



# TEXAS ALCOHOLIC BEVERAGE COMMISSION

*Texans Helping Businesses & Protecting Communities*

## **ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2017 (UNAUDITED)**

**KEVIN J. LILLY, Presiding Officer - Houston**  
**IDA CLEMENT STEEN, Member – San Antonio**  
**A. BENTLEY NETTLES, Executive Director**



**TEXAS ALCOHOLIC BEVERAGE COMMISSION  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended August 31, 2017**

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# TEXAS ALCOHOLIC BEVERAGE COMMISSION

*Texans Helping Businesses & Protecting Communities*

**Kevin J. Lilly**  
*Presiding Officer – Houston*

**Ida Clement Steen**  
*Member – San Antonio*

**Commission Member**  
*Vacant*

**A. Bentley Nettles**  
*Executive Director*

November 20, 2017

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, Texas Comptroller  
Ursula Parks, Director, Legislative Budget Board  
Lisa Collier, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Alcoholic Beverage Commission for the year ended August 31, 2017, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) 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 Vanessa Mayo at 512-206-3290. Heather Nevill may be contacted at 512-206-3246 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. Bentley Nettles".

A. Bentley Nettles  
Executive Director

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## **GENERAL PURPOSE FINANCIAL STATEMENTS**



TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

EXHIBIT I -  
 COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS -  
 GOVERNMENTAL FUNDS  
 August 31, 2017

	Governmental Funds Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$</b>
<b>Current Assets:</b>	
Cash and Temporary Investments:	
Cash on Hand	21,308.00
Cash in Bank (Note 3)	52,500.00
Cash in State Treasury	
Legislative Appropriations	9,239,879.50
Receivables from:	
Federal	
Due from Other Agencies (Note 12)	42,877.76
Consumable Inventories	14,743.53
<b>Total Current Assets:</b>	<b>9,371,308.79</b>
<b>Non-Current Assets and Deferred Outflows:</b>	
Capital Assets: (Note 2)	
Non-Depreciable:	
Construction in Progress	
Other Assets	
Depreciable:	
Furniture & Equipment	
Less Accumulated Depreciation	
Vehicles, Boats and Aircraft	
Less Accumulated Depreciation	
Other Capital Assets	
Less Accumulated Depreciation	
Intangible Computer Software	
Less Accumulated Amortization	
<b>Total Non-Current Assets:</b>	<b>0</b>
<b>Total Assets and Deferred Outflows</b>	<b>9,371,308.79</b>



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Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
\$	\$	\$
		21,308.00
		52,500.00
		9,239,879.50
		-
		42,877.76
		14,743.53
0	0	9,371,308.79
		-
		5,963,751.77
(2,991,323.16)		(2,991,323.16)
7,757,115.18		7,757,115.18
(4,916,339.37)		(4,916,339.37)
2,075,912.89		2,075,912.89
(2,075,912.89)		(2,075,912.89)
5,813,204.42	0	5,813,204.42
5,813,204.42	0	15,184,513.21

UNAUDITED

**TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)**

**EXHIBIT I - (Continued)  
COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
August 31, 2017**

	<b>Governmental Funds Total</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$</b>
<b>Current Liabilities:</b>	
Payables from:	
Accounts Payable	155,134.77
Payroll Payable	3,971,404.91
Due to Other Agencies (Note 12)	
Employees' Compensable Leave (Note 5)	
Capital Lease Obligations (Note 5)	
Funds Held for Others	
<b>Total Current Liabilities:</b>	<b>4,126,539.68</b>
<b>Non-Current Liabilities and Deferred Inflows:</b>	
Employees' Compensable Leave (Note 5)	
Capital Lease Obligation (Note 5)	
<b>Total Non-Current Liabilities:</b>	<b>0</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>4,126,539.68</b>
<b>FUND FINANCIAL STATEMENTS -</b>	
Fund Balances (Deficits):	
Nonspendable	14,743.53
Assigned	
Unassigned	5,230,025.58
<b>Total Fund Balances</b>	<b>5,244,769.11</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 9,371,308.79</b>
<b>Government-wide Statement - Net Assets</b>	
Net Assets:	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	
<b>Total Net Assets</b>	
The accompanying notes to the financial statements are an integral part of this financial statement.	



UNAUDITED

Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
\$	\$	\$
		155,134.77
		3,971,404.91
	2,482,675.46	2,482,675.46
0	2,482,675.46	6,609,215.14
	2,061,248.71	2,061,248.71
0	2,061,248.71	2,061,248.71
0	4,543,924.17	8,670,463.85
		14,743.53
		5,230,025.58
0	0	5,244,769.11
0	4,543,924.17	13,915,232.96
5,813,204.42	(4,543,924.17)	5,813,204.42
5,813,204.42	(4,543,924.17)	1,269,280.25

**TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)**

**EXHIBIT II**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES/STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

