

**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, 2020 and 2019**

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
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June 30, 2020 and 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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

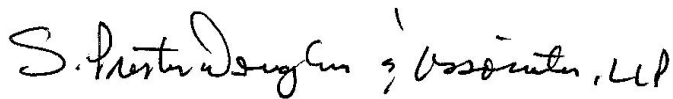
Required Supplementary Information

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
August 25, 2020

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Management's Discussion and Analysis
June 30, 2020 and 2019

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, 2020. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Profits before distributions were \$146,601 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 \$91,086 in 2020 and by \$73,329 in 2019. Following is a summary of the Statement of Net Position:

Condensed Statement of Net Position

	6/30/2020	6/30/2019	\$ Change	% Change
Current assets	\$ 305,709	\$ 221,151	\$ 84,558	38.24%
Non-current assets	211,364	201,343	10,021	4.98%
Total assets	<u>517,073</u>	<u>422,494</u>	<u>94,579</u>	<u>22.39%</u>
Current liabilities	271,480	181,839	89,641	49.30%
Non-current liabilities	154,497	167,326	154,497	100.00%
Total liabilities	<u>425,977</u>	<u>349,165</u>	<u>76,812</u>	<u>22.00%</u>
Net investment in capital assets	37,555	17,180	20,375	118.60%
Restricted net position	53,541	50,000	3,541	7.08%
Unrestricted net position	-	6,149	(6,149)	-100.00%
Total net position	<u>\$ 91,096</u>	<u>\$ 73,329</u>	<u>\$ 17,767</u>	<u>24.23%</u>

Net position increased by 24.23% from the prior year. Income from operations increased by 31.80% 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, 2020 and 2019

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

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

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues	\$ 1,804,548	\$ 1,410,440	\$ 394,108	27.94%
Less: Taxes on gross sales	415,415	319,773	95,642	29.91%
Net sales	1,389,133	1,090,667	298,466	27.37%
Cost of sales	961,612	749,187	212,425	28.35%
Gross profit	427,521	341,480	86,041	25.20%
Less: Operating expenses	274,336	230,254	44,082	19.14%
Income from operations	153,185	111,226	41,959	37.72%
Nonoperating revenues and expenses	(6,583)	-	(6,583)	6,583
Change in net position before distributions	146,602	111,226	35,376	31.81%
Profit distributions	128,834	100,885	27,949	360.96%
Change in net position	17,768	10,341	7,427	71.82%
Net position - beginning	73,329	62,988	10,341	16.42%
Net position - ending	<u>\$ 91,097</u>	<u>\$ 73,329</u>	<u>\$ 17,768</u>	<u>24.23%</u>

The following is a breakdown of sales by source:

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>\$ Change</u>	<u>% Change</u>
Retail liquor sales	\$ 1,765,397	\$ 1,375,789	\$ 389,608	28.32%
Mixed beverage sales	39,151	34,651	4,500	12.99%
Total sales	<u>\$ 1,804,548</u>	<u>\$ 1,410,440</u>	<u>\$ 394,108</u>	<u>27.94%</u>

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Management's Discussion and Analysis (continued)
June 30, 2020 and 2019

Capital Assets

Investment in capital assets as of June 30, 2020, totals \$37,555 (net of accumulated depreciation).

Capital Assets (net of depreciation)

	6/30/2020	6/30/2019	\$ Change	% Change
Land	\$ 184,756	\$ 184,756	\$ -	0.00%
Buildings	6,925	8,390	(1,465)	-17.46%
Equipment	19,683	8,197	11,486	140.12%
Total	<u>211,364</u>	<u>201,343</u>	<u>10,021</u>	<u>4.98%</u>

Debt Administration

Summary of Changes in Long-term Debt

	6/30/2020	6/30/2019	\$ Change	% Change
Notes payable	\$ 173,809	\$ 184,163	\$ (10,354)	-5.96%
Total	<u>173,809</u>	<u>184,163</u>	<u>(10,354)</u>	<u>-5.96%</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, 2020 and 2019

