

**MONTGOMERY ALCOHOLIC  
BEVERAGE CONTROL BOARD**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**September 30, 2011 and 2010**

**JBW**

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

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
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**September 30, 2011 and 2010**

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**INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

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

We have compiled the accompanying Statements of Net Assets of Montgomery Alcoholic Beverage Control Board as of September 30, 2011 and 2010, and the related Statements of Revenues, Expenses, and Changes in Net Assets and Cash Flows for the three months then ended and the accompanying supplementary information, which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary information are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary information in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary information.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary information without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements or supplementary information.

*J. B. Watson + Co., PLLC*

November 1, 2011

## **BASIC FINANCIAL STATEMENTS**

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
**STATEMENTS OF NET ASSETS**  
September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 114,201	\$ 92,535
Inventory	<u>277,848</u>	<u>260,615</u>
<b>TOTAL CURRENT ASSETS</b>	<u>392,049</u>	<u>353,150</u>
<b>CAPITAL ASSETS</b>		
Land	20,000	20,000
Building and improvements	146,987	146,987
Furniture and equipment	<u>124,088</u>	<u>121,908</u>
	291,075	288,895
Accumulated depreciation	<u>(227,183)</u>	<u>(217,568)</u>
	<u>63,892</u>	<u>71,327</u>
<b>TOTAL ASSETS</b>	<u>\$ 455,941</u>	<u>\$ 424,477</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 5,417	\$ 5,417
Accounts payable and accrued expenses	<u>101,931</u>	<u>83,233</u>
<b>TOTAL CURRENT LIABILITIES</b>	107,348	88,650
<b>NONCURRENT LIABILITIES</b>		
Installment purchase payable less current portion	<u>5,416</u>	<u>10,833</u>
<b>TOTAL LIABILITIES</b>	<u>112,764</u>	<u>99,483</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	53,059	55,077
Restricted for:		
Working capital	34,054	31,394
Unrestricted	<u>256,064</u>	<u>238,523</u>
<b>TOTAL NET ASSETS</b>	<u>343,177</u>	<u>324,994</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 455,941</u>	<u>\$ 424,477</u>

See the accompanying notes and accountants' report.

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS**

**For the Three Months Ended September 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Liquor sales	\$ 270,367	\$ 252,372
Mixed beverage sales	<u>16,706</u>	<u>12,039</u>
<b>TOTAL GROSS SALES</b>	<u>287,073</u>	<u>264,411</u>
<b>DEDUCT TAXES ON GROSS SALES</b>		
State excise tax	62,918	58,065
Rehabilitation tax	1,206	1,138
Mixed beverage tax (Revenue)	1,458	1,046
Mixed beverage tax (Human Resources)	<u>146</u>	<u>105</u>
<b>TOTAL TAXES</b>	<u>65,728</u>	<u>60,354</u>
<b>NET SALES</b>	221,345	204,057
<b>COST OF LIQUOR SALES</b>	<u>146,980</u>	<u>139,171</u>
<b>GROSS PROFIT ON SALES</b>	<u>74,365</u>	<u>64,886</u>
<b>OPERATING EXPENSES</b>		
Store expenses	62,055	67,082
Administrative expenses	10,042	13,023
Depreciation expense	<u>1,852</u>	<u>2,551</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>73,949</u>	<u>82,656</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	416	(17,770)
<b>NONOPERATING REVENUES</b>		
Interest income	<u>26</u>	<u>29</u>
<b>CHANGE IN NET ASSETS BEFORE DISTRIBUTIONS</b>	442	(17,741)
Law enforcement distributions	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS BEFORE PROFIT DISTRIBUTIONS</b>	<u>442</u>	<u>(17,741)</u>
<b>PROFIT DISTRIBUTIONS</b>		
Towns	-	-
County	<u>-</u>	<u>-</u>
<b>TOTAL PROFIT DISTRIBUTIONS</b>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	442	(17,741)
<b>NET ASSETS, BEGINNING</b>	<u>342,735</u>	<u>342,735</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 343,177</u>	<u>\$ 324,994</u>

See accompanying notes and accountants' report.

