

Annual Financial Report

FISCAL YEAR 2025



Railroad Commission of Texas

Christi Craddick
Commissioner

Jim Wright
Chairman

Wayne Christian
Commissioner

ANNUAL FINANCIAL REPORT

UNAUDITED

RAILROAD COMMISSION OF TEXAS
Austin, Texas

Year Ended August 31, 2025

UNAUDITED

RAILROAD COMMISSION OF TEXAS (455)

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Combined Financial Statements

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RAILROAD COMMISSION OF TEXAS (455)

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

For the Fiscal Year Ended August 31, 2025

	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 in State Treasury	\$ 205,568,341.42	\$ 205,568,341.42			\$ 205,568,341.42
Legislative Appropriations	168,077,680.39	168,077,680.39			168,077,680.39
Federal Receivables	3,946,297.53	3,946,297.53			3,946,297.53
Total Current Assets	<u>\$ 377,592,319.34</u>	<u>\$ 377,592,319.34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,592,319.34</u>
Capital Outlay (Note 2)					
Depreciable Assets:					
Buildings and Building Improvements	\$ -	\$ -	\$ 313,458.40		\$ 313,458.40
Less Accumulated Depreciation	-	-	(208,123.71)		(208,123.71)
Furniture and Equipment	-	-	3,502,216.98		3,502,216.98
Less Accumulated Depreciation	-	-	(2,020,260.69)		(2,020,260.69)
Vehicle, Boats & Aircraft	-	-	22,331,475.33		22,331,475.33
Less Accumulated Depreciation	-	-	(9,237,511.14)		(9,237,511.14)
Amortizable Assets - Intangible:					
Computer Software - Intangible	-	-	12,748,560.18		12,748,560.18
Less Accumulated Amortization	-	-	(12,748,560.18)		(12,748,560.18)
Amortizable Assets - IRTU					
Building and Building Improvements	-	-	8,108,660.20		8,108,660.20
Less Accumulated Amortization	-	-	(3,409,889.96)		(3,409,889.96)
Total Non-Current Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,380,025.41</u>	<u>\$ -</u>	<u>\$ 19,380,025.41</u>
Total Assets	<u>\$ 377,592,319.34</u>	<u>\$ 377,592,319.34</u>	<u>\$ 19,380,025.41</u>	<u>\$ -</u>	<u>\$ 396,972,344.75</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Current Liabilities:					
Payables from:					
Accounts	\$ 37,060,481.13	\$ 37,060,481.13			\$ 37,060,481.13
Payroll	9,242,935.83	9,242,935.83			9,242,935.83
Interest	-	-		10,209.88	10,209.88
Unearned Revenues	29,960.36	29,960.36			29,960.36
Claims and Judgments (Note 5)	-	-		-	-
Right to Use Lease Obligations (Note 5)	-	-		1,001,377.92	1,001,377.92
Employees' Compensable Leave (Note 5)	-	-		5,561,076.09	5,561,076.09
Pollution Remediation Obligation (Note 5)	-	-		18,883,117.61	18,883,117.61
Funds Held For Others	-	-			-
Total Current Liabilities	<u>\$ 46,333,377.32</u>	<u>\$ 46,333,377.32</u>	<u>\$ -</u>	<u>\$ 25,455,781.50</u>	<u>\$ 71,789,158.82</u>
Non-Current Liabilities:					
Other Non-Current Liabilities	\$ 112,499,365.92	\$ 112,499,365.92			\$ 112,499,365.92
Right to Use Lease Obligations (Note 5)	-	-		3,918,766.39	3,918,766.39
Employees' Compensable Leave (Note 5)	-	-		3,547,311.11	3,547,311.11
Total Non-Current Liabilities	<u>\$ 112,499,365.92</u>	<u>\$ 112,499,365.92</u>	<u>\$ -</u>	<u>\$ 7,466,077.50</u>	<u>\$ 119,965,443.42</u>
Total Liabilities	<u>\$ 158,832,743.24</u>	<u>\$ 158,832,743.24</u>	<u>\$ -</u>	<u>\$ 32,921,859.00</u>	<u>\$ 191,754,602.24</u>
Fund Financial Statement					
Fund Balances (Deficits):					
Restricted	\$ 10,435,154.82	\$ 10,435,154.82			\$ 10,435,154.82
Committed	85,791,084.07	85,791,084.07			85,791,084.07
Assigned	-	-			-
Unassigned	122,506,960.61	122,506,960.61			122,506,960.61
Total Fund Balances	<u>\$ 218,733,199.50</u>	<u>\$ 218,733,199.50</u>			<u>\$ 218,733,199.50</u>
Total Liabilities and Fund Balances	<u>\$ 377,565,942.74</u>	<u>\$ 377,565,942.74</u>			
Government-Wide Statement - Net Position					
Net Position:					
Net Investment in Capital Asset, Related Debt			\$ 19,380,025.41	\$ (5,729,376.08)	\$ 13,650,649.33
Unrestricted Net Position				(27,192,482.92)	(27,192,482.92)
Total Net Position			<u>\$ 19,380,025.41</u>	<u>\$ (32,921,859.00)</u>	<u>\$ 205,191,365.91</u>

