

**Marshville ABC Board
Marshville, North Carolina
For the year ended
June 30, 2019**

**Independent Auditor's Reports
Financial Statements
And
Information Accompanying the
Financial Statements**

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June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marshville ABC Board
Marshville, North Carolina

We have audited the accompanying financial statements of the Marshville ABC Board, a component unit of the Town of Marshville, North Carolina, which comprise the Statement of Financial Position as of June 30, 2019, and the related Statement of Revenues, Expenses and changes in Net position and cash flows for the year 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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 respective financial position of the Marshville ABC Board as of June 30, 2019, and the respective changes in financial position and cash flows for the year 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 the 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 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 Marshville ABC Board financial statements. The Schedule of Store Expenses, Administrative Expenses and Revenue 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 Store Expenses, Administrative Expenses and Revenue 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Eddie Carrick CPA, PC

Lexington, North Carolina
September 27, 2019

Marshville ABC Board

A component unit of the Town of Marshville

This section of Marshville ABC Board's financial report represents our discussion and analysis of the financial performance of Marshville ABC Board (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

- The Board opened its first store in November 2018.
- The Board sustained a net loss of \$64,962 for the year ending June 30, 2019

Overview of the Financial Statements

The audited financial statements of Marshville ABC Board consist of three components. They are as follows:

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Additional Information Required by 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.

201 W Main St
Marshville, North Carolina

Overview of the Financial Statements (Continued)

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

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

Financial Analysis of Marshville ABC Board

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows exceeded assets and deferred outflows by \$64,962 in 2019. The largest component of net position was the investment in capital assets. It was 100.00% of the total positive net position for 2019.

Following is a summary of the Statements of Net Position:

Table 1
Condensed Statement of Net Position

Current assets	\$ 116,026
Non-current assets	72,763
Total assets	188,789
Current liabilities	102,632
Non-current liabilities	151,119
Total liabilities	253,751
Net investment in capital assets	72,763
Unrestricted net position	(137,725)
Total net position	(64,962)

Following is a summary of the changes in net position:

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

Operating revenues	\$ 458,727
Less: taxes on gross sales	103,531
Net sales	355,196
Cost of sales	248,250
Gross profit	106,946
Less: operating expenses	164,137
Income from operations	(57,191)
Non-operating revenues and expenses	(7,771)
Change in net position before distributions	(64,962)
Distributions	-
Change in net position before distributions	(64,962)
Net position - beginning	-
Net position - ending	(64,962)

Financial Analysis of Marshville ABC Board (continued)

Following is a breakdown of sales by source:

	<u>6/30/2019</u>
Retail liquor sales	\$ 456,646
Mixed beverage sales	2,081
Retail wine sales	<u>-</u>
Total sales	<u>\$ 458,727</u>

Capital Assets

Investment in capital assets as of June 30, 2019 totals \$70,763 (net of accumulated depreciation).

Table 3
Capital Assets
(net of depreciation)

Furniture and equipment	\$ 34,183
Leasehold improvements	<u>36,580</u>
Total	<u>\$ 70,763</u>

Additional information on the Board's capital assets can be found in Note I.G.4 of the basic financial statements.

Debt Administration

The largest component of debt is notes payable

Table 4
Long-term debt

Notes payable	<u>\$ 187,337</u>
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The Board incurred debt of \$200,000 with First Citizens Bank, interest rate of 5.65%, 60 monthly payments of \$3,841.

Economic Factors

The financials presented represent on eight months of operations. Also included are start-up costs which will not reoccur in the future.

