



RAILROAD COMMISSION OF TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING
AUGUST 31, 2008

MICHAEL L. WILLIAMS
CHAIRMAN

VICTOR G. CARRILLO
COMMISSIONER

ELIZABETH A. JONES
COMMISSIONER

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ANNUAL FINANCIAL REPORT

UNAUDITED

RAILROAD COMMISSION OF TEXAS
Austin, Texas

Year Ended August 31, 2008



RAILROAD COMMISSION OF TEXAS

MICHAEL L. WILLIAMS, *CHAIRMAN*
VICTOR G. CARRILLO, *COMMISSIONER*
ELIZABETH A. JONES, *COMMISSIONER*

November 20, 2008

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

Honorable Rick Perry,
Honorable Susan Combs, Mr. John O'Brien, Mr. John Keel:

We are pleased to submit the Annual Financial Report of the Railroad Commission of Texas for the year ended August 31, 2008, in compliance with TEX. GOV'T CODE ANN §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 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.

If you have any questions, please David Pollard at 463-5011. David Pollard 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 "Michael L. Williams".

Michael L. Williams, Chairman

A handwritten signature in black ink, appearing to read "Victor G. Carrillo".

Victor G. Carrillo, Commissioner

A handwritten signature in black ink, appearing to read "Elizabeth A. Jones".

Elizabeth A. Jones, Commissioner

TABLE OF CONTENTS

Page Number

COMBINED FINANCIAL STATEMENTS:

Exhibit I Combined Balance Sheet/Statement of Net Assets - Governmental Funds 2
Exhibit II Combined Statement of Revenues, Expenditures and Changes In
Fund Balances/Statement of Activities - Governmental Funds..... 6
Exhibit III Combined Statement of Net Assets - Fiduciary Funds 11

NOTES TO THE FINANCIAL STATEMENTS 13

COMBINING STATEMENTS - EXHIBITS:

Exhibit A-1 Combining Balance Sheet - All General and Consolidated Funds 26
Exhibit A-2 Combining Statement of Revenues, Expenditures and Changes in Fund
Balances – All General and Consolidated Funds..... 30
Exhibit J-1 Combining Statement of Changes in Assets and Liabilities – Agency Funds 35

SCHEDULES:

Schedule 1A Schedule of Expenditures of Federal Awards 36
Schedule 1B Schedule of State Grant Pass Throughs From/To State Agencies 41

UNAUDITED

Combined Financial Statements

RAILROAD COMMISSION OF TEXAS (455)

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

August 31, 2008

	<u>Governmental Fund Types</u>	
	<u>General Funds</u>	<u>Governmental Funds Total</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand	\$ 1,000.00	\$ 1,000.00
Cash in State Treasury	21,128,334.31	21,128,334.31
Legislative Appropriations	4,396,713.81	4,396,713.81
Receivables from:		
Federal	1,147,037.30	1,147,037.30
Consumable Inventories	22,538.20	22,538.20
Total Current Assets	\$ 26,695,623.62	\$ 26,695,623.62
Non-Current Assets:		
Capital Assets (Note 2):		
Non-Depreciable:		
Other Capital Assets		
Depreciable:		
Building and Building Improvements		
Less Accumulated Depreciation		
Furniture and Equipment		
Less Accumulated Depreciation		
Vehicles, Boats, and Aircraft		
Less Accumulated Depreciation		
Total Non-Current Assets	\$ -	\$ -
Total Assets	\$ 26,695,623.62	\$ 26,695,623.62
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Payables from:		
Accounts Payable	\$ 4,347,093.54	\$ 4,347,093.54
Other Payable	3,494,378.95	3,494,378.95
Deferred Revenue (Note 7 - Fed Sch)	491,443.18	491,443.18
Employees Compensable Leave (Note 5)	-	-
Total Current Liabilities	\$ 8,332,915.67	\$ 8,332,915.67
Non-Current Liabilities:		
Employees Compensable Leave (Note 5)	-	-
Total Non-Current Liabilities	\$ -	\$ -
Total Liabilities	\$ 8,332,915.67	\$ 8,332,915.67

UNAUDITED

Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
		\$ 1,000.00
		21,128,334.31
		4,396,713.81
		1,147,037.30
		22,538.20
\$ -	\$ -	\$ 26,695,623.62
\$ 1,207.00		\$ 1,207.00
117,266.40		117,266.40
(76,374.76)		(76,374.76)
4,642,288.81		4,642,288.81
(3,329,344.06)		(3,329,344.06)
4,471,910.10		4,471,910.10
(2,678,122.07)		(2,678,122.07)
\$ 3,148,831.42	\$ -	\$ 3,148,831.42
\$ 3,148,831.42	\$ -	\$ 29,844,455.04
		\$ 4,347,093.54
		3,494,378.95
		491,443.18
	2,152,697.90	2,152,697.90
\$ -	\$ 2,152,697.90	\$ 10,485,613.57
	1,578,138.53	1,578,138.53
\$ -	\$ 1,578,138.53	\$ 1,578,138.53
\$ -	\$ 3,730,836.43	\$ 12,063,752.10

