

**TOWN OF WAXHAW
ALCOHOLIC BEVERAGE
CONTROL BOARD**

(A Component Unit of the Town of Waxhaw)

Audited Financial Statements

June 30, 2020 and 2019

**TOWN OF WAXHAW
ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of the Town of Waxhaw)**

Waxhaw, North Carolina

Audited Financial Statements

At

June 30, 2020 and 2019

And

For The Years Then Ended

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POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Town of Waxhaw Alcoholic Beverage Control Board
Waxhaw, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the **Town of Waxhaw Alcoholic Beverage Control Board**, a component unit of the Town of Waxhaw, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, distributions, 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.

Auditors' 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Town of Waxhaw Alcoholic Beverage Control Board** as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion on pages 4-6 and the Local Government Employees' Retirement System's Proportionate Share of Net Pension Liability and Schedule of Contributions on page 27 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 Schedules of Store and Warehouse Expenses, Administrative Expenses, and Reconciliation of Budget to Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Store and Warehouse Expenses, Administrative Expenses, and the Reconciliation of Budget to Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied 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.

Monroe, North Carolina
September 16, 2020

POTTER & Company, PA

Management's Discussion and Analysis

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

Financial Highlights

- Gross sales increased \$505,853 or 13.3%.
- Net Position increased by \$85,529.
- Working capital increased from the prior year by \$104,170.

Overview of the Financial Statements

The audited financial statements of the ABC Board consist of three (3) components. They are as follows:

- Management's Discussion and Analysis
- Basic Financial Statements
- Additional Supplementary Information

The Basic Financial Statements are prepared using the full accrual basis of accounting. They consist of three (3) 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 and Warehouse Expenses, a Schedule of Administrative 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 \$952,497 in 2020, \$866,968 in 2019, and \$783,939 in 2018. The largest component of net position was unrestricted capital. It was 76.8% of the total net position for 2020 and 74.5% for 2019. Following is a summary of the Statement of Net Position:

Table 1
Condensed Statements of Net Position

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	\$ Change <u>This Yr vs Last Yr</u>	% Change <u>This Yr vs Last Yr</u>
Current assets	\$ 1,430,484	\$ 1,168,160	\$ 895,679	\$ 262,324	22.5%
Non current assets	<u>128,027</u>	<u>147,547</u>	<u>156,566</u>	<u>(19,520)</u>	-13.2%
Total assets	<u>1,558,511</u>	<u>1,315,707</u>	<u>1,052,245</u>	<u>242,804</u>	<u>18.5%</u>
Current liabilities	569,690	411,536	245,996	158,154	38.4%
Non current liabilities	<u>36,324</u>	<u>37,203</u>	<u>22,310</u>	<u>(879)</u>	-2.4%
Total liabilities	<u>606,014</u>	<u>448,739</u>	<u>268,306</u>	<u>157,275</u>	<u>35.0%</u>
Total net position	<u>\$ 952,497</u>	<u>\$ 866,968</u>	<u>\$ 783,939</u>	<u>\$ 85,529</u>	<u>9.9%</u>

Net position increased by 9.9% from 2019 compared to a 10.6% increase between 2019 and 2018. Income from operations increased by \$65,870 or 15.2% from 2019. Following is a summary of the changes in net position:

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

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	\$ Change <u>This Yr vs Last Yr</u>	% Change <u>This Yr vs Last Yr</u>
Operating revenues	\$ 4,320,369	\$ 3,814,516	\$ 3,248,649	\$ 505,853	13.3%
Less taxes on gross sales	<u>991,062</u>	<u>880,048</u>	<u>761,841</u>	<u>111,014</u>	<u>12.6%</u>
Net sales	3,329,307	2,934,468	2,486,808	394,839	13.5%
Cost of sales	<u>2,253,148</u>	<u>1,989,321</u>	<u>1,733,110</u>	<u>263,827</u>	<u>13.3%</u>
Gross profit	1,076,159	945,147	753,698	131,012	13.9%
Less operating expenses	<u>576,955</u>	<u>511,813</u>	<u>474,876</u>	<u>65,142</u>	<u>12.7%</u>
Income from operations	499,204	433,334	278,822	65,870	15.2%
Nonoperating revenues	<u>1,838</u>	<u>237</u>	<u>702</u>	<u>1,601</u>	<u>675.5%</u>
Change in net position before distributions	501,042	433,571	279,524	67,471	15.6%
Distributions	<u>458,000</u>	<u>355,250</u>	<u>226,000</u>	<u>102,750</u>	<u>28.9%</u>
Change in net position	43,042	78,321	53,524	(35,279)	-45.0%
Net position, beginning	866,968	783,939	730,415	83,029	10.6%
Restatement	<u>42,487</u>	<u>4,708</u>	<u>-</u>	<u>37,779</u>	
Net position, beginning, restated	<u>909,455</u>	<u>788,647</u>	<u>730,415</u>	<u>120,808</u>	
Net position, ending	<u>\$ 952,497</u>	<u>\$ 866,968</u>	<u>\$ 783,939</u>	<u>\$ 85,529</u>	<u>9.9%</u>

The increase in sales is due to a increase in sales price and bottles sold, as well as a increased customer traffic. Following is a breakdown of sales by source:

Table 3
Sales by Source

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	\$ Change This Yr vs Last Yr	% Change This Yr vs Last Yr
Liquor	\$ 3,953,516	\$ 3,347,622	\$ 2,870,417	\$ 605,894	18.1%
Mixed beverage	<u>366,853</u>	<u>466,894</u>	<u>378,232</u>	<u>(100,041)</u>	-21.4%
	<u>\$ 4,320,369</u>	<u>\$ 3,814,516</u>	<u>\$ 3,248,649</u>	<u>\$ 505,853</u>	13.3%

Total sales increased by 13.3% over the prior year.

Capital Assets

Investment in capital assets as of June 30, 2020, was \$93,118 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- Computers and terminals, and leasehold improvements.

Table 4
Capital Assets

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	\$ Change This Yr vs Last Yr	% Change This Yr vs Last Yr
Leasehold improvements	\$ 157,928	\$ 156,021	\$ 156,021	\$ 1,907	1.2%
Equipment	47,631	44,506	44,506	3,125	7.0%
Accumulated Depreciation	<u>(112,441)</u>	<u>(92,950)</u>	<u>(69,690)</u>	<u>(19,491)</u>	21.0%
Totals	<u>\$ 93,118</u>	<u>\$ 107,577</u>	<u>\$ 130,837</u>	<u>\$ (14,459)</u>	-13.4%

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

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:

Cheryl Wilson, General Manager
Waxhaw ABC Board
Post Office Box 86
Waxhaw, North Carolina 28173

BASIC FINANCIAL STATEMENTS

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,181,210	\$ 930,189
Inventories	217,720	211,039
Prepaid expenses	31,554	26,932
Total Current Assets	<u>1,430,484</u>	<u>1,168,160</u>
PROPERTY AND EQUIPMENT		
Store equipment	47,631	44,506
Leashold improvements	157,928	156,021
	<u>205,559</u>	<u>200,527</u>
Less: Accumulated depreciation	(112,441)	(92,950)
Net Property and Equipment	<u>93,118</u>	<u>107,577</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>34,909</u>	<u>39,970</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,558,511</u>	<u>\$ 1,315,707</u>
LIABILITIES, DEFERRED INFLOWS AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Accounts payable	\$ 254,579	\$ 165,112
Taxes payable	123,692	93,521
Distributions payable	170,000	139,500
Withheld and accrued payroll liabilities	21,419	13,403
Total Current Liabilities	<u>569,690</u>	<u>411,536</u>
NET PENSION LIABILITY	<u>36,324</u>	<u>37,011</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>192</u>
NET POSITION		
Net investment in capital assets	93,118	107,577
Restricted for working capital	128,166	113,009
Unrestricted capital	731,213	646,382
Total Net Position	<u>952,497</u>	<u>866,968</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,558,511</u>	<u>\$ 1,315,707</u>

See Accompanying Notes to Financial Statements.

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Years Ended June 30, 2020 and 2019

	2020		2019	
	Amount	Percent	Amount	Percent
OPERATING REVENUES				
Liquor sales	\$ 3,953,516	91.51	\$ 3,347,622	87.76
Mixed beverage sales	366,853	8.49	466,894	12.24
Total Gross Sales	<u>4,320,369</u>	<u>100.00</u>	<u>3,814,516</u>	<u>100.00</u>
DEDUCT TAXES ON GROSS SALES				
State excise tax	947,466	21.93	829,792	21.75
Mixed beverage tax (Department of Revenue)	29,959	0.69	37,700	0.99
Mixed beverage tax (Human Resources)	2,996	0.07	3,769	0.10
Rehabilitation tax	<u>10,641</u>	<u>0.25</u>	<u>8,787</u>	<u>0.23</u>
Total Taxes	<u>991,062</u>	<u>22.94</u>	<u>880,048</u>	<u>23.07</u>
NET SALES	3,329,307	77.06	2,934,468	76.93
DEDUCT COST OF SALES				
Cost of liquor sold	<u>2,253,148</u>	<u>52.15</u>	<u>1,989,321</u>	<u>52.15</u>
GROSS PROFIT ON SALES	<u>1,076,159</u>	<u>24.91</u>	<u>945,147</u>	<u>24.78</u>
DEDUCT OPERATING EXPENSES				
Store and warehouse expenses	522,952	12.10	458,134	12.03
Administrative expenses	32,052	0.76	30,419	0.79
Depreciation expense	<u>21,951</u>	<u>0.51</