

**ATTESTATION REPORT
OF THE
NEBRASKA LIQUOR CONTROL COMMISSION**

JULY 1, 2016, THROUGH JUNE 30, 2017

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Issued on November 16, 2017

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NEBRASKA LIQUOR CONTROL COMMISSION

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NEBRASKA LIQUOR CONTROL COMMISSION

BACKGROUND

The Nebraska Liquor Control Commission (Commission) was created by the Legislature in 1935. The Commission has three members appointed by the Governor to six-year terms with legislative approval. No more than two members can be in the same political party. The Commission hires the executive director, with the approval of the Governor. The Commission meets at least once a month, and each member is paid \$12,500 a year and is reimbursed for actual expenses.

The Commission's duties include, but are not limited to, the following:

- Receiving applications for and issuing, suspending, canceling and revoking liquor licenses of manufacturers, distributors, non-beverage users, retailers, railroads, airlines, and boats.
- Setting standards through rules and regulations for enforcing the Nebraska Liquor Control Act to promote public health and welfare.
- Inspecting places where liquors are manufactured, distributed, or sold.
- Conducting audits of licensees.
- Conducting hearings to carry out its duties.
- Receiving and accounting for all license fees and liquor excise taxes, which are turned over to the State Treasurer.
- Providing law books and other printed materials to licensees.

Audits/Reconciliations

As stated above, one of the duties of the Commission is to audit licensees. The Commission performs three different types of audits, as described below:

Desk Audits – These are performed primarily for craft breweries and involve comparing State and Federal taxable gallons. If gallons do not match what was reported, a full on-site audit is initiated. Eleven desk audits were performed during fiscal year 2017.

Full On-Site Visits and Audits – These include inventory counts, invoice reviews, and supply reviews. No new full audits were performed during fiscal year 2017. However, follow-up audits for four retailers were performed during September 2016. Those four retailers originally had full audits performed in October 2015.

Visit to New License Holders – These are performed for new license holders. These visits include education, a review of records, and compliance checks. Nine visits to new license holders were performed during fiscal year 2017.

NEBRASKA LIQUOR CONTROL COMMISSION

BACKGROUND

(Concluded)

The Commission also performs reconciliations between the shipper and wholesaler or retail records. During fiscal year 2017, the Commission completed:

- 15 Beer Wholesaler-Shipper Reconciliations
- 15 Liquor Retail Reconciliations
- 7 Liquor Shipper Reconciliations
- 43 Craft Brewery Shipper Reconciliations
- 11 Micro Distillery Shipper Reconciliations
- 3 Farm Winery Shipper Reconciliations
- 8 Beer Territory Reconciliations

NEBRASKA LIQUOR CONTROL COMMISSION

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Commission Members

<u>Name</u>	<u>Title</u>	<u>Term Ending</u>
Janice Wiebusch	Commissioner District 3	May 24, 2021
Bruce Bailey	Commissioner District 1	May 24, 2023
Robert Batt	Commissioner District 2	May 24, 2019

Commission Executive Management

<u>Name</u>	<u>Title</u>
Hobert B. Rupe	Executive Director

Nebraska Liquor Control Commission
301 Centennial Mall South
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Lincoln, NE 68509
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NEBRASKA LIQUOR CONTROL COMMISSION

SUMMARY OF COMMENTS

During our examination of the Nebraska Liquor Control Commission (Commission), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comments #1 and #7, which are considered to be significant deficiencies.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Special Designated Licenses:*** The Commission did not follow State statute and its own rules and regulations with regard to Special Designated Licenses.
2. ***Liquor Shipper Fees:*** The Commission did not deposit \$297,000 into the Nebraska Beer Industry Promotional Fund, as required by State statute.
3. ***Commission Members' Insurance Benefits:*** The three Commissioners received insurance benefits during the fiscal year; however, there was a lack of documentation on file to support their eligibility for those benefits.
4. ***Travel Expenditures:*** Several issues were noted related to travel expenditures, including lodging rates greater than those established by the General Services Administration (GSA), ineligible valet parking expenses, lack of documentation of approval for travel, and unreasonable travel costs.
5. ***Payout Variances:*** An employee was underpaid \$830 in sick leave payout and overpaid \$294 in vacation payout upon retirement.
6. ***Revenue Controls:*** The Commission did not have an adequate segregation of duties over revenues, and monies received were not remitted timely to the State Treasurer.
7. ***Common School Fund:*** The Commission did not deposit \$60,156 into the Common School Fund, as required by the Nebraska State Constitution.
8. ***Craft Brewery Taxes:*** Based upon supporting documentation, the APA observed variances, totaling \$1,550, between the amounts paid to the Commission and the amounts that should have been paid to it. The APA also observed a \$29 variance between what was reported by a craft brewery and what was reported by its wholesaler for nine invoices.
9. ***Craft Brewery Distribution:*** A craft brewery violated the statutory prohibition against self-distributing its own product.
10. ***Bartering Violation Documentation:*** Documentation of the Commission's investigation of violations of the Liquor Control Act's "bartering" clause was not provided.

NEBRASKA LIQUOR CONTROL COMMISSION

SUMMARY OF COMMENTS

(Concluded)

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Commission.

Draft copies of this report were furnished to the Commission to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Where no response has been included, the Commission declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

1. Special Designated Licenses

The APA's testing revealed that certain locations have been issued more than 12 Special Designated Licenses (SDLs) during a calendar year without being required to undergo a hearing in order to receive those additional licenses. The APA also noted that it is common practice for the Liquor Control Commission (Commission) to approve certain SDL applications that have been submitted less than 10 days prior to the event, doing so through non-public email correspondence between the commissioners. Moreover, approved SDL applications are frequently ratified during formal monthly meetings of the Commission held subsequent to the event for which the SDL was issued. Additional information on these issues is provided below.

Special Designated License Hearings

Neb. Rev. Stat. § 53-124.11(1) (Cum. Supp. 2016) authorizes the Commission to "issue a special designated license for sale or consumption of alcoholic liquor at a designated location" Per the Commission's own rules and regulations, a location that has already received 12 SDLs during a calendar year must go through a hearing to receive any additional such licenses. Specifically, 237 NAC 2-013.06 provides the following:

*It is the declared policy of the Commission that Special Designated Licenses should not be used to avoid the oversight and accountability imposed upon a regular retail license. Therefore, applications for Special Designated Licenses may be denied if the proposed location could otherwise be granted a regular license and if such regular license best serves the purposes of the Liquor Control Act. To help accomplish this policy **any location that has received twelve (12) Special Designated Licenses in one calendar year shall have any further applications set for hearing** to make a determination whether additional licenses are justified prior to the issuance of the requested Special Designated License.*

(Emphasis added.) According to the Nebraska Supreme Court, "Agency regulations, properly adopted and filed with the Secretary of State of Nebraska, have the effect of statutory law." *Lariat Club, Inc. v. Nebraska Liquor Control Com'n*, 267 Neb. 179, 183, 673 N.W.2d 29, 33 (2004). Nevertheless, despite the language highlighted above in 237 NAC 2-013.06, the Commission does not set a hearing for all locations seeking more than 12 SDLs during a calendar year.

Rather, Commission staff members decide informally, through non-public correspondence among themselves and without a hearing of any sort, who may receive additional SDLs. In making that decision, they rely upon a list of applicants that are exempt from the hearing required by 237 NAC 2-013.06 and their own judgment.

The APA does not interpret the Commission's policy to allow for any exceptions to the hearing requirement in 237 NAC 2-013.06. That policy appears on its face to mandate a hearing for all locations that have already received 12 SDLs in one year. Furthermore, the policy makes no provision, whether express or implied, for the creation or utilization of any sort of list that exempts certain SDL applicants from the hearing requirement.

It should be noted also that the unauthorized SDL exemption list is made all the more problematic by the fact that, contrary to the language in 237 NAC 2-013.06, it exempts applicants instead of locations. Once placed upon the list, an applicant is granted an automatic exemption for multiple locations. For example, Glacial Till Vineyard & Winery LLC was

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **Special Designated Licenses** (Continued)

granted 265 SDLs (147 in 2016 and 118 in 2017) for different locations. Because that applicant appears on the exemption list, however, the Commission granted all but one of the additional SDLs, regardless of location, without a hearing. Such a system appears to conflict with the clear regulatory language that directs “any location” that receives 12 SDLs in a calendar year to have “any further applications set for hearing.”

The following is an excerpt from the March 2017 meeting minutes:

LATE ADDITION TO AGENDA:

Class YK - 80900
 Glacial Till Vineyard & Winery LLC
 DBA: Glacial Till Vineyard & Winery
 344 County Road 2
 Palmyra, NE 68418

Licensee is on the SDL exemption list.

Commissioner Bailey moved to retain on the exemption list. Seconded by Commissioner Weibusch.

Vote: 2-0-1. Carried.