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

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

August 31, 2008

	Governmental Fund Types	
	General Funds	Governmental Funds Total
Fund Financial Statement - Fund		
Fund Balances (Deficits):		
Reserved for:		
Encumbrances	\$ 697,258.29	\$ 697,258.29
Inventories	22,538.20	22,538.20
Imprest	1,000.00	1,000.00
Unreserved/Undesignated:		
Other	17,641,911.46	17,641,911.46
Total Fund Balance	\$ 18,362,707.95	\$ 18,362,707.95
Total Liabilities and Fund Balance	\$ 26,695,623.62	\$ 26,695,623.62

Government-wide Statement - Net Assets

Net Assets:

Invested in Capital Assets,
Net of Related Debt

Restricted for:

Employee Benefit

Total Net Assets

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Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
		\$ 697,258.29
		22,538.20
		1,000.00
		17,641,911.46
\$ -	\$ -	\$ 18,362,707.95
\$ -	\$ 3,730,836.43	\$ 30,426,460.05
\$ 3,148,831.42		\$ 3,148,831.42
	(3,730,836.43)	(3,730,836.43)
\$ 3,148,831.42	\$ (3,730,836.43)	\$ (582,005.01)

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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, 2008

	General Fund	Governmental Funds Total
REVENUES		
Legislative Appropriations:		
Original Appropriations	\$ 27,661,067.00	\$ 27,661,067.00
Additional Appropriations	7,940,884.14	7,940,884.14
Federal Revenue (Note 2 Federal Schedule)	4,211,375.47	4,211,375.47
Federal Pass Through Revenue (Schedule 1A & Note 2 Reco)	1,193,388.07	1,193,388.07
State Grant Pass Through Revenue	4,012,220.61	4,012,220.61
Licenses, Fees and Permits	34,726,296.01	34,726,296.01
Interest and Investment Income	1,314,456.72	1,314,456.72
Sales of Goods and Services	1,524,843.91	1,524,843.91
Other	1,110,031.52	1,110,031.52
Total Revenues	\$ 83,694,563.45	\$ 83,694,563.45
EXPENDITURES		
Salaries and Wages	34,240,496.64	34,240,496.64
Payroll Related Costs	9,594,853.12	9,594,853.12
Professional Fees and Services	5,640,730.65	5,640,730.65
Travel	361,732.42	361,732.42
Materials and Supplies	2,038,719.74	2,038,719.74
Communication and Utilities	624,205.79	624,205.79
Repairs and Maintenance	464,161.60	464,161.60
Rentals and Leases	1,155,640.27	1,155,640.27
Printing and Reproduction	122,353.38	122,353.38
Claims and Judgements	10,589.82	10,589.82
Other Expenditures	27,164,788.21	27,164,788.21
Capital Outlay (Note 2)	1,266,490.86	1,266,490.86
Depreciation Expense (Note 2)	-	-
Total Expenditures/Expenses	\$ 82,684,762.50	\$ 82,684,762.50
Excess(deficiency) of revenues over expenditures	\$ 1,009,800.95	\$ 1,009,800.95

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Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
		\$ 27,661,067.00
		7,940,884.14
		4,211,375.47
		1,193,388.07
		4,012,220.61
		34,726,296.01
		1,314,456.72
		1,524,843.91
		1,110,031.52
\$ -	\$ -	\$ 83,694,563.45
	248,526.61	34,489,023.25
		9,594,853.12
		5,640,730.65
		361,732.42
		2,038,719.74
		624,205.79
		464,161.60
		1,155,640.27
		122,353.38
		10,589.82
		27,164,788.21
(1,266,490.86)		-
1,053,822.46		1,053,822.46
\$ (212,668.40)	\$ 248,526.61	\$ 82,720,620.71
\$ 212,668.40	\$ (248,526.61)	\$ 973,942.74

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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, 2008

