



TABC

TEXAS ALCOHOLIC BEVERAGE COMMISSION

service ★ courtesy ★ integrity ★ accountability

**ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR 2016
(UNAUDITED)**

**JOSÉ CUEVAS, JR., Presiding Officer
STEVEN M. WEINBERG, MD, JD, Member
IDA STEEN, Member
SHERRY COOK, Executive Director**



TABC

TEXAS ALCOHOLIC BEVERAGE COMMISSION

service ★ courtesy ★ integrity ★ accountability

José Cuevas, Jr.
Presiding Officer-Midland

Steven M. Weinberg, MD, JD
Member-Colleyville

Ida Clement Steen
Member-San Antonio

Sherry Cook
Executive Director

November 1, 2016

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 Aug. 31, 2016, 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. 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 black ink that reads "Sherry Cook".

Sherry Cook
Executive Director

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**TEXAS ALCOHOLIC BEVERAGE COMMISSION
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended August 31, 2016**

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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 Funds
- D. Exhibit J-1.....Combining Statement of Changes in Assets and
Liabilities - All Agency Funds

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

**EXHIBIT I -
COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
August 31, 2016**

	Governmental Funds Total
ASSETS AND DEFERRED OUTFLOWS	\$
Current Assets:	
Cash and Temporary Investments:	
Cash on Hand	21,308.00
Cash in Bank (Note 3)	52,500.00
Cash in State Treasury	
Legislative Appropriations	11,349,387.03
Receivables from:	
Federal	0.00
Due from Other Agencies (Note 12)	125.00
Consumable Inventories	53,047.50
Total Current Assets:	11,476,367.53
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	11,476,367.53

UNAUDITED

Capital Asset Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
\$	\$	\$
		21,308.00
		52,500.00
		11,349,387.03
		0.00
		125.00
		53,047.50
0	0	11,476,367.53
		-
4,997,639.56		4,997,639.56
(2,580,030.81)		(2,580,030.81)
7,880,433.01		7,880,433.01
(5,168,454.28)		(5,168,454.28)
2,075,912.89		2,075,912.89
(2,075,912.89)		(2,075,912.89)
5,129,587.48	0	5,129,587.48
5,129,587.48	0	16,605,955.01

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

EXHIBIT I - (Continued)
 COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS -
 GOVERNMENTAL FUNDS
 August 31, 2016

	Governmental Funds Total
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$
Current Liabilities:	
Payables from:	
Accounts Payable	18,529.39
Payroll Payable	4,112,296.23
Due to Other Agencies (Note 12)	
Employees' Compensable Leave (Note 5)	
Capital Lease Obligations (Note 5)	
Funds Held for Others	
Total Current Liabilities:	4,130,825.62
Non-Current Liabilities and Deferred Inflows:	
Employees' Compensable Leave (Note 5)	
Capital Lease Obligation (Note 5)	
Total Non-Current Liabilities:	0
Total Liabilities and Deferred Inflows	4,130,825.62
FUND FINANCIAL STATEMENTS -	
Fund Balances (Deficits):	
Nonspendable	53,047.50
Assigned	651,021.84
Unassigned	6,641,472.57
Total Fund Balances	7,345,541.91
Total Liabilities, Deferred Inflows and Fund Balances	\$ 11,476,367.53
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
\$	\$	\$
		18,529.39
		4,112,296.23
	2,542,075.49	2,542,075.49
0	2,542,075.49	6,672,901.11
	2,173,754.05	2,173,754.05
0	2,173,754.05	2,173,754.05
0	4,715,829.54	8,846,655.16
		53,047.50
		651,021.84
0	0	6,641,472.57
0	0	7,345,541.91
0	4,715,829.54	16,192,197.07
5,129,587.48	(4,715,829.54)	5,129,587.48
5,129,587.48	(4,715,829.54)	413,757.94