For the Fiscal Year Ended August 31, 2017

	General Funds	Capital Asset Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
	\$	\$	\$		\$
<b>Revenues</b>					
Legislative Appropriations:					
Original Appropriations	49,769,014.00				49,769,014.00
Additional Appropriations	11,771,776.72				11,771,776.72
Federal Revenues (Sch 1A)	-				0.00
Federal Pass-Through Revenue (Sch 1A)	884,779.87				884,779.87
Licenses, Fees & Permits	163,483.14				163,483.14
Settlement of Claims	-				0.00
Sales of Goods & Services	25.60				25.60
Other Revenues	168,862.29				168,862.29
<b>Total Revenues</b>	<u>62,757,941.62</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>62,757,941.62</u>
<b>Expenditures</b>					
Salaries & Wages	36,909,605.63		(171,905.37)		36,737,700.26
Payroll Related Costs	11,607,448.33				11,607,448.33
Professional Fees & Services	1,146,416.12				1,146,416.12
Travel	688,574.91				688,574.91
Materials & Supplies	2,343,631.61				2,343,631.61
Communication & Utilities	716,208.98				716,208.98
Repairs & Maintenance	796,045.05				796,045.05
Rentals & Leases	2,441,474.13				2,441,474.13
Printing & Reproduction	101,490.37				101,490.37
Claims and Judgements	33,937.02				33,937.02
Public Assistance Payments	-				0.00
Other Operating Expenditures	909,855.19				909,855.19
Debt Service Capital Leases	-				-
Capital Outlay (Note 2)	2,100,097.55	(2,100,097.55)			0.00
Depreciation Expense (Note 2)		1,408,452.14			1,408,452.14
<b>Total Expenditures</b>	<u>59,794,784.89</u>	<u>(691,645.41)</u>	<u>(171,905.37)</u>	<u>0.00</u>	<u>58,931,234.11</u>
<b>Excess (Def) of Revenues Over Expenditures</b>	<u>2,963,156.73</u>	<u>691,645.41</u>	<u>171,905.37</u>	<u>0.00</u>	<u>3,826,707.51</u>



UNAUDITED

	General Funds	Capital Asset Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Activities
<b>Other Financing Sources (Uses)</b>	\$	\$	\$		\$
Sale of Capital Assets	111,737.50	(149,786.69)			(38,049.19)
Insurance Recoveries	33,100.20				33,100.20
Transfers In	-	-			-
Transfers Out	(84,365.61)				(84,365.61)
Gain (Loss) on Sale of Capital Assets		132,127.46			132,127.46
Legislative Financing Uses	-				-
<b>Appropriations Lapsed</b>	(2,582,099.12)				(2,582,099.12)
<b>Other Financing Sources (Uses)</b>	(2,521,627.03)	(17,659.23)	0	0	(2,539,286.26)
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing</b>	441,529.70	673,986.18	171,905.37		1,287,421.25
<b>Beginning Fund Balance (Sept. 1, 2016)</b>	4,803,193.91				4,803,193.91
Restatements	45.50				45.50
<b>Ending Fund Balance</b>	5,244,769.11				6,090,660.66
<b>Government-Wide Statement-Net Assets</b>					
Change in Net Assets		673,986.18	171,905.37	-	
<b>Net Assets Beginning</b>					
FY 16 Capital Assets Balances in CFAAG		5,129,587.48			5,129,587.48
FY 16 Compensable Leave Balance in GLTDAG			(4,715,829.54)		\$ (4,715,829.54)
<b>Net Assets, Sept. 1, 2016</b>		5,129,587.48	(4,715,829.54)	0.00	413,757.94
Restatements		9,630.76			
<b>Net Assets, Aug. 31, 2017</b>		5,813,204.42	(4,543,924.17)	0.00	1,269,280.25

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

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

EXHIBIT VI

COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

August 31, 2017

	AGENCY	
	Unappropriated Collections - General Revenue (1000) U/F 1000	Departmental Suspense (0900) U/F 0900
	\$	\$
<b>ASSETS</b>		
Cash and Cash Equivalents		
Cash on Hand	87,507.83	
Cash in Bank (Note 3)		
Cash in State Treasury		2,498,590.90
Receivables from:		
Other Intergovernmental	-	
Taxes Receivable	18,516.95	
Other Assets		
<b>TOTAL ASSETS</b>	<u>106,024.78</u>	<u>2,498,590.90</u>
<b>LIABILITIES</b>		
Funds Held for Others	106,024.78	2,498,590.90
Net Position Held in Trust		
<b>TOTAL LIABILITIES</b>	<u>106,024.78</u>	<u>2,498,590.90</u>
<b>Total Net Assets</b>	<u>\$ 0</u>	<u>\$ 0</u>

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



UNAUDITED

<b>FUNDS</b>			
<b>Child Support Deductions 0807 U/F 0807</b>	<b>Custodial Funds (9999) U/F 1999</b>	<b>Custodial Local Funds (9995) U/F 1995</b>	<b>Total</b>
\$	\$		\$
	12,961.50		100,469.33
		492,909.57	492,909.57
24,036.23			2,522,627.13
			18,516.95
		31,446,277.00	31,446,277.00
24,036.23	12,961.50	31,939,186.57	34,580,799.98
24,036.23	12,961.50	31,939,186.57	34,580,799.98
24,036.23	12,961.50	31,939,186.57	34,580,799.98
\$ 0	\$ 0	\$ 0	\$ 0



