

**MONTGOMERY ALCOHOLIC
BEVERAGE CONTROL BOARD**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2017 and 2016

JBW

J. B. WATSON & Co., P.L.L.C.
Certified Public Accountants

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Montgomery Alcoholic Beverage Control Board
Biscoe, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Montgomery Alcoholic Beverage Control Board which comprise the Statements of Fund Net Position as of June 30, 2017 and 2016, and the related Statements of Revenues, Expenses, and Changes in Fund Net Position 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.

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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montgomery Alcoholic Beverage Control Board as of June 30, 2017 and 2016, and the respective changes in financial position, and where applicable, 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 Management's Discussion and Analysis (on pages i through iii) and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 19 and 20 be presented to supplement the basic financial statements. Such information, although not a required 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedules of Store Expenses, Schedules 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 Schedules of Store Expenses, Schedules of Administrative Expenses, and Schedule of Revenues and Expenditures - Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 or to 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

J. B. Watson & Co., P.L.L.C.

Wadesboro, North Carolina
September 11, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Montgomery Alcoholic Beverage Control Board's financial report represents our discussion and analysis of the financial performance of the Board for the years ended June 30, 2017 and 2016. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

Working capital increased \$7,184 from the prior year.

Change in net position before distributions amounted to \$46,000.

Distributions amounting to \$46,000 were made during the current year to law enforcement and the county and towns.

Overview of the Financial Statements

The audited financial statements of Montgomery Alcoholic Beverage Control 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 is the **Statements of Fund 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 **Statements of Revenues, Expenses, and Changes in Fund 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 **Statements 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.

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Montgomery Alcoholic Beverage Control Board's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 19 of this report.

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

Financial Analysis of Montgomery Alcoholic Beverage Control Board

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows exceeded liabilities and deferred inflows by \$344,027 in 2017, by \$344,027 in 2016, and by \$340,799 in 2015. The largest component of net position was the inventory of liquor. It was 82.35% of the total net position for 2017, 85.25% for 2016, and 69.14% for 2015. Following is a summary of the Statements of Fund Net Position:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
Condensed Statements of Fund Net Position

	June 30, 2017	June 30, 2016	June 30, 2015	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Current assets	\$ 455,615	\$ 413,032	\$ 385,432	\$ 42,583	10.31%
Noncurrent assets	-	-	8,315	-	-
Capital assets	60,899	66,418	56,776	(5,519)	-8.31%
Deferred outflows of resources	33,456	11,454	10,016	22,002	192.09%
Total assets and deferred outflows of resources	549,970	490,904	460,539	59,066	12.03%
Current liabilities	172,114	136,715	99,473	35,399	25.89%
Noncurrent liabilities	32,684	6,687	-	25,997	388.77%
Deferred inflows of resources	1,145	3,475	20,267	(2,330)	-67.05%
Total liabilities and deferred inflows of resources	205,943	146,877	119,740	59,066	40.21%
Net investment in capital assets	60,899	66,418	56,776	(5,519)	-8.31%
Restricted net position	47,352	43,956	41,166	3,396	7.73%
Unrestricted net position	235,776	233,653	242,857	2,123	0.91%
Total net position	344,027	344,027	340,799	-	0.00%

Note that deferred outflows of resources and deferred inflows of resources are reported beginning in the fiscal year ended June 30, 2015. Montgomery Alcoholic Beverage Control Board implemented GASB 68 the fiscal year ended June 30, 2015. With the new reporting change, the Board is allocated its proportionate share of the Local Governmental Employees' Retirement System's net pension liability (asset), deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$8,861 for the fiscal year ended June 30, 2015. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Montgomery Alcoholic Beverage Control Board's management.

