



**PUBLIC INFORMATION**

ITEM NO. 4.

**DATE OF MEETING:** September 6, 2011

**REQUESTED BY:** Board of Commissioners

**SHORT TITLE:** Pender County ABC Board Update

**BACKGROUND:** Mr. George Mara, Chairman and members of the ABC Board will be present to provide an update to the Board.

**Pender County ABC Board  
PO Box 804  
Burgaw NC 28425  
Phone (910)259-2672  
Fax (910) 259-2673**

26 August, 2011

**Subj: Pender County Board recommendations for Atkinson & Rocky Point ABC stores**

1. In general the current economic conditions have surprisingly shown that the demand for alcoholic beverages, thought to be in-elastic, have brought about a 6% reduction in bottle sales between the 2009/2010 and the 2010/2011 fiscal years. The outlook for 2011/2012 looks depressingly similar considering the low consumer confidence reports.

2. The Board has spear headed a drive to get the North Carolina Association of ABC Boards to lobby the NC General Assembly to reduce the current thirty percent excise tax to more manageable levels. See copy of letter dated August 23, 2011 attached.

**3. Atkinson Store**

The Boards action regarding the long term negative profitability of the store, accelerated by the recent addition of excise tax to thirty percent (30%); was to reduce the stores hours by closing an extra two (2) per week, beginning in July 2011. It is too early to assess what effect this will have on gross sales but the Board will monitor the effect of this on profitability during the next three (3) months.

This store is covered by the enabling legislation for Pender County and as such will require legislation to change the current status.

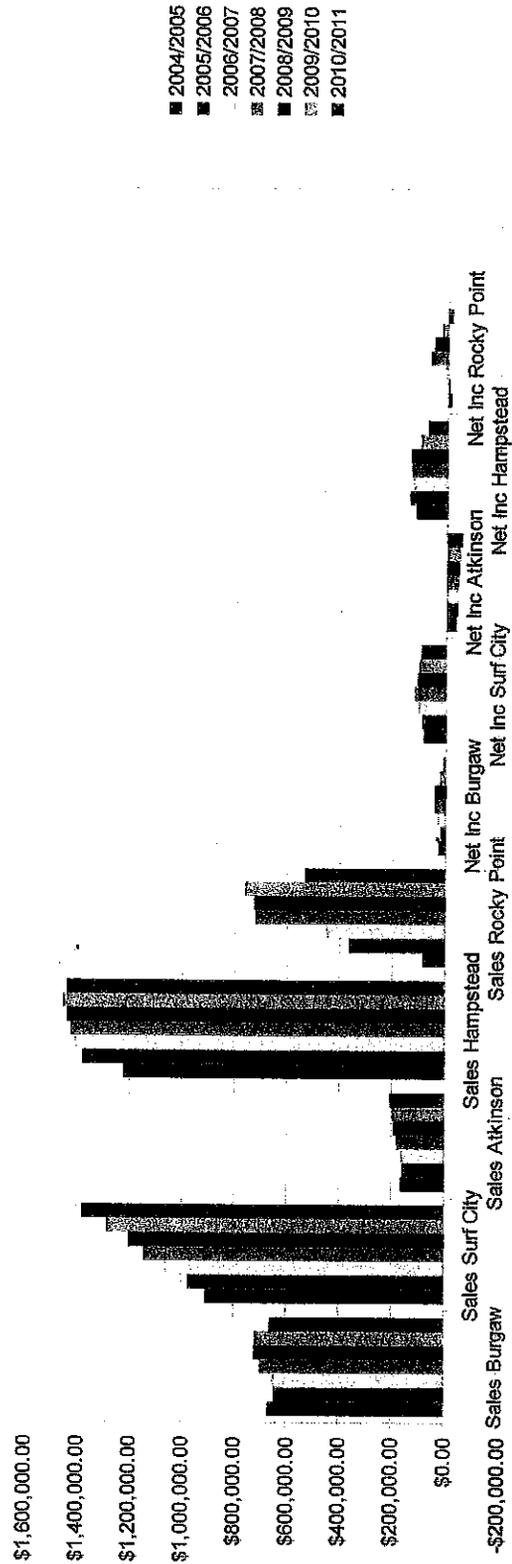
**4. Rocky Point Store**

The Boards action regarding the current and near term negative profitability of the store was to successfully re-negotiate downward, the monthly store rental, minimize direct labor cost of sales and to monitor the effect of these items on profitability during the next three (3) months.

Encl: Letter to NC Assoc of ABC Boards dated August 23, 2111

**Pender County Alcohol Board of Control**

Item	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Sales Burgaw	\$668,421.97	\$644,821.16	\$650,908.65	\$698,557.80	\$721,925.50	\$720,927.54	\$663,705.19
Sales Surf City	\$906,398.70	\$976,074.10	\$1,062,744.20	\$1,143,528.54	\$1,200,414.53	\$1,285,803.52	\$1,379,075.33
Sales Atkinson	\$164,235.27	\$159,721.11	\$164,800.77	\$179,943.11	\$191,234.63	\$197,873.19	\$206,411.08
Sales Hampstead	\$1,222,860.04	\$1,380,398.39	\$1,409,037.02	\$1,423,761.13	\$1,439,607.03	\$1,454,041.26	\$1,439,792.92
Sales Rocky Point	\$83,256.79	\$362,304.54	\$450,992.00	\$721,729.25	\$726,963.17	\$762,487.21	\$532,424.88
Net Inc Burgaw	\$27,526.30	\$19,614.49	\$31,812.92	\$42,974.81	\$42,988.83	\$23,689.24	\$10,260.69
Net Inc Surf City	\$83,869.60	\$91,358.16	\$106,550.67	\$120,181.13	\$107,238.65	\$104,709.77	\$93,572.02
Net Inc Atkinson	-\$35,187.54	-\$38,931.99	-\$42,165.97	-\$42,689.60	-\$44,657.69	-\$50,613.37	-\$57,742.09
Net Inc Hampstead	\$117,565.61	\$143,272.18	\$128,899.14	\$135,009.65	\$137,363.09	\$100,087.28	\$73,436.28
Net Inc Rocky Point	-\$11,953.08	-\$3,223.44	\$10,863.31	\$65,239.74	\$52,640.58	\$24,180.97	-\$17,751.40



PENDER COUNTY ABC BOARD  
Post Office Box 804  
Burgaw, North Carolina 28425  
(910) 259-2672

August 23, 2011

Walter Harris, President  
North Carolina Association of ABC Boards  
PO Box 207  
Pittsboro, NC 27312

Joseph Wall, Executive Director  
North Carolina Association of ABC Boards  
PO Box 10669  
Raleigh, NC 27605

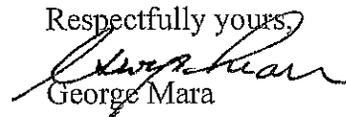
Dear Messrs. Harris and Wall

As Chairman of the Pender County ABC Board, I would like to invite each of you to a meeting with the members of the Pender County ABC Board to discuss how the North Carolina Association of ABC Boards can assist our board and possible other boards across the State of North Carolina to seek a decrease in the thirty percent (30 %) excise tax that has been imposed on each sale of alcohol within our system stores. Since this tax was increased effective July 1, 2010, the profits within our county ABC system have had a significant drop along with our increased expenses and decreased sales resulting from the down turn in the economy. The monies collected from the increase in the excise tax could be utilized by our county ABC system to remain profitable, if the portion of the increased excise tax could be repealed by the North Carolina General Assembly.