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD  
STATEMENTS OF CASH FLOWS**

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For the Three Months Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 306,026	\$ 284,626
Liquor taxes paid	(66,532)	(62,473)
Cash payments to suppliers for goods and services	(179,622)	(186,532)
Cash payments to employees for services	(47,308)	(50,281)
Other operating expenses	(15,499)	(19,504)
Liquor sales taxes paid	<u>(19,572)</u>	<u>(20,611)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>		
	<u>(22,507)</u>	<u>(54,775)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	-	(10,000)
Principal paid on debt	<u>(1,355)</u>	<u>-</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
	<u>(1,355)</u>	<u>(10,000)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Law enforcement distributions	(255)	-
Profit distributions to County and Towns	<u>(2,293)</u>	<u>-</u>
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>		
	<u>(2,548)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>26</u>	<u>29</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
	(26,384)	(64,746)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>140,585</u>	<u>157,281</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 114,201</u>	<u>\$ 92,535</u>

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
**STATEMENTS OF CASH FLOWS**  
**For the Three Months Ended September 30, 2011 and 2010**

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	<u>2011</u>	<u>2010</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Income (loss) from operations	\$ 416	\$ (17,770)
Adjustments to reconcile income (loss) from operations to net cash used by operating activities:		
Depreciation	1,852	2,551
Changes in assets and liabilities:		
Increase in inventory	(23,612)	(27,066)
Decrease in accounts payable and accrued expenses	<u>(1,163)</u>	<u>(12,490)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (22,507)</u>	<u>\$ (54,775)</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>		
Acquisition of cash register system and equipment through installment purchase	<u>\$ -</u>	<u>\$ 16,250</u>

See accompanying notes and accountants' report.



**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2011 and 2010**

**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 will appoint 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 assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**D. Basis of Accounting**

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

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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.

As permitted, the Board has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989, in its proprietary operation, unless those pronouncements conflict with or contradict GASB pronouncements.

**E. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of net assets 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. Assets, Liabilities, and Net Assets**

**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 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.

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
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At September 30, 2011 and 2010, the ABC Board’s deposits had a carrying amount of \$111,496 and \$89,830, respectively, and bank balances of \$103,515 and \$90,888, respectively. At September 30, 2011, all of the ABC Board’s bank balances were covered by federal depository insurance. At September 30, 2011 and 2010, the ABC Board’s petty cash fund totaled \$2,705.

**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 September 30, 2011 and 2010, 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 September 30, 2011 and 2010.

**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.

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Capital asset activity for the three months ended September 30, 2011, 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	146,987	-	-	146,987
Furniture and equipment	<u>124,088</u>	<u>-</u>	<u>-</u>	<u>124,088</u>
Total capital assets being depreciated	<u>271,075</u>	<u>-</u>	<u>-</u>	<u>271,075</u>
Less accumulated depreciation for:				
Building and improvements	129,090	978	-	130,068
Furniture and equipment	<u>96,241</u>	<u>874</u>	<u>-</u>	<u>97,115</u>
Total accumulated depreciation	<u>225,331</u>	<u>1,852</u>	<u>-</u>	<u>227,183</u>
Capital assets, net	<u>\$ 65,744</u>			<u>\$ 63,892</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 three months ended September 30, 2011 and 2010, was \$1,852 and \$2,551, respectively.

**Net Assets**

Net assets consist of the following:

- a. Invested in capital assets, net of related debt - This component of net assets 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets 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**  
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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 assets - This component of net assets consists of net assets that do not meet the the definition of *restricted* or *invested in capital assets, net of related debt*.

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

**Noncompliance with North Carolina General Statutes**

No significant matters of noncompliance with fiscal and General Statute requirements have occurred.