Assets	2020	2019
Current assets		
Cash and cash equivalents	\$ 220,580	\$ 109,161
Inventories	85,129	105,511
Prepaid expenses	-	6,479
Total current assets	<u>305,709</u>	<u>221,151</u>
 Non-current assets		
Property, plant, and equipment - net	<u>211,364</u>	<u>201,343</u>
 Total assets	<u><u>\$ 517,073</u></u>	<u><u>\$ 422,494</u></u>
 Liabilities		
Current liabilities		
Current portion of long-term debt	\$ 19,312	\$ 16,837
Accounts payable	139,880	60,160
Sales tax payable	11,648	7,834
NC excise tax payable	38,313	25,774
Other taxes payable	2,824	2,563
Distributions payable	48,000	60,885
Accrued liabilities	<u>11,502</u>	<u>7,786</u>
Total current liabilities	<u>271,479</u>	<u>181,839</u>
 Non-Current liabilities		
Notes payable less current	<u>154,497</u>	<u>167,326</u>
Total liabilities	<u>425,976</u>	<u>349,165</u>
 Net position		
Net investment in capital assets	37,555	17,180
Restricted for:		
Working capital	53,541	50,000
Unrestricted	<u>1</u>	<u>6,149</u>
Total net position	<u>91,097</u>	<u>73,329</u>
 Total liabilities and net position	<u><u>\$ 517,073</u></u>	<u><u>\$ 422,494</u></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, 2020 and 2019

	2020	2019
Operating revenues		
Liquor sales - regular	\$ 1,765,397	\$ 1,375,789
Mixed beverage sales	39,151	34,651
Total operating revenues	1,804,548	1,410,440
Deduct taxes on gross sales		
State excise tax	405,315	310,711
Rehabilitation tax	5,525	4,534
Mixed beverage tax (revenue)	4,159	4,117
Mixed beverage tax (human resources)	416	411
Total tax on gross sales	415,415	319,773
Net sales	1,389,133	1,090,667
Deduct cost of sales		
Cost of liquor sold	961,612	749,187
Total cost of sales	961,612	749,187
Gross profit on sales	427,521	341,480
Deduct operating expenses		
Store expenses	272,629	226,598
Depreciation expense	1,707	3,656
Total operating expenses	274,336	230,254
Income from operations	153,185	111,226
Non-operating revenues and expenses		
Interest income	-	-
Interest expense	(6,583)	-
Change in net position before distributions	146,602	111,226
Deduct		
Law enforcement	5,475	3,522
Alcohol Education	7,666	-
Change in net position before profit distributions	133,461	107,704
Profit distributions		
Town of Youngsville, North Carolina	115,693	97,363
Total profit distributions	115,693	97,363
Change in net position	17,768	10,341
Net position - beginning of year	73,329	62,988
Net position - end of year	\$ 91,097	\$ 73,329

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, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Cash received from customers	\$ 1,804,548	\$ 1,410,440
Cash payments for inventory	(961,612)	(749,187)
Cash payments for operating expenses	(191,647)	(257,273)
Taxes paid	(415,415)	(319,773)
Net cash provided (used) by operating activities	235,874	84,207
Cash flows from capital and related financing activities		
Acquisition of capital assets	14,733	(180,000)
Installment loan proceeds	(10,354)	184,163
Net cash provided (used) by capital and related financing activities	4,379	4,163
Cash flows from non-capital financing activities		
Law enforcement distributions	(5,475)	(3,522)
Alcohol education distributions	(7,666)	(3,521)
Profit distributions to primary government	(115,693)	(97,363)
Net cash provided (used) by non-capital financing activities	(128,834)	(100,885)
Cash flows from investing activities		
Interest earned on investments	-	-
Net cash provided (used) by investing activities	-	-
Net increase (decrease) in cash and cash equivalents	111,419	(12,515)
Cash and cash equivalents - beginning of year	109,161	121,676
Cash and cash equivalents - end of year	\$ 220,580	\$ 109,161
Reconciliation of income (loss) to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ 146,601	\$ 111,226
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,707	3,656
Changes in assets and liabilities -		
(Increase) decrease in inventory	20,382	(20,600)
(Increase) decrease in prepaids	6,479	(5,816)
Increase (decrease) in accounts payable	67,385	1,711
Increase (decrease) in accrued beverage tax	16,614	(888)
Increase (decrease) in accrued liabilities	3,717	(1,051)
Increase (decrease) in sales tax payable	(14,126)	397
Increase (decrease) in Due to Town of Youngsville	(12,885)	(4,428)
Total adjustments	87,566	(30,675)
Net cash provided (used) by operating activities	\$ 235,874	\$ 84,207

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements
June 30, 2020 and 2019

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 and at least 7% of same profits for alcohol education and rehabilitation purposes. The local enabling act, however, sets forth a different distribution, which requires only that the Board expend at least 5% of profits for law enforcement and does not require that the Board expend any amounts 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 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, 2020 and 2019

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, 2020, the Board's deposits had a carrying amount of \$219,262 and a bank balance of \$211,665. 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, 2020.

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.

