastructure	-					-
Facilities & Other Improvements	-					-
Furniture and Equipment	3,189,065.86	24,401.00		343,668.97	(33,667.74)	3,523,468.09
Vehicle, Boats & Aircraft	4,868,346.37		(18,833.00)	2,042,139.31	(1,550,472.21)	5,341,180.47
Other Capital Assets	-					-
Total Depreciable Assets at Historical Cost	8,174,678.63	24,401.00	(18,833.00)	2,385,808.28	(1,584,139.95)	8,981,914.96
Less Accumulated Depreciation for:						
Buildings and Improvements	(91,565.32)			(5,063.52)	-	(96,628.84)
Infrastructure	-					-
Facilities & Other Improvements	-					-
Furniture and Equipment	(2,802,319.77)	(13,500.13)		(245,528.17)	33,667.74	(3,027,680.33)
Vehicles, Boats & Aircraft	(3,081,353.17)		18,833.00	(559,913.65)	1,457,959.63	(2,164,474.19)
Other Capital Assets	-					-
Total Accumulated Depreciation	(5,975,238.26)	(13,500.13)	18,833.00	(810,505.34)	1,491,627.37	(5,288,783.36)
Depreciable Assets, Net	2,199,440.37	10,900.87	-	1,575,302.94	(92,512.58)	3,693,131.60
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	(601,776.56)			(8,362.68)		(610,139.24)
Other Intangible Capital Assets - Term	-					-
Total Accumulated Amortization	(601,776.56)	-	-	(8,362.68)	-	(610,139.24)
Amortizable Assets – Net	15,994.61	-	-	(8,362.68)	-	7,631.93
Governmental Activities Capital Assets, Net	\$2,215,434.98	\$ 10,900.87	\$ -	\$1,566,940.26	\$ (92,512.58)	\$3,700,763.53

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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, 2012, the following changes occurred in liabilities.

Governmental Activities	Balance 09-01-11	Additions	Deductions	Balance 08-31-12	Amounts Due Within One Year
Employees' Compensable Leave	\$3,600,908.37	\$3,674,783.12	\$3,258,983.24	\$4,016,708.25	\$2,319,062.56
Pollution Remediation Obligation	6,284,522.47	28,617,761.94	20,601,211.38	14,301,073.03	14,301,073.03
Claims and Judgments	0.00	786.24	786.24	0.00	0.00
Total Governmental Activities	\$9,885,430.84	\$32,293,331.30	\$23,860,980.86	\$18,317,781.28	\$16,620,135.59

Claims & Judgments

The Attorney General's Claims Section assisted in settling one claim on the Commission's behalf during FY 2012, without resort to litigation, arising from one motor vehicle accident involving Commission employee acting within the course and scope of employment. The claim was for property damages only. The accident occurred on June 1, 2010 in Abilene, Texas. The claim was settled in full by a warrant issued May 15, 2012, payable to Jimmy Dale Davis, in the amount of \$786.24.

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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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 24 active well plugging projects as of August 31, 2012 with an estimated cost of \$12,632,610.64. 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 15 active site remediation projects as of August 31, 2012 with an estimated cost of \$920,057.39. 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, 2012 with an estimated cost of \$748,405.00.

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	\$ 84,356.33
General Revenue Dedicated – Fund 0101	4,389.78
General Revenue Dedicated – Fund 5155	488,104.53
Federal Funds	26,770.83
Totals – Memorandum Only	\$ 603,621.47

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	
2013	\$ 582,993.16
2014	403,270.45
2015	322,532.26
2016	316,944.89
2017	315,052.57
2018-2022	168,432.27
Total Minimum Future Lease Rental Payments	\$ 2,109,225.60

NOTE 9: Retirement Plans

Not applicable.

NOTE 10: Deferred Compensation

Not applicable.

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

Not applicable.

NOTE 12: Interfund Balances/Activities

Not applicable.

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NOTE 13: Continuance Subject to Review

Under the Texas Sunset Act, the Railroad Commission of Texas will be abolished effective September 1, 2013, unless continued in existence by the 83rd Legislature as provided by the Act. If abolished, the Railroad Commission of Texas may continue until September 1, 2014, to close out its operations.

