

**THE TOWN OF WINGATE
BOARD OF ALCOHOLIC BEVERAGE CONTROL
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
AUDITED FINANCIAL STATEMENTS**

JUNE 30, 2017 and 2016

**PREPARED BY
LEWIS & LEWIS CPAs, PLLC
ROCKINGHAM, NORTH CAROLINA
LUMBERTON, NORTH CAROLINA**

**The Town of Wingate Board of
Alcoholic Beverage Control**

(A component unit of The Town of Wingate)

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June 30, 2017 and 2016

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Independent Auditor's Report

Board of Directors
Wingate Board of Alcoholic Beverage Control
Wingate, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Wingate Board of Alcoholic Beverage Control, a component unit of the Town of Wingate, which comprise the Statement of Net Position as of June 30, 2017 and 2016, and the related Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Wingate Board of Alcoholic Beverage Control as of June 30, 2017 and 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedule of Store Expenses, Schedule of Administrative Expenses and Schedule of Revenues and Expenditures – Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Store Expenses, Schedule of Administrative Expenses, and Schedule of Revenues and Expenditures – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Lewis & Lewis CPAs, PLLC
September 1, 2017

Management's Discussion and Analysis

This section of the Wingate Board of Alcoholic Beverage Control (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2017. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Working capital was approximately \$215,539
- Distributions of \$39,970 were made or accrued by the Board to the Town of Wingate during the year.

Overview of the Financial Statements

The audited financial statements of the Board consist of 3 components. They are as follows:

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Additional Information Required by the ABC Commission*

The *Basic Financial Statements* are prepared using the full accrual basis of accounting. They consist of three statements. The first statement is the **Statement of Net Position**. Assets and liabilities are classified between current and long-term. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the **Statement of Revenues, Expenses, and Changes in Net Position**. This statement is used in evaluating whether the Board has recovered all of its costs through sales. Its information is used in determining credit worthiness.

The final required statement is the **Statement of Cash Flows**. This statement reports cash inflows and outflows in the following categories: operating, investing, and financing activities. Based on this data, the user can determine the sources of cash, the uses of cash, and the change in cash.

The notes to the financial statements provide more detailed information and should be read in conjunction with the statements.

The ABC Commission requires some schedules in addition to the information required by generally accepted accounting principles. They include a **Schedule of Store Expenses**, a **Schedule of Administrative Expenses**, and a **Schedule of Revenues and Expenditures – Budget and Actual**.

Financial Analysis of the Board

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$323,564 in 2017. The largest component of net position was the investment in cash in bank. It was 71% of the total net position. Following is a summary of the Statement of Net Position:

Table 1
Condensed Statements of Net Position

	6/30/2017	6/30/2016	6/30/2015	\$ Change This Yr over Last Yr	% Change This Yr over Last Yr
Current assets	\$ 360,078	\$ 260,298	\$ 186,726	\$ 99,780	38.33%
Non-current assets	76,628	96,296	96,551	(19,668)	-20.42%
Total assets	\$ 436,706	\$ 356,594	\$ 283,277	\$ 80,112	22.47%
Current liabilities	\$ 141,112	\$ 115,883	\$ 143,866	\$ 25,229	21.77%
Non-current liabilities	-	-	6,557	-	0.00%
Total liabilities	\$ 141,112	\$ 115,883	\$ 150,423	\$ 25,229	21.77%
Invested in capital assets (net)	\$ 74,628	\$ 94,296	\$ 51,494	\$ (19,668)	-20.86%
Restricted net position	46,199	43,653	40,928	2,546	5.83%
Unrestricted net position	174,767	87,180	40,432	87,587	100.47%
Restatement for prior period adjustment	-	15,582	\$ -	(15,582)	-100.00%
Total net position	\$ 295,594	\$ 240,711	\$ 132,854	\$ 54,883	22.80%

Unrestricted Net Position increased by 100.47% from the prior year. Income from operations increased by 2% from the prior year. Following is a summary of the changes in net position:

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	6/30/2017	6/30/2016	6/30/2015	\$ Change This Yr over Last Yr	% Change This Yr over Last Yr
Operating revenues	\$ 1,550,953	\$ 1,464,047	\$ 1,375,188	\$ 86,906	5.94%
Less: Taxes on gross sales	349,420	330,061	311,064	19,359	5.87%
Net sales	\$ 1,201,533	\$ 1,133,986	\$ 1,064,124	\$ 67,547	5.96%
Cost of sales	839,476	783,896	734,555	55,580	7.09%
Gross profit	\$ 362,057	\$ 350,090	\$ 329,569	\$ 11,967	3.42%
Less: Operating expenses	247,917	238,189	246,407	9,728	4.08%
Income from operations	\$ 114,140	\$ 111,901	\$ 83,162	\$ 2,239	2.00%
Non-operating revenues and expenses	(11,325)	(1,505)	(3,690)	(9,820)	652.49%
Change in net position before distributions	\$ 102,815	\$ 110,396	\$ 79,472	\$ (7,581)	-6.87%
Distributions	\$ 47,932	\$ 18,120	\$ 24,700	\$ 29,812	164.53%
Change in net position	\$ 54,883	\$ 92,276	\$ 54,772	\$ (37,393)	-40.52%
Net Position, beginning	240,711	132,854	78,082	107,857	81.18%
Restatement	-	15,582	-	(15,582)	-100.00%
Net position, ending	\$ 295,594	\$ 240,711	\$ 132,854	\$ 54,883	22.80%

Following is a breakdown of sales by source:

	6/30/2017	6/30/2016	6/30/2015	\$ Change	% Change
Retail liquor sales	\$ 1,546,689	\$ 1,458,860	\$ 1,365,594	\$ 87,829	6.02%
Mixed beverage sales	4,264	5,187	9,594	(923)	-17.79%
Total sales	\$ 1,550,953	\$ 1,464,047	\$ 1,375,188	\$ 86,906	5.94%

The percentage of mixed beverage sales to the total decreased slightly from the prior year.

Capital Asset and Debt Administration

Capital Assets

Investment in capital assets as of June 30, 2017, totals \$74,628 (net of accumulated depreciation).

A new safe was purchased by the Board during the year at a cost of \$1,068.

Table 3

**Capital Assets
(net of depreciation)**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>\$ Change</u>	<u>% Change</u>
Leasehold improvements	\$ 51,046	\$ 56,248	\$ 61,450	\$ (5,202)	-9.25%
Equipment	<u>23,582</u>	<u>38,048</u>	<u>35,101</u>	<u>(14,466)</u>	<u>-38.02%</u>
Total capital assets (net)	<u>\$ 74,628</u>	<u>\$ 94,296</u>	<u>\$ 96,551</u>	<u>\$ (19,668)</u>	

Additional information on the Board's capital assets can be found in Note I.F.6 of the Basic Financial Statements.

Debt Administration

The Board's debt consists of a term loan taken out at the inception of the Board for initial inventory, fixed assets and operating capital. The Board's debt decreased by 100% during the year. The following table summarizes debt at year end and changes for the indicated years:

Table 4

Summary of Changes in Long-term Debt

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>\$ Change this year over last year</u>	<u>% Change this year over last year</u>
Notes Payable :					
Long-term	\$ -	\$ -	\$ 6,557	\$ -	0.00%
Short-term	-	5,104	38,500	(5,104)	-100.00%
Total	<u>\$ -</u>	<u>\$ 5,104</u>	<u>\$ 45,057</u>	<u>\$ (5,104)</u>	<u>-100.00%</u>

Economic Factors

The slow recovery of the economy was the reason for the increase in revenue.

Requests for Information

This report is intended to provide a summary of the financial condition of the Board. Questions or requests for additional information should be addressed to:

Margaret Selby, Financial Officer
Wingate Board of Alcoholic Beverage Control
4104 Highway 74
Wingate, NC 28174

