

**TOWN OF WINGATE**

**ALCOHOLIC BEVERAGE  
CONTROL BOARD**

*(A COMPONENT UNIT OF THE TOWN OF WINGATE)*

**June 30, 2018 and 2017**

**TOWN OF WINGATE**  
**ALCOHOLIC BEVERAGE CONTROL BOARD**  
*(A COMPONENT UNIT OF THE TOWN OF WINGATE)*  
**Wingate, North Carolina**

**Audited**  
**Financial Statements**  
**At**  
**June 30, 2018 and 2017**  
**And**  
**For The Years Then Ended**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
**Town of Wingate Alcoholic Beverage Control Board**  
Wingate, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the **Town of Wingate Alcoholic Beverage Control Board**, a component unit of the Town of Wingate, which comprise the statements of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position, distributions, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of the Town of Wingate Alcoholic Beverage Control Board as of June 30, 2017, were audited by other auditors whose report dated September 1, 2017, expressed an unmodified opinion on the 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.

***Auditors' 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 auditors' 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 control 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Town of Wingate Alcoholic Beverage Control Board** as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the years then 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 an opinion on the financial statements as a whole. The Schedules of Store Expenses, Administrative Expenses, and the Reconciliation of Budget to Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Store Expenses, Administrative Expenses, and the Reconciliation of Budget to 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, 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.

*Collins, Boike & Moore, P.A.*

Monroe, North Carolina  
September 18, 2018

## Management's Discussion and Analysis

This section of the Alcoholic Beverage Control (ABC) Board's (the Board) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2018. This information should be read in conjunction with the audited financial statements included in this report.

### *Financial Highlights*

- The Store had another successful year income from operations was \$133,177 an increase from \$114,140 from last year.
- Actual working capital increased to \$301,764 dollars this year.
- \$54,665 was distributed to The Town of Wingate.
- \$4,237 was distributed for Law Enforcement to the Town of Wingate.
- \$5,932 was distributed for Alcohol Education to the Union County Drug Treatment Court Foundation and The Bridge to Recovery received funds

At the General Managers meeting in Greensboro last year, a presentation was made showing how some stores have experienced increases in sales when they rearranged their product lines by grouping similar colored liquor to the same area of the store. For example, they put all the brown liquor, bourbon, scotch, rye, whiskey in one area or shelf; all the white liquor, vodka, rum, tequila was put in another place; and all the cordials and brandies were displayed together. The Wingate ABC Board and staff reviewed the Greensboro presentation and it was decided to try similar group displays. However, the only improvement in sales was with tequila, but we do not believe that was due to how it was grouped. The GM had added additional brands of tequila, including premium brands since they are the new "liquor of the day". While implementing ideas from this particular presentation did not give the results we had hoped for, we will continue to attend the General Managers Meeting to learn from others and share ideas to improve the Store's operation.

The store has four more years on its present lease for building and grounds. The Board is preparing to negotiate a new lease early to prevent any disruption in sales.

### *Overview of the Financial Statements*

The audited financial statements of the ABC 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 **Budget to Actual Reconciliation**.

**Financial Analysis of the ABC Board**

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$363,937 in 2018 and \$295,594 in 2017. The largest component of net position was unrestricted. It was 70.92% and 59.12% of the total net position in 2018 and 2017, respectively. Following is a summary of the Statement of Net Position.

**Table 1**  
**Condensed Statement of Net Position**

	6/30/18	6/30/17	6/30/16	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Current assets	\$ 374,830	\$ 360,078	\$ 260,298	\$ 14,752	4.10
Non-current assets	59,315	76,628	96,296	(17,313)	(22.59)
Total assets	434,145	436,706	356,594	(2,561)	(0.59)
Current liabilities	70,208	141,112	115,883	(70,904)	(50.25)
Non-current liabilities	-	-	-	-	-
Total liabilities	70,208	141,112	115,883	(70,904)	(50.25)
Invested in capital assets, net of related debt	57,315	74,628	94,296	(17,313)	(23.20)
Restricted net position	48,532	46,199	43,653	2,333	5.05
Unrestricted net position	258,090	174,767	87,180	83,323	47.86
Restatement for prior period adjustment	-	-	15,582	-	-
Total net position	363,937	295,594	240,711	68,343	23.12