NOTE 14: Adjustments to Fund Balances/ Net Assets

The restatement below reflects the adjustments to the FY 2011 federal receivable. In FY 2012, the Commission received federal reimbursements and earned federal funds for prior year expenditures for which no receivable was established.

	Unappropriated General Revenue Fund 1000	Federal Funds Fund 5041	Total
Fund Balances August 31, 2011	\$ -	\$2,079,364.28	\$2,079,364.28
Restatements			
Federal Receivable	589,157.38	538,275.60	1,127,432.98
Fund Balances September 1, 2011 As Restated	\$589,157.38	\$2,617,639.88	\$3,206,797.26

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.

Neither of the two 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 alleging that the Commission has allegedly failed to properly enforce its environmental regulations allegedly resulting

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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.

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

- (3) *Gulf Energy Exploration Corp. v. Railroad Commission of Texas, Superior Energy Services, L.L.C., and Fugro Chance, Inc.*, pending in the 267th Judicial District Court of Calhoun County, 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 of 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 appealed that Judgment to the 13th Court of Appeals in Corpus Christi, where the case is presently pending.

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

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RAILROAD COMMISSION OF TEXAS (455)

Changes in the balances of the Commission's claims liabilities during fiscal years 2011 and 2012 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011	\$4,773.48	\$3,138.40	\$7,911.88	\$0.00
2012	\$0.00	\$786.24	\$786.24	\$0.00

NOTE 18: Management Discussion and Analysis

Not applicable.

NOTE 19: The Financial Reporting Entity

Not applicable.

NOTE 20: Stewardship, Compliance and Accountability

As of November 20, 2012, 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

<u>Federal Receivable Program</u>	<u>Net Federal Receivable</u>
Environmental/Safety Programs	\$ 2,132,637.82
Total Net Federal Receivable	<u>\$ 2,132,637.82</u>
<u>As Reported on the financial statements</u>	
Current Federal Receivable	\$ 2,132,637.82
Non-current Federal Receivable	0.00
Total Net Federal Receivable	<u>\$ 2,132,637.82</u>

NOTE 25: Termination Benefits

Not applicable.

NOTE 26: Segment Information

Not applicable.

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RAILROAD COMMISSION OF TEXAS (455)

Combining Statement – Exhibits

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RAILROAD COMMISSION OF TEXAS (455)
 Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2012

	<u>General Revenue</u>	<u>Consolidated Accounts</u>	
	<u>General Revenue Fund (0001) U/F (0001)</u>	<u>Alternative Fuels Research and Education Fund (0101) U/F (0101)</u>	<u>Oil and Gas Regulation and Cleanup Fund (5155) U/F (5155)</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash on Hand	\$ 1,000.00	\$ -	\$ -
Cash in State Treasury	-	3,915,072.19	19,332,724.01
Legislative Appropriations	4,306,177.10	-	-
Federal Receivable	-	-	-
Due from Other Agencies	-	-	-
Consumable Inventories	35,617.00	-	-
Total Current Assets	<u>\$ 4,342,794.10</u>	<u>\$ 3,915,072.19</u>	<u>\$ 19,332,724.01</u>
Total Assets	<u>\$ 4,342,794.10</u>	<u>\$ 3,915,072.19</u>	<u>\$ 19,332,724.01</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Payables from:			
Accounts Payable	\$ 119,179.21	\$ 5,825.63	\$ 2,059,456.87
Payroll Payable	1,340,748.20	55,204.91	2,143,855.58
Due to Other Agencies	39,557.50	2,986,581.10	-
Deferred Revenue (Fed Sch 1A - Note 7)	-	-	-
Total Current Liabilities	<u>\$ 1,499,484.91</u>	<u>\$ 3,047,611.64</u>	<u>\$ 4,203,312.45</u>
Fund Balances (Deficits):			
Nonspendable	35,617.00	-	-
Restricted	-	-	-
Committed	-	867,460.55	15,129,411.56
Assigned	-	-	-
Unassigned	2,807,692.19	-	-
Total Fund Balances	<u>\$ 2,843,309.19</u>	<u>\$ 867,460.55</u>	<u>\$ 15,129,411.56</u>
Total Liabilities and Fund Balances	<u>\$ 4,342,794.10</u>	<u>\$ 3,915,072.19</u>	<u>\$ 19,332,724.01</u>