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

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

For the Fiscal Year Ended August 31, 2025

	General Fund	Governmental Funds Total	Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES					
Legislative Appropriations:					
Original Appropriations	\$ 225,397,553.00	\$ 225,397,553.00			\$ 225,397,553.00
Additional Appropriations	19,306,150.59	19,306,150.59			19,306,150.59
Federal Revenue (Fed Sch 1A)	42,240,251.59	42,240,251.59			42,240,251.59
Federal Pass Through Revenue (Fed Sch 1A)	-	-			-
State Grant Pass Through Revenue (Sch 1B)	-	-			-
Licenses, Fees and Permits	86,462,597.07	86,462,597.07			86,462,597.07
Interest, Dividend & Other Income	31,069.96	31,069.96			31,069.96
Settlement of Claims	21,161.41	21,161.41			21,161.41
Sales of Goods and Services	22,048,990.27	22,048,990.27			22,048,990.27
Total Revenues	<u>\$ 395,862,765.37</u>	<u>\$ 395,862,765.37</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,862,765.37</u>
EXPENDITURES					
Salaries and Wages	\$ 87,966,546.41	\$ 87,966,546.41		\$ (367,500.90)	\$ 87,599,045.51
Payroll Related Costs	25,044,592.42	25,044,592.42			25,044,592.42
Professional Fees and Services	29,610,760.83	29,610,760.83			29,610,760.83
Travel	1,623,229.97	1,623,229.97			1,623,229.97
Materials and Supplies	5,766,241.62	5,766,241.62			5,766,241.62
Communication and Utilities	1,374,823.44	1,374,823.44			1,374,823.44
Repairs and Maintenance	1,438,124.69	1,438,124.69			1,438,124.69
Rentals and Leases	1,019,751.57	1,019,751.57			1,019,751.57
Printing and Reproduction	945,793.41	945,793.41			945,793.41
Claims and Judgements	25,945.00	25,945.00		-	25,945.00
Other Expenditures	90,495,830.71	90,495,830.71			90,495,830.71
Debt Service-Principal -Leases / SBITA	973,657.63	973,657.63		-	973,657.63
Principal-Leases (Note 5)	-	-		(809,231.77)	(809,231.77)
Interest (Note 5, 8)	-	-		14,830.56	14,830.56
Capital Outlay (Note 2)	2,909,685.49	2,909,685.49	(2,909,685.49)		-
Amortization Expense (Note 2)	-	-	1,053,171.37		1,053,171.37
Depreciation Expense (Note 2)	-	-	3,039,443.29		3,039,443.29
Deletions Expense (Note 2)	-	-	119,663.49		119,663.49
Adjustments (Note 2)	-	-	61,490.18		61,490.18
Pollution Remediation Obligation (Note 5)	-	-		15,593,282.73	15,593,282.73
Total Expenditures	<u>\$ 249,194,983.19</u>	<u>\$ 249,194,983.19</u>	<u>\$ 1,364,082.84</u>	<u>\$ 14,431,380.62</u>	<u>\$ 264,990,446.65</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 146,667,782.18</u>	<u>\$ 146,667,782.18</u>	<u>\$ (1,364,082.84)</u>	<u>\$ (14,431,380.62)</u>	<u>\$ 130,872,318.72</u>
OTHER FINANCING SOURCES (USES)					
Cash Transfer In	\$ -	\$ -			\$ -
Cash Transfer Out	(3,541,056.60)	(3,541,056.60)			(3,541,056.60)
Increase in Obligations - Leases	164,425.86	164,425.86			164,425.86
Sale of Capital Assets	585,382.21	585,382.21			585,382.21
Gain (Loss) on Sale of Capital Assets	-	-			-
Legislative Financing Sources	(6,403.14)	(6,403.14)			(6,403.14)
Legislative Financing Uses	-	-			-
Total Other Financing Sources (Uses)	<u>\$ (2,858,439.17)</u>	<u>\$ (2,858,439.17)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,858,439.17)</u>
Net Change in Fund Balances/Net Position	<u>\$ 143,809,343.01</u>	<u>\$ 143,809,343.01</u>	<u>\$ (1,364,082.84)</u>	<u>\$ (14,431,380.62)</u>	<u>\$ 128,013,879.55</u>
Fund Financial Statement - Fund Balances					
Fund Balances - September 1, 2024	\$ 74,923,856.49	\$ 74,923,856.49			\$ 74,923,856.49
Restatements	-	-			-
Fund Balances - September 1, 2024, as Restated	<u>74,923,856.49</u>	<u>74,923,856.49</u>			<u>74,923,856.49</u>
Appropriations Lapsed	-	-			-
Fund Balances - August 31, 2025	<u>\$ 218,733,199.50</u>	<u>\$ 218,733,199.50</u>	<u>\$ (1,364,082.84)</u>	<u>\$ (14,431,380.62)</u>	<u>\$ 202,937,736.04</u>
Government-wide Statement - Net Assets					
Net Position/Net Change in Net Position		<u>\$ 218,733,199.50</u>	<u>\$ (1,364,082.84)</u>	<u>\$ (14,431,380.62)</u>	<u>\$ 202,937,736.04</u>
Net Position, September 1, 2024					
Restatements			<u>20,744,108.25</u>	<u>(18,490,478.38)</u>	<u>2,253,629.87</u>
Net Position, September 1, 2024, as Restated					
Net Position, August 31, 2025		<u>\$ 218,733,199.50</u>	<u>\$ 19,380,025.41</u>	<u>\$ (32,921,859.00)</u>	<u>205,191,365.91</u>

