

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

**JUNE 30, 2016 and 2015**

**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, 2016 and 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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**

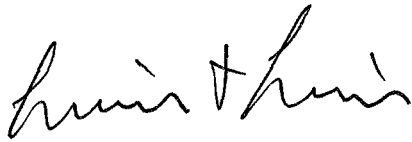
#### **Required Supplementary Information**

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, 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.

A handwritten signature in cursive script, appearing to read "Lewis & Lewis".

Lewis & Lewis CPAs PLLC  
August 13, 2016

## 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, 2016. This information should be read in conjunction with the audited financial statements included in this report.

### *Financial Highlights*

- Working capital was approximately \$58,208
- A \$10,000 voluntary distribution was made 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 \$241,769 in 2016. The largest component of net position was the investment in capital assets. It was 39% of the total net assets. Following is a summary of the Statement of Net Position:

**Table 1**  
**Condensed Statements of Net Position**

	06/30/16	06/30/15	06/30/14	\$ Change This Yr over Last Yr	% Change This Yr over Last Yr
Current assets	\$ 260,298	\$ 186,726	\$ 118,447	\$ 73,572	39.40%
Non-current assets	96,296	96,551	114,979	(255)	-0.26%
Total assets	\$ 356,594	\$ 283,277	\$ 233,426	\$ 73,317	25.88%
Current liabilities	\$ 114,825	\$ 143,866	\$ 108,640	\$ (29,041)	-20.19%
Non-current liabilities	-	6,557	46,704	(6,557)	0.00%
Total liabilities	\$ 114,825	\$ 150,423	\$ 155,344	\$ (35,598)	-23.67%
Invested in capital assets (net)	\$ 94,296	\$ 51,494	\$ 32,275	\$ 42,802	83.12%
Restricted net assets	43,653	40,928	37,336	2,725	6.66%
Unrestricted net assets	88,238	40,432	8,471	47,806	118.24%
Restatement for prior period adjustment	15,582	-	-	-	-
Total net position	\$ 241,769	\$ 132,854	\$ 78,082	\$ 108,915	81.98%

Unrestricted Net Position increased by 118.24% from the prior year. Income from operations increased by 34.56% 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**

	06/30/16	06/30/15	06/30/14	\$ Change This Yr over Last Yr	% Change This Yr over Last Yr
Operating revenues	\$ 1,464,047	\$ 1,375,188	\$ 1,254,084	\$ 88,859	6.46%
Less: Taxes on gross sales	330,061	311,064	283,359	18,997	6.11%
Net sales	\$ 1,133,986	\$ 1,064,124	\$ 970,725	\$ 69,862	6.57%
Cost of sales	783,896	734,555	672,338	49,341	6.72%
Gross profit	\$ 350,090	\$ 329,569	\$ 298,387	\$ 20,521	6.23%
Less: Operating expenses	238,189	246,407	245,160	(8,218)	-3.34%
Income from operations	\$ 111,901	\$ 83,162	\$ 53,227	\$ 28,739	34.56%
Non-operating revenues and expenses	(1,505)	(3,690)	(6,534)	2,185	-59.21%
Change in net position before distributions	\$ 110,396	\$ 79,472	\$ 46,693	\$ 30,924	38.91%
Distributions	17,063	24,700	-	(7,637)	-30.92%
Change in net position	\$ 93,333	\$ 54,772	\$ 44,057	\$ 38,561	70.40%
Net Position, beginning	132,854	78,082	34,025	54,772	70.15%
Restatement	15,582	-	-	-	-
Net Position, ending	\$ 241,769	\$ 132,854	\$ 78,082	\$ 108,915	139.49%

Following is a breakdown of sales by source:

	06/30/16	06/30/15	06/30/14	\$ Change	% Change
Retail Liquor Sales	\$ 1,458,860	\$ 1,365,594	\$ 1,249,920	\$ 93,266	6.83%
Mixed Beverage Sales	5,187	9,594	4,164	(4,407)	-45.93%
Total Sales	\$ 1,464,047	\$ 1,375,188	\$ 1,254,084	\$ 88,859	6.46%

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

*Capital Asset and Debt Administration*

**Capital Assets**

Investment in capital assets as of June 30, 2016, totals \$94,296 (net of accumulated depreciation).

