

**Marshville ABC Board
Marshville, North Carolina
For the years ended
June 30, 2021 and 2020**

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

**Table of
CONTENTS**

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Management Discussion and Analysis	3-5
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7-8
Statements of Cash Flows	9-10
Notes to Financial Statements	11-17
Other Supplementary Information	
Schedule of Expense by Store	18
Schedule of Administrative Expense	19
Statement of Revenue and Expenditures – Budget and Actual	20-21

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marshville ABC Board
Marshville, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the Marshville ABC Board, a component unit of the Town of Marshville, North Carolina, which are comprised of the Statement of Financial Position as of June 30, 2021 and 2020, and the related Statements of Revenue, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2021 and 2020, and the respective changes in financial position cash flows 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 the management's discussion and analysis on pages 3-5 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My 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 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 Store Expenses, Administrative Expenses and 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 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. In my opinion, The Schedule of Store Expenses, Administrative Expenses and Revenues and Expenditures – Budget and Actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note XIII to the financial statements, In January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter

Eddie Carrick, CPA



Lexington, North Carolina

October 14, 2021

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, 2021. 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 had a net profit of \$97,407 for the year ending June 30, 2021

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.

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. Assets and deferred outflows exceeded liabilities and deferred inflows \$66,325 in 2021. The largest component of net position was the investment in capital assets. It was 93.63% of the total positive net position for 2021.

Following is a summary of the Statements of Net Position:

Table 1
Condensed Statement of Net Position

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>\$ change</u>	<u>% change</u>
Current assets	\$ 264,682	\$ 141,697	\$ 122,985	86.79%
Non-current assets	64,097	70,618	(6,521)	-9.23%
Total assets	328,779	212,315	116,464	54.85%
Current liabilities	171,719	110,711	61,008	55.11%
Non-current liabilities	90,735	132,686	(41,951)	-31.62%
Total liabilities	262,454	243,397	19,057	7.83%
Net investment in capital assets	62,097	68,618	(6,521)	-9.50%
Unrestricted net position	4,228	(99,700)	103,928	104.24%

Following is a summary of the changes in net position:

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

	<u>YE 6/30/2021</u>	<u>YE 6/30/20</u>	<u>\$ change</u>	<u>% change</u>
Operating revenues	\$ 1,436,245	\$ 1,042,423	\$ 393,822	37.78%
Less: taxes on gross sales	323,456	234,940	88,516	37.68%
Net sales	1,112,789	807,483	305,306	37.81%
Cost of sales	770,965	555,875	215,090	38.69%
Gross profit	341,824	251,608	90,216	35.86%
Less: operating expenses	228,596	206,404	22,192	10.75%
Income from operations	113,228	45,204	68,024	150.48%
Non-operating revenues and expenses	(8,182)	(10,895)	2,713	-24.90%
Change in net position before distributions	105,046	34,309	70,737	206.18%
Distributions	7,639	429	7,210	1680.65%
Change in net position before distributions	97,407	33,880	63,527	187.51%
Net position - beginning	(31,082)	(64,962)	33,880	-52.15%
Net position - ending	66,325	(31,082)	97,407	-313.39%

Financial Analysis of Marshville ABC Board (continued)

Following is a breakdown of sales by source:

	Sales by Source			
	<u>YE 6-30-21</u>	<u>YE 6-30-20</u>	<u>\$ change</u>	<u>% change</u>
Retail liquor sales	\$ 1,429,369	\$ 1,038,546	\$ 390,823	37.63%
Mixed beverage sales	6,876	3,877	2,999	77.35%
Retail wine sales	-	-	-	-
Total	<u>\$ 1,436,245</u>	<u>\$ 1,042,423</u>	<u>\$ 393,822</u>	<u>37.78%</u>

Capital Assets

Investment in capital assets as of June 30, 2021 totals \$68,618 (net of accumulated depreciation).

Table 3
Capital Assets
(net of depreciation)

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>\$ change</u>	<u>% change</u>
Furniture and equipment	\$ 33,461	\$ 34,572	\$ (1,111)	-3.21%
Leasehold improvements	28,636	34,046	(5,410)	-15.89%
Total	<u>\$ 62,097</u>	<u>\$ 68,618</u>	<u>\$ (6,521)</u>	<u>-9.50%</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
Debt

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>\$ change</u>	<u>% change</u>
Notes Payable	<u>\$ 131,392</u>	<u>\$ 151,060</u>	<u>\$ (19,668)</u>	<u>-13.02%</u>

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

The Board also established a line of credit with First Citizens Bank of \$49,000. The outstanding balance at June 30, 2021 was \$22,999.