Since our county ABC Board does not have the expertise to effectively lobby the North Carolina General Assembly to repeal this increase in the excise tax, we would like to request the North Carolina Association of ABC Boards assistance in putting together a plan that could effectively be utilized by ABC Boards across the State of North Carolina to lobby their representatives to the North Carolina General Assembly to consider repealing this increase in the excise tax during the 2012 short session of the General Assembly.

If each of you are interested in meeting with our county ABC Board, please contact our General Manager, Patsy M. Blake, at (910) 259-2672 and provide her with some dates that would be convenient for each of you to attend a meeting at the Pender County Board Office located in Burgaw.

Respectfully yours,

  
George Mara

PENDER COUNTY  
BOARD OF ALCOHOLIC CONTROL

(A component unit of Pender County)

June 30, 2011 and 2010

ANNUAL FINANCIAL REPORT

Murray, Blackburn & Rode, LLP  
Certified Public Accountants

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL

(A component unit of Pender County)

June 30, 2011 and 2010

MEMBERS OF THE BOARD

George Mara, Chairman  
Hampstead, NC

Virginia Barnhill  
Atkinson, NC

Don Hall  
Rocky Point, NC

Henry A. Jordan, Jr.  
Burgaw, NC

GENERAL MANAGER

Patsy M. Blake

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL

(A component unit of Pender County)

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June 30, 2011 and 2010

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pender County Board of Alcoholic Control

We have audited the accompanying financial statements of the Pender County Board of Alcoholic Control, a component unit of Pender County, as of June 30, 2011 and 2010, and for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of the Pender County Board of Alcoholic Control management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Pender County Board of Alcoholic Control, as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Murray, Blackburn & Rode, LLP  
Certified Public Accountants

Wilmington, North Carolina  
August 5, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Pender County Board of Alcoholic Control's financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2011. This information should be read in conjunction with the audited financial statements included in this report.

### *Financial Highlights*

- Operating revenues decreased approximately 3.77% over the prior year.
- Operating expenses increased approximately 6.39% over the prior year.
- Net assets increased approximately 2.66% over the prior year.
- 7% of available profits were expended for law enforcement and alcohol education and rehabilitation.

A recap of bottles sold for the current and preceding year is as follows:

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Regular bottles	277,589	295,436	(17,847)
Mixed beverage bottles	18,001	17,121	880
Miniature bottles	83,559	83,492	67

### *Overview of the Financial Statements*

The audited financial statements of the Pender County Board of Alcoholic Control consist of three components. They are as follows:

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Additional Information Required by the ABC Commission*

The *Basic Financial Statements* are prepared using the full accrual basis of accounting. They consist of three statements. The first statement is the **Statement of Net Assets**. Assets and liabilities are classified between current and long-term. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the **Statement of Revenues, Expenses and Changes in Net Assets**. This statement is used in evaluating whether the Board has recovered all of its costs through sales. Its information is used in determining credit worthiness.

The final required statement is the **Statement of Cash Flows**. This statement reports cash inflows and outflows in the following categories: operating, investing, and financial activities. Based on this data, the user can determine the sources of cash, the uses of cash, and the change in cash.

The notes to the financial statements provide more detailed information and should be read in conjunction with the statements.

The ABC Commission requires some schedules in addition to the information required by generally accepted accounting principles. They include a Schedule of Store Expenses, a Schedule of Administrative Expenses, and a Schedule of Warehouse Expenses.

## Financial Analysis of the ABC Board

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$723,657.04 at June 30, 2011. The largest component of net assets is the unrestricted net assets, representing approximately 68% of total net assets. Following is a summary of the Statement of Net Assets:

**Table 1**  
**Condensed Statement of Net Assets**

	6/30/2011	6/30/2010	\$ Change	% Change
Current assets	1,087,903.90	1,116,225.68	(28,321.78)	-2.5373%
Non-current assets	95,362.59	115,445.49	(20,082.90)	-17.3960%
Total assets	1,183,266.49	1,231,671.17	(48,404.68)	-3.9300%
Current liabilities	459,609.45	526,776.13	(67,166.68)	-12.7505%
Non-current liabilities	-	-	-	0.0000%
Total liabilities	459,609.45	526,776.13	(67,166.68)	-12.7505%
Invested in capital assets, net of related debt	95,362.59	115,445.49	(20,082.90)	-17.3960%
Restricted net assets	135,244.14	141,720.46	(6,476.32)	-4.5698%
Unrestricted net assets	493,050.31	447,729.09	45,321.22	10.1225%
Total net assets	723,657.04	704,895.04	18,762.00	2.6617%

Note that non-current assets decreased during the year. This is the result of the purchase of equipment and the disposal of old equipment and their related accumulated depreciation, and the current year depreciation expense.

Net assets increased by 2.6617% from the prior year. Income from operations decreased 32.2418% from the prior year. Following is a summary of the changes in net assets:

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

	6/30/2011	6/30/2010	\$ Change	% Change
Operating revenues	4,567,891.58	4,746,888.44	(178,996.86)	-3.7708%
Less: Taxes on gross sales	1,051,543.95	1,062,156.53	(10,612.58)	-0.9992%
Net sales	3,516,347.63	3,684,731.91	(168,384.28)	-4.5698%
Cost of sales	2,411,015.98	2,539,647.93	(128,631.95)	-5.0650%
Gross profit	1,105,331.65	1,145,083.98	(39,752.33)	-3.4716%
Less: Operating expenses	907,191.39	852,661.30	54,530.09	6.3953%
Income from operations	198,140.26	292,422.68	(94,282.42)	-32.2418%
Nonoperating revenues and expenses	760.09	1,031.94	(271.85)	-26.3436%
Change in net assets before distributions	198,900.35	293,454.62	(94,554.27)	-32.2211%
Distributions	180,138.35	268,761.66	(88,623.31)	-32.9747%
Change in net assets	18,762.00	24,692.96	(5,930.96)	-24.0188%
Net assets, beginning	704,895.04	680,202.08	24,692.96	3.6302%
Net assets, ending	723,657.04	704,895.04	18,762.00	2.6617%

Operating revenues decreased compared to the prior year due to a decrease in bottles sold. As a result of the reduction in bottles sold, taxes based on gross sales decreased in the current year as well. Operating expenses increased over the prior year.