	General Fund	Governmental Funds Total
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	\$ 102,537.18	\$ 102,537.18
Insurance Recovery	99.00	99.00
Transfers Out	(2,388,296.50)	(2,388,296.50)
Legislative Transfers Out (Note 8)	1,490,315.50	1,490,315.50
Legislative Transfers In (Note 8)	443,838.98	443,838.98
Gain (Loss) on Sale of Capital Assets	-	-
Appropriations Lapsed	(79,817.77)	(79,817.77)
Total other financing sources and uses	\$ (431,323.61)	\$ (431,323.61)
 Net Change in Fund Balances	 \$ 578,477.34	 \$ 578,477.34
 Fund Financial Statement - Fund Balances		
Fund Balances - Beginning	17,910,694.61	17,910,694.61
Restatements	(126,464.00)	(126,464.00)
Fund Balances, September 1, 2007, as Restated	\$ 17,784,230.61	\$ 17,784,230.61
 Fund Balances - August 31, 2008	 \$ 18,362,707.95	 \$ 18,362,707.95

Government-wide Statement - Net Assets

Change in Net Assets

Net Assets - Beginning:

Net Assets, September 1, 2007, as Restated and Adjusted

Net Assets - August 31, 2008

* \$102,537.18 - \$74,686.77 - \$3,506.08 (Property Surplused in SPA in FY 07 but Revenue Received in FY 08)

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Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
\$ (24,344.33) *		\$ 78,192.85
		99.00
		(2,388,296.50)
		1,490,315.50
		443,838.98
(334,021.35)		(334,021.35)
-		(79,817.77)
<u>\$ (358,365.68)</u>	<u>\$ -</u>	<u>\$ (789,689.29)</u>
<u>\$ (145,697.28)</u>	<u>\$ (248,526.61)</u>	<u>\$ 184,253.45</u>
		17,910,694.61
		(126,464.00)
		<u>\$ 17,784,230.61</u>
		-
		<u><u>\$ 17,968,484.06</u></u>
<u>\$ (145,697.28)</u>	<u>\$ (248,526.61)</u>	<u>\$ (394,223.89)</u>
3,294,528.70	(3,482,309.82)	(187,781.12)
<u>\$ 3,294,528.70</u>	<u>\$ (3,482,309.82)</u>	<u>\$ (187,781.12)</u>
<u>\$ 3,148,831.42</u>	<u>\$ (3,730,836.43)</u>	<u>\$ (582,005.01)</u>

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RAILROAD COMMISSION OF TEXAS (455)
 Exhibit III - Combined Statement of Net Assets - Fiduciary Funds
 For the Fiscal Year Ended August 31, 2008

	Agency Funds	Totals
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash in State Treasury	\$ 13,615,683.39	\$ 13,615,683.39
Total Current Assets	\$ 13,615,683.39	\$ 13,615,683.39
Total Assets	\$ 13,615,683.39	\$ 13,615,683.39
LIABILITIES		
Current Liabilities:		
Funds Held for Others	\$ 13,615,683.39	\$ 13,615,683.39
Total Current Liabilities	\$ 13,615,683.39	\$ 13,615,683.39
Total Liabilities	\$ 13,615,683.39	\$ 13,615,683.39
NET ASSETS		
Total Net Assets	\$ -	\$ -

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RAILROAD COMMISSION OF TEXAS (455)

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 Fund

The General 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.

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.

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

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

TexasSaver 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).

P5 Cash Option (Fund 0149) accounts for the cash deposits provided by oil and gas operators to meet the statewide financial assurance requirements mandated by Section 91.104 of the Natural Resources Code.

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

Governmental adjustment fund types that will build 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 will be 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

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

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 should be 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.

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.

FUND BALANCE/NET ASSETS

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

Reservations of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

Reserved for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

Unreserved/Undesignated

This represents the unappropriated balance at year-end.

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 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, which 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 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.

The composition of the agency's Interfund activities and balances are presented in Note 8.

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

NOTE 2: Capital Assets

	PRIMARY GOVERNMENT					Balance 8/31/2008
	Balance 9/1/2007	Adjustments	Re-Classification	Additions	Deletions	
GOVERNMENTAL ACTIVITIES						
Non-Depreciable Assets	-					-
Other Assets	321,541.50	-			(320,334.50)	1,207.00
Total Non-Depreciable Assets	\$ 321,541.50	\$ -	\$ -	\$ -	\$ (320,334.50)	\$ 1,207.00
Depreciable Assets						
Buildings and Building Improvements	117,266.40	-	-	-	-	117,266.40
Furniture & Equipment	4,168,271.65	- \$	-	873,124.81	(399,107.65)	4,642,288.81
Vehicle, Boats & Aircraft	4,517,476.05	-	-	393,366.05	(438,932.00)	4,471,910.10
Total Depreciable Assets at Historical Cost	\$ 8,803,014.10	\$ -	\$ -	\$ 1,266,490.86	\$ (838,039.65)	\$ 9,231,465.31
	\$ 9,124,555.60	\$ -	\$ -	\$ 1,266,490.86	\$ (1,158,374.15)	\$ 9,232,672.31
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(71,311.24)	-	-	(5,063.52)	-	(76,374.76)
Furniture & Equipment	(3,287,933.90)	- \$	-	(440,517.81)	399,107.65	(3,329,344.06)
Vehicle, Boats & Aircraft	(2,470,781.76)	-	-	(608,241.13)	400,900.82	(2,678,122.07)
Total Accumulate Depreciation	\$ (5,830,026.90)	\$ -	\$ -	\$ (1,053,822.46)	\$ 800,008.47	\$ (6,083,840.89)
Depreciable Assets, Net	\$ 2,972,987.20	\$ -	\$ -	\$ (212,668.40)	\$ (38,031.18)	\$ 3,147,624.42
Governmental Activities Capital Assets, Net	\$ 3,294,528.70	\$ -	\$ -	\$ (212,668.40)	\$ (358,365.68)	\$ 3,148,831.42

