Annual Financial Report

FOR THE FISCAL YEAR 2016

The Railroad Commission of Texas

Christi Craddick	David Porter	Ryan Sitton
Commissioner	Chairman	Commissioner

ANNUAL FINANCIAL REPORT

UNAUDITED

RAILROAD COMMISSION OF TEXAS
Austin, Texas

Year Ended August 31, 2016

RAILROAD COMMISSION OF TEXAS

DAVID PORTER, *CHAIRMAN*
CHRISTI CRADDICK, *COMMISSIONER*
RYAN SITTON, *COMMISSIONER*

November 15, 2016

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Comptroller
Ursula Parks, Director, Legislative Budget Board
Lisa R. Collier, First Assistant State Auditor, CPA, CPE, CIDA

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Railroad Commission of Texas for the year ended August 31, 2016, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,

David Porter, Chairman

Christi Craddick, Commissioner

Ryan Sitton, Commissioner

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RAILROAD COMMISSION OF TEXAS (455)

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 3
Exhibit VI Combined Statement of Net Assets - Fiduciary Funds 4

NOTES TO THE FINANCIAL STATEMENTS 5

COMBINING STATEMENTS - EXHIBITS:

Exhibit A-1 Combining Balance Sheet - All General and Consolidated Funds 16
Exhibit A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All General and Consolidated Funds 17
Exhibit J-1 Combining Statement of Changes in Assets and Liabilities – Agency Funds 18

STATE AND FEDERAL PASS-THROUGH SCHEDULES:

Schedule 1A Schedule of Expenditures of Federal Awards 20
Schedule 1B Schedule of State Grant Pass Through From/To State Agencies 22

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

Combined Financial Statements

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

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

For the Fiscal Year Ended August 31, 2016

	Governmental Fund Types				
	General Funds	Governmental Funds Total	Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	$ -	$ -	$ -	$ -	$ -
Cash in State Treasury	26,853,789.81	26,853,789.81	-	-	26,853,789.81
Legislative Appropriations	3,616,964.00	3,616,964.00	-	-	3,616,964.00
Federal Receivable	-	-	-	-	-
Interfund Receivables	-	-	-	-	-
Due from Other Agencies	-	-	-	-	-
Consumable Inventories	28,526.53	28,526.53	-	-	28,526.53
Prepaid Items	614,197.81	614,197.81	-	-	614,197.81
Total Current Assets	$ 31,113,478.15	$ 31,113,478.15	$ -	$ -	$ 31,113,478.15
Non-Current Assets:					
Capital Assets (Note 2):					
Non-Depreciable:					
Construction in Progress	-	-	-	-	-
Other Capital Assets	-	-	-	-	-
Depreciable:					
Buildings and Building Improvements	-	-	313,458.40	-	313,458.40
Less Accumulated Depreciation	-	-	(131,876.79)	-	(131,876.79)
Furniture and Equipment	-	-	2,911,471.95	-	2,911,471.95
Less Accumulated Depreciation	-	-	(2,274,564.30)	-	(2,274,564.30)
Vehicles, Boats, and Aircraft	-	-	6,342,018.24	-	6,342,018.24
Less Accumulated Depreciation	-	-	(3,426,097.93)	-	(3,426,097.93)
Amortizable:			-		
Computer Software	-	-	13,360,985.35	-	13,360,985.35
Less Accumulated Amortization	-	-	(3,166,038.49)	-	(3,166,038.49)
Total Non-Current Assets	-	-	13,929,356.43	-	13,929,356.43
Total Assets	$ 31,113,478.15	$ 31,113,478.15	$ 13,929,356.43	$ -	$ 45,042,834.58
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Payables from:					
Accounts Payable	$ 1,697,419.23	$ 1,697,419.23	$ -	$ -	$ 1,697,419.23
Payroll Payable	4,537,644.03	4,537,644.03	-	-	4,537,644.03
Interfund Payble	-	-	-	-	-
Due to Other Agencies	-	-	-	-	-
Deferred Revenue (Fed Sch 1A - Note 7)	-	-	-	-	-
Employees' Compensable Leave (Note 5)	-	-	-	2,250,905.61	2,250,905.61
Pollution Remediation Obligation (Note 5)	-	-	-	3,263,915.48	3,263,915.48
Total Current Liabilities	$ 6,235,063.26	$ 6,235,063.26	$ -	$ 5,514,821.09	$ 11,749,884.35
Non-Current Liabilities:					
Employees' Compensable Leave (Note 5)		-	-	1,653,321.73	1,653,321.73
Total Non-Current Liabilities	$ -	$ -	$ -	$ 1,653,321.73	$ 1,653,321.73
Total Liabilities	$ 6,235,063.26	$ 6,235,063.26	$ -	$ 7,168,142.82	$ 13,403,206.08
Fund Financial Statement - Fund					
Fund Balances (Deficits):					
Nonspendable	$ 642,724.34	642,724.34			642,724.34
Restricted	5,420,117.78	5,420,117.78			5,420,117.78
Committed	16,310,885.08	16,310,885.08			16,310,885.08
Assigned	-	-			-
Unassigned	2,504,687.69	2,504,687.69			2,504,687.69
Total Fund Balances	$ 24,878,414.89	$ 24,878,414.89			$ 24,878,414.89
Total Liabilities and Fund Balances	$ 31,113,478.15	$ 31,113,478.15			
Government-wide Statement - Net Assets					
Net Assets:					
Invested in Capital Assets, Net of Related Debt			$ 13,929,356.43		$ 13,929,356.43
Restricted for:					
Employee Benefits				(3,904,227.34)	(3,904,227.34)
Pollution Remediation Obligation				(3,263,915.48)	(3,263,915.48)
Claims and Judgments				-	-
Total Net Assets			$ 13,929,356.43	$ (7,168,142.82)	$ 31,639,628.50

