

**TOWN OF YOUNGSVILLE ALCOHOLIC
BEVERAGE CONTROL BOARD
YOUNGSVILLE, NORTH CAROLINA
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDING JUNE 30, 2018 AND 2017**

TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
TABLE OF CONTENTS
JUNE 30, 2018 AND 2017

	<u>Page</u>
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-6
Basic Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10-11
Notes to the Financial Statements	13-18
Supplementary Information	
Schedule of Store Expenses	20
Schedule of Revenues and Expenditures – Budget and Actual	21-22
Schedule of Distributions and Profits	23

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Town of Youngsville ABC Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Youngsville ABC Board, a component unit of the Town of Youngsville, which comprise the Statement of Net Position as of June 30, 2018 and 2017 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 misstatement.

An audit involves performing procedures to obtain audit evidence about 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.

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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 Town of Youngsville ABC Board as of June 30, 2018 and 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year 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 the Management's Discussion and Analysis on pages 4 through 6 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 audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedule of Expenses by Store and Schedule of Revenues and Expenditures – Budget vs. Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenses by Store, Schedule of Revenues and Expenditures – Budget vs. Actual, and Schedule of Distributions and Profits 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 in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Oxford, North Carolina
September 28, 2018

Management's Discussion and Analysis

This section of the Town of Youngsville Alcoholic Beverage Control (ABC) Board's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2018 and 2017. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Restriction for working capital increased by \$3,773 or approximately 11.24% over the prior year.
- Profit increased \$19,195 or approximately 21.88% from the prior year due to increased sales and tighter control on operating expenditures.

Overview of the Financial Statements

The audited financial statements of the ABC Board consist of 3 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 the information contained in this statement.

The next statement is the **Statement of Revenues, 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 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** and a **Budget to Actual Reconciliation**.

Financial Analysis of the ABC Board

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$62,988 in 2018 and 61,365 2017 and 2016. The largest component of net position was the investment in working capital. It was 59.26% of the total net position for 2018, 54.68% for 2016 and 48.74% for 2016. Following is a summary of the Statement of Net Position.

Table 1
Condensed Statement of Net Position

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 207,250	\$ 157,167	\$ 131,173	\$ 50,083	31.87%
Non-current assets	24,999	22,215	25,248	2,784	12.53%
Total assets	232,249	179,382	156,421	52,867	29.47%
Current liabilities	169,261	118,017	95,056	51,244	43.42%
Total liabilities	169,261	118,017	95,056	51,244	43.42%
Net investment in capital assets	24,999	22,215	25,248	2,784	12.53%
Restricted net position	37,328	33,555	29,909	3,773	11.24%
Unrestricted net position	661	5,595	6,208	-4,934	-88.19%
Total net position	\$ 62,988	\$ 61,365	\$ 61,365	\$ 1,623	2.64%

Current liabilities increased due to timing of inventory receipts and accrued distribution payable to Town.

Income from operations increased 21.88% from the prior year. Following is a summary of the changes in net position:

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

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues	\$ 1,254,608	\$ 1,127,176	\$ 1,003,564	\$ 127,432	11.31%
Less: Taxes on gross sales	284,088	254,723	225,960	29,365	11.53%
Net sales	970,520	872,423	777,604	98,098	11.24%
Cost of sales	665,818	598,372	534,987	67,446	11.27%
Gross profit	304,702	274,051	242,617	30,651	11.18%
Less: Operating Expenses	197,765	186,309	172,161	11,456	6.15%
Income from operations	106,937	87,742	70,456	19,195	21.88%
Distributions	105,313	87,742	70,456	17,571	20.03%
Change in net position	1,624	-	-	1,624	100%
Net position, beginning	61,365	61,365	61,365	-	-
Net position, ending	\$ 62,988	\$ 61,365	\$ 61,365	\$ 1,623	2.64%

