



TABC

TEXAS ALCOHOLIC BEVERAGE COMMISSION

service ★ courtesy ★ integrity ★ accountability

**ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR 2012
(UNAUDITED)**

**JOSE CUEVAS, JR., Presiding Officer
STEVEN M. WEINBERG, MD, JD, Member
MELINDA S. FREDRICKS, Member
SHERRY COOK, Administrator**



TABC

TEXAS ALCOHOLIC BEVERAGE COMMISSION

service ★ courtesy ★ integrity ★ accountability

José Cuevas, Jr.
Presiding Officer-Midland

Steven M. Weinberg, MD, JD
Member-Colleyville

Melinda S. Fredricks
Member-Conroe

Sherry Cook
Administrator

November 6, 2012

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

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Alcoholic Beverage Commission for the year ended August 31, 2012, in compliance with Texas Government Code Annotated, §2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact Shelby Eskew, at 512-206-3244. Marilyn Lindsay may be contacted at 512-206-3237 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in cursive script that reads "Sherry Cook".

Sherry Cook
Administrator

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**TEXAS ALCOHOLIC BEVERAGE COMMISSION
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended August 31, 2012**

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I. GENERAL PURPOSE FINANCIAL STATEMENTS

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I. GENERAL PURPOSE FINANCIAL STATEMENTS

- A. Exhibit I..... Combined Balance Sheet/Statement of Net Assets
- Governmental Funds
- B. Exhibit II.....Combined Statement of Revenues, Expenditures
and Changes in Fund Balances/Statement of
Activities - Governmental Funds
- C. Exhibit VI.....Combined Statement of Net Assets - Fiduciary
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Liabilities - All Agency Funds

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

**EXHIBIT I -
COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
August 31, 2012**

	Governmental Funds Total
ASSETS AND DEFERRED OUTFLOWS	\$
Current Assets:	
Cash and Temporary Investments:	
Cash on Hand	12,830.00
Cash in Bank (Note 3)	52,500.00
Cash in State Treasury	
Legislative Appropriations	8,162,550.05
Receivables from:	
Federal	229,828.00
Due from Other Agencies (Note 12)	278,748.53
Consumable Inventories	138,175.03
Total Current Assets:	8,874,631.61
Non-Current Assets and Deferred Outflows:	
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	
Total Non-Current Assets:	0
Total Assets and Deferred Outflows	8,874,631.61

UNAUDITED

Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
\$	\$	\$
		12,830.00
		52,500.00
		8,162,550.05
		229,828.00
		278,748.53
		138,175.03
0	0	8,874,631.61
144,315.12		144,315.12
2,987,286.20		2,987,286.20
(2,099,706.49)		(2,099,706.49)
5,658,861.21		5,658,861.21
(4,344,459.89)		(4,344,459.89)
2,075,912.89		2,075,912.89
(2,027,121.07)		(2,027,121.07)
2,395,087.97	0	2,395,087.97
2,395,087.97	0	11,269,719.58

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

EXHIBIT I - (Continued)
 COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS -
 GOVERNMENTAL FUNDS
 August 31, 2012

	Governmental Funds Total
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$
Current Liabilities:	
Payables from:	
Accounts Payable	619,580.38
Payroll Payable	3,049,779.56
Due to Other Agencies (Note 12)	
Employees' Compensable Leave (Note 5)	
Capital Lease Obligations (Note 5)	
Funds Held for Others	
Total Current Liabilities:	<u>3,669,359.94</u>
Non-Current Liabilities and Deferred Inflows:	
Employees' Compensable Leave (Note 5)	
Capital Lease Obligation (Note 5)	
Total Non-Current Liabilities:	<u>0</u>
Total Liabilities and Deferred Inflows	<u>3,669,359.94</u>
FUND FINANCIAL STATEMENTS -	
Fund Balances (Deficits):	
Nonspendable	138,175.03
Assigned	(329,277.42)
Unassigned	5,396,374.06
Total Fund Balances	<u>5,205,271.67</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 8,874,631.61</u>
Government-wide Statement - Net Assets	
Net Assets:	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	
Total Net Assets	
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
\$	\$	\$
		619,580.38
		3,049,779.56
	1,867,193.48	1,867,193.48
	82,757.86	82,757.86
0	1,949,951.34	5,619,311.28
	1,654,495.52	1,654,495.52
0	1,654,495.52	1,654,495.52
0	3,604,446.86	7,273,806.80
		138,175.03
		(329,277.42)
		5,396,374.06
0	0	5,205,271.67
0	3,604,446.86	12,479,078.47
2,395,087.97	(162,983.80)	2,232,104.17
	(3,441,463.06)	(3,441,463.06)
2,395,087.97	(3,604,446.86)	(1,209,358.89)