Following is a breakdown of sales by source:

	6/30/2011	6/30/2010	\$ Change	% Change
Retail Liquor Sales	4,221,409.40	4,421,132.72	(199,723.32)	-4.5175%
Mixed Beverage Sales	346,482.18	325,755.72	20,726.46	6.3626%
Total Sales	4,567,891.58	4,746,888.44	(178,996.86)	-3.7708%

The percentage of mixed beverage sales to total sales did not increase materially over the prior year.

**Table 3**  
**Summary of Changes in Capital Assets**

	6/30/2011	6/30/2010	\$ Change	% Change
Land	6,500.00	6,500.00	-	0.0000%
Building and paving	17,146.71	17,146.71	-	0.0000%
Building addition	96,564.15	96,564.15	-	0.0000%
Roof replacement	29,694.90	29,694.90	-	0.0000%
Equipment	204,444.18	202,638.14	1,806.04	0.8913%
Vehicles	20,621.95	20,621.95	-	0.0000%
Total	374,971.89	373,165.85	1,806.04	0.4840%

The overall increase in capital assets is the result of equipment purchased during the year, along with the disposal of old equipment.

***Economic Factors***

The Board is aware of the decrease in sales, which it feels is largely due to economic conditions and pressures from locations in neighboring counties. Operating hours have been reviewed, and as of July 1, 2011 one location's days of operation have been reduced. The Board is also closely monitoring expenses and seeking ways to reduce where possible.

***Requests for Information***

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

Diane Chadwick, Finance Officer  
Pender County Board of Alcoholic Control  
P. O. Box 804  
Burgaw, NC 28425

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL  
(A component unit of Pender County)  
STATEMENT OF NET ASSETS  
As of June 30, 2011 and 2010

ASSETS	2011	2010
Current Assets		
Change funds	\$ 1,000.00	\$ 1,000.00
Checking accounts:		
First Citizens Bank & Trust Company	380,342.77	280,028.47
Bank of America	101,309.46	100,880.35
Certificate of deposit:		
First Citizens Bank & Trust Company	57,942.02	57,394.54
Claims receivable - distillers	249.68	390.59
Inventory in retail outlets	409,808.32	444,535.22
Inventory in central warehouse	124,387.57	219,421.95
Unexpired insurance and bond premiums	12,864.08	12,574.56
Total Current Assets	1,087,903.90	1,116,225.68
Non-Current Assets		
Property and Equipment		
Land	6,500.00	6,500.00
Building and paving	17,146.71	17,146.71
Building addition	96,564.15	96,564.15
Roof replacement	29,694.90	29,694.90
Equipment	204,444.18	202,638.14
Vehicle	20,621.95	20,621.95
	374,971.89	373,165.85
Less: Accumulated depreciation	279,609.30	257,720.36
Net Property and Equipment	95,362.59	115,445.49
Total Assets	\$ 1,183,266.49	\$ 1,231,671.17

The Accompanying Notes Are an Integral Part of the Financial Statements

	<u>2011</u>	<u>2010</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable - distillers	\$ 225,075.43	\$ 294,397.43
Accounts payable - miscellaneous	620.57	2,260.17
Accrued salaries	17,945.99	16,832.13
Accrued vacation pay	26,056.41	24,063.31
N. C. excise tax payable	99,561.00	95,161.00
Alcoholic rehabilitation tax payable	1,509.93	1,488.91
Mixed beverage surcharge (NCDR)	4,822.00	4,098.00
Mixed beverage surcharge (NCDHR)	482.13	409.75
Sales tax payable	12,284.41	10,565.22
Distributions payable	<u>71,251.58</u>	<u>77,500.21</u>
Total Current Liabilities	<u>459,609.45</u>	<u>526,776.13</u>
Total Liabilities	459,609.45	526,776.13
<b>NET ASSETS</b>		
Invested in capital assets	95,362.59	115,445.49
Restricted for:		
Working capital [minimum is only restriction]	135,244.14	141,720.46
Unrestricted	<u>493,050.31</u>	<u>447,729.09</u>
Total Net Assets	<u>723,657.04</u>	<u>704,895.04</u>
Total Liabilities and Net Assets	<u>\$ 1,183,266.49</u>	<u>\$ 1,231,671.17</u>

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL  
(A component unit of Pender County)  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenue		
Liquor Sales - Regular	\$ 4,221,409.40	\$ 4,421,132.72
Mixed Beverage Sales	<u>346,482.18</u>	<u>325,755.72</u>
Total Gross Sales	<u>4,567,891.58</u>	<u>4,746,888.44</u>
Deduct Taxes on Gross Sales		
State Excise Tax	998,391.00	1,010,352.75
Mixed Beverage Tax - NCDR	34,121.00	32,128.45
Mixed Beverage Tax - NCDHR	3,411.86	3,212.56
Rehabilitation Tax	<u>15,620.09</u>	<u>16,462.77</u>
Total Taxes	<u>1,051,543.95</u>	<u>1,062,156.53</u>
Net Sales	3,516,347.63	3,684,731.91
Deduct Cost of Sales - Liquor Sold	<u>2,411,015.98</u>	<u>2,539,647.93</u>
Gross Profit on Sales	1,105,331.65	1,145,083.98
Deduct Operating Expenses		
Store Expenses	600,921.95	565,916.30
Administrative Expenses	240,108.10	221,181.07
Warehouse Expenses	42,372.02	39,031.95
Depreciation Expenses	<u>23,789.32</u>	<u>26,531.98</u>
Total Operating Expenses	<u>907,191.39</u>	<u>852,661.30</u>
Income from Operations	<u>198,140.26</u>	<u>292,422.68</u>
Nonoperating Revenues		
Interest Earned	760.09	1,025.94
Sale of Boxes	<u>---</u>	<u>6.00</u>
Total Nonoperating Revenues	<u>760.09</u>	<u>1,031.94</u>
Change in Net Assets Before Distributions	198,900.35	293,454.62
Deduct: Law Enforcement	4,280.11	7,738.98
Alcohol Education	<u>1,712.04</u>	<u>3,095.59</u>
Change in Net Assets Before Profit Distributions	<u>192,908.20</u>	<u>282,620.05</u>

The Accompanying Notes Are an Integral Part of the Financial Statements

Profit Distributions		
Municipalities	42,466.53	62,547.03
County	127,399.56	187,641.08
Other - County (Mosquito Control)	<u>4,280.11</u>	<u>7,738.98</u>
Total Profit Distributions	<u>174,146.20</u>	<u>257,927.09</u>
Change in Net Assets	18,762.00	24,692.96
Net Assets, Beginning of Year	<u>704,895.04</u>	<u>680,202.08</u>
Net Assets, End of Year	<u>\$ 723,657.04</u>	<u>\$ 704,895.04</u>