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, 2016

	General Funds	Capital Asset & Other Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
Revenues	\$	\$	\$	\$
Legislative Appropriations:				
Original Appropriations	49,706,386.00			49,706,386.00
Additional Appropriations	11,671,672.37			11,671,672.37
Federal Revenues (Sch 1A)	-			0.00
Federal Pass-Through Revenue (Sch 1A)	403,194.40			403,194.40
Licenses, Fees & Permits	207,384.68			207,384.68
Settlement of Claims	10.00			10.00
Sales of Goods & Services	14.00			14.00
Other Revenues	30,622.30			30,622.30
Total Revenues	62,019,283.75	0	0	62,019,283.75
Expenditures				
Salaries & Wages	36,956,595.95		40,321.96	36,996,917.91
Payroll Related Costs	11,410,794.25			11,410,794.25
Professional Fees & Services	1,089,731.21			1,089,731.21
Travel	884,196.69			884,196.69
Materials & Supplies	1,867,065.89			1,867,065.89
Communication & Utilities	666,984.45			666,984.45
Repairs & Maintenance	758,971.14			758,971.14
Rentals & Leases	2,451,762.84			2,451,762.84
Printing & Reproduction	193,419.87			193,419.87
Claims and Judgements	4,991.93			4,991.93
Public Assistance Payments	138.00			138.00
Other Operating Expenditures	1,017,988.79			1,017,988.79
Debt Service Capital Leases	-		-	0
Capital Outlay (Note 2)	2,807,822.94	(2,807,822.94)		0
Depreciation Expense (Note 2)		1,204,619.04		1,204,619.04
Total Expenditures	60,110,463.95	(1,603,203.90)	40,321.96	58,547,582.01
Excess (Def) of Revenues Over Expenditures	1,908,819.80	1,603,203.90	(40,321.96)	3,471,701.74

UNAUDITED

	General Funds	Capital Asset & Other Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
Other Financing Sources (Uses)	\$	\$	\$	\$
Sale of Capital Assets	9,090.01	(9,090.01)		0
Insurance Recoveries	22,927.82	(11,534.42)		11,393.40
Transfers In	-	-		-
Transfers Out	(6,817.49)			(6,817.49)
Gain (Loss) on Sale of Capital Assets		(135,582.45)		(135,582.45)
Legislative Financing Uses	-			-
Appropriations Lapsed	(2,522,738.71)			(2,522,738.71)
Other Financing Sources (Uses)	(2,497,538.37)	(156,206.88)	0	(2,653,745.25)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(588,718.57)	1,446,997.02	(40,321.96)	817,956.49
Beginning Fund Balance	7,934,260.49			7,934,260.49
Ending Fund Balance	7,345,541.92			8,752,216.98
Government-Wide Statement-Net Assets				
Change in Net Assets		1,446,997.02	(40,321.96)	
Net Assets Beginning				
FY 15 Capital Assets Balances in CFAAG		3,682,590.46		3,682,590.46
FY 15 Compensable Leave Balance in GLTDAG			(4,675,507.58)	\$ (4,675,507.58)
Net Assets, Sept. 1, 2015		3,682,590.46	(4,675,507.58)	(992,917.12)
Net Assets, Aug. 31, 2016		5,129,587.48	(4,715,829.54)	413,757.94

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, 2016

	AGENCY	
	Unappropriated Collections - General Revenue (1000) U/F 1000	Departmental Suspense (0900) U/F 0900
ASSETS	\$	\$
Cash and Cash Equivalents		
Cash on Hand	47,378.00	
Cash in Bank (Note 3)		
Cash in State Treasury		1,270,326.87
Receivables from:		
Other Intergovernmental	-	
Taxes Receivable	10,008.20	
Other Assets		
TOTAL ASSETS	<u>57,386.20</u>	<u>1,270,326.87</u>
LIABILITIES		
Funds Held for Others	57,386.20	1,270,326.87
Net Position Held in Trust		
TOTAL LIABILITIES	<u>57,386.20</u>	<u>1,270,326.87</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	Custodial Local Funds (9995) U/F 1995	Total
\$	\$		\$
	13,791.75		61,169.75
		572,618.44	572,618.44
22,546.22			1,292,873.09
			-
			10,008.20
		32,295,279.00	32,295,279.00
22,546.22	13,791.75	32,867,897.44	34,231,948.48
22,546.22	13,791.75	32,867,897.44	34,231,948.48
22,546.22	13,791.75	32,867,897.44	34,231,948.48
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