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, 2012

	General Funds	Capital Asset & Other Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
Revenues	\$	\$	\$	\$
Legislative Appropriations:				
Original Appropriations	41,694,118.33			41,694,118.33
Additional Appropriations	7,353,941.76			7,353,941.76
Federal Revenues (Sch 1A)	428,581.45			428,581.45
Federal Pass-Through Revenue (Sch 1A)	264,881.02			264,881.02
State Grant Pass-Through Revenue	477,169.19			477,169.19
Licenses, Fees & Permits	19,241.20			19,241.20
Settlement of Claims	1,882.77			1,882.77
Sales of Goods & Services	2,144.24			2,144.24
Other Revenues	19,113.47			19,113.47
Total Revenues	<u>50,261,073.43</u>	<u>0</u>	<u>0</u>	<u>50,261,073.43</u>
Expenditures				
Salaries & Wages	29,360,482.81		(84,024.95)	29,276,457.86
Payroll Related Costs	7,519,098.80			7,519,098.80
Professional Fees & Services	723,261.38			723,261.38
Travel	700,898.46			700,898.46
Materials & Supplies	1,564,349.86			1,564,349.86
Communication & Utilities	467,710.10			467,710.10
Repairs & Maintenance	891,236.18			891,236.18
Rentals & Leases	2,323,322.71			2,323,322.71
Printing & Reproduction	191,292.28			191,292.28
Claims and Judgements	114,405.10			114,405.10
Federal Grant Pass-Through Expenditures	72,754.75			72,754.75
Intergovernmental Payments	135,957.04			135,957.04
Public Assistance Payments	1,194.32			1,194.32
Other Operating Expenditures	796,324.33			796,324.33
Debt Service Capital Leases	80,225.94		(80,225.94)	0
Capital Outlay (Note 2)	1,219,750.40	(1,219,750.40)		0
Depreciation Expense (Note 2)		992,403.21		992,403.21
Total Expenditures	<u>46,162,264.46</u>	<u>(227,347.19)</u>	<u>(164,250.89)</u>	<u>45,770,666.38</u>
Excess (Def) of Revenues Over Expenditures	<u>4,098,808.97</u>	<u>227,347.19</u>	<u>164,250.89</u>	<u>4,490,407.05</u>

UNAUDITED

	General Funds	Capital Asset & Other Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
Other Financing Sources (Uses)	\$	\$	\$	\$
Sale of Capital Assets	54,561.00	(54,561.00)		0
Insurance Recoveries	12,198.48			12,198.48
Transfers In	8,860.93			8,860.93
Transfers Out	(49,781.69)			(49,781.69)
Gain (Loss) on Sale of Capital Assets		22,896.36		22,896.36
Inc (Dec) in Net Assets Due to Interagency Transfer		25,946.00		25,946.00
Legislative Financing Sources				0
Legislative Financing Uses	(250,000.00)			(250,000.00)
Appropriations Lapsed	(3,388,751.51)			(3,388,751.51)
Other Financing Sources (Uses)	(3,612,912.79)	(5,718.64)	0	(3,618,631.43)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	485,896.18	221,628.55	164,250.89	871,775.62
Beginning Fund Balance	4,719,375.49			4,719,375.49
Ending Fund Balance	5,205,271.67			5,591,151.11
Government-Wide Statement-Net Assets				
Change in Net Assets		221,628.55	164,250.89	
Net Assets Beginning				
FY 11 Capital Assets Balances in CFAAG		2,173,459.42		2,173,459.42
FY 11 Capital Lease Obligation Balance			(162,983.80)	(162,983.80)
FY 11 Compensable Leave Balance in GLTDAG			(3,605,713.95)	\$ (3,605,713.95)
Net Assets, Sept. 1, 2011		2,173,459.42	(3,768,697.75)	(1,595,238.33)
Net Assets, Aug. 31, 2012		2,395,087.97	(3,604,446.86)	(1,209,358.89)