The APA found 16 locations that received more than 12 SDLs in calendar year 2016, and 8 locations that exceeded 12 SDLs through August of 2017. Junto LLC had one hearing before the Commission for its 13th license, but additional licenses for that location were not reviewed. Glacial Till Vineyard & Winery LLC had a hearing in March of 2017 that updated its presence on the SDL exemption list from prior years. As pointed out already, however, the Commission’s apparent intention was to add the licensee, rather than the location, to the list.

The following table provides a summary of the locations that were issued more than 12 SDLs in 2016:

	Applicant	Location Address	Location City	Licenses Issued	Hearing (Yes or No)
1	Glacial Till Vineyard & Winery LLC	344 S 2nd Road	Palmyra	62	No
2	CKS Inc	7401 Main Street	Ralston	40	No
3	Brassknocker Inc	3012 N 102nd St	Omaha	30	No
4	Wilkinson, Gerald M	3130 Holen Avenue	York	30	No
5	Glacial Till Vineyard & Winery LLC	11th & Jackson	Omaha	28	No
6	Glacial Till Vineyard & Winery LLC	Canopy St and Q Street	Lincoln	24	No
7	Moonstruck Meadery LLC	67th & Mercy	Omaha	22	No
8	Glacial Till Vineyard & Winery LLC	5500 Cheney Road	Lincoln	19	No
9	Knights of Columbus 701	501 S 4th Street	O’Neill	18	No
10	Meier’s Wine Inc	301 N 12th Street	Lincoln	17	No
11	Junto LLC	1356 182nd	Seward	16	Yes (Note 1)
12	Glacial Till Vineyard & Winery LLC	67th & Mercy	Omaha	14	No
13	City of Ralston	7300 Q Street	Ralston	13	No
14	GNS Corporation	2602 Park Boulevard	Lincoln	13	No
15	Nightlife Concepts Inc	3807 Avenue N	Kearney	13	No
16	SMG Food & Beverage LLC	400 Pinnacle Arena Drive	Lincoln	13	No

Note 1: Only one hearing was held for Junto LLC. The Commission voted to approve the 13th license, but no additional hearings were held for subsequent SDLs.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **Special Designated Licenses** (Continued)

The table below summarizes the locations that received more than 12 SDLs in 2017:

	Applicant	Location Address	Location City	Licenses Issued	Hearing (Yes vs. No)
1	Glacial Till Vineyard/Winery LLC	344 S 2nd Road	Palmyra	41	Yes (Note 2)
2	DJ2B Inc	8634 F Street	Omaha	30	No
3	Brassknocker Inc	3012 N 102nd Street	Omaha	27	No
4	Glacial Till Vineyard/Winery LLC	5500 Old Cheney	Lincoln	26	No
5	Glacial Till Vineyard/Winery LLC	7th & P	Lincoln	24	No
6	Glacial Till Vineyard/Winery LLC	67th & Mercy	Omaha	14	No
7	Meier’s Wine Inc	301 N 12th Street	Lincoln	14	No
8	Glacial Till Vineyard/Winery LLC	11th & Jackson	Omaha	13	No

Note 2: During the hearing, the licensee, rather than the location, appears to have been added to the SDL exemption list.

Note 3: The SDLs for 2017 included applications through August 2017.

The Commission may argue that certain applicants or locations would never be eligible for a retail license; however, the current language of 237 NAC 2-013.06 does not allow for any exemptions based on these factors. Examples of such locations would include farmers markets, parking lots, and fairgrounds.

Late Special Designated License Applications

The Commission’s own rules and regulations expressly prohibit the processing of any SDL application received less than 10 days prior to the event for which it is being sought. Specifically, 237 NAC 2-013.01 states, in relevant part, the following:

*[A]ll applications for a special designated license, with local governing body approval, and proper fees, must be received by the Commission at **least ten working days prior to the event**. Such notice is required to enable a reasonable notification to the Nebraska State Patrol, local law enforcement, the fire marshal, and the sanitation division of the Department of Agriculture. **Applications not received at least ten working days prior to the event will not be processed.***

(Emphasis added.) This 10-day requirement is reiterated in 237 NAC 2-013.04, as follows:

When no waiver or modification is required the Commission must receive Special Designated Liquor License applications at least 10 working days prior to the licensed event.

Despite this clear regulatory mandate – which, as pointed out already, has the “effect of statutory law” – the Commission issued 11 SDLs in calendar year 2016 and 12 SDLs in calendar year 2017 for which the applications were received less than 10 business days from their respective event dates. Such action appears contrary to the following language in Neb. Rev. Stat. § 53-124.11(5) (Cum. Supp. 2016):

If the applicant does not qualify for a special designated license, the application shall be denied by the commission.

The following table provides a summary of the SDLs issued in 2016 despite their late applications:

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Special Designated Licenses (Continued)

	SDL #	Location City	Date Received	Event Date	Business Days from Event
1	117120	Springfield	3/8/2016	3/19/2016	9
2	118348	Lincoln	5/10/2016	5/14/2016	4
3	120015	Gering	8/9/2016	8/20/2016	9
4	119548	Omaha	7/11/2016	7/16/2016	5
5	118777	Omaha	5/27/2016	6/4/2016	5
6	119016	Burwell	6/6/2016	6/17/2016	9
7	120323	Omaha	8/31/2016	9/11/2016	7
8	120580	Humphrey	9/20/2016	10/2/2016	9
9	118349	Lincoln	5/10/2016	5/15/2016	4
10	118350	Lincoln	5/10/2016	5/21/2016	9
11	118667	Eustis	5/26/2016	6/4/2016	6

The table below summarizes the SDLs issued in 2017 despite their late applications:

	SDL #	Location City	Date Received	Event Date	Business Days from Event
1	121498	Grand Island	6/9/2017	6/9/2017	0
2	700763	Omaha	3/7/2017	3/10/2017	3
3	700889	Seward	3/14/2017	3/20/2017	4
4	121449	Hastings	2/3/2017	2/11/2017	6
5	121478	Omaha	4/27/2017	5/6/2017	7
6	701475	Omaha	4/26/2017	5/5/2017	7
7	701474	Omaha	4/26/2017	5/5/2017	7
8	121488	Oakland	5/18/2017	5/27/2017	7
9	702184	Lincoln	6/13/2017	6/23/2017	8
10	121484	Hemingford	5/23/2017	6/3/2017	8
11	702185	Lincoln	6/13/2017	6/24/2017	9
12	121423	Dwight	1/17/2017	1/29/2017	9

Late SDL applications are occasionally approved by a consensus of Commission members via email correspondence. In some instances, when an application for an SDL was denied due to its late submission, the applicant contacted either the Commissioners individually or the Commission Director to request an exemption from the 10-day requirement in 237 NAC 2-013.01. The three Commissioners then emailed each other about the informal petition and, upon the approval of at least two of them, the SDL was issued in direct contravention of 237 NAC 2-013.01.

Aside from constituting a violation of the Commission’s own rules and regulations, if not statute itself, the informal processing of late SDL applications gives rise to concerns regarding compliance with the Open Meetings Act (Act), which is set out at Neb. Rev. Stat. §§ 84-1407 to 84-1414 (Reissue 2014, Cum. Supp. 2016, Supp. 2017). Section 84-1408 of the Act provides, in relevant part, the following:

Every meeting of a public body shall be open to the public in order that citizens may exercise their democratic privilege of attending and speaking at meetings of public bodies, except as otherwise provided by the Constitution of Nebraska, federal statutes, and the Open Meetings Act.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Special Designated Licenses** (Continued)

Per § 84-1409(1)(a)(iii), the term “public body” is defined to include the following:

[All independent boards, commissions, bureaus, committees, councils, subunits, or any other bodies created by the Constitution of Nebraska, statute, or otherwise pursuant to law.]

Likewise, § 84-1409(2) defines a “meeting” as follows:

Meeting means all regular, special, or called meetings, formal or informal, of any public body for the purposes of briefing, discussion of public business, formation of tentative policy, or the taking of any action of the public body[.]

Section 84-1411(3)(h) prohibits the use of email to circumvent open meetings requirements, stating the following:

Telephone conference calls, emails, faxes, or other electronic communication shall not be used to circumvent any of the public government purposes established in the Open Meetings Act.

By taking informal action via email to approve late SDL applications that, per 237 NAC 2-013.01, should not have been processed, the Commission has violated not only its own rules and regulations but also the requirement under the Act that all meetings of public bodies be open to the public.

Retroactive Special Designated License Approvals

When received by the Commission, an SDL application is reviewed by a staff member who then approves or denies it. That administrative decision does not require confirmation by the commissioners.

During its monthly meetings, the Commission ratifies the approval of previously issued SDLs. In many cases, however, that subsequent consent is for events that have already taken place. For instance, at the March 8, 2017, meeting, the Commission approved 64 such SDLs.

