

**Town of Youngsville Alcoholic Beverage Control Board
(A Component Unit of the
Town of the Town of Youngsville, North Carolina)**

Financial Statements

**For the Years Ended
June 30, 2019 and 2018**

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
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June 30, 2019 and 2018

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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

Board of Directors
Youngsville Board of Alcoholic Control
Youngsville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Youngsville Board of Alcoholic Control, a component unit of the Town of Youngsville, North Carolina, which comprise the Statement of Net Position as of June 30, 2019 and 2018, and the related statement of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Youngsville Board of Alcoholic Control as of June 30, 2019 and 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

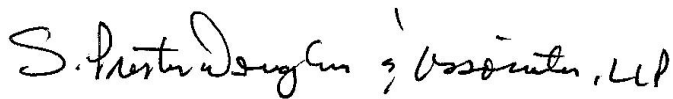
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Youngsville Board of Alcoholic Control's financial statements. The Schedule of Operating Expenses and Schedule of Revenues and Expenditures – Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses and Schedule of Revenues and Expenditures – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Lumberton, North Carolina
September 11, 2019

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Management's Discussion and Analysis
June 30, 2019 and 2018

This section of the Youngsville Board of Alcoholic Control (the Board) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2019. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Profits before distributions were \$111,226 in the current year.

Overview of the Financial Statements

The audited financial statements of the Board 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 Position**. Assets and liabilities are classified between current and long-term. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using information contained in this statement.

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

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

The Notes to 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 Operating Expenses** and a **Budget to Actual Reconciliation**.

Financial Analysis of the Board of Alcoholic Control

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$73,329 in 2019 and by \$62,988 in 2018. Following is a summary of the Statement of Net Position:

Condensed Statement of Net Position

	6/30/2019	6/30/2018	\$ Change	% Change
Current assets	\$ 221,151	\$ 207,250	\$ 13,901	6.71%
Non-current assets	201,343	24,999	176,344	705.40%
Total assets	<u>422,494</u>	<u>232,249</u>	<u>190,245</u>	<u>81.91%</u>
Current liabilities	181,839	169,261	12,578	7.43%
Non-current liabilities	167,326	-	167,326	100.00%
Total liabilities	<u>349,165</u>	<u>169,261</u>	<u>179,904</u>	<u>106.29%</u>
Net investment in capital assets	17,180	24,999	(7,819)	-31.28%
Restricted net position	50,000	37,328	12,672	33.95%
Unrestricted net position	6,149	661	5,488	830.26%
Total net position	<u>\$ 73,329</u>	<u>\$ 62,988</u>	<u>\$ 10,341</u>	<u>16.42%</u>

Net position increased by 16.42% from the prior year. Income from operations increased by 4.01% from the prior year.

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Management's Discussion and Analysis (continued)
June 30, 2019 and 2018

The following is a summary of the changes in net position:

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues	\$ 1,410,440	\$ 1,254,608	\$ 155,832	12.42%
Less: Taxes on gross sales	319,773	284,088	35,685	12.56%
Net sales	<u>1,090,667</u>	<u>970,520</u>	<u>120,147</u>	<u>12.38%</u>
Cost of sales	749,187	665,818	83,369	12.52%
Gross profit	<u>341,480</u>	<u>304,702</u>	<u>36,778</u>	<u>12.07%</u>
Less: Operating expenses	230,254	197,765	32,489	16.43%
Income from operations	<u>111,226</u>	<u>106,937</u>	<u>4,289</u>	<u>4.01%</u>
Nonoperating revenues and expenses	-	-	-	-
Change in net position before distributions	111,226	106,937	4,289	4.01%
Profit distributions	<u>100,885</u>	<u>105,313</u>	<u>(4,428)</u>	<u>-2378.34%</u>
Change in net position	10,341	1,624	8,717	536.76%
Net position - beginning	62,988	61,365	1,623	2.64%
Net position - ending	<u>\$ 73,329</u>	<u>\$ 62,988</u>	<u>\$ 10,341</u>	<u>16.42%</u>

The following is a breakdown of sales by source:

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>\$ Change</u>	<u>% Change</u>
Retail liquor sales	\$ 1,375,789	\$ 1,220,864	\$ 154,925	12.69%
Mixed beverage sales	34,651	33,743	908	2.69%
Total sales	<u>\$ 1,410,440</u>	<u>\$ 1,254,607</u>	<u>\$ 155,833</u>	<u>12.42%</u>

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Management's Discussion and Analysis (continued)
June 30, 2019 and 2018

Capital Assets

Investment in capital assets as of June 30, 2019, totals \$17,180 (net of accumulated depreciation).