Requests for Information

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

Stephanie Baumer
Marshville ABC Board
201 W Main Street
Marshville, NC 28103

Marshville ABC Board
(A component unit of the Town of Marshville)
Statement of Net Position
For the Year Ended June 30, 2019

	<u>2019</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 19,831
Accounts receivable	100
Inventories	92,037
Prepaid expenses	4,058
Total Current Assets	<u>116,026</u>
Non-current Assets	
Property plant and equipment (net of accumulated depreciation)	
Total Net Amount	70,763
Deposits	2,000
Total Non-current Assets	<u>72,763</u>
Total Assets	<u>188,789</u>
DEFERRED OUTFLOWS OF RESOURCES	
None	<u>-</u>
LIABILITIES	
Current Liabilities	
Current portion of long-term debt	36,218
Accounts payable	46,889
Liquor sales tax payable	19,525
Total Current Liabilities	<u>102,632</u>
Non-current Liabilities	
Note payable less current maturities	<u>151,119</u>
Total Liabilities	<u>253,751</u>
DEFERRED INFLOWS OF RESOURCES	
None	<u>-</u>
NET POSITION	
Net Investment in Capital Assets	70,763
Unrestricted	(135,725)
Total Net Position	<u>\$ (64,962)</u>

The accompanying notes are an integral part of the financial statements

Marshville ABC Board
(A component unit of the Town of Marshville)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

2019

Operating Revenues

Liquor Sales - Regular	\$	456,646
Mixed Beverage Sales		2,081
Wine Sales		-
Total Gross Sales		458,727

Deduct Taxes on Gross Sales

State Excise Tax		101,357
Mixed Beverage Tax (Dept of Revenue)		294
Mixed Beverage Tax (DHHS)		29
Rehabilitaion Tax		1,851
Wine Sales Tax		-
Total Taxes		103,531

Net Sales

355,196

Deduct Cost of Sales

Cost of Liquor Sold		248,250
Cost of Wine Sold		-
		248,250

Gross Profit on Sales

106,946

Deduct Operating Expenses

Store Expenses		135,851
Warehouse and Delivery Expenses		-
Administrative Expenses		24,502
Depreciation Expense		3,784
Total Operating Expenses		164,137

Income From Operations

(57,191)

The accompanying notes are an integral part of the financial statements

Marshville ABC Board
(A component unit of the Town of Marshville)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

2019

Non-operating Revenues and Expenses

Interest Income		-
Other Income		-
Other Expenses - Interest paid		(7,771)
		(7,771)
Total Non-Operating Revenues (Expenses)		(7,771)

Change in Net Position Before Distributions

(64,962)

Deduct	Law Enforcement	-
	Alcohol Education	-
		-
		-

Change in Net Position Before Profit Distributions

(64,962)

Profit Distributions

	Town of Marshville	-
	Union County	-
	Total Profit Distributions	-
		-

Change in Net Position

(64,962)

Net Position, Beginning of Year

-

Net Position, End of Year

\$ (64,962)

The accompanying notes are an integral part of the financial statements

Marshville ABC Board
(A component unit of the Town of Marshville)
Statement of Cash Flows
For the Year Ended June 30, 2019

	<u>2019</u>
Cash flows from operating activities:	
Cash received from customers	\$ 458,627
Payments for inventory costs	(316,754)
Payments for operating expenses	(141,054)
Taxes paid	(84,007)
Other operating expenses	<u>-</u>
Net cash provided (used) by operating activities	<u>(83,188)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(74,547)
Proceeds from long-term loans	200,000
Deposits for rental real estate	(2,000)
Principal paid on loan maturities	(12,663)
Interest paid on loans	<u>(7,771)</u>
Net cash provided (used) by capital and related financing activities	<u>103,019</u>
Cash flows from non-capital financing activities:	
Laws enforcement distributions	-
Alcohol education distributions	-
Profit distribution to primary government	<u>-</u>
Net cash provided (used) by non-capital and financing activities	<u>-</u>
Cash flows from investing activities:	
Investment earned on investments	<u>-</u>
Net cash provided (used) by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	19,831
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 19,831</u></u>

The accompanying notes are an integral part of the financial statements

Marshville ABC Board
(A component unit of the Town of Marshville)
Statement of Cash Flows
For the Year Ended June 30, 2019

2019

**Reconciliation of income from operations to
net cash provided (used) by operating activities:**

Income (loss) from operations	\$ (57,191)
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Adjustments to reconcile income from operations
to net cash provided (used) by operating activities:

Depreciation	3,784
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Change in assets and liabilities