Though done for the sake of expediency, the practice of approving SDLs retroactively increases the risk that a commissioner might have been inclined to oppose the issuance of a license for a particular event but was unable to take any meaningful action regarding that application after the fact. Consequently, this retroactive consideration of SDL applications hampers the ability of the Commission to carry out effectively the legislative “statement of policy” found at Neb. Rev. Stat. § 53-101.01 (Reissue 2010), which includes the following:

It is declared to be the policy of the Legislature to . . . promote the health, safety, and welfare of the people of the state and encourage temperance in the consumption of alcoholic liquor by sound and careful control and regulation of the manufacture, distribution, and sale of alcoholic liquor.

We recommend the Commission set a hearing for each SDL application after a location has already been issued 12 such licenses during a calendar year. We also recommend all late SDL applications be rejected, and all meetings of the Commission be held in compliance with the requirements of the Act. Finally, we recommend the Commission approve all SDLs prior to the events for which they were issued.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Special Designated Licenses** (Concluded)

Commission Response: The Commission disagrees with the APA's interpretation of Rule 237-NAC2-013.06 as it ignores the requirement that the location be eligible to acquire a regular license. Some locations, such as Farmer's Markets or parking lots are clearly not suitable for a regular license. Furthermore, the interpretation of the Rule was to make sure that locations were not using the SDL process to avoid other regulatory oversight such as fire code requirements, not a hard limit. The Commission will examine the Rule to determine if it needs to be rewritten to be more clear or possibly eliminated. The Commission will review its policy on late issuances of SDL's to be in compliance with the act. The Commission does not agree that all SDL's need to be approved prior to issuance as such a requirement would mandate that an SDL be filed 60 days prior to an event and would result in significant disruption to a mostly, well-ordered marketplace.

APA Response: To reiterate, 237 NAC 2-013.06 states clearly, "[A]ny location that has received twelve (12) Special Designated Licenses in one calendar year shall have any further applications set for hearing to make a determination whether additional licenses are justified prior to the issuance of the requested Special Designated License." (Emphasis added.) This language provides for no exemptions.

2. **Liquor Shipper Fees**

During fiscal year 2017, the Commission deposited \$297,000 of shipper license fees to the Temporary School Fund. However, Neb. Rev. Stat. § 53-123.15(2) (Cum. Supp. 2016) requires such fees to be deposited instead to the Nebraska Beer Industry Promotional Fund, as follows:

The commission may issue a shipping license to a manufacturer. Such license shall allow the licensee to ship alcoholic liquor only to a licensed wholesaler. A person who receives a license pursuant to this subsection shall pay the fee required in sections 53-124 and 53-124.01 for a manufacturer's shipping license. Such fee shall be collected by the commission and be remitted to the State Treasurer. Fees remitted prior to July 1, 2016, shall be credited to the General Fund. Fees remitted beginning on July 1, 2016, shall be credited to the Nebraska Beer Industry Promotional Fund.

(Emphasis added.) The APA discussed this issue with the Commission, which explained that, beginning July 1, 2016, liquor shipper fees and beer shipper fees were coded differently in the State's accounting system. There is no distinction in Neb. Rev. Stat. § 53-123.15(2) between liquor and beer shipper licenses, both are considered manufacturer shipping licenses. The beer shipper fees were deposited to the Nebraska Beer Industry Promotional Fund, as required by § 53-123.15(2); however, the liquor shipper fees were deposited to the Temporary School Fund. According to the Commission, this separation between liquor and beer was necessary to be in compliance with Neb. Rev. Stat. § 53-504(1) (Cum. Supp. 2016), which states the following:

The Nebraska Beer Industry Promotional Fund is created. The fund shall consist of money credited pursuant to this section, fees received from shipping licenses issued to beer manufacturers pursuant to subsection (2) of section 53-123.15, gifts, grants, bequests, and any money appropriated by the Legislature. For administrative purposes, the fund shall be located in the Department of Agriculture.

(Emphasis added.) Thus, there is clearly a conflict between the language in § 53-123.15(2), which requires all shipping license fees to be remitted to the Nebraska Beer Industry

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Liquor Shipper Fees** (Concluded)

Promotional, and that in § 53-504(1), which says that the Nebraska Beer Industry Promotional Fund is to contain, among other revenues, “fees received from shipping licenses issued to beer manufacturers.”

Conflicting statutory language regarding the proper disposition of fees causes confusion and increases the risk that the fees will not be deposited properly.

We recommend the Commission work with the Legislature to eliminate the conflict between the language in § 53-123.15(2) and § 53-504(1).

Commission Response: The Commission will work with the legislature to eliminate the conflicting statutory language.

3. **Commission Members’ Insurance Benefits**

The three Commission members received insurance benefits through the State of Nebraska during the fiscal year ended June 30, 2017, with no documentation to support that they had worked the required number of hours to maintain eligibility for those benefits. Furthermore, none of the benefits received were proportionately reduced for less than the regularly scheduled hours, as required by Neb. Rev. Stat. § 84-1604 (Reissue 2014). This would tend to indicate that all of the Commissioners worked the required number of hours each week.

The APA was informed, however, that the Commissioners work an average of only two days a month. Therefore, contrary to established practice, the Commissioners do not appear to be entitled to receive State health insurance and other benefits, as they work less than the statutorily required “one-half or more of the regularly scheduled hours during each pay period.”

Neb. Rev. Stat. § 84-1601(1) (Reissue 2014) provides, in relevant part, the following:

There is hereby established a program of group life and health insurance for all permanent employees of this state who work one-half or more of the regularly scheduled hours during each pay period

Neb. Rev. Stat. § 84-1604 (Reissue 2014) says, as is relevant, the following:

The coverages provided for by sections 84-1601 to 84-1615 shall be afforded to each permanent state employee who works one-half or more of the regularly scheduled hours during each pay period, commencing after thirty days of such employment. Permanent and temporary employees who are employed less than the regularly scheduled hours as defined for a permanent employee shall be entitled to state contributions on a proportionately reduced basis.

In Op. Att’y Gen. No. 10011 (December 9, 2010), the Nebraska Attorney General addressed specifically whether the Commissioners were eligible to receive State insurance benefits, concluding as follows:

[T]he Commissioners' eligibility for participation in the State Insurance Program ultimately turns upon the amount of time each Commissioner works or is expected to work each week. If they work for twenty hours per week, then they are eligible to participate in the program. If they do not work for the requisite time each week, then they are not eligible to participate in the program. How much they work or they are expected to work each week is a question of fact. Should further inquiry be made by the Auditor or others, the Commissioners should be prepared to document that they do work the required hours to maintain eligibility for the benefits in question[.]

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Commission Members' Insurance Benefits (Concluded)

The State paid \$6,729 for the Commissioners' benefits during the calendar year. One member received health insurance benefits, and all three received life insurance benefits. According to discussion with the Executive Director, the Commissioners may have begun receiving these benefits as early as the 1970s; however, he could not provide documentation of the actual number of years the benefits in question had been provided.

Inappropriate expenses are incurred by the State when employee benefits are granted to those, as appears to be the case with the Commissioners, who do not meet the statutory requirements for receiving them. A similar finding was noted during the prior attestation review for the calendar year ended December 31, 2013.

We recommend the discontinuance of health and life insurance benefits to the Commissioners unless they can document having worked the minimum 20 hours per week required to be eligible for those benefits. Should the Commissioners be deemed eligible, we recommend their benefits be proportionately reduced, as needed, to reflect the actual hours worked.

Commission Response: The Commission will work with the Department of Administrative Services to determine the status of the automatic life insurance policy that all state employees currently hold. The Commission will examine the appropriate method to track Commissioners' hours and if it appears that they are not working the required amount of hours then the benefits will be modified accordingly.

4. Travel Expenditures

During testing of travel expenditures, we noted the following:

- One Commissioner elected to drive to a conference in Chicago, and her mileage and parking costs were reimbursed by the State in the amount of \$1,001. Had the Commissioner flown to Chicago instead, the APA estimates that her total travel costs would have been only \$418, saving the State \$583.
- One Commissioner from Kearney, NE, stayed at a hotel in Lincoln, NE, for three nights while attending Commission meetings. The hotel did not offer the General Services Administration's (GSA) per diem rate, which was \$91 per night. Instead, the Commission was charged \$107, \$107, and \$117 for the three nights. Other hotels in Lincoln did offer the GSA per diem rate. This caused an overpayment of \$58.
- For three employees tested, travel was discussed by the Commissioners; however, no actual approval of the travel was documented in the Commission's meeting minutes.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Travel Expenditures (Concluded)

In addition to ensuring that all travel costs are reasonable and necessary, policies and procedures implemented by the Commission should require, whenever possible, the following: 1) Commission members and employees to use the most cost-effective form of travel for business purposes; 2) lodging expenses to match the GSA's per diem rate; and 3) any travel that is not in the normal course of business to be approved by the Commission.

Without such policies and procedures, there is an increased risk of the Commission making improper travel expense reimbursements or permitting unauthorized travel. A similar finding was noted during the prior attestation review for the calendar year ended December 31, 2013.

We recommend the Commission implement policies and procedures that ensure the most cost-effective form of travel, adherence to GSA per diem rates, and formal approval of all travel that occurs outside of the normal course of business.

