

TOWN OF WINGATE

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

**Audited Financial Statements
June 30, 2015 and 2014**

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

Wingate, North Carolina

**Audited
Financial Statements**

At

June 30, 2015 and 2014

And

For The Years Then Ended

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POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, distributions, and 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 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 opinion.

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, 2015 and 2014, and the respective changes in financial position and cash flows 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 on pages 4-7 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 Schedules of Store and Warehouse Expenses, Administrative Expenses, and Revenues and Expenditures - 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 and Warehouse Expenses, Administrative Expenses, and the Revenues and Expenditures - 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.

Monroe, North Carolina
October 12, 2015

Potta & Company

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, 2015. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Gross sales increased \$115,674 or 9%.
- Net Position increased from 2014 to 2015 by \$54,772
- Payments on the note payable totaled \$37,647 for the year ended June 30, 2015.
- Income from operations increased from 2014 to 2015 by \$29,935.
- Profit distributions were \$18,000 for 2015

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 and Warehouse Expenses**, a **Schedule of Administrative Expenses** and a **Budget to Actual Reconciliation**.

Financial Analysis of the ABC Board

Net position is an indication of the fiscal health of the Board. Assets exceeded liabilities by \$132,854 at June 30, 2015 and by \$78,082 at June 30, 2014. The largest component of net position was net investment in capital assets. It was 38.8% of the total net position for 2015, and 41.3% for 2014. Following is a summary of the statement of net position.

Table 1
Condensed Statement of Net Position

	<u>6/30/15</u>	<u>6/30/14</u>	<u>\$ Change This Yr Over Last Yr</u>	<u>% Change This Yr Over Last Yr</u>
Current assets	\$ 186,726	\$ 118,447	\$ 68,279	57.6
Non-current assets	96,551	114,979	(18,428)	(16.0)
Total assets	283,277	233,426	49,851	21.4
Current liabilities	143,866	108,640	35,226	32.4
Non-current liabilities	6,557	46,704	(40,147)	(86.0)
Total liabilities	150,423	155,344	(4,921)	(3.2)
Net position invested in capital assets, net of related debt	51,494	32,275	19,219	59.5
Restricted for working capital	40,928	37,336	3,592	9.6
Unrestricted Net Position	40,432	8,471	11,436	135.0
Total Net Position	132,854	78,082	54,772	70.1

Net Position increased by \$54,772 from the prior year. Income from operations \$83,162 in 2015 compared to \$53,227 in 2014. Following is a summary of the changes in net position:

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

	<u>6/30/15</u>	<u>6/30/14</u>	<u>\$ Change This Yr Over Last Yr</u>	<u>% Change This Yr Over Last Yr</u>
Operating revenues	\$ 1,375,188	\$ 1,254,084	\$ 121,104	9.7
Less: Taxes on gross sales	311,064	283,359	27,705	9.8
Net Sales	1,064,124	970,725	93,399	9.6
Cost of sales	734,555	672,338	62,217	9.3
Gross profit	329,569	298,387	31,182	10.5
Less: Operating expenses	246,407	245,160	1,247	0.5
Income/(loss) from operations	83,162	53,227	29,935	56.2
Nonoperating revenues and expenses	(3,690)	(6,534)	(2,844)	(45.5)
Change in Net Position before distributions	79,472	46,693	32,779	70.2
Distributions	6,700	2,636	4,064	154.2
Profit distributions	18,000	-	18,000	n/a
Change in Net Position	54,772	44,057	10,715	24.3

Following is a breakdown of sales by source:

	<u>6/30/15</u>	<u>06/30/14</u>	<u>\$ Change This Yr Over Last Yr</u>	<u>% Change This Yr Over Last Yr</u>
Retail Liquor Sales	\$ 1,365,594	\$ 1,249,920	\$ 115,674	9.3
Mixed Beverage Sales	<u>9,594</u>	<u>4,164</u>	<u>5,430</u>	<u>130.0</u>
Total Sales	<u>\$ 1,375,188</u>	<u>\$ 1,254,084</u>	<u>\$ 121,104</u>	<u>9.7</u>

Capital Asset and Debt Administration

Capital Assets

**Table 3
Capital Assets
(net of depreciation)**

	<u>06/30/15</u>	<u>6/30/14</u>	<u>\$ Change This Yr Over Last Yr</u>	<u>% Change This Yr Over Last Yr</u>
Store equipment	\$ 35,098	\$ 48,327	\$ (13,229)	(21.7)
Leasehold Improvements	<u>61,450</u>	<u>66,652</u>	<u>(5,202)</u>	<u>(7.8)</u>
Total Capital Assets	<u>\$ 96,548</u>	<u>\$ 114,979</u>	<u>\$ (18,431)</u>	<u>(16.0)</u>