Economic Factors

The financials represent the second full year of operations. Sales exceeded original budget by 125%.

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 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 44,599	\$ 15,475
Accounts receivable	-	-
Inventories	216,465	122,992
Prepaid expenses	3,618	3,230
Total Current Assets	<u>264,682</u>	<u>141,697</u>
Non-current Assets		
Property plan and equipment (net of accumulated depreciation)		
Total Net Amount	62,097	68,618
Deposits	2,000	2,000
Total Non-current Assets	<u>64,097</u>	<u>70,618</u>
Total Assets	<u>328,779</u>	<u>212,315</u>
DEFERRED OUTFLOWS OF RESOURCES		
None	<u>-</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Current portion of long-term debt	40,657	38,373
Accounts payable	76,067	40,759
Taxes payable	54,995	31,579
Total Current Liabilities	<u>171,719</u>	<u>110,711</u>
Non-current Liabilities		
Line of credit	22,999	19,999
Note payable less current maturities	67,736	112,687
	<u>90,735</u>	<u>132,686</u>
Total Liabilities	<u>262,454</u>	<u>243,397</u>
DEFERRED INFLOWS OF RESOURCES		
None	<u>-</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	62,097	68,618
Unrestricted	4,228	(99,700)
Total Net Position	<u>\$ 66,325</u>	<u>\$ (31,082)</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 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Operating Revenues</u>		
Liquor Sales - Regular	\$ 1,429,369	\$ 1,038,546
Mixed Beverage Sales	6,876	3,877
Wine Sales	-	-
Total Gross Sales	<u>1,436,245</u>	<u>1,042,423</u>
<u>Deduct Taxes on Gross Sales</u>		
State Excise Tax	318,212	230,558
Mixed Beverage Tax (Dept of Revenue)	899	521
Mixed Beverage Tax (DHHS)	90	52
Rehabilitaion Tax	4,255	3,809
Wine Sales Tax	-	-
Total Taxes	<u>323,456</u>	<u>234,940</u>
<u>Net Sales</u>	<u>1,112,789</u>	<u>807,483</u>
<u>Deduct Cost of Sales</u>		
Cost of Liquor Sold	770,965	555,875
Cost of Wine Sold	-	-
	<u>770,965</u>	<u>555,875</u>
<u>Gross Profit on Sales</u>	<u>341,824</u>	<u>251,608</u>
<u>Deduct Operating Expenses</u>		
Store Expenses	190,447	176,582
Warehouse and Delivery Expenses	-	-
Administrative Expenses	31,628	23,301
Depreciation Expense	6,521	6,521
Total Operating Expenses	<u>228,596</u>	<u>206,404</u>
<u>Income From Operations</u>	<u>113,228</u>	<u>45,204</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 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Non-operating Revenues and Expenses</u>		
Interest Income	-	-
Other Income	259	-
Other Expenses - Interest paid	(8,441)	(10,895)
	(8,441)	(10,895)
Total Non-Operating Revenues (Expenses)	(8,182)	(10,895)
	(8,182)	(10,895)
<u>Change in Net Position Before Distributions</u>		
	105,046	34,309
	105,046	34,309
Ded Law Enforcement	3,183	179
Alcohol Education	4,456	250
	7,639	429
	7,639	429
<u>Change in Net Position Before Profit Distributions</u>		
	97,407	33,880
	97,407	33,880
<u>Profit Distributions</u>		
Town of Marshville	-	-
Union County	-	-
Total Profit Distributions	-	-
	-	-
	-	-
<u>Change in Net Position</u>		
	97,407	33,880
	97,407	33,880
<u>Net Position, Beginning of Year</u>		
	(31,082)	(64,962)
	(31,082)	(64,962)
<u>Net Position, End of Year</u>		
	\$ 66,325	\$ (31,082)
	\$ 66,325	\$ (31,082)