Wingate Board of Alcoholic Beverage Control
(A component unit of the Town of Wingate)
Statements of Net Position
as of June 30, 2017 and June 30, 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 310,787	\$ 159,535
Receivables	-	13,453
Prepaid Expenses	3,429	5,588
Inventories	45,862	81,722
Total current assets	\$ 360,078	\$ 260,298
NON-CURRENT ASSETS		
Buildings & Improvements (Net)	\$ 51,046	\$ 56,248
Furniture & Equipment (Net)	23,582	38,048
Refundable Deposits	2,000	2,000
Total non-current assets	\$ 76,628	\$ 96,296
TOTAL ASSETS	\$ 436,706	\$ 356,594
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 71,941	\$ 72,884
Mixed Beverage, Excise & Bottle Tax	27,020	23,650
Liquor Sales Tax Payable	8,419	7,258
Current Portion of Long-term Debt	-	5,104
Distributions Payable	31,933	4,120
Accrued Expenses	1,799	2,867
Total current liabilities	\$ 141,112	\$ 115,883
TOTAL LIABILITIES	\$ 141,112	\$ 115,883
NET POSITION		
Net Investment in Capital Assets	\$ 74,628	\$ 94,296
Restricted for Working Capital	46,199	43,653
Unrestricted	174,767	87,180
Restatement for prior period adjustment		15,582
Total net position	\$ 295,594	\$ 240,711
TOTAL LIABILITIES AND NET POSITION	\$ 436,706	\$ 356,594

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

Wingate Board of Alcoholic Beverage Control
(A component unit of The Town of Wingate)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE		
Liquor sales - regular	\$ 1,546,689	\$ 1,458,860
Mixed beverage sales	4,264	5,187
Total gross sales	<u>\$ 1,550,953</u>	<u>\$ 1,464,047</u>
DEDUCT TAXES ON GROSS SALES		
State excise tax	\$ 342,561	\$ 323,426
Mixed beverage tax - NCDHHR	57	73
Mixed beverage tax - NCDOR	575	722
Rehabilitation tax (Bottle)	6,227	5,840
Total taxes	<u>\$ 349,420</u>	<u>\$ 330,061</u>
NET SALES	<u>\$ 1,201,533</u>	<u>\$ 1,133,986</u>
DEDUCT COST OF SALES		
Cost of liquor sold	\$ 839,476	\$ 783,896
Total cost of sales	<u>\$ 839,476</u>	<u>\$ 783,896</u>
GROSS PROFIT ON SALES	<u>\$ 362,057</u>	<u>\$ 350,090</u>
DEDUCT OPERATING EXPENSES		
Store expenses	\$ 202,912	\$ 194,800
Administrative expenses	24,269	24,687
Depreciation expense	20,736	18,702
Total operating expenses	<u>\$ 247,917</u>	<u>\$ 238,189</u>
INCOME FROM OPERATIONS	\$ 114,140	\$ 111,901
NON-OPERATING REVENUES (EXPENSES)		
Disallowed refunds	\$ (11,295)	\$ -
Interest income	-	-
Interest expense	(30)	(1,505)
Total non-operating revenues (expenses)	<u>\$ (11,325)</u>	<u>\$ (1,505)</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	\$ 102,815	\$ 110,396
DEDUCT DISTRIBUTIONS		
Law enforcement	\$ 4,000	\$ 4,000
Alcohol education & rehab	3,963	4,120
Change in net position before profit distributions	<u>\$ 94,852</u>	<u>\$ 102,276</u>
Profit distributions - Town of Wingate	<u>\$ 39,969</u>	<u>\$ 10,000</u>
CHANGE IN NET POSITION	\$ 54,883	\$ 92,276
NET POSITION - JULY 01	240,711	132,854
Restatement	-	15,581
NET POSITION - JUNE 30	<u>\$ 295,594</u>	<u>\$ 240,711</u>

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

Wingate Board of Alcoholic Beverage Control
(A component unit of The Town of Wingate)
Statements of Cash Flows
For the Years Ended June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,550,953	\$ 1,464,046
Cash payments to suppliers for goods & services	(805,316)	(769,926)
Cash payments to employees for services	(128,184)	(115,124)
Other operating expenses	(97,070)	(104,935)
Taxes paid	(342,810)	(335,835)
Net cash provided by operating activities	<u>\$ 177,573</u>	<u>\$ 138,226</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	\$ (1,068)	\$ (9,909)
Payments on term debt	(5,104)	(39,973)
Interest paid	(30)	(1,505)
Net cash (used) by capital and related financing activities	<u>\$ (6,202)</u>	<u>\$ (51,387)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Law Enforcement & Alcohol Education distributions	\$ (8,119)	\$ (4,001)
Profit Distributions to Wingate	(12,000)	(28,000)
Net cash (used) by non-capital financing activities	<u>\$ (20,119)</u>	<u>\$ (32,001)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	\$ -	\$ -
Net cash provided by investing activities	\$ -	\$ -
NET INCREASE IN CASH	\$ 151,252	\$ 54,838
CASH - Beginning of year	<u>159,535</u>	<u>104,697</u>
CASH - End of year	<u><u>\$ 310,787</u></u>	<u><u>\$ 159,535</u></u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities		
Net Income from Operations	\$ 114,140	\$ 111,901
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation expense	20,736	18,702
Changes in Assets and Liabilities		
(Increase) Decrease in accounts receivable	2,158	(5,439)
(Increase) Decrease in prepaids	2,159	
(Increase) Decrease in inventory	35,860	307
Increase (Decrease) in liquor taxes payable	4,451	(3,774)
Increase (Decrease) in accounts payable	(1,700)	13,662
Increase (Decrease) in accrued liabilities	(231)	2,867
Net cash provided by operating activities	<u>\$ 177,573</u>	<u>\$ 138,226</u>

