

**MONTGOMERY ALCOHOLIC
BEVERAGE CONTROL BOARD**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

March 31, 2020 and 2019

JBW

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

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
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J. B. WATSON & CO., P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

120 SOUTH RUTHERFORD STREET

P. O. BOX 341

WADESBORO, N.C. 28170

JAMES F. HANNA, CPA
DENEAL H. BENNETT, CPA
J. DAVID BURNS, CPA

TELEPHONE (704) 694-5174
FACSIMILE (704) 694-6970

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying financial statements of the business-type activities and each major fund of Montgomery Alcoholic Beverage Control Board as of and for the nine months ended March 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Local Governmental Employees' Retirement System's Schedules of Proportionate Share of Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, 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. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information. During our compilation, however, we became aware that the required supplementary information had not been updated as required by accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, accounting principles generally accepted in the United States of America require accounting and financial reporting for pensions as of a certain measurement period. Management has not updated the pension information due to unavailability of the actuarial valuation. Management has not determined the effect of this departure on the financial statements.

Supplementary Information

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

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

May 5, 2020

BASIC FINANCIAL STATEMENTS

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENTS OF FUND NET POSITION
March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 186,121	\$ 141,907
Inventory	<u>286,328</u>	<u>302,096</u>
TOTAL CURRENT ASSETS	<u>472,449</u>	<u>444,003</u>
CAPITAL ASSETS		
Land	20,000	20,000
Building and improvements	192,296	182,621
Furniture and equipment	<u>142,798</u>	<u>136,153</u>
	355,094	338,774
Accumulated depreciation	<u>(280,057)</u>	<u>(271,150)</u>
	<u>75,037</u>	<u>67,624</u>
TOTAL ASSETS	<u>547,486</u>	<u>511,627</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>32,696</u>	<u>23,164</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 580,182</u>	<u>\$ 534,791</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 132,149	\$ 120,200
NONCURRENT LIABILITIES		
Net pension liability	<u>33,687</u>	<u>23,069</u>
TOTAL LIABILITIES	<u>165,836</u>	<u>143,269</u>
DEFERRED INFLOWS OF RESOURCES	<u>174</u>	<u>653</u>
NET POSITION		
Net investment in capital assets	75,037	67,624
Restricted for:		
Working capital	57,840	53,358
Unrestricted	<u>281,295</u>	<u>269,887</u>
TOTAL NET POSITION	<u>414,172</u>	<u>390,869</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 580,182</u>	<u>\$ 534,791</u>

See accompanying notes and accountants' report.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Nine Months Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Liquor sales	\$ 1,356,269	\$ 1,258,177
Mixed beverage sales	<u>106,611</u>	<u>90,889</u>
TOTAL GROSS SALES	<u>1,462,880</u>	<u>1,349,066</u>
DEDUCT TAXES ON GROSS SALES		
State excise tax	320,222	295,201
Rehabilitation tax	5,225	4,891
Mixed beverage tax (Revenue)	8,686	7,724
Mixed beverage tax (Human Resources)	<u>869</u>	<u>772</u>
TOTAL TAXES	<u>335,002</u>	<u>308,588</u>
NET SALES	1,127,878	1,040,478
COST OF LIQUOR SALES	<u>766,496</u>	<u>704,196</u>
GROSS PROFIT ON SALES	<u>361,382</u>	<u>336,282</u>
OPERATING EXPENSES		
Store expenses	226,262	217,360
Administrative expenses	68,591	68,740
Depreciation expense	<u>7,018</u>	<u>5,873</u>
TOTAL OPERATING EXPENSES	<u>301,871</u>	<u>291,973</u>
INCOME FROM OPERATIONS	59,511	44,309
NONOPERATING REVENUES		
Interest income	<u>260</u>	<u>241</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	59,771	44,550
Law enforcement distributions	<u>(900)</u>	<u>(900)</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS	<u>58,871</u>	<u>43,650</u>
PROFIT DISTRIBUTIONS		
Towns - Law enforcement per enabling act	-	-
Towns	-	-
County	<u>-</u>	<u>-</u>
TOTAL PROFIT DISTRIBUTIONS	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	58,871	43,650
NET POSITION, BEGINNING	<u>355,301</u>	<u>347,219</u>
NET POSITION, ENDING	<u>\$ 414,172</u>	<u>\$ 390,869</u>

See accompanying notes and accountants' report.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENTS OF CASH FLOWS
For the Nine Months Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,557,923	\$ 1,437,208
Liquor taxes paid	(330,560)	(306,850)
Cash payments to suppliers for goods and services	(789,647)	(752,111)
Cash payments to employees for services	(183,387)	(172,470)
Other operating expenses	(91,631)	(90,561)
Liquor sales taxes paid	<u>(92,693)</u>	<u>(87,231)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>70,005</u>	<u>27,985</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(13,094)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Law enforcement and alcohol education distributions	(1,600)	(900)
Profit distributions to County and Towns	<u>(53,051)</u>	<u>(49,102)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(54,651)</u>	<u>(50,002)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>260</u>	<u>241</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,520	(21,776)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>183,601</u>	<u>163,683</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 186,121</u>	<u>\$ 141,907</u>