The increase in sales is due to the efforts of the store manager in re-arranging the store to allow for a better customer experience and general improvement in the economic conditions including but not limited to new subdivisions being built in and around Youngsville. There is also a corresponding increase in taxes on gross sales, cost of sales, and gross profit. Increased distributions are due to an increase in the income from operations

Following is a breakdown of sales by source:

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>\$ Change</u>	<u>% Change</u>
Retail Liquor Sales	\$1,220,865	\$1,100,885	\$ 995,100	\$ 119,980	10.90%
Mixed Beverage Sales	33,743	26,291	8,464	7,452	28.34%
Total Sales	\$1,254,608	\$1,127,176	\$1,003,564	\$ 127,432	11.31%

Capital Asset and Debt Administration

Capital Assets

Investment in capital assets as of June 30, 2018, totals \$24,999 (net of accumulated depreciation).

Table 3
Capital Assets
(net of depreciation)

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 4,756	\$ 4,756	\$ 4,756	\$ -	-
Buildings	9,856	11,321	12,786	-1,465	-12.94%
Equipment	10,387	6,138	-	4,249	69.22%
Total	\$ 24,999	\$ 22,215	\$ 25,248	\$ 2,787	12.55%

Additional information on the ABC Board's capital assets can be found in Note 1.F.5 of the Basic Financial Statements.

Debt Administration

At June 30, 2018, the Board had no outstanding notes payable.

Economic Factors

The Board has no plans to change its operations in the near term.

Request 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:

Jackie Patterson, Finance Officer
Town of Youngsville ABC Board
P O Box 387
Youngsville, North Carolina 27596