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

Wingate Board of Alcoholic Beverage Control
(A component unit of The Town of Wingate)
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Principles used in determining the scope of the entity for financial reporting:

The Wingate Board of Alcoholic Beverage Control, (the Board), a component unit of Wingate, is a corporate body with powers outlined by General Statutes [Chapter 18B-701]. The governing body of Wingate appoints the members of the ABC Board (the Board).

The Board is required by State Statute to distribute its surpluses to the general fund of the Town of Wingate, which represents a benefit to the Town. Therefore, the Board is reported as a discretely presented component unit in the Town's financial statements.

B. Organizational History

The Board was organized under the provisions of the North Carolina Legislature, as revised by Chapter 259, Session of Laws 1979 and Senate Bill 981, ratified by the North Carolina General Assembly on July 18, 1993. A referendum was held on November 3, 2009 in which voters approved the establishment of a liquor control store in Wingate. The chairman and two other members of the ABC Board are approved by the Town Council. The members serve terms of three years, two years, and one year. The store opened for business on June 4, 2012.

The Board, as provided by North Carolina Alcoholic Beverage Control laws, operates one liquor store and through its law enforcement division, investigates violations of such laws. North Carolina [18B-805 (c) (2) (3)] requires that the Board **expend at least 5% of profits for law enforcement** and at least 7% of same profits for alcohol education and rehabilitation purposes.

C. Basis of Presentation

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or the change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. All sales are made for cash (or credit card) and recorded at the time of sale; revenues are recorded when earned, expenses are recognized when incurred. As permitted, the Board has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its proprietary operation, unless those pronouncements conflict with or contradict GASB pronouncements.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of net position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

F. Assets, Liabilities, and Net Position

(1) Deposits

All deposits of the Board are made in board-designated official depositories and are collateralized as required by State law [G.S. 159-31]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. The Board may also establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Board's agent in the Board's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board agent in the Board's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering

uninsured deposits. The State Treasurer does not confirm this information with the Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2017, the Board's deposits had a carrying amount of \$296,423 and a bank balance of \$306,227. The bank balance was covered by federal depository insurance on the first \$250,000 with the remainder insured under the pooling method.

At June 30, 2016, the Board's deposits had a carrying amount of \$155,531 and a bank balance of \$154,186. All of the bank balance was covered by federal depository insurance.

(2) Investments

State law [G.S. 159-30(c)] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered (2a-7) money market mutual fund.

(3) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(4) Accounts Receivable

All retail transactions are point of sale paid in cash. The Board does not sell any items on credit.

(5) Inventories

Inventories are valued at the lower of cost (FIFO) or market.

(6) Capital Assets

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis. Capital Asset activity for the year ended June 30, 2017 was as follows:

	Useful life	Beginning Balance	Increases	Decreases	Ending Balances
Capital Assets being depreciated					
Buildings & Improvements	40 years	\$ 78,032	\$ -	\$ -	\$ 78,032
Store Equipment	5-10 years	42,689	-	-	42,689
Office Equipment	5-10 years	41,044	1,068	-	42,113
Total Capital Assets being depreciated		\$ 161,765	\$ 1,068	\$ -	\$ 162,834
Less accumulated depreciation for:					
Buildings & Improvements		\$ (21,784)	\$ (5,202)	\$ -	\$ (26,986)
Store Equipment		(25,209)	(8,413)	-	(33,622)
Office Equipment		(20,476)	(7,120)	-	(27,598)
Total accumulated depreciation		\$ (67,469)	\$ (20,735)	\$ -	\$ (88,206)
Capital Assets, net		\$ 94,296			\$ 74,628