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

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Consolidated Accounts

Land Reclamation Fund (0454) U/F (0454)	Federal Fund (5041) U/F (5041)	Unappropriated General Revenue Fund (1000) U/F (1000)	Total
\$ -	\$ -	\$ -	\$ 1,000.00
246,544.23	2,345,553.99	-	\$ 25,839,894.42
-	-	-	\$ 4,306,177.10
-	1,868,302.02	264,335.80	\$ 2,132,637.82
-	921,072.30	-	\$ 921,072.30
-	-	-	\$ 35,617.00
<u>\$ 246,544.23</u>	<u>\$ 5,134,928.31</u>	<u>\$ 264,335.80</u>	<u>\$ 33,236,398.64</u>
<u>\$ 246,544.23</u>	<u>\$ 5,134,928.31</u>	<u>\$ 264,335.80</u>	<u>\$ 33,236,398.64</u>
\$ -	\$ 994,294.55	\$ -	\$ 3,178,756.26
-	309,235.66	-	\$ 3,849,044.35
-	-	-	\$ 3,026,138.60
-	201,281.68	-	\$ 201,281.68
<u>\$ -</u>	<u>\$ 1,504,811.89</u>	<u>\$ -</u>	<u>\$ 10,255,220.89</u>
-	-	-	35,617.00
246,544.23	3,630,116.42	-	3,876,660.65
-	-	-	15,996,872.11
-	-	-	-
-	-	264,335.80	3,072,027.99
<u>\$ 246,544.23</u>	<u>\$ 3,630,116.42</u>	<u>\$ 264,335.80</u>	<u>\$ 22,981,177.75</u>
<u>\$ 246,544.23</u>	<u>\$ 5,134,928.31</u>	<u>\$ 264,335.80</u>	<u>\$ 33,236,398.64</u>

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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, 2012

	General Revenue		Consolidated Accounts	
	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)	
REVENUES				
Legislative Appropriations:				
Original Appropriations	\$ 13,732,453.90	\$ -	\$ -	
Additional Appropriations	2,641,878.36	-	-	
Federal Revenue (Fed Sch 1A)	-	-	-	
Federal Pass Through Revenue (Fed Sch 1A)	-	-	-	
State Grant Pass Through Revenue (Fed Sch 1B)	-	1,137,903.70	-	
Licenses, Fees and Permits	2,080,171.38	2,178,396.30	-	
Interest and Investment Income	-	29,109.80	-	
Sales of Goods and Services	20,391.48	-	-	
Other	320,438.15	260,188.00	-	
Total Revenues	\$ 18,795,333.27	\$ 3,605,597.80	\$ -	
EXPENDITURES				
Salaries and Wages	11,011,504.03	477,813.46	-	
Payroll Related Costs	2,675,138.09	146,812.27	-	
Professional Fees and Services	1,114,030.24	22,962.48	-	
Travel	100,704.18	26,142.25	-	
Materials and Supplies	583,078.01	70,081.14	-	
Communication and Utilities	30,006.86	13,873.38	-	
Repairs and Maintenance	123,121.20	2,350.28	-	
Rentals and Leases	126,595.62	13,293.58	-	
Printing and Reproduction	93,437.00	30,550.82	-	
Claims and Judgements	-	-	-	
Federal Pass Through Expenditures	-	-	-	
Intergovernmental Payments	-	-	-	
Public Assistance Payments	-	-	-	
Other Expenditures	755,746.49	3,469,638.40	-	
Capital Outlay	1,539,717.41	-	-	
Total Expenditures/Expenses	\$ 18,153,079.13	\$ 4,273,518.06	\$ -	
Excess(deficiency) of revenues over expenditures	\$ 642,254.14	\$ (667,920.26)	\$ -	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	441,240.67	-	-	
Transfers In	29,975.90	3,539.00	61,014,009.76	
Transfers Out	(353,791.43)	(3,539.00)	(82,048,578.62)	
Total other financing sources and uses	\$ 117,425.14	\$ -	\$ (21,034,568.86)	
Net Change in Fund Balances	759,679.28	(667,920.26)	(21,034,568.86)	
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2011	3,166,556.20	1,535,380.81	21,034,568.86	
Restatements	-	-	-	
Fund Balances, September 1, 2011, as Restated	\$ 3,166,556.20	\$ 1,535,380.81	\$ 21,034,568.86	
Appropriations Lapsed	(1,082,926.29)	-	-	
Fund Balances - August 31, 2012	\$ 2,843,309.19	\$ 867,460.55	\$ (0.00)	