A new point of sale system was purchased by the Board during the year at a cost of \$16,448.

**Table 3**

**Capital Assets**

**(net of depreciation)**

	<u>06/30/16</u>	<u>06/30/15</u>	<u>06/30/14</u>	<u>\$ Change</u>	<u>% Change</u>
Leasehold Improvements	\$ 56,248	\$ 61,450	\$ 78,032	\$ (5,202)	-8.47%
Equipment	<u>38,048</u>	<u>35,101</u>	<u>67,284</u>	<u>2,947</u>	<u>8.40%</u>
Total Capital Assets (net)	\$ 94,296	\$ 96,551	\$ 145,316	\$ (2,255)	

Additional information on the Board's capital assets can be found in Note 1.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 89% 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>06/30/16</u>	<u>06/30/15</u>	<u>06/30/14</u>	<u>\$ Change This Yr Over Last Yr</u>	<u>% Change This Yr Over Last Yr</u>
Notes Payable :					
Long Term	\$ -	\$ 6,557	\$ 46,704	\$ (6,557)	
Short Term	<u>5,104</u>	<u>38,500</u>	<u>36,000</u>	<u>(33,396)</u>	
Total	<u>\$ 5,104</u>	<u>\$ 45,057</u>	<u>\$ 82,704</u>	<u>\$ (39,953)</u>	<u>89.00%</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, 2016**  
**and June 30, 2015**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 159,535	\$ 104,698
Receivables	13,453	-
Prepaid Expenses	5,588	-
Inventories	81,722	82,028
Total Current Assets	\$ 260,298	\$ 186,726
<b>NON-CURRENT ASSETS</b>		
Buildings & Improvements (Net)	\$ 56,248	\$ 61,450
Furniture & Equipment (Net)	38,048	35,101
Refundable Deposits	2,000	-
Total non-current assets	\$ 96,296	\$ 96,551
<b>TOTAL ASSETS</b>	<b>\$ 356,594</b>	<b>\$ 283,277</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 72,884	\$ 54,133
Mixed Beverage, Excise & Bottle Tax	23,650	23,326
Liquor Sales Tax Payable	7,258	7,207
Current Portion of Long-term Debt	5,104	38,500
Distributions Payable	3,062	20,700
Accrued Expenses	2,867	-
Total Current Liabilities	\$ 114,825	\$ 143,866
<b>NON-CURRENT LIABILITIES</b>		
Long-term Debt	\$ -	\$ 6,557
<b>TOTAL LIABILITIES</b>	<b>\$ 114,825</b>	<b>\$ 150,423</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 94,296	\$ 51,494
Restricted for Working Capital	43,653	40,928
Unrestricted	88,238	40,432
Restatement for prior period adjustment	15,582	-
Total Net Position	\$ 241,769	\$ 132,854
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 356,594</b>	<b>\$ 283,277</b>