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, 2012

	<u>AGENCY</u>	
	<u>Unappropriated Collections - General Revenue (1000) U/F 1000</u>	<u>Departmental Suspense (0900) U/F 0900</u>
ASSETS	\$	\$
Cash and Cash Equivalents		
Cash on Hand	212,403.58	
Cash in Bank (Note 3)		
Cash in State Treasury		268,079.72
Receivables from:		
Other Intergovernmental	2,358,659.00	
Other Assets		
TOTAL ASSETS	<u>2,571,062.58</u>	<u>268,079.72</u>
LIABILITIES		
Funds Held for Others	<u>2,571,062.58</u>	<u>268,079.72</u>
TOTAL LIABILITIES	<u>2,571,062.58</u>	<u>268,079.72</u>
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>

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

UNAUDITED

FUNDS

Child Support Deductions 0807 U/F 0807	Custodial Funds (9999) U/F 1999	Total
\$	\$	\$
	19,650.00	232,053.58
	440,144.46	440,144.46
16,864.68		284,944.40
		2,358,659.00
	30,642,180.00	30,642,180.00
16,864.68	31,101,974.46	33,957,981.44
16,864.68	31,101,974.46	33,957,981.44
16,864.68	31,101,974.46	33,957,981.44
\$ 0	\$ 0	\$ 0

EXHIBIT J-1

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

For the Fiscal Year Ended August 31, 2012

	Balances September 1, 2011	Additions	Deductions	Balances August 31, 2012
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (0001) U/F (1000)				
ASSETS				
Cash on Hand	823,011.24		610,607.66	212,403.58
Cash in State Treasury	0	292,143,603.39	292,143,603.39	0
Intergovernmental Receivable	918,470.00	1,440,189.00		2,358,659.00
Taxes Receivable, Net	0			0
Other Receivables, Net	0			0
Interfund Receivable	0	2,223,630.87	2,223,630.87	0
Total Assets	<u>1,741,481.24</u>	<u>295,807,423.26</u>	<u>294,977,841.92</u>	<u>2,571,062.58</u>
LIABILITIES				
Accounts Payable	0	407,118.79	407,118.79	0
Interfund Payable	0	2,223,630.87	2,223,630.87	0
Due To Other Agencies	1,741,481.24		1,741,481.24	0
Funds Held for Others	0	294,416,493.28	291,845,430.70	2,571,062.58
Total Liabilities	<u>1,741,481.24</u>	<u>297,047,242.94</u>	<u>296,217,661.60</u>	<u>2,571,062.58</u>
OTHER AGENCY FUNDS:				
City, Cty, MTA & SPD Sales Tax (0882) U/F (0882)				
ASSETS				
Cash on Hand	0			0
Cash in Bank	0			0
Cash in State Treasury	0	111.41	111.41	0
Other Assets	0			0
Total Assets	<u>0</u>	<u>111.41</u>	<u>111.41</u>	<u>0</u>
LIABILITIES				
Funds Held for Others	0	111.41	111.41	0
Total Liabilities	<u>0</u>	<u>111.41</u>	<u>111.41</u>	<u>0</u>
Departmental Suspense (0900) U/F (0900)				
ASSETS				
Cash in State Treasury	217,750.22	84,033,201.19	83,982,871.69	268,079.72
Accounts Receivables, Net	0			0
Interfund Receivable	0			0
Total Assets	<u>217,750.22</u>	<u>84,033,201.19</u>	<u>83,982,871.69</u>	<u>268,079.72</u>
LIABILITIES				
Accounts Payable	0	945,248.15	945,248.15	0
Interfund Payable	0			0
Funds Held for Others	217,750.22	84,061,612.34	84,011,282.84	268,079.72
Total Liabilities	<u>217,750.22</u>	<u>85,006,860.49</u>	<u>84,956,530.99</u>	<u>268,079.72</u>
Child Support Employee Deductions-Offset (0807) U/F 0807)				
ASSETS				
Cash in State Treasury	16,071.64	203,852.87	203,059.83	16,864.68
Accounts Receivables, Net	0			0
Interfund Receivable	0			0
Total Assets	<u>16,071.64</u>	<u>203,852.87</u>	<u>203,059.83</u>	<u>16,864.68</u>
LIABILITIES				
Accounts Payable	0	186,988.19	186,988.19	0
Interfund Payable	0			0
Funds Held for Others	16,071.64	187,781.23	186,988.19	16,864.68
Total Liabilities	<u>16,071.64</u>	<u>374,769.42</u>	<u>373,976.38</u>	<u>16,864.68</u>