*Commission Response: The Commissioners approved Travel and Expense Reimbursement policies at the October 2017 hearings. These Travel and Expense Reimbursement policies can be made available for the State Auditor's review. NLCC refers to Nebraska Statute 53-112, **Commissioners and executive director; compensation: actual and necessary expenses incurred on behalf of the commission can be reimbursed.** NLCC also refers to Nebraska Statute 53-113, **Commissioners and employees; expenses and mileage: which further states "The commissioners, the executive director of the commission, and all employees of the commission shall be reimbursed for all actual and necessary traveling expenses and disbursements incurred or made by them in the discharge of their official duties..."***

5. Payout Variances

During testing of one Commission employee's termination payout, the APA found an underpayment of \$830 for 33 sick leave hours. The employee terminated on December 31, 2016, and was eligible to be paid all leave earned through calendar year 2016; however, on January 1, 2017, the State accounting system automatically reduced her sick leave balance to 1,440 hours. The Commission did not make the adjustments needed to pay the employee for all leave earned during the calendar year.

Additionally, the same employee was overpaid \$294 for 12 vacation leave hours. As of December 31, 2016, the employee had already earned the maximum 200 hours of vacation for the calendar year; however, she earned an additional 12 hours of vacation leave on her January 2017 paystubs for work performed in December 2016.

The Department of Administrative Services' (DAS) State Accounting Manual, "Leave Adjustment Procedure," contains the following:

In the case of sick leave . . . the balance will automatically be rolled back to 1440 hours After the leave roll over process is complete, all agencies must examine all employees on the Leave Report for the last pay period of the calendar year just completed. Agencies are responsible for making adjustments to leave balances.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS
(Continued)

5. **Payout Variances** (Concluded)

The DAS State Accounting Manual, “Vacation Leave Earnings,” states also that the maximum number of vacation hours that can be earned in a year by State employees is 200 hours.

Without procedures to ensure that leave payouts are made in accordance with the requirements of the DAS Accounting Manual, there is an increased risk of employees being compensated incorrectly upon termination.

We recommend the Commission strengthen its procedures for calculating terminated employee leave payouts.

Commission Response: The Commission relied upon the data supplied by the Department of Administrative Services when making these calculations. We will work with them to reexamine the appropriate payout.

6. **Revenue Controls**

During our testing of procedures over monies received by the Commission, the APA found not only untimely deposits but also the lack of a segregation of duties. Details on these issues is presented below.

Untimely Deposit of Monies Received

During revenue testing, the APA noted that four checks received by the Commission, totaling \$3,000, were not deposited in the timely manner required by State statute. Those checks are shown in the following table:

Entity	Check Received by LCC	Date Check Received by State Treasurer	Business Days Not Deposited	Amount
Entity #1	3/20/2017	3/24/2017	4	\$ 1,000
Entity #2	1/23/2017	1/31/2017	6	\$ 500
Entity #3	1/23/2017	1/31/2017	6	\$ 500
Entity #4	7/19/2016	7/25/2016	4	\$ 1,000
Total				\$ 3,000

Neb. Rev. Stat. § 84-710 (Reissue 2014) provides the following:

It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state, including the State Racing Commission, to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars. The State Treasurer may, upon a written request from an executive department, state institution, board, or officer stating that the applicable time period cannot be met, grant additional time to remit the funds to the state treasury. Funds received by an executive department, state institution, board, or officer for a good or service which may or may not be delivered contingent upon a selection process shall not be subject to this section until the selection period is over.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Revenue Controls (Continued)

(Emphasis added.) The Commission does not deposit checks submitted for licensing fees if the accompanying application is incomplete. Also, those same checks are not entered into the C1 licensing system for deposit until the application has been reviewed. As a result, checks are occasionally not deposited within the statutorily required timeframe.

Without controls to ensure that all monies received by the Commission are deposited timely, there is an increased risk of both noncompliance with statute and the misappropriation of State funds.

Segregation of Duties

The Commission lacked adequate controls for monies received, as its employees were able to issue licenses and process the attendant fees without adequate controls being in place to detect possible improprieties:

- When mail received by the Commission was opened, two or more individuals prepared a log, in the form of an electronic spreadsheet, of new license monies received. The correspondence received, such as applications and fees, was given to staff to enter into the license system and prepare for deposit. The same individuals who opened the mail were also able, however, to perform those administrative functions.
- The Commission was able to issue a license without entering the fee received into the license system. Although the system would flag such occurrences, the Commission failed to perform sufficient monitoring to ensure that the money was subsequently received.
- New licenses were assigned sequential numbers, but renewals were not. Therefore, the licenses could not be effectively reconciled or monitored to ensure that they were issued properly. The system was incapable of running a report of licenses issued for a certain date; only a current report could be generated.
- Any licensing fee received by the Commission was returned to the sender if the accompanying application was incomplete.

A good internal control plan requires an adequate segregation of duties to ensure that no one individual is in a position both to perpetrate and to conceal errors or irregularities. Furthermore, good internal controls require procedures to ensure the following: 1) all licenses issued are properly paid for; 2) all license numbers are properly accounted for; and 3) monies received are deposited within the statutorily required timeframe. Additionally, monies received by the Commission should be deposited intact. Similar findings were noted during the prior attestation review for the calendar year ended December 31, 2013.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Revenue Controls (Concluded)

We recommend the Commission update its procedures for ensuring an adequate segregation of duties and mitigating risks related to the C1 licensing system limitations. We also recommend the Commission ensure all monies received are deposited within the statutorily required timeframe.

Commission Response: The Commission is reviewing its procedures including the possibility of mandating that more money be filed electronically. It is also reviewing its procedures to ensure adequate segregation.

7. Common School Fund

During fiscal year 2017, the Commission deposited \$60,156 of license fees received to the Temporary School Fund rather than the Common School Fund. These improper deposits have been occurring since 2010.

Neb. Rev. Stat. § 53-138.01 (Reissue 2010) states, in relevant part, the following:

Except as otherwise provided in section 53-123.15, the State Treasurer shall distribute license fees received by the commission for licenses issued pertaining to alcoholic liquor, including beer, in accordance with Article VII, section 5, of the Constitution of Nebraska.

Article VII, § 5(1), of the Nebraska State Constitution requires the following:

[A]ll fines, penalties, and license money arising under the general laws of the state . . . shall belong and be paid over to the counties respectively where the same may be levied and imposed All such fines, penalties, and license money shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions where the same may accrue

The Common School Fund has been designated to receive funds under Article VII, § 5(1). Therefore, it is the fund to which the Commission's license fees should be deposited under § 53-138.01.

When license monies are not properly deposited to the Common School Fund, the Commission is not in compliance with § 53-138.01. A similar finding was noted during the prior attestation review for the calendar year ended December 31, 2013.

We recommend the Commission ensure license monies received are properly deposited to the Common School Fund, as required by State statute. We also recommend the Commission confer with the State Treasurer to determine both the feasibility and, if possible, the appropriate method of adjusting the amounts in the Temporary School Fund and the Common School Fund to reflect accurately the deposits that should have been made by law since 2010.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **Common School Fund** (Concluded)

Commission Response: Commission fully agrees with State Auditors' recommendation that monies received in accordance with specific statutes reference shall be deposited into Common School Fund versus Temporary School Fund. The Commission will take the necessary steps to deposit procedures in coordination with State Treasurer's Office and DAS Accounting. In a previous meeting with State Treasurer's Office it was determined that previous funds deposited into the Temporary School Fund versus the Common School Fund do not carry any need to transfer monies or make any accounting adjustment.

8. **Craft Brewery Taxes**

During our testing of craft brewery tax returns, we noted the following variances between the supporting documentation provided and the amounts reported on the tax returns:

Craft Brewery	Month	In Gallons				Variance Between Amount Paid and Documented	Dollar Variance (\$0.31/gallon tax)
		Wholesaler Amount Invoiced	Amount Sent to Taproom	Total Amount Documented	Total Amount Paid		
Bolo Beer	April 2017	181	0	181	351	170	\$ 53
	May 2017	207	0	207	470	263	\$ 82
	June 2017	72	78	150	155	5	\$ 2
Empyrean	May 2017	8,954	4,481	13,435	13,072	(363)	\$ (113)
	June 2017	9,485	5,419	14,904	15,140	236	\$ 73
Infusion	April 2017	14,527	2,066	16,593	16,927	334	\$ 104
	May 2017	13,540	4,311	17,851	17,502	(349)	\$ (108)
	June 2017	19,001	1,657	20,658	20,357	(301)	\$ (93)
Kinkaider	May 2017	5,282	2,293	7,575	7,632	57	\$ 18
Nebraska Brewing	April 2017	14,737	1,088	15,825	17,063	1,238	\$ 384
	May 2017	9,398	3,081	12,479	11,868	(611)	\$ (189)
	June 2017	8,621	1,095	9,716	11,040	1,324	\$ 410
Thunderhead	April 2017	3,788	857	4,645	4,912	267	\$ 83
	May 2017	2,252	1,005	3,257	6,797	3,540	\$ 1,097
	June 2017	3,916	985	4,901	4,085	(816)	\$ (253)
Totals						4,994	\$ 1,550

Many of these variances appear to be the result of timing issues; however, we would expect invoices for the month to agree to the amounts reported to the Commission.