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

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Consolidated Accounts				
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)	Total
\$ -	\$ -	\$ -	\$ -	\$ 13,732,453.90
-	-	-	-	2,641,878.36
-	-	14,412,637.03	1,200,929.11	15,613,566.14
3,541,420.00	-	2,970,559.92	-	6,511,979.92
-	-	-	-	1,137,903.70
39,810,922.71	-	-	-	44,069,490.39
177,169.53	-	1,230.91	-	207,510.24
830,977.70	-	-	-	851,369.18
6,454.07	-	7.50	-	587,087.72
<u>\$ 44,366,944.01</u>	<u>\$ -</u>	<u>\$ 17,384,435.36</u>	<u>\$ 1,200,929.11</u>	<u>\$ 85,353,239.55</u>
19,673,839.92	-	3,670,810.13	-	34,833,967.54
6,388,139.23	-	968,694.62	-	10,178,784.21
2,552,054.19	-	959,226.56	-	4,648,273.47
99,484.87	-	158,158.11	-	384,489.41
1,528,331.53	-	185,652.06	-	2,367,142.74
398,977.89	-	35,280.47	-	478,138.60
320,451.12	-	21,085.19	-	467,007.79
632,420.36	-	37,527.87	-	809,837.43
357,322.67	-	63,774.60	-	545,085.09
786.24	-	-	-	786.24
-	-	259,000.00	-	259,000.00
-	-	8,803,510.76	-	8,803,510.76
-	-	458,328.62	-	458,328.62
18,003,888.29	-	76,047.35	-	22,305,320.53
316,405.00	-	529,685.87	-	2,385,808.28
<u>\$ 50,272,101.31</u>	<u>\$ -</u>	<u>\$ 16,226,782.21</u>	<u>\$ -</u>	<u>\$ 88,925,480.71</u>
<u>\$ (5,905,157.30)</u>	<u>\$ -</u>	<u>\$ 1,157,653.15</u>	<u>\$ 1,200,929.11</u>	<u>\$ (3,572,241.16)</u>
-	-	-	-	441,240.67
70,886,173.84	246,544.21	200,000.00	-	132,380,242.71
(49,851,604.98)	(246,544.21)	(345,176.61)	(1,525,750.69)	(134,374,985.54)
<u>\$ 21,034,568.86</u>	<u>\$ -</u>	<u>\$ (145,176.61)</u>	<u>\$ (1,525,750.69)</u>	<u>\$ (1,553,502.16)</u>
15,129,411.56	-	1,012,476.54	(324,821.58)	(5,125,743.32)
-	246,544.23	2,079,364.28	-	28,062,414.38
-	-	538,275.60	589,157.38	1,127,432.98
<u>\$ -</u>	<u>\$ 246,544.23</u>	<u>\$ 2,617,639.88</u>	<u>\$ 589,157.38</u>	<u>\$ 29,189,847.36</u>
-	-	-	-	(1,082,926.29)
<u>\$ 15,129,411.56</u>	<u>\$ 246,544.23</u>	<u>\$ 3,630,116.42</u>	<u>\$ 264,335.80</u>	<u>\$ 22,981,177.75</u>