Net position increased by \$68,343 in 2018. Income from operations increased by 16.68% from the prior year. Following is a summary of the changes in net position:

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

	6/30/18	6/30/17	6/30/16	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Operating revenues	\$ 1,628,475	\$ 1,550,953	\$ 1,464,047	\$ 77,522	5.00
Less: Taxes on gross sales	366,653	349,420	330,061	17,233	4.93
Net Sales	1,261,822	1,201,533	1,133,986	60,289	5.02
Cost of sales	862,533	839,476	783,896	23,057	2.75
Gross profit	399,289	362,057	350,090	37,232	10.28
Less: Operating expenses	266,112	247,917	238,189	18,195	7.34
Income from operations	133,741	114,140	111,901	19,037	16.68
Nonoperating revenues and expenses	-	(11,325)	(1,505)	11,325	(100.00)
Change in net position before distributions	133,741	102,815	110,396	30,362	29.53
Distributions	10,169	7,963	8,120	2,206	27.70

	6/30/18	6/30/17	6/30/16	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Profit Distributions	54,665	39,969	10,000	14,696	36.77
Change in net position	68,343	54,883	92,276	13,460	24.52
Net position, beginning	295,594	240,711	132,854	54,883	22.80
Restatement for prior period adjustment	-	-	15,581	-	-
Net position, ending	363,937	295,594	240,711	68,343	23.12

The Town of Wingate ABC Board had a increase in both retail liquor sales and mixed beverage sales. Following is a breakdown of sales by source:

	6/30/18	6/30/17	6/30/16	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Retail Liquor Sales	\$ 1,623,984	\$ 1,546,689	\$ 1,458,860	\$ 77,295	5.00
Mixed Beverage Sales	4,491	4,264	5,187	227	5.32
Total Sales	\$ <u>1,628,475</u>	\$ <u>1,550,953</u>	\$ <u>1,464,047</u>	\$ <u>77,522</u>	5.00

The percentage of mixed beverage sales to the total sales was .28% for June 30, 2018 versus .27% for June 30, 2017.

#### **Capital Asset and Debt Administration**

##### **Capital Assets**

Capital assets decreased by \$17,313 during the year.

**Table 3  
Summary of Changes in Capital Assets (Net of Depreciation)**

	6/30/18	6/30/17	6/30/16	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Leasehold improvements	\$ 51,338	\$ 51,046	\$ 56,248	\$ 292	0.57
Equipment	5,977	23,582	38,048	(17,605)	(74.65)
Total	\$ <u>57,315</u>	\$ <u>74,628</u>	\$ <u>94,296</u>	\$ <u>(17,313)</u>	<u>(23.20)</u>

#### **REQUESTS FOR INFORMATION**

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

CJ Leopold, General Manager  
Wingate ABC Board  
4104 Highway 74  
PO Box 956  
Wingate, North Carolina 28174



**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**STATEMENTS OF NET POSITION**  
**June 30, 2018 and 2017**

ASSETS	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 282,476	\$ 310,787
Inventories	88,999	45,862
Prepaid expenses	3,355	3,429
Total Current Assets	<u>374,830</u>	<u>360,078</u>
 <b>CAPITAL ASSETS</b>		
Leasehold improvements	83,782	78,032
Equipment, furniture and fixtures	60,549	84,799
	<u>144,331</u>	<u>162,831</u>
Less: Accumulated depreciation	<u>87,016</u>	<u>88,203</u>
Net Capital Assets	<u>57,315</u>	<u>74,628</u>
 <b>OTHER ASSETS</b>		
Refundable deposits	<u>2,000</u>	<u>2,000</u>
Total Other Assets	<u>2,000</u>	<u>2,000</u>
 <b>TOTAL ASSETS</b>	 <u>434,145</u>	 <u>436,706</u>
 <b>CURRENT LIABILITIES</b>		
Trade accounts payable	20,619	71,104
Taxes payable	37,257	35,439
Distribution payable	9,024	31,933
Accrued expenses	<u>3,308</u>	<u>2,636</u>
Total Current Liabilities	70,208	141,112
 <b>TOTAL LIABILITIES</b>	 <u>70,208</u>	 <u>141,112</u>
 <b>NET POSITION</b>		
Net investment in capital assets	57,315	74,628
Restricted for working capital	48,532	46,199
Unrestricted	<u>258,090</u>	<u>174,767</u>
<b>TOTAL NET POSITION</b>	<u>\$ 363,937</u>	<u>\$ 295,594</u>