The APA also compared the records received from the craft breweries to the records received from the wholesalers. As such, 9 out of 32 invoices did not agree to the wholesaler records, as summarized in the table below:

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS
(Continued)

8. Craft Brewery Taxes (Concluded)

Invoice Number	Wholesaler	Gallons Claimed on Tax Return	Gallons Per Wholesaler Records	Gallon Variance	Dollar Variance
901000	Premier	741	530	211	\$ 65
901009	Premier	342	244	98	\$ 30
901023	Premier	0	259	(259)	\$ (80)
901379	Premier	227	175	52	\$ 16
901383	Premier	859	747	112	\$ 35
901388	Premier	0	388	(388)	\$ (120)
901516	Premier	812	658	154	\$ 48
901001	Nebraskaland	326	295	31	\$ 10
901008	K & Z	459	564	(105)	\$ (33)
Totals				(94)	\$ (29)

Some of these variances were due to miscalculations on the invoices, while others were for invoices that were not listed on the tax return due to timing.

Sound accounting practices and good internal control plans require that supporting documentation agree to the amounts paid to the Commission for taxes. Without such a proper reconciliation, there is an increased risk of entities not paying the correct amount of tax to the Commission.

We recommend the Commission continue to perform reconciliations on tax returns and occasionally request records from wholesalers to ensure the amounts reported to the Commission agree with the amounts contained in those documents.

Commission Response: As part of its mission to ensure the adequate payment of taxes by craft breweries, the Commission is already undertaking the process of creating fillable online reports which should reduce mathematical errors as well as clearly stating the documentation requirements. Although the cost of the program exceeds the amount of taxes collected it is part of the Commissions efforts to maintain a well ordered workplace.

9. Craft Brewery Distribution


During the course of the present audit work, the APA became aware that Bolo Beer Company (Bolo), a craft brewery in Valentine, Nebraska, had been distributing its own product. Bolo designated Premier Midwest Beverage as its distributor, providing that entity with the necessary paperwork. Nevertheless, Bolo distributed its own beer, rather than utilizing Premier Midwest Beverage to do so.

The APA observed invoices between Bolo and Premier Midwest Beverage, such as the one copied below, noting that Bolo would deliver its own beer to the retailer:

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Craft Brewery Distribution (Continued)

		Bolo Beer Co. 112 N. Main St. Valentine, NE 69201 howdy@bolobeer.com	
BILL TO Premier Midwest Beverage 10367 South 134 th St Omaha, Nebraska 68138		INVOICE 1117 ✓	
		DATE 04/21/2017 TERMS Net 15	
		DUE DATE 05/06/2017	
ACTIVITY	QTY	RATE	AMOUNT
1/6 bbl Wild West Wheat 5.17 gal Keg Beer	2	67.50	135.00
1/6 bbl The Waggle Scottish Ale 5.17 gal Keg Beer	2	67.50	135.00
1/6 bbl Juice County Pale Ale 5.17 gal Keg Beer	2	67.50	135.00
1/6 bbl Pear Saison 5.17 gal Keg Beer	1	67.50	67.50
1/6 bbl Americus IPA 5.17 gal Keg Beer	1	67.50	67.50
Invoice for the Bull Market in Valentine. Beer to be delivered by Bolo Beer Co. *The Bull Market returned 6 kegs for deposit.		41.336 gal ✓	
		TOTAL DUE \$540.00	

While Bolo happens to be the only craft brewery about which the APA came across specific information regarding the self-distribution of product, it is possible – if not actually likely – that other Nebraska craft breweries have also engaged in similar activity.

When the APA inquired about this issue, the Commission Director responded with the following:

The Commission allowed “hot shots” on a limited basis. A hot shot is when the order, money and paperwork was processed by the wholesaler but the beer was picked at the brewery or delivered by the brewery. This allowance was made at the request of both wholesalers and the brewery’s as early on in the industry the ability to produce enough product and to correctly gauge the market to determine how much product a wholesaler could carry was difficult. Since the money and transaction were limited to the wholesaler and that any tax had already been paid by the brewery it was not seen as self-distribution. However over the past six months, the Commission has become concerned that brewery’s where using this supposed exception far more frequently than it was intended and it was difficult to see how often it occurred since all of the paperwork flowed through the wholesalers so the Commission has changed its administrative posture as seen in the attachments provided.

Per review of the Liquor Control Act (Act), manufacturers appear to lack the authority to distribute their own product. Neb. Rev. Stat. § 53-123.01(1) (Cum. Supp. 2016) authorizes manufacturers to engage only in “the manufacture, storage, and sale of alcoholic liquor to wholesale licensees” That statute makes no mention of the “delivery” of product. In

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

9. **Craft Brewery Distribution** (Concluded)

addition, Neb. Rev. Stat. § 53-169.01(1) (Cum. Supp. 2016) prohibits a manufacturer from owning an interest in a wholesaler. Neb. Rev. Stat. § 53-123.03 (Reissue 2010) allows wholesalers to distribute, and Neb. Rev. Stat. § 53-175 (Cum. Supp. 2016) states, in part, the following:

It shall be unlawful for any person to purchase, receive, acquire, accept, or possess any alcoholic liquor acquired from any person other than one duly licensed to handle alcoholic liquor under the Nebraska Liquor Control Act. No licensed retailer of alcoholic liquor shall purchase such liquor other than from a licensed wholesaler who has his or her place of business within this state.

On October 12, 2017, after this concern was raised by the APA, the Commission issued an “Advisory to Craft Breweries regarding LCC Rule, Chapter 6, 010 Alcoholic Beverage Products/Pass Through Wholesale Licensed Premise.” That advisory stated the following:

As of 10/12/17, Administrative Position of the Commission is that all product distributed through the wholesale tier is required to come into possession of a licensed Nebraska wholesaler and distributed accordingly by the Nebraska wholesaler – no exceptions.

The initial failure of the Commission to issue clear directives that reflected accurately the statutory prohibition against self-distributing product increased the risk that craft breweries might mistakenly engage in such unlawful activity. The recent corrective advisory is a proper ameliorative measure, however.

We recommend the Commission continue to inform craft breweries of the necessity to distribute through wholesalers when distributing their product to retailers, as required by statute.

10. **Bartering Violation Documentation**

During the present audit, the APA noted the following two apparent violations of the Liquor Control Act’s (Act) prohibition against bartering alcoholic liquor:

- Brickway Brewery & Distillery (Brickway) in Omaha, Nebraska – For its annual “Beer Amnesty Week,” Brickway accepts old beer in exchange for a free six-pack of fresh Brickway Session Series Beer. This program has been advertised online at <http://www.beeramnesty.com/>.
- Kinkaidier Brewing Company (Kinkaidier) in Grand Island, Nebraska – On Facebook, in August 2016, Kinkaidier asked for wild plums in exchange for beer. Also, in July and August 2016, Kinkaidier offered a free case of beer in exchange for help with moving a tent. The APA observed documentation supporting that both of Kinkaidier’s offers were accepted.

While these are the only two craft breweries about which the APA came across specific information regarding the bartering of beer, it is possible – if not actually likely – that other Nebraska craft breweries have also engaged in similar activity.

NEBRASKA LIQUOR CONTROL COMMISSION

COMMENTS AND RECOMMENDATIONS

(Concluded)

10. **Bartering Violation Documentation** (Concluded)

Neb. Rev. Stat. § 53-168.06 (Cum. Supp. 2016) states, in relevant part, the following:

No person shall manufacture, bottle, blend, sell, barter, transport, deliver, furnish, or possess any alcoholic liquor for beverage purposes except as specifically provided in the Nebraska Liquor Control Act.

(Emphasis added.) In addition, Neb. Rev. Stat. § 53-183(1) (Cum. Supp. 2016) states the following:

No person shall sell or furnish alcoholic liquor at retail to any person on credit, on a passbook, on an order on a store, in exchange for any goods, wares, or merchandise, or in payment for any services rendered, and if any person extends credit for any such purpose, the debt thereby attempted to be created shall not be recoverable at law.

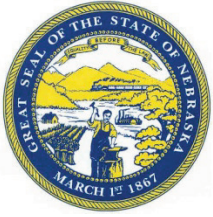
(Emphasis added.) In response to the APA's inquiry, the Commission failed to provide supporting documentation of having contacted Kinkaider about their bartering activities. The Commission did provide the APA with documentation of its contact with Brickway (Borgata) and other licensees. The Commission explained that it often makes telephone calls or sends email messages to licensees, directing them to refrain from activity that violates specific provisions of the Act or to alter an event in order to ensure compliance with State statute.