(Increase) decrease in accounts receivable	(100)
(Increase) decrease in inventory	(92,037)
(Increase) decrease in prepaid expenses	(4,058)
Increase (decrease) in accounts payable	<u>66,414</u>

Total adjustments	<u>(25,997)</u>
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Net cash provided (used) by operating activities	<u><u>\$ (83,188)</u></u>
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Non-cash investing financing activities

None

The accompanying notes are an integral part of the financial statements

MARSHVILLE ABC BOARD
(A Component Unit of the Town of Marshville)
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies:

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

Marshville ABC Board, a component unit of the Town of Marshville, North Carolina (the Town), is a corporate body with powers outlined by General Statutes [Chapter 1SB-70 I]. The Town's governing body appoints the Board.

Marshville 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, Marshville ABC Board is reported as a discretely presented component unit in the Town's financial statements.

B. Organizational History:

Marshville ABC Board (the Board) was organized and implemented by a Town-wide election held November 5, 2013. The Town Council appointed three individuals to serve on the Board with terms of three years.

The Board, as provided by North Carolina Alcoholic Beverage Control laws, operates one 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 Board expend at least 5% of profits for law enforcement and at least 7% of the same profits for alcohol education and rehabilitation purposes.

C. Basis of Presentation:

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided 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 accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statements of net position, and the 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.

MARSHVILLE ABC BOARD
(A Component Unit of the Town of Marshville)

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies (Continued):

F. Pensions:

The Board has not elected to be part of the Local Government Employees' Retirement System (LGERS) as of June 30, 2019.

G. Assets, Liabilities, and Net Position:

1. Deposits:

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

All of the Board's deposits are insured or collateralized by using the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board's agent in the Board's name. The amount of the pledged collateral is based on an approved averaging method for noninterest-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 \$19,831 and a bank balance of \$17,928. All of the bank balance was covered by Federal Depository insurance. The Board had change funds of \$1,200.

2. Cash and Cash Equivalents:

For purposes of the statements 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.

MARSHVILLE ABC BOARD
(A Component Unit of the Town of Marshville)

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies (Continued):

G. Assets, Liabilities, and Net Position (Continued):

3. Inventory:

Inventory is valued at the lower of cost (FIFO) or net realizable value.

4. Capital Assets:

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

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated:				
Leasehold improvements	\$ -	\$ 35,140	\$ -	\$ 35,140
Equipment	-	39,408	-	39,408
	<u>-</u>	<u>74,548</u>	<u>-</u>	<u>74,548</u>
Less, accumulated depreciation for:				
Leasehold improvements	-	1,436	-	1,436
Equipment	-	2,348	-	2,348
	<u>-</u>	<u>3,784</u>	<u>-</u>	<u>3,784</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 70,764</u>	<u>\$ -</u>	<u>\$ 70,764</u>

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	31.5
Building improvements	10 - 15
Land improvements	15
Furniture and equipment	5 - 10

MARSHVILLE ABC BOARD
(A Component Unit of the Town of Marshville)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (Continued):

5. Debt Administration:

The Board incurred debt of \$200,000 with First Citizens bank, interest rate of 5.65%, 60 monthly payments of \$3,841.

The balance at June 30, 2019 was \$187,337.

Future maturities are as follows:

2020	\$35,237
2021	38,373
2022	40,657
2023	43,507
2024	29,563

G. Assets, Liabilities, and Net Position (Continued):

II. 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 investment 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.
- 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)J] requires approval of the appointing authority to establish this fund, outside of working capital, for specific capital improvements.
- 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*.

I. Stewardship, Compliance, and Accountability:

A. Noncompliance with North Carolina General Statutes:

None noted.

MARSHVILLE ABC BOARD
(A Component Unit of the Town of Marshville)

NOTES TO FINANCIAL STATEMENTS

III. Distributions of Income:

The Board has made distributions since inception as follows:

	Current Year	Total to Date
100% Town of Marshville General Fund	\$ -0-	\$ -0-

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

Law Enforcement Expenses:

The Board is required by law to expend at least 5% of its profits for law enforcement and not less than 7% for alcohol education. Profits are defined by law for these calculations as changes 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).