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 is an agency of the state of Texas and its financial records complies 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 Commission was established in 1891 and operates under the state constitution and other enabling statutes. 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 oil and natural gas, alternative fuels, gas utilities, pipeline safety, coal and uranium surface mining, critical infrastructure weather preparedness, and environmental protection. In addition to its headquarters located in the William B. Travis State Office Building in Austin, the Commission maintains offices throughout the State.

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

GASB 34

The Comptroller of Public Accounts does not require agencies to comply with all the requirements of the Governmental Accounting Standards Board Statement No. 34, (GASB 34', *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*) in the preparation of their annual financial report. However, the financial report can 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 used to account for all financial resources of the state except those required to be accounted for in another fund. This fund is also used to account for cash deposits from oil and gas operators in compliance with financial security requirements under the Natural Resources Code.

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.

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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.

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 are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period that 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 60 days after fiscal year-end to be available and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Basis conversion adjustment fund types convert modified accrued basis to full accrued basis of accounting. The following activities are recognized in these fund types:

- Capital assets
- Accumulated depreciation
- Unpaid employee compensable leave
- The outstanding debt service principal on long-term liabilities
- Leases
- Long-term claims and judgments
- Full accrual revenues and expenses
- Pension amounts in governmental activities

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). The Commissioners adopt an annual operating budget consistent with these appropriations. Encumbrance accounting is utilized for budgetary control purposes.

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

ASSETS, LIABILITIES, AND FUND BALANCES / NET ASSETS

ASSETS

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

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Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally using 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 and proprietary fund types. The cost of these items is expensed when the items are used or consumed.

Capital Assets

Assets that meet the reporting threshold and useful life are capitalized. The capitalization threshold and the estimated useful life vary depending on the asset type. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets (such as works of art and historical treasures) are not depreciated. Road and highway infrastructure are depreciated over the estimate of average useful life of a grouping of assets using composite method. Other depreciable assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are reported at acquisition value. Depreciation is charged to operations over the estimated useful life of each asset using the straight-line method.

For leased assets, the agency capitalizes in accordance with GASB Statement No. 87, *Leases*, for all lease agreements with a net present value of future lease payment per unit exceeding \$100,000.

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.

Employees' Compensable Leave Balances

Employees' compensable leave balances represent the liability that becomes "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 position. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

Lease Liabilities

Lease liability represents the amount recognized by a lessee on its financial statements regarding its leases. It is initially measured at the present value of lease payments and is remeasured whenever there is a change in lease payments or lease modification. Liabilities are reported separately as either current or noncurrent.

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 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.

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FUND BALANCE / NET POSITION

“Fund balance” is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the governmental fund statements. “Net position” is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the government-wide and fiduciary fund statements.

Railroad Commission of Texas uses resources in the following order:

- When both restricted and unrestricted resources are available, use:
 1. Restricted resources
 2. Unrestricted resources (as they are needed)
- When only unrestricted resources are available for use in governmental funds, use:
 1. Committed resources
 2. Assigned resources
 3. Unassigned resources

Fund Balance Components

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

- Nonspendable fund balance includes amounts not available to be spent because they are either:
 - Not in spendable form
 - 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 through legislation passed into law by a formal action of the Texas Legislature, the state’s highest level of decision-making authority.
- Assigned fund balance includes amounts constrained by the state’s intent to be used for specific purposes, but the constraints do not meet the requirements to be reported as restricted or committed. Intent is expressed by either:
 - The Texas Legislature
 - 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 restricted, committed, or assigned to specific purposes within the general fund.

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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 position consists of net resources 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 TRANSACTIONS

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.