Good controls require the Commission to maintain adequate supporting documentation of all contact with licensees regarding possible violations of the Act.

Failure to maintain such documentation increases the risk that those suspected of being in violation of the Act may not have received the proper warning or direction from the Commission.

We recommend the Commission keep detailed records of all its contact, including telephone calls and email messages, with licensees regarding possible violations of the Act.

Commission Response: The Commission will review its internal processes to adequately document any informal enforcement action. Such actions occur generally when a complaint is received prior to the questionable event and contact is made to insure compliance.



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NEBRASKA LIQUOR CONTROL COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Liquor Control Commission
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Funds Balances of the Nebraska Liquor Control Commission (Commission) for the fiscal year ended June 30, 2017. The Commission's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Funds Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2017, is based on the accounting system and procedures prescribed by the State of Nebraska's Director of the Department of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement; and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

This report is intended solely for the information and use of management, individuals charged with governance, others within the Commission, and the appropriate Federal and regulatory agencies, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

November 15, 2017

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA LIQUOR CONTROL COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2017

	General Fund 10000	Winery & Grape Producers Promotional Fund 21970	Nebraska Beer Industry Promotional Fund 21980	Rule & Regulation Cash Fund 23500	Common School Fund 61270	Temporary School Fund 61360	Totals (Memorandum Only)
REVENUES:							
Appropriations	\$ 1,154,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,154,768
Taxes	30,910,935	17,198	-	-	-	-	30,928,133
Sales & Charges	549,177	236,500	120,750	47,752	-	357,156	1,311,335
Miscellaneous	2,396	-	-	2,697	133,500	-	138,593
TOTAL REVENUES	32,617,276	253,698	120,750	50,449	133,500	357,156	33,532,829
EXPENDITURES:							
Personal Services	992,894	-	-	-	-	-	992,894
Operating	147,831	-	-	35,266	-	-	183,097
Travel	14,043	-	-	-	-	-	14,043
TOTAL EXPENDITURES	1,154,768	-	-	35,266	-	-	1,190,034
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,462,508	253,698	120,750	15,183	133,500	357,156	32,342,795
OTHER FINANCING SOURCES (USES):							
Sales of Assets	2	-	-	-	-	-	2
Deposit to General Fund	(31,462,510)	-	-	-	-	-	(31,462,510)
Operating Transfers Out	-	(253,698)	(120,750)	-	(133,500)	(357,156)	(865,104)
TOTAL OTHER FINANCING SOURCES (USES)	(31,462,508)	(253,698)	(120,750)	-	(133,500)	(357,156)	(32,327,612)
Net Change in Fund Balances	-	-	-	15,183	-	-	15,183
FUND BALANCES, JULY 1, 2016	4,391	-	-	119,313	-	-	123,704
FUND BALANCES, JUNE 30, 2017	<u>\$ 4,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,887</u>
FUND BALANCES CONSIST OF:							
General Cash	\$ -	\$ -	\$ -	\$ 133,303	\$ -	\$ -	\$ 133,303
NSF Items	-	-	-	1,325	-	-	1,325
Deposits with Vendors	4,391	-	-	-	-	-	4,391
Due to Fund	-	-	-	(132)	-	-	(132)
TOTAL FUND BALANCES	<u>\$ 4,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,887</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2017

1. Criteria

The accounting policies of the Nebraska Liquor Control Commission (Commission) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of DAS include:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Commission to record all accounts receivable and related revenues in EnterpriseOne; as such, the Commission's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of June 30, 2017, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2017, **does not** include amounts for goods and services received before June 30, 2017, which had not been posted to the general ledger as of June 30, 2017.

Other liabilities are recorded in accounts entitled Deposits and Due to Fund for the Commission. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity.

The Commission had no accounts receivable at June 30, 2017. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

The fund types established by the State that are used by the Commission are:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

The major revenue account classifications established by State Accounting and used by the Commission are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Commission consist of alcohol and beer taxes.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and fines.

The major expenditure account classifications established by State Accounting and used by the Commission are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Commission.

Operating – Expenditures directly related to a program's primary service activities.

Travel – All travel expenses for any State officer, employee, or member of any commission, council, committee, or board of the State.

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

Other significant accounting classifications and procedures established by State Accounting and used by the Commission include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Commission’s funds at June 30, 2017, included amounts recorded in Deposits and Due to Fund. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Proceeds of fixed asset dispositions, and deposits to the General and Common School Funds.

2. Reporting Entity

The Commission is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The schedule includes all funds of the Commission included in the general ledger.

The Commission is part of the primary government for the State of Nebraska.

3. Totals

The Totals “Memorandum Only” column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

4. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State’s Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Commission takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$1,500 or more at the date of acquisition.

For the CAFR, the State requires the Commission to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Equipment is depreciated in the CAFR using the straight-line method with estimated useful lives of 3 to 10 years.

Capital asset activity of the Commission recorded in the State Accounting System for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 12,288	\$ -	\$ -	\$ 12,288
Total	12,288	-	-	12,288
Less accumulated depreciation for:				
Equipment				10,520
Total capital assets, net of depreciation				\$ 1,768

6. Deposits to Common Funds

Neb. Rev. Stat. § 53-1,104(5) (Cum. Supp. 2016) refers to violations by licensees and the penalties imposed by the Commission related to the violations. Amounts collected under this section are required to be remitted “to the State Treasurer for distribution in accordance with Article VII, section 5, of the Constitution of Nebraska.”

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO THE SCHEDULE
(Concluded)

6. Deposits to Common Funds (Concluded)

Additionally, Neb. Rev. Stat. § 53-138.01 (Reissue 2010) states, in relevant part:

[T]he State Treasurer shall distribute license fees received by the commission for licenses issued pertaining to alcoholic liquor, including beer, in accordance with Article VII, Section 5, of the Constitution of Nebraska.

Article VII, Section 5, of the Constitution of Nebraska states, as is relevant:

[A]ll fines, penalties, and license money arising under the general laws of the state . . . shall belong and be paid over to the counties respectively where the same may be levied or imposed, and all fines, penalties, and license money arising under the rules, bylaws, or ordinances of cities, villages, precincts, or other municipal subdivision less than a county shall belong and be paid over to the same respectively. All such fines, penalties, and license money shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions

License fees collected in accordance with State statute are to be deposited into the Common School fund in accordance with the Nebraska Constitution. During the fiscal year, the Commission deposited \$60,156 to the Temporary School fund. As noted in Comment Number 7 (Common School Fund), the deposit should have been made to the Common School fund.

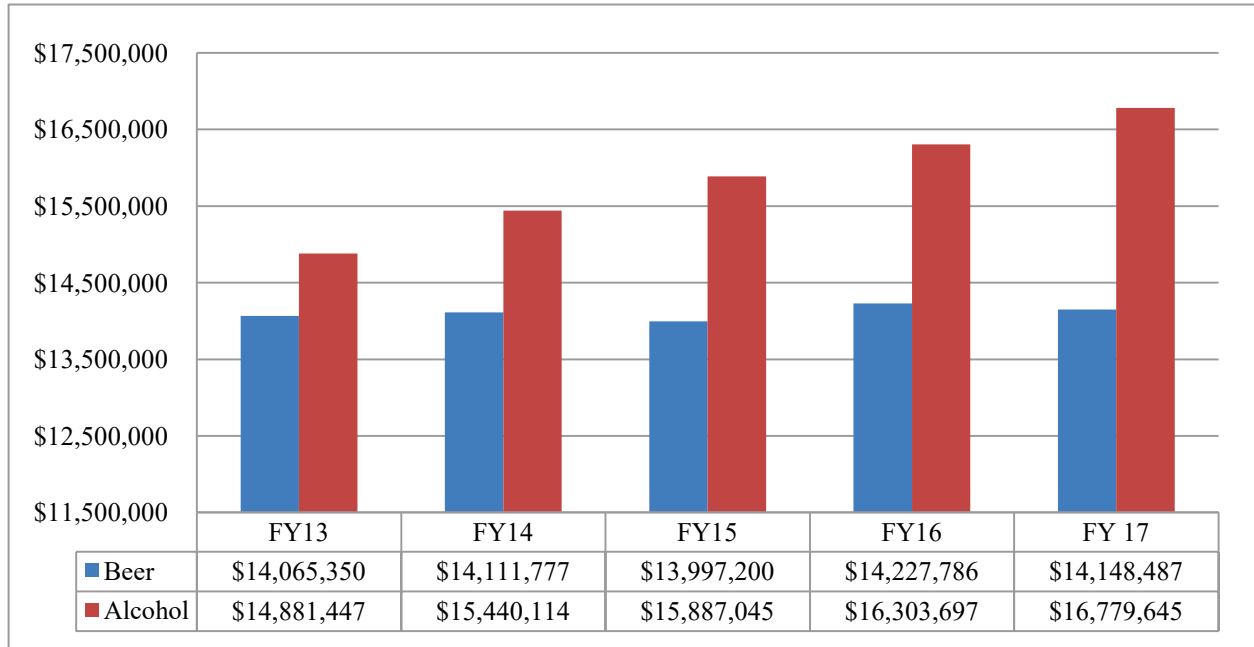
NEBRASKA LIQUOR CONTROL COMMISSION

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

NEBRASKA LIQUOR CONTROL COMMISSION
BEER AND ALCOHOL TAX REVENUE
 For Fiscal Years Ended June 30, 2013, through June 30, 2017