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

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**For The Years Ended June 30, 2018 and 2017**

	2018		2017	
	Amount	Percent	Amount	Percent
<b>OPERATING REVENUES</b>				
Liquor sales	\$ 1,623,984	99.72	\$ 1,546,689	99.73
Mixed beverage sales	4,491	0.28	4,264	0.27
<b>Total Gross Sales</b>	<u>1,628,475</u>	<u>100.00</u>	<u>1,550,953</u>	<u>100.00</u>
<b>TAXES ON GROSS SALES</b>				
State excise tax	359,470	22.07	342,561	22.09
Mixed beverage tax (Department of Revenue)	607	0.04	575	0.04
Mixed beverage tax (Human Resources)	61	-	57	-
Rehabilitation tax	6,515	0.40	6,227	0.40
<b>Total Taxes</b>	<u>366,653</u>	<u>22.51</u>	<u>349,420</u>	<u>22.53</u>
<b>NET SALES</b>	1,261,822	77.49	1,201,533	77.47
<b>COST OF SALES</b>				
Total Cost of Sales	<u>862,533</u>	<u>52.97</u>	<u>839,476</u>	<u>54.13</u>
<b>GROSS PROFIT ON SALES</b>	<u>399,289</u>	<u>24.52</u>	<u>362,057</u>	<u>23.34</u>
<b>OPERATING EXPENSES</b>				
Store expenses	226,669	13.91	201,658	12.99
Administrative expenses	22,919	1.41	25,523	1.65
Depreciation and amortization expense	16,524	1.01	20,736	1.34
<b>Total Operating Expenses</b>	<u>266,112</u>	<u>16.33</u>	<u>247,917</u>	<u>15.98</u>
<b>INCOME FROM OPERATIONS</b>	<u>\$ 133,177</u>	<u>8.19</u>	<u>\$ 114,140</u>	<u>7.36</u>

	2018		2017	
	Amount	Percent	Amount	Percent
INCOME FROM OPERATIONS - carried forward	\$ 133,177	8.19	\$ 114,140	7.36
NONOPERATING REVENUES (EXPENSES)				
Disallowed refunds	-	-	(11,295)	(0.73)
Interest expense	-	-	(30)	-
Total Nonoperating Revenues (Expenses)	-	-	(11,325)	(0.73)
Changes in Net Position Before Distributions	133,177	8.19	102,815	6.63
DISTRIBUTIONS				
Law Enforcement	4,237	0.26	4,000	0.26
Alcohol Education	5,932	0.36	3,963	0.26
CHANGES IN NET POSITION BEFORE PROFIT DISTRIBUTIONS	123,008	7.57	94,852	6.11
PROFIT DISTRIBUTIONS				
Town of Wingate	54,665		39,969	
Total Profit Distributions	54,665		39,969	
CHANGES IN NET POSITION	68,343		54,883	
NET POSITION, BEGINNING OF YEAR	295,594		240,711	
NET POSITION, END OF YEAR	\$ 363,937		\$ 295,594	

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

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended June 30, 2018 and 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,628,475	\$ 1,550,953
Payments for inventory costs	(949,616)	(805,316)
Payments for operating expenses	(248,842)	(225,255)
Taxes paid	(364,835)	(342,810)
Net Cash Provided By Operating Activities	65,182	177,572
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(5,750)	(1,068)
Payments on long term debt	-	(5,104)
Interest paid	-	(30)
Net Cash Used In Capital and Related Financing Activities	(5,750)	(6,202)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Profit distributions	(78,460)	(12,000)
Law enforcement distributions	(5,058)	(4,000)
Alcohol education distributions	(4,224)	(4,119)
Net Cash Used In Non-Capital Financing Activities	(87,742)	(20,119)
<b>NET INCREASE (DECREASE) IN CASH</b>	(28,310)	151,251
<b>CASH AND CASH EQUIVALENTS AT BEGINNING YEAR</b>	310,786	159,535
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 282,476	\$ 310,786