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

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, 2016

	General Fund	Governmental Funds Total	Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES					
Legislative Appropriations:					
Original Appropriations	$ 11,050,547.00	$ 11,050,547.00	$ -	$ -	$ 11,050,547.00
Additional Appropriations	4,698,035.71	4,698,035.71	-	-	4,698,035.71
Federal Revenue (Fed Sch 1A)	11,843,794.45	11,843,794.45	-	-	11,843,794.45
Federal Pass Through Revenue (Fed Sch 1A)	242,231.25	242,231.25	-	-	242,231.25
State Grant Pass Through Revenue (Sch 1B)	(85,904.60)	(85,904.60)	-	-	(85,904.60)
Licenses, Fees and Permits	61,919,722.75	61,919,722.75	-	-	61,919,722.75
Interest, Dividend & Other Income	40.97	40.97	-	-	40.97
Sales of Goods and Services	704,482.59	704,482.59			704,482.59
Settlement of Claims	472,715.00	472,715.00	-	-	472,715.00
Other	164,354.32	164,354.32	-	-	164,354.32
Total Revenues	$ 91,010,019.44	$ 91,010,019.44	$ -	$ -	$ 91,010,019.44
EXPENDITURES					
Salaries and Wages	42,401,137.70	42,401,137.70	$ -	(772,180.67)	41,628,957.03
Payroll Related Costs	16,326,210.60	16,326,210.60	-	-	16,326,210.60
Professional Fees and Services	9,605,359.04	9,605,359.04	-	-	9,605,359.04
Travel	644,815.81	644,815.81	-	-	644,815.81
Materials and Supplies	1,564,004.18	1,564,004.18	-	-	1,564,004.18
Communication and Utilities	725,456.14	725,456.14	-	-	725,456.14
Repairs and Maintenance	446,535.20	446,535.20	-	-	446,535.20
Rentals and Leases	1,269,106.78	1,269,106.78	-	-	1,269,106.78
Printing and Reproduction	397,887.14	397,887.14	-	-	397,887.14
Claims and Judgements	10,052.79	10,052.79	-	-	10,052.79
Federal Pass Through Expenditures	-	-	-	-	-
Intergovernmental Payments	328,494.00	328,494.00	-	-	328,494.00
Other Expenditures	12,896,977.57	12,896,977.57	-	-	12,896,977.57
Capital Outlay (Note 2)	176,435.50	176,435.50	(248,635.50)	-	(72,200.00)
Amortization Expense (Note 2)	-	-	2,548,267.32	-	2,548,267.32
Depreciation Expense (Note 2)	-	-	1,000,815.49	-	1,000,815.49
Pollution Remediation Obligation	-	-	-	(10,876,753.23)	(10,876,753.23)
Total Expenditures/Expenses	$ 86,792,472.45	$ 86,792,472.45	$ 3,300,447.31	$ (11,648,933.90)	$ 78,443,985.86
Excess (deficiency) of revenues over expenditures	$ 4,217,546.99	$ 4,217,546.99	$ (3,300,447.31)	$ 11,648,933.90	$ 12,566,033.58
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	$ 167,795.82	$ 167,795.82	$ (167,795.82)	$ -	$ -
Transfers In	234.94	234.94	12,743,214.18	-	12,743,449.12
Transfers Out	(2,945,046.44)	(2,945,046.44)	(12,743,214.18)	-	(15,688,260.62)
Appropriations Lapsed	(1,834,319.00)	(1,834,319.00)			(1,834,319.00)
Gain (Loss) on Sale of Capital Assets	-	-	98,418.77	-	98,418.77
Total other financing sources and uses	$ (4,611,334.68)	$ (4,611,334.68)	$ (69,377.05)	$ -	$ (4,680,711.73)
Net Change in Fund Balances/Net Assets	$ (393,787.69)	$ (393,787.69)	$ (3,369,824.36)	$ 11,648,933.90	$ 7,885,321.85
Fund Financial Statement - Fund Balances					
Fund Balances - September 1, 2015	25,269,264.25	25,269,264.25			25,269,264.25
Restatements	2,938.33	2,938.33			2,938.33
Fund Balances - September 1, 2015, as Restated	25,272,202.58	25,272,202.58			25,272,202.58
Fund Balances - August 31, 2016	$ 24,878,414.89	$ 24,878,414.89	$ (3,369,824.36)	$ 11,648,933.90	$ 33,157,524.43
Government-wide Statement - Net Assets					
Change in Net Assets		$ 24,878,414.89	$ (3,369,824.36)	$ 11,648,933.90	$ 33,157,524.43
Net Assets - September 1, 2015			17,299,180.79	(18,817,076.72)	(1,517,895.93)
Net Assets - August 31, 2016		$ 24,878,414.89	$ 13,929,356.43	$ (7,168,142.82)	31,639,628.50