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENTS OF CASH FLOWS
For the Nine Months Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	\$ 59,511	\$ 44,309
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	7,018	5,873
Changes in assets and liabilities:		
Decrease (increase) in inventory	2,432	(6,481)
Increase (decrease) in accounts payable and accrued expenses	<u>1,044</u>	<u>(15,716)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 70,005</u>	<u>\$ 27,985</u>

See accompanying notes and accountants' report.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2020 and 2019

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 and at least 7% of the same profits for alcohol education and rehabilitation purposes.

C. Basis of Presentation

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided 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
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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.

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

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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 March 31, 2020 and 2019, the ABC Board's deposits had a carrying amount of \$183,156 and \$138,942, respectively, and bank balances of \$179,886 and \$121,891, respectively. At March 31, 2020, all of the ABC Board's bank balances were covered by federal depository insurance. At March 31, 2020 and 2019, 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 March 31, 2020 and 2019, 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 March 31, 2020 and 2019.

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 nine months ended March 31, 2020, 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	182,621	9,675	-	192,296
Furniture and equipment	<u>139,379</u>	<u>3,419</u>	<u>-</u>	<u>142,798</u>
Total capital assets being depreciated	<u>322,000</u>	<u>13,094</u>	<u>-</u>	<u>335,094</u>
Less accumulated depreciation for:				
Building and improvements	147,830	2,646	-	150,476
Furniture and equipment	<u>125,209</u>	<u>4,372</u>	<u>-</u>	<u>129,581</u>
Total accumulated depreciation	<u>273,039</u>	<u>7,018</u>	<u>-</u>	<u>280,057</u>
Capital assets, net	<u>\$ 68,961</u>			<u>\$ 75,037</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 nine months ended March 31, 2020 and 2019, was \$7,018 and \$5,873, 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
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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 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 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 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 nine months ended March 31, 2019, was 9.07% 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 nine months ended March 31, 2020 and 2019, were \$9,280 and \$7,686, 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:

The net pension liability, deferred outflows of resources, deferred inflows of resources, and pension deferrals have not been updated to the measurement date June 30, 2019, using the December 31, 2018, actuarial valuation because these calculations are not available yet from LGERS. Therefore, the ABC Board is still reporting the net pension liability and related deferrals as reported in its June 30, 2019, financial statements, which were measured as of June 30, 2018. This is a departure from accounting principles generally accepted in the United States of America. The ABC Board has not determined the effect of this departure on the financial statements but feels any effect would be immaterial.

At June 30, 2019, the ABC Board reported an liability of \$33,687 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, 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, 2019, the Board's proportion was 0.00142%, which was a decrease of 0.00009% from its proportion measured as of June 30, 2018.

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For the fiscal year ended June 30, 2019, the Board recognized pension expense of \$11,468. At June 30, 2019, 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	\$ 5,197	\$ 174
Changes of assumptions	8,939	-
Net difference between projected and actual earnings on pension plan investments	4,624	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,075	-
ABC Board's contributions subsequent to the measurement date	<u>10,861</u>	<u>-</u>
Total	<u>\$ 32,696</u>	<u>\$ 174</u>

\$10,861 reported at June 30, 2019, 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, 2020. 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>	
2020	\$ 10,324
2021	6,716
2022	1,633
2023	2,988
2024	-
Thereafter	-

Actuarial Assumptions: The total pension liability in the December 31, 2017, 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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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, 2017, 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, 2018, 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 2017 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.

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NOTES TO THE FINANCIAL STATEMENTS
March 31, 2020 and 2019

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. 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 calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 80,920	\$ 33,687	\$ (5,781)

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 postemployment 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
March 31, 2020 and 2019

For the nine months ended March 31, 2020, Montgomery Alcoholic Beverage Control Board made contributions to the State for death benefits of \$123. The Board's required contributions for employees not engaged in law enforcement represented 0.12% of covered payroll. The Board does not employ any law enforcement officers.

NOTE 4 – COMMITMENTS

The ABC Board had no commitments at March 31, 2020, 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 March 31, 2020 and 2019.

NOTE 6 – RELATED PARTY TRANSACTIONS

The ABC Board had no significant transactions involving related parties.