BASIC FINANCIAL STATEMENTS

TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018
AND JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current Assets		
Cash & Cash Equivalents	\$ 121,676	\$ 70,307
Inventories	84,911	86,198
Prepaid Expenses	<u>663</u>	<u>662</u>
Total Current Assets	<u>207,250</u>	<u>157,167</u>
Non-current Assets		
Property, Plant, and Equipment (Net of accumulated depreciation)	<u>24,999</u>	<u>22,215</u>
Total Assets	<u><u>\$ 232,249</u></u>	<u><u>\$ 179,382</u></u>
<u>Liabilities</u>		
Current Liabilities		
Accounts Payable	\$ 58,449	\$ 27,273
Other Liabilities	4,733	7,956
Accrued Beverage Tax	24,492	22,012
Sales Tax Payable	7,437	6,666
Accrued Vacation	8,837	7,378
Due to Town of Youngsville	<u>65,313</u>	<u>46,732</u>
Total Current Liabilities	<u>169,261</u>	<u>118,017</u>
Total Liabilities	<u>169,261</u>	<u>118,017</u>
<u>Net Position</u>		
Net Investment in Capital Assets	24,999	22,215
Restricted for:		
Working capital	37,328	33,555
Unrestricted	<u>661</u>	<u>5,595</u>
Total Net Position	<u>62,988</u>	<u>61,365</u>
Total Liabilities and Net Position	<u><u>\$ 232,249</u></u>	<u><u>\$ 179,382</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018
AND JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
<u>Operating Revenue</u>		
Liquor Sales	\$ 1,220,864	\$ 1,100,885
Mixed Beverage Sales	33,743	26,291
Total Operating Revenue	<u>1,254,607</u>	<u>1,127,176</u>
<u>Deduct Taxes on Gross Sales</u>		
State Exise Tax	276,137	248,405
Mixed Beverage Tax (Revenue)	3,590	2,480
Mixed Beverage Tax (Human Resources)	359	248
Rehabilitation Tax	4,002	3,620
Total Taxes	<u>284,088</u>	<u>254,753</u>
<u>Net Sales</u>	970,519	872,423
<u>Deduct Cost of Sales</u>	<u>665,818</u>	<u>598,372</u>
<u>Gross Profit on Sales</u>	304,701	274,051
<u>Deduct Operating Expenses (Schedule 1)</u>	<u>197,765</u>	<u>186,309</u>
<u>Income from Operations</u>	106,936	87,742
Non-operating Revenues	-	-
<u>Change in Net Position Before Distributions</u>	<u>106,936</u>	<u>87,742</u>
<u>Deduct</u>		
Law Enforcement	<u>3,526</u>	<u>2,751</u>
<u>Change in Net Position Before Profit Distributions</u>	103,410	84,991
<u>Profit Distributions</u>		
Town of Youngsville	<u>101,787</u>	<u>84,991</u>
<u>Change in Net Position</u>	1,623	-
<u>Net Position, Beginning of Year</u>	<u>61,365</u>	<u>61,365</u>
<u>Net Position, End of Year</u>	<u>\$ 62,988</u>	<u>\$ 61,365</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018
AND JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,254,607	\$ 1,127,176
Payments for inventory costs	(664,531)	(603,444)
Payments for operating expenses	(146,324)	(163,415)
Taxes paid	<u>(280,837)</u>	<u>(251,653)</u>
Net cash provided by operating activities	<u>162,915</u>	<u>108,664</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Asset Purchases	<u>(6,233)</u>	<u>-</u>
Net cash provided (used) for capital and related financing activities	<u>(6,233)</u>	<u>-</u>
Cash Flows from Non-capital Financing Activities:		
Law enforcement distributions	(3,526)	(2,751)
Profit distributions to primary government	<u>(101,787)</u>	<u>(84,991)</u>
Net cash used by non-capital financing activities	<u>(105,313)</u>	<u>(87,742)</u>
Net Increase in Cash and Cash Equivalents	51,369	20,922
Cash and Cash Equivalents, Beginning of Year	<u>70,307</u>	<u>49,385</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 121,676</u></u>	<u><u>\$ 70,307</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018
AND JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from Operations	\$ 106,936	\$ 87,742
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities		
Depreciation	3,449	3,033
Changes in Assets and Liabilities		
(Increase)Decrease in Inventory	1,287	(5,072)
Increase (Decrease) in Accounts Payable	31,176	717
Increase (Decrease) in Accrued Beverage Tax	2,480	2,029
Increase (Decrease) in Other Accrued Liabilities	(3,223)	1,115
Increase (Decrease) in Sales Tax Payable	771	1,071
Increase (Decrease) in Accrued Vacation	1,459	(246)
Increase (Decrease)in Due to Town of Youngsville	18,581	18,275
Total Adjustments	<u>52,530</u>	<u>17,889</u>
Net Cash Provided by Operating Activities	<u>\$ 162,915</u>	<u>\$ 108,664</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 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 ABC Board (*Board*), a component unit of the Town of Youngsville (*Town*), is a corporate body with powers outlined by General Statutes [Chapter 18B-701]. The Town's governing body appoints the ABC Board.

The Town of Youngsville ABC 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 Town of Youngsville ABC Board 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 Town of Youngsville ABC Board, as provided by North Carolina Alcoholic Beverage Control Laws, operates one retail liquor store and through its law enforcement division, investigates violations of such laws. 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. Actual results may differ from those estimates.

**TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

F. Assets, Liabilities, and Net Position

(1) Deposits

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

All the Town of Youngsville ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town of Youngsville ABC Board's agent in the ABC Board's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town of Youngsville ABC Board, these deposits are considered to be held by the Town of Youngsville ABC Board's agent in the ABC Board's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town of Youngsville ABC Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town of Youngsville ABC 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, 2018, the ABC 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.

At June 30, 2017, the ABC Board's deposits had a carrying amount of \$68,558 and a bank balance of \$99,772. 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, 2017.

(2) Cash and Cash Equivalents

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

(3) Accounts Receivable

There are no accounts receivable for June 30, 2018 or June 30, 2017.