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

RAILROAD COMMISSION OF TEXAS (455)

Exhibit VI - Combined Statement of Net Assets - Fiduciary Funds

For the Fiscal Year Ended August 31, 2016

	Agency Funds	Totals
ASSETS		
Current		
Cash in the State Treasury	$ 61,326,627.96	$ 61,326,627.96
Total Current Assets	61,326,627.96	61,326,627.96
Total Assets	$ 61,326,627.96	$ 61,326,627.96
LIABILITIES		
Current		
Accounts Payable	$ -	$ -
Funds Held for Others	61,326,627.96	61,326,627.96
Total Current Liabilities	61,326,627.96	61,326,627.96
Total Liabilities	$ 61,326,627.96	$ 61,326,627.96
NET ASSETS		
Total Net Assets	$ -	$ -

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

UNAUDITED

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 of Texas (Commission) complies with the Texas Comptroller of Public Accounts *Reporting Requirements for Annual Financial Reports of State Agencies and Universities.*

The Commission was established in 1891 and operates under the state constitution and other enabling statues. 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 areas dealing primarily with energy, pipeline safety, and environmental protection. 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,(GASB 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 Commission is mainly funded with General Revenue Fund (Fund 0001) and Oil and Gas Regulation and Cleanup Fund (Fund 5155) – This General Revenue Dedicated fund was established by Chapter 81 of the Natural Resources Code.

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.

RAILROAD COMMISSION OF TEXAS (455)

Agency Funds
Texa$aver 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

In accordance with generally accepted accounting principles and accounting policies and procedures set forth by the Comptroller of Public Accounts, the Commission recognizes revenue when received. Expenditures are recognized on a modified accrual basis.

INTERFUND ACTIVITIES AND BALANCES

The agency has the following types of transactions between funds:

Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.

Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

NOTE 2: Capital Assets

	PRIMARY GOVERNMENT					
	Balance 09/1/2015	Reclassifications Inc-Int'agy Trans	Reclassifications Dec-Int'agy Trans	Additions	Deletions	Balance 08/31/2016
Non-Depreciable Assets:						
Construction in Process	12,743,214.18		(12,743,214.18)			-
Total Non-Depreciable Assets at Historical Cost	12,743,214.18		(12,743,214.18)			-
Depreciable Assets:						
Buildings and Building Improvements	313,458.40					313,458.40
Infrastructure	-					-
Facilities & Other Improvements	-					-
Furniture and Equipment	3,184,511.01			80,446.25	(353,485.31)	2,911,471.95
Vehicle, Boats & Aircraft	6,653,730.60		(35,538.33)	168,189.25	(444,363.28)	6,342,018.24
Other Capital Assets	-					-
Total Depreciable Assets at Historical Cost	10,151,700.01	-	(35,538.33)	248,635.50	(797,848.59)	9,566,948.59
Less Accumulated Depreciation for:						
Buildings and Improvements	(123,404.91)			(8,471.88)		(131,876.79)
Infrastructure	-					-
Facilities & Other Improvements	-					-
Furniture and Equipment	(2,466,916.67)			(160,728.80)	353,081.17	(2,274,564.30)
Vehicles, Boats & Aircraft	(3,005,411.82)		35,538.33	(831,614.81)	375,390.37	(3,426,097.93)
Other Capital Assets	-					-
Total Accumulated Depreciation	(5,595,733.40)	-	35,538.33	(1,000,815.49)	728,471.54	(5,833,539.02)
Depreciable Assets, Net	4,555,966.61	-	-	(752,179.99)	(69,377.05)	3,734,409.57
Amortizable Assets – Intangible:						
Land use Rights - Term	-					-
Computer Software - Intangible	617,771.17	12,743,214.18				13,360,985.35
Other Intangible Capital Assets - Term	-					-
Total Intangible Assets at Historical Cost	617,771.17	12,743,214.18				13,360,985.35
Less Accumulated Amortization for:						
Land use Rights - Term	-					-
Computer Software - Intangible	(617,771.17)			(2,548,267.32)		(3,166,038.49)
Other Intangible Capital Assets - Term	-					-
Total Accumulated Amortization	(617,771.17)	-	-	(2,548,267.32)		(3,166,038.49)
Amortizable Assets – Net	-	12,743,214.18	-	(2,548,267.32)	-	10,194,946.86
Governmental Activities Capital Assets, Net	17,299,180.79	12,743,214.18	(12,743,214.18)	(3,300,822.31)	(69,377.05)	13,929,356.43

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, 2016, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/2014	Additions	Deductions	Balance 08/31/2015	Amounts Due Within One Year
Employees' Compensable Leave	$4,676,408.01	$3,339,687.68	$4,171,868.35	$3,904,227,34	$2,250,905.61
Pollution Remediation Obligation	14,140,668.71	12,459,032.54	23,335,785.77	3,263,915.48	3,263,915.48
Claims and Judgments	0.00	10,052.79	10,052.79	0.00	0.00
Total Governmental Activities	**$18,817,076.72**	**$15,868,773.01**	**$27,517,706.91**	**$7,168,142.82**	**$5,514,821.09**

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.

Pollution Remediation Obligations

The Railroad Commission of Texas recognizes a pollution remediation obligation when it commences, or legally obligates itself to commence, cleanup activities

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.
Under Texas Natural Resource Code §89.043, the Railroad Commission 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 38 active well plugging projects as of August 31, 2016, with an estimated cost of $3,001,941.48. 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 no active site remediation projects as of August 31, 2016. 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 project as of August 31, 2016, with an estimated cost of $261,974.00.

Claims & Judgments

The Attorney General's Claims Section assisted in settling three claims on the Commission's behalf during FY 2016, without resort to litigation, arising from motor vehicle accidents involving Commission employees acting within the course and scope of their employment. Claimant Alejandro & Beatriz Snell received $1,114.56; Claimant Andrew Thornton received $2,033.00; Claimant Liberty Mutual Insurance received $6,905.23 for total claim payment in FY 2016 of $10,052.79.

NOTE 6: Bonded Indebtedness

Not applicable.

NOTE 7: Derivative Instruments

Not applicable.