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, 2020 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, 2020 and 2019

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)	\$ 184,756	\$ -	\$ -	\$ 184,756
Buildings	65,915	-	-	65,915
Improvements	5,077	-	-	5,077
Furniture and fixtures	7,302	-	-	7,302
Equipment	37,675	14,733	26,593	25,815
Total capital assets	<u>300,725</u>	<u>14,733</u>	<u>26,593</u>	<u>288,865</u>
Less -				
Accumulated depreciation				
Buildings	57,525	1,465	-	58,990
Improvements	5,077	-	-	5,077
Furniture and fixtures	7,302	-	-	7,302
Equipment	29,478	242	23,588	6,132
Total accumulated depreciation	<u>99,382</u>	<u>1,707</u>	<u>23,588</u>	<u>77,501</u>
Capital assets - net	<u><u>\$ 201,343</u></u>			<u><u>\$ 211,364</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, 2020 and 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Noncompliance with N.C. General Statutes

No instances noted.

Excess of Expenditures over Appropriations

The Board was not in compliance with G.S. 159-28(b) in connection with taxes, capital outlay and distribution expenditures. The Board will take a more careful approach when creating the budget in future years.

NOTE 3 – LONG-TERM DEBT

Long-Term Liabilities

In May 2020, 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
2021	\$ 19,312	\$ 6,281
2022	19,312	5,662
2023	19,312	4,954
2024	19,312	4,258
2025	19,312	3,539
Thereafter	<u>77,249</u>	<u>7,161</u>
	<u>\$ 173,809</u>	<u>\$ 31,855</u>

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 184,163	\$ -	\$ (10,354)	\$ 173,809	\$ 19,312
Governmental activities long-term liabilities	<u>\$ 184,163</u>	<u>\$ -</u>	<u>\$ (10,354)</u>	<u>\$ 173,809</u>	<u>\$ 19,312</u>

NOTE 4 – DETAIL NOTES ON ALL FUNDS

Other Postemployment Benefits

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

NOTE 5 - SUBSEQUENT EVENTS

Subsequent events were evaluated through August 25, 2020, which is the date the financial statements were available to be issued.

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

NOTE 6 - 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, 2020 and June 30, 2019 amounted to \$9,626 and \$7,461 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.

NOTE 7 - DISTRIBUTIONS OF INCOME

The ABC Board has incurred distributions for the year ended June 30, 2020 as follows:

	2020
Distribution attributable to 2020 paid to Town	\$ 80,834
Accrued Distribution at June 30, 2020	48,000
Total Distribution to Town for Profit Distribution	\$ 128,834

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 8 - 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	\$ 146,601
Less - 3½% tax and bottle charge	52,015
Profit subject to expense percentage	\$ -
Law enforcement expenditures – Actual	\$ 4,729
Percentage of profit	-
Alcohol education expenditures - Actual	\$ 6,621
Percentage of profit	-

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

NOTE 9 - 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, 2019	\$ 25,774
Taxes collected during the year	385,261
Taxes remitted to NC Department of Revenue	(397,800)
 Taxes payable - June 30, 2020	 \$ 38,313

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	97,773 @ \$.05	\$ 4,889	
Mixed beverage	640 @ \$.05	32	
Miniature bottles	60,414 @ \$.01	604	
 Total bottle charge		 \$ 5,525	

NOTE 10 - 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%)	\$ 4,159	
Department of Human Resources (5%)	416	
Profit retained (45%)	3,714	
 Total	 \$ 8,316	

NOTE 11 - SURCHARGE COLLECTED

The total amount of surcharge collected for the fiscal year was \$11,922. The bailment surcharge rate was \$1.15 per case.

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 \$126,318. The sales tax rate was 7%.

Youngsville Board of Alcoholic Control
(A Component Unit of the Town of Youngsville, North Carolina)
Notes to Financial Statements (continued)
June 30, 2020 and 2019

NOTE 13 - 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	\$	53,428
Maximum Amount	\$	463,044
Actual Amount	\$	53,541

The Board has met the minimum amount of working capital.

NOTE 14 - 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, 2020 and 2019

	2020	2019
Operating expenses		
Salaries	\$ 169,311	\$ 133,818
Payroll taxes	13,445	10,462
Group insurance	13,974	15,561
Repairs and maintenance	3,510	3,527
Utilities and telephone	9,450	7,079
Insurance - general	5,183	5,455
Dues and licenses	4,708	2,058
Office and store supplies	9,264	6,420
Miscellaneous	6,648	14,191
Professional services	12,150	5,854
Depreciation	1,707	3,656
Bank charges and other	24,986	22,173
 Total operating expenses	 \$ 274,336	 \$ 230,254