## EXHIBIT J-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS

For the Fiscal Year Ended August 31, 2017

	Balances September 1, 2016	Additions	Deductions	Balances August 31, 2017
	\$	\$	\$	\$
<b>UNAPPROPRIATED RECEIPTS</b>				
<b>General Revenue Fund (0001) U/F (1000)</b>				
<b>ASSETS</b>				
Cash on Hand	47,378.00	40,129.83	0	87,507.83
Cash in State Treasury	0.00	318,997,337.65	318,997,337.65	0.00
Intergovernmental Receivable	0.00			0.00
Taxes Receivable, Net	10,008.20	8,508.75	-	18,516.95
Other Receivables, Net	0.00	0.00	0.00	0.00
Interfund Receivable	0.00	2,499,024.79	2,499,024.79	0.00
<b>Total Assets</b>	<b>57,386.20</b>	<b>321,545,001.02</b>	<b>321,496,362.44</b>	<b>106,024.78</b>
<b>LIABILITIES</b>				
Accounts Payable	0.00	371,897.33	371,897.33	0.00
Interfund Payable	0.00	2,499,024.79	2,499,024.79	0.00
Due To Other Agencies	0.00			0.00
Funds Held for Others	57,386.20	317,612,255.04	317,563,616.46	106,024.78
<b>Total Liabilities</b>	<b>57,386.20</b>	<b>320,483,177.16</b>	<b>320,434,538.58</b>	<b>106,024.78</b>
<b>OTHER AGENCY FUNDS:</b>				
<b>City, Cty, MTA &amp; SPD Sales Tax (0882) U/F (0882)</b>				
<b>ASSETS</b>				
Cash on Hand	0.00	0.00	0.00	0.00
Cash in Bank	0.00	0.00	0.00	0.00
Cash in State Treasury	0.00	0.00	0.00	0.00
Other Assets	0.00	0.00	0.00	0.00
<b>Total Assets</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>LIABILITIES</b>				
Funds Held for Others	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Departmental Suspense (0900) U/F (0900)</b>				
<b>ASSETS</b>				
Cash in State Treasury	1,270,326.87	67,049,767.92	65,821,503.89	2,498,590.90
Accounts Receivables, Net	0.00			0.00
Interfund Receivable	0.00			0.00
<b>Total Assets</b>	<b>1,270,326.87</b>	<b>67,049,767.92</b>	<b>65,821,503.89</b>	<b>2,498,590.90</b>
<b>LIABILITIES</b>				
Accounts Payable	0.00	1,304,195.86	1,304,195.86	0.00
Due to Other Agencies	0			0.00
Funds Held for Others	1,270,326.87	67,057,336.92	65,829,072.89	2,498,590.90
<b>Total Liabilities</b>	<b>1,270,326.87</b>	<b>68,361,532.78</b>	<b>67,133,268.75</b>	<b>2,498,590.90</b>
<b>Child Support Employee Deductions-Offset (0807) U/F 0807)</b>				
<b>ASSETS</b>				
Cash in State Treasury	22,546.22	300,865.16	299,375.15	24,036.23
Accounts Receivables, Net	0.00	0.00	0.00	0.00
Interfund Receivable	0.00	0.00	0.00	0.00
<b>Total Assets</b>	<b>22,546.22</b>	<b>300,865.16</b>	<b>299,375.15</b>	<b>24,036.23</b>
<b>LIABILITIES</b>				
Accounts Payable	0	276,828.93	276,828.93	0
Interfund Payable	0			0
Funds Held for Others	22,546.22	300,865.16	299,375.15	24,036.23
<b>Total Liabilities</b>	<b>22,546.22</b>	<b>577,694.09</b>	<b>576,204.08</b>	<b>24,036.23</b>

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

UNAUDITED

	Balances September 1, 2016	Additions	Deductions	Balances August 31, 2017
	\$	\$	\$	\$
<b>OTHER AGENCY FUNDS</b>				
<b>Direct Deposit Correction (0980)</b>				
<b>ASSETS</b>				
Cash on Hand	0			0
Cash in State Treasury	480.48	320.73	0.00	801.21
Intergovernmental Receivable	0			0
Other Receivables, Net	0			0
Interfund Receivable	0			0
<b>Total Assets</b>	<b>480.48</b>	<b>320.73</b>	<b>0.00</b>	<b>801.21</b>
<b>LIABILITIES</b>				
Accounts Payable	0			0
Interfund Payable	0			0
Funds Held for Others	480.48	320.73	0.00	801.21
<b>Total Liabilities</b>	<b>4,989.13</b>	<b>320.73</b>	<b>0.00</b>	<b>801.21</b>
<b>Custodial Funds (9999) U/F (1999)</b>				
<b>ASSETS</b>				
Cash on Hand	13,791.75	0.00	830.25	12,961.50
Cash in Bank	0.00	0.00	0.00	0.00
Cash in State Treasury	0.00	0.00	0.00	0.00
Other Assets	0.00	0.00	0.00	0.00
<b>Total Assets</b>	<b>13,791.75</b>	<b>0.00</b>	<b>830.25</b>	<b>12,961.50</b>
<b>LIABILITIES</b>				
Funds Held for Others	13,791.75	0.00	830.25	12,961.50
<b>Total Liabilities</b>	<b>13,791.75</b>	<b>0.00</b>	<b>830.25</b>	<b>12,961.50</b>
<b>Local Funds Custodial (9995)</b>				
<b>ASSETS</b>				
Cash in Bank	572,618.44	0.00	79,708.87	492,909.57
Accounts Receivable, Net	0.00	0.00	0.00	0.00
Other Assets	32,295,279.00	0.00	849,002.00	31,446,277.00
<b>Total Assets</b>	<b>32,867,897.44</b>	<b>0.00</b>	<b>928,710.87</b>	<b>31,939,186.57</b>
<b>LIABILITIES</b>				
Accounts Payable	0.00	0.00	0.00	0.00
Interfund Payable	0.00	0.00	0.00	0.00
Funds Held for Others	32,867,897.44	0.00	928,710.87	31,939,186.57
<b>Total Liabilities</b>	<b>32,867,897.44</b>	<b>0.00</b>	<b>928,710.87</b>	<b>31,939,186.57</b>
<b>Totals - All Agency Funds</b>				
<b>ASSETS</b>				
Cash on Hand	61,169.75	40,129.83	830.25	100,469.33
Cash in Bank	572,618.44	0.00	79,708.87	492,909.57
Cash in State Treasury	1,293,353.57	386,348,291.5	385,118,216.69	2,523,428.34
Receivables:				0.00
Intergovernmental Receivables	0.00	0.00	0.00	0.00
Accounts Receivable, Net	0.00	0.00	0.00	0.00
Taxes Receivable, Net	10,008.20	8,508.75	-	18,516.95
Other Receivables, Net	0.00	0.00	0.00	0.00
Other Assets	32,295,279.00	0.00	849,002.00	31,446,277.00
Interfund Receivables	0.00	2,499,024.79	2,499,024.79	0.00
<b>Total Assets</b>	<b>34,232,428.96</b>	<b>388,895,954.83</b>	<b>388,546,782.60</b>	<b>34,581,601.19</b>
<b>LIABILITIES</b>				
Accounts Payable	0.00	1,952,922.12	1,952,922.12	0.00
Due to Other Agencies	0.00	0.00	0.00	0.00
Interfund Payable	0.00	2,499,024.79	2,499,024.79	0.00
Funds Held for Others	34,232,428.96	384,970,777.85	384,621,605.62	34,581,601.19
<b>Total Liabilities</b>	<b>34,232,428.96</b>	<b>389,422,724.76</b>	<b>389,073,552.53</b>	<b>34,581,601.19</b>