NOTE 8: Leases

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

Fund Type	
General Fund	36,431.68
General Revenue Dedicated – Fund 5155	442,546.61
Federal Fund	33,961.10
Totals – Memorandum Only	**$ 512,939.39**

RAILROAD COMMISSION OF TEXAS (455)

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,	
2017	504,202.25
2018	194,522.95
2019	83,161.90
2020	12,355.92
2021	4,118,.64
2022-2026	-
Total Minimum Future Lease Rental Payments	**$ 798,361.66**

NOTE 9: Pension Plans and Optional Retirement Program

Not applicable.

NOTE 10: Deferred Compensation

Not applicable.

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

Not applicable.

NOTE 12: Interfund Activity and Transactions

Not applicable.

NOTE 13: Continuance Subject to Review

The Commission is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence by the 85th Legislature the Commission is abolished September 1, 2017.

NOTE 14: Adjustments to Fund Balances / Net Assets

According to the Comptroller, the GR Reconciliation analysis discovered the GR Legislative Appropriation was understated at the end of 2016. The 2017 beginning balance was increased $2,938.33.

NOTE 15: Contingent Liabilities

The Commission is a party to numerous lawsuits that have generally arisen out of the regulation of various segments of the energy industry or relating to claims made by former employees. Some of these lawsuits involve enforcement actions 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.

A case identified as Cause No. 09-08-0809, *Gulf Energy Exploration Corp. v. Railroad Commission of Texas*, is pending in the 267th Judicial District Court of Calhoun County, Texas is reasonably likely to result in a monetary judgment against the Commission. The plaintiffs in that case seek damages of up to $2.5 million against the Commission.

NOTE 16: Subsequent Events

There are no subsequent events.

NOTE 17: Risk Management

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

NOTE 18: Management Discussion and Analysis

In FY2016, the crude oil price remained at lower levels compared to FY2014. As a result, the Commission has continued to experience a decline of Oil & Gas revenues in fund 5155.

NOTE 19: The Financial Reporting Entity

Not applicable.

NOTE 20: Stewardship, Compliance and Accountability

As of November 20, 2016, management is unaware of any issues that affected stewardship, compliance, or accountability.

NOTE 22: Donor Restricted Endowments

Not applicable.

NOTE 23: Extraordinary and Special Items

The Commission completed major Information Technology projects during 2016 in the amount of $12,743,214.18; thus, the projects were reclassified from "Construction in Process" to "Computer Software- Intangible", in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.*

NOTE 24: Disaggregation of Receivable and Payable Balances

Not applicable.

NOTE 25: Termination Benefits

Not applicable.

NOTE 26: Segment Information

Not applicable.

NOTE 27: Service Concession Arrangements

Not applicable.

NOTE 28: Deferred Outflows of Resources and Deferred Inflows of Resources

Not applicable.

NOTE 29: Trouble Debt Restructuring

Not applicable.

NOTE 30: Non-Exchange Financial Guarantees

Not applicable.