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

UNAUDITED

	Balances September 1, 2011	Additions	Deductions	Balances August 31, 2012
	\$	\$	\$	\$
OTHER AGENCY FUNDS				
Employee Savings Bond Account (0901) U/F 0901				
ASSETS				
Cash on Hand	0			0
Cash in State Treasury	0			0
Intergovernmental Receivable	0			0
Other Receivables, Net	0			0
Interfund Receivable	0			0
Total Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
LIABILITIES				
Accounts Payable	0			0
Interfund Payable	0			0
Funds Held for Others	0			0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Custodial Funds (9999) U/F (1999)				
ASSETS				
Cash on Hand	13,709.00	5,941.00		19,650.00
Cash in Bank	134,461.79	305,682.67		440,144.46
Cash in State Treasury	0			0
Other Assets	30,871,299.00		229,119.00	30,642,180.00
Total Assets	<u>31,019,469.79</u>	<u>311,623.67</u>	<u>229,119.00</u>	<u>31,101,974.46</u>
LIABILITIES				
Funds Held for Others	31,019,469.79	311,623.67	229,119.00	31,101,974.46
Total Liabilities	<u>31,019,469.79</u>	<u>311,623.67</u>	<u>229,119.00</u>	<u>31,101,974.46</u>
Texasaver Hold-Transmit 401K (0942) U/F (0942)				
ASSETS				
Cash in State Treasury	0			0
Accounts Receivable, Net	0			0
Interfund Receivable	0			0
Total Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
LIABILITIES				
Accounts Payable	0			0
Interfund Payable	0			0
Funds Held for Others	0			0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals - All Agency Funds				
ASSETS				
Cash on Hand	836,720.24	5,941.00	610,607.66	232,053.58
Cash in Bank	134,461.79	305,682.67		440,144.46
Cash in State Treasury	233,821.86	376,380,768.86	376,329,646.32	284,944.40
Receivables:	0			0
Intergovernmental Receivables	918,470.00	1,440,189.00		2,358,659.00
Accounts Receivable, Net	0			0
Taxes Receivable, Net	0			0
Other Receivables, Net	0			0
Other Assets	30,871,299.00		229,119.00	30,642,180.00
Interfund Receivables	0	2,223,630.87	2,223,630.87	0
Total Assets	<u>32,994,772.89</u>	<u>380,356,212.40</u>	<u>379,393,003.85</u>	<u>33,957,981.44</u>
LIABILITIES				
Accounts Payable	0	1,539,355.13	1,539,355.13	0
Due to Other Agencies	1,741,481.24		1,741,481.24	0
Interfund Payable	0	2,223,630.87	2,223,630.87	0
Funds Held for Others	31,253,291.65	378,977,621.93	376,272,932.14	33,957,981.44
Total Liabilities	<u>32,994,772.89</u>	<u>382,740,607.93</u>	<u>381,777,399.38</u>	<u>33,957,981.44</u>

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II. NOTES TO FINANCIAL STATEMENTS

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TEXAS 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 administrator, 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 Office of Budget, Planning and Policy. 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 and account groups, 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 is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds.

The General Revenue Fund includes USAS D23 funds (U/F): 0714, 0800, 0803, 0804, 0805, 0810, 0813, 0824, 0882, 0900, 0942, 0980, 1000, 1101, 1103, 1900, 1920, 6001, 6002, 8070, 9000, 9001, 9014, 9015, and 9016.

Capital Assets Adjustment Fund Type

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

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

Long-Term Liabilities Adjustment Fund Type

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

Other Adjustments Fund Type

Other Adjustments fund type will be used to convert all other governmental fund types 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.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for by using the full accrual method of accounting. This includes 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). Encumbrance accounting is employed for budgetary control purposes. 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, 2012. It also includes change funds held at the Commission's Ports of Entry collection stations located along the Texas-Mexico border.

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)***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 Susan Combs, 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).

Other Intergovernmental Receivables

The Commission assesses a statutory fee for a variety of wine and beer permits and licenses that is collected by the tax assessor-collector of the county in which the applicant's business is located. Upon receiving this fee, the tax assessor-collector forwards the permit application to the Commission. Based on the permits issued during the month, the Commission bills the county for the corresponding amount, less a five percent commission, which the county keeps to cover the costs of collecting the payments. As of August 31, 2012, amounts were owed to the Commission for application fees collected prior to year-end, but not yet remitted to the Commission.