NOTE 7 – SUBSEQUENT EVENTS

No events have occurred from March 31, 2020, 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 \$1,946 and \$2,288 at March 31, 2020 and 2019, 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:

	Current period	Total to date
Montgomery County	\$ -	\$ 870,713
Town of Biscoe	-	304,299
Town of Candor	-	114,548
Town of Mount Gilead	-	298,911
Town of Star	-	129,956
Town of Troy	-	426,089
	<u>\$ -</u>	<u>\$2,144,516</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
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Profit before distributions	\$ 59,771	\$ 44,550
Less 3.5% tax and bottle charge	<u>(42,584)</u>	<u>(39,331)</u>
Profit (loss) subject to expense percentages	<u>\$ 17,187</u>	<u>\$ 5,219</u>
Law enforcement distributions - actual	<u>\$ 900</u>	<u>\$ 900</u>
Percent of profit	<u>5.24%</u>	<u>17.24%</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 nine months ended March 31, 2020 and 2019, are summarized as follows:

	<u>2020</u>	<u>2019</u>
Taxes payable at July 1,	\$ 34,876	\$ 32,517
Taxes collected during the period	320,222	295,201
Taxes remitted to Department of Revenue during the period	<u>(314,835)</u>	<u>(293,013)</u>
Taxes payable at March 31,	<u>\$ 40,263</u>	<u>\$ 34,705</u>

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

The accrued North Carolina excise tax at March 31, 2020 and 2019, was remitted to the North Carolina Department of Revenue in April, 2020 and 2019, respectively.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2020 and 2019

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 nine months ended March 31, 2020 and 2019, were based on the following bottle sales:

	<u>2020</u>	<u>2019</u>
Regular bottles	89,006 @ \$.05 = \$ 4,450	83,446 @ \$.05 = \$ 4,172
Mixed beverage bottles	4,623 @ \$.05 = 231	4,119 @ \$.05 = 206
Miniature bottles	54,377 @ \$.01 = <u>544</u>	51,377 @ \$.01 = <u>513</u>
	<u>\$ 5,225</u>	<u>\$ 4,891</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 nine months ended March 31, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Department of Revenue (50%)	\$ 8,686	\$ 7,724
Department of Human Resources (5%)	869	772
Profit Retained (45%)	<u>7,816</u>	<u>6,951</u>
Total	<u>\$ 17,371</u>	<u>\$ 15,447</u>

NOTE 12 – SURCHARGE COLLECTED

The total amount of surcharge of \$10,091 and \$10,193 was collected for the nine months ended March 31, 2020 and 2019, respectively. The bailment surcharge rate was \$1.40 per case July through October and decreased to \$1.15 per case November 1, 2018.

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 nine months ended March 31, 2020 and 2019, was \$95,044 and \$88,142, respectively. The current sales tax rate is 7%.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 14 – RETAIL OUTLETS

The ABC Board operates two retail outlets:

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

	<u>2020</u>	<u>2019</u>
Gross Sales	\$ 1,123,988	\$ 1,017,002
Gross Profit	275,494	251,374
Change in Net Position Before Profit Distributions	65,743	50,188

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

	<u>2020</u>	<u>2019</u>
Gross Sales	\$ 338,892	\$ 332,064
Gross Profit	85,888	84,908
Change in Net Position Before Profit Distributions	(6,872)	(6,538)

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 March 31, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Minimum requirement	\$ 57,840	\$ 53,358
Maximum allowable	501,280	462,436
Actual working capital	340,300	323,803

Montgomery ABC Board has met the working capital requirements at March 31, 2020 and 2019.

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
March 31, 2020 and 2019

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 Six Fiscal Years***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ABC Board's proportion of the net pension liability (asset) (%)	0.00142%	0.00151%	0.00154%	0.00149%	0.00141%	0.00150%
ABC Board's proportionate share of the net pension liability (asset) (\$)	\$ 33,687	\$ 23,069	\$ 32,684	\$ 6,687	\$ (8,315)	\$ 18,081
ABC Board's covered payroll	\$123,630	\$117,444	\$114,955	\$112,604	\$130,413	\$125,835
ABC Board's proportion of the net pension liability (asset) as a percentage of its covered payroll	27.25%	19.64%	28.43%	5.94%	6.38%	14.37%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	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 Six Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,861	\$ 9,421	\$ 8,679	\$ 7,874	\$ 7,961	\$ 9,220
Contributions in relation to the contractually required contribution	<u>10,861</u>	<u>9,421</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
ABC Board's covered payroll	\$ 137,999	\$ 123,630	\$ 117,444	\$ 114,955	\$ 112,604	\$ 130,413
Contributions as a percentage of covered payroll	7.87%	7.62%	7.39%	6.85%	7.07%	7.07%

SUPPLEMENTARY INFORMATION

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

For the Nine Months Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Salaries	\$ 161,153	\$ 153,328
Payroll taxes	12,709	12,042
Pension expense	9,280	7,686
Electricity	8,133	8,035
Water	1,002	1,103
Miscellaneous	75	50
Repairs and maintenance	1,300	6,944
Computer maintenance	11,529	11,665
Bags	5,021	2,740
Unloading	1,985	1,900
Supplies	2,232	1,135
Credit card fees	<u>11,843</u>	<u>10,732</u>
	<u>\$ 226,262</u>	<u>\$ 217,360</u>