Combining Statement – Exhibits

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

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

For the Fiscal Year Ended August 31, 2016

	General Revenue	Consolidated Accounts				
	General Revenue Fund (0001) U/F (0001)	Land Reclaimation Fund (0454) U/F (0454)	Anthropogenic Carbon Dioxide Fund (0827) U/F (0827)	Federal Fund (5041) U/F (5041)	Oil and Gas Regulation and Cleanup Fund (5155) U/F (5155)	Total
ASSETS						
Current Assets:						
Cash and Cash Equivalents:						
Cash on Hand	$ -	$ -	$ -	$ -	$ -	$ -
Cash in State Treasury	-	472,715.02	10,045.42	5,831,293.65	20,539,735.72	26,853,789.81
Legislative Appropriations	3,616,964.00	-	-	-	-	3,616,964.00
Federal Receivables	-	-	-	-	-	-
Interfund Receivable	-	-	-	-	-	-
Due from Other Agencies	-	-	-	-	-	-
Consumable Inventories	28,526.53	-	-	-	-	28,526.53
Prepaid Items	614,197.81	-	-	-	-	614,197.81
Total Current Assets	$ 4,259,688.34	$ 472,715.02	$ 10,045.42	$ 5,831,293.65	$ 20,539,735.72	$ 31,113,478.15
Total Assets	$ 4,259,688.34	$ 472,715.02	$ 10,045.42	$ 5,831,293.65	$ 20,539,735.72	$ 31,113,478.15
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Payables from:						
Accounts Payable	$ 26,508.89	$ -	$ -	$ 42,999.30	$ 1,627,911.04	$ 1,697,419.23
Payroll Payable	1,085,767.42	-	-	368,176.57	3,083,700.04	4,537,644.03
Interfund Payable	-	-	-	-	-	-
Due to Other Agencies	-	-	-	-	-	-
Deferred Revenue (Fed Sch 1A - Note 7)	-	-	-	-	-	-
Total Current Liabilities	$ 1,112,276.31	$ -	$ -	$ 411,175.87	$ 4,711,611.08	$ 6,235,063.26
Total Liabilities	$ 1,112,276.31	$ -	$ -	$ 411,175.87	$ 4,711,611.08	$ 6,235,063.26
Fund Balances (Deficits):						
Nonspendable	642,724.34	-	-	-	-	642,724.34
Restricted	-	-	-	5,420,117.78	-	5,420,117.78
Committed	-	472,715.02	10,045.42	-	15,828,124.64	16,310,885.08
Assigned	-	-	-	-	-	-
Unassigned	2,504,687.69	-	-	-	-	2,504,687.69
Total Fund Balances	$ 3,147,412.03	$ 472,715.02	$ 10,045.42	$ 5,420,117.78	$ 15,828,124.64	$ 24,878,414.89
Total Liabilities and Fund Balances	$ 4,259,688.34	$ 472,715.02	$ 10,045.42	$ 5,831,293.65	$ 20,539,735.72	$ 31,113,478.15

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

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, 2016

	General Revenue			Consolidated Accounts			
	General Revenue Fund (0001) U/F (0001)	Land Reclaimation Fund (0454) U/F (0454)	Anthropogenic Carbon Dioxide Fund (0827) U/F (0827)	Federal Fund (5041) U/F (5041)	Oil and Gas Regulation and Cleanup Fund (5155) U/F (5155)	Unappropriated General Revenue EFF (1000) U/F (1000)	Total
REVENUES							
Legislative Appropriations:							
Original Appropriations	$ 11,050,547.00	$ -	$ -	$ -	$ -	$ -	$ 11,050,547.00
Additional Appropriations	4,698,035.71	-	-	-	-	-	4,698,035.71
Federal Revenue (Fed Sch 1A)	-	-	-	9,024,829.20	-	2,818,965.25	11,843,794.45
Federal Pass Through Revenue (Fed Sch 1A)	-	-	-	242,231.25	-	-	242,231.25
State Grant Pass Through Revenue (Sch 1B)	(85,904.60)	-	-	-	-	-	(85,904.60)
Licenses, Fees and Permits	2,073,627.99	-	-	-	59,846,094.76	-	61,919,722.75
Interest, Dividend & Other Income	-	-	45.42	-	(4.45)	-	40.97
Sales of Goods and Services	5,873.30	-	-	-	698,609.29	-	704,482.59
Settlement of Claims	-	472,715.00	-	-	-	-	472,715.00
Other	127,148.95	-	10,000.00	-	27,205.37	-	164,354.32
Total Revenues	$ 17,869,328.35	$ 472,715.00	$ 10,045.42	$ 9,267,060.45	$ 60,571,904.97	$ 2,818,965.25	$ 91,010,019.44
EXPENDITURES							
Salaries and Wages	10,010,122.14	-	-	3,810,490.69	28,580,524.87	-	42,401,137.70
Payroll Related Costs	2,906,997.34	-	-	1,216,087.42	12,203,125.84	-	16,326,210.60
Professional Fees and Services	2,844,889.62	-	-	1,427,575.37	5,332,894.05	-	9,605,359.04
Travel	128,752.75	-	-	236,542.25	279,520.81	-	644,815.81
Materials and Supplies	24,171.05	-	-	108,516.20	1,431,316.93	-	1,564,004.18
Communication and Utilities	57,045.09	-	-	47,159.79	621,251.26	-	725,456.14
Repairs and Maintenance	27,900.33	-	-	20,830.73	397,804.14	-	446,535.20
Rentals and Leases	596,325.88	-	-	42,473.07	630,307.83	-	1,269,106.78
Printing and Reproduction	163,002.04	-	-	36,549.31	198,335.79	-	397,887.14
Claims and Judgements	1,114.56	-	-	-	8,938.23	-	10,052.79
Federal Pass Through Expenditures	-	-	-	-	-	-	-
Intergovernmental Payments	-	-	-	-	328,494.00	-	328,494.00
Other Expenditures	667,943.81	-	-	57,901.00	12,171,132.76	-	12,896,977.57
Capital Outlay	114,138.93	-	-	54,050.32	8,246.25	-	176,435.50
Total Expenditures/Expenses	$ 17,542,403.54	$ -	$ -	$ 7,058,176.15	$ 62,191,892.76	$ -	$ 86,792,472.45
Excess(deficiency) of revenues over expenditures	$ 326,924.81	$ 472,715.00	$ 10,045.42	$ 2,208,884.30	$ (1,619,987.79)	$ 2,818,965.25	$ 4,217,546.99
OTHER FINANCING SOURCES (USES)							
Sale of Capital Assets	167,795.82	-	-	-	-	-	167,795.82
Cash Transfers In	234.94	-	-	-	-	-	234.94
Cash Transfers Out	(126,081.19)	-	-	-	-	(2,818,965.25)	(2,945,046.44)
Appropriations Lapsed	(1,834,319.00)	-	-	-	-	-	(1,834,319.00)
Total other financing sources and uses	$ (1,792,369.43)	$ -	$ -	$ -	$ -	$ (2,818,965.25)	$ (4,611,334.68)
Net Change in Fund Balances	(1,465,444.62)	472,715.00	10,045.42	2,208,884.30	(1,619,987.79)	-	(393,787.69)
Fund Financial Statement - Fund Balances							
Fund Balances, September 1, 2015	4,609,918.32	0.02	-	3,211,233.48	17,448,112.43	-	25,269,264.25
Restatements	2,938.33	-	-	-	-	-	2,938.33
Fund Balances, September 1, 2015, as Restated	$ 4,612,856.65	$ 0.02	$ -	$ 3,211,233.48	$ 17,448,112.43	$ -	$ 25,272,202.58
Fund Balances - August 31, 2016	$ 3,147,412.03	$ 472,715.02	$ 10,045.42	$ 5,420,117.78	$ 15,828,124.64	$ -	$ 24,878,414.89