Total net position stayed the same as from 2016 compared to an increase of 0.95% between 2016 and 2015. Income from operations increased by 58.99% compared to an increase of 17.00% between 2016 and 2015. Following is a summary of the changes in net position:

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

	June 30, 2017	June 30, 2016	June 30, 2015	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Operating revenues	\$ 1,597,506	\$ 1,479,619	\$ 1,385,519	\$ 117,887	7.97%
Less: Taxes on gross sales	366,347	336,741	315,205	29,606	8.79%
Net sales	1,231,159	1,142,878	1,070,314	88,281	7.72%
Cost of sales	832,825	773,934	725,377	58,891	7.61%
Gross profit	398,334	368,944	344,937	29,390	7.97%
Less: Operating expenses	352,597	340,176	320,349	12,421	3.65%
Income from operations	45,737	28,768	24,588	16,969	58.99%
Nonoperating revenues	263	311	241	(48)	-15.43%
Changes in net position before distributions	46,000	29,079	24,829	16,921	58.19%
Distributions	46,000	25,851	17,904	20,149	77.94%
Change in net position	-	3,228	6,925	(3,228)	-100.00%
Net position, beginning, as restated	344,027	340,799	333,874	3,228	0.95%
Net position, ending	344,027	344,027	340,799	-	0.00%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sales increased \$117,887 or 7.97%. Operating expenses increased \$12,421 or 3.65%. Income from operations was \$45,737 for 2017, compared to income from operations of \$28,768 for 2016 and \$24,588 for 2015.

Following is a breakdown of sales by source:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Retail Liquor Sales	\$ 1,470,914	\$ 1,409,183	\$ 1,337,035	\$ 61,731	4.38%
Mixed Beverage Sales	126,592	70,436	48,484	56,156	79.73%
Total Sales	<u>\$ 1,597,506</u>	<u>\$ 1,479,619</u>	<u>\$ 1,385,519</u>	<u>\$ 117,887</u>	<u>7.97%</u>

The percentage of mixed beverage sales to the total was 7.92% for 2017 as compared to 4.76% for 2016 and 3.50% for 2015.

Capital Asset and Debt Administration

Capital Assets

Table 3
Summary of Changes in Capital Assets

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Land	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	0.00%
Building and improvements	174,560	174,560	159,526	-	0.00%
Furniture and equipment	125,678	125,678	125,678	-	0.00%
Total	<u>\$ 320,238</u>	<u>\$ 320,238</u>	<u>\$ 305,204</u>	<u>\$ -</u>	<u>0.00%</u>

Debt Administration

Montgomery Alcoholic Beverage Control Board currently does not have any long-term debt.

Economic Factors

The board is exploring the possibility of opening a new ABC store in the Badin Lake area. These discussions are in the early stages, and current plans are to maintain present services at the same level.

Requests for Information

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

Lisa Wilson, Finance Officer
Montgomery Alcoholic Beverage Control Board
509 East Main Street
Biscoe, NC 27209

BASIC FINANCIAL STATEMENTS

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENTS OF FUND NET POSITION**

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 172,319	\$ 119,763
Inventory	<u>283,296</u>	<u>293,269</u>
TOTAL CURRENT ASSETS	<u>455,615</u>	<u>413,032</u>
CAPITAL ASSETS		
Land	20,000	20,000
Building and improvements	174,560	174,560
Furniture and equipment	<u>125,678</u>	<u>125,678</u>
	320,238	320,238
Accumulated depreciation	<u>(259,339)</u>	<u>(253,820)</u>
	<u>60,899</u>	<u>66,418</u>
TOTAL ASSETS	<u>516,514</u>	<u>479,450</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>33,456</u>	<u>11,454</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 549,970</u>	<u>\$ 490,904</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 127,314	\$ 112,064
Accrued distributions	<u>44,800</u>	<u>24,651</u>
TOTAL CURRENT LIABILITIES	172,114	136,715
NONCURRENT LIABILITIES		
Net pension liability	<u>32,684</u>	<u>6,687</u>
TOTAL LIABILITIES	<u>204,798</u>	<u>143,402</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,145</u>	<u>3,475</u>
NET POSITION		
Net investment in capital assets	60,899	66,418
Restricted for:		
Working capital	47,352	43,956
Unrestricted	<u>235,776</u>	<u>233,653</u>
TOTAL NET POSITION	<u>344,027</u>	<u>344,027</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 549,970</u>	<u>\$ 490,904</u>