See accountants' report.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULES OF ADMINISTRATIVE EXPENSES
For the Nine Months Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Telephone	\$ 3,228	\$ 3,149
Office supplies	1,025	1,316
Insurance and bonds	50,753	50,650
Travel	684	649
Board member fees	6,000	6,000
Accounting and legal fees	5,100	5,100
Dues and advertising	276	325
Bank charges	<u>1,525</u>	<u>1,551</u>
	<u>\$ 68,591</u>	<u>\$ 68,740</u>

See accountants' report.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BEFORE DISTRIBUTIONS BY LOCATION
For the Nine Months Ended March 31, 2020

	<u>Biscoe</u>	<u>Mt. Gilead</u>	<u>Total</u>
OPERATING REVENUES			
Liquor sales	\$ 1,017,377	\$ 338,892	\$ 1,356,269
Mixed beverage sales	<u>106,611</u>	<u>-</u>	<u>106,611</u>
TOTAL GROSS SALES	<u>1,123,988</u>	<u>338,892</u>	<u>1,462,880</u>
DEDUCT TAXES ON GROSS SALES			
State excise tax	246,026	74,196	320,222
Rehabilitation tax	4,014	1,211	5,225
Mixed beverage tax (Revenue)	8,686	-	8,686
Mixed beverage tax (Human Resources)	<u>869</u>	<u>-</u>	<u>869</u>
TOTAL TAXES	<u>259,595</u>	<u>75,407</u>	<u>335,002</u>
NET SALES	864,393	263,485	1,127,878
COST OF LIQUOR SALES	<u>588,899</u>	<u>177,597</u>	<u>766,496</u>
GROSS PROFIT ON SALES	<u>275,494</u>	<u>85,888</u>	<u>361,382</u>
OPERATING EXPENSES			
Store expenses	157,791	68,471	226,262
Administrative expenses	47,724	20,867	68,591
Depreciation expense	<u>4,046</u>	<u>2,972</u>	<u>7,018</u>
TOTAL OPERATING EXPENSES	<u>209,561</u>	<u>92,310</u>	<u>301,871</u>
INCOME (LOSS) FROM OPERATIONS	65,933	(6,422)	59,511
NONOPERATING REVENUES			
Interest income	<u>260</u>	<u>-</u>	<u>260</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	<u>\$ 66,193</u>	<u>\$ (6,422)</u>	<u>\$ 59,771</u>

See accountants' report.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULES OF STORE EXPENSES BY LOCATION
For the Nine Months Ended March 31, 2020

	<u>Biscoe</u>	<u>Mt. Gilead</u>	<u>Total</u>
Salaries	\$ 113,392	\$ 47,761	\$ 161,153
Payroll taxes	8,951	3,758	12,709
Pension expense	7,016	2,264	9,280
Electricity	4,981	3,152	8,133
Water	612	390	1,002
Miscellaneous	38	37	75
Repairs and maintenance	1,045	255	1,300
Computer maintenance	6,578	4,951	11,529
Bags	2,662	2,359	5,021
Unloading	1,450	535	1,985
Supplies	1,842	390	2,232
Credit card fees	9,224	2,619	11,843
	<u>\$ 157,791</u>	<u>\$ 68,471</u>	<u>\$ 226,262</u>

See accountants' report.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULES OF ADMINISTRATIVE EXPENSES BY LOCATION
For the Nine Months Ended March 31, 2020

	<u>Biscoe</u>	<u>Mt. Gilead</u>	<u>Total</u>
Telephone	\$ 1,580	\$ 1,648	\$ 3,228
Office supplies	573	452	1,025
Insurance and bonds	37,081	13,672	50,753
Travel	429	255	684
Board member fees	4,610	1,390	6,000
Accounting and legal fees	2,550	2,550	5,100
Dues and advertising	138	138	276
Bank charges	763	762	1,525
	<u>\$ 47,724</u>	<u>\$ 20,867</u>	<u>\$ 68,591</u>

See accountants' report.

MONTGOMERY ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULE OF DISTRIBUTIONS OF PROFITS
For the Nine Months Ended March 31, 2020