	<u>2018</u>	<u>2017</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Income From Operations	\$ 133,177	\$ 114,140
Adjustments To Reconcile Income From Operations To Net Cash Provided By Operating Activities:		
Depreciation and amortization	16,524	20,736
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	-	2,158
(Increase) Decrease in inventories	(43,137)	35,860
(Increase) Decrease in prepaid expenses	74	2,159
Increase (Decrease) in accounts payable	(43,946)	(1,700)
Increase (Decrease) in taxes payable	1,818	4,451
Increase (Decrease) in accrued liabilities	<u>672</u>	<u>(231)</u>
Net Cash Provided By Operating Activities	<u>\$ 65,182</u>	<u>\$ 177,573</u>

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

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended June 30, 2018 and 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The Town of Wingate Alcoholic Beverage Control Board, a component unit of the Town of Wingate, is a corporate body with powers outlined by General Statutes Chapter 18B-701. The Town's governing body appoints the ABC Board.

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

**B. Organizational History**

The Town of Wingate Alcoholic Beverage Control 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 store in Wingate. The Wingate Town Council originally appointed three individuals to serve on the ABC Board with terms of three years, two years and one year. Board members now each serve a three year term.

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

**C. Basis of Presentation**

All activities of the ABC 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 periodic determination of revenues earned, expenses incurred, and/or the change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**D. Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting. All sales are made by cash, check, debit or credit card and recorded at the time of sale. Other revenues are recorded when earned. Expenses are recognized when incurred.

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended June 30, 2018 and 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued**

**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 and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position**

**(1) Deposits**

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

All of the ABC 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 ABC Board's agent in the ABC 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 ABC Board, these deposits are considered to be held by the ABC Board agent in the ABC 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 ABC Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the ABC Board under the Pooling Method, the potential exists for under-collateralization, and the 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, 2018, the ABC Board's deposits had a carrying amount of \$278,342 and a bank balance of \$259,490. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The ABC Board had an additional \$4,134 in the cash drawers and change funds to cover operating needs on a daily basis.

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended June 30, 2018 and 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued**

(2) Investments

State law G.S. 159-30 authorizes the ABC 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. The ABC Board had no investments at June 30, 2018.

(3) Cash and Cash Equivalents

For purposes of the statement of cash flows, the ABC 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 and paid in cash. The ABC Board does not sale 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. 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 earnings for the period. Capital asset activity for the year ended June 30, 2018 was as follows:



**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended June 30, 2018 and 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated</b>				
Leasehold improvements	\$ 78,032	\$ 5,750	\$ -	\$ 83,782
Store equipment	42,689	-	-	42,689
Office equipment	42,110	-	24,250	17,860
Total capital assets being depreciated	<u>162,831</u>	<u>5,750</u>	<u>24,250</u>	<u>144,331</u>
<b>Less accumulated depreciation for:</b>				
Leasehold improvements	26,986	5,458	-	32,444
Store equipment	33,516	2,759	-	36,275
Office equipment	27,701	8,307	17,711	18,297
Total accumulated depreciation	<u>88,203</u>	<u>\$ 16,524</u>	<u>\$ 17,711</u>	<u>87,016</u>
<b>Capital Assets, net</b>	<u>\$ 74,628</u>			<u>\$ 57,315</u>

(7) Net Position

Net position consists of the following:

- a. 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- b. Restricted for law enforcement – This applies only when the ABC board employs its own ABC officer.
- c. Restricted for capital improvements – State Law G.S.18B-805(d) requires approval of the appointing authority to establish this fund, outside of working capital, for specific capital improvements.
- d. 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 or 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).