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

(7) Net Position

Net position consists of the following:

- a. Restricted for law enforcement – this applies only when the Board employs its own ABC officer.
- b. Restricted for capital improvements – State Law [G.S. 18B-805 (d)] requires approval of the appointing authority to establish this account.
- c. Restricted for working capital – North Carolina Alcoholic Beverage Control Commission Rule [.0902] defines working capital as the total of cash, investments, and inventory less all unsecured liabilities. An ABC Board shall set its working capital requirements at not less than two weeks' average gross sales of the last fiscal year nor greater than three months' average gross sales of the last fiscal year. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by State Law [G.S. 18B-805(b)(2),(3) and (4)]

- d. Net investment in capital assets- this component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same assets component as the unspent proceeds.
- e. Unrestricted net position – This component of net position consists of net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

Note 2. Stewardship, Compliance and Accountability

Compliance with N.C. General Statutes

- A. The Board was not making required quarterly distributions as required by G.S. 18B-805(g) during the years ended June 30, 2017 and 2016. For the year ended June 30, 2017, there were variances between the amounts approved in the budget and amounts expended on various line items. The Board has put procedures in place to monitor these noncompliance issues in the future.

Note 3. Leases

The Board has an operating lease for facilities located at 4104 Hwy. 74, Wingate, NC 28174. The lease is a ten-year lease that expires May 1, 2022.

Year ended June 30:	
2018	22,680.00
2019	22,680.00
2020	22,680.00
2021	22,680.00
Thereafter	22,680.00
Total	<u>\$ 113,400.00</u>

Note 4. Long-term debt

The Board has a line of credit in the amount of \$150,000 with a bank secured by all assets. There was no balance outstanding on the line as of June 30, 2017 or 2016. The interest rate is 4.5%.

The Board had a term note payable to a bank with a balance of \$5,104 at June 30, 2016. The entire balance was paid by the end of June 30, 2017.

Note 5. Related Party Transactions

There were no related party transactions for the fiscal year ended June 30, 2017 and 2016.

Note 6. Vacation and Sick Leave Compensation

Earned but unused vacation can be carried forward to the next calendar year. Accumulated earned vacation at June 30, 2017 amounted to approximately \$1,799.

Employees are not limited in the amount of sick leave that can be accumulated. Sick leave does not vest but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulation of sick leave until it is actually taken, no accrual for sick leave has been made.

Note 7. Distributions of Income

NC General Statute 18B-805 (e) requires that the entire net income, after deducting amounts required for law enforcement and education and retaining proper working capital, be paid quarterly to the appropriate local government entity.

The Board has made distributions since inception of \$67,970 which are summarized as follows:

	<u>Current Year</u>	<u>Inception to Date</u>
Town of Wingate 100%	<u>\$ 39,970</u>	<u>\$ 67,970</u>

State Law [G.S. 18B-805] requires that the minimum distribution set aside in (c) (1) and any profit remaining after deducting amounts required for law enforcement and alcohol education and retaining proper working capital, be paid quarterly to the appointing authority. The Board made distributions for the year totaling \$12,000.

Note 8. Law Enforcement and Alcohol Education Expenses

The Board is required by law to expend at least 5% of its profits for law enforcement and 7% of its profits for education (alcohol education requirements follows local enabling act).

Profits are defined by law for these calculations as income before law enforcement and education expenses, less 3 ½% markup provided in G.S. 18B-804 (b) (5) and the bottle charge provided for in G.S. 18B-804 (b) (6b). The Board has agreed to pay a minimum law enforcement distribution of at least \$1,000 per quarter. The following schedule summarizes the Board's expenditures for these items during 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Income before required distributions	\$ 102,815	\$ 110,396
Less 3 1/2% tax & bottle charge	42,244	43,546
	<u>\$ 60,571</u>	<u>\$ 66,850</u>
Profit subject to expense percentages		
Law Enforcement Expenditures	\$ 4,000	\$ 4,000
Actual % of Profit	7%	6%
Provision for Alcoholic Education & Rehabilitation	\$ 3,963	\$ 4,120
Actual % of Profit	7%	7%

Note 9. Disbursement of Taxes Included in Selling Price

A state excise tax, at the rate of 30% on the retail (net sales) price is charged monthly on liquor sales (excluding wine sales).