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## **NOTES TO FINANCIAL STATEMENTS**

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## ALCOHOLIC BEVERAGE COMMISSION (458)

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

The Texas Alcoholic Beverage Commission (the 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 of State Agencies. Its three Commission members are charged with the administration and enforcement of the Texas Alcoholic Beverage Code (the Code). The Code establishes guidelines for the activities of all persons engaged in any phase of an alcoholic beverage business. Commission members are appointed by the Governor with the advice and consent of the Senate.

An Executive Director, who is appointed by the Commissioners, is responsible for managing the Commission's daily operations. The Commission operates from a headquarters office in Austin and district offices located throughout the state. The Commission also oversees a Ports of Entry program through various bridges/outposts situated along the Texas-Mexico border. The Commission is designated as a separate reporting entity pursuant to requirements established by the Legislature, the Legislative Budget Office and the Governor's Budget and Policy Division. The Commission does not include any component units.

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.

The accompanying financial statements of the Texas Alcoholic Beverage Commission have been prepared to conform with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

**Blended and Discretely Presented Component Units**

No blended or discrete component units have been identified.

**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 (appropriated fund 001) is used to account for all financial resources of the state except those required to be accounted for in another fund.

The General Revenue Fund includes USAS D23 funds (U/F): 0001, 0720, 0790, 0806, 0809, 0814, 0815, 0826, 0829, 0840, 0850, 0890, 0895, 1101, 1102, 1103, 1104, 5001, 6001, 6002, 6003, 7888, 7900, 9000, 9001

***Capital Assets Adjustment Fund Type***

Capital Assets Adjustment fund type 0001 is used to convert governmental fund types' capital assets from modified accrual to full accrual.

***Long-Term Liabilities Adjustment Fund Type***

Long-Term Liabilities Adjustment fund type 0098 is used to convert governmental fund types debt from modified accrual to full accrual.

## ALCOHOLIC BEVERAGE COMMISSION (458)

### ***Other Adjustment Fund Type***

Other Adjustment fund type 0001 is used to convert all other governmental fund type activity from modified accrual to full accrual.

### **Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the state in a trustee capacity as an agent for individuals, private organizations, other governmental units, and/or other funds. These funds are custodial in nature and do not involve measurement of results of operations.

### ***Agency Funds***

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

### ***Basis of Accounting***

The basis of accounting determines when revenues and expenditures 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 by using the modified accrual method basis of accounting. Under the modified accrual method, 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 60 days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified basis of accrual. 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 accounting. This includes activities in these fund types; capital assets, accumulated depreciation, unpaid employee compensable leave, unmatured debt service on general long-term liabilities, long-term capital leases, long-term claims and judgments and full accrual revenues and expenses.

### **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 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 on Hand***

This represents amounts that were on hand and in process, but not deposited in the State Treasury, as of August 31, 2017. It also includes change funds held at the Commission's Ports of Entry collection stations located along the Texas-Mexico border.

##### ***Cash in Bank***

This represents cash held in local bank accounts. The Commission uses these accounts to expedite payments for travel advances, purchase of evidence and small, miscellaneous purchases. In addition, the Commission maintains local bank accounts for its ports of entry tax collection stations located along the Texas-Mexico border. These accounts are held in the name of Glenn Hegar, Comptroller, on behalf of the Commission. Cash is electronically transferred from these accounts to the Comptroller of Public Accounts Treasury Division on a weekly basis (see Note 3).



## ALCOHOLIC BEVERAGE COMMISSION (458)

**Other Intergovernmental Receivables**

The Commission assesses and collects a statutory fee for a variety of wine and beer permit and license applications from all counties in the State of Texas. Based on the permits issued during the month, the Commission pays the county from which the permit applications originated a five percent commission of the corresponding amount. As of August 31, 2017, five percent commission amounts were owed to the counties for application fees collected prior to year-end, but not yet remitted by the Commission to the counties.