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL  
(A component unit of Pender County)  
STATEMENT OF CASH FLOWS  
For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Cash received from customers	\$ 4,569,610.77	\$ 4,747,989.07
Payments for inventory costs	(2,350,435.79)	(2,571,553.44)
Payments for operating expenses	(881,155.66)	(812,462.23)
Taxes paid	(1,046,326.55)	(1,050,711.83)
Other operating revenues	---	6.00
Net Cash Provided by Operating Activities	291,692.77	313,267.57
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(4,774.99)	(17,151.17)
Net Cash Used for Capital and Related Financing Activities	(4,774.99)	(17,151.17)
Cash Flows from Non-Capital Financing Activities		
Law enforcement distributions	(4,887.49)	(9,079.15)
Alcohol education distributions	(1,954.99)	(3,631.66)
Payments for profit distributions	(179,544.50)	(283,573.64)
Net Cash Used for Non-Capital Financing Activities	(186,386.98)	(296,284.45)
Cash Flows from Investing Activities		
Interest earned	760.09	1,025.94
Net Cash Provided by Investing Activities	760.09	1,025.94
Net Increase in Cash and Cash Equivalents	101,290.89	857.89
Cash and Cash Equivalents at Beginning of Year	439,303.36	438,445.47
Cash and Cash Equivalents at End of Year	\$ 540,594.25	\$ 439,303.36

The Accompanying Notes Are an Integral Part of the Financial Statements

	<u>2011</u>	<u>2010</u>
Reconciliation of Change in Net Assets Before Distributions To Net Cash Provided by Operating Activities		
Change in Net Assets Before Distributions	<u>\$ 198,900.35</u>	<u>\$ 293,454.62</u>
Depreciation	23,789.32	26,531.98
Interest earned	(760.09)	(1,025.94)
Loss on disposal of assets	1,068.57	3,579.38
Changes in assets and liabilities:		
Claims receivable - distillers	140.91	(85.13)
Inventory in retail outlets	34,726.90	(41,798.90)
Inventory in central warehouse	95,034.38	(59,685.23)
Unexpired insurance and bond premiums	(289.52)	(536.05)
Accounts payable - distillers	(69,322.00)	69,663.75
Accounts payable - miscellaneous	(1,639.60)	333.23
Accrued salaries	1,113.86	8,889.87
Accrued vacation pay	1,993.10	1,400.66
Sales taxes payable	1,719.19	1,100.63
N. C. excise tax payable	4,400.00	11,414.72
Alcoholic rehabilitation tax payable	21.02	(37.54)
Mixed beverage surcharge (NCDR)	724.00	61.43
Mixed beverage surcharge (NCDHR)	<u>72.38</u>	<u>6.09</u>
Total Reconciling Items	<u>92,792.42</u>	<u>19,812.95</u>
Net Cash Provided By Operating Activities	<u>\$ 291,692.77</u>	<u>\$ 313,267.57</u>

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL  
(A component unit of Pender County)  
Notes to the Financial Statements  
June 30, 2011 and 2010

Note 1. Summary of Significant Accounting Policies

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

The Pender County Board of Alcoholic Control (the Board), a component unit of Pender County, is a corporate body with powers outlined by General Statutes [Chapter 18B-701]. The county's governing body appoints the ABC Board.

The Board is required by State Statute to distribute a portion of its surpluses to the General Fund of Pender County, which represents a financial benefit to the County. Therefore, the Board is reported as a discretely presented component unit in the County's financial statements.

B. Organizational History

The Board was organized under the provisions of House Bill #128 of the North Carolina legislature, General Assembly of 1963, March 13, 1963, and implemented by a countywide election held May 25, 1963. The Pender County Board of Commissioners appoints five individuals to serve on the Board, with initial terms of three years, with reappointment if approved to serve no longer than a total of ten years.

The Board, as provided by North Carolina Alcoholic Beverage Control laws, operates five retail liquor stores. As of July 6, 1982, the Board contracted with the Sheriff of Pender County to provide the necessary law enforcement services. The current contract was entered into on February 9, 1995. North Carolina General Statute [18B-805(c)(2)(3)] requires that the Board expend at least 5% of profits for law enforcement and the local enabling act requires that 2% of the same profits be expended for alcohol education and rehabilitation purposes.

C. Basis of Presentation

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that 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, debit or credit card and recorded at the time of sale. Other revenues are recorded when earned. Expenses are recognized when incurred. As permitted, the Board has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its proprietary operation, unless those pronouncements conflict with or contradict GASB pronouncements.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of net assets date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

F. Assets, Liabilities and Net Assets

(1) Deposits

All deposits of the Board are made in Board-designated official depositories and are collateralized as required by State law [G.S.159-31]. The Board may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts, certificates of deposit and money market accounts.

All of the Board's deposits are either insured or collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board agent in the Board's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2011 and 2010, the Board's deposits had a carrying amount of \$539,594.25 and \$438,303.36 and bank balances of \$ 500,997.78 and \$410,295.70. At June 30, 2011 and 2010, the Board has a concentration of credit risk in that deposits with a carrying amount of \$438,284.79 and \$337,423.01 and bank balances of \$409,080.00 and 317,081.75, respectively were on deposit in one financial institution. These exceed the FDIC deposit limit of \$250,000 for interest bearing accounts. Both First Citizens Bank & Trust Company and Bank of America have selected the Pooling Method to secure public deposits.

(2) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(3) Claims Receivable

The amounts shown on the statement of net assets for claims receivables is net of \$0 allowance for doubtful accounts.

(4) Inventories

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

(5) Property and Equipment

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

	Useful Life	Cost June 30, 2011	Accumulated Depreciation June 30, 2011	Net Amount
Property	15-50 yrs.	\$ 143,405.76	\$ 98,140.14	\$ 45,265.62
Equipment	5-10 yrs.	204,444.18	160,847.21	43,596.97
Vehicle	5 yrs.	<u>20,621.95</u>	<u>20,621.95</u>	-
		<u>\$ 368,471.89</u>	<u>\$ 279,609.30</u>	<u>\$ 88,862.59</u>

(5) Property and Equipment (Continued)

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period. Depreciation expense for the fiscal years ended June 30, 2011 and 2010 was \$23,789.32 and \$26,531.98, respectively. Land is being reported at original cost of \$6,500.00.

(6) Net Assets

Net assets consist of the following:

- a. Invested in capital assets - This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation.
- b. Restricted for law enforcement - This applies only when the ABC board employs its own ABC officer.
- c. Restricted for capital improvements - State law [G.S.18B-805(d)] requires approval of the appointing authority to establish this account.
- d. Restricted for working capital - North Carolina Alcoholic Beverage Control Commission Rule [.0902] defines working capital as the total of cash, investments and inventory less all unsecured liabilities. An ABC board shall set its working capital requirements at not less than two weeks' average gross sales of the last fiscal year or greater than four months' average gross sales of the last fiscal year. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by State law [G.S.18B-805(b), (2), (3), and (4)].
- e. Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of *restricted* or *invested in capital assets*.

Note 2. Stewardship, Compliance and Accountability

The Board has made regular quarterly distributions required by G.S. 18B-805(g), with the exception of the quarter ended March 31, 2011. The Board sought advice of its legal counsel at that time regarding interpretation of the statute. Due to a delay in that communication by the attorney, the distributions for the quarter ending March 31, 2011 were not made until July 2011. The Board expects to pay all distributions timely in the future.