EXHIBIT J-1

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

For the Fiscal Year Ended August 31, 2016

	Balances September 1, 2015	Additions	Deductions	Balances August 31, 2016
	\$	\$	\$	\$
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (0001) U/F (1000)				
ASSETS				
Cash on Hand	134,291.00		86,913.00	47,378.00
Cash in State Treasury	0.00	322,124,776.33	322,124,776.33	0.00
Intergovernmental Receivable	0.00			0.00
Taxes Receivable, Net	12,365.05	(356.85)	2,000.00	10,008.20
Other Receivables, Net	0.00	0.00	0.00	0.00
Interfund Receivable	0.00	2,586,393.44	2,586,393.44	0.00
Total Assets	146,656.05	324,710,812.92	324,800,082.77	57,386.20
LIABILITIES				
Accounts Payable	0.00	188,903.96	188,903.96	0.00
Interfund Payable	0.00	2,586,393.44	2,586,393.44	0.00
Due To Other Agencies	0.00			0.00
Funds Held for Others	146,656.05	320,962,923.24	321,052,193.09	57,386.20
Total Liabilities	146,656.05	323,738,220.64	323,827,490.49	57,386.20
OTHER AGENCY FUNDS:				
City, Cty, MTA & SPD Sales Tax (0882) U/F (0882)				
ASSETS				
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
Total Assets	0.00	0.00	0.00	0.00
LIABILITIES				
Funds Held for Others	0.00	0.00	0.00	0.00
Total Liabilities	0.00	0.00	0.00	0.00
Departmental Suspense (0900) U/F (0900)				
ASSETS				
Cash in State Treasury	1,554,453.26	77,311,606.06	77,595,732.45	1,270,326.87
Accounts Receivables, Net	0.00			0.00
Interfund Receivable	0.00			0.00
Total Assets	1,554,453.26	77,311,606.06	77,595,732.45	1,270,326.87
LIABILITIES				
Accounts Payable	0.00	1,710,914.13	1,710,914.13	0.00
Due to Other Agencies	0			0.00
Funds Held for Others	1,554,453.26	77,313,477.06	77,597,603.45	1,270,326.87
Total Liabilities	1,554,453.26	79,024,391.19	79,308,517.58	1,270,326.87
Child Support Employee Deductions-Offset (0807) U/F 0807				
ASSETS				
Cash in State Treasury	20,510.54	281,514.99	279,479.31	22,546.22
Accounts Receivables, Net	0.00	0.00	0.00	0.00
Interfund Receivable	0.00	0.00	0.00	0.00
Total Assets	20,510.54	281,514.99	279,479.31	22,546.22
LIABILITIES				
Accounts Payable	0	258,968.77	258,968.77	0
Interfund Payable	0			0
Funds Held for Others	20,510.54	281,514.99	279,479.31	22,546.22
Total Liabilities	20,510.54	540,483.76	538,448.08	22,546.22