Transactions for this account for the years are summarized as follows:

	<u>2017</u>	<u>2016</u>
Taxes payable – beginning of year	\$ 23,134	\$ 34,761
Taxes collected during the year	342,591	323,426
Taxes remitted to NC Dept. of Revenue	339,208	335,053
	<u>\$ 26,517</u>	<u>\$ 23,134</u>
Taxes payable – end of year		

The excise tax is computed in accordance with G.S. 18B-805 (i).

The accrued North Carolina excise tax at June 30, 2017, was remitted to the North Carolina Department of Revenue on July 5, 2017.

A bottle charge of one cent on each bottle containing 50 milliliters or less and five cents on each bottle containing more than 50 milliliters is collected and distributed monthly to the county commissioners for alcohol education and rehabilitation. For the fiscal years as indicated, payments to the county were based on the following bottle sales:

For the year ended June 30, 2017

Regular Bottles	115,027	@.05	\$ 5,751
Mixed Beverage Bottles	279	@.05	14
Miniature Bottles	46,212	@.01	462
Total Tax Collected for Year ended June 30, 2017			<u>\$ 6,227</u>

A "mixed beverage tax" at the rate of \$20.00 per 4 liters is charged on the sale of liquor to be resold as mixed beverages. One-half of the mixed beverage tax is submitted monthly to the North Carolina Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the NC Department of Human Resources.

The mixed beverage tax for the years ended June 30, 2017 and 2016 was:

	<u>2017</u>	<u>2016</u>
NC Department of Revenue (50%)	\$ 575	\$ 722
NC Department of Human Resources (5%)	57	73
Profit Retained (45%)	514	650
Total	<u>\$ 1,146</u>	<u>\$ 1,445</u>

At June 30, taxes payable were:

	<u>2017</u>	<u>2016</u>
NC Department of Revenue - Mixed Beverage & Excise Tax	\$ 26,517	\$ 23,215
NC Department of Human Resources - Mixed Beverage Tax	-	8
Union County - Bottle Tax	503	427
Total	<u>\$ 27,020</u>	<u>\$ 23,650</u>

Note 10. Surcharge Collected

The total amount of surcharge collected for the fiscal year was \$12,800. (The rate increased May 1, 2015 from .80 cents per case to \$1.40 per case sold.)

Note 11. Liquor Sales Tax

The total amount of sales tax collected by the Board and remitted to the Department of Revenue for the fiscal year was \$106,717. The current sales tax rate is 7%.

Note 12. Retail Outlets

The Wingate Board of Alcoholic Beverage Control operated with one retail outlet:

4104 Highway 74, Wingate, NC 28174
Gross Sales \$1,550,953 Change in Net Position \$82,852

Note 13. Working Capital

The Board is required by the Alcoholic Beverage Control Commission rule [.0902] to set its working capital requirements at not less than two weeks average gross sales of the last fiscal year. (Gross sales are gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b) (2), (3), and (4)).

The Board's position on this requirement is as follows:

Minimum Amount	\$	46,199
Maximum Amount	\$	400,391
Actual Amount	\$	215,539

The Board has met the minimum amount of working capital.

Note 14. Breakage Expense

Breakage and shrinkage expense absorbed by the Board for the year was \$0.

Note 15. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has property, general liability, liquor legal liability insurance and worker's compensation coverage and employee health coverage.

There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i), each board member and the employees designated as general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

Note 16. Subsequent Events

Subsequent events have been evaluated through September 1, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Wingate Board of Alcoholic Beverage Control
Schedule of Store Expenses
For the Years Ended June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
Salaries & wages	\$ 127,953	\$ 117,991
Payroll tax	10,279	9,028
Utilities	8,088	7,821
Rent	26,362	25,829
Repairs & maint. - bldg	1,834	2,220
Repairs & maint - equip	4,391	3,625
Janitorial service	834	728
Store supplies	1,276	2,086
Insurance - general & workman's comp	6,744	6,701
Bank card fees	14,455	17,914
Hiring expense	335	370
Employee welfare	361	460
Cash short	-	27
Total store expenses	<u>\$ 202,912</u>	<u>\$ 194,800</u>

See independent auditor's report.