	<u>Amount</u>	<u>Date of</u> <u>Distribution</u>	<u>Restrictions</u>
DISTRIBUTIONS			
Law Enforcement			
Montgomery County	\$ 100	7/25/2019	Law Enforcement
Montgomery County	100	8/28/2019	Law Enforcement
Montgomery County	100	9/20/2019	Law Enforcement
Montgomery County	100	10/29/2019	Law Enforcement
Montgomery County	100	11/25/2019	Law Enforcement
Montgomery County	100	12/23/2019	Law Enforcement
Montgomery County	100	1/24/2020	Law Enforcement
Montgomery County	100	2/25/2020	Law Enforcement
Montgomery County	100	3/26/2020	Law Enforcement
	<u>900</u>		
Alcohol Education			
Montgomery County	<u>700</u>	7/30/2019	Alcohol Education
Profit			
Town of Biscoe	2,653	7/30/2019	Law Enforcement
Town of Mt. Gilead	2,653	7/30/2019	Law Enforcement
Town of Biscoe	5,790	7/30/2019	Unrestricted
Town of Candor	2,862	7/30/2019	Unrestricted
Town of Mt. Gilead	4,024	7/30/2019	Unrestricted
Town of Star	2,984	7/30/2019	Unrestricted
Town of Troy	10,865	7/30/2019	Unrestricted
Montgomery County	<u>21,220</u>	7/30/2019	Unrestricted
	<u>53,051</u>		
TOTAL DISTRIBUTIONS	\$ <u>54,651</u>		

See accountants' report.

PROPOSED

FISCAL YEAR

2021

BUDGET

**MONTGOMERY ABC
PROPOSED BUDGET
July 1, 2020 - June 30, 2021**

BE IT ORDAINED, by the Montgomery ABC Board, of Montgomery County, North Carolina, the following FY 2021 Budget establishing revenues and setting expense appropriations funded by said revenues, is hereby approved on Wednesday, June 17th, 2020.

Jackie Morris, Chairman

Mary O'Brien, Secretary

Phillip Richardson, Budget Officer

TOTAL REVENUES		\$ 1,875,521.00
TOTAL APPROPRIATIONS		\$ 1,875,521.00
TAXES	\$ 436,214.00	
COST OF SALES	\$ 998,807.00	
STORE COSTS	\$ 440,500.00	
ADMINISTRATIVE	\$ 56,543.00	
		<u>\$ -</u>

SECTION 1. ESTIMATED REVENUES	AMOUNT
Appropriated Fund Balance	\$ -
Liquor Sales	\$ 1,715,000.00
Mixed Beverage Sales Retail	\$ 133,797.00
Mixed Beverage Tax Revenue	\$ 26,424.00
Investment Income	\$ 300.00
TOTAL REVENUES	<u>\$ 1,875,521.00</u>

SECTION 2. ESTIMATED APPROPRIATIONS

TAXES	AMOUNT
NC Excise & MXB	\$ 427,300.00
Mixed Beverage Tax HR	\$ 1,600.00
Rehabilitation & Education Taxes	\$ 7,314.00
TOTAL TAXES	\$ 436,214.00
COST OF SALES:	
Cost of Liquor Sold	\$ 998,807.00
OPERATING EXPENSES:	
Salaries and Wages	\$ 223,000.00
Payroll Taxes	\$ 18,600.00
Retirement	\$ 14,100.00
Group Health Insurance	\$ 57,650.00
Insurance and Bonds	\$ 13,500.00
Legal & Audit (Admin)	\$ 8,000.00
Board Member Fees (Admin)	\$ 7,400.00
Travel (Admin)	\$ 1,400.00
Building-Grounds Maintenance	\$ 15,000.00
Computers, Equipment Repair, Licenses, Taxes	\$ 15,000.00
Dues, Subscriptions, Advertising	\$ 1,000.00
Utilities	\$ 19,800.00
Office Supplies (Admin)	\$ 2,850.00
Store Supplies, Bags	\$ 8,500.00
Unloading	\$ 3,500.00
Bank & Process Charges	\$ 21,000.00
Towns & County Profit Distribution	\$ 7,000.00
Law Enforcement Contract	\$ 1,200.00
Contingency Fund	\$ 2,000.00
TOTAL STORE EXPENSES	\$ 440,500.00
TOTAL OF ALL APPROPRIATIONS	\$ 1,875,521.00

PROPOSED SALARY ADJUSTMENTS:

BOARD MEMBERS

Proposes a \$200.00 increase for Board Members.

Members	\$1,200.00	Each Yearly	\$	7,200.00
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EMPLOYEES

Phillip Richardson	\$18.00	to	\$18.50	\$	18,278.00
Lisa Wilson	\$17.25	to	\$17.75	\$	36,920.00
Marisa Burchette	\$13.25	to	\$14.00	\$	29,120.00
Willard Parsons	\$16.25	to	\$16.75	\$	34,840.00
Patricia Gillis	\$16.00	to	\$16.50	\$	34,320.00

Doris Bruton	\$10.75	to	\$11.50		
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Regular Part-time	\$10.25	to	\$11.00	\$	65,225.00
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Wages				\$	218,703.00
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MONTGOMERY ABC
Budget Document
Fiscal Year 2021

BUDGET

The Fiscal Year 2021 Budget is presented under the direction of NC General Statutes and NC ABC guidelines. The primary goals are to project basic operating costs required to sustain acceptable levels of control and service; costs are offset by projecting revenues based on a conservative estimate of sales.