Capital Assets (net of depreciation)

	6/30/2019	6/30/2018	\$ Change	% Change
Land	\$ 184,756	\$ 4,756	\$ 180,000	3784.69%
Buildings	8,390	9,856	(1,466)	-14.87%
Equipment	8,197	10,387	(2,190)	-21.08%
Total	<u>201,343</u>	<u>24,999</u>	<u>176,344</u>	<u>705.40%</u>

Debt Administration

Summary of Changes in Long-term Debt

	6/30/2019	6/30/2018	\$ Change	% Change
Notes payable	\$ 184,163	\$ -	\$ 184,163	100.00%
Total	<u>184,163</u>	<u>-</u>	<u>184,163</u>	<u>100.00%</u>

Economic Factors

The Board anticipates neutral growth in sales due to the population stagnation in the area.

Requests for Information

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

Jackie Patterson, Finance Officer
 Youngsville ABC Board
 PO Box 387
 Youngsville, NC 27596

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Statement of Net Position
as of June 30, 2019 and 2018

Assets	2019	2018
Current assets		
Cash and cash equivalents	\$ 109,161	\$ 121,676
Inventories	105,511	84,911
Prepaid expenses	6,479	663
Total current assets	<u>221,151</u>	<u>207,250</u>
 Non-current assets		
Property, plant, and equipment - net	<u>201,343</u>	<u>24,999</u>
Total assets	<u>\$ 422,494</u>	<u>\$ 232,249</u>
 Liabilities		
Current liabilities		
Current portion of long-term debt	\$ 16,837	\$ -
Accounts payable	60,160	58,449
Sales tax payable	7,834	7,437
NC excise tax payable	25,774	24,492
Other taxes payable	2,563	4,733
Distributions payable	60,885	65,313
Accrued liabilities	<u>7,786</u>	<u>8,837</u>
Total current liabilities	<u>181,839</u>	<u>169,261</u>
 Non-Current liabilities		
Notes payable less current	<u>167,326</u>	<u>-</u>
Total liabilities	<u>349,165</u>	<u>169,261</u>
 Net position		
Net investment in capital assets	17,180	24,999
Restricted for:		
Working capital	50,000	37,328
Unrestricted	<u>6,149</u>	<u>661</u>
Total net position	<u>73,329</u>	<u>62,988</u>
Total liabilities and net position	<u>\$ 422,494</u>	<u>\$ 232,249</u>

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues		
Liquor sales - regular	\$ 1,375,789	\$ 1,220,864
Mixed beverage sales	34,651	33,743
Total operating revenues	1,410,440	1,254,607
 Deduct taxes on gross sales		
State excise tax	310,711	276,137
Rehabilitation tax	4,534	4,002
Mixed beverage tax (revenue)	4,117	3,590
Mixed beverage tax (human resources)	411	359
Total tax on gross sales	319,773	284,088
 Net sales	1,090,667	970,519
 Deduct cost of sales		
Cost of liquor sold	749,187	665,818
Total cost of sales	749,187	665,818
 Gross profit on sales	341,480	304,701
 Deduct operating expenses		
Store expenses	226,598	194,316
Depreciation expense	3,656	3,449
Total operating expenses	230,254	197,765
 Income from operations	111,226	106,936
 Non-operating revenues and expenses		
Interest income	-	-
 Change in net position before distributions	111,226	106,936
 Deduct		
Law enforcement	3,522	3,526
 Change in net position before profit distributions	107,704	103,410
 Profit distributions		
Town of Youngsville, North Carolina	97,363	101,787
Total profit distributions	97,363	101,787
 Change in net position	10,341	1,623
 Net position - beginning of year	62,988	61,365
 Net position - end of year	\$ 73,329	\$ 62,988