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

UNAUDITED

	Balances September 1, 2015	Additions	Deductions	Balances August 31, 2016
	\$	\$	\$	\$
OTHER AGENCY FUNDS				
<u>Direct Deposit Correction (0980)</u>				
ASSETS				
Cash on Hand	0			0
Cash in State Treasury	4989.13	2,235.89	6,744.54	480.48
Intergovernmental Receivable	0			0
Other Receivables, Net	0			0
Interfund Receivable	0			0
Total Assets	4,989.13	2,235.89	6,744.54	480.48
LIABILITIES				
Accounts Payable	0			0
Interfund Payable	0			0
Funds Held for Others	4989.13	2,235.89	6,744.54	480.48
Total Liabilities	4,989.13	2,235.89	6,744.54	480.48
<u>Custodial Funds (9999) U/F (1999)</u>				
ASSETS				
Cash on Hand	25,260.35	0.00	11,468.60	13,791.75
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
Total Assets	25,260.35	0.00	11,468.60	13,791.75
LIABILITIES				
Funds Held for Others	25,260.35	0.00	11,468.60	13,791.75
Total Liabilities	25,260.35	0.00	11,468.60	13,791.75
<u>Local Funds Custodial (9995)</u>				
ASSETS				
Cash in Bank	217,749.70	354,868.74	0.00	572,618.44
Accounts Receivable, Net	0.00	0.00	0.00	0.00
Other Assets	26,001,279.00	6,294,000.00	0.00	32,295,279.00
Total Assets	26,219,028.70	6,648,868.74	0.00	32,867,897.44
LIABILITIES				
Accounts Payable	0.00	0.00	0.00	0.00
Interfund Payable	0.00	0.00	0.00	0.00
Funds Held for Others	26,219,028.70	6,648,868.74	0.00	32,867,897.44
Total Liabilities	26,219,028.70	6,648,868.74	0.00	32,867,897.44
Totals - All Agency Funds				
ASSETS				
Cash on Hand	159,551.35	0.00	98,381.60	61,169.75
Cash in Bank	217,749.70	354,868.74	0.00	572,618.44
Cash in State Treasury	1,579,952.93	399,720,133.27	400,006,732.63	1,293,353.57
Receivables:	0.00	0.00	0.00	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	12,365.05	(356.85)	2,000.00	10,008.20
Other Receivables, Net	0.00	0.00	0.00	0.00
Other Assets	26,001,279.00	6,294,000.00	0.00	32,295,279.00
Interfund Receivables	0.00	2,586,393.44	2,586,393.44	0.00
Total Assets	27,970,898.03	408,955,038.60	402,693,507.67	34,232,428.96
LIABILITIES				
Accounts Payable	0.00	2,158,787	2,158,787	0.00
Due to Other Agencies	0.00	0.00	0.00	0.00
Interfund Payable	0.00	2,586,393.44	2,586,393.44	0.00
Funds Held for Others	27,970,898.03	405,209,019.92	398,947,488.99	34,232,428.96
Total Liabilities	27,970,898.03	409,954,200.22	403,692,669.29	34,232,428.96

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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 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 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, 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): 0001, 0790, 0810, 0840, 0850, 0860, 0890, 0980, 1000, 1101, 1103, 1199, 1900, 1920, 1995, 1996, 1999, 6000, 6002, 8070, 9000, 9001, 9014, 9015 and 9016

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.

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

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.

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.

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, un-matured 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, 2016. 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 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).

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, 2016, 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 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.

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 Sample 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 Sample 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

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

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.

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, 2016, is presented in Note 12.

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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, 2016, is presented below:

	Balance					Balance
	09/01/15	Adjustments	Reclassification- Int'agy Trans	Additions	Deletions	8/31/16
GOVERNMENTAL ACTIVITIES	\$	\$	\$	\$	\$	\$
Non-Depreciable Assets						
Construction in Progress						
Other Assets	144,315.12	0	0	0	(144,315.12)	0
Total Non-Depreciable Assets	0	0	0	0	0	0
Depreciable Assets						
Furniture and Equipment	3,598,856.33	0	0	1,421,326.05	(22,542.82)	4,997,639.56
Vehicles, Boats and Aircraft	6,634,264.80	0	0	1,386,496.89	(140,328.68)	7,880,433.01
Other Assets						
Total Depreciable Assets at Historical Costs	10,233,121.13	0	0	2,807,822.94	(162,871.50)	12,878,072.57
Intangible Computer Software	2,075,912.89					2,075,912.89
Total Intangible Capital Assets Amortized	2,075,912.89	0	0	0	0	2,075,912.89
Total Assets at Historical Cost	12,309,034.02	0	0	2,807,822.94	(16,2871.50)	14,953,985.46
Less Accumulated Depreciation for:						
Furniture and Equipment	(2,082,966.56)	0	0	(519,607.07)	22,542.82	(2,580,030.81)
Vehicles, Boats and Aircraft	(4,611,879.23)	0	0	(685,011.97)	128,436.92	(5,168,454.28)
Other Assets						
Total Accumulated Depreciation	(6,694,845.79)	0	0	(1,204,619.04)	150,979.74	(7,748,485.09)
Less Accumulated Amortization for:						
Intangible Computer Software	(2,075,912.89)	0		0	0	(2,075,912.89)
Total Accumulated Amortization	(2,075,912.89)	0	0	0	0	(2,075,912.89)
Total Accumulated Depreciation and Amortization	(8,770,758.68)	0	0	(1,204,619.04)	150,979.74	(9,824,397.98)
Depreciable Assets, Net	\$3,538,275.34	0	0	1,603,203.90	(11,891.76)	5,129,587.48
Governmental Activities Capital Assets, Net	\$3,682,590.46	0	0	1,603,203.90	(156,206.88)	5,129,587.48