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended June 30, 2018 and 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued**

- e. Unrestricted net position – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Noncompliance with N.C. General Statutes

The ABC Board was not making required quarterly distributions for alcohol education as required by G.S. 18B-805(c)(3). For the fiscal year ended June 30, 2018, the total distributions made by the ABC Board exceeded the authorized appropriations made by the governing board by \$1,069. Total operating expenses were under budget, however, two line items under operating expenses exceeded budget. The Board will put policies and procedures in place to ensure that future budgets are amended as necessary before June 30<sup>th</sup> to cover expenditures in all categories.

**NOTE 3 - LEASES**

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

Lease Payment Schedule

Year ended June 30:	
2019	\$ 28,677
2020	28,677
2021	28,677
2022	<u>26,287</u>
 Total	 \$ <u>112,318</u>

**NOTE 4 - VACATION AND SICK LEAVE COMPENSATION**

Employees of the ABC Board earn two weeks paid vacation each calendar year. Employees must take vacation leave in the year earned and are not allowed to carry-forward any vacation time to subsequent years. Accumulated earned vacation at June 30, 2018 and 2017 amounted to \$564 and \$1,799, respectively. The entire amount is considered current as this is tracked on a calendar basis and not carried forward.

Employees can accumulate an unlimited amount of sick leave. 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 accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended June 30, 2018 and 2017**

**NOTE 5 - LINE OF CREDIT**

The ABC Board has a line of credit in the amount of \$49,900 with a bank, secured by all assets, excluding inventory. There was no balance outstanding as of June 30, 2018 and 2017. The interest rate is prime + 1.0% and the line is set to expire on August 30, 2018.

**NOTE 6 - DISTRIBUTIONS OF INCOME**

The ABC Board has made distributions since inception as follows:

	<u>Current Year</u>	<u>Total to Date</u>
100% - Town of Wingate	\$ 54,665	\$ 122,635

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.

**NOTE 7 - LAW ENFORCEMENT AND ALCOHOLIC EDUCATION EXPENSES**

The ABC Board is required by law to expend at least 5% of its profits for law enforcement and not less than 7% for alcohol education (alcohol education requirement follows local enabling act.) Profits are defined by law for these calculations as change in position before law enforcement and educational expenses, less the 3½% markup provided in G.S. 18B-804 (b)(5) and the bottle charge provided for in G.S. 18B-804 (b)(6b).

For the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Profit before required distributions	\$ 133,177	\$ 102,815
Less: 3½% tax & bottle charge	<u>(48,438)</u>	<u>(42,244)</u>
Profit subject to expense percentages	<u>\$ 84,739</u>	<u>\$ 60,571</u>
Law enforcement expenditures - actual (percentage of income)	\$ 4,237 5%	\$ 4,000 7%
Alcohol education expenditures - actual (percentage of income)	\$ 5,932 7%	\$ 3,963 7%

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended June 30, 2018 and 2017**

**NOTE 8 - 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 year are summarized as follows:

	<u>2018</u>	<u>2017</u>
Taxes payable July 1	\$ 26,517	\$ 23,134
Taxes collected during the year	359,470	342,591
Taxes remitted to Department of Revenue	<u>(358,315)</u>	<u>(339,208)</u>
Taxes payable June 30	27,672	26,517
Other taxes payable June 30	<u>9,585</u>	<u>8,922</u>
Total Taxes Payable	\$ <u>37,257</u>	\$ <u>35,439</u>

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

The accrued North Carolina excise tax at June 30, 2018 was remitted to the North Carolina Department of Revenue on July 3, 2018.

A bottle charge of one cent (.01) on each bottle containing 50 milliliters or less and five cents (.05) 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 year ended June 30, 2018, payments to the county were based on the following bottle sales:

Regular Bottles	119,233 @ .05	= \$ 5,961
Mixed Beverage Bottles	302 @ .05	= 15
Miniature Bottles	53,870 @ .01	= <u>539</u>
Total Payment for Year		\$ <u>6,515</u>

A "mixed beverage tax" at the rate of \$20 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 Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the Department of Human Resources.

The mixed beverage tax for the years ended June 30, 2018 and 2017 was:

	<u>2018</u>	<u>2017</u>
Department of Revenue (50%)	\$ 607	\$ 575
Department of Human Resources (5%)	61	57
Profit Retained (45%)	<u>544</u>	<u>514</u>
	\$ <u>1,212</u>	\$ <u>1,146</u>

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended June 30, 2018 and 2017**

**NOTE 9 - SURCHARGE COLLECTED**

The total amount of Surcharge collected for the year ended June 30, 2018 was \$15,151. The current rate is \$1.40 per case.