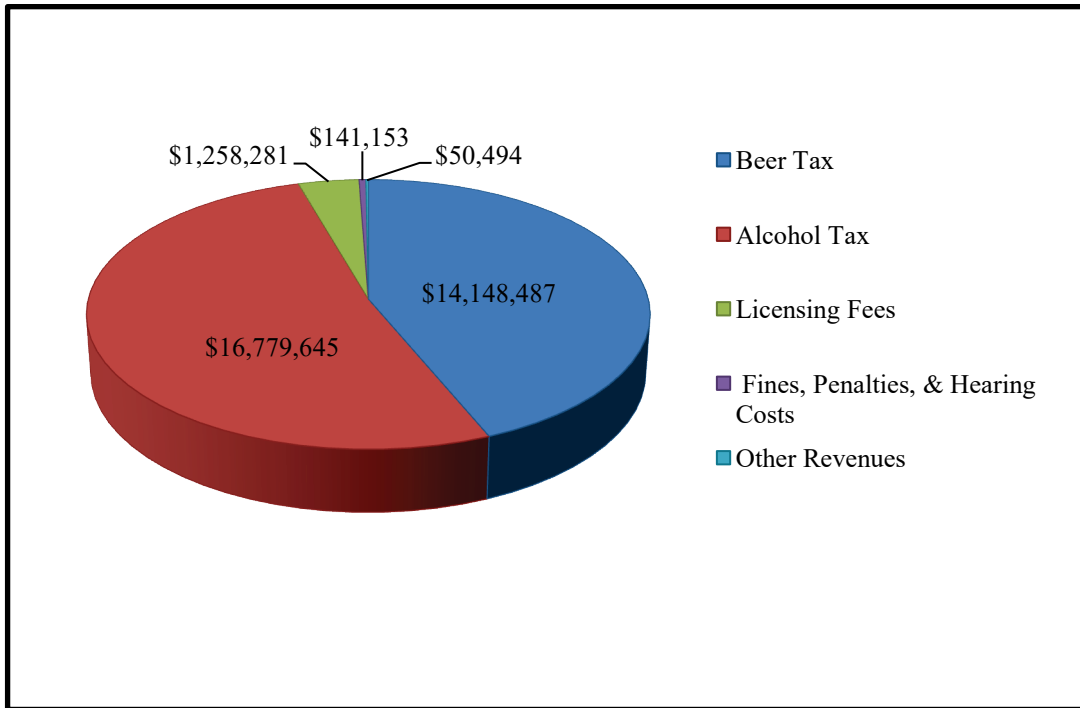
Exhibit A



Source: State Accounting System, EnterpriseOne

NEBRASKA LIQUOR CONTROL COMMISSION
REVENUES BY CATEGORY
For Fiscal Year Ended June 30, 2017

Exhibit B

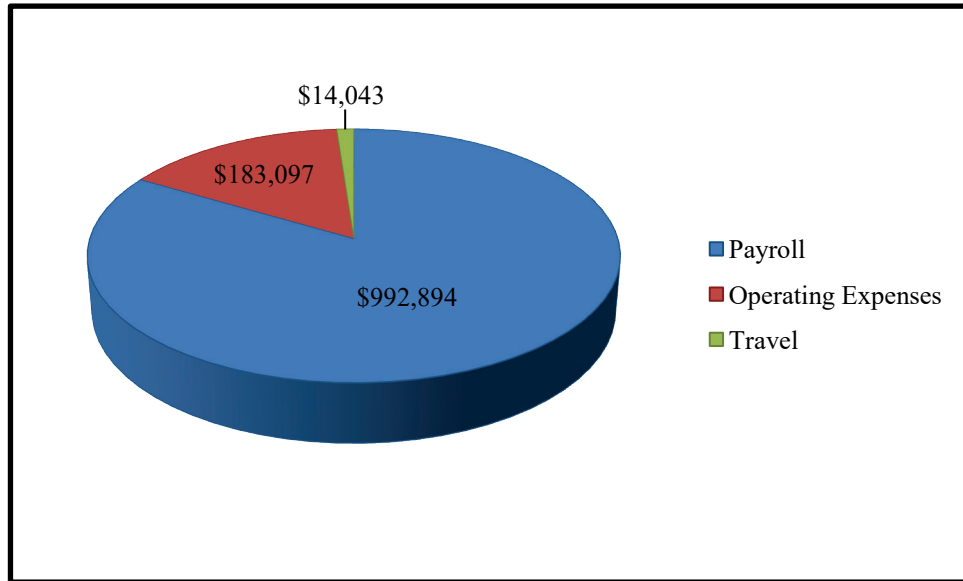


Source: State Accounting System, EnterpriseOne

Note: Other Revenues consists of license publication, alcohol server training, keg registration, investment income, etc. Appropriations were not included.

NEBRASKA LIQUOR CONTROL COMMISSION
EXPENDITURES BY CATEGORY
For Fiscal Year Ended June 30, 2017

Exhibit C



Source: State Accounting System, EnterpriseOne

NEBRASKA LIQUOR CONTROL COMMISSION
BEER AND ALCOHOL TAX REVENUE FEES
For Fiscal Year Ended June 30, 2017

Exhibit D

Beer Wholesalers Tax Rate	\$ 0.31	per gallon
Spirits Wholesaler Tax Rate	\$ 3.75	per gallon
Wine Wholesaler Tax Rate	\$ 0.95	per gallon
Farm Wineries Tax Rate	\$ 0.06	per gallon
Craft Breweries Tax Rate	\$ 0.31	per gallon
Direct Shippers:		
Beer Tax Rate	\$ 0.31	per gallon
Spirits Tax Rate	\$ 3.75	per gallon
Wine Tax Rate	\$ 0.95	per gallon

Note: Tax rates noted above are per Neb. Rev. Stat. 53-160 (Cum. Supp. 2016).

NEBRASKA LIQUOR CONTROL COMMISSION
CRAFT BREWERY BEER GALLONS
For Fiscal Year Ended June 30, 2017