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, 2016, the carrying amount of deposits was \$625,118.44 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	\$ 572,618.44
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	\$ 572,618.44
Fiduciary Funds Cash in Bank	\$ 572,618.44
Fiduciary Funds Restricted Cash in Bank	
Total Cash in Bank per AFR	\$ 572,618.44

As of August 31, 2016, the Total Bank Deposit was as follows:	
Governmental and Business Type Activities	\$ 52,500.000
Fiduciary Funds	\$ 572,618.44

NOTE 4: Short-Term Debt

The Texas Alcoholic Beverage Commission has no short term debt to report for FY16.

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

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

During the year ended August 31, 2016, the following changes occurred in liabilities.

	Balance 09-01-2015	Additions	Reductions	Balance 08-31-2016	Amounts Due Within One Year	Amounts Due Thereafter
Capital Lease Obligations (Note 8)	0	0	0	0	0	0
Compensable Leave	4,675,507.58	4,561,371.62	4,521,049.66	4,715,829.54	2,542,075.49	2,173,754.05
TOTAL						

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

The Texas Alcoholic Beverage Commission has no bond indebtedness to report for FY16.

NOTE 7: Derivative Instruments

The Texas Alcoholic Beverage Commission has no Derivative instruments to report for FY 16.

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

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	\$2,303,331.67

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	2,506,916.17
2018	2,488,466.31
2019	2,434,296.02
2020	1,738,795.80
2021	632,829.30
2022-2026	<u>3,986,390.47</u>
Total Minimum Future Lease Rental Payments	13,787,694.07

The Commission has not entered into any long-term Capital Leases for FY16

NOTE 9: Pension Plans (administering agencies only)

This note does not apply to the Texas Alcoholic Beverage Commission.

NOTE 10: Deferred Compensation (administering agencies only)

This agency is not an administering agency so this note is not applicable.

NOTE 11: Post Employment Health Care and Life Insurance Benefits

The Texas Alcoholic Beverage Commission does not administer other postemployment benefit plans.

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NOTE 12: Inter-fund 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-
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 601, Fund 0890	125.00		Federal PT
Total Due From/To Other Agencies (Exhibit I)	\$125.00	\$ 0	

	Transfers In	Transfers Out	Purpose
General Revenue (01)	0-	-	
Total Transfers	0-	-	

	Legislative Transfers In	Legislative Transfers Out
General Revenue (01)	-0-	0
Total Legislative Transfers	-0-	0

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)**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 86th 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

The Texas Alcoholic Beverage Commission had no restatements for prior year.

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, 2016 balances, has not been determined. However, the probability of a material impact in any given fiscal year is considered remote.

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.

Unpaid Claims and Lawsuits

As of August 31, 2016, 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 appealed to 3 rd court of appeals – pending decision.	Attorney's fees and court costs, unknown amount	Unknown	Unknown
Cadena	Appeal by applicant for beer	Won at lower	Unknown	Unknown

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TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

Commercial USA Corp., d/b/a OXXO	licenses in Texas which TABC protested due to a cross-tier violation.	courts. Appealed to the Texas Supreme Court. Pending decision		
Mark Anthony Brewing Inc.	TABC denied Plaintiff's label approval application to sell four malt beverage products sued under 1 st Amendment of free speech.	Declaratory judgement	Likely	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; Pending Motion to Modify trial court's judgment for Plaintiffs.	Attorney's fees and court costs, unknown amount	Unknown	Unknown
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.	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	Plaintiff wants to compel	Attorney's fees	Unknown	Unknown

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

Inc. PIA Litigation (2 lawsuits)	TABC to fulfill 44 of their Public Information Act requests	and court costs, unknown amount		
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 th Amendment to the U.S. Constitution	Attorney's fees and court costs, \$2 million in damages	Unknown	Unknown
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

NOTE 16: Subsequent Events

The Texas Alcoholic Beverage Commission has not had any events occur after fiscal year end 2016 that would materially affect the financial condition of the agency.