**NOTE 10 - LIQUOR SALES TAX**

The total amount of sales tax collected by the ABC Board and remitted to the Department of Revenue for the fiscal year ended June 30, 2018 was \$113,836. The current sales tax rate is 7%.

**NOTE 11 - RETAIL OUTLETS**

The ABC Board operated one retail outlet with sales and income as follows for the year ended June 30, 2018:

	<u>Gross Sales</u>	<u>Change in Net Assets Before Distributions</u>
Store #1 – 4104 Highway 74 Wingate, N.C.	\$ <u>1,628,475</u>	\$ <u>133,741</u>

**NOTE 12 - RISK MANAGEMENT**

The ABC 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 ABC Board has commercial property, general liability, auto liability, worker's compensation and employee health coverage. The Board also has liquor legal liability.

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 the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

**NOTE 13 - BREAKAGE EXPENSE**

The ABC Board did not incur any breakage expense for the years ended June 30, 2018 and 2017 (breakage absorbed by the Board). All breakage was reimbursed by distributors.

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended June 30, 2018 and 2017**

**NOTE 14 - WORKING CAPITAL NEEDS**

The ABC 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 nor greater than three months' average gross sales of the last fiscal year. Gross sales means gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4).

Minimum Amount (average for 2 weeks)	\$ <u>48,532</u>
Maximum Amount (average for 3 months)	\$ <u>315,456</u>
Actual Working Capital	\$ <u>301,764</u>

The ABC Board has met the minimum amount of working capital.

**NOTE 15 - RECLASSIFICATION**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.

**NOTE 16 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 18, 2018, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**SCHEDULES OF STORE EXPENSES**  
**For The Years Ended June 30, 2018 and 2017**

	2018		2017	
	Amount	Percent	Amount	Percent
<b>STORE EXPENSES</b>				
Store salaries	\$ 137,729	8.46	\$ 127,953	8.25
Payroll taxes	15,851	0.97	13,561	0.87
Utilities	9,910	0.61	8,088	0.52
Rent	28,103	1.73	26,362	1.70
Repairs & maintenance	5,426	0.33	1,834	0.12
Computers and software	4,423	0.27	4,391	0.28
Uniforms	437	0.03	856	0.06
General insurance	7,038	0.43	3,462	0.22
Credit card fees	16,675	1.02	14,455	0.93
Hiring expense	310	0.02	335	0.02
Cash (over/short)	(100)	(0.01)	-	-
Employee incentives	867	0.05	361	0.02
	\$ 226,669	13.91	\$ 201,658	12.99
Total Store Expenses				



**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**SCHEDULES OF ADMINISTRATIVE EXPENSES**  
**For The Years Ended June 30, 2018 and 2017**

	2018		2017	
	Amount	Percent	Amount	Percent
Advertising	\$ 25	-	\$ 25	-
Bank service charges	1,586	0.10	1,507	0.10
Professional services	8,069	0.50	8,540	0.55
Board member expense	3,500	0.21	3,600	0.23
Office supplies	8,039	0.49	9,567	0.62
Dues and subscriptions	-	-	403	0.03
Travel	120	0.01	748	0.05
Internet services	1,430	0.09	933	0.06
Training	150	0.01	200	0.01
<b>Total Administrative Expenses</b>	<b>\$ 22,919</b>	<b>1.41</b>	<b>\$ 25,523</b>	<b>1.65</b>

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**SCHEDULE OF DISTRIBUTIONS OF PROFITS**  
*For The Year Ended June 30, 2018*