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 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,435,515	\$ 1,041,951
Payments for inventory costs	(829,130)	(592,960)
Payments for operating expenses	(222,463)	(199,055)
Taxes paid	(306,690)	(222,743)
Other operating expenses	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>77,232</u>	<u>27,193</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(4,376)
Proceeds from long-term loans	3,000	19,999
Principal paid on loan maturities	(42,667)	(36,277)
Interest paid on loans	<u>(8,441)</u>	<u>(10,895)</u>
Net cash provided (used) by capital and related financing activities	<u>(48,108)</u>	<u>(31,549)</u>
Cash flows from non-capital financing activities:		
Laws enforcement distributions	-	-
Alcohol education distributions	-	-
Profit distribution to primary government	<u>-</u>	<u>-</u>
Net cash provided (used) by non-capital and financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Investment earned on investments	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	29,124	(4,356)
Cash and cash equivalents, beginning of year	<u>15,475</u>	<u>19,831</u>
Cash and cash equivalents, end of year	<u><u>\$ 44,599</u></u>	<u><u>\$ 15,475</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 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	<u>\$ 113,487</u>	<u>\$ 45,205</u>
Adjustments to reconcile income from operations to net cash provided (used) by operating activities:		
Depreciation	6,521	6,521
Change in assets and liabilities		
(Increase) decrease in accounts receivable	-	100
(Increase) decrease in inventory	(93,473)	(30,955)
(Increase) decrease in prepaid expenses	(388)	828
Increase (decrease) in accounts payable	<u>51,085</u>	<u>5,494</u>
Total adjustments	<u>(36,255)</u>	<u>(18,012)</u>
Net cash provided (used) by operating activities	<u><u>\$ 77,232</u></u>	<u><u>\$ 27,193</u></u>

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, 2021

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, 2021.

G. Assets, Liabilities, and Net Position:

I. 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, 2021, the Board's deposits had a carrying amount of \$43,399 and a bank balance of \$80,135. 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, 2021 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated:				
Leasehold improvements	\$ 35,140	\$ -	\$ -	\$ 35,140
Equipment	43,783	-	-	43,783
	<u>78,923</u>	<u>-</u>	<u>-</u>	<u>78,923</u>
Less, accumulated depreciation for:				
Leasehold improvements	3,970	2,534	-	6,504
Equipment	6,335	3,987	-	10,322
	<u>10,305</u>	<u>6,521</u>	<u>-</u>	<u>16,826</u>
Capital assets, net	<u>\$ 68,618</u>	<u>\$ (6,521)</u>	<u>\$ -</u>	<u>\$ 62,097</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, 2021 was \$108,393.

Future maturities are as follows:

2022	\$40,657
2023	43,507
2024	24,229

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)] 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)(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 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>2021</u>
Profit before distribution	\$ 105,046
Less: 3.5% tax and bottle charge Profit subject to expense percentages	(41,391)
	\$ 63,655
 Law enforcement expenditures	 \$ 3,183
 Actual percentage of profit	 5.00%
 Provision for alcohol education and rehabilitation	 \$ 4,456
 Actual percentage of profit	 7.00%

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, 2020	\$ 22,859
Taxes collected during the year	318,212
Taxes remitted to Department of Revenue	<u>(306,892)</u>
Taxes payable June 30, 2021	<u>\$ 34,179</u>

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

The accrued North Carolina excise tax at June 30, 2021 was remitted to the North Carolina Department of Revenue on July 16, 2021.

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, 2021, payments to the County were based on the following bottle sales:

Regular bottles	73,557 @ 5¢	\$ 3,678
Mixed beverage bottles	370 @ 5¢	19
Miniature bottles	57,752 @ 1¢	<u>558</u>
Total payment for the year		<u>\$ 4,255</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, 2021 was:

Department of Revenue (50%)	\$896
Department of Human Resources (5%)	90
Profit retained (45%)	<u>807</u>
Total	<u>\$1,793</u>

VIII. Surcharge Collected:

The total amount of surcharge collected for the fiscal year was \$9,289. 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 \$99,994. 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	\$	1,435,256	Change in Net Position Before Profit Distributions	\$	105,046
-------------	----	-----------	---	----	---------

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	\$	55,202
Actual amount	\$	10,297

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 October 14, 2021, the date the financial statements were available to be issued.