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

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Liquor sales	\$ 1,470,914	\$ 1,409,183
Mixed beverage sales	<u>126,592</u>	<u>70,436</u>
TOTAL GROSS SALES	<u>1,597,506</u>	<u>1,479,619</u>
DEDUCT TAXES ON GROSS SALES		
State excise tax	348,451	324,388
Rehabilitation tax	6,097	5,849
Mixed beverage tax (Revenue)	10,713	5,913
Mixed beverage tax (Human Resources)	<u>1,086</u>	<u>591</u>
TOTAL TAXES	<u>366,347</u>	<u>336,741</u>
NET SALES	1,231,159	1,142,878
COST OF LIQUOR SALES	<u>832,825</u>	<u>773,934</u>
GROSS PROFIT ON SALES	<u>398,334</u>	<u>368,944</u>
OPERATING EXPENSES		
Store expenses	270,798	265,093
Administrative expenses	76,280	69,691
Depreciation expense	<u>5,519</u>	<u>5,392</u>
TOTAL OPERATING EXPENSES	<u>352,597</u>	<u>340,176</u>
INCOME FROM OPERATIONS	45,737	28,768
NONOPERATING REVENUES		
Interest income	<u>263</u>	<u>311</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	46,000	29,079
Law enforcement distributions	<u>(1,200)</u>	<u>(1,200)</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS	<u>44,800</u>	<u>27,879</u>
PROFIT DISTRIBUTIONS		
Towns - Law enforcement per enabling act	(4,480)	(2,465)
Towns	(22,400)	(12,326)
County	<u>(17,920)</u>	<u>(9,860)</u>
TOTAL PROFIT DISTRIBUTIONS	<u>(44,800)</u>	<u>(24,651)</u>
CHANGE IN NET POSITION	-	3,228
NET POSITION, BEGINNING	<u>344,027</u>	<u>340,799</u>
NET POSITION, ENDING	<u>\$ 344,027</u>	<u>\$ 344,027</u>

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

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,700,592	\$ 1,578,400
Liquor taxes paid	(363,931)	(332,584)
Cash payments to suppliers for goods and services	(832,109)	(868,573)
Cash payments to employees for services	(209,756)	(199,465)
Other operating expenses	(98,780)	(92,151)
Liquor sales taxes paid	<u>(102,738)</u>	<u>(97,960)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>93,278</u>	<u>(12,333)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(15,034)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Law enforcement distributions	(1,300)	(1,200)
Profit distributions to County and Towns	<u>(24,651)</u>	<u>(16,804)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(25,951)</u>	<u>(18,004)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>263</u>	<u>311</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,556	(30,026)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>119,763</u>	<u>149,789</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 172,319</u>	<u>\$ 119,763</u>

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

Page 2 of 2

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Income from operations	\$ 45,737	\$ 28,768
Adjustments to reconcile income from operations to net cash provided (used) by operating activities:		
Depreciation	5,519	5,392
Changes in assets and liabilities:		
(Increase) decrease in inventory	9,973	(57,626)
Decrease in net pension asset	-	8,315
Increase in net pension liability	25,997	6,687
Increase in deferred outflows of resources for pensions	(22,002)	(1,438)
Decrease in deferred inflows of resources for pensions	(2,330)	(16,792)
Increase in accounts payable and accrued expenses	<u>30,384</u>	<u>14,361</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 93,278</u>	<u>\$ (12,333)</u>

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

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Montgomery ABC Board is a corporate body with powers outlined by G.S. 18B-701. The Town councils of Biscoe, Candor, Mt. Gilead, Star, and Troy appoint the ABC Board. The basic criteria of oversight responsibility was used to determine that the Towns do not exercise sufficient control to warrant inclusion of the ABC Board as part of the Towns' reporting entities.

Effective January 1, 2009, the Montgomery County Board of Commissioners appoints a board member in addition to the members appointed by the Town councils of Biscoe, Candor, Mount Gilead, Star, and Troy. This change to the ABC Board necessitated a change in the legal corporate name from Montgomery Municipal Alcoholic Beverage Control Board to Montgomery Alcoholic Beverage Control Board.