**Distribution**

**Restrictions on Use**

<b><u>Recipient</u></b>	<b><u>Amount</u></b>	<b><u>Date of Distribution</u></b>
<b><u>Law Enforcement</u></b>		
For law enforcement		
Town of Wingage Police Department	\$ 1,000	9/30/2017
Town of Wingage Police Department	1,000	12/31/2017
Town of Wingage Police Department	1,000	3/30/2018
Town of Wingage Police Department	1,000	6/15/2018
Town of Wingage Police Department	237	accrued
	<u>\$ 4,237</u>	
<b><u>Alcohol Education</u></b>		
For alcohol education		
Union County DWI Treatment Program	\$ 775	4/26/2018
Union County DWI Treatment Program	5,157	accrued
	<u>\$ 5,932</u>	
<b><u>Town of Wingate</u></b>		
Distribution of profits - no restrictions		
Town of Wingate	\$ 11,065	9/30/2017
Town of Wingate	13,433	12/31/2017
Town of Wingate	11,809	3/30/2018
Town of Wingate	8,500	6/25/2018
Town of Wingate	3,630	accrued
	<u>\$ 48,437</u>	

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For The Year Ended June 30, 2018**

	2018 Original Budget	2018 Revised Budget	2018 Actual	Variance Positive (Negative)
<b>REVENUES</b>				
<b>OPERATING REVENUES</b>				
Liquor sales			\$ 1,623,984	
Mixed beverage sales			<u>4,491</u>	
Total	<u>\$ 1,670,000</u>	<u>\$ 1,610,000</u>	<u>1,628,475</u>	<u>\$ 18,475</u>
<b>EXPENDITURES</b>				
<b>TAXES BASED ON REVENUE</b>				
State excise tax			359,470	
Mixed beverage tax (Department of Revenue)			607	
Mixed beverage tax (Human Resources)			61	
Rehabilitation tax			<u>6,515</u>	
Total	<u>415,000</u>	<u>400,600</u>	<u>366,653</u>	<u>33,947</u>
<b>COST OF GOODS SOLD</b>	<u>868,400</u>	<u>875,200</u>	<u>862,533</u>	<u>12,667</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	163,310	160,505	153,580	6,925
Board member expense	3,600	3,600	3,500	100
Rent	28,000	28,105	28,103	2
Utilities and internet	10,000	11,200	11,340	(140)
Repairs and maintenance	10,000	8,750	5,426	3,324
Office supplies	11,000	9,000	8,039	961
Insurance	5,900	6,550	7,038	(488)
Travel	1,000	1,000	120	880
Professional fees	18,800	13,500	12,492	1,008
Credit card fees	18,500	17,500	16,675	825
Cash over/short	-	-	(100)	100
Uniforms	1,000	500	437	63
Training	500	500	150	350
Dues and subscriptions	600	600	-	600
Service charges and fees	1,600	1,600	1,586	14
Advertising	150	150	25	125

**TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD**  
**(A COMPONENT UNIT OF THE TOWN OF WINGATE)**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For The Year Ended June 30, 2018**

	2018 Original Budget	2018 Revised Budget	2018 Actual	Variance Positive (Negative)
<b>OPERATING EXPENSES - Continued</b>				
Hiring expense	\$ 500	\$ 500	\$ 310	\$ 190
Employee incentives	1,000	1,000	867	133
Total Operating Expenses	<u>275,460</u>	<u>264,560</u>	<u>249,588</u>	<u>14,972</u>
CAPITAL OUTLAY	<u>-</u>	<u>5,750</u>	<u>5,750</u>	<u>-</u>
DISTRIBUTIONS	<u>38,737</u>	<u>63,765</u>	<u>64,834</u>	<u>(1,069)</u>
Total expenditures & distributions	<u>1,597,597</u>	<u>1,609,875</u>	<u>1,549,358</u>	<u>60,517</u>
Revenues over expenditures	<u>72,403</u>	<u>125</u>	<u>79,117</u>	<u>(78,992)</u>
Other financing sources/(uses)				
Working capital retained	<u>(72,403)</u>	<u>(125)</u>	<u>-</u>	<u>(125)</u>
Revenues over expenditures and other financing sources/(uses)	<u>\$ -</u>	<u>\$ -</u>	<u>79,117</u>	<u>\$ (79,117)</u>

**Reconciliation from budgetary  
basis (modified accrual) to full accrual:**

Reconciling items:

Depreciation	(16,524)
Capital outlay	<u>5,750</u>
Change in net position	<u>\$ 68,343</u>