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash received from customers	\$ 1,410,440	\$ 1,254,607
Cash payments for inventory	(749,187)	(664,531)
Cash payments for operating expenses	(257,273)	(146,324)
Taxes paid	(319,773)	(280,837)
Net cash provided (used) by operating activities	84,207	162,915
Cash flows from capital and related financing activities		
Acquisition of capital assets	(180,000)	(6,233)
Installment loan proceeds	184,163	-
Net cash provided (used) by capital and related financing activities	4,163	(6,233)
Cash flows from non-capital financing activities		
Law enforcement distributions	(3,522)	(3,526)
Profit distributions to primary government	(97,363)	(101,787)
Net cash provided (used) by non-capital financing activities	(100,885)	(105,313)
Cash flows from investing activities		
Interest earned on investments	-	-
Net cash provided (used) by investing activities	-	-
Net increase (decrease) in cash and cash equivalents	(12,515)	51,369
Cash and cash equivalents - beginning of year	121,676	70,307
Cash and cash equivalents - end of year	\$ 109,161	\$ 121,676
Reconciliation of income (loss) to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ 111,226	\$ 106,936
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,656	3,449
Changes in assets and liabilities -		
(Increase) decrease in inventory	(20,600)	1,287
(Increase) decrease in prepaids	(5,816)	-
Increase (decrease) in accounts payable	1,711	31,176
Increase (decrease) in accrued beverage tax	(888)	2,480
Increase (decrease) in accrued liabilities	(1,051)	(1,764)
Increase (decrease) in sales tax payable	397	771
Increase (decrease) in Due to Town of Youngsville	(4,428)	18,581
Total adjustments	(30,675)	52,530
Net cash provided (used) by operating activities	\$ 84,207	\$ 162,915

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A - Principles Used in Determining the Scope of the Entity for Financial Reporting

The Town of Youngsville Alcoholic Beverage Control Board (the “Board”), a component unit of the Town of Youngsville, North Carolina, (the “Town”), is a corporate body with powers outlined by General Statutes [Chapter 18B-701]. The Town's governing body appoints the Board.

The Board is required by State statute to distribute its surpluses to the General Fund of the Town, which represents a financial benefit to the Town. Therefore, the Youngsville Board of Alcoholic Control is reported as a discretely presented component unit in the Town's financial statements.

B - Organizational History

The Board was organized under the provisions of Chapter 590, Public Laws of North Carolina Legislature, General Assembly of 1971, and implemented by a Town wide election held June 15, 1971. The Youngsville Town Council appointed three individuals to serve on the ABC Board with terms of three years, two years and one year.

The ABC Board, as provided by North Carolina Alcoholic Beverage Control Laws, operates one retail liquor store. North Carolina General Statute [18B-805(c)(2)(3)] requires that the ABC Board expend at least 5% of profits for law enforcement.

C - Basis of Presentation

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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.

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 revenues 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.

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements (continued)
June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F - Assets, Liabilities, and Net Position

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. The Board may also establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Board's agent in the 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 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, 2019, the Board's deposits had a carrying amount of \$107,843 and a bank balance of \$92,462. All of the bank balance was covered by federal depository insurance. The ABC Board had cash on hand in the amount of \$1,318 at June 30, 2019.

At June 30, 2018, the Board's deposits had a carrying amount of \$120,352 and a bank balance of \$108,969. All of the bank balance was covered by federal depository insurance. The ABC Board had cash on hand in the amount of \$1,324 at June 30, 2018.

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.

Inventories

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

Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements (continued)
June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F - Assets, Liabilities, and Net Position (continued)

Capital assets	Beginning Balance	Increases	Decreases	Ending Balance
Land (non-depreciable)	\$ 4,756	\$ 180,000	\$ -	\$ 184,756
Buildings	65,915	-	-	65,915
Improvements	5,077	-	-	5,077
Furniture and fixtures	7,302	-	-	7,302
Equipment	37,675	-	-	37,675
Total capital assets	<u>120,725</u>	<u>180,000</u>	<u>-</u>	<u>300,725</u>
Less -				
Accumulated depreciation				
Buildings	56,060	1,465	-	57,525
Improvements	5,077	-	-	5,077
Furniture and fixtures	7,302	-	-	7,302
Equipment	27,287	2,191	-	29,478
Total accumulated depreciation	<u>95,726</u>	<u>3,656</u>	<u>-</u>	<u>99,382</u>
Capital assets - net	<u><u>\$ 24,999</u></u>			<u><u>\$ 201,343</u></u>

Net Position

Net position may consist of the following:

Net investment in capital assets— This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted for law enforcement - this applies only when the Board employs its own law enforcement officer.

Restricted for capital improvements - G.S. 18B-805 (d) requires approval of the appointing authority to establish this account.

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: (1) four months of the last fiscal year for boards with gross sales less than \$1,500,000; (2) three months of the latest fiscal year for boards with gross sales greater than or equal to \$1,500,000 and less than \$50,000,000; and (3) two months of the latest fiscal year for boards with gross sales equal to or greater than \$50,000,000. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by G.S. 18B-805 (b), (2), (3), and (4).

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.

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements (continued)
June 30, 2019 and 2018

NOTE 2 – LONG-TERM DEBT

Long-Term Liabilities

In May 2019, The Town financed the purchase of Land with a Union Bank construction loan with annual payments of \$23,375, including interest of 3.55%.