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, 2016**  
**and June 30, 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Liquor Sales - Regular	\$ 1,458,860	\$ 1,365,594
Mixed Beverage Sales	5,187	9,594
Total Gross Sales	<u>\$ 1,464,047</u>	<u>\$ 1,375,188</u>
DEDUCT TAXES ON GROSS SALES		
State Excise Tax	\$ 323,426	\$ 304,342
Mixed Beverage Tax - NCDHHR	73	107
Mixed Beverage Tax - NCDOR	722	1,155
Rehabilitation Tax (Bottle)	5,840	5,460
Total Taxes	<u>\$ 330,061</u>	<u>\$ 311,064</u>
NET SALES	<u>\$ 1,133,986</u>	<u>\$ 1,064,124</u>
DEDUCT COST OF SALES		
Cost of Liquor Sold	\$ 783,896	\$ 734,555
Total Cost of Sales	<u>\$ 783,896</u>	<u>\$ 734,555</u>
GROSS PROFIT ON SALES	<u>\$ 350,090</u>	<u>\$ 329,569</u>
DEDUCT OPERATING EXPENSES		
Store Expenses	\$ 194,800	\$ 201,120
Administrative Expenses	24,687	26,859
Depreciation Expense	18,702	18,428
Total Operating Expenses	<u>\$ 238,189</u>	<u>\$ 246,407</u>
INCOME FROM OPERATIONS	\$ 111,901	\$ 83,162
Non-operating Revenues (Expenses)		
Interest Income	\$ -	\$ -
Interest Expense	(1,505)	(3,690)
Total Non-operating Revenues (Expenses)	<u>\$ (1,505)</u>	<u>\$ (3,690)</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	\$ 110,396	\$ 79,472
DEDUCT DISTRIBUTIONS		
Law Enforcement	\$ 2,943	\$ 4,000
Alcohol Education & Rehab	4,120	2,700
Change in Net Position Before Profit Distributions	<u>\$ 103,333</u>	<u>\$ 72,772</u>
Profit Distributions - Town of Wingate	<u>10,000</u>	<u>18,000</u>
CHANGE IN NET POSITION	\$ 93,333	\$ 54,772
NET POSITION - JULY 01	132,854	78,082
Restatement	15,582	-
NET POSITION - JUNE 30	<u>\$ 241,769</u>	<u>\$ 132,854</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, 2016**  
**and June 30, 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,464,046	\$ 1,375,188
Cash payments to suppliers for goods & services	(769,926)	(742,949)
Cash payments to employees for services	(115,124)	(126,678)
Other operating expenses	(104,935)	(79,494)
Taxes paid	(335,835)	(295,469)
Net Cash Provided By Operating Activities	\$ 138,226	\$ 130,598
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of fixed assets	\$ (9,909.00)	\$ -
Payments on long-term debt	(39,973)	(37,647)
Interest paid	(1,505)	(3,690)
Net Cash (Used) by Capital and Related Financing Activities	\$ (51,387)	\$ (41,337)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Law Enforcement & Alcohol Education distributions	\$ (4,001)	\$ (4,636)
Profit Distributions to Wingate	(28,000)	(18,000)
Net Cash (Used) by Non-Capital Financing Activities	\$ (32,001)	\$ (22,636)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Earned on Investments	\$ -	\$ -
Net Cash Provided by Investing Activities	\$ -	\$ -
<b>NET (DECREASE) IN CASH</b>	\$ 54,838	\$ 66,625
CASH - Beginning of Year	104,698	38,073
CASH - End of Year	\$ 159,536	\$ 104,698
 <b>Reconciliation of Income from Operations to Net Cash Provided by Operating Activities</b>		
Net Income from Operations	\$ 111,901	\$ 83,162
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation Expense	18,702	18,428
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(5,439)	3,807
(Increase) Decrease in Inventory	307	(5,461)
Increase (Decrease) in Liquor Taxes Payable	(3,774)	15,595
Increase (Decrease) in Accounts Payable	13,662	(2,933)
Increase (Decrease) in Accrued Liabilities	2,867	-
Net Cash Provided by Operating Activities	\$ 138,226	\$ 112,598

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, 2016**

**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 assets 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, 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.

At June 30, 2015, the Board's deposits had a carrying amount of \$100,406 and a bank balance of \$101,990. 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. The Board does however have receivables at year end in the amount of \$13,453 resulting from overpayment of payroll taxes.

(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, 2016 was as follows:

	<u>Useful life</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital Assets being depreciated</b>					
Buildings & Improvements	40 years	\$ 78,032	\$ -	\$ -	\$ 78,032
Store Equipment	5-10 years	42,689	-	-	42,689
Office Equipment	5-10 years	24,595	16,448	-	41,044
Total Capital Assets being depreciated		\$ 145,316	\$ 16,448	\$ -	\$ 161,765
<b>Less accumulated depreciation for:</b>					
Buildings & Improvements		\$ (16,582)	\$ (5,202)	\$ -	\$ (21,784)
Store Equipment		(16,902)	(8,307)	-	(25,209)
Office Equipment		(15,281)	(5,193)	-	(20,476)
Total accumulated depreciation		\$ (48,765)	\$ (18,702)	\$ -	\$ (67,469)
Capital Assets, net		\$ 96,551	\$ -	\$ -	\$ 94,296

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, 2015 and 2016. For the year ended June 30, 2016, 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:	
2017	\$ 21,600.00
2018	22,680.00
2019	22,680.00
2020	22,680.00
2021	22,680.00
Thereafter	22,680.00
Total	<u><u>\$ 135,000.00</u></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, 2016 or 2015. The interest rate is 4.5%.