HIGHLIGHTS:

1. The Proposed Salary and related Payroll Line Items are adjusted to include:
 - A. Increase the General Manager's rate of pay to \$18.50/hour.
 - B. Individual merit based increases for employees.
 - D. Board Member salaries will increase \$200.00.
 - E. No year-end bonuses are proposed at this time. Management and the Board will review in the Spring of 2021 based upon meeting sales goals and employee performance.
 - F. Projected staffing includes 4 full time employees and 6 part time employees.
3. Major Medical premiums will increase \$55.00 per month for FY 2021.
4. Revenues for FY 2021 have been conservatively projected at approximately 2% less than FY 2020 and expense line items are based upon the 2020 costs and inflation.
5. There are no proposed changes in fiscal policies.

Phillip Richardson
Budget Officer

MAY 2020
MONTHLY
REPORTS

**MONTHLY REVENUE & INVENTORY
MONTGOMERY ABC BOARD**

P.O. Box 279
Biscoe, NC 27209

(910) 428-2231

MONTH/YEAR	APR 2020	MAY 2020
FIDELITY BANK (CHECKING)	\$ 127,255.06	\$ 172,200.95
FIRST BANK (CREDIT CARDS)	<u>\$ 86,791.91</u>	<u>\$ 76,594.22</u>
TOTAL	\$ 214,046.97	\$ 248,795.17
TRUCK LOAD	\$ 85,186.36	\$ 95,579.07
TRUCK DELIVERY DATE	04/21/20	05/19/20
INVENTORY	\$ 269,484.51	\$ 260,391.65
INVENTORY SAME PERIOD LAST YEAR	\$ 290,408.00	\$ 281,410.31
BISCOE SALES	\$ 132,732.00	\$ 144,583.85
MT. GILEAD SALES	<u>\$ 43,504.80</u>	<u>\$ 51,025.00</u>
TOTAL	\$ 176,236.80	\$ 195,608.85
MXB SALES +	<u>\$ -0-</u>	<u>\$ 6,614.20</u>
GRAND TOTAL MONTHLY SALES	\$ 176,236.80	\$ 202,223.05

YTD TOTAL SALES	\$1,841,339.40	(THRU MAY 2020)
MINUS YTD GOAL	- <u>\$1,761,823.14</u>	
DIFFERENCE	<u>\$ 79,516.26</u>	SURPLUS SALES

(YTD GOAL IS THE MONTHLY SALES GOAL OF \$160,165.74 x 11 MONTHS COMPELETED)

MONTGOMERY ABC
FY 2020 MONTHLY EXPENSE REPORT
 CUMALITIVE THROUGH
 05/31/20

OPERATING EXPENSES:	BUDGET	SPENT	REMAINING BALANCE	%
Cost of Sales - Liquor	\$ 1,022,357.85	\$ 945,499.23	\$ 76,858.62	8%
Excise Tax & NC MXB	\$ 449,387.00	\$ 413,153.00	\$ 36,234.00	8%
MXB HR Tax	\$ 1,200.00	\$ 923.83	\$ 276.17	23%
Rehab & Education Tax	\$ 7,300.00	\$ 6,449.63	\$ 850.37	12%
Salaries and Wages	\$ 216,214.00	\$ 192,004.15	\$ 24,209.85	11%
Payroll Taxes	\$ 18,600.00	\$ 15,981.90	\$ 2,618.10	14%
Bonus & Covid Pay	\$ 12,300.00	\$ 12,181.00	\$ 119.00	1%
Retirement	\$ 13,000.00	\$ 12,181.02	\$ 818.98	6%
Group Health Insurance	\$ 54,030.00	\$ 49,464.40	\$ 4,565.60	8%
Insurance and Bonds	\$ 11,500.00	\$ 11,209.00	\$ 291.00	3%
Legal & Audit	\$ 7,300.00	\$ 6,800.00	\$ 500.00	7%
Board Member Mtg Fees	\$ 6,000.00	\$ 6,000.00	\$ -	0%
Travel	\$ 1,300.00	\$ 838.46	\$ 461.54	36%
Building-Grounds Maintenance	\$ 20,000.00	\$ 6,399.84	\$ 13,600.16	68%
Computers & License Fees	\$ 16,500.00	\$ 11,890.25	\$ 4,609.75	28%
Dues, Subscriptions, Advertising	\$ 1,000.00	\$ 332.60	\$ 667.40	67%
Utilities	\$ 18,800.00	\$ 14,474.41	\$ 4,325.59	23%
Office Supplies	\$ 2,500.00	\$ 1,408.07	\$ 1,091.93	44%
Store Supplies, Bags	\$ 9,000.00	\$ 8,475.46	\$ 524.54	6%
Unloading	\$ 3,500.00	\$ 2,490.00	\$ 1,010.00	29%
Bank & Process Charges	\$ 21,200.00	\$ 16,986.39	\$ 4,213.61	20%
Law Enforcement Contract	\$ 1,200.00	\$ 1,100.00	\$ 100.00	8%
Profit Distributions	\$ 5,800.00	\$ -	\$ 5,800.00	100%
Contingency	\$ 2,000.00	\$ -	\$ 2,000.00	100%
TOTAL OPERATING EXPENSES	\$ 1,921,988.85	\$ 1,736,242.64	\$ 185,746.21	10%