**Taxes Receivable**

These receivables represent amounts owed the Commission based on the findings of audits performed on the records of excise tax-paying and private club permittees/licensees. Whenever possible, delinquent taxes are collected directly from the permittee within a matter of days from the date of determination; however, in some cases, it becomes necessary to take additional action to secure the payment of the delinquencies. Such action includes calling upon the permittee's collateral (certificate of deposit, letter of credit or surety bond) or arranging an in-house payout agreement. Delinquent taxes and permit fees for which collection appears unlikely are turned over to the Attorney General's Office for action. Accounts submitted for collection to the Attorney General's Office are aged using rates calculated from historical collections to arrive at a realistic valuation of the collectible amount.

**Inventories and Prepaid Items**

Inventories include both merchandise inventories on hand for sale and consumables 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 fund type. The cost of these items is expensed when the items are 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 is 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.

**Other Assets**

This represents collateral held by the Commission in the form of certificates of deposit and letters of credit, and excise stamp inventories at the ports of entry and headquarters.

**LIABILITIES****Accounts Payable**

This 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.

**Capital Lease Obligations**

Capital Lease Obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

ALCOHOLIC BEVERAGE COMMISSION (458)

***Funds Held For Others***

This represents amounts held by the Commission in a custodial or trustee capacity and amounts that have not yet been distributed to the appropriate party or fund. Therefore, these amounts are reported as Funds Held for Others.

**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, proprietary and fiduciary fund statements.

When both restricted and unrestricted resources are available for use, it is the agency's policy to use unrestricted resources first, then restricted when they are needed. When only unrestricted resources are available for use, it is the agency's policy to use committed resources first, then assigned resources and unassigned resources last.

**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 or legally or contractually required to be maintained intact. The Commission's consumable inventory is classified as nonspendable.

Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions. The Commission does not have funds classified as restricted.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority. The Commission does not have funds classified as committed.

Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Commission has classified encumbrances as assigned funds.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

***Net Investment in Capital Assets***

Net investment in capital assets, 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 Position***

Restricted net position results when constraints placed on net resources are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

***Unrestricted Net Position***

Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

ALCOHOLIC BEVERAGE COMMISSION (458)

**INTERFUND ACTIVITIES AND BALANCES**

The Commission has numerous transactions between and within fund types:

- 1) Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- 2) 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.
- 3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, it is classified as 'Current'; repayment for two (or more) years is classified as 'Non-Current'.
- 4) 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 receivables and payables at August 31, 2017, is presented in Note 12.

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**NOTE 2: Capital Assets**

Revenue received from the sale of surplus property has been transferred to unappropriated general revenue in accordance with HB7, Sec 20.

A summary of changes in Capital Assets for the year ended August 31, 2017, is presented below:

	PRIMARY GOVERNMENT							Balance 8/31/17
	Balance 9/1/16	Adjustments	Reclass Completed CIP	Reclass Inc-Int'agy Trans	Reclass Dec-Int'agy Trans	Additions	Deletions	
<b>GOVERNMENTAL ACTIVITIES</b>								
<b>Non-depreciable or Non-amortizable Assets</b>								
Land and Land Improvements								0
Infrastructure								0
Construction in Progress								0
Land Use Rights – Permanent								0
Other Intangible Capital Assets								0
Other Capital Assets								0
Total Non-depreciable or Non-amortizable Assets	0	0	0	0	0	0	0	0
<b>Depreciable Assets</b>								
Buildings and Building Improvements								0
Infrastructure								0
Facilities and Other Improvements								0
Furniture and Equipment	4,997,639.56	12,038.20				1,152,832.29	(198,758.28)	5,963,751.77
Vehicles, Boats and Aircraft	7,880,433.01					947,265.26	(1,070,583.09)	7,757,115.18
Other Capital Assets								-
Total Depreciable Assets at Historical Cost	12,878,072.57	12,038.20	0	0	0	2,100,097.55	(1,269,341.37)	13,720,866.95
Less Accumulated Depreciation for:								
Buildings and Building Improvements								0
Infrastructure								0
Facilities and Other Improvements								0
Furniture and Equipment	(2,580,030.81)	(2,407.44)				(607,643.19)	198,758.28	(2,991,323.16)
Vehicles, Boats and Aircraft	(5,168,454.28)					(800,808.95)	1,052,923.86	(4,916,339.37)
Other Capital Assets								0
Total Accumulated Depreciation	(7,748,485.09)	(2,407.44)	0	0	0	(1,408,452.14)	1,251,682.14	(7,907,662.53)
Depreciable Assets, Net	5,129,587.48	9,630.76	0	0	0	691,645.41	(17,659.23)	5,813,204.42
<b>Intangible Capital Assets - Amortizable</b>								
Land Use Rights – Term								0
Computer Software	2,075,912.89							2,075,912.89
Other Intangible Capital Assets – Term								0
Total Intangible Assets at Historical Cost	2,075,912.89	0	0	0	0	0	0	2,075,912.89
Less Accumulated Amortization for:								
Land Use Rights – Term								0
Computer Software	(2,075,912.89)							(2,075,912.89)
Other Intangible Capital Assets – Term								0
Total Accumulated Amortization	(2,075,912.89)	0	0	0	0	0	0	(2,075,912.89)
Amortizable Assets, Net	0	0	0	0	0	0	0	0
<b>Governmental Activities Capital Assets, Net</b>	<b>5,129,587.48</b>	<b>9,630.76</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>691,645.41</b>	<b>(17,659.23)</b>	<b>5,813,204.42</b>



## ALCOHOLIC BEVERAGE COMMISSION (458)

**NOTE 3: Deposits, Investments, and Repurchase Agreements**

1. Texas Alcoholic Beverage Commission is not authorized to make investments.
2. There were no significant violations of legal provisions during the period.