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

NOTE 3: Deposits, Investments, and Repurchase Agreements

Not applicable.

NOTE 4: Short-Term Debt

Not applicable.

NOTE 5: Summary of Long Term Liabilities

Changes in General Long-Term Liabilities
 During the year ended August 31, 2008, the following changes occurred in liabilities.

Governmental Activities	Balance 09-01-07	Additions		Balance 08-31-08	Amounts Due Within One Year
Compensable Leave	\$3,482,309.82	\$3,299,498.92	\$3,050,972.31	\$3,730,836.43	\$2,152,697.90
Total Governmental Activities	\$3,482,309.82	\$3,299,498.92	\$3,050,972.31	\$3,730,836.43	\$2,152,697.90

Claims & Judgments

The Attorney General's Claims Section assisted in settling three claims on the Commission's behalf during FY08, without resort to litigation, arising from two motor vehicle accidents involving Commission employees acting within the course and scope of employment. The first two claims stemmed from a motor vehicle accident on March 2, 2007, in Banquete, Nueces County, Texas. The property damage claim was settled in full by a check issued September 14, 2007, payable to State Farm Mutual Automobile Insurance Company, in the amount of \$4,279.33. A claim for loss of use was settled in full by a check issued the same date, payable to claimants Jaime Villarreal and Sharon Villarreal, in the amount of \$176.78. The third claim stemmed from a motor vehicle accident on August 22, 2007, in San Antonio, Bexar County, Texas. This claim, for property damage only, was settled in full by a check issued May 5, 2008, in the amount of \$1,686.24, payable to Response Insurance Company as subrogee of Peggy S. Laird.

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.

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

NOTE 6: Capital Leases

Not applicable.

NOTE 7: Operating Lease Obligations

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	\$180,635.89
General Revenue Dedicated – Fund 0101	\$23,885.50
General Revenue Dedicated – Fund 0145	\$233,255.59
Federal Funds	\$27,526.65
Totals – Memorandum Only	\$465,303.63

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, 2008	
2009	\$423,407.55
2010	\$381,854.70
2011	\$321,251.35
2012	\$303,230.79
2013	\$146,643.72
2014-2018	\$243,929.04
Total Minimum Future Lease Rental Payments	\$1,820,317.15

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

NOTE 8: Interfund Balances / Activities

As explained in Note 1 on Interfund Transactions and Balances, there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

•Legislative Transfers

Individual balances and activity at August 31, 2008, were as follows:

	Legislative Transfers In	Legislative Transfers Out
Fund 0001 (Exhibit II)	\$443,838.98	
Fund 1000 (Exhibit II)		(\$1,490,315.50)
Total Legislative Transfers In/ Legislative Transfers Out (Exhibit II)	\$443,838.98	(\$1,490,315.50)

NOTE 9: 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 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 for the Commission's alleged failure to properly enforce its environmental regulations allegedly resulting in the 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 suit is still pending as to the Commissioners individually. The Attorney General has filed a Motion for Summary Judgment on behalf of the Commissioners. Trial is set for February 2, 2009.

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

- (3) *Juan Manuel Medrano v. Anthony Edward Motal and Texas Railroad Commission*, in the 412th Judicial District Court of Brazoria County, Texas, was filed seeking unspecified damages related to a motor vehicle accident involving a Commission employee. The Attorney General has settled with the plaintiff on property damage but has refused to settle on the plaintiff's claim for chiropractor expenses.

NOTE 10: 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 11: Risk Financing and Related Insurance

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.

Changes in the balances of the Commission's claims liabilities during fiscal years 2007 and 2008 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007	\$ 18,599.84	\$7,404.33	\$18,599.84	\$7,404.33
2008	\$7,404.33	\$3,185.49	\$10,589.82	\$0.00

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

NOTE 12: Segment Information

Not applicable.