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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:				
Liquor sales - regular	\$	\$	\$ 1,765,397	\$
Mixed beverage sales			39,151	
Total operating revenues	<u>1,358,653</u>	<u>1,771,266</u>	<u>1,804,548</u>	<u>33,282</u>
Non-operating revenues - interest income				
	-	-	-	-
Total revenues	<u>1,358,653</u>	<u>1,771,266</u>	<u>1,804,548</u>	<u>33,282</u>
Taxes based on revenues:				
State excise tax			405,315	
Rehabilitation tax			5,525	
Mixed beverage tax (revenue)			4,159	
Mixed beverage tax (human resources)			416	
Total taxes based on revenues	<u>311,589</u>	<u>401,921</u>	<u>415,415</u>	<u>(13,494)</u>
Cost of goods sold	<u>768,693</u>	<u>961,483</u>	<u>961,612</u>	<u>(129)</u>
Operating expenses:				
Salaries and benefits			167,146	
Payroll taxes			13,445	
Group insurance			13,974	
Repairs and maintenance			3,510	
Utilities and telephone			9,450	
Insurance - general			5,183	
Office and store supplies			9,264	
Miscellaneous			6,648	
Professional services			12,150	
Dues and licenses			4,708	
Bank charges and other			24,986	
Total operating expenses	<u>\$ 213,371</u>	<u>\$ 297,028</u>	<u>\$ 270,464</u>	<u>\$ 26,564</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital outlay	\$ 25,000	\$ -	\$ 14,733	\$ (14,733)
Debt Service				
Principal retirement			10,354	
Debt service - interest			6,583	
Total debt service expense	<u>-</u>	<u>30,000</u>	<u>16,937</u>	<u>13,063</u>
Distributions				
Law enforcement			5,475	
Alcohol education			7,666	
Town of Youngsville, North Carolina			115,693	
Total distributions	<u>40,000</u>	<u>80,834</u>	<u>128,834</u>	<u>(48,000)</u>
Total expenditures and distributions	<u>1,358,653</u>	<u>1,771,266</u>	<u>1,807,995</u>	<u>(35,059)</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>(3,447)</u>	<u>3,447</u>
Other financing (uses):				
Installment loan proceeds	-	-	-	
Working capital retained (Unrestricted funds)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures and other financing (uses)	<u>-</u>	<u>-</u>	<u>(3,447)</u>	<u>3,447</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Reconciling items				
Depreciation			1,707	
Capital outlay			(14,733)	
Installment loan proceeds			(10,354)	
Increase in accrued vacation			2,165	
Total reconciling items			<u>(21,215)</u>	
Change in net position			<u>\$ 17,768</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, 2020

Distribution Recipient Amount Date of Distribution Restrictions on Use

Municipality

<u>Name</u>	<u>Amount</u>	<u>Date</u>
Town of Youngsville	2,238	7/1/2019
Town of Youngsville	2,238	8/1/2019
Town of Youngsville	2,238	9/1/2019
Town of Youngsville	2,238	10/1/2019
Town of Youngsville	2,238	11/1/2019
Town of Youngsville	2,238	12/1/2019
Town of Youngsville	2,238	1/1/2020
Town of Youngsville	2,238	2/1/2020
Town of Youngsville	2,238	3/1/2020
Town of Youngsville	2,238	4/1/2020
Town of Youngsville	2,238	5/1/2020
Town of Youngsville	12,471	6/1/2020
	<u>\$ 37,089</u>	

Per agreement

Law Enforcement

<u>Name</u>	<u>Amount</u>	<u>Date</u>
Town of Youngsville	456	7/1/2019
Town of Youngsville	456	8/1/2019
Town of Youngsville	456	9/1/2019
Town of Youngsville	456	10/1/2019
Town of Youngsville	456	11/1/2019
Town of Youngsville	456	12/1/2019
Town of Youngsville	456	1/1/2020
Town of Youngsville	456	2/1/2020
Town of Youngsville	456	3/1/2020
Town of Youngsville	456	4/1/2020
Town of Youngsville	456	5/1/2020
Town of Youngsville	459	6/1/2020
	<u>\$ 5,475</u>	

Law Enforcement

Alcohol Education

<u>Name</u>	<u>Amount</u>	<u>Date</u>
Town of Youngsville	639	7/1/2019
Town of Youngsville	639	8/1/2019
Town of Youngsville	639	9/1/2019
Town of Youngsville	639	10/1/2019
Town of Youngsville	639	11/1/2019
Town of Youngsville	639	12/1/2019
Town of Youngsville	639	1/1/2020
Town of Youngsville	639	2/1/2020
Town of Youngsville	639	3/1/2020
Town of Youngsville	639	4/1/2020
Town of Youngsville	639	5/1/2020
Town of Youngsville	637	6/1/2020
	<u>\$ 7,666</u>	

Alcohol Education

TOTAL

\$ 50,230