LBD Group Sales Summary

Begin Date: 5/1/2020 End Date: 5/31/2020

Outlet Code	Name	.750 L FIFTH	1.75 L HALF	Retail	LBD Tax	Total	Surcharge
00101533MB	TILLERY TRADITION	16		\$317.75	\$60.00	\$377.75	\$1.63
00171238MB	COACHES	6		\$114.25	\$22.50	\$136.75	\$0.57
00178741MB	OLD NORTH STATE	29		\$468.15	\$108.75	\$576.90	\$2.78
00237229MB	WHITE HOUSE	54		\$888.55	\$202.50	\$1091.05	\$5.27
00238302MB	SWEET TEE	17		\$207.15	\$63.75	\$270.90	\$1.63
00248643MB	RIVER WILD	86		\$1904.70	\$322.50	\$2227.20	\$8.24
00277754MB	SCALLYWAGS BAR AND GRILL LLC	90		\$1302.15	\$337.50	\$1639.65	\$8.72
00287130MB	BISTRO ON BADIN	8	2	\$246.50	\$47.50	\$294.00	\$1.15
	Location Totals:	306	2	\$5449.20	\$1165.00	\$6614.20	\$29.99
	Grand Total	306	2	\$5449.20	\$1165.00	\$6614.20	\$29.99

FINAL
FISCAL YEAR
2020

YEAR END PROPOSED
BUDGET
REVISIONS

MONTGOMERY ABC
FY 2020 BUDGET AMENDMENT
JUNE 2020

	BUDGET	REVISION	REVISED BUDGET
REVENUES			
Liquor Sales	\$ 1,815,557.60	\$ 58,456.00	\$ 1,874,013.60
Mixed Beverage Sales	\$ 88,800.00	\$ 19,200.00	\$ 108,000.00
Mixed Beverage Taxes	\$ 17,371.25		\$ 17,371.25
Investment Income	\$ 260.00	\$ 80.00	\$ 340.00
TOTAL	\$ 1,921,988.85	\$ 77,736.00	\$ 1,999,724.85
EXPENSES			
Cost of Liquor Sold	\$ 1,022,357.85	\$ 40,000.00	\$ 1,062,357.85
NC Excise & MXB	\$ 449,387.00	\$ 15,080.00	\$ 464,467.00
Mixed Beverage Tax HR	\$ 1,200.00	\$ -	\$ 1,200.00
Rehabilitation Tax	\$ 7,300.00	\$ -	\$ 7,300.00
Salaries	\$ 216,214.00	\$ -	\$ 216,214.00
Bonus & Covid	\$ 12,300.00	\$ (119.00)	\$ 12,181.00
Payroll Taxes	\$ 18,600.00	\$ -	\$ 18,600.00
Retirement	\$ 13,000.00	\$ -	\$ 13,000.00
Group Health Insurance	\$ 54,030.00	\$ -	\$ 54,030.00
Insurance and Bonds	\$ 11,500.00	\$ (200.00)	\$ 11,300.00
Travel	\$ 1,300.00	\$ (200.00)	\$ 1,100.00
Building-Grounds Maintenance	\$ 20,000.00	\$ -	\$ 20,000.00
Equipment, Computers, License	\$ 16,500.00	\$ -	\$ 16,500.00
Dues & Advertising	\$ 1,000.00	\$ -	\$ 1,000.00
Utilities	\$ 18,800.00	\$ -	\$ 18,800.00
Office Supplies	\$ 2,500.00	\$ -	\$ 2,500.00
Store Supplies & Bags	\$ 9,000.00	\$ -	\$ 9,000.00
Legal & Audit	\$ 7,300.00	\$ -	\$ 7,300.00
Board Member Fees	\$ 6,000.00	\$ -	\$ 6,000.00
Unloading	\$ 3,500.00	\$ -	\$ 3,500.00
Bank and Process Fees	\$ 21,200.00	\$ -	\$ 21,200.00
Projected Profit Distribution	\$ 4,000.00	\$ 19,675.00	\$ 23,675.00
Law Enforcement Distribution	\$ 1,800.00	\$ 3,500.00	\$ 5,300.00
Law Enforcement Contract	\$ 1,200.00	\$ -	\$ 1,200.00
Contingency Fund	\$ 2,000.00	\$ -	\$ 2,000.00
TOTAL	\$ 1,921,988.85	\$ 77,736.00	\$ 1,999,724.85

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 up:

REVENUES

INCREASING SALES BY \$77,736.00 TO A CONSERVATIVE PROJECTED ACTUAL.