Exhibit E

Craft Breweries	July	August	September	October	November	December	January	February	March	April	May	June	Total Gallons	Total Barrels
Backswing Brewing	-	-	-	-	351	744	248	966	1,075	1,235	1,302	1,395	7,316	236
Benson Brewery- Omaha	265	826	1,074	443	537	463	999	567	621	768	556	894	8,013	258
Blue Blood Brewing	2,691	2,267	3,285	2,498	1,872	1,893	2,395	1,571	2,231	2,735	2,098	3,375	28,911	933
Boiler Brewing Co.	643	608	994	549	633	835	678	759	1,671	905	922	1,513	10,710	345
Bolo Beer Co.	687	486	742	651	908	718	367	706	372	372	351	470	6,830	220
Bootleg Brewing	1,729	1,253	2,550	-	582	1,002	-	-	-	299	461	785	8,661	279
Borgata Brewing	5,306	5,884	7,441	6,315	8,636	7,427	5,664	-	-	-	-	-	46,673	1,506
Bottle Rocket Brewing	243	563	264	382	268	217	444	455	320	299	573	444	4,472	144
Brickway Brewing	-	-	-	-	-	-	-	5,148	4,764	7,326	5,432	8,794	31,464	1,015
Broken Arrow Cellars/ Hanging Horseshoe	-	75	41	105	-	-	121	45	85	268	176	171	1,087	35
Brush Creek Brewing	-	-	-	-	-	364	470	181	504	296	269	460	2,544	82
Empyrean Brewing Co.- Lincoln	11,001	11,664	11,944	9,654	14,103	14,126	13,692	13,439	14,767	15,938	10,264	13,072	153,664	4,957
Empyrean Brewing/Lazlos/Fireworks	393	324	371	678	-	-	-	-	-	-	-	-	1,766	57
Everest Brew House- Jaipur	124	248	186	124	124	186	186	124	186	186	186	248	2,108	68
Fairfield Opera House Bar & Grill	186	-	105	31	55	113	-	55	103	107	57	28	840	27
Farnam House Brewing	1,572	1,330	1,767	1,291	1,026	1,299	1,283	1,268	1,345	1,271	1,383	1,324	16,159	521
First Street Brewing	-	-	-	806	2,635	1,560	419	1,697	827	1,294	357	1,137	10,732	346
Gottberg Auto Company	295	667	357	163	837	868	78	457	891	473	589	364	6,039	195
Granite City- Lincoln	411	1,664	1,329	455	-	-	616	337	1,511	2,417	710	1,181	10,631	343
Ganite City- Omaha	910	939	102	1,458	1,002	967	862	1,101	672	1,447	1,079	400	10,939	353
Herrick Farms- Divots	400	200	200	400	171	129	-	429	170	225	434	360	3,118	101
Infusion Brewing Company, So. 118th	7,649	8,910	6,424	11,819	8,167	11,180	9,772	11,125	10,264	9,697	13,978	14,248	123,233	3,975
Infusion Brewing Company, 6115 Maple	3,647	3,244	2,788	2,233	2,410	2,932	3,157	4,112	2,237	4,251	2,949	3,255	37,215	1,200
Kinkaider Brewing Co.	4,841	5,728	5,643	5,563	5,398	6,117	5,829	5,084	5,005	5,245	5,501	7,632	67,586	2,180
Lazy Horse Brewing	83	91	154	197	101	298	418	318	334	321	414	303	3,032	98
Loop Brewing Company	-	319	299	304	302	149	305	284	294	327	439	366	3,388	109
Lucky Bucket Brewing Company	11,291	11,233	10,200	14,498	9,372	16,708	7,601	8,322	8,489	13,001	6,736	7,282	124,733	4,024
Misty's Steakhouse	-	-	-	-	-	-	260	-	540	1,021	538	-	2,359	76
Nebraska Brewing Co. La Vista	19,698	11,075	11,938	18,821	7,184	12,932	14,002	18,959	9,507	11,036	16,406	11,555	163,113	5,262
Nebraska Brewing Co. Papillion	956	-	629	191	201	1,336	310	329	1,569	1,175	657	313	7,666	247
Pals Brewing Co.	-	-	-	-	-	-	-	-	-	486	1,343	1,385	3,214	104
Ploughshare Brewing House	822	1,552	1,168	2,100	2,153	1,951	423	470	2,196	1,691	1,335	1,749	17,610	568
Pra Inc- Misty's Steakhouse	961	256	514	1,066	535	528	-	-	-	-	-	-	3,860	125
Prairie Pride Brewing Co.	-	-	-	382	2,306	1,194	1,390	584	1,147	1,787	1,188	1,524	11,502	371
Schillingbridge Cork and Tap House	501	438	689	316	422	367	403	293	568	436	398	578	5,409	174
Schillingbridge Winery/Microbrewery	104	98	199	(21)	725	710	155	172	219	119	78	291	2,849	92
Scratchtown Brewing	962	772	936	1,072	1,084	722	1,020	1,062	622	917	1,098	1,345	11,612	375
Scriptown Brewing	824	939	1,112	1,135	912	1,109	881	1,404	1,392	1,469	1,740	1,785	14,702	474
Soaring Wings Vineyards	387	190	582	191	292	93	472	196	-	-	-	466	2,869	93
Spilker Ales	1,089	1,447	901	677	1,307	792	308	853	956	1,063	404	-	9,797	316
Steeple Brewing	-	-	-	-	-	-	-	-	-	-	-	426	426	14
Thunderhead Brewing- Axtell	5,156	6,275	5,360	5,632	5,403	4,446	5,392	3,907	4,169	6,022	4,912	6,797	63,471	2,047
Upstream Brewing Company	3,866	3,881	3,767	2,306	2,922	3,822	2,762	1,362	2,824	3,925	2,883	2,849	37,169	1,199
Upstream Brewing Company- West	2,548	3,602	887	2,142	2,114	2,195	1,572	2,139	2,564	1,668	2,000	2,133	25,564	825
White Elm Brewing	-	-	-	-	2,035	1,833	1,197	1,328	998	1,597	755	4,832	14,575	470
Zipline Brewing Co.	21,647	15,758	17,543	19,655	16,583	23,429	15,763	18,144	17,817	19,141	19,909	19,679	225,068	7,260
Totals	113,888	104,806	104,485	116,282	105,668	127,754	101,914	109,752	105,826	124,256	112,860	127,208	1,354,699	43,699
													Tax Rate	0.31
													Subtotal	419,957
													Less 1% Discount Total	4,200
													Taxes Paid (est.)	415,757

Note 1: Amounts are for the prior months gallons.

Note 2: APA assumed all entities qualified for the 1% discount rate per Neb. Rev. Stat. § 53-164.01 (3) (Cum. Supp. 2016).

NEBRASKA LIQUOR CONTROL COMMISSION
WHOLESALE BEER GALLONS
For Fiscal Year Ended June 30, 2017

Exhibit F

Wholesalers	July	August	September	October	November	December	January	February	March	April	May	June	Total	
Adamson Distributing Co.	29,726	28,100	33,201	24,493	17,215	17,948	19,036	29,749	7,263	29,064	22,678	24,524	282,997	
Arrowhead Distributing - Gering	51,774	25,842	39,293	40,445	26,731	25,848	25,117	38,089	30,352	25,840	45,190	35,406	409,927	
B & J Ent Inc.	130,515	91,184	141,516	85,232	118,259	76,178	83,015	88,341	103,972	89,087	94,519	112,350	1,214,168	
Coors Dist- North Platte	85,135	91,257	70,923	64,124	55,019	51,033	53,129	59,200	45,654	61,658	66,463	96,448	800,043	
Dietrich Distributing- Gering	43,426	33,499	51,562	38,882	28,682	27,402	32,908	31,023	28,716	37,783	33,469	31,731	419,083	
Dilorenzo- Penke	7,533	2,862	8,165	3,114	3,355	1,252	-	-	-	-	-	-	26,281	
Double Eagle Beverage	529,537	623,760	-	-	-	-	-	-	-	-	-	-	1,153,297	
Eagle Distributing- Fremont	536,705	399,919	572,009	717,077	190,958	271,006	403,563	318,096	371,703	433,456	397,316	515,801	5,127,609	
Eagle Distributing- Grand Island	432,725	475,509	533,959	494,369	257,567	358,725	567,060	351,355	412,163	473,347	471,463	505,830	5,334,072	
Good Life Provisions	1,006	1,568	1,102	2,190	1,644	345	2,562	286	1,534	1,672	1,337	3,077	18,323	
Heartland Beverage	-	4,433	65,095	63,595	61,835	51,927	50,156	67,301	37,347	68,351	74,091	67,925	612,056	
House of Beer Wholesale	2,650	10,455	1,165	8,622	2,492	6,384	3,140	6,490	2,967	6,713	2,474	3,588	57,140	
Johnson Brothers- Finocchio	51,361	50,991	30,275	47,008	47,362	32,766	34,544	35,878	34,930	35,921	37,602	42,657	481,295	
K & Z Distributing Inc.	216,714	210,359	226,731	182,090	160,326	171,013	157,642	146,792	147,744	196,785	170,471	213,338	2,200,005	
Nebraska Distributing Co- Norfolk	91,833	79,752	-	-	-	-	-	-	-	-	-	-	171,585	
Nebraska Distributing Co- Omaha	654,579	565,879	565,622	492,218	465,541	468,024	464,850	410,274	415,420	521,106	506,682	662,328	6,192,523	
Nebraskaland Distributing	172,487	200,556	178,053	171,842	140,719	135,735	141,859	148,607	140,308	165,863	174,055	222,365	1,992,449	
Pivo- High Plains Budweiser	154,976	151,042	166,953	146,171	118,373	127,889	119,465	109,191	88,397	148,266	145,050	117,737	1,593,510	
Quail Distributing	1,919	2,461	1,726	372	2,912	1,097	939	1,453	1,643	627	2,976	2,101	20,226	
Quality Brands	906,281	906,049	-	-	-	-	-	-	-	-	-	-	1,812,330	
Quality Brands - Lincoln	-	-	578,108	580,214	467,131	356,617	535,171	355,690	454,208	527,295	468,938	560,905	4,884,277	
Quality Brands- Omaha	-	-	800,316	869,387	737,986	674,632	688,553	604,522	601,301	856,769	866,281	925,548	7,625,295	
Republie National Dist.- Omaha	69,513	32,762	43,646	33,875	57,884	46,434	58,431	31,396	63,660	54,466	52,633	56,201	600,901	
Sandhills	201,539	155,109	197,965	178,804	138,375	141,425	113,789	146,051	129,654	168,632	151,477	198,963	1,921,783	
Sandhills (May)	188,131	-	-	-	-	-	-	-	-	-	-	-	188,131	
Sandhills (April)	173,772	-	-	-	-	-	-	-	-	-	-	-	173,772	
Totals	4,733,837	4,143,348	4,307,385	4,244,124	3,100,366	3,043,680	3,554,929	2,979,784	3,118,936	3,902,701	3,785,165	4,398,823	45,313,078	
													Tax Rate	0.31
													Subtotal	14,047,054
													Less 1% Discount Total	140,471
													Taxes Paid (est.)	13,906,583

Note 1: Amounts are for the prior months gallons.

Note 2: APA assumed all entities qualified for the 1% discount rate per Neb. Rev. Stat. § 53-164.01 (3) (Cum. Supp. 2016).