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NOTE 2: Capital Assets

	PRIMARY GOVERNMENT				
	Balance 9/1/24	Adjustments	Additions	Deletions	Balance 8/31/25
GOVERNMENTAL ACTIVITIES					
Depreciable Assets					
Buildings and Building Improvements	313,458.40	-	-	-	313,458.40
Furniture and Equipment	2,663,281.42	12,100.00	894,748.50	(67,912.94)	3,502,216.98
Vehicles, Boats and Aircraft	22,639,607.02	(67,585.56)	1,850,511.13	(2,091,057.26)	22,331,475.33
Total Depreciable Assets at Historical Cost	25,616,346.84	(55,485.56)	2,745,259.63	(2,158,970.20)	26,147,150.71
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(199,651.83)	-	(8,471.88)	-	(208,123.71)
Furniture and Equipment	(1,887,355.51)	(7,259.76)	(193,558.36)	67,912.94	(2,020,260.69)
Vehicles, Boats and Aircraft	(8,372,747.00)	1,255.14	(2,837,413.05)	1,971,393.77	(9,237,511.14)
Total Accumulated Depreciation	(10,459,754.34)	(6,004.62)	(3,039,443.29)	2,039,306.71	(11,465,895.54)
Depreciable Assets, Net	15,156,592.50	(61,490.18)	(294,183.66)	(119,663.49)	14,681,255.17
Intangible Capital Assets - Amortizable					
Computer Software	12,748,560.18	-	-	-	12,748,560.18
Right to Use Building Leases	7,944,234.34	-	164,425.86	-	8,108,660.20
Total Intangible Assets at Historical Cost	20,692,794.52	-	164,425.86	-	20,857,220.38
Less Accumulated Amortization for:					
Computer Software	(12,748,560.18)	-	-	-	(12,748,560.18)
Right to Use Building Leases	(2,356,718.59)	-	(1,053,171.37)	-	(3,409,889.96)
Total Accumulated Amortization	(15,105,278.77)	-	(1,053,171.37)	-	(16,158,450.14)
Amortizable Assets, Net	5,587,515.75	-	(888,745.51)	-	4,698,770.24
Governmental Activities Capital Assets, Net	20,744,108.25	(61,490.18)	(1,182,929.17)	(119,663.49)	19,380,025.41

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NOTE 3: Deposits, Investments & Repurchase Agreements

Not applicable.

NOTE 4: Short-Term Debts

Not applicable.

NOTE 5: Long-Term Liabilities

Changes in Long-Term Liabilities

The following changes occurred in liabilities during the fiscal year ended August 31, 2025.

Governmental Activities	Balance 09/01/24	Additions	Reductions	Balance 08/31/25	Amounts Due Within One Year	Amounts Due Thereafter
Claims and Judgments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Right to Use Lease Obligations	5,729,376.08	164,425.86	973,657.63	4,920,144.31	1,001,377.92	3,918,766.39
Employees' Compensable Leave	9,475,888.10	7,953,972.37	8,321,473.27	9,108,387.20	5,561,076.09	3,547,311.11
Pollution Remediation Obligation	3,289,834.88	64,683,829.60	49,090,546.87	18,883,117.61	18,883,117.61	-
Total Governmental Activities	\$18,495,099.06	\$72,802,227.83	\$58,385,677.77	\$32,911,649.12	\$25,445,571.62	\$ 7,466,077.50

Claims & Judgments

The Attorney General's Claims Section assisted in settling three claims on Railroad Commission of Texas's behalf during FY 2025, without resort to litigation, arising from motor vehicle accidents involving Commission employees acting within the course and scope of their employment. As of FY 2025, there were a total of three claims from vehicle accidents.

- Claimant Holly Claudette Heard received \$1,945.00.
- Claimant Leigh Tillman received \$22,152.21.
- Claimant Sedgwick Claims Management Services received \$1,847.79.

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Right to Use Lease Obligations

Railroad Commission is a lessee and is required to report lease liabilities that were not reported before the implementation of GASB 87. A lessee must recognize a lease liability and a lease asset at the start of the lease term. The notes to financial statements must include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

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 position. No liability is recorded for non-vesting employees accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid.

Pollution Remediation Obligations

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 at year end.

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 23 active well plugging projects as of August 31, 2025, with an estimated cost of \$16,892,672.78.

Under Texas Natural Resource Code §91.113, the Commission may clean up abandoned oil and gas sites that are causing or are likely to cause the pollution of surface or subsurface water. The Commission has 10 active site remediation projects as of August 31, 2025, with an estimated cost of \$813,992.16. Funding for these programs comes 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 six projects on-going as of August 31, 2025, with an estimated cost of \$1,176,452.67.

NOTE 6: Bonded Indebtedness

Not applicable.

NOTE 7: Derivative Instruments

Not applicable.

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RAILROAD COMMISSION OF TEXAS (455)

NOTE 8: Leases

Lease Liability

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

Fiscal 2025

Fund Type	Amount
General Fund	\$1,053,171.37

Railroad Commission of Texas entered various leases for buildings. These agreements range in terms up to 2035. In fiscal 2025, the total lease payments were \$1,053,171.37.