The Board has a term note payable to a bank with a balance of \$5,104. At June 30, 2016, the entire balance was short term.

**Note 5. Related Party Transactions**

There were no related party transactions for the fiscal year ended June 30, 2016 and 2015.

**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, 2016 amounted to approximately \$837.

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 \$28,000 which are summarized as follows:

	<u>Current Year</u>	<u>Inception to Date</u>
Town of Wingate 100%	<u>\$ 10,000</u>	<u>\$ 28,000</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 Town of Wingate has allowed the Board to forgo distributions for the year in order to purchase additional fixed assets. The Board, however, made voluntary distributions of \$10,000 for the year.

**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 following schedule summarizes the Board's expenditures for these items during 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Income before required distributions	\$ 102,396	\$ 79,472
Less 3 1/2% tax & bottle charge	43,546	40,947
	<u>58,850</u>	<u>\$ 38,525</u>
Profit subject to expense percentages		
Law Enforcement Expenditures	\$ 2,943	\$ 4,000
Actual % of Profit	5%	10%
Provision for Alcoholic Education & Rehabilitation	\$ 4,120	\$ 2,700
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>2016</u>	<u>2015</u>
Taxes payable – beginning of year	\$ 34,761	\$ 19,166
Taxes collected during the year	323,426	304,342
Taxes remitted to NC Dept. of Revenue	335,053	288,747
	<u>23,134</u>	<u>\$ 34,761</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, 2016, was remitted to the North Carolina Department of Revenue on July 06, 2016.

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, 2016			
Regular Bottles	107,325	@.05	\$ 5,365
Mixed Beverage Bottles	335	@.05	17
Miniature Bottles	45,751	@.01	458
Total Tax Collected for Year ended June 30, 2016			<u>\$ 5,840</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 taxes for the years ended June 30, 2016 and 2015 was:

	<u>2016</u>	<u>2015</u>
NC Department of Revenue (50%)	\$ 722	\$ 1,155
NC Department of Human Resources (5%)	73	107
Profit Retained (45%)	650	1,048
Total	<u>\$ 1,445</u>	<u>\$ 2,310</u>

At June 30, taxes payable were:

	<u>2016</u>	<u>2015</u>
NC Department of Revenue - Mixed Beverage & Excise Tax	\$ 23,215	\$ 22,809
NC Department of Human Resources - Mixed Beverage Tax	8	83
Union County - Bottle Tax	427	434
Total	<u>\$ 23,650</u>	<u>\$ 23,326</u>

**Note 10. Surcharge Collected**

The total amount of surcharge collected for the fiscal year was \$12,671. (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 \$102,270. 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 \$1,464,047 Change in Net Position \$110,396

**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	\$	43,653.00
Maximum Amount	\$	378,329.00
Actual Amount	\$	58,208.00

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 \$307.

**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. Net Position Restatement**

Errors were discovered in payroll taxes for prior period which resulted in claims for refunds being submitted. This produced a prior period adjustment and restatement of Net Position.

**Note 17. Subsequent Events**

Subsequent events have been evaluated through August 13, 2016 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, 2016**  
**and June 30, 2015**

	<u>2016</u>	<u>2015</u>
Salaries & Wages	\$ 117,991	\$ 126,678
Payroll Tax	9,028	10,494
Utilities	7,821	8,963
Rent	25,829	25,606
Repairs & Maint - Bldg	2,220	2,686
Repairs & Maint - Equip	3,625	-
Janitorial Service	728	-
Store Supplies	2,086	124
Insurance - General & Workman's Comp	6,701	9,303
Bank Card Fees	17,914	17,118
Hiring Expense	370	-
Employee Welfare	460	-
Cash Short	27	148
Total Store Expenses	<u>\$ 194,800</u>	<u>\$ 201,120</u>

See independent auditor's report.