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 with an initial individual cost of more than \$5,000 and an estimated useful life in excess of a year should be capitalized. These assets are capitalized at cost or, if any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Donated assets are reported at fair value on the acquisition date. 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.

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)***Employees Compensable Leave***

Employees Compensable Leave balances represent the liability that the Commission will be required to liquidate in the future for employee vacation time (see Note 5).

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.

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 ASSETS

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

Fund Balance Components

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

Nonspendable fund balance includes amounts not available to be spent because they are either 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.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories.

Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

INTERFUND ACTIVITIES AND BALANCES

The 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, 2012, is presented in Note 12.

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

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, 2012, is presented below:

	Balance 09/01/11	Adjustments	Reclassification	Additions	Deletions	Balance 8/31/12
GOVERNMENTAL ACTIVITIES	\$	\$	\$	\$	\$	\$
Non-Depreciable Assets						
Construction in Progress						
Other Assets	144,315.12					144,315.12
Total Non-Depreciable Assets	144,315.12	0	0	0	0	144,315.12
Depreciable Assets						
Furniture and Equipment	2,462,267.09			560,389.30	(35,370.19)	2,987,286.20
Vehicles, Boats and Aircraft	5,483,392.69		(310,466.88)	659,361.10	(173,425.70)	5,658,861.21
Other Assets	24,970.88				(24,970.88)	0
Total Depreciable Assets at Historical Costs	7,970,630.66		(310,466.88)	1,219,750.40	(233,766.77)	8,646,147.41
Intangible Computer Software	2,082,807.89				(6,895.00)	2,075,912.89
Total Intangible Capital Assets Amortized	2,082,807.89				(6,895.00)	2,075,912.89
Total Assets at Historical Cost	10,197,753.67		(310,466.88)	1,219,750.40	(240,661.77)	10,866,375.42
Less Accumulated Depreciation for:						
Furniture and Equipment	(1,866,245.51)			(268,831.17)	35,370.19	(2,099,706.49)
Vehicles, Boats and Aircraft	(4,146,913.11)		307,412.88	(675,720.72)	170,761.06	(4,344,459.89)
Other Assets	(24,970.88)				24,970.88	0
Total Accumulated Depreciation	(6,038,129.50)		307,412.88	(944,551.89)	231,102.13	(6,444,166.38)
Less Accumulated Amortization for:						
Intangible Computer Software	(1,986,164.75)			(47,851.32)	6,895.00	(2,027,121.07)
Total Accumulated Amortization	(1,986,164.75)			(47,851.32)	6,895.00	(2,027,121.07)
Total Accumulated Depreciation and Amortization	(8,024,294.25)		307,412.88	(992,403.21)	237,997.13	(8,471,287.45)
Depreciable Assets, Net	2,029,144.30		(3,054.00)	227,347.19	(2,664.64)	\$2,250,772.85
Governmental Activities Capital Assets, Net	\$2,173,459.42		(\$3,054.00)	\$227,347.19	(\$2,664.64)	\$2,395,087.97

TEXAS 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, 2012, the carrying amount of deposits was \$492,644.46 as presented below.

Governmental and Business-Type Activities	
CASH IN BANK - CARRYING VALUE	\$ 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
Governmental Funds Current Assets Cash in Bank	\$ 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

Fiduciary Funds	
CASH IN BANK - CARRYING VALUE	\$ 440,144.46
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	\$ 492,644.46
Fiduciary Funds Cash in Bank	\$ 492,644.46
Fiduciary Funds Restricted Cash in Bank	
Cash in Bank per AFR	\$ 492,644.46

NOTE 4: Short-Term Debt

Not Applicable

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

NOTE 5: Summary of Long-Term Liabilities

Changes in General Long-Term Liabilities:

During the year ended August 31, 2012, the following changes occurred in liabilities.

	Balance 09-01-2011	Additions	Reductions	Balance 08-31-2012	Amounts Due Within One Year	Amounts Due Thereafter
Capital Lease Obligations (Note 8)	162,983.80	0	80,225.94	82,757.86	82,757.86	-0-
Compensable Leave	3,605,713.95	3,169,278.00	3,253,302.95	3,521,689.00	1,867,193.48	1,654,495.52
TOTAL	\$ 3,768,697.75	\$ 3,169,278.00	\$3,333,528.89	\$3,604,446.86	\$1,949,951.34	\$1,654,495.52

Exhibit I

Employees Compensable Leave

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

NOTE 6: Bonded Indebtedness

Not Applicable

NOTE 7: Derivative Instruments

Not Applicable

NOTE 8: Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases. The total for current year costs reported in the financial statements for rents paid under operating leases is \$2,101,662.31.