**Future Lease Payments
Year Ended August 31, 2035**

Primary Government				
Governmental Activities				
Year	Principal		Interest	Total Future Min. Lease Payments
2026	\$	1,001,377.92	\$ 113,941.68	\$ 1,115,319.60
2027		1,027,936.15	90,987.25	1,118,923.40
2028		850,086.22	67,798.58	917,884.80
2029		501,750.11	48,262.78	550,012.89
2030		410,400.92	36,712.84	447,113.76
2031 - 2035		1,128,592.99	47,364.14	1,175,957.13
Totals:	\$	4,920,144.31	\$ 405,067.27	\$ 5,325,211.58

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NOTE 9: Defined Benefit Pension Plans and Defined Contribution Plan

Not applicable.

NOTE 10: Deferred Compensation (administering agencies only)

Not applicable.

NOTE 11: Postemployment Benefits Other Than Pensions

Not applicable.

NOTE 12: Interfund Activity and Transactions

Not applicable.

NOTE 13: Continuance Subject to Review

The Commission is subject to Chapter 325, Texas Government Code. Unless continued in existence by the 91st Legislature, the Commission is abolished September 1, 2029.

NOTE 14: Adjustments to Beginning Net Position, Fund Balances or Fund Net Position

Correction of an Error in Previously Issued Financial Statements (C)

During fiscal year 2025, the Railroad Commission of Texas determined that SPA capital assets related to two vehicles purchases in the prior year were reported for the same asset number. The adjustment to the asset tags was made in FY 25 to change the previous year's ending balance. Therefore, capital assets were overstated by \$61,490.18.

The effect of correcting that error is shown in column C of the following table

Adjustments to and Restatements of Beginning Balance

During fiscal year 2025, changes to or within the financial reporting agency and an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows: (amounts in thousands):

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RAILROAD COMMISSION OF TEXAS (455)

Fiscal Year	2025		
	September 1, 2024	Error	September 1, 2024
	as Previously	Correction (C)	as Restated
Reported			
Governmental Activities			
Governmental Activities Adjustments			
Capital Assets	20,744,108.25	(61,490.18)	20,682,618.07
Total for Governmental Activities Adjustments	\$ 20,744,108.25	\$ (61,490.18)	\$ 20,682,618.07

NOTE 15: Contingencies and Commitments

The Commission is a party to various lawsuits that have generally arisen out of the regulation of various segments of the energy industry, claims made by former employees, and other miscellaneous matters. Some of these proceedings 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.

As of August 31, 2025, there were no lawsuits pending against the Commission creating contingent liabilities in the form of monetary damages.

There are no other litigation risk metrics for monetary liability that are subject to reasonable estimation at this time.

NOTE 16: Subsequent Events

There are no subsequent events to report.

NOTE 17: Risk Management

The Commission is exposed to a variety of civil claims resulting from the performance of its duties. It is agency policy to periodically assess the proper combination of insurance and retention of risk to cover losses to which it may be exposed.

The Commission assumes substantially all risks with tort and liability claims due to the performance of its duties. Currently, there are five purchases of commercial insurance. The agency is not involved in any risk pools with other government entities. The Commission participates in the State Office of Risk Management's (SORM) Risk Management and Worker's Compensation Coverage Program.

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RAILROAD COMMISSION OF TEXAS (455)

Five insurance policies have been purchased through SORM:

- Automobile Insurance (Effective 11/1/24 - 11/1/25).
 - Premium \$35,669.54
- Public Officials Employment Insurance (Effective 12/1/24 - 12/1/25).
 - Premium \$70,884.00
- Drone Insurance – Oil & Gas; Unmanned Aircraft Systems Application (Effective 12/20/24 - 12/20/25).
 - Premium \$ 3,344.40
- Drone Insurance – SMRD; Unmanned Aircraft Systems (Effective 12/20/24 - 12/20/25).
 - Premium \$ 3,701.60
- Cyber Liability Insurance Policy (Effective 1/29/25 - 1/26/26).
 - Premium: \$ 57,993.69
- Volunteer Insurance Policy (Effective 7/1/25 - 7/1/26).
 - Premium: \$ 288.33

The agency'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, 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 2024 and 2025 were:

	Beginning Balance	Increases	Decreases	Ending Balance
2024	\$ 773.99	\$ 53,565.00	\$ 54,338.99	\$ 0.00
2025	\$ 0.00	\$ 25,945.00	\$ 25,945.00	\$ 0.00

NOTE 18: Management's Discussion and Analysis (MD&A)

The revenue in the Oil and Gas Regulation Cleanup (OGRC) fund is generated from the Texas oil and gas industry. The Texas oil and gas industry experienced significant volatility in oil prices during fiscal year 2025. The price of West Texas Intermediate (WTI) crude oil averaged \$68.75 per barrel during the year. The Commission continues to monitor the prices of oil and gas as they have a significant impact on the permitting revenue.

The Commission's licensing and permitting revenue increased by \$2.4 million from the prior fiscal year primarily due to the increase in oil and gas well drilling permits, and related surcharges, violations and oil and gas production regulatory fees. Sales of goods and services revenue increased by \$16.7 million due to a well plugging Memorandum of Understanding (MOU) with the General Land Office (GLO).