Debt Administration

**Table 4
Summary of Long-term Debt**

	<u>06/30/15</u>	<u>6/30/14</u>	<u>\$ Change This Yr Over Last Yr</u>	<u>% Change This Yr Over Last Yr</u>
Line of Credit	\$ -	\$ -	\$ -	-
Note Payable	<u>45,057</u>	<u>82,704</u>	<u>(37,647)</u>	<u>(45.5)</u>
Total Long-term Debt	<u>\$ 45,057</u>	<u>\$ 82,704</u>	<u>\$ (37,647)</u>	<u>(45.5)</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:

Margaret Selby, Finance Officer
Wingate ABC Board
4104 Highway 74
Wingate, North Carolina 28174

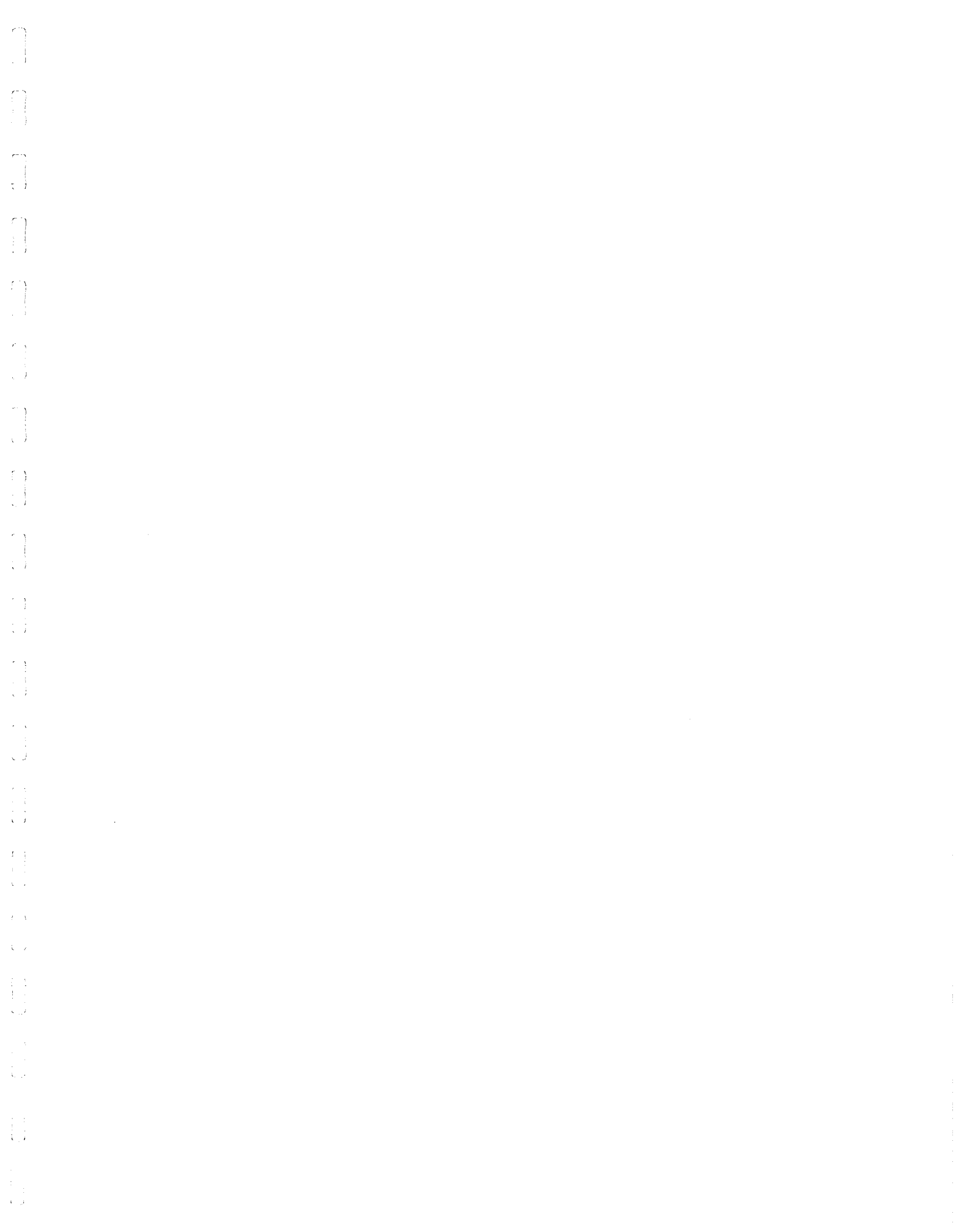
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BASIC FINANCIAL STATEMENTS

WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
STATEMENTS OF NET POSITION
For The Years Ended June 30, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 104,698	\$ 38,073
Accounts receivable	-	3,807
Inventories	<u>82,028</u>	<u>76,567</u>
Total Current Assets	<u>186,726</u>	<u>118,447</u>
PROPERTY AND EQUIPMENT		
Store equipment	67,284	67,284
Leasehold Improvements	78,032	78,032
Less: Accumulated depreciation	<u>(48,765)</u>	<u>(30,337)</u>
Net Property and Equipment	<u>96,551</u>	<u>114,979</u>
TOTAL ASSETS	<u>\$ 283,277</u>	<u>\$ 233,426</u>
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 49,904	\$ 52,837
Current portion of long term debt	38,500	36,000
Taxes payable	34,762	19,167
Distributions payable	<u>20,700</u>	<u>636</u>
Total Current Liabilities	143,866	108,640
LONG-TERM DEBT		
Total Liabilities	<u>6,557</u>	<u>46,704</u>
Total Liabilities	<u>150,423</u>	<u>155,344</u>
NET POSITION		
Net investment in capital assets	51,494	32,275
Restricted for working capital	40,928	37,336
Unrestricted	<u>40,432</u>	<u>8,471</u>
Total Net Position	<u>132,854</u>	<u>78,082</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 283,277</u>	<u>\$ 233,426</u>

See Accompanying Notes to Financial Statements.



	2015		2014	
	Amount	Percent	Amount	Percent
NONOPERATING REVENUES/ EXPENSES				
Interest revenue	\$ -	-	\$ 20	-
Interest expense	<u>(3,690)</u>	<u>(0.27)</u>	<u>(6,554)</u>	<u>(0.52)</u>
Total Nonoperating Revenues/ Expenses	<u>(3,690)</u>	<u>(0.27)</u>	<u>(6,534)</u>	<u>(0.52)</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS				
	<u>79,472</u>	<u>5.79</u>	<u>46,693</u>	<u>3.74</u>
DEDUCT DISTRIBUTIONS				
Alcohol Education	2,700	0.20	636	0.05
Law Enforcement	<u>4,000</u>	<u>0.29</u>	<u>2,000</u>	<u>0.16</u>
Total Distributions	<u>6,700</u>	<u>0.49</u>	<u>2,636</u>	<u>0.21</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS				
	<u>72,772</u>	<u>5.30</u>	<u>44,057</u>	<u>3.53</u>
PROFIT DISTRIBUTIONS				
Town of Wingate	<u>18,000</u>		<u>-</u>	
Total Profit Distributions	<u>18,000</u>		<u>-</u>	
CHANGE IN NET POSITION	54,772		44,057	
NET POSITION, BEGINNING	<u>78,082</u>		<u>34,025</u>	
NET POSITION, END OF YEAR	<u>\$ 132,854</u>		<u>\$ 78,082</u>	

WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
STATEMENTS OF DISTRIBUTIONS
For The Years Ended June 30, 2015 and 2014

DISTRIBUTION BY QUARTER FOR JUNE 30, 2015

	Distribution for Quarter Ended June 30, 2015	Distributed in Prior Quarters	Total Distributed as of June 30, 2015
Town of Wingate	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 18,000</u>

DISTRIBUTION BY QUARTER FOR JUNE 30, 2014

	Distribution for Quarter Ended June 30, 2014	Distributed in Prior Quarters	Total Distributed as of June 30, 2014
Town of Wingate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,375,188	\$ 1,254,084
Payments for inventory costs	(742,949)	(636,000)
Payments for operating expenses	(224,172)	(230,539)
Taxes paid	(295,469)	(283,359)
Net cash provided by operating activities	112,598	104,186
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net change in line of credit	-	(38,842)
Payments on long-term debt	(37,647)	(35,601)
Interest paid	(3,690)	(6,554)
Net cash used in capital and related financing activities	(41,337)	(80,997)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Alcohol Education distributions	(636)	(1,121)
Law Enforcement distributions	(4,000)	(2,000)
Net cash used in non-capital financing activities	(4,636)	(3,121)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned on investments	-	20
Net cash provided by investing activities	-	20
NET INCREASE IN CASH	66,625	20,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	38,073	17,985
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 104,698	\$ 38,073

See Accompanying Notes to Financial Statements.