**Deposits of Cash in Bank**

As of August 31, 2017, the carrying amount of deposits was \$545,409.57 as presented below.

<b>Governmental and Business-Type Activities</b>	
<b>CASH IN BANK - CARRYING VALUE</b>	\$ 52,500.00
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	
Less: Uninvested Securities Lending Cash Collateral included in carry value and reported as Securities Lending Collateral	
Less: Securities Lending CD Collateral included in carry value and reported as Securities Lending Collateral	
Cash in Bank per AFR	\$ 52,500.00
<b>Governmental Funds Current Assets Cash in Bank</b>	\$ 52,500.00
Governmental Funds Current Assets Restricted Cash in Bank	
Governmental Funds Non-Current Assets Restricted Cash in Bank	
Proprietary Funds Current Assets Cash in Bank	
Proprietary Funds Current Assets Restricted Cash in Bank	
Proprietary Funds Non-Current Restricted Cash in Bank	
Cash in Bank per AFR	\$ 52,500.00
<b>Fiduciary Funds</b>	
<b>CASH IN BANK - CARRYING VALUE</b>	\$ 492,909.57
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	
Less: Uninvested Securities Lending Cash Collateral included in carry value and reported as Securities Lending Collateral	
Less: Securities Lending CD Collateral included in carry value and reported as Securities Lending Collateral	
Bank Balance	\$ 492,909.57
<b>Fiduciary Funds Cash in Bank</b>	\$ 492,909.57
Fiduciary Funds Restricted Cash in Bank	
Total Cash in Bank per AFR	\$ 492,909.57
<b>As of August 31, 2017, the Total Bank Deposit was as follows:</b>	
<b>Governmental and Business Type Activities</b>	\$ 52,500.000
<b>Fiduciary Funds</b>	\$ 492,909.57

**NOTE 4: Short-Term Debt**

Not applicable for Fiscal Year 2017.

## ALCOHOLIC BEVERAGE COMMISSION (458)

**NOTE 5: Summary of Long-Term Liabilities****Changes in General Long-Term Liabilities:**

During the year ended August 31, 2017, the following changes occurred in liabilities.

	Balance 09-01-2016	Additions	Reductions	Balance 08-31-2017	Amounts Due Within One Year	Amounts Due Thereafter
Capital Lease Obligations (Note 8)	0	0	0	0	0	0
Compensable Leave	4,715,829.54	4,389,213.83	4,561,119.20	4,543,924.17	2,482,675.46	2,061,248.71
<b>TOTAL</b>	4,715,829.54	4,389,213.83	4,561,119.20	4,543,924.17	2,482,675.46	2,061,248.71

Employees Compensable Leave

If a state employee had continuous employment with the state for at least six months, the 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.

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. Both an expense and a liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. 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.

**NOTE 6: Bonded Indebtedness**

Not applicable for Fiscal Year 2017.

**NOTE 7: Derivative Instruments**

Not applicable for Fiscal Year 2017.



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**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	Amount
General Fund	\$2,894,059.09

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

Year Ended Aug. 31, 2017	
2018	2,399,354.31
2019	2,199,870.05
2020	1,975,969.04
2021	1,573,961.79
2022	1,554,571.98
2023-2026	<u>2,224,772.10</u>
<b>Total Minimum Future Lease Rental Payments</b>	<b><u>13,178,665.18</u></b>

The Commission has not entered into any long-term Capital Leases for Fiscal Year 17.

**NOTE 9: Pension Plans (administering agencies only)**

Not applicable for Fiscal Year 2017.

**NOTE 10: Deferred Compensation (administering agencies only)**

Not applicable for Fiscal Year 2017.

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

Not applicable for Fiscal Year 2017.



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**NOTE 12: Interfund Activity and Transactions**

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:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due to Other Agencies
- Due From Other Funds or Due to Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

The Texas Alcoholic Beverage Commission experienced routine transfers from other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

These balances at August 31, 2016, were as follows:

Current Portion	Current Interfund Receivable	Current Interfund Payable
General Revenue (01)	-0-	-0-
<b>Total Interfund Receivable/Payable</b>	<b>-0-</b>	<b>-0-</b>

Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable	Purpose
General Revenue (01)	-0-	-0-	-0-
<b>Total Interfund Receivable/Payable</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

General Revenue (01)	Due From Other Agencies	Due To Other Agencies	Source
Agency 601, Fund 0815	42,877.76		Federal PT
<b>Total Due From/To Other Agencies (Exhibit I)</b>	<b>\$42,877.76</b>	<b>\$ 0</b>	

	Transfers In	Transfers Out	Purpose
General Revenue (01)	0-	0-	
<b>Total Transfers</b>	<b>0-</b>	<b>0-</b>	

	Legislative Transfers In	Legislative Transfers Out
General Revenue (01)	-0-	0
<b>Total Legislative Transfers</b>	<b>-0-</b>	<b>0</b>

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**NOTE 13: Continuance Subject to Review**

Under the Texas Sunset Act, the Texas Alcoholic Beverage Commission will be abolished effective 09/01/2019, unless continued in existence by the 86<sup>th</sup> Legislature as provided by the Act. If abolished, the agency may continue until 09/01/2020 to close out its operations.

**NOTE 14: Adjustments to Fund Balances and Net Assets**

During fiscal 2017, certain accounting changes and adjustments were made that required the restatement of fund balances or net position. The restatements are presented below.