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Agency-wide salaries and wages grew by 9% as the agency filled 43 FTEs authorized by the 88th Legislature for the federal infrastructure grant.

Well Plugging expenditures increased by \$24 million due to federal grants received from the United States Department of Interior and the abovementioned MOU with the GLO for the purpose of plugging orphaned oil and gas wells.

NOTE 19: The Financial Reporting Entity

Not applicable.

NOTE 20: Stewardship, Compliance and Accountability

As of October 1, 2025, 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

Not applicable.

NOTE 24: Disaggregation of Receivable and Payable Balances

Not applicable.

NOTE 25: Termination Benefits

Railroad Commission of Texas had voluntary and involuntary terminations in fiscal year 2025. The Commission did not provide any termination benefits to employees beyond the COBRA program which is administered by ERS.

NOTE 26: Segment Information

Not applicable.

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NOTE 27: Public-Private and Public-Public Partnerships

Not applicable.

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

Not applicable.

NOTE 29: Troubled Debt Restructuring

Not applicable.

NOTE 30: Financial Guarantees

Not applicable.

NOTE 31: Tax Abatements

Not applicable.

NOTE 32: Governmental Fund Balances

GAAP Fund	Fund	AFR 54 Class	Citation	Comments
0001	0001	Nonspendable	GASB 54 (6)	This fund includes consumable inventories and prepaid items that were not expended in FY 2025.
0454	0454	Restricted	Natural Resources Code Sec. 131.231	Federal funds and restrictions are externally imposed by federal government agencies.
0827	0827	Restricted	Natural Resources Code Sec. 121.003	State funds and restrictions are established in the Texas Natural Resources Code.
5041	5041	Restricted	Natural Resources Code Sec 81.01012	Federal funds and restrictions are externally imposed by federal government agencies.
5155	5155	Committed	Natural Resources Code Sec. 81.067, 81.068	State funds and restrictions are established in the Texas Natural Resources Code.

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RAILROAD COMMISSION OF TEXAS (455)

Combining Financial Statements – 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, 2025

	General Revenue	Consolidated Accounts					
	General Revenue	Land Reclamation	Anthropogenic Carbon Dioxide	Unappropriated General Revenue	Federal	Oil and Gas Regulation and Cleanup	
	Fund (0001)	Fund (0454)	Fund (0827)	EFF (1000)	Fund (5041)	Fund (5155)	
	U/F (0001)	U/F (0454)	U/F (0827)	U/F (1000)	U/F (5041)	U/F (5155)	Total
ASSETS							
Current Assets:							
Cash and Cash Equivalents							
Cash in State Treasury	\$ 102,586,200.76	\$ 412,815.02	\$ 966,460.06	\$ -	\$ 9,252,771.05	\$ 92,350,094.53	\$ 205,568,341.42
Legislative Appropriations	168,068,417.11	-	-	9,263.28	-	-	168,077,680.39
Federal Receivables	-	-	-	1,364,856.95	1,974,092.66	607,347.92	3,946,297.53
Total Current Assets	<u>\$ 270,654,617.87</u>	<u>\$ 412,815.02</u>	<u>\$ 966,460.06</u>	<u>\$ 1,374,120.23</u>	<u>\$ 11,226,863.71</u>	<u>\$ 92,957,442.45</u>	<u>\$ 377,592,319.34</u>
Total Assets	<u><u>\$ 270,654,617.87</u></u>	<u><u>\$ 412,815.02</u></u>	<u><u>\$ 966,460.06</u></u>	<u><u>\$ 1,374,120.23</u></u>	<u><u>\$ 11,226,863.71</u></u>	<u><u>\$ 92,957,442.45</u></u>	<u><u>\$ 377,592,319.34</u></u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Current Liabilities:							
Payables from:							
Accounts	\$ 13,567,901.32	\$ -	\$ -	\$ -	\$ 17,076,221.58	\$ 6,416,358.23	\$ 37,060,481.13
Payroll	8,157,336.43	-	-	-	335,599.25	750,000.15	9,242,935.83
Other Current Liabilities	26,376.60	-	-	-	-	-	26,376.60
Unearned Revenues	29,960.36	-	-	-	-	-	29,960.36
Funds Held For Others	-	-	-	-	-	-	-
Total Current Liabilities	<u>\$ 21,781,574.71</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,411,820.83</u>	<u>\$ 7,166,358.38</u>	<u>\$ 46,359,753.92</u>
Non-Current Liabilities:							
Other Non-Current Liabilities	112,499,365.92	-	-	-	-	-	112,499,365.92
Total Non-Current Liabilities	<u>\$ 112,499,365.92</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,499,365.92</u>
Total Liabilities	<u><u>\$ 134,280,940.63</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,411,820.83</u></u>	<u><u>\$ 7,166,358.38</u></u>	<u><u>\$ 158,859,119.84</u></u>
Fund Balances (Deficits):							
Restricted	\$ -	\$ 412,815.02	\$ 966,460.06	\$ 1,374,120.23	\$ 7,681,759.51	\$ -	\$ 10,435,154.82
Committed	-	-	-	-	-	85,791,084.07	85,791,084.07
Assigned	-	-	-	-	-	-	-
Unassigned	136,373,677.24	-	-	-	(13,866,716.63)	-	122,506,960.61
Total Fund Balances	<u>\$ 136,373,677.24</u>	<u>\$ 412,815.02</u>	<u>\$ 966,460.06</u>	<u>\$ 1,374,120.23</u>	<u>\$ (6,184,957.12)</u>	<u>\$ 85,791,084.07</u>	<u>\$ 218,733,199.50</u>
Total Liabilities and Fund Balances	<u><u>\$ 270,654,617.87</u></u>	<u><u>\$ 412,815.02</u></u>	<u><u>\$ 966,460.06</u></u>	<u><u>\$ 1,374,120.23</u></u>	<u><u>\$ 11,226,863.71</u></u>	<u><u>\$ 92,957,442.45</u></u>	<u><u>\$ 377,592,319.34</u></u>