Year ending June 30:	Principal	Interest
2020	\$ 16,837	\$ 6,538
2021	17,435	5,940
2022	18,054	5,321
2023	18,695	4,680
2024	19,359	4,017
Thereafter	93,783	9,273
	\$ 184,163	\$ 35,769

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities: Installment purchase	\$ -	\$ 184,163	\$ -	\$ 184,163	\$ 16,837
Governmental activities long-term liabilities	\$ -	\$ 184,163	\$ -	\$ 184,163	\$ 16,837

NOTE 3 – DETAIL NOTES ON ALL FUNDS

Other Postemployment Benefits

The Board does not provide any postemployment benefits at this time.

NOTE 4 - SUBSEQUENT EVENTS

Subsequent events were evaluated through September 11, 2019, which is the date the financial statements were available to be issued.

NOTE 5 - VACATION AND SICK LEAVE COMPENSATION

ABC Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2019 and June 30, 2018 amounted to \$7,461 and \$8,837 respectively.

Employees can accumulate an unlimited amount of sick leave. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements (continued)
June 30, 2019 and 2018

NOTE 6 - DISTRIBUTIONS OF INCOME

The ABC Board has incurred distributions for the year ended June 30, 2019 as follows:

	2019
Distribution attributable to 2019 paid to Town	\$ 40,000
Accrued Distribution at June 30, 2019	60,885
Total Distribution to Town for Profit Distribution	\$ 100,885

State law [G.S. 18B-805(e)] 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 7 - LAW ENFORCEMENT EXPENSE

The Board is required by law to expend at least 5% of its profits for law enforcement. Profits are defined by law for these calculations as the change in net position before law enforcement expenses, less the 3½% markup provided in G.S. 18B-804(b)(5) and the bottle charge provided for in G.S. 18B-804(b)(6b).

Income before distributions	\$ 111,226
Less - 3½% tax and bottle charge	40,786
Profit subject to expense percentage	\$ -
Law enforcement expenditures – Actual	\$ 3,522
Percentage of profit	5%

NOTE 8 - DISBURSEMENT OF TAXES INCLUDED IN SELLING PRICE

A State excise tax, at the rate of 30%, on the retail (net sales) price is charged monthly on liquor sales (excluding wine sales). Transactions for this account for the year are summarized as follows:

Taxes payable - July 1, 2018	\$ 24,492
Taxes collected during the year	311,993
Taxes remitted to NC Department of Revenue	(310,711)
Taxes payable - June 30, 2019	\$ 25,774

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

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 alcoholic education and rehabilitation. For the year, payments to the County were based on the following bottle sales:

Regular bottles	79,626 @ \$.05	\$ 3,982
Mixed beverage	1,219 @ \$.05	61
Miniature bottles	49,088 @ \$.01	491
Total bottle charge		\$ 4,534

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements (continued)
June 30, 2019 and 2018

NOTE 8 - DISBURSEMENT OF TAXES INCLUDED IN SELLING PRICE (continued)

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 to the Department of Revenue. Five percent of the mixed beverage tax is submitted to the Department of Human Resources. The mixed beverage tax for the year is as follows:

Department of Revenue (50%)	\$	4,117
Department of Human Resources (5%)		411
Profit retained (45%)		3,698
 Total	 \$	 <u>8,226</u>

NOTE 9 - SURCHARGE COLLECTED

The total amount of surcharge collected for the fiscal year was \$10,396. The bailment surcharge rate was \$1.40 per case July through October and decreased to \$1.15 per case November 1, 2018.

NOTE 10 - LIQUOR SALES TAX

The total amount of sales tax collected by the ABC Board and remitted to the Department of Revenue for the fiscal year was \$96,141. The sales tax rate was 7%.

NOTE 11 - 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 nor greater than four months' average gross sales of the last fiscal year. Gross sales are gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b), (2), (3) and (4).

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

Minimum Amount	\$	41,948
Maximum Amount	\$	363,556
Actual Amount	\$	50,000

The Board has met the minimum amount of working capital.

NOTE 12 - 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 commercial property, general liability, auto liability, worker's compensation, and employee health coverage. The Board also has liquor legal liability.