**NOTE 3 – PENSION PLAN OBLIGATIONS**

**Local Governmental Employees' Retirement System**

*Plan Description:* The ABC Board contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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 or by calling (919) 981-5454.

*Funding Policy:* Plan members are required to contribute six percent of their annual covered salary. The ABC Board is required to contribute at an actuarially determined rate. The ABC Board's current rate for employees not engaged in law enforcement is 7.07% of annual covered payroll. The Board does not employ any law enforcement officers. The contribution requirements of members and of the ABC Board are established and may be amended by the North Carolina General Assembly. The ABC Board's contributions to LGERS for the three months ended September 30, 2011, 2010, and 2009, were \$2,132, \$2,282 and \$1,852, respectively. The contributions made by the ABC Board equaled the required contributions for each period.

**Death Benefits**

Montgomery Alcoholic Beverage Control Board has also 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

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
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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. All death benefit payments are made from the Death Benefit Plan. The Board has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law officers. Because the benefit payments are made by the Death Benefit Plan and not by the Board, the Board does not determine the number of eligible participants. For the three months ended September 30, 2011, Montgomery Alcoholic Beverage Control Board made contributions to the State for death benefits of \$57. The Board's required contributions for employees not engaged in law enforcement represented 0.19% of covered payroll. The Board does not employ any law enforcement officers. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

**NOTE 4 – COMMITMENTS**

The ABC Board had no commitments at September 30, 2011, outside of the normal course of operations.

**NOTE 5 – LONG TERM DEBT AND LEASES**

**Installment Purchase Payable**

Installment purchase payable consisted of the following at September 30, 2011:

On August 10, 2010, the ABC Board entered into an installment purchase contract with Carolina Data Systems to finance the purchase of cash register systems and equipment. The financing contract requires 36 monthly payments of \$451. Carolina Data Systems does not charge interest on this agreement.

\$ 10,833

The future minimum payments of the installment purchase as of September 30, 2011, are as follows:

Twelve Months Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 5,417	\$ -
2013	<u>5,416</u>	<u>-</u>
	<u>\$ 10,833</u>	<u>\$ -</u>

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
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**Changes in Long-Term Obligations**

The following is a summary of changes in the ABC Board’s long-term obligations for the three months ended September 30, 2011:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Installment purchase	\$ 12,188	\$ -	\$ 1,355	\$ 10,833	\$ 5,417

**NOTE 6 – RELATED PARTY TRANSACTIONS**

The ABC Board had no significant transactions involving related parties.

**NOTE 7 – SUBSEQUENT EVENTS**

No events have occurred from September 30, 2011, 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 \$5,045 and \$4,359 at September 30, 2011 and 2010, 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</u> <u>period</u>	<u>Total</u> <u>to date</u>
Montgomery County	\$ -	\$ 769,019
Town of Biscoe	-	265,344
Town of Candor	-	100,833
Town of Mount Gilead	-	268,420
Town of Star	-	115,656
Town of Troy	-	<u>374,021</u>
	<u>\$ -</u>	<u>\$1,893,293</u>

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.

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
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**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. The ABC Board is exempt, however, from the requirement that not less than 7% of its profits be expended for alcohol education. Profits are defined by law for these calculations as change in net assets 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>2011</u>	<u>2010</u>
Profit (loss) before distributions	\$ 442	\$ (17,741)
Less 3.5% tax and bottle charge	<u>(8,546)</u>	<u>(7,912)</u>
Profit (loss) subject to expense percentages	<u>\$ (8,104)</u>	<u>\$ (25,653)</u>
Law enforcement 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 three months ended September 30, 2011 and 2010, are summarized as follows:

	<u>2011</u>	<u>2010</u>
Taxes payable at July 1,	\$ 22,750	\$ 20,222
Taxes collected during the period	62,918	58,065
Taxes remitted to Department of Revenue during the period	<u>(64,216)</u>	<u>(59,835)</u>
Taxes payable at September 30,	<u>\$ 21,452</u>	<u>\$ 18,452</u>

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

The accrued North Carolina excise tax at September 30, 2011 and 2010, was remitted to the North Carolina Department of Revenue in October, 2011 and 2010, respectively.