	<u>2019</u>
Profit before distribution	\$ (57,191)
Less: 3.5% tax and bottle charge Profit subject to expense percentages	-
	\$ (57,191)
Law enforcement expenditures	\$ -
Actual percentage of profit	0.00%
Provision for alcohol education and rehabilitation	\$ -
Actual percentage of profit	0.00%

MARSHVILLE ABC BOARD
(A Component Unit of the Town of Marshville)

NOTES TO FINANCIAL STATEMENTS

IV. 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	\$ -0-
Taxes collected during the year	101,357
Taxes remitted to Department of Revenue	<u>(86,800)</u>
Taxes payable June 30, 2019	\$ 14,557

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

The accrued North Carolina excise tax at June 30, 2019 was remitted to the North Carolina Department of Revenue on July 16, 2019.

A bottle charge of 1¢ on each bottle containing 50 milliliters or less and 5¢ on each bottle containing more than 50 milliliters is collected and distributed monthly to the County Commissioners for alcohol education and rehabilitation. For the fiscal year ended June 30, 2019, payments to the County were based on the following bottle sales:

Regular bottles	32,328@ 5¢	\$ 1,616
Mixed beverage bottles	149@ 5¢	7
Miniature bottles	22,699@ 1¢	<u>227</u>
Total payment for the year		\$ <u>1,850</u>

A "mixed beverage tax" at the rate of \$20 per 4 liters is charged on the sale of liquor to be resold as mixed beverages. One-half of the mixed beverage tax is submitted monthly to the Department of Revenue. 5% of the mixed beverage tax is submitted monthly to the Department of Human Resources.

The mixed beverage tax for the fiscal year ended June 30, 2019 was:

Department of Revenue (50%)	\$294
Department of Human Resources (5%)	29
Profit retained (45%)	<u>265</u>
Total	\$ <u>588</u>

VIII. Surcharge Collected:

The total amount of surcharge collected for the fiscal year was \$10,057. The current rate is \$1.40 per case.

IX. Liquor Sales Tax:

The total amount of sales tax collected by the Board and remitted to the Department of Revenue for the fiscal year was \$4,452. The current sales tax rate is 7%.

MARSHVILLE ABC BOARD
(A Component Unit of the Town of Marshville)

NOTES TO FINANCIAL STATEMENTS

X. Retail Outlets:

The Board operated with one retail outlet:

201 W Main Street, Marshville, North Carolina

Gross Sales	\$ 458,727	Change in Net Position Before Profit Distributions	\$ (64,962)
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XI. Working Capital:

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

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

Minimum amount	\$ 28,670
Actual amount	\$ 13,394

The Board has not met the minimum amount of working capital.

XII. 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, workmen's compensation, and employee health coverage. The Board also has liquor legal liability.

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

In accordance with G. S. 18B-700(i) and G. S. 18B-803(b) and (c), 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.

XIII. Subsequent Events:

The Board's management has evaluated all subsequent events through September 27, 2019, the date the financial statements were available to be issued.

Marshville ABC Board
Schedule of Expense by Store
For the Year Ended June 30, 2019

Salaries	\$ 86,853
Rent	20,000
Payroll taxes	7,869
Utilities	5,498
Insurance	4,399
Store supplies	3,075
Repairs	2,195
Contract labor	1,942
Uniforms	1,229
Security system	1,217
Moving expense	624
Computer and internet	602
Telephone	300
Other	48
	<hr/>
	<u>\$ 135,851</u>

Marshville ABC Board
Schedule of Administrative Expenses
For the Year Ended June 30, 2019

Professional	\$ 10,257
Bank fees	4,497
Office supplies	4,160
Employee health	2,538
Travel	1,335
Loan fees	1,076
Board expenses	364
Postage and delivery	275
	<hr/>
	\$ 24,502
	<hr/> <hr/>

Marshville ABC Board
(A component unit of the Town of Marshville)
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2019