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	<u>\$ 83,162</u>	<u>\$ 53,227</u>
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	18,428	18,428
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	3,807	(3,807)
(Increase) decrease in inventory	(5,461)	17,460
Increase (decrease) in accounts payable	(2,933)	13,644
Increase (decrease) in taxes payable	<u>15,595</u>	<u>5,234</u>
Total adjustments	<u>29,436</u>	<u>50,959</u>
Net cash provided by operating activities	<u>\$ 112,598</u>	<u>\$ 104,186</u>

TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
For The Years Ended June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Wingate ABC Board is reported as a discretely presented component unit in the Town's financial statements.

Organizational History

The Board was authorized by a town wide voter referendum held on November 3, 2009, under the provisions of Section 18B of the North Carolina General Statutes and operates subject to House Bill #1717 of the North Carolina General Assembly, effective October 1, 2010. The Town of Wingate appointed three individuals to serve on the Board with terms of three years, two years, and one year.

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

Basis of Presentation

All activities of the Town of Wingate Alcoholic Beverage Control 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 position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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
NOTES TO FINANCIAL STATEMENTS
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
For The Years Ended June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

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.

Assets, Liabilities and Net Position

Deposits

All deposits of the Wingate ABC Board are made in board-designated official depositories and are collateralized as required by G.S. 159-31. The ABC Board may designate as an official depository, any bank or savings and loan 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 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 the 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 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, 2015, the ABC 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.

At June 30, 2014, the ABC board's deposits had a carrying amount of \$33,781 and a bank balance of \$38,955. All of the bank balance was covered by federal depository insurance.

Investments

Local ABC boards are allowed to invest idle funds in accordance with G.S. 159-30(c). The Wingate ABC Board had no investments at June 30, 2015 and 2014.

TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
For The Years Ended June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

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.

Inventories

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

Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated				
Store Equipment	\$ 67,284	\$ -	\$ -	\$ 67,284
Leasehold Improvements	<u>78,032</u>	<u>-</u>	<u>-</u>	<u>78,032</u>
Total capital assets being depreciated	<u>145,316</u>	<u>-</u>	<u>-</u>	<u>145,316</u>
Less accumulated depreciation for:				
Store Equipment	18,957	-	13,226	32,183
Leasehold Improvements	<u>11,380</u>	<u>-</u>	<u>5,202</u>	<u>16,582</u>
Total capital assets being depreciated, net	<u>30,337</u>	<u>-</u>	<u>18,428</u>	<u>48,765</u>
Capital Assets, net	<u>\$ 114,979</u>	<u>\$ -</u>	<u>\$ 18,428</u>	<u>\$ 96,551</u>

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.

Net Position

Net Position may consist 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.

TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
For The Years Ended June 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

- b. 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 four months' average gross sales of the last fiscal year. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required in G.S. 18B-805(b), (2), (3), (4).
- c. 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 is not making quarterly distributions as required by G.S. 18B-805(g). For the year ended June 30, 2015, annual rather than quarterly distributions were paid. The Board will put policies and procedures in place to ensure that future distributions are made in a timely manner.

For the fiscal year ended June 30, 2015, there were variances between the authorized budget and the actual amount of expenses. The Board has put policies and procedures in place to ensure that future budgets are amended as necessary to cover changes in revenues and expenditures.

NOTE 3 - NOTES PAYABLE

The Wingate ABC Board has a line of credit with a bank secured by all assets. There was no balance outstanding on the line as of June 30, 2015 or 2014. The interest rate is 4.25%.

The Wingate ABC board has a note payable to a bank with a balance of \$45,057 at June 30, 2015 and \$82,704 at June 30, 2014. Payments of \$3,445, including interest at a rate 5.50% are made monthly. The note is secured by all assets. The following is a schedule of future minimum principal payments under the note as of June 30, 2015.