**Fund Balance and Net Position for 2017**

	General Funds (Fund 0001)	Capital Asset Adjustments	Total
Fund Bal/Net Position Sept 1, 2016	4,803,193.91	5,129,587.48	9,932,781.39
Current Year's Restatements	45.50	9,630.76	9676.26
<b>Fund Bal/Net Position Sept. 1, 2016 as Restated</b>	<b>4,803,239.41</b>	<b>5,139,218.24</b>	<b>9,942,457.65</b>

The restatement of \$12,038.20 in capital asset funds is to add an NEC SV9100 telephone system, including \$2,407.44 for depreciation due to correcting the State Property Accounting (SPA) system to reinstate a capital asset that was deleted in error in a prior fiscal year.

General Fund 0001 was restated \$45.50 in the general funds to account for a reclassification that was recorded but not restated in a prior year.

**NOTE 15: Contingencies and Commitments**

Employee Sick Leave

Sick leave, the accumulation of which is unlimited, is accrued at a rate of eight hours per month and is paid to the employee's estate in the event of his/her death while employed by the agency. The maximum amount of sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The Commission's policy is to recognize the cost of any sick leave when paid. A liability for sick leave entitlement is not recorded since experience indicates the probability of a material effect on any given year's financial operations, as a result of death or abnormally high rate of illness, is minimal.

Federal Assistance

The Commission has received several federal grants for specific purposes that are subject to review and audit by the grantor agency. Such audits could lead to a request for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

## ALCOHOLIC BEVERAGE COMMISSION (458)

**Unpaid Claims and Lawsuits**

As of August 31, 2017, certain lawsuits were pending against the Texas Alcoholic Beverage Commission. The lawsuits, which may present contingent liabilities, are displayed below.

Claimant / Plaintiff	Description of Case	Damages Sought	Probability of Liability	Possible Loss
Longview Bingo Center Fraternal Order	To determine whether sweepstakes games the Plaintiffs conduct on their premises is gambling. Pending a trial court decision.	Court costs, unknown amount	Unknown	Unknown
D. Houston, Inc. d/b/a Treasures	Plaintiff asserts TABC is interpreting Section 11.641(c) of Code and failed to publish a rule pursuant to (APA). TABC won at the court of appeals, and the Texas Supreme Court is now considering whether to accept the case for review.	Attorney's fees and court costs, unknown amount	Low	Unknown
Cadena Commercial USA Corp., d/b/a OXXO	Appeal by applicant for beer licenses in Texas which TABC protested due to a cross-tier violation. TABC prevailed at the Texas Supreme Court.		None	None
Mark Anthony Brewing Inc.	TABC denied Plaintiff's label approval application to sell four malt beverage products sued under 1 <sup>st</sup> Amendment of free speech. TABC won at the court of appeals, and plaintiff has yet to seek review at the Texas Supreme Court.	Declaratory judgment	Low	Unknown
Live Oak Brewing Company LLC, Revolver Brewing LLC, Peticolas Brewing Company LLC	Plaintiffs claim statute is unconstitutional and prevents brewers from selling territorial rights to distribute beer. Lower court ruled for Plaintiffs. The court of appeals heard oral arguments in September 2017, and a decision is still pending.	Attorney's fees and court costs, unknown amount	Unknown	Unknown

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Wal-Mart Stores, Inc. et al (federal and state lawsuits)	TABC Code denies Plaintiffs right to hold a package store permit and ability to obtain more than five package store permits. A bench trial was held in June 2017, and a decision is still pending.	Attorney's fees and court costs, unknown amount	Unknown	Unknown
Deep Ellum Brewing Company & Grapevine Brewing Company	Plaintiffs assert the TABC Code does not allowed to sell their products on-site to consumers for off-premise consumption as others in manufacturing tier.	Attorney's fees and court costs, unknown amount	Unknown	Unknown
McLane and the Texas Association of Business	Asserts TABC has a supposed rule (one share) that violates the Equal Protection Clause of the U.S. Constitution, Due Process Clause, and dormant Commerce Clause of U.S. Constitution.	Attorney's fees and court costs, unknown amount	Unknown	Unknown
Salvador Moralez	Employee Litigation - Plaintiff seeks action under the Texas Labor Code and punitive damages for age discrimination for not being promoted.	Attorney's fees, court costs, and damages, unknown amount	Unknown	Unknown
Billy L. Spears	Plaintiff seeks claims against a Sgt. in his official capacity for damages under 42 U.S.C. Section 1983 for violating his right to be free from unreasonable / false detention/arrest.	Unknown amount, attorney's fees	Unknown	Unknown
McLane Company Inc. PIA Litigation (2 lawsuits)	Plaintiff wants to compel TABC to fulfill 44 of their Public Information Act requests.	Attorney's fees and court costs, unknown amount	Unknown	Unknown
Louis Doss and Carolyn Doss and Mulligan's Pub	Plaintiff claims malicious prosecution and excessive force in deprivation of rights to be free from unreasonable searches and seizures under the 4 <sup>th</sup> Amendment to the U.S. Constitution; TABC won a jury trial, and the Fifth Circuit Court of Appeals rejected plaintiff's appeal.	Attorney's fees and court costs, \$2 million in damages	None	None

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American Legion, Knebel Post 83	To UDJA to determine whether TABC's Place or Manner Rule (against gambling) includes sweepstake games on Plaintiff's retail premises.	Declaratory Judgement & attorney's fees	Unknown	Unknown
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**NOTE 16: Subsequent Events**

Not applicable for Fiscal Year 2017.