B. Organizational History

The Board was organized under the provisions of Senate Bill #170, Chapter 145 of the North Carolina legislature, General Assembly of 1969, March 31, 1969, and implemented by citywide elections in the Towns of Biscoe and Mount Gilead, North Carolina held May 6, 1969. The Town councils of Biscoe, Candor, Mount Gilead, Star, and Troy each appointed one member to serve on the Board.

The ABC Board, as provided by North Carolina Alcoholic Beverage Control laws, operates two retail liquor stores. North Carolina General Statute 18B-805(c)(2)(3) requires the ABC Board to expend at least 5% of profits for law enforcement.

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

D. Basis of Accounting

The financial statements have been prepared 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. The ABC Board

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

distinguishes operating revenues and expenses from nonoperating items. Operating revenues include liquor, mixed beverage, and wine sales. Operating expenses include cost of sales, store expenses, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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 revenue 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. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The ABC Board's employer contributions are recognized when due and the ABC Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

G. Assets, Liabilities, and Net Position

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 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's 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

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 undercollateralization, 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. The ABC Board has no policy regarding custodial credit risk for deposits.

At June 30, 2017 and 2016, the ABC Board's deposits had a carrying amount of \$169,354 and \$116,798, respectively, and bank balances of \$163,256 and \$136,453, respectively. At June 30, 2017, all of the ABC Board's bank balances were covered by federal depository insurance. At June 30, 2017 and 2016, the ABC Board's petty cash fund totaled \$2,965.

Investments

State law [G.S. 159-30 (c)] 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 bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered (2a-7) money market mutual fund. At June 30, 2017 and 2016, the ABC Board had no investments.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the ABC Board considers all highly liquid investments (including restricted assets, if any) with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Montgomery ABC Board had no accounts receivable at June 30, 2017 and 2016.

Inventory

Inventory is valued at the lower of cost (FIFO) or market.

Capital Assets

Capital assets are stated at cost and are being depreciated over their estimated useful lives on a straight-line basis as follows:

	<u>Useful life of asset</u>
Building and improvements	20 yrs.
Furniture and equipment	5-10 yrs.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital assets being depreciated:				
Building and improvements	174,560	-	-	174,560
Furniture and equipment	<u>125,678</u>	<u>-</u>	<u>-</u>	<u>125,678</u>
Total capital assets being depreciated	<u>300,238</u>	<u>-</u>	<u>-</u>	<u>300,238</u>
Less accumulated depreciation for:				
Building and improvements	139,682	2,549	-	142,231
Furniture and equipment	<u>114,138</u>	<u>2,970</u>	<u>-</u>	<u>117,108</u>
Total accumulated depreciation	<u>253,820</u>	<u>5,519</u>	<u>-</u>	<u>259,339</u>
Capital assets, net	<u>\$ 66,418</u>			<u>\$ 60,899</u>

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

Depreciation expense for the years ended June 30, 2017 and 2016, was \$5,519 and \$5,392, respectively.

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 period 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 unspent proceeds.
- 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

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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)].

- 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

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2017, the expenditures made exceeded the authorized appropriations made by the Board for cost of goods sold and profit distributions due to higher than expected sales and profits. The Board plans to implement review procedures in the future to insure compliance with approved appropriations.

NOTE 3 – PENSION PLAN OBLIGATIONS

Local Governmental Employees' Retirement System

Plan Description: The ABC Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
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Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The ABC Board employees are required to contribute six percent of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2017, was 7.39% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. The ABC Board does not employ any law enforcement officers. The ABC Board's contributions to LGERS for the years ended June 30, 2017 and 2016, were \$8,679 and \$7,874, respectively.