NOTE 13: Bonded Indebtedness

Not applicable.

NOTE 14: Subsequent Events

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

NOTE 15: Related Parties

Not applicable.

NOTE 16: Stewardship, Compliance and Accountability

As of November 20, 2008, 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 17: The Financial Reporting Entity

Not applicable.

NOTE 18: Restatement of Fund Balances/ Net Assets

The restatement below reflects the legislative appropriations decrease.

	General Revenue Fund 0001
Fund Balance/ Net Assets Aug. 31, 2007	\$2,451,040.68
Restatements	(126,464.00)
Fund Balance/ Net Assets Sept. 1, 2007 As Restated	\$2,324,576.68

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

NOTE 19: Employees Retirement Plans

Not applicable.

NOTE 20: Deferred Compensation

Not applicable.

NOTE 21: Donor Restricted Endowments

Not applicable.

NOTE 22: Management Discussion and Analysis

Not applicable.

NOTE 23: Postemployment Health Care and Life Insurance Benefits

Not applicable.

NOTE 24: Special and Extraordinary Items

Not applicable.

NOTE 25: Disaggregation of Receivable and Payable Balances

Federal Receivable Program

Federal Receivable Program

Federal Receivable

Environmental/Safety Programs

\$ 1,147,037.30

Total Federal Receivable

\$ 1,147,037.30

As Reported on the financial statements

Current Federal Receivable

\$ 1,147,037.30

Non-current Federal Receivable

0.00

Total Federal Receivable

\$ 1,147,037.30

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

NOTE 26: Termination Benefits

Not applicable.

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

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

For the Fiscal Year Ended August 31, 2008

	<u>General Revenue</u>	<u>Consolidated Accounts</u>	
	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)
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash on Hand	\$ 1,000.00	\$ -	\$ -
Cash in State Treasury	-	1,987,895.44	17,911,387.10
Legislative Appropriations	4,396,713.81	-	-
Receivables from:			
Federal	-	-	-
Consumable Inventories	22,538.20	-	-
Total Current Assets	<u>\$ 4,420,252.01</u>	<u>\$ 1,987,895.44</u>	<u>\$ 17,911,387.10</u>
Total Assets	<u>\$ 4,420,252.01</u>	<u>\$ 1,987,895.44</u>	<u>\$ 17,911,387.10</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Payables from:			
Accounts Payable	\$ 311,381.92	\$ 49,044.54	\$ 3,915,433.74
Other Payables	2,394,020.31	60,499.01	627,340.45
Deferred Revenue (Note 7 - Fed Sch)	-	478,937.36	
Employees Compensable Leave (Note 5)	-		
Total Current Liabilities	<u>\$ 2,705,402.23</u>	<u>\$ 588,480.91</u>	<u>\$ 4,542,774.19</u>
Non-Current Liabilities:			
Employees Compensable Leave (Note 5)	-		
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 2,705,402.23</u>	<u>\$ 588,480.91</u>	<u>\$ 4,542,774.19</u>

UNAUDITED

Consolidated Accounts

Land Reclamation Fund (0454) U/F (0454)	Federal Fund (5041) U/F (5041)	Total
\$ -	\$ -	\$ 1,000.00
428,673.43	800,378.34	21,128,334.31
	-	4,396,713.81
	1,147,037.30	1,147,037.30
		22,538.20
<u>\$ 428,673.43</u>	<u>\$ 1,947,415.64</u>	<u>\$ 26,695,623.62</u>
<u>\$ 428,673.43</u>	<u>\$ 1,947,415.64</u>	<u>\$ 26,695,623.62</u>
\$ 3,697.65	\$ 67,535.69	\$ 4,347,093.54
-	412,519.18	3,494,378.95
	12,505.82	491,443.18
		-
<u>\$ 3,697.65</u>	<u>\$ 492,560.69</u>	<u>\$ 8,332,915.67</u>
\$ -	\$ -	\$ -
<u>\$ 3,697.65</u>	<u>\$ 492,560.69</u>	<u>\$ 8,332,915.67</u>

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

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

For the Fiscal Year Ended August 31, 2008

	<u>General Revenue</u>	<u>Consolidated Accounts</u>	
	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)
Fund Financial Statement - Fund			
Fund Balances (Deficits):			
Reserved for:			
Encumbrances	\$ 320,464.50	\$ 4,012.11	\$ 332,140.19
Inventories	22,538.20	-	
Imprest	1,000.00	-	-
Unreserved/Undesignated:			
Other	<u>1,370,847.08</u>	<u>1,395,402.42</u>	<u>13,036,472.72</u>
Total Fund Balance	<u>\$ 1,714,849.78</u>	<u>\$ 1,399,414.53</u>	<u>\$ 13,368,612.91</u>
Total Liabilities and Fund Balance	<u><u>\$ 4,420,252.01</u></u>	<u><u>\$ 1,987,895.44</u></u>	<u><u>\$ 17,911,387.10</u></u>