June 30, 2016	\$	38,500
June 30, 2017		<u>6,557</u>
	\$	<u>45,057</u>

TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
For The Years Ended June 30, 2015 and 2014

NOTE 4 - LEASES

The Board has a ten year operating lease for facilities located at 4104 Hwy. 74, Wingate, NC 28135 that expires May 1, 2022. The Board is responsible for utilities and insurance on store contents. The monthly minimum rent payment is adjusted annually in accordance with the Consumer Price Index. The minimum annual lease payments for the years remaining under the lease will be as follows:

June 30, 2016	\$	21,600
June 30, 2017		21,600
June 30, 2018		22,680
June 30, 2019		22,680
June 30, 2020		22,680
Thereafter		45,360

Rent expense in the amount of \$25,606 and \$24,880 was incurred during the years ended June 30, 2015 and 2014, respectively.

NOTE 5 - VACATION AND SICK LEAVE COMPENSATION

Full-time employees of the Town of Wingate ABC Board earn paid vacation and sick leave each year. 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.

NOTE 6 - DISTRIBUTIONS OF INCOME

The Board has made distributions since inception as follows:

	<u>Current Year</u>	<u>Total to Date</u>
100% Town of Wingate	\$ <u>18,000</u>	\$ <u>18,000</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 agreed to waive a portion of the current year distributions to allow the ABC Board to retain funds to accumulate adequate working capital.

TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
For The Years Ended June 30, 2015 and 2014

NOTE 7 - LAW ENFORCEMENT AND ALCOHOLIC EDUCATION EXPENSES

The Board is required by law to expend 5% of its total profits for law enforcement and not less than 7% for alcohol education. Profits are defined by law for these calculations as change in net position before law enforcement and educational expenses, less the 3 1/2% 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Profit before required distributions	\$ 79,472	\$ 46,693
Less: 3½% tax & bottle charge	<u>(40,947)</u>	<u>(37,601)</u>
Profit subject to expense percentages	\$ <u>38,525</u>	\$ <u>9,092</u>
Law enforcement expenditures - actual (percentage of income)	\$ 4,000 10%	\$ 2,000 22%
Alcohol education expenditures - actual (percentage of income)	\$ 2,700 7%	\$ 636 7%

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). The excise tax is computed in accordance with G.S. 18B-805(i). Excise taxes collected during the year totaled \$304,342. The accrued North Carolina excise tax at June 30, 2015 in the amount of \$22,801 was remitted to the North Carolina Department of Revenue by July 2, 2015.

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, 2015, payments to the county were based on the following bottle sales:

Regular Bottles	99,416 @ .05 =	\$ 4,971
Mixed Beverage Bottles	490 @ .05 =	25
Miniature Bottles	46,447 @ .01 =	<u>464</u>
Total Payment for Year		\$ <u>5,460</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.

TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
For The Years Ended June 30, 2015 and 2014

NOTE 8 - DISBURSEMENT OF TAXES INCLUDED IN SELLING PRICE - Continued

he mixed beverage tax for the year ended June 30, 2015 was:

		<u>2015</u>
Department of Revenue (50%)	\$	1,155
Department of Human Resources (5%)		107
Profit Retained (45%)		<u>1,048</u>
	\$	<u>2,310</u>

NOTE 9 - SURCHARGE COLLECTED

The total amount of surcharge collected for the year ended June 30, 2015 and 2014 was \$8,267 and \$6,860, respectively. The rate increased on May 1, 2015 from 80 cents per case sold to \$1.40 per case sold.

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 was \$95,705. The current sales tax rate is 7%.

NOTE 11 - RETAIL OUTLETS

The Town of Wingate Alcoholic Beverage Control Board operated one retail outlet, with sales and profits as follows for the year ended June 30, 2015:

	<u>Gross Sales</u>	<u>Change in Net Position Before Distributions</u>
4104 E Hwy 74 Monroe St Wingate, N.C. 28174	\$ <u>1,375,188</u>	\$ <u>79,472</u>

TOWN OF WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
For The Years Ended June 30, 2015 and 2014

NOTE 12 - 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 four months' 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 Wingate ABC Board's position on this requirement is as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Gross Sales for the Year	\$ 1,375,188	\$ 1,254,084
Less: State Excise Tax	304,342	277,528
Mixed Beverage Tax	1,262	616
Rehabilitation Tax	5,460	5,215
	<u>1,064,124</u>	<u>970,725</u>
Net Sales	\$ 1,064,124	\$ 970,725
Minimum Amount (average for 2 weeks)	\$ 40,928	\$ 37,336
Maximum Amount (average for 4 months)	\$ 354,708	\$ 323,575
Actual Working Capital	\$ 81,360	\$ 42,000

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

NOTE 13 - RISK MANAGEMENT

The Town of Wingate 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, workmen'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 14 - SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
SCHEDULES OF STORE AND WAREHOUSE EXPENSES
For The Years Ended June 30, 2015 and 2014