(4) Inventories

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

**TOWN OF YOUNGVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGVILLE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

(5) Capital Assets

The useful lives of depreciable capital assets are as follows:

	Useful Life (Years)
Buildings	30
Improvements	10
Sewer	10
Furniture & Fixtures	10
Equipment	5-10

Capital Asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 4,756	\$ -	\$ -	\$ 4,756
Construction in progress	-	-	-	-
Total capital assets not being depreciated	4,756	-	-	4,756
Capital assets being depreciated				
Buildings	65,915	-	-	65,915
Improvements	5,077	-	-	5,077
Sewer	340	-	-	340
Furniture & Fixtures	6,962	-	-	6,962
Equipment	31,442	6,233	-	37,675
Total capital assets being depreciated	109,736	6,233	-	115,969
Less accumulated depreciation for:				
Buildings	54,595	1,465	-	56,060
Improvements	5,077	-	-	5,077
Sewer	340	-	-	340
Furniture & Fixtures	6,962	-	-	6,962
Equipment	25,303	1,984	-	27,287
Total capital assets being depreciated, net	92,277	\$ 3,449	\$ -	95,726
Capital Assets, net	\$ 22,215			\$ 24,999

(6) Net Position

Net position consists of the following:

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

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.

**TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 position – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

NOTE 2. LONG-TERM DEBT

At June 30, 2018, the Board had no outstanding notes payable. All notes were paid in full.

NOTE 3. SUBSEQUENT EVENTS

The Town of Youngsville ABC Board has evaluated events and transactions that occurred between June 30, 2018 and September 28, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 4. VACATION AND SICK LEAVE COMPENSATION

The Town of Youngsville 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, 2018 and June 30, 2017 amounted to \$8,837 and \$7,378 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 5. DISTRIBUTIONS OF INCOME

The Town of Youngsville ABC Board has incurred distributions for the year ended June 30, 2018 as follows:

	2018
Distribution attributable to 2018 paid to Town	\$ 40,000
Accrued Distribution at June 30, 2018	65,313
Total Distribution to Town for Profit Distribution	\$ 105,313

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 6. LAW ENFORCEMENT EXPENSES

The Town of Youngsville ABC 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 change in net position before law enforcement and educational 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).

**TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Profits before distribution	\$	106,937
Less: 3½% tax and bottle charge		36,408
Profit subject to expense percentages		70,529
Law enforcement expenditures		3,526
-actual percentage of profit		5.00%

NOTE 7. DISBURSEMENTS 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, 2017	\$	22,012
Taxes collected during the year		279,288
Taxes remitted to Department of Revenue		276,808
Taxes payable June 30, 2018	\$	24,492

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

The accrued North Carolina excise tax at June 30, 2018 was remitted to the North Carolina Department of Revenue on July 3, 2018.

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 to be used for alcohol education and rehabilitation. For the fiscal year, payments to the County were based on the following bottle sales:

Regular Bottles	71,720	@ 5 cents	=	\$	3,586
Miniature Bottles	41,654	@ 1 cent	=		417
Total payment for the year			=	\$	4,003

A “mixed beverage tax” at the rate of \$20 per 4 liters is charged on the sale of liquor to be resold in mixed beverages. One-half on 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:

Departement of Revenue (50%)	\$	3,590
Department of Human Resources (5%)		359
Profit Retained (45%)		3,233
Total	\$	7,184

NOTE 8. SURCHARGE COLLECTED

The total amount of surcharge collected for the fiscal year was \$10,213. The current rate is \$1.40 per case.

NOTE 9. LIQUOR SALES TAX

The total amount of sales tax collected by the Town of Youngsville ABC Board and remitted to the Department of Revenue for the fiscal year was \$84,654. The current sales tax rate is 7%.

**TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF YOUNGSVILLE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10. WORKING CAPITAL

The Town of Youngsville ABC Board is required by the Alcoholic Beverage Control Commission rule [.0902] to set its working capital requirements at not less than two weeks average gross sales 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 Town of Youngsville ABC Board's position on this requirement is as follows:

Minimum Amount	\$	37,328
Maximum Allowed		323,506
Actual Working Capital		37,328

The Town of Youngsville ABC Board has met the minimum amount of working capital.