Note 3. Detail Notes on All Funds

Pension Plan Obligations

A. Local Governmental Employees' Retirement System

Plan description - The 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 Government 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.

A. Local Governmental Employees' Retirement System (Continued)

Funding policy - Plan members are required to contribute six percent of their annual covered salary. The Board is required to contribute at an actuarially determined rate. The Board's current rate for employees not engaged in law enforcement is 6.35%% of annual covered payroll. The contribution requirements of members and of the Board are established by and may be amended by the North Carolina General Assembly. The Board's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$22,982.03, \$15,419.27, and \$14,226.48, respectively. The contributions made by the Board equaled the required contributions for the year.

B. Death Benefits

The 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 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. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. The Board considers these contributions to be immaterial.

In addition, the Board pays for a supplemental life insurance policy for all active full-time employees who are eligible to participate in the Board's health insurance coverage. The coverage is equal to one and one-half times the insured individual's annual salary.

Note 4. Commitments

The Board has elected to pay direct costs of employment securities benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees. During the year ending June 30, 2010, the Board made payments of \$22.15. No payments were made during the year ended June 30, 2011.

Note 5. Leases

The Board is obligated under a three-year operating lease agreement on Store #2 (Surf City), which requires monthly rentals of \$1,650.00. Lease expense for the fiscal years ended June 30, 2011 and 2010 was \$19,800.00 and \$19,800.00, respectively.

The Board was obligated under a two-year operating lease agreement on Store #3 (Atkinson), which required monthly rentals of \$355.00. A new lease was entered into effective November 1, 2010, requiring monthly rentals of \$375.00. Lease expense for the fiscal years ended June 30, 2011 and 2010 was \$4,420.00 and \$4,260, respectively.

The Board was obligated under a five-year operating lease agreement on Store #4 (Hampstead), expiring on September 25, 2010, which required monthly rentals as follows:

Year 1	\$ 1,553.42
Year 2	1,600.00
Year 3	1,648.00
Year 4	1,697.42
Year 5	1,748.33

Lease expense under this lease for the fiscal years ended June 30, 2011 and 2010 was \$5,244.99 and \$20,827.23, respectively.

Note 5. Leases (Continued)

The Board entered into a new lease agreement on Store #4 (Hampstead) on February 9, 2010, effective September 25, 2010, which requires monthly rentals as follows:

Year 1	\$ 1,800.75
Year 2	1,854.75
Year 3	1,910.42
Year 4	1,967.75
Year 5	2,026.75

Lease expense under this lease for the fiscal year ended June 30, 2011 was \$16,206.75.

The Board entered into a five-year operating lease agreement on Store #5 (Rocky Point) on March 1, 2009. The lease required monthly rentals of \$1,600.00 for the first two years of the lease and \$1,700.00 monthly rentals for the remaining three year term. During the year ending June 30, 2011, the terms of the lease were renegotiated to reduce the remaining monthly rentals to \$1,200.00 each. Lease expense for the fiscal years ended June 30, 2011 and 2010 was \$18,800 and \$19,200.00, respectively.

The Board is liable for minimum annual rentals on the four operating leases existing at June 30, 2011, as follows:

	<u>Store #2</u>	<u>Store #3</u>	<u>Store #4</u>	<u>Store #5</u>	<u>Total</u>
Year ended June 30, 2012	\$ 19,800.00	\$ 4,500.00	\$ 22,095.00	\$ 14,400.00	\$ 60,795.00
Year ended June 30, 2013	19,800.00	1,500.00	22,758.00	14,400.00	58,458.00
Year ended June 30, 2014	14,850.00	---	23,441.00	9,600.00	47,891.00
Year ended June 30, 2015	---	---	24,144.00	---	24,144.00
Year ended June 30, 2016	---	---	---	---	---
Total minimum lease payments	<u>\$ 54,450.00</u>	<u>\$ 6,000.00</u>	<u>\$ 92,438.00</u>	<u>\$ 38,400.00</u>	<u>\$ 191,288.00</u>

Note 6. Subsequent Events

As of the report date August 5, 2011, no subsequent events have occurred that would have a significant impact on the Board for the year ended June 30, 2011.

Note 7. Vacation and Sick Leave Compensation

Board employees may accumulate up to two hundred forty hours earned vacation, and such leave is fully vested when earned. Accumulated earned vacation amounted to approximately \$26,056.41 at June 30, 2011, and \$24,063.31 at June 30, 2010. Employees can accumulate an unlimited amount of sick leave. Sick leave does not vest, but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made. Accumulated sick leave amounted to approximately \$131,834.32 at June 30, 2011 and \$130,126.38 at June 30, 2010.

Note 8. Distributions of Income

The Board has made distributions since inception in 1963 as follows:

	Year Ended June 30, 2011	Total to Date
Pender County	\$ 127,399.56	\$3,759,954.37
Pender County Specified for Mosquito Control	<u>4,280.11</u>	<u>214,110.08</u>
Subtotal	<u>131,679.67</u>	<u>3,974,064.45</u>
Municipality of Burgaw	11,312.31	373,538.86
Municipality of Surf City	27,710.23	455,422.43
Municipality of Atkinson	<u>3,443.99</u>	<u>133,088.43</u>
Subtotal	<u>42,466.53</u>	<u>962,049.72</u>
Total	<u>\$ 174,146.20</u>	<u>\$4,936,114.17</u>

State law [G.S.18B-805] requires that the minimum distribution set aside in (c)(1) and any profit remaining after deducting amounts required for law enforcement and alcohol education and retaining proper working capital, be paid quarterly to the appointing authority.

Note 9. Law Enforcement and Alcoholic Education Expenses

The Board is required by law to expend at least 5% of its total profits for law enforcement and not less than 2% of its profits 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 1/2% markup provided in G.S.18B-804(b)(5) and the bottle charge provided for in G.S.18B-804(b)(6b).

The law enforcements expenditures are remitted to Pender County to fulfill the terms of a contract with the Sheriff of Pender County dated February 9, 1995. The alcoholic education and rehabilitation expenditures are distributed to the rescue squad serving Pender County as allowed by the local enabling act.

	Year Ended June 30, 2011	Year Ended June 30, 2010
Total profit before required distributions	\$ 198,900.35	\$ 293,454.62
Less: 3 1/2% tax and bottle charge	<u>113,298.22</u>	<u>138,674.96</u>
Net profit available	<u>\$ 85,602.13</u>	<u>\$ 154,779.66</u>
Law enforcement expenditures - actual	\$ 4,280.11	\$ 7,738.98
Percentage of profit	5.00%	5.00%
Provision for alcoholic education and rehabilitation - actual	\$ 1,712.04	\$ 3,095.59
Percentage of profit	2.00%	2.00%

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 year are summarized as follows:

Taxes payable July 1, 2010	\$ 95,161.00
Taxes collected during the year	998,391.00
Taxes remitted to Department of Revenue	<u>(993,991.00)</u>
Taxes payable June 30, 2011	<u>\$ 99,561.00</u>

Note 10. Disbursement of Taxes Included in Selling Price (Continued)

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

The accrued North Carolina excise tax at June 30, 2011 was remitted to the North Carolina Department of Revenue in July, 2011.