EXPENDITURES

COST OF LIQUOR SOLD AND EXCISE TAX LINE ITEMS ARE INCREASED TO OFFSET THE ADDITIONAL PROJECTED REVENUES. BONUS, INSURANCE AND TRAVEL ARE DECREASED TO ACTUAL. THE PROFIT DISTRIBUTION LINE ITEMS ARE INCREASED TO A CONSERVATIVE PROJECTED ACTUAL.

NOTES:

THESE FIGURES ARE ESTIMATES AS OF JUNE 8TH. SALES ARE MORE DIFFICULT TO PROJECT DUE TO COVID-19. COVID-19 COULD DRASTICALLY IMPACT THESE FIGURES SHOULD THE MXB SALES BE STOPPED AGAIN OR IF EMPLOYEES CONTRACT THE VIRUS AND ONE OR BOTH OF OUR STORES CLOSE.

Jackie Morris, Chairman

Mary O'Brien, Secretary

Phillip Richardson
Budget Officer

MONTGOMERY ABC BOARD

MINUTES

May 20, 2020

BOARD MEMBERS

Jackie Morris, Chairman	Troy	Ben Haithcock	Mt. Gilead
Gene Anderson	Biscoe	Mary O'Brien	Star
Jim McLeod	Candor	Wayne Wooten	Montgomery County

STAFF PRESENT

Phillip Richardson	General Manager	Lisa Wilson	Finance Officer
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Chairman Morris welcomed those present and called the meeting to order. Richardson began with the reading of the following as required by the State of North Carolina and the NC ABC Commission:

In accordance with General Statute 18B-201, it is the duty of every Board Member to avoid both conflicts of interest and the appearance of conflicts. Does any member have any known conflict of interest or appearance of conflict with respect to any matter coming before the Board today? If so, please identify the conflict or appearance of conflict and refrain from any undue participation in the particular matter involved.

No conflicts or appearance of conflicts were noted. The February 2020 Minutes were unanimously approved as mailed upon a motion by Jim McLeod; seconded by Ben Haithcock .

The previously mailed February-April 2020 financial and sales reports were reviewed. Richardson was pleased to report record high sales up 15.73%, 15.37% and 19.61% each consecutive month during the period.

NEW BUSINESS

The FY 2020 Budget Revisions were presented. Chairman Morris directed the Board's attention to the section regarding bonuses and invited discussion. Mary O'Brien stated the amount of the covid-19 pay was deserved but, felt a 3% merit would be sufficient. It was the consensus of the other members to award 4% as recommended. Gene Anderson motioned to award a 4% bonus and the covid-19 pay as recommended by the General Manager; Wayne Wooten seconded the motion which was unanimously approved.

Chairman Morris referred back to the proposed FY 2020 Budget revision to add \$149,847.60 in surplus sales revenue to projected actual, to reduce mixed beverage sales by \$31,828.75 to the actual revenue received to date and to increase interest income by \$60.00 to actual. Expense line items were proposed to be adjusted to reflect actual costs and projected expenses through year end.

There was additional discussion regarding the sustainability of current sales. Staff noted May's sales were still up 17% even with the loss of mixed beverage revenue. Members agreed if the projections were over the figures could be revised. The Board approved the FY 2020 Budget Revisions adding \$149,847.60 in revenues and offsetting expenses. The approval was unanimous upon a motion by Gene Anderson; seconded by Ben Haithcock.

The FY 2021 Budget and Budget Document were presented by Richardson. Chairman Morris inquired whether the proposed budget included the cost of reopening under the 12 hours per day, 6 days per week schedule. Staff confirmed the new budget was based on the normal schedule with ample hours to recall part-time employees. Jim McLeod noted a discrepancy regarding the Board Member Fees line item on the Budget Document. Staff accepted responsibility for the error and confirmed a correction would be made prior to presentation. Upon a motion by Gene Anderson; seconded by Jim McLeod it was unanimously approved to proceed with advertising and presentation of the FY 2021 Budget to the Appointing Authorities. Mary O'Brien reminded Staff to send an advertisement to the Montgomery Herald and post notices regarding the upcoming public hearing and meetings.

OLD BUSINESS

Wayne Wooten asked if the new HVAC system was working in good order. Richardson confirmed it was working very well. Richardson also reported the Biscoe store had experienced a water leak which required the installation of a new water line from the meter.

Morris expressed in these unprecedented times; he anticipated the need for holding another teleconference meeting again in June. Staff assured the Board notices would be posted with the information to join the teleconference meeting.

The next teleconference meeting was scheduled for Wednesday, June 17, 2020, beginning with the Budget Public Hearing at 3:00 p.m. There being no further business, Jim McLeod motioned to adjourn; seconded by Ben Haithcock, the meeting adjourned.

Mary O'Brien
Montgomery ABC Secretary