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

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RAILROAD COMMISSION OF TEXAS (455)

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, 2025

	General Revenue	Consolidated Accounts					
	General Revenue	Land Reclamation	Anthropogenic Carbon Dioxide	Unappropriated General Revenue	Federal	Oil and Gas Regulation and Cleanup	
	Fund (0001)	Fund (0454)	Fund (0827)	EFF (1000)	Fund (5041)	Fund (5155)	
	U/F (0001)	U/F (0454)	U/F (0827)	U/F (1000)	U/F (5041)	U/F (5155)	Total
REVENUES							
Legislative Appropriations:							
Original Appropriations	\$ 225,397,553.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,397,553.00
Additional Appropriations	19,306,150.59	-	-	-	-	-	19,306,150.59
Federal Revenue (Fed Sch 1A)	-	-	-	3,724,660.71	37,829,974.42	685,616.46	42,240,251.59
Federal Pass Through Revenue (Fed Sch 1A)	-	-	-	-	-	-	-
State Grant Pass Through Revenue (Sch 1B)	-	-	-	-	-	-	-
Licenses, Fees and Permits	1,845,433.29	-	410,000.00	-	-	84,207,163.78	86,462,597.07
Interest, Dividend & Other Income	-	-	31,069.96	-	-	-	31,069.96
Settlement of Claims	21,161.41	-	-	-	-	-	21,161.41
Sales of Goods and Services	(30,581.19)	-	-	-	-	22,079,571.46	22,048,990.27
Other	205,324.17	-	-	-	-	149,667.31	354,991.48
Total Revenues	\$ 246,745,041.27	\$ -	\$ 441,069.96	\$ 3,724,660.71	\$ 37,829,974.42	\$ 107,122,019.01	\$ 395,862,765.37
EXPENDITURES							
Salaries and Wages	\$ 69,803,274.79	\$ -	\$ -	\$ -	\$ 10,306,521.67	\$ 7,856,749.95	\$ 87,966,546.41
Payroll Related Costs	19,212,864.74	-	-	-	2,760,861.98	3,070,865.70	25,044,592.42
Professional Fees and Services	14,278,579.97	-	-	-	2,137,502.12	13,194,678.74	29,610,760.83
Travel	723,370.02	-	-	-	39,458.90	860,401.05	1,623,229.97
Materials and Supplies	3,471,807.07	-	-	-	18,428.41	2,276,006.14	5,766,241.62
Communication and Utilities	837,946.52	-	-	-	562.29	536,314.63	1,374,823.44
Repairs and Maintenance	1,301,892.75	-	-	-	5,842.12	130,389.82	1,438,124.69
Rentals and Leases	887,964.43	-	-	-	10,900.00	120,887.14	1,019,751.57
Printing and Reproduction	915,570.16	-	-	-	27,228.85	2,994.40	945,793.41
Claims and Judgments	-	-	-	-	-	25,945.00	25,945.00
Other Expenditures	8,854,424.57	-	-	-	26,027,410.72	55,613,995.42	90,495,830.71
Debt Service-Principal -Leases / SBITA	83,772.81	-	-	-	-	889,884.82	973,657.63
Capital Outlay	2,139,294.49	-	-	-	67,585.57	702,805.43	2,909,685.49
Total Expenditures	\$ 122,510,762.32	\$ -	\$ -	\$ -	\$ 41,402,302.63	\$ 85,281,918.24	\$ 249,194,983.19
Excess (Deficiency) of Revenues over Expenditures	\$ 124,234,278.95	\$ -	\$ 441,069.96	\$ 3,724,660.71	\$ (3,572,328.21)	\$ 21,840,100.77	\$ 146,667,782.18
OTHER FINANCING SOURCES (USES)							
Cash Transfer In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Transfer Out	(391,997.03)	-	-	(3,149,059.57)	-	-	(3,541,056.60)
Increase in Obligations - Leases	-	-	-	-	-	164,425.86	164,425.86
Sale of Capital Assets	585,382.21	-	-	-	-	-	585,382.21
Legislative Financing Sources	(6,403.14)	-	-	-	-	-	(6,403.14)
Legislative Financing Uses	-	-	-	-	-	-	-
Appropriations Lapsed	(60,787.50)	-	-	-	-	-	(60,787.50)
Total Other Financing Sources (Uses)	\$ 126,194.54	\$ -	\$ -	\$ (3,149,059.57)	\$ -	\$ 164,425.86	\$ (2,858,439.17)
Net Change in Fund Balances	\$ 124,360,473.49	\$ -	\$ 441,069.96	\$ 575,601.14	\$ (3,572,328.21)	\$ 22,004,526.63	\$ 143,809,343.01
Fund Financial Statement - Fund Balances							
Fund Balances, September 1, 2024	\$ 12,013,203.75	\$ 412,815.02	\$ 525,390.10	\$ 798,519.09	\$ (2,612,628.91)	\$ 63,786,557.44	\$ 74,923,856.49
Restatements	-	-	-	-	-	-	-
Fund Balances, September 1, 2024, as Restated	\$ 12,013,203.75	\$ 412,815.02	\$ 525,390.10	\$ 798,519.09	\$ (2,612,628.91)	\$ 63,786,557.44	\$ 74,923,856.49
Appropriations Lapsed	-	-	-	-	-	-	-
Fund Balances, August 31, 2025	\$ 136,373,677.24	\$ 412,815.02	\$ 966,460.06	\$ 1,374,120.23	\$ (6,184,957.12)	\$ 85,791,084.07	\$ 218,733,199.50