A bottle charge of one cent (.01) on each bottle containing 50 milliliters or less and five cents (.05) on each bottle containing more than 50 milliliters is collected and distributed monthly to the county commissioners for alcohol education or rehabilitation. For the fiscal year, payments to the county were based on the following bottle sales:

Regular bottles	277,589 at .05	\$ 13,879.45
Mixed beverage bottles	18,001 at .05	900.05
Miniature bottles	83,559 at .01	<u>835.59</u>
Total Payments for Year		<u>\$ 15,615.09</u>

Due to a clerical oversight during the month of November, 2010, the rehabilitation tax paid to county commissioners was inadvertently overpaid by \$5.00.

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 year was:

Department of Revenue (50%)	\$ 34,121.00
Department of Human Resources (5%)	3,411.86
Profit Retained (45%)	<u>30,704.02</u>
Total	<u>\$ 68,236.88</u>

Note 11. Surcharge Collected

The total amount of surcharge collected for the fiscal year was \$25,577.00. (The rate is 85 cents per case sold.)

Note 12. Liquor Sales Tax

The total amount of sales tax collected by the ABC Board and remitted to the Department of Revenue for the fiscal year was:

Taxes payable, July 1, 2010	\$ 10,565.22
Taxes collected during the year	338,559.57
Taxes remitted to Department of Revenue	<u>(336,840.38)</u>
Taxes payable June 30, 2011	<u>\$ 12,284.41</u>

The current sales tax rate is 8%. The taxes payable at June 30, 2011 were remitted to the Department of Revenue during July 2011.

Note 13. Location of Stores

The Board operates with five retail outlets:

Store #1 - 207 U.S. Highway 117 S. Bypass  
Burgaw, NC 28425

Gross Sales	\$ 663,705.19
Change in Net Assets	10,260.69

Note 13. Location of Stores (Continued)

Store #2 - 208 D New River Drive Surf City, NC 28445		
Gross Sales	\$	1,379,075.33
Change in Net Assets		93,572.02
Store #3 - 102 West Church Street Atkinson, NC 28421		
Gross Sales	\$	206,411.08
Change in Net Assets		(57,742.99)
Store #4 - 14341 U.S. Highway 17 Hampstead, NC 28443		
Gross Sales	\$	1,439,792.92
Change in Net Assets		73,436.28
Store #5 - 8206 U.S. Highway 117 S. Rocky Point, NC 28457		
Gross Sales	\$	532,424.88
Change in Net Assets		(17,751.40)

Note 14. Working Capital

The Board is required by the Alcoholic Beverage Control Commission Rule .0902 to set its working capital requirements at not less than two weeks' average gross sales of the last fiscal year. (Gross sales are gross receipts from the sale of alcoholic beverages less distributions as defined in G.S.18B-805(b), (2), (3), and (4)).

The Board's position on this requirement is as follows:

Minimum Amount	\$	135,244.14
Maximum Allowed		1,172,115.88
Actual Working Capital		615,180.69

The Board has met the minimum amount of working capital.

Note 15. Breakage Expense

There was no breakage expense absorbed by the Board for the years ended June 30, 2011 and 2010.

Note 16. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has property, general liability, auto liability, workmen's compensation and employee health coverage. The Board also has liquor legal liability coverage.

There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL  
 (A component unit of Pender County)  
 SCHEDULE OF STORE EXPENSES  
 For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Salaries and wages	\$ 288,494.82	\$ 283,442.16
Payroll taxes	22,225.96	21,123.78
Retirement fund	16,043.35	11,271.45
Group hospital insurance	93,345.31	75,887.06
Rent	64,471.74	64,087.23
Repairs and maintenance - building	3,730.05	1,590.33
Repairs and maintenance - equipment	10,064.88	8,479.64
Utilities	17,482.00	15,363.54
Telephone	9,683.90	10,004.24
Supplies	11,100.63	61,736.72
Travel	2,312.26	2,490.05
Licenses and other taxes	1,025.00	625.00
Office supplies and printing	65.32	---
Janitor service	1,950.00	1,975.00
Security	2,540.76	2,616.48
Vehicle expense	2,715.27	2,393.24
Loss on disposal of assets	1,068.57	2,830.38
Bank card processing fees	<u>52,602.13</u>	<u>---</u>
Store Expenses	600,921.95	565,916.30
Depreciation Expense	<u>18,499.27</u>	<u>20,865.89</u>
Total Store Expenses	<u>\$ 619,421.22</u>	<u>\$ 586,782.19</u>

See Auditors' Report

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL  
 (A component unit of Pender County)  
 SCHEDULE OF ADMINISTRATIVE EXPENSES  
 For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Salaries and wages	\$ 161,553.86	\$ 154,928.88
Payroll taxes	12,213.60	11,544.50
Retirement fund	7,367.15	4,918.87
Group hospital insurance	31,883.19	24,660.24
Repairs and maintenance - building	1,762.61	969.30
Repairs and maintenance - equipment	3,645.83	3,898.75
Utilities	2,275.96	2,169.08
Telephone	8,080.59	6,288.40
Insurance and bond premium	21,038.48	20,334.95
Travel	1,631.37	754.05
Licenses and other taxes	250.00	250.00
Office supplies and printing	12,235.30	11,027.72
Postage	847.27	744.00
Accounting and audit	12,000.00	11,800.00
Legal expense	3,605.54	3,300.00
Dues and subscriptions	1,094.60	920.00
Security	298.16	298.15
Vehicle expense	696.61	634.98
Loss on disposal of assets	---	749.00
Employment insurance reimbursement	---	22.15
	<u>282,480.12</u>	<u>260,213.02</u>
Less amount allocated to Warehouse Expense - estimated 15%	<u>42,372.02</u>	<u>39,031.95</u>
Administrative Expenses	240,108.10	221,181.07
Depreciation Expense	<u>5,290.05</u>	<u>5,666.09</u>
Total Administrative Expenses	<u>\$ 245,398.15</u>	<u>\$ 226,847.16</u>

See Auditors' Report

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL  
(A component unit of Pender County)  
SCHEDULE OF WAREHOUSE EXPENSES  
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Amount allocated from Administrative Expenses - estimated 15%	\$ 42,372.02	\$ 39,031.95

See Auditors' Report

PEN COUNTY BOARD OF ALCOHOLIC CONTROL  
(A component unit of Pender County)  
Statement of Income and Expenses  
Three Months Ended June 30, 2011