	<u>2015</u>		<u>2014</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Store salaries and benefits	\$ 137,172	9.97	\$ 134,230	10.70
General repairs and maintenance	2,686	0.20	913	0.07
Utilities	8,963	0.65	8,341	0.67
Rent	25,606	1.86	24,880	1.98
Insurance	9,303	0.68	11,507	0.92
Credit card fees	17,118	1.24	15,997	1.28
Overages and shortages	148	0.01	111	0.01
Miscellaneous	124	0.01	3,148	0.25
Total Store and Warehouse Expenses	<u>\$ 201,120</u>	<u>14.62</u>	<u>\$ 199,127</u>	<u>15.88</u>

WINGATE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WINGATE)
SCHEDULES OF ADMINISTRATIVE EXPENSES
For The Years Ended June 30, 2015 and 2014

	<u>2015</u>		<u>2014</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Professional fees	\$ 14,392	1.05	\$ 13,873	1.10
Directors' fees	3,600	0.26	3,600	0.29
Dues and subscriptions	531	0.04	531	0.04
Postage	452	0.03	462	0.04
Office supplies	6,230	0.45	6,462	0.52
Bank service charges	1,395	0.10	1,411	0.11
Advertising	134	0.01	128	0.01
Uniforms	-	-	893	0.07
Training	125	0.01	245	0.02
Total Administrative Expenses	<u>\$ 26,859</u>	<u>1.95</u>	<u>\$ 27,605</u>	<u>2.20</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, 2015

	2015 Original Budget	2015 Revised Budget	2015 Actual	Variance Positive (Negative)
REVENUES				
OPERATING REVENUES				
Liquor sales	\$ 1,253,000	\$ 1,403,000	\$ 1,365,594	\$ (37,406)
Mixed Beverage Sales	10,000	10,000	9,594	(406)
Total	1,263,000	1,413,000	1,375,188	(37,812)
NONOPERATING REVENUES				
Interest income	-	-	-	-
Total Nonoperating Revenues	-	-	-	-
Total Revenues	1,263,000	1,413,000	1,375,188	(37,812)
EXPENDITURES				
TAXES BASED ON REVENUE				
State excise tax	300,000	327,000	304,342	22,658
Rehabilitation tax	7,700	7,700	5,460	2,240
Mixed beverage tax	1,300	1,300	1,262	38
Total	309,000	336,000	311,064	24,936
PURCHASES AND BAILMENT	636,000	736,000	734,555	1,445
OPERATING EXPENSES				
Advertising	150	150	134	16
Salaries and benefits	148,000	146,045	137,172	8,873
Directors' fees	3,600	3,600	3,600	-
Rent	26,000	26,655	25,606	1,049
Utilities	10,000	10,000	8,963	1,037
Repairs & maintenance	1,000	2,900	2,686	214
Office/store supplies	6,000	8,300	6,682	1,618
Insurance	20,800	20,600	9,303	11,297
Training/ Uniforms	1,500	500	125	375
Professional fees	14,000	16,000	14,392	1,608
Bank Service Charges	1,500	1,500	1,395	105
Dues & Subscriptions	600	600	531	69
Credit card fees	16,000	16,000	17,118	(1,118)
Miscellaneous	1,250	550	272	278
Total Operating Expenses	250,400	253,400	227,979	25,421



	2015 Original Budget	2015 Revised Budget	2015 Actual	Variance Positive (Negative)
DEBT SERVICE AND CAPITAL OUTLAY				
Principal payments	36,000	36,000	37,648	(1,648)
Interest payments	7,500	7,500	3,690	3,810
Total Debt Service	43,500	43,500	41,338	2,162
DISTRIBUTIONS				
Law enforcement	4,000	4,000	4,000	-
Alcohol education	-	-	2,700	(2,700)
Wingate	4,000	-	18,000	(18,000)
Total	8,000	4,000	24,700	(20,700)
Total expenditures & distributions	1,246,900	1,372,900	1,339,636	33,264
Revenues over expenditures	16,100	40,100	35,552	(4,548)
OTHER FINANCING (USES)				
Working Capital Retained	16,100	40,100	-	40,100
Revenues over expenditures and other financing (uses)	\$ -	\$ -	35,552	\$ (44,648)

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

Reconciling items:

Depreciation	(18,428)
Debt service (Principal)	37,648
Capital Outlay	-
Change in net assets	\$ 54,772