Wingate Board of Alcoholic Beverage Control
Schedule of Administrative Expenses
For the Years Ended June 30, 2017 and June 30, 2016

	<u>2017</u>	<u>2016</u>
Advertising	\$ 24	\$ -
Bank service charges	1,507	1,295
Professional services	8,541	10,613
Director's fees	3,600	3,100
Office supplies	8,314	6,243
Dues & subscriptions	403	544
Travel	748	206
Internet services	932	1,329
Postage	-	603
Uniforms	-	591
Training	200	163
Total administrative expenses	<u>\$ 24,269</u>	<u>\$ 24,687</u>

See independent auditor's report.

Wingate Board of Alcoholic Beverage Control
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2017

	2017 Original Budget	2017 Revised Budget	2017 Actual	Variance Positive (Negative)
Revenues				
Operating Revenues:				
Sales	\$ 1,363,000	\$ 1,535,000	\$ 1,550,953	\$ 15,953
Non-operating Revenues:				
Interest	-	-	-	-
Total Revenues	<u>\$ 1,363,000</u>	<u>\$ 1,535,000</u>	<u>\$ 1,550,953</u>	<u>\$ 15,953</u>
Expenditures:				
Taxes based on revenue:	<u>\$ 320,000</u>	<u>\$ 398,753</u>	<u>\$ 349,420</u>	<u>\$ 49,333</u>
Cost of Goods Sold	<u>\$ 696,000</u>	<u>\$ 776,102</u>	<u>\$ 839,476</u>	<u>\$ (63,374)</u>
Operating Expenses:				
Salaries and benefits	\$ 150,400	\$ 153,000	\$ 138,593	\$ 14,407
Advertising	150	150	24	126
Bank service charges	1,600	1,600	1,507	93
Board member expense	3,600	3,600	3,600	-
Conference, training and travel	500	500	200	300
Unemployment Insurance	4,500	4,500	-	4,500
Interest expense	4,800	1,000	30	970
Rent	28,000	27,000	26,362	638
Repairs & Maintenance	3,000	3,000	7,059	(4,059)
Insurance	5,300	9,234	6,744	2,490
Store & Office Supplies	7,000	10,000	9,590	410
Travel	550	850	748	102
Dues & Subscriptions	600	600	403	197
Professional fees	14,000	18,200	8,541	9,659
Utilities	11,000	12,000	9,020	2,980
Hiring Expense	-	700	335	365
Credit card fees	16,000	17,500	14,455	3,045
Uniforms	1,000	1,000	-	1,000
Total Operating Expenses	<u>\$ 252,000</u>	<u>\$ 264,434</u>	<u>\$ 227,211</u>	<u>\$ 37,223</u>
Capital Outlay	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 1,068</u>	<u>\$ 932</u>
Debt Service				
Loan payments	<u>\$ 39,000</u>	<u>\$ -</u>	<u>\$ 5,104</u>	<u>\$ (5,104)</u>
Total Expenditures	<u>\$ 1,307,000</u>	<u>\$ 1,441,289</u>	<u>\$ 1,422,279</u>	<u>\$ 19,010</u>

See independent auditor's report.

Wingate Board of Alcoholic Beverage Control
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2017

Distributions				
Law enforcement	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Alcohol education & rehab	-	-	3,963	(3,963)
Municipal	-	12,000	39,970	(27,970)
Total	<u>\$ 4,000</u>	<u>\$ 16,000</u>	<u>\$ 47,933</u>	<u>\$ (31,933)</u>
 Total Expenditures & Distributions	 <u>\$ 1,311,000</u>	 <u>\$ 1,457,289</u>	 <u>\$ 1,470,212</u>	 <u>\$ (12,923)</u>
 Other financing (uses):				
Working Capital retained	<u>\$ 52,000</u>	<u>\$ 77,711</u>	<u>\$ -</u>	<u>\$ -</u>
 Revenues over Expenditures and other Financing (Uses)	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 80,741</u>	 <u>\$ 3,030</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Debt Service			5,104	
Depreciation			(20,736)	
Capital outlay			1,068	
Disallowed refunds			(11,295)	
Change in net position			<u>\$ 54,883</u>	

See independent auditor's report.