**Wingate Board of Alcoholic Beverage Control**  
**Schedule of Administrative Expenses**  
**For the Years Ended June 30, 2016**  
**and June 30, 2015**

	<u>2016</u>	<u>2015</u>
Advertising	\$ -	\$ 134
Bank Service Charges	1,295	1,395
Professional Services	10,613	14,392
Director's Fees	3,100	3,600
Office Supplies	6,243	6,230
Dues & Subscriptions	544	531
Travel	206	-
Internet Services	1,329	-
Postage	603	452
Uniforms	591	-
Training	163	125
Total	<u>\$ 24,687</u>	<u>\$ 26,859</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, 2016**

	2016 Original Budget	2016 Revised Budget	2016 Actual	Variance Positive (Negative)
<b>Revenues</b>				
<b>Operating Revenues:</b>				
Sales	\$ 1,363,000	\$ 1,485,000	\$ 1,464,047	\$ (20,953)
<b>Non-operating Revenues:</b>				
Interest	-	-	-	-
Total Revenues	<u>\$ 1,363,000</u>	<u>\$ 1,485,000</u>	<u>\$ 1,464,047</u>	<u>\$ (20,953)</u>
<b>Expenditures:</b>				
Taxes based on revenue:	<u>\$ 320,000</u>	<u>\$ 367,250</u>	<u>\$ 330,061</u>	<u>\$ 37,189</u>
Cost of Goods Sold	<u>\$ 696,000</u>	<u>\$ 758,500</u>	<u>\$ 783,896</u>	<u>\$ (25,396)</u>
<b>Operating Expenses:</b>				
Salaries and benefits	\$ 150,400	\$ 151,800	\$ 127,849	\$ 23,951
Advertising	150	150	-	150
Bank service charges	1,600	1,600	1,322	278
Board member expense	3,600	3,600	3,100	500
Conference, training and travel	500	500	163	337
Unemployment Insurance	4,500	4,500	-	4,500
Interest expense	4,800	4,800	1,505	3,295
Rent	28,000	28,000	25,829	2,171
Repairs & Maintenance	3,000	3,000	6,573	(3,573)
Insurance	5,300	5,300	6,701	(1,401)
Store & Office Supplies	7,000	6,600	8,932	(2,332)
Travel	550	550	206	344
Dues & Subscriptions	600	600	544	56
Professional fees	14,000	14,000	10,613	3,387
Utilities	11,000	11,000	9,150	1,850
Credit card fees	16,000	19,400	17,914	1,486
Uniforms	1,000	1,000	591	409
Total Operating Expenses	<u>\$ 252,000</u>	<u>\$ 256,400</u>	<u>\$ 220,992</u>	<u>\$ 35,408</u>

See independent auditor's report.

Capital Outlay	<u>\$ -</u>	<u>\$ 30,000.00</u>	<u>\$ 16,448.00</u>	<u>\$ 13,552.00</u>
Debt Service				
Loan payments	<u>\$ 39,000</u>	<u>\$ 39,000</u>	<u>\$ 39,953</u>	<u>\$ (953)</u>
 Total Expenditures	 <u>\$ 1,307,000</u>	 <u>\$ 1,451,150</u>	 <u>\$ 1,391,350</u>	 <u>\$ 59,800</u>
Distributions				
Law enforcement	\$ 4,000	\$ 4,000	\$ 2,943	\$ 1,057
Alcohol education & rehab	-	-	4,120	(4,120)
Municipal	-	10,000	10,000	-
Total	<u>\$ 4,000</u>	<u>\$ 14,000</u>	<u>\$ 17,063</u>	<u>\$ (3,063)</u>
Total Expenditures & Distributions	<u>\$ 1,311,000</u>	<u>\$ 1,465,150</u>	<u>\$ 1,408,413</u>	<u>\$ 56,737</u>
Other financing (uses):				
Working Capital retained	<u>\$ 52,000</u>	<u>\$ 19,850</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues over Expenditures and other Financing (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,634</u>	<u>\$ 35,784</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Debt Service			39,953	
Depreciation			(18,702)	
Capital outlay			<u>16,448</u>	
Change in net position			<u>\$ 93,333</u>	

See independent auditor's report.