	<u>Original</u>	<u>Original</u>		<u>Variance</u>
	<u>budget</u>	<u>budget</u>		<u>Positive</u>
				<u>(Negative)</u>
<u>Operating Revenues</u>				
Liquor Sales - Regular			\$ 456,646	
Mixed Beverage Sales			2,081	
Wine Sales			-	
Total Gross Sales	<u>\$ 739,500</u>	<u>\$ 739,500</u>	<u>458,727</u>	<u>\$ (280,773)</u>
<u>Deduct Taxes on Gross Sales</u>				
State Excise Tax			101,357	
Mixed Beverage Tax (Dept of Revenue)			294	
Mixed Beverage Tax (DHHS)			29	
Rehabilitaion Tax			1,851	
Wine Sales Tax			-	
Total Taxes	<u>190,000</u>	<u>190,000</u>	<u>103,531</u>	<u>86,469</u>
			<u>355,196</u>	
<u>Net Sales</u>				
			<u>355,196</u>	
<u>Deduct Cost of Sales</u>				
Cost of Liquor Sold			248,250	
Cost of Wine Sold			-	
Total	<u>372,020</u>	<u>372,020</u>	<u>248,250</u>	<u>123,770</u>
			<u>106,946</u>	<u>70,534</u>
<u>Gross Profit on Sales</u>				
			<u>177,480</u>	<u>177,480</u>
<u>Deduct Operating Expenses</u>				
Salaries			86,853	
Rent			20,000	
Professional			10,257	
Payroll taxes			7,869	
Utilities			5,498	
Bank fees			4,497	
Insurance			4,399	
Office supplies			4,160	
Store supplies			3,075	
Employee health			2,538	
Repairs			2,195	
Contract labor			1,942	
Travel			1,335	
Uniforms			1,229	
Security system			1,217	
Loan fees			1,076	
Moving expense			624	
Computer and internet			602	
Board expenses			364	
Telephone			300	
Postage and delivery			275	
Other			48	
Total operating expenses	<u>143,968</u>	<u>143,968</u>	<u>160,353</u>	<u>(16,385)</u>
			<u>(53,407)</u>	<u>(86,919)</u>
<u>Income From Operations</u>				
			<u>33,512</u>	<u>33,512</u>

Marshville ABC Board
(A component unit of the Town of Marshville)
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2019

<u>Other Financing sources (uses)</u>	<u>Original budget</u>	<u>Original budget</u>	<u>Original budget</u>	<u>Variance Positive (Negative)</u>
Proceeds from long-term debt	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
Payments on long term debt Principal	(17,488)	(17,488)	(18,663)	(1,175)
Payments on long term debt Interest	(8,000)	(8,000)	(7,771)	229
Purchase of inventory	(117,024)	(117,024)	(92,037)	24,987
Deposits on lease			(2,000)	(2,000)
Acquisition of fixed assets	(91,000)	(91,000)	(74,547)	16,453
	<u>(33,512)</u>	<u>(33,512)</u>	<u>4,982</u>	<u>38,494</u>
<u>Change in Net Position Before Distributions</u>	<u>-</u>	<u>-</u>	<u>(48,425)</u>	<u>(48,425)</u>
Ded Law Enforcement			-	
Alcohol Education			-	
			<u>-</u>	
<u>Change in Net Position Before Profit Distributions</u>	<u>-</u>	<u>-</u>	<u>(48,425)</u>	<u>(48,425)</u>
<u>Profit Distributions</u>				
Town of Marshville			-	
Union County			-	
Total Profit Distributions	<u>-</u>	<u>-</u>	<u>-</u>	
<u>Revenues over expenditures and other financing (uses)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(48,425)</u>	<u>\$ (48,425)</u>

Reconciliation from budgetary basis
(modified accrual) to full accrual

Reconciling items:	
Depreciation	(3,784)
Proceeds from long-term debt	(200,000)
Payment on long-term debt - principal	18,663
Purchase of inventory	92,037
Deposit on lease	2,000
Acquisition of fixed assets	74,547
	<u>\$ (64,962)</u>