	TOTAL	ADMINISTRATIVE	BURGAW	SURF CITY
<b>REVENUES</b>				
Sales	\$ 1,233,575.09	\$ --	\$ 157,032.45	\$ 414,495.66
Less: NC excise tax	268,741.00	--	34,778.00	92,071.00
Mixed beverage surcharge (NCDR)	11,299.00	--	--	--
Mixed beverage surcharge (NCDHR)	1,129.82	--	--	--
Rehabilitation tax	4,119.34	--	634.83	1,282.03
Net sales	948,285.93	--	121,619.62	321,142.63
<b>COST OF SALES</b>				
Beginning inventory, 3-31-11	414,961.85	--	72,574.23	97,488.97
Purchases	679,190.59	--	83,995.53	237,942.59
	1,094,152.44	--	156,569.76	335,431.56
Less: Inventory, 6-30-11	444,535.22	--	72,313.01	113,116.10
Cost of sales	649,617.22	--	84,256.75	222,315.46
GROSS PROFIT ON SALES	298,668.71	--	37,362.87	98,827.17
<b>EXPENSES</b>				
Salaries and wages	107,727.64	39,121.55	13,542.17	15,823.65
Payroll taxes	7,645.12	2,826.80	986.22	1,116.17
Retirement fund	5,490.03	1,792.81	822.80	641.42
Group hospital insurance	32,927.66	8,753.98	4,112.10	3,651.50
Rent	15,877.25	--	--	4,950.00
Depreciation	4,923.81	927.76	855.53	1,570.98
Repairs & maint. - bldg.	1,414.13	424.50	90.00	601.97
Repairs & maint. - eqpt.	12,528.45	3,318.75	937.68	3,135.60
Utilities	3,742.94	531.61	531.65	944.32
Telephone	4,386.77	1,968.02	142.03	709.14
Ins. & bond premium	5,527.87	5,527.87	--	--
Supplies	2,593.76	--	469.15	752.25
Travel	884.79	293.26	--	113.30
Licenses and other taxes	400.00	--	--	200.00
Office supplies & printing	2,907.95	2,907.95	--	--
Janitor service	650.00	--	150.00	150.00
Postage	218.00	218.00	--	--
Accounting & audit	2,000.00	2,000.00	--	--
Legal expense	900.00	900.00	--	--
Dues & subscriptions	431.00	431.00	--	--
Security	690.23	70.64	70.64	147.74
Vehicle expense	1,102.86	220.57	--	308.81
Bank card processing fees	12,975.43	--	1,555.16	4,665.28
Total expenses	227,945.69	72,235.07	24,265.13	39,482.13
Net Income (Loss) Before Allocation of General Expenses	70,723.02	(72,235.07)	13,097.74	59,345.04
Allocation of General Expenses	--	72,235.07	(10,134.58)	(26,763.10)
Net Income (Loss) from Operations	70,723.02	--	2,963.16	32,581.94
<b>OTHER INCOME</b>				
Interest earned	149.80	--	21.02	55.50
Miscellaneous	--	--	--	--
Total Other Income	149.80	--	21.02	55.50
NET INCOME (LOSS)	\$ 70,872.82	\$ --	\$ 2,984.18	\$ 32,637.44

	ATKINSON	HAMPSTEAD	ROCKY POINT	MIXED BEVERAGE
\$	46,921.74	\$ 370,765.90	\$ 129,699.84	\$ 114,659.50
	10,385.00	82,310.00	28,737.00	20,460.00
	---	---	---	11,299.00
	---	---	---	1,129.82
	201.58	1,193.31	511.84	295.75
	36,335.16	287,262.59	100,451.00	81,474.93
	43,299.09	123,953.30	77,646.26	---
	19,241.15	212,824.40	75,815.42	49,371.50
	62,540.24	336,777.70	153,461.68	49,371.50
	37,362.25	137,869.87	83,873.99	---
	25,177.99	198,907.83	69,587.69	49,371.50
	11,157.17	88,354.76	30,863.31	32,103.43
	11,356.52	16,689.61	11,194.14	---
	765.55	1,103.97	846.41	---
	694.86	824.33	713.81	---
	5,623.62	5,664.10	5,122.36	---
	1,125.00	5,402.25	4,400.00	---
	82.20	871.45	615.89	---
	---	297.66	---	---
	937.68	2,985.61	1,213.13	---
	361.49	577.82	796.05	---
	348.62	1,065.31	153.65	---
	---	---	---	---
	311.80	696.85	363.71	---
	367.20	106.63	4.40	---
	---	200.00	---	---
	---	---	---	---
	---	175.00	175.00	---
	---	---	---	---
	---	---	---	---
	---	---	---	---
	118.65	141.28	141.28	---
	99.24	308.80	165.44	---
	348.52	5,005.67	1,400.80	---
	22,540.95	42,116.34	27,306.07	---
	(11,383.78)	46,238.42	3,557.24	32,103.43
	(3,026.65)	(23,938.70)	(8,372.04)	---
	(14,410.43)	22,299.72	(4,814.80)	32,103.43
	6.28	49.64	17.36	---
	---	---	---	---
	6.28	49.64	17.36	---
\$	(14,404.15)	\$ 22,349.36	\$ (4,797.44)	\$ 32,103.43

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL  
 (A component unit of Pender County)  
 Statement of Income and Expenses  
 For the Year Ended June 30, 2011