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.

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.

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TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

NOTE 17 RISK MANAGEMENT
CLAIMS AND JUDGEMENTS

BEGINNING BAL 9/1/2015	INCREASES	DECREASES	ENDING BAL 8/31/2016
\$ -	\$1964.13	(\$1964.13)	\$0.00
	\$2370.60	(\$2370.600)	\$0.00
\$ -	\$657.20	(\$657.20)	\$0.00
TOTAL	\$4,991.93	(\$4991.93)	\$0.00
FLEET ACCIDENTS			

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)**NOTE 18: Management Discussion and Analysis**Active Pending Litigation

The Texas Alcoholic Beverage Commission is the defendant in several litigation cases challenging the Alcohol Beverage Code or defending litigation against an employee or filed by an employee as described in Note 15 – Contingencies and Commitments. This litigation includes an Outside Counsel representation contract approved by the Attorney General. Outside counsel representation in Fiscal Year 2016, and ongoing costs in Fiscal Year 2017, constitute a significant expense of operation costs for the agency. Additionally, there is potential for judgement costs (involving possible costs of court and attorney fees) which could also have financial impact to the agency.

NOTE 19: The Financial Reporting Entity

This note does not apply to this agency for FY16.

NOTE 20: Stewardship, Compliance and Accountability

The Texas Alcoholic Beverage Commission has no disclosures to report regarding Stewardship, Compliance and Accountability.

NOTE 21: N/A

Not Applicable

NOTE 22: Donor Restricted Endowments

The Texas Alcoholic Beverage Commission has no Donor Restricted Endowments to report.

NOTE 23: Extraordinary and Special ItemsActive Pending Litigation

The Texas Alcoholic Beverage Commission is the defendant in several litigation cases challenging the Alcohol Beverage Code and litigation by or against TABC employees as described in Note 15 – Contingencies and Commitments. This litigation includes an Outside Counsel representation contract approved by the Attorney General. Outside counsel representation in Fiscal Year 2016, and ongoing costs in Fiscal Year 2017, constitute a significant expense of operation costs for the agency. Additionally, there is potential for judgement costs (court costs and possible attorney fees) which could also have financial impact to the agency.

NOTE 24: Disaggregation of Receivable and Payable Balances

Not Applicable

NOTE 25: Termination Benefits

This note does not apply to the Texas Alcoholic Beverage Commission.

NOTE 26: Segment Information

This agency has no Segment information to report for FY16.

NOTE 27: Service Concession Arrangements

This agency has no Service Concession Arrangements to report for FY16.

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TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

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

This agency has no deferred outflows or deferred inflows of resources to report for FY16.

NOTE 29: Troubled Debt Restructuring

This agency has no troubled debt restructuring to report for FY16.

NOTE 30: Non-Exchange Financial Guarantees

This agency has no non-exchange financial guarantees to report for FY16.

III. SCHEDULES

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

SCHEDULE 1A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended August 31, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Pass-Through From			Non-State Entities Amount
		Agency/ University Number	Identifying Number	Agency/ University Amount	
U.S. Department of Transportation					
Pass-Through From:					
Texas Dept. of Transportation					
Public Safety Project Grant	20.616	601	2016-TABC-G-1YG-0079	369,436.78	
PRIDE (Promoting Retailer Integrity while Delivering Ed.)	20.616	601	2015-TABC-G-1YG-0177	33,757.62	
Total U.S. Department of Transportation				\$403,194.40	\$0.00
U.S. Department of Justice					
Pass-Through From:					
Office of the Governor					
Direct Federal :					
Enforcing Underage Drinking Laws - Direct					
Pass-Through to:					
Agency / University					
Other Non-State Entities					
Total U.S. Department of Justice				\$0.00	\$0.00
U.S. Department of Homeland Security					
Pass-Through From:					
Department of Public Safety					
Total U.S. Department of Homeland Security				\$0.00	\$0.00
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$403,194.40	\$0.00

TEXAS ALCOHOLIC BEVERAGE COMMISSION (458)

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)	403,194.40
Total Pass-Through and Expenditures per Federal Schedule	403,194.40
	<u>0</u>



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