Refunds of Contributions: Board employees who have terminated service as a contributing member of LGERS may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the ABC Board reported a liability of \$32,684 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016, utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Board's proportion was 0.00154%, which was an increase of 0.00005% from its proportion measured as of June 30, 2015.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
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For the fiscal year ended June 30, 2017, the Board recognized pension expense of \$10,344. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	614	\$ 1,145
Changes of assumptions	2,239	-
Net difference between projected and actual earnings on pension plan investments	18,071	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,853	-
ABC Board's contributions subsequent to the measurement date	<u>8,679</u>	<u>-</u>
 Total	 <u>\$ 33,456</u>	 <u>\$ 1,145</u>

\$8,679 reported at June 30, 2017, as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2018	\$ 4,394
2019	4,391
2020	9,359
2021	5,488
2022	-
Thereafter	-

Actuarial Assumptions: The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
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The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the Board’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Board’s proportionate share of the net pension liability (asset)	\$ 77,574	\$ 32,684	\$ (4,812)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Death Benefits

Montgomery Alcoholic Beverage Control Board has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees’ Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee’s 12 highest months’ salary in a row during the 24 months prior to the employee’s death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the ABC Board, the ABC Board does not determine the number of eligible participants. The Board has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Board considers these contributions to be immaterial.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

For the year ended June 30, 2017, Montgomery Alcoholic Beverage Control Board made contributions to the State for death benefits of \$164. The Board's required contributions for employees not engaged in law enforcement represented 0.14% of covered payroll. The Board does not employ any law enforcement officers.

NOTE 4 – COMMITMENTS

The ABC Board had no commitments at June 30, 2017, outside of the normal course of operations.

NOTE 5 – LONG TERM DEBT AND LEASES

The ABC Board had no leases or long-term debt as of June 30, 2017 and 2016.

NOTE 6 – RELATED PARTY TRANSACTIONS

The ABC Board had no significant transactions involving related parties.

NOTE 7 – SUBSEQUENT EVENTS

No events have occurred from June 30, 2017, until the date of this report that would have a significant effect on the ABC Board's financial statements.

NOTE 8 – VACATION AND SICK LEAVE COMPENSATION

ABC Board employees may accumulate up to twenty-five days of earned vacation and such leave is fully vested when earned. Accumulated earned vacation was \$939 and \$3,348 at June 30, 2017 and 2016, respectively.

Employees can accumulate up to eight weeks of sick leave. Sick leave does not vest and cannot 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 9 – DISTRIBUTIONS OF INCOME

The Board has made distributions since its inception in 1969 as follows:

	<u>Current period</u>	<u>Total to date</u>
Montgomery County	\$ 17,920	\$ 829,984
Town of Biscoe	7,130	288,094
Town of Candor	2,417	109,055
Town of Mount Gilead	5,638	286,096
Town of Star	2,520	124,229
Town of Troy	<u>9,175</u>	<u>405,236</u>
	<u>\$ 44,800</u>	<u>\$2,042,694</u>

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

S.L. 1969 – 145 requires the entire profit, after deducting amounts required for law enforcement and retaining proper working capital, be paid annually to the County and Towns.

NOTE 10 – LAW ENFORCEMENT AND ALCOHOL 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% of its profits for alcohol education (alcohol education requirements follow local enabling act). Profits are defined by law for these calculations as change in net position before law enforcement and educational expenses, less the 3.5% markup provided for in G.S. 18B-804 (b) (5) and the bottle charge provided for in G.S. 18B-804 (b) (6b).

	<u>2017</u>	<u>2016</u>
Profit before distributions	\$ 46,000	\$ 29,079
Less 3.5% tax and bottle charge	<u>(46,742)</u>	<u>(43,691)</u>
Profit (loss) subject to expense percentages	<u>\$ (742)</u>	<u>\$ (14,612)</u>
Law enforcement distributions - actual	<u>\$ 1,200</u>	<u>\$ 1,200</u>
Percent of profit	<u>-%</u>	<u>-%</u>
Alcohol education distributions - actual	<u>\$ -</u>	<u>\$ -</u>
Percent of profit	<u>-%</u>	<u>-%</u>

NOTE 11 – 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 ended June 30, 2017 and 2016, are summarized as follows:

	<u>2017</u>	<u>2016</u>
Taxes payable at July 1,	\$ 27,898	\$ 24,346
Taxes collected during the period	348,451	324,388
Taxes remitted to Department of Revenue during the period	<u>(346,517)</u>	<u>(320,836)</u>
Taxes payable at June 30,	<u>\$ 29,832</u>	<u>\$ 27,898</u>