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

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, 2016

	Beginning Balance September 1, 2015	Additions	Deductions	Ending Balance August 31, 2016
Trust Accounts: Fund 5146, 5147, 5148, 5149				
ASSETS				
Current				
Cash in the State Treasury	$ 50,462,745.13	$ 71,070,433.42	$ 60,308,562.20	$ 61,224,616.35
Total Assets	$ 50,462,745.13	$ 71,070,433.42	$ 60,308,562.20	$ 61,224,616.35
LIABILITIES				
Current				
Accounts Payable	$ -	$ 5,666,106.37	$ 5,666,106.37	$ -
Funds Held for Others	50,462,745.13	20,607,688.29	9,845,817.07	61,224,616.35
Total Liabilities	$ 50,462,745.13	$ 26,273,794.66	$ 15,511,923.44	$ 61,224,616.35
Child Support Employee Deducts (0807)				
ASSETS				
Current				
Cash in the State Treasury	$ 10,347.01	$ 160,922.35	$ 159,483.34	$ 11,786.02
Total Assets	$ 10,347.01	$ 160,922.35	$ 159,483.34	$ 11,786.02
LIABILITIES				
Current				
Accounts Payable	$ -	$ 149,136.33	$ 149,136.33	$ -
Funds Held for Others	10,347.01	160,922.35	159,483.34	11,786.02
Total Liabilities	$ 10,347.01	$ 310,058.68	$ 308,619.67	$ 11,786.02
Suspense Fund (0900) U/F (0900)				
ASSETS				
Current				
Cash in the State Treasury	$ 10,380.70	$ 6,351,938.19	$ 6,272,093.30	$ 90,225.59
Total Assets	$ 10,380.70	$ 6,351,938.19	$ 6,272,093.30	$ 90,225.59
LIABILITIES				
Current				
Accounts Payable	$ -	$ 192.70	$ 192.70	$ -
Funds Held for Others	10,380.70	6,351,938.19	6,272,093.30	90,225.59
Total Liabilities	$ 10,380.70	$ 6,352,130.89	$ 6,272,286.00	$ 90,225.59