Marshville ABC Board
Schedule of Expense by Store
For the Years Ended June 30, 2021 and 2020

	2021	2020
Salaries	\$ 123,635	\$ 120,001
Rent	24,500	24,000
Payroll taxes	10,038	10,438
Utilities	8,029	7,385
Computer and internet	6,510	981
Insurance	5,562	4,751
Security system	5,488	2,000
Store supplies	5,409	3,199
Advertising	489	-
Telephone	480	465
Uniforms	247	489
Contract labor	60	968
Repairs	-	1,905
Other	-	-
	<u>\$ 190,447</u>	<u>\$ 176,582</u>

Marshville ABC Board
Schedule of Administrative Expenses
For the Years Ended June 30, 2021 and 2020

	2021	2020
Bank fees	\$ 20,751	\$ 12,933
Professional	9,678	7,379
Postage and delivery	495	495
Office supplies	361	1,700
Loan fees	301	-
Travel	42	644
Board expenses	-	150
Other	-	-
	\$ 31,628	\$ 23,301
	\$ 31,628	\$ 23,301

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, 2021

	<u>Original budget</u>	<u>Final budget</u>		<u>Variance Positive (Negative)</u>
<u>Operating Revenues</u>				
Liquor Sales - Regular			\$ 1,429,369	
Mixed Beverage Sales			6,876	
Wine Sales			-	
Total Gross Sales	<u>\$ 1,145,000</u>	<u>\$ 1,500,000</u>	<u>1,436,245</u>	<u>\$ (63,755)</u>
<u>Deduct Taxes on Gross Sales</u>				
State Excise Tax			318,212	
Mixed Beverage Tax (Dept of Revenue)			899	
Mixed Beverage Tax (DHHS)			90	
Rehabilitaion Tax			4,255	
Wine Sales Tax			-	
Total Taxes	<u>256,615</u>	<u>325,000</u>	<u>323,456</u>	<u>1,544</u>
<u>Net Sales</u>				
			<u>1,112,789</u>	
<u>Deduct Cost of Sales</u>				
Cost of Liquor Sold			770,965	
Cost of Wine Sold			-	
	<u>589,360</u>	<u>775,000</u>	<u>770,965</u>	<u>4,035</u>
<u>Gross Profit on Sales</u>				
	<u>299,025</u>	<u>400,000</u>	<u>341,824</u>	<u>58,176</u>
<u>Deduct Operating Expenses</u>				
Salaries			123,635	
Rent			24,500	
Bank fees			20,751	
Payroll taxes			10,038	
Professional			9,678	
Utilities			8,029	
Computer and internet			6,510	
Insurance			5,562	
Security system			5,488	
Store supplies			5,409	
Postage and delivery			495	
Advertising			489	
Telephone			480	
Office supplies			361	
Loan fees			301	
Uniforms			247	
Contract labor			60	
Travel			42	
Other			-	
Total operating expenses	<u>249,025</u>	<u>350,000</u>	<u>222,075</u>	<u>127,925</u>
<u>Income From Operations</u>				
	<u>50,000</u>	<u>50,000</u>	<u>119,749</u>	<u>69,749</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, 2021

<u>Other Financing sources (uses)</u>	<u>Original budget</u>	<u>Final budget</u>	<u>Variance Positive (Negative)</u>
Proceeds from long-term debt	\$ 5,000	\$ 5,000	\$ 3,000
Other income	-	-	259
Payments on long term debt Principal	(45,000)	(45,000)	(42,667)
Payments on long term debt Interest	(10,000)	(10,000)	(8,441)
Acquisition of fixed assets	-	-	-
Total Budgetary income (expenditures)	<u>(50,000)</u>	<u>(50,000)</u>	<u>\$ 2,151</u>
<u>Change in Net Position Before Distributions</u>	<u>-</u>	<u>-</u>	<u>71,900</u>
Ded Law Enforcement			3,183
Alcohol Education			4,456
			<u>7,639</u>
<u>Change in Net Position Before Profit Distributions</u>	<u>-</u>	<u>-</u>	<u>64,261</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>\$ 71,900</u>
 <u>Reconciliation from budgetary basis (modified accrual) to full accrual</u>			
Reconciling items:			
Depreciation			(6,521)
Proceeds from long-term debt			(3,000)
Payment on long-term debt - principal			42,667
Acquisition of fixed assets			-
			<u>97,407</u>