	TOTAL	ADMINISTRATIVE	BURGAW	SURF CITY
<u>REVENUES</u>				
Sales	\$ 4,567,891.58	\$ ---	\$ 663,705.19	\$ 1,379,075.33
Less: NC excise tax	998,391.00	---	146,995.00	306,312.00
Mixed beverage surcharge (NCDR)	34,121.00	---	---	---
Mixed beverage surcharge (NCDHR)	3,411.86	---	---	---
Rehabilitation tax	15,620.09	---	2,719.86	4,304.13
Net sales	<u>3,516,347.63</u>	<u>---</u>	<u>513,990.33</u>	<u>1,068,459.20</u>
<u>COST OF SALES</u>				
Beginning inventory, 6-30-10	444,535.22	---	72,313.01	113,116.10
Purchases	2,376,289.08	---	351,526.20	734,349.94
	<u>2,820,824.30</u>	<u>---</u>	<u>423,839.21</u>	<u>847,466.04</u>
Less: Inventory, 6-30-11	409,808.32	---	68,211.14	108,526.67
Cost of sales	<u>2,411,015.98</u>	<u>---</u>	<u>355,628.07</u>	<u>738,939.37</u>
GROSS PROFIT ON SALES	<u>1,105,331.65</u>	<u>---</u>	<u>158,362.26</u>	<u>329,519.83</u>
<u>EXPENSES</u>				
Salaries and wages	450,048.68	161,553.86	56,461.79	60,215.49
Payroll taxes	34,439.56	12,213.60	4,319.96	4,568.64
Retirement fund	23,410.50	7,367.15	3,653.77	2,418.45
Group hospital insurance	125,228.50	31,883.19	17,478.07	13,355.79
Rent	64,471.74	---	---	19,800.00
Depreciation	23,789.32	5,290.05	3,935.72	6,740.07
Repairs & maint. - bldg.	5,492.66	1,762.61	1,835.27	1,091.43
Repairs & maint. - eqpt.	13,710.71	3,645.83	1,419.68	3,135.60
Utilities	19,757.96	2,275.96	3,306.28	4,659.90
Telephone	17,764.49	8,080.59	666.30	3,760.95
Ins. & bond premium	21,038.48	21,038.48	---	---
Supplies	11,100.63	---	2,052.97	3,206.95
Travel	3,943.63	1,631.37	---	186.87
Licenses and other taxes	1,275.00	250.00	125.00	325.00
Office supplies & printing	12,300.62	12,235.30	32.66	---
Janitor service	1,950.00	---	450.00	475.00
Postage	847.27	847.27	---	---
Accounting & audit	12,000.00	12,000.00	---	---
Legal expense	3,605.54	3,605.54	---	---
Dues & subscriptions	1,094.60	1,094.60	---	---
Security	2,838.92	298.16	282.56	612.80
Vehicle expense	3,411.88	696.61	---	950.36
Loss on disposal of assets	1,068.57	---	---	---
Bank card processing fees	52,602.13	---	6,197.00	19,065.45
Total expenses	<u>907,191.39</u>	<u>287,770.17</u>	<u>102,217.03</u>	<u>144,568.75</u>
Net Income (Loss) Before Allocation of General Expenses	198,140.26	(287,770.17)	56,145.23	184,951.08
Allocation of General Expenses	---	287,770.17	(46,006.92)	(91,618.92)
Net Income (Loss) from Operations	<u>198,140.26</u>	<u>---</u>	<u>10,138.31</u>	<u>93,332.16</u>
<u>OTHER INCOME</u>				
Interest earned	760.09	---	122.38	239.86
Miscellaneous	---	---	---	---
Total Other Income	<u>760.09</u>	<u>---</u>	<u>122.38</u>	<u>239.86</u>
NET INCOME (LOSS)	<u>\$ 198,900.35</u>	<u>\$ ---</u>	<u>\$ 10,260.69</u>	<u>\$ 93,572.02</u>

	ATKINSON	HAMPSTEAD	ROCKY POINT	MIXED BEVERAGE
\$	206,411.08	\$ 1,439,792.92	\$ 532,424.88	\$ 346,482.18
	45,695.00	319,598.00	117,958.00	61,833.00
	--	--	--	34,121.00
	--	--	--	3,411.86
	883.55	4,697.24	2,115.26	900.05
	159,832.53	1,115,497.68	412,351.62	246,216.27
	37,362.25	137,869.87	83,873.99	--
	112,980.76	754,699.53	273,642.13	149,090.52
	150,343.01	892,569.40	357,516.12	149,090.52
	39,743.35	121,096.19	72,230.97	--
	110,599.66	771,473.21	285,285.15	149,090.52
	49,232.87	344,024.47	127,066.47	97,125.75
	49,125.78	76,198.01	46,493.75	--
	3,602.31	6,228.12	3,506.93	--
	3,163.88	3,883.96	2,923.29	--
	21,464.82	22,730.91	18,315.72	--
	4,420.00	21,451.74	18,800.00	--
	842.39	4,003.93	2,977.16	--
	505.69	297.66	--	--
	937.68	3,358.79	1,213.13	--
	2,162.79	3,504.36	3,848.67	--
	1,213.98	3,232.60	810.07	--
	--	--	--	--
	1,152.89	3,070.11	1,617.71	--
	1,555.20	560.84	9.35	--
	125.00	325.00	125.00	--
	--	32.66	--	--
	--	500.00	525.00	--
	--	--	--	--
	--	--	--	--
	--	--	--	--
	481.62	586.96	576.82	--
	305.45	950.35	509.11	--
	--	1,068.57	--	--
	1,586.99	19,960.36	5,792.33	--
	92,646.47	171,944.93	108,044.04	--
	(43,413.60)	172,079.54	19,022.43	97,125.75
	(14,367.69)	(98,904.92)	(36,871.72)	--
	(57,781.29)	73,174.62	(17,849.29)	97,125.75
	38.30	261.66	97.89	--
	--	--	--	--
	38.30	261.66	97.89	--
\$	(57,742.99)	\$ 73,436.28	\$ (17,751.40)	\$ 97,125.75

PENDER COUNTY BOARD OF ALCOHOLIC CONTROL  
(A component unit of Pender County)  
STATEMENT OF DISTRIBUTIONS PAYABLE  
As of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Distribution Payable for Law Enforcement		
Balance, March 31, 2011 and 2010	\$ ---	\$ 245.79
Add: Amount credited for quarter	1,769.98	2,377.36
Deduct: Distribution during quarter	<u>---</u>	<u>245.79</u>
	<u>1,769.98</u>	<u>2,377.36</u>
Distribution Payable for Rehabilitation and Education		
Balance, March 31, 2011 and 2010	---	98.31
Add: Amount credited for quarter	707.99	950.94
Deduct: Distribution during quarter	<u>---</u>	<u>98.31</u>
	<u>707.99</u>	<u>950.94</u>
Distribution Payable for Mosquito Control		
Balance, March 31, 2011 and 2010	---	245.79
Add: Amount credited for quarter	1,769.98	2,377.36
Deduct: Distribution during quarter	<u>---</u>	<u>245.79</u>
	<u>1,769.98</u>	<u>2,377.36</u>
Distribution Payable for General Fund of Pender County		
Balance, March 31, 2011 and 2010	4,919.07	19,838.45
Add: Amount credited for General Fund	45,333.65	53,845.91
Deduct: Distribution during quarter	<u>---</u>	<u>19,838.45</u>
	<u>50,252.72</u>	<u>53,845.91</u>
Distribution Payable for Municipality of Burgaw		
Balance, March 31, 2011 and 2010	643.25	2,854.09
Add: Amount credited for quarter	3,836.74	5,066.54
Deduct: Distribution during quarter	<u>---</u>	<u>2,854.09</u>
	<u>4,479.99</u>	<u>5,066.54</u>
Distribution Payable for Municipality of Surf City		
Balance, March 31, 2011 and 2010	791.31	2,916.92
Add: Amount credited for quarter	10,127.54	11,490.67
Deduct: Distribution during quarter	<u>---</u>	<u>2,916.92</u>
	<u>10,918.85</u>	<u>11,490.67</u>
Distribution Payable for Municipality of Atkinson		
Balance, March 31, 2011 and 2010	205.13	841.81
Add: Amount credited for quarter	1,146.94	1,391.43
Deduct: Distribution during quarter	<u>---</u>	<u>841.81</u>
	<u>1,352.07</u>	<u>1,391.43</u>
TOTAL DISTRIBUTIONS PAYABLE	<u>\$ 71,251.58</u>	<u>\$ 77,500.21</u>

See Auditors' Report