UNAUDITED

Consolidated Accounts

Land Reclamation Fund (0454) U/F (0454)	Federal Fund (5041) U/F (5041)	Total
\$ 1,608.00	\$ 39,033.49	\$ 697,258.29
-		22,538.20
-		1,000.00
<u>423,367.78</u>	<u>1,415,821.46</u>	<u>17,641,911.46</u>
<u>\$ 424,975.78</u>	<u>\$ 1,454,854.95</u>	<u>\$ 18,362,707.95</u>
<u>\$ 428,673.43</u>	<u>\$ 1,947,415.64</u>	<u>\$ 26,695,623.62</u>

UNAUDITED

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, 2008

	<u>General Revenue</u>	<u>Consolidated Accounts</u>	
		<u>Alternative Fuels</u>	
	<u>General Revenue Fund (0001) U/F (0001)</u>	<u>Research and Education Fund (0101) U/F (0101)</u>	<u>Oil Field Cleanup Fund (0145) U/F (0145)</u>
REVENUES			
Legislative Appropriations:			
Original Appropriations	\$ 27,661,067.00	\$ -	\$ -
Additional Appropriations	7,940,884.14		
Federal Revenue (Note 2 Federal Schedule)	-		
Federal Pass Through Revenue (Schedule 1A & Note 2)	-		1,193,388.07
State Grant Pass Through Revenue	467,267.22	3,544,953.39	
Licenses, Fees and Permits	1,835,217.47	1,976,349.49	31,385,467.14
Interest and Investment Income	-	159,268.17	1,155,188.55
Sales of Goods and Services	48,419.72		1,476,424.19
Other	406,863.00	304,899.41	398,269.11
Total Revenues	\$ 38,359,718.55	\$ 5,985,470.46	\$ 35,608,737.06
EXPENDITURES			
Salaries and Wages	24,862,265.02	601,971.32	5,964,483.03
Payroll Related Costs	7,284,575.24	129,490.38	1,519,872.13
Professional Fees and Services	3,563,730.70	62,971.75	1,003,511.22
Travel	137,313.02	62,769.13	35,471.64
Materials and Supplies	624,521.37	63,937.23	1,176,920.19
Communication and Utilities	306,110.78	20,442.93	251,313.59
Repairs and Maintenance	229,699.97	17,502.76	190,537.82
Rentals and Leases	774,813.32	73,065.10	266,027.29
Printing and Reproduction	49,173.98	64,858.35	7,498.03
Claims and Judgements	10,589.82	-	-
Other Expenditures	662,805.07	7,262,375.68	19,177,087.23
Capital Outlay	855,718.78	33,342.26	358,174.00
Total Expenditures/Expenses	\$ 39,361,317.07	\$ 8,392,726.89	\$ 29,950,896.17
Excess(deficiency) of revenues over expenditures	\$ (1,001,598.52)	\$ (2,407,256.43)	\$ 5,657,840.89

UNAUDITED

Consolidated Accounts

Land Reclamation Fund (0454) U/F (0454)	Suspense Fund (0900) U/F (0900)	Federal Fund (5041) U/F (5041)	Unappropriated General Revenue EFF (1000) U/F (1000)	Total
\$ -	\$ -	\$ -	\$ -	\$ 27,661,067.00
				\$ 7,940,884.14
		3,388,081.24	\$ 823,294.23	\$ 4,211,375.47
				\$ 1,193,388.07
				\$ 4,012,220.61
	(470,738.09)			\$ 34,726,296.01
				\$ 1,314,456.72
				\$ 1,524,843.91
				\$ 1,110,031.52
<u>\$ -</u>	<u>\$ (470,738.09)</u>	<u>\$ 3,388,081.24</u>	<u>\$ 823,294.23</u>	<u>\$ 83,694,563.45</u>
		2,811,777.27		34,240,496.64
		660,915.37		9,594,853.12
81,204.99		929,311.99		5,640,730.65
		126,178.63		361,732.42
10.40		173,330.55		2,038,719.74
		46,338.49		624,205.79
		26,421.05		464,161.60
744.00		40,990.56		1,155,640.27
		823.02		122,353.38
		-		10,589.82
		62,520.23		27,164,788.21
		19,255.82		1,266,490.86
<u>\$ 81,959.39</u>	<u>\$ -</u>	<u>\$ 4,897,862.98</u>	<u>\$ -</u>	<u>\$ 82,684,762.50</u>
<u>\$ (81,959.39)</u>	<u>\$ (470,738.09)</u>	<u>\$ (1,509,781.74)</u>	<u>\$ 823,294.23</u>	<u>\$ 1,009,800.95</u>