**NOTE 17: Risk Management**

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

The Commission assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, there is no purchase of commercial automobile insurance for agency pool vehicles. However, the agency did purchase a policy to insure law enforcement vehicles stored at our warehouse facility for fleet management purposes. The agency worked with the State Office of Risk Management to acquire the policy.

The Commission has also purchased property insurance for its Headquarters, Regional Offices, Warehouse, Galveston Port of Entry and four Port of Entry Bridge properties through the Texas SORM Statewide Property Insurance Program. This insurance program does not insure agency pool or law enforcement vehicles at these locations.

The 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. Losses did not exceed funding arrangements during the past three years. Changes in the balances of the agency's claims liabilities during fiscal year 2016 and 2017 were:

	Beginning Balance	Increases	Decreases	Ending Balance
2017	\$ -	\$ 33,937.02	\$ (33,937.02)	\$ -
2016	\$ -	\$ 4,991.93	\$ (4,991.93)	\$ -

**NOTE 18: Management Discussion and Analysis**

Active Pending Litigation

The Texas Alcoholic Beverage Commission is currently defending a variety of lawsuits. First, and most impactful, are several major lawsuits challenging various aspects of the Alcohol Beverage Code. Second, are a series of lawsuits brought by a single plaintiff under the Public Information Act. Third, are lawsuits brought by former employees as described in Note 15 – Contingencies and Commitments. During Fiscal Year 2017, the agency had representation by a private law firm through a representation contract approved by the Attorney General. That representation will end in early Fiscal Year 2018, and the agency does not anticipate those recurring costs. However, ongoing litigation costs will constitute a significant expense for the agency.



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**NOTE 19: The Financial Reporting Entity**

Not applicable for Fiscal Year 2017.

**NOTE 20: Stewardship, Compliance and Accountability**

Not applicable in Fiscal Year 2017.

**NOTE 22: Donor Restricted Endowments**

Not applicable for Fiscal Year 2017.

**NOTE 23: Extraordinary and Special Items**

Not applicable in Fiscal Year 2017.

**NOTE 24: Disaggregation of Receivable and Payable Balances**

Not applicable for Fiscal Year 2017.

**NOTE 25: Termination Benefits**

Not applicable for Fiscal Year 2017.

**NOTE 26: Segment Information**

Not applicable for Fiscal Year 2017.

**NOTE 27: Service Concession Arrangements**

Not applicable for Fiscal Year 2017.

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

Not applicable for Fiscal Year 2017.

**NOTE 29: Troubled Debt Restructuring**

Not applicable for Fiscal Year 2017.

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**NOTE 30: Non-Exchange Financial Guarantees**

Not applicable for Fiscal Year 2017.

**NOTE 31: Tax Abatements**

Not applicable for Fiscal Year 2017.

**NOTE 32: Fund Balances**

Not applicable for Fiscal Year 2017.



## **SCHEDULES**

## SCHEDULE 1A

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended August 31, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Pass-Through From			Non-State Entities Amount
		Agency/ University Number	Identifying Number	Agency/ University Amount	
<b>U.S. Department of Transportation</b>					
Pass-Through From:					
Texas Dept. of Transportation					
Public Safety Project Grant	20.616	601	2016-TABC-G-1YG-0079	65,310.90	
Marketing Practices Education Project	20.616	601	2017-TABC-G-1YG-0022	358,796.37	
<b>Total U.S. Department of Transportation</b>				<b>\$424,107.27</b>	<b>\$0.00</b>
<b>U.S. Department of Justice</b>					
Pass-Through From:					
Office of the Governor					
TABC Public Safety and Investigation Equipment Grant	16.738	300		460,672.60	
Direct Federal :					
Enforcing Underage Drinking Laws - Direct					
Pass-Through to:					
Agency / University					
Other Non-State Entities					
<b>Total U.S. Department of Justice</b>				<b>\$460,672.60</b>	<b>\$0.00</b>
<b>U.S. Department of Homeland Security</b>					
Pass-Through From:					
Department of Public Safety					
<b>Total U.S. Department of Homeland Security</b>				<b>\$0.00</b>	<b>\$0.00</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<b>\$884,779.87</b>	<b>\$0.00</b>

Direct Program Amount	Total PT From & Direct Program	Agency/ University Number	State Agy/ University Amount	Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures amount
	65,310.90				65,310.90	65,310.90
	358,796.37				358,796.37	358,796.37
<b>\$0.00</b>	<b>\$424,107.27</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$424,107.27</b>	<b>\$424,107.27</b>
	460,672.60				460,672.60	460,672.60
<b>\$0.00</b>	<b>\$460,672.60</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$460,672.60</b>	<b>\$460,672.60</b>
	0.00				0.00	0.00
<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>\$0.00</b>	<b>\$884,779.87</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$884,779.87</b>	<b>\$884,779.87</b>

SCHEDULE 1A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 Expenditures of Federal Awards to the total of federal revenues and federal 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.

Per Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Fund Types (Exhibit II)

Federal Revenues (Exhibit II)	0.00
Federal Pass-Through Revenues (Exhibit II)	<u>884,779.87</u>
Total Pass-Through and Expenditures per Federal Schedule	<u><u>884,779.87</u></u>
	0





**TEXAS ALCOHOLIC  
BEVERAGE COMMISSION**

*Texans Helping Businesses & Protecting Communities*

Please visit our web site at [www.tabc.state.tx.us](http://www.tabc.state.tx.us) for more information about the Texas Alcoholic Beverage Commission.