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

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

SUPPLEMENTARY INFORMATION

**(The following schedules are information the
ABC Commission requires)**

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Schedule of Operating Expenses
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating expenses		
Salaries	\$ 133,818	\$ 125,489
Payroll taxes	10,462	9,867
Group insurance	15,561	17,607
Repairs and maintenance	3,527	3,234
Utilities and telephone	7,079	6,777
Insurance - general	5,455	5,274
Dues and licenses	2,058	131
Office and store supplies	6,420	5,237
Miscellaneous	14,191	967
Professional services	5,854	3,800
Depreciation	3,656	3,449
Bank charges and other	<u>22,173</u>	<u>15,933</u>
Total operating expenses	<u><u>\$ 230,254</u></u>	<u><u>\$ 197,765</u></u>

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:				
Liquor sales - regular	\$	\$	\$ 1,375,789	\$
Mixed beverage sales			34,651	
Total operating revenues	<u>1,251,884</u>	<u>1,410,025</u>	<u>1,410,440</u>	<u>415</u>
Non-operating revenues - interest income				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,251,884</u>	<u>1,410,025</u>	<u>1,410,440</u>	<u>415</u>
Taxes based on revenues:				
State excise tax			310,711	
Rehabilitation tax			4,534	
Mixed beverage tax (revenue)			4,117	
Mixed beverage tax (human resources)			411	
Total taxes based on revenues	<u>292,740</u>	<u>324,961</u>	<u>319,773</u>	<u>5,188</u>
Cost of goods sold	<u>676,017</u>	<u>772,693</u>	<u>749,187</u>	<u>23,506</u>
Operating expenses:				
Salaries and benefits			132,442	
Payroll taxes			10,462	
Group insurance			15,561	
Repairs and maintenance			3,527	
Utilities and telephone			7,079	
Insurance - general			5,455	
Office and store supplies			6,420	
Miscellaneous			14,191	
Professional services			5,854	
Dues and licenses			2,058	
Bank charges and other			22,173	
Total operating expenses	<u>\$ 206,127</u>	<u>\$ 242,934</u>	<u>\$ 225,222</u>	<u>\$ 17,712</u>

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Schedule of Revenues and Expenditures – Budget and Actual (continued)
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital outlay	\$ 37,000	\$ 180,000	\$ 180,000	\$ -
Distributions				
Law enforcement	-	-	3,522	-
Town of Youngsville, North Carolina	<u>40,000</u>	<u>69,437</u>	<u>97,363</u>	
Total distributions	<u>40,000</u>	<u>69,437</u>	<u>100,885</u>	<u>(31,448)</u>
Total expenditures and distributions	<u>1,251,884</u>	<u>1,590,025</u>	<u>1,575,067</u>	<u>14,958</u>
Revenues over expenditures	<u>-</u>	<u>(180,000)</u>	<u>(164,627)</u>	<u>(15,373)</u>
Other financing (uses):				
Installment loan proceeds	-	180,000	184,163	
Working capital retained (Unrestricted funds)	<u>-</u>	<u>180,000</u>	-	<u>180,000</u>
Revenues over expenditures and other financing (uses)	<u>-</u>	<u>-</u>	19,536	<u>(195,373)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Reconciling items				
Depreciation			3,656	
Capital outlay			(180,000)	
Installment loan proceeds			184,163	
Decrease in accrued vacation			<u>1,376</u>	
Total reconciling items			<u>9,195</u>	
Change in net position			<u>\$ 10,341</u>	

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Schedule of Distributions and Profits
For the Year Ended June 30, 2019

Distribution	Recipient	Amount	Date of Distribution	Restrictions on Use
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Municipality

Name	Amount	Date	
Town of Youngsville	3,040	7/1/2018	
Town of Youngsville	3,040	8/1/2018	
Town of Youngsville	3,040	9/1/2018	
Town of Youngsville	3,040	10/1/2018	
Town of Youngsville	3,040	11/1/2018	
Town of Youngsville	3,040	12/01/2018	
Town of Youngsville	3,040	01/01/2019	
Town of Youngsville	3,040	02/01/2019	
Town of Youngsville	3,040	03/01/2019	
Town of Youngsville	3,040	04/01/2019	
Town of Youngsville	3,040	05/01/2019	
Town of Youngsville	3,040	06/01/2019	
	\$ 36,478		Per agreement

Law Enforcement

Name	Amount	Date	
Town of Youngsville	294	7/1/2018	
Town of Youngsville	294	8/1/2018	
Town of Youngsville	294	9/1/2018	
Town of Youngsville	294	10/1/2018	
Town of Youngsville	294	11/1/2018	
Town of Youngsville	294	12/01/2018	
Town of Youngsville	294	01/01/2019	
Town of Youngsville	294	02/01/2019	
Town of Youngsville	294	03/01/2019	
Town of Youngsville	294	04/01/2019	
Town of Youngsville	294	05/01/2019	
Town of Youngsville	294	06/01/2019	
	\$ 3,522		Law Enforcement

TOTAL

\$ 40,000