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RAILROAD COMMISSION OF TEXAS (455)
 Exhibit J-1 Combining Statement of Changes in Assets and Liabilities - Agency Funds
 For the Fiscal Year Ended August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
Trust Accounts: Fund 0146, 0147, 0148, 0149				
ASSETS				
Current				
Cash in the State Treasury	\$ 24,030,039.18	\$ 1,937,679.70	\$ 25,967,718.88	\$ -
Total Assets	\$ 24,030,039.18	\$ 1,937,679.70	\$ 25,967,718.88	\$ -
LIABILITIES				
Current				
Accounts Payable	\$ -	\$ 164,541.00	\$ 164,541.00	\$ -
Funds Held for Others	24,030,039.18	1,962,679.70	25,992,718.88	-
Total Liabilities	\$ 24,030,039.18	\$ 2,127,220.70	\$ 26,157,259.88	\$ -
Trust Accounts: Fund 5146, 5147, 5148, 5149				
ASSETS				
Current				
Cash in the State Treasury	\$ -	\$ 31,839,166.48	\$ 2,588,348.24	\$ 29,250,818.24
Total Assets	\$ -	\$ 31,839,166.48	\$ 2,588,348.24	\$ 29,250,818.24
LIABILITIES				
Current				
Accounts Payable	\$ -	\$ 1,688,994.37	\$ 1,688,994.37	\$ -
Funds Held for Others	\$ -	\$ 31,789,165.48	\$ 2,538,347.24	\$ 29,250,818.24
Total Liabilities	\$ -	\$ 33,478,159.85	\$ 4,227,341.61	\$ 29,250,818.24
Child Support Employee Deducts (0807)				
ASSETS				
Current				
Cash in the State Treasury	\$ 8,485.15	\$ 114,406.93	\$ 114,203.20	\$ 8,688.88
Total Assets	\$ 8,485.15	\$ 114,406.93	\$ 114,203.20	\$ 8,688.88
LIABILITIES				
Current				
Accounts Payable	\$ -	\$ 105,718.05	\$ 105,718.05	\$ -
Funds Held for Others	8,485.15	105,921.78	105,718.05	8,688.88
Total Liabilities	\$ 8,485.15	\$ 211,639.83	\$ 211,436.10	\$ 8,688.88
Suspense Fund (0900) U/F (0900)				
ASSETS				
Current				
Cash in the State Treasury	\$ 15,187.40	\$ 5,642,364.00	\$ 5,599,825.80	\$ 57,725.60
Total Assets	\$ 15,187.40	\$ 5,642,364.00	\$ 5,599,825.80	\$ 57,725.60
LIABILITIES				
Current				
Accounts Payable	\$ -	\$ 26,827.25	\$ 26,827.25	\$ -
Funds Held for Others	15,187.40	5,642,364.00	5,599,825.80	57,725.60
Total Liabilities	\$ 15,187.40	\$ 5,669,191.25	\$ 5,626,653.05	\$ 57,725.60

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RAILROAD COMMISSION OF TEXAS (455)
 Exhibit J-1 Combining Statement of Changes in Assets and Liabilities - Agency Funds
 for the Fiscal Year Ending August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
ASSETS				
Current				
Cash in State Treasury	\$ 24,053,711.73	\$ 39,533,617.11	\$ 34,270,096.12	\$ 29,317,232.72
Total Assets	\$ 24,053,711.73	\$ 39,533,617.11	\$ 34,270,096.12	\$ 29,317,232.72
LIABILITIES				
Current				
Accounts Payable	\$ -	\$ 1,986,080.67	\$ 1,986,080.67	\$ -
Funds Held for Others	\$ 24,053,711.73	\$ 39,500,130.96	\$ 34,236,609.97	\$ 29,317,232.72
Total Liabilities	\$ 24,053,711.73	\$ 41,486,211.63	\$ 36,222,690.64	\$ 29,317,232.72