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

The accrued North Carolina excise tax at June 30, 2017 and 2016, was remitted to the North Carolina Department of Revenue in July, 2017 and 2016, respectively.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 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. Payments to the County for the years ended June 30, 2017 and 2016, were based on the following bottle sales:

	<u>2017</u>	<u>2016</u>
Regular bottles	103,821 @ \$.05 = \$ 5,191	100,817 @ \$.05 = \$ 5,041
Mixed beverage bottles	5,714 @ \$.05 = 286	3,152 @ \$.05 = 158
Miniature bottles	62,026 @ \$.01 = <u>620</u> \$ <u>6.097</u>	64,979 @ \$.01 = <u>650</u> \$ <u>5.849</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, 2017 and 2016, was as follows:

	<u>2017</u>	<u>2016</u>
Department of Revenue (50%)	\$ 10,713	\$ 5,913
Department of Human Resources (5%)	1,086	591
Profit Retained (45%)	<u>9,925</u>	<u>5,323</u>
Total	<u>\$ 21,724</u>	<u>\$ 11,827</u>

NOTE 12 – SURCHARGE COLLECTED

The total amount of surcharge of \$13,256 and \$12,710 was collected for the years ended June 30, 2017 and 2016, respectively. (The current rate is \$1.40 per case sold.)

NOTE 13 – LIQUOR SALES TAX

The total amount of sales tax collected by the ABC Board and remitted to the Department of Revenue for the years ended June 30, 2017 and 2016, was \$103,087 and \$98,781, respectively. The current sales tax rate is 7%.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 14 – RETAIL OUTLETS

The ABC Board operates two retail outlets:

Store #1 - 509 E. Main Street; Biscoe, NC 27209

	<u>2017</u>	<u>2016</u>
Gross Sales	\$ 1,189,288	\$ 1,094,304
Gross Profit	298,076	271,896
Change in Net Position Before Profit Distributions	45,966	32,717

Store #2 - 202 North Wadesboro Blvd; Mt. Gilead, NC 27306

	<u>2017</u>	<u>2016</u>
Gross Sales	\$ 408,218	\$ 385,315
Gross Profit	100,258	97,048
Change in Net Position Before Profit Distributions	(1,166)	(4,838)

NOTE 15 – WORKING CAPITAL

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 and not more 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 ABC Board's position on this requirement at June 30, 2017 and 2016, was as follows:

	<u>2017</u>	<u>2016</u>
Minimum requirement	\$ 47,352	\$ 43,956
Maximum allowable	410,388	380,960
Actual working capital	283,501	276,317

Montgomery ABC Board has met the working capital requirements at June 30, 2017 and 2016.

NOTE 16 – 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, 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.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 security.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
 REQUIRED SUPPLEMENTARY INFORMATION
 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 Last Four Fiscal Years***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ABC Board's proportion of the net pension liability (asset) (%)	0.00154%	0.00149%	0.00141%	0.00150%
ABC Board's proportionate share of the net pension liability (asset) (\$)	\$ 32,684	\$ 6,687	\$ (8,315)	\$ 18,081
ABC Board's covered-employee payroll	\$ 114,955	\$ 112,604	\$ 130,413	\$ 125,835
ABC Board's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	28.43%	5.94%	6.38%	14.37%
Plan fiduciary net position as a percentage of the total pension liability**	91.45%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
 REQUIRED SUPPLEMENTARY INFORMATION
 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF CONTRIBUTIONS
 Last Four Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 8,679	\$ 7,874	\$ 7,961	\$ 9,220
Contributions in relation to the contractually required contribution	<u>8,679</u>	<u>7,874</u>	<u>7,961</u>	<u>9,220</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ABC Board's covered-employee payroll	\$ 117,444	\$ 114,955	\$ 112,604	\$ 130,413
Contributions as a percentage of covered-employee payroll	7.39%	6.85%	7.07%	7.07%

SUPPLEMENTARY INFORMATION

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULES OF STORE EXPENSES
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Salaries	\$ 182,042	\$ 179,466
Payroll taxes	16,364	14,609
Pension expense	10,344	4,646
Electricity	9,342	10,673
Water	1,211	1,139
Repairs and maintenance	17,849	26,409
Computer maintenance	11,863	10,377
Bags	3,435	3,428
Unloading	1,848	1,445
Supplies	3,987	1,438
Credit card fees	<u>12,513</u>	<u>11,463</u>
	<u>\$ 270,798</u>	<u>\$ 265,093</u>