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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 three months ended September 30, 2011 and 2010, were based on the following bottle sales:

	<u>2011</u>	<u>2010</u>
Regular bottles	21,780 @ \$.05 = \$ 1,089	20,946 @ \$.05 = \$ 1,047
Mixed beverage bottles	778 @ \$.05 = 39	558 @ \$.05 = 28
Miniature bottles	7,811 @ \$.01 = <u>78</u>	6,315 @ \$.01 = <u>63</u>
	<u>\$ 1,206</u>	<u>\$ 1,138</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 three months ended September 30, 2011 and 2010, was as follows:

	<u>2011</u>	<u>2010</u>
Department of Revenue (50%)	\$ 1,458	\$ 1,046
Department of Human Resources (5%)	146	105
Profit Retained (45%)	<u>1,313</u>	<u>942</u>
Total	<u>\$ 2,917</u>	<u>\$ 2,093</u>

**NOTE 12 – SURCHARGE COLLECTED**

The total amount of surcharge of \$1,765 and \$1,676 was collected for the three months ended September 30, 2011 and 2010, respectively. (This rate is 85 cents 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 three months ended September 30, 2011 and 2010, was \$18,953 and \$20,215, respectively. (This rate was 8% until June 30, 2010, and 7% beginning July 1, 2010.)

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2011 and 2010**

**NOTE 14 – RETAIL OUTLETS**

The ABC Board operates two retail outlets:

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

	<u>2011</u>	<u>2010</u>
Gross Sales	\$ 207,721	\$ 192,740
Gross Profit	53,665	41,552
Change in Net Assets Before Profit Distributions	(1,942)	(17,736)

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

	<u>2011</u>	<u>2010</u>
Gross Sales	\$ 79,352	\$ 71,671
Gross Profit	20,700	23,334
Change in Net Assets Before Profit Distributions	2,384	(5)

**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 September 30, 2011 and 2010, was as follows:

	<u>2011</u>	<u>2010</u>
Minimum requirement	\$ 34,054	\$ 31,394
Maximum allowable	295,128	272,076
Actual working capital	290,118	269,917

Montgomery ABC Board has met the working capital requirements at September 30, 2011 and 2010.

**NOTE 16 – BREAKAGE EXPENSE**

Breakage expense absorbed by the ABC Board was \$-0- and \$-0- for the three months ended September 30, 2011 and 2010, respectively.

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2011 and 2010**

**NOTE 17 – 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.

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.

## **SUPPLEMENTARY INFORMATION**

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD  
SCHEDULES OF STORE EXPENSES**

**For the Three Months Ended September 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Salaries	\$ 43,663	\$ 44,477
Payroll taxes	3,022	3,356
Employees' retirement	2,132	2,282
Electricity	3,069	3,819
Water	298	352
Repairs and maintenance	400	1,491
Computer maintenance	6,984	7,449
Unloading	150	130
Supplies	75	1,086
Credit card fees	<u>2,262</u>	<u>2,640</u>
	<u>\$ 62,055</u>	<u>\$ 67,082</u>

**See accountants' report.**

**MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD**  
**SCHEDULES OF ADMINISTRATIVE EXPENSES**  
**For the Three Months Ended September 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Telephone	\$ 698	\$ 958
Office supplies	322	461
Insurance and bonds	7,017	9,610
Travel and mileage	-	20
Miscellaneous	21	-
Auditing and accounting	1,450	1,450
Dues, conventions, subscriptions, etc.	156	156
Bank charges	<u>378</u>	<u>368</u>
	<u>\$ 10,042</u>	<u>\$ 13,023</u>

See accountants' report.