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

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

Schedules

**Agency 455 - Railroad Commission of Texas
Schedule 1A
For the Fiscal Year Ended August 31, 2012**

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	Agy/ Univ No	Pass-through To		Total PT To and Expenditures Amount
			Agy/ Univ No	Non- State Entities Amount				Agy/ Univ No	Non- State Entities 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				1,827,344.29	1,827,344.29				1,827,344.29
Abandoned Mine Land Reclamation (AMLR) Program	15.252				1,349,495.10	1,349,495.10				1,349,495.10
Applied Science Program Cooperative Agreements Related to Coal Mining and Reclamation	15.255				7,219.48	7,219.48				7,219.48
ARRA - Abandoned Mine Hazard Mitigation	15.934				802.22	802.22				802.22
<u>Pass-Through From:</u>										
Coastal Impact Assistance Program	15.668					3,703,516.00				3,703,516.00
<u>Pass-Through From:</u>			305	3,703,516.00						
Totals - U.S. Department of the Interior										
					3,184,861.09	6,888,377.09	0.00	0.00	0.00	6,888,377.09
U.S. Department of Transportation										
<u>Direct Programs:</u>										
Pipeline Safety Program Base Grants	20.700				4,148,517.92	4,148,517.92				4,148,517.92
State Damage Prevention Program Grants	20.720				64,971.18	64,971.18				64,971.18
PHMSA Pipeline Safety Program One Call Grant	20.721				36,078.46	36,078.46				36,078.46
Totals - U.S. Department of Transportation										
					4,249,567.56	4,249,567.56	0.00	0.00	0.00	4,249,567.56
Environmental Protection Agency										
<u>State Underground Water Source Protection</u>										
State and Tribal Response Program Grants	66.433				714,508.51	714,508.51				714,508.51
	66.817				90,162.38	90,162.38				90,162.38
Totals - Environmental Protection Agency										
					804,670.89	804,670.89	0.00	0.00	0.00	804,670.89
U.S. Department of Energy										
<u>ARRA - Conservation Research and Development</u>										
	81.086				7,374,466.60	7,374,466.60			6,715,745.94	7,374,466.60
<u>Pass-Through To:</u>										

Texas Department of Transportation		601	259,000.00		
<u>Pass-Through From:</u>					
ARRA - State Energy Program	81.041		2,430,403.44	2,430,403.44	2,430,403.44
<u>Pass-Through From:</u>					
Comptroller - State Energy Conservation Office		907	2,430,403.44		
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122		378,060.48	378,060.48	378,060.48
<u>Pass-Through From:</u>					
Comptroller - State Energy Conservation Office		907	378,060.48		
Totals - U.S. Department of Energy			2,808,463.92	0.00	7,374,466.60
			10,182,930.52	9,146,149.38	777,781.14
				259,000.00	10,182,930.52
Total Expenditures of Federal Awards			6,511,979.92	0.00	15,613,566.14
				9,146,149.38	12,720,396.68
					22,125,546.06

RAILROAD COMMISSION OF TEXAS (455)

SCHEDULE 1A

Schedule of Expenditures of Federal Awards — Notes

For the Fiscal Year Ended August 31, 2012

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)	\$ 15,613,566.14
Governmental Funds - Federal Pass-Through Revenues (Exhibit II)	<u>6,511,979.92</u>
Total Pass Through and Expenditures per Federal Schedule	<u>\$ 22,125,546.06</u>

Note 7 - Federal Deferred Revenue

CFDA	Balance		Balance	
	September 1, 2011	Net Change	August 31, 2012	
20.700 Pipeline Safety (Suspension)	\$ 527,192.24	\$ (368,765.20)	\$	158,427.04
20.721 Pipeline Safety (One Call)	36,692.60	6,162.04		42,854.64
Total	\$ 563,884.84	\$ (362,603.16)	\$	201,281.68

The deferred revenue of \$201,281.68 consists of federal grant advances that have not been earned.

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

SCHEDULE 1B

Schedule of State Grant Pass Throughs From/To State Agencies

For the Fiscal Year Ended August 31, 2012

Pass Through From:

Texas Commission on Environmental Quality (Agency 582)	<u>1,137,903.70</u>
Total Pass-Through From Other Agencies (Exhibit II)	<u>\$ 1,137,903.70</u>