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULES OF ADMINISTRATIVE EXPENSES
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Telephone	\$ 3,425	\$ 3,042
Office supplies	2,413	2,260
Insurance and bonds	55,499	50,358
Travel	1,018	381
Board member fees	4,800	4,725
Auditing and accounting	6,600	6,400
Dues, conventions, subscriptions, etc.	370	373
Miscellaneous	-	117
Bank charges	<u>2,155</u>	<u>2,035</u>
	<u>\$ 76,280</u>	<u>\$ 69,691</u>

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Operating revenues:				
Liquor sales	\$ 1,368,470	\$ 1,458,470	\$ 1,470,914	\$ 12,444
Mixed beverage sales	58,500	106,500	126,592	20,092
Total	<u>1,426,970</u>	<u>1,564,970</u>	<u>1,597,506</u>	<u>32,536</u>
Nonoperating revenues:				
Insurance reimbursement	-	18,231	18,231	-
Interest income	175	175	263	88
	<u>1,427,145</u>	<u>1,583,376</u>	<u>1,616,000</u>	<u>32,624</u>
EXPENDITURES AND DISTRIBUTIONS				
Taxes based on revenue:				
State excise tax	312,345	356,345	348,451	7,894
Rehabilitation tax	5,900	7,000	6,097	903
Mixed beverage tax (Revenue)	3,155	4,205	10,713	(6,508)
Mixed beverage tax (Human Resources)	650	700	1,086	(386)
Total	<u>322,050</u>	<u>368,250</u>	<u>366,347</u>	<u>1,903</u>
Cost of goods sold	<u>750,821</u>	<u>819,421</u>	<u>832,825</u>	<u>(13,404)</u>
Store expenses:				
Salaries and wages	186,000	192,000	184,451	7,549
Payroll related expenses	23,320	24,120	25,043	(923)
Utilities	14,900	12,900	10,553	2,347
Repairs and maintenance	22,000	54,431	47,943	6,488
Bags and store supplies	7,500	8,100	7,422	678
Unloading	1,700	1,800	1,848	(48)
Credit card fees	12,000	13,250	12,513	737
Total	<u>267,420</u>	<u>306,601</u>	<u>289,773</u>	<u>16,828</u>
Administrative expenses:				
Telephone	3,100	3,100	3,425	(325)
Office supplies	2,500	2,700	2,413	287
Insurance and bonds	58,154	58,254	55,499	2,755
Accounting and legal fees	6,800	6,800	6,600	200
Bank charges	3,000	3,000	2,155	845
Board member fees	4,800	4,800	4,800	-
Travel	1,800	1,500	1,018	482
Dues, conventions, subscriptions	1,000	800	370	430
Miscellaneous	2,000	500	-	500
Total	<u>83,154</u>	<u>81,454</u>	<u>76,280</u>	<u>5,174</u>

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Positive (Negative)
Distributions:				
Profit distribution - County and Towns	2,500	6,450	44,800	(38,350)
Law enforcement	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Total	<u>3,700</u>	<u>7,650</u>	<u>46,000</u>	<u>(38,350)</u>
TOTAL EXPENDITURES AND DISTRIBUTIONS	<u>1,427,145</u>	<u>1,583,376</u>	<u>1,611,225</u>	<u>(27,849)</u>
REVENUES OVER EXPENDITURES AND DISTRIBUTIONS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,775</u>	<u>\$ 4,775</u>

**RECONCILIATION FROM BUDGETARY
BASIS (MODIFIED ACCRUAL) TO
FULL ACCRUAL:**

Revenues over expenditures and distributions - Budgetary basis	\$ 4,775
Reconciling items:	
Depreciation	(5,519)
Deferred outflows of resources for contributions made to pension plan in current year	8,679
Pension expense	(10,344)
Decrease in accrued vacation pay	<u>2,409</u>
CHANGE IN NET POSITION	<u>\$ -</u>