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

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RAILROAD COMMISSION OF TEXAS (455)

State and Federal Pass-Through Schedules

Agency 455 - Railroad Commission of Texas
Schedule 1A
For the Fiscal Year Ended August 31, 2025

*****Certified*****

Federal Grantor/ Pass-through Grantor/ Program Title	ALN Number	NSE Name/ <i>Identifying Number</i>	Agy/ Univ No	Pass-through From		Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
				Agencies or Universities Amount	Non-State Entities Amount				Agencies or Universities Amount	Non-State Entities Amount		
Environmental Protection Agency												
<u>Direct Programs:</u>												
State Underground Water Source Protection	66.433					839,500.00	839,500.00				839,500.00	839,500.00
State and Tribal Response Program Grants	66.817					349,254.20	349,254.20				349,254.20	349,254.20
Totals - Environmental Protection Agency				0.00	0.00	1,188,754.20	1,188,754.20		0.00	0.00	1,188,754.20	1,188,754.20
U.S. Department of the Interior												
<u>Direct Programs:</u>												
Energy Community Revitalization Program (ECRP)	15.018					24,004,830.20	24,004,830.20				24,004,830.20	24,004,830.20
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250					2,952,114.54	2,952,114.54				2,952,114.54	2,952,114.54
Abandoned Mine Land Reclamation (AMLR)	15.252					3,083,360.06	3,083,360.06				3,083,360.06	3,083,360.06
National Wildlife Refuge System Enhancements	15.654					381,552.52	381,552.52				381,552.52	381,552.52
Natural Resource Stewardship	15.944					620,364.07	620,364.07				620,364.07	620,364.07
Totals - U.S. Department of the Interior				0.00	0.00	31,042,221.39	31,042,221.39		0.00	0.00	31,042,221.39	31,042,221.39
U.S. Department of Transportation												
<u>Direct Programs:</u>												
Pipeline Safety Program State Base Grant	20.700					9,975,978.29	9,975,978.29				9,975,978.29	9,975,978.29
State Damage Prevention Program Grants	20.720					33,297.71	33,297.71				33,297.71	33,297.71
Totals - U.S. Department of Transportation				0.00	0.00	10,009,276.00	10,009,276.00		0.00	0.00	10,009,276.00	10,009,276.00
Total Expenditures of Federal Awards				0.00	0.00	42,240,251.59	42,240,251.59		0.00	0.00	42,240,251.59	42,240,251.59

RAILROAD COMMISSION OF TEXAS (455)

SCHEDULE 1A

Schedule of Expenditures of Federal Awards — Notes

For the Fiscal Year Ended August 31, 2025

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)	\$ 42,240,251.59
Governmental Funds - Federal Pass-Through Revenues (Exhibit II)	<u>-</u>
Total Pass Through and Expenditures per Federal Schedule	<u><u>\$ 42,240,251.59</u></u>

RAILROAD COMMISSION OF TEXAS (455)

SCHEDULE 1B

Schedule of State Grant Pass Throughs From/To State Agencies

For the Fiscal Year Ended August 31, 2025

None