Future minimum lease rental payments under operating leases having an initial term in excess of one year are as follows:

Fiscal Year Ended August 31	Amount
2013	1,915,139.24
2014	1,681,565.63
2015	1,404,282.36
2016	1,042,048.96
2017	886,839.40
2018-2022	9,359.62
Total Minimum Future Lease Rental Payments	\$6,939,235.21

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

The Commission has entered into long-term leases for financing the purchase of certain fixed assets. Such leases are classified as capital leases for accounting purposes and; therefore have been recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of original capitalized costs of all such property under leases as well as the accumulated depreciation as of August 31, 2012.

	Governmental Activities		
Class of Property	Assets under Capital Lease	Accumulated Depreciation	Total
Computer Equipment	\$326,125.00	\$(224,202.66)	\$101,922.34
Total	\$326,125.00	\$(224,202.66)	\$101,922.34

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year end, are as follows:

	Governmental Activities		
Year	Principal	Interest	Total Future Minimum Lease Payments
2013	\$ 82,757.86	\$ 2,611.87	\$ 85,369.73
2014	.00	.00	.00
2015	.00	.00	.00
2016	.00	.00	.00
2017	.00	.00	.00
2018-2022	.00	.00	.00
Totals	\$ 82,757.86	\$ 2,611.87	\$ 85,369.73

Exhibit I

NOTE 9: Pension Plans (administering agencies only)

Not Applicable

NOTE 10: Deferred Compensation (administering agencies only)

Not Applicable

NOTE 11: Post Employment Health Care and Life Insurance Benefits

Not Applicable

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

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, 2012, were as follows:

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

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

	Due From Other Agencies	Due To Other Agencies	Source
General Revenue (01)			
Agency 300, Fund 0421	\$ 85,392.72		State PT
Agency 601, Fund 0006	193,355.81		Federal PT
Total Due From/To Other Agencies (Exhibit I)	\$278,748.53	\$ 0	

	Transfers In	Transfers Out	Purpose
General Revenue (01)			
Total Transfers	\$ 0	\$ 0	

	Legislative Transfers In	Legislative Transfers Out
General Revenue (01)	-0-	\$250,000.00
Total Legislative Transfers	-0-	\$250,000.00

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)**NOTE 13: Continuation Subject to Review**

The Texas Alcoholic Beverage Commission is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the commission is abolished and Subchapter A, Chapter 5 of this code expires September 1, 2019.

NOTE 14: Adjustments to Fund Balances and Net Assets

During fiscal 2012, there were no restatements or adjustments to fund balances or net assets.

NOTE 15: Contingencies and CommitmentsEmployee Sick Leave

Sick leave is accrued at a rate of 8 hours per month with no limit to the amount that can be carried over to the next fiscal year. Accumulated sick leave is not paid upon employee termination, although an employee's estate is entitled to receive payment for one-half of the accumulated sick leave up to a maximum of 336 hours. The maximum amount of the Commission's contingent obligations for sick leave, based on August 31, 2012 balances, has not been determined. However, the probability of a material impact in any given fiscal year is considered remote.

Unpaid Claims and Lawsuits

The type and volume of activity for which the Commission is responsible exposes it to tort claims, equal employment opportunity claims, civil rights, wrongful death, and breach of contract lawsuits. Adverse judgment of these lawsuits could result in liabilities to the state. Based on prior experience, it is unlikely that the outcome of these claims will materially affect the financial position of the state. At this time the amount of the majority of the claims is indeterminable.

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.

NOTE 16: Subsequent Events

Not Applicable

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 pool vehicles. Pool vehicles are frequently used by various agency personnel. 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 is not involved in any risk pools with other government entities.

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

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.