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

Exhibit A-2 - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

All General and Consolidated Funds - *continued*

For the Fiscal Year Ended August 31, 2008

	<u>General Revenue</u>	<u>Consolidated Accounts</u>	
	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)
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	102,537.18		
Insurance Recovery			99.00
Transfers Out	(74,686.77)		
Legislative Transfers Out (Note 8)			
Legislative Transfers In (Note 8)	443,838.98		
Appropriations Lapsed	(79,817.77)		
Total other financing sources and uses	<u>\$ 391,871.62</u>	<u>\$ -</u>	<u>\$ 99.00</u>
Net Change in Fund Balances	(609,726.90)	(2,407,256.43)	5,657,939.89
Fund Financial Statement - Fund Balances			
Fund Balances - Beginning	2,451,040.68	3,806,670.96	7,710,673.02
Restatements	(126,464.00)		-
Fund Balances, September 1, 2007, as Restated	<u>\$ 2,324,576.68</u>	<u>\$ 3,806,670.96</u>	<u>\$ 7,710,673.02</u>
Fund Balances - August 31, 2008	<u>\$ 1,714,849.78</u>	<u>\$ 1,399,414.53</u>	<u>\$ 13,368,612.91</u>

UNAUDITED

Consolidated Accounts

Land Reclamation Fund (0454) U/F (0454)	Suspense Fund (0900) U/F (0900)	Federal Fund (5041) U/F (5041)	Earned Federal Funds (1000) U/G (1000)	Total
				102,537.18
				99.00
			\$ (2,313,609.73)	(2,388,296.50)
			\$ 1,490,315.50	1,490,315.50
				443,838.98
				(79,817.77)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (823,294.23)</u>	<u>\$ (431,323.61)</u>
(81,959.39)	(470,738.09)	(1,509,781.74)	-	578,477.34
506,935.17	470,738.09	2,964,636.69		17,910,694.61
				(126,464.00)
<u>\$ 506,935.17</u>	<u>\$ 470,738.09</u>	<u>\$ 2,964,636.69</u>		<u>\$ 17,784,230.61</u>
<u>\$ 424,975.78</u>	<u>\$ -</u>	<u>\$ 1,454,854.95</u>		<u>\$ 18,362,707.95</u>

UNAUDITED

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, 2008

	Beginning Balance September 1, 2007	Additions	Deductions	Ending Balance August 31, 2008
OTHER AGENCY FUNDS				
<u>Suspense Fund (0900) U/F (0900)</u>				
ASSETS				
Current				
Cash in the State Treasury	\$ -	\$ 6,600,623.41	\$ 6,591,473.11	\$ 9,150.30
Total Assets	<u>\$ -</u>	<u>\$ 6,600,623.41</u>	<u>\$ 6,591,473.11</u>	<u>\$ 9,150.30</u>
LIABILITIES				
Current				
Funds Held for Others	\$ -	\$ 6,600,828.79	\$ 6,591,678.49	\$ 9,150.30
Total Liabilities	<u>\$ -</u>	<u>\$ 6,600,828.79</u>	<u>\$ 6,591,678.49</u>	<u>\$ 9,150.30</u>
 <u>Employees' Savings</u>				
<u>Bond Account (0901) U/F (0901)</u>				
ASSETS				
Current				
Cash in the State Treasury	\$ 1,694.09	\$ 12,394.09	\$ 12,894.09	\$ 1,194.09
Total Assets	<u>\$ 1,694.09</u>	<u>\$ 12,394.09</u>	<u>\$ 12,894.09</u>	<u>\$ 1,194.09</u>
LIABILITIES				
Current				
Funds Held for Others	\$ 1,694.09	\$ 26,594.09	\$ 27,094.09	\$ 1,194.09
Total Liabilities	<u>\$ 1,694.09</u>	<u>\$ 26,594.09</u>	<u>\$ 27,094.09</u>	<u>\$ 1,194.09</u>
 <u>P5 Cash Options-Suspense (0149) U/F (0149)</u>				
ASSETS				
Current				
Cash in the State Treasury	\$ 10,619,199.00	\$ 4,806,860.50	\$ 1,820,720.50	\$ 13,605,339.00
Total Assets	<u>\$ 10,619,199.00</u>	<u>\$ 4,806,860.50</u>	<u>\$ 1,820,720.50</u>	<u>\$ 13,605,339.00</u>
LIABILITIES				
Current				
Funds Held for Others	\$ 10,619,199.00	\$ 5,558,212.50	\$ 2,572,072.50	\$ 13,605,339.00
Total Liabilities	<u>\$ 10,619,199.00</u>	<u>\$ 5,558,212.50</u>	<u>\$ 2,572,072.50</u>	<u>\$ 13,605,339.00</u>
 Totals - All Agency Funds				
ASSETS				
Current				
Cash in the State Treasury	\$ 10,620,893.09	\$ 11,419,878.00	\$ 8,425,087.70	\$ 13,615,683.39
Total Assets	<u>\$ 10,620,893.09</u>	<u>\$ 11,419,878.00</u>	<u>\$ 8,425,087.70</u>	<u>\$ 13,615,683.39</u>
LIABILITIES				
Current				
Funds Held for Others	\$ 10,620,893.09	\$ 12,185,635.38	\$ 9,190,845.08	\$ 13,615,683.39
Total Liabilities	<u>\$ 10,620,893.09</u>	<u>\$ 12,185,635.38</u>	<u>\$ 9,190,845.08</u>	<u>\$ 13,615,683.39</u>