NOTE 11. RISK MANAGEMENT

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

There have been no significant reductions in insurance 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.)**

TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULE OF STORE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018
AND JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
Salaries	125,489	\$ 114,985
Payroll Taxes	9,867	8,819
Employee Insurance	17,607	18,139
Insurance	5,274	5,294
Utilities	6,777	6,487
Repairs & Maintenance	3,234	2,991
Dues & Licenses	131	131
Professional Fees	3,800	3,823
Depreciation	3,449	3,033
Credit Card Processing Fee	15,933	13,042
Other	<u>6,204</u>	<u>9,565</u>
Total Store Expenses	<u>\$ 197,765</u>	<u>\$ 186,309</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULE OF REVENUES AND EXPENDITURES- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Original Budget	2018 Revised Budget	2018 Actual	Variance Positive (Negative)
Revenues:				
Operating revenues:				
Liquor sales	\$ 1,000,854	\$ 1,170,854	1,220,864	\$ 50,010
Mixed beverage sales	15,450	26,111	33,743	7,632
Total	1,016,304	1,196,965	1,254,607	57,642
Total revenues	1,016,304	1,196,965	1,254,607	57,642
Expenditures:				
Taxes based on revenue:				
State excise tax	233,750	273,858	276,137	(2,279)
Mixed Beverage tax (Revenue)			3,590	(3,590)
Mixed Beverage tax (Human Resources)	155	415	359	56
Rehabilitation tax	3,665	4,207	4,002	205
Total	237,570	278,480	284,088	(5,608)
Cost of goods sold	548,805	648,805	665,818	(17,013)
Operating Expenses:				
Salaries and benefits	129,012	146,713	141,637	5,076
Taxes	8,866	9,861	9,867	(6)
Dues and licenses	170	170	131	39
Utilities	7,354	7,654	6,777	877
Repairs and maintenance	2,369	3,369	3,234	135
Capital Outlay - Equipment	-	6,233	6,233	-
Office/store supplies	5,567	5,567	5,237	330
Insurance - general & bonds	6,604	6,604	5,274	1,330
Miscellaneous	11,097	6,348	967	5,381
Professional fees	4,120	4,120	3,800	320
Credit card fees	15,266	16,654	15,933	721
Total	190,425	213,293	199,090	14,203
Total Expenditures	976,800	1,140,578	1,148,995	(8,417)

The accompanying notes are an integral part of the financial statements.

Distributions:

Law Enforcement		-	3,526	(3,526)
Town of Youngsville	39,504	56,387	101,787	(45,400)
Total	<u>39,504</u>	<u>56,387</u>	<u>105,313</u>	<u>(48,926)</u>

Total expenditures and distributions	<u>1,016,304</u>	<u>1,196,965</u>	<u>1,254,309</u>	<u>(57,344)</u>
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Revenues over Expenditures	-	-	298	298
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Other financing (uses):

Working capital retained (Unrestricted funds)			-	-
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Revenues over expenditures and other financing (uses)	<u>\$ -</u>	<u>-</u>	<u>298</u>	<u>\$ 298</u>
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**Reconciliation from budgetary
basis (modified accrual) to full accrual:****Reconciling items:**

Depreciation		(3,449)
Increase in accrued vacation payable		(1,459)
Capital outlay		<u>6,233</u>
Change in net position		<u><u>\$ 1,623</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF YOUNGSVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
SCHEDULE OF DISTRIBUTIONS AND PROFITS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Distribution</u>	<u>Recipient</u>	<u>Amount</u>	<u>Date of Distribution</u>	<u>Restrictions on Use</u>
Law Enforcement				
	Town of Youngsville	\$ 3,526	4/4/2018	Law Enforcement
Municipality				
	Town of Youngsville	16,474	4/4/2018	Per agreement
	Town of Youngsville	34,000	5/4/2018	Per agreement
	Town of Youngsville	<u>32,732</u>	6/6/2018	Per agreement
	Total	83,206		

The accompanying notes are an integral part of the financial statements.