NOTE 18: *Management Discussion and Analysis*

Not Applicable

NOTE 19: *The Financial Reporting Entity*

Not Applicable

NOTE 20: *Stewardship, Compliance and Accountability*

Not Applicable

NOTE 21: *N/A*

Not Applicable

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*

Not Applicable

NOTE 26: *Segment Information*

Not Applicable

III. SCHEDULES

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Pass-Through From			
		Agency/ University Number	Identifying Number	Agency/ University Amount	Non-State Entities Amount
U.S. Department of Transportation					
Pass-Through From:					
Texas Dept. of Transportation					
Alcoholic Impaired Driving Countermeasures	20.601	601	2011-TABC-G-1YG-0059	(6.60)	
Alcoholic Impaired Driving Countermeasures	20.601	601	2012-TABC-G-1YG-0107	243,140.00	
Total U.S. Department of Transportation				243,133.40	-
U.S. Department of Justice					
Pass-Through From:					
Office of the Governor					
Edward Byrne Memorial Justice Assistance Grant					
Recovery Act - Edward Byrne Memorial Justice Assistance Grant	16.738	300	DJ-09-A10-24266-01	21,747.62	
Direct Federal :					
Enforcing Underage Drinking Laws	16.727		2010-AH-FX-0099	\$	\$
Pass-Through to:					
Agency / University					
Attorney General					
University of Texas at San Antonio					
Texas A & M Corpus Christi					
University of Texas at Arlington					
Other Non-State Entities					
University of Dallas					
Travis County Sheriff's Office					
Midland Police Department					
Houston ounty Sheriff's Office					
Collin County					
Edinburg Police Department					
Hood County					
Nacagodoches Police Department					
Harlingen Police Department					
Waxahatchie Police Department					
Houston Police Department					
Mission Police Department					
Corsicana Police Department					
Bellmead Police Department					
El Paso Sheriff's Office					
Texans Standing Tall					
Enforcing Underage Drinking Laws	16.727		2011-AH-FX-0023		
Total U.S. Department of Justice				21,747.62	0.00
U.S. Department of Homeland Security					
Direct Federal					
Fire Management Assistance Grant					
(Presidentially Declared Disasters)					
	97.046		FEMA-2958-FM-TX		
Total U.S. Department of Homeland Security				-	0.00
General Services Administration					
Pass-Through From:					
Texas Facilities Commission					
Donation of Federal Surplus Property					
	39.003	303	Account 16124	321.47	
Total General Services Administration				321.47	0.00
TOTAL FEDERAL FINANCIAL ASSISTANCE				265,202.49	-

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
	(6.60)				(6.60)	(6.60)
	243,140.00				243,140.00	243,140.00
0.00	243,133.40	0.00	0.00	0.00	243,133.40	243,133.40
	21,747.62				21,747.62	21,747.62
\$ 28,105.70	\$ 28,105.70		\$	\$	\$ 28,105.70	\$ 28,105.70
35,603.39	35,603.39	731	35,603.39			35,603.39
10,713.68	10,713.68	713	10,713.68			10,713.68
15,072.95	15,072.95	713	15,072.95			15,072.95
11,364.73	11,364.73	713	11,364.73			11,364.73
10,563.50	10,563.50			10,563.50		10,563.50
7,704.52	7,704.52			7,704.52		7,704.52
12,340.43	12,340.43			12,340.43		12,340.43
14,897.14	14,897.14			14,897.14		14,897.14
7,974.23	7,974.23			7,974.23		7,974.23
19,885.45	19,885.45			19,885.45		19,885.45
504.50	504.50			504.50		504.50
8,878.67	8,878.67			8,878.67		8,878.67
13,341.96	13,341.96			13,341.96		13,341.96
4,113.30	4,113.30			4,113.30		4,113.30
26,265.41	26,265.41			26,265.41		26,265.41
10,429.87	10,429.87			10,429.87		10,429.87
2,483.22	2,483.22			2,483.22		2,483.22
774.60	774.60			774.60		774.60
15,704.62	15,704.62			15,704.62		15,704.62
1,194.32	1,194.32			1,194.32		1,194.32
487.82	487.82			487.82		487.82
258,404.01	280,151.63		72,754.75	157,055.74	50,341.14	280,151.63
170,177	170,177.44		#		170,177.44	170,177.44
170,177.44	170,177.44		0.00	#	0.00	170,177.44
	321.47		#		321.47	321.47
	321.47				321.47	321.47
428,581.45	693,783.94		72,754.75	157,055.74	463,973.45	693,783.94

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2012

Note 2 - Reconciliation

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the Schedule of 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)	428,581.45
Federal Pass-Through Revenues (Exhibit II)	265,202.49
Total Pass-Through and Expenditures per Federal Schedule	<u>693,783.94</u>



Please visit our web site at www.tabc.state.tx.us for more information about the Texas Alcoholic Beverage Commission.