TOTAL- ALL AGENCY FUNDS

	Beginning Balance September 1, 2015	Additions	Deductions	Ending Balance August 31, 2016
ASSETS				
Current				
Cash in State Treasury	$ 50,483,472.84	$ 77,583,293.96	$ 66,740,138.84	$ 61,326,627.96
Total Assets	$ 50,483,472.84	$ 77,583,293.96	$ 66,740,138.84	$ 61,326,627.96
LIABILITIES				
Current				
Accounts Payable	$ -	$ 5,815,435.40	$ 5,815,435.40	$ -
Funds Held for Others	$ 50,483,472.84	$ 27,120,548.83	$ 16,277,393.71	$ 61,326,627.96
Total Liabilities	$ 50,483,472.84	$ 32,935,984.23	$ 22,092,829.11	$ 61,326,627.96

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

State and Federal Pass-Through Schedules

Schedule of Expenditures of Federal Awards

(SEFA)

Agency 455 - Railroad Commission of Texas
Schedule 1A
For the Fiscal Year Ended August 31, 2015

*****Certified*****

Federal Grantor/Pass-through Granton/Program Title	CFDA Number	NSE Name/Identifying Number	Agy/Univ No	Pass-through From: Pass-Through From Agencies or Universities Amount	Pass-through From: Pass-Through From Non-State Entities Amount	Direct Program Amount	Total PT from and Direct Prog. Amount	Agy/Univ No.	Pass-through To: Pass-Through To Agencies or Universitites Amount	Pass-through To: Pass-Through To Non-State Entities Amount	Expenditures Amount	Total PT to and Expenditures Amaount
U.S. Department of the Interior												
Direct Programs:												
Regulation of Surface Coal Mining and Surface Effects of Underground Coal M	15.250					1,706,970.45	1,706,970.45				1,706,970.45	1,706,970.45
Abandoned Mine Land Reclamation (AMLR) Program	15.252					2,755,881.63	2,755,881.63				2,755,881.63	2,755,881.63
Science and Technology Projects Related to Coal Mining and Reclamation	15.255					10,932.73	10,932.73				10,932.73	10,932.73
Totals - U.S. Department of the Interior				*0*	*0*	*4,473,784.81*	*4,473,784.81*		*0*	*0*	*4,473,784.81*	*4,473,784.81*
U.S. Department of Transportation												
Pipeline Safety Program State Base Grant	20.700					5,352,646.35	5,352,646.35				5,352,646.35	5,352,646.35
Totals - U.S. Department of Transportation				*0*	*0*	*5,352,646.35*	*5,352,646.35*		*0*	*0*	*5,352,646.35*	*5,352,646.35*
Environmental Protection Agency												
State Underground Water Source Protection	66.433					656,079.67	656,079.67				656,079.67	656,079.67
State and Tribal Response Program Grants	66.817					102,827.17	102,827.17				102,827.17	102,827.17
Pass-Through From:												
Nonpoint Source Implementation Grants	66.460						139,540.97				139,540.97	139,540.97
Pass-Through From:												
Texas Commission on Environmental Quality			*582*	*139,540.97*								
Totals - Environmental Protection Agency				*139,540.97*	*0*	*758,906.84*	*898,447.81*		*0*	*0*	*898,447.81*	*898,447.81*
Total Expenditures of Federal Awards				**139,540.97**	**0**	**10,585,338.00**	**10,724,878.97**		**0**	**0**	**10,724,878.97**	**10,724,878.97**

RAILROAD COMMISSION OF TEXAS (455)

SCHEDULE 1A

Schedule of Expenditures of Federal Awards — Notes

For the Fiscal Year Ended August 31, 2016

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)	$ 11,843,794.45
Governmental Funds - Federal Pass-Through Revenues (Exhibit II)	242,231.25
Total Pass Through and Expenditures per Federal Schedule	$ 12,086,025.70

RAILROAD COMMISSION OF TEXAS (455)

SCHEDULE 1B

Schedule of State Grant Pass Throughs From/To State Agencies

For the Fiscal Year Ended August 31, 2016

Pass Through From:

Texas Commission on Environmental Quality (Agency 582)	$ (85,904.60)
Total Pass-Through From Other Agencies (Exhibit II)	$ (85,904.60)