**Agency 455 - Railroad Commission of Texas
Schedule 1A
For the Fiscal Year Ended August 31, 2008**

Certified

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	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											
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	GR703483			1,066,546.12	1,066,546.12				1,066,546.12	1,066,546.12
Abandoned Mine Land Reclamation (AMLR) Program	15.252	GR707480			1,351,672.84	1,351,672.84				1,351,672.84	1,351,672.84
Totals - U.S. Department of the Interior				0.00	2,418,218.96	0.00	2,418,218.96	0.00	0.00	2,418,218.96	2,418,218.96
U.S. Department of Transportation											
Pipeline Safety	20.700	DTPH56-07- G			1,104,343.04	1,104,343.04				1,104,343.04	1,104,343.04
Totals - U.S. Department of Transportation				0.00	1,104,343.04	0.00	1,104,343.04	0.00	0.00	1,104,343.04	1,104,343.04
Environmental Protection Agency											
State Underground Water Source Protection	66.433	G-00622608- I			568,499.92	568,499.92				568,499.92	568,499.92
Source Reduction Assistance	66.717	X9- 96663501-0			1,210.60	1,210.60				1,210.60	1,210.60
State and Tribal Response Program Grants	66.817	RP- 97636601-4			119,102.95	119,102.95				119,102.95	119,102.95
Pass-Through From:											
Nonpoint Source Implementation Grant	66.460					1,193,388.07				1,193,388.07	1,193,388.07
Pass-Through From:											
<i>Texas Commission on Environmental Quality</i>			582		1,193,388.07						

Totals - Environmental Protection Agency

<u>1,193,388.07</u>	<u>688,813.47</u>	<u>0.00</u>	<u>1,882,201.54</u>	<u>0.00</u>	<u>0.00</u>	<u>1,882,201.54</u>	<u>1,882,201.54</u>
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Total Expenditures of Federal Awards

<u>1,193,388.07</u>	<u>4,211,375.47</u>	<u>0.00</u>	<u>5,404,763.54</u>	<u>0.00</u>	<u>0.00</u>	<u>5,404,763.54</u>	<u>5,404,763.54</u>
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Railroad Commission of Texas (455)
Federal Schedule
NOTE 2: Reconciliation

Per Combined Governmental Operating Statement/Statement
of Activitied and Proprietary Statement of Changes in Revenues,
Expenses and Net Assets

Governmental Funds - Direct Deferal Revenue (Exh. II)	\$ 4,211,375.47
Governmental Funds - Federal Pass Through Revenue (Exh. II)	<u>1,193,388.07</u>
Subtotal	<u>\$ 5,404,763.54</u>

Total Pass Through and Expenditures per Federal Schedule	<u><u>\$ 5,404,763.54</u></u>
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Railroad Commission of Texas (455)
Federal Schedule
NOTE 7: Federal Deferred Revenue

CFDA	Balance 09/01/07	Net Change	Balance 08/31/08
20.700 Pipeline Safety (One Call)	-	\$ 12,505.82	\$ 12,505.82
		\$ 12,505.82	\$ 12,505.82

The deferred revenue of \$12,505.82 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, 2008

Pass Through From:

Comptroller's State Energy Conservation Office (Agency 907)	\$	61,824.97
Texas Commission on Environmental Quality (Agency 582)*		3,521,062.64
Governor's Office (Agency 300)		<u>429,333.00</u>
Total Pass-Through From Other Agencies (Exhibit II)	\$	<u><u>4,012,220.61</u></u>

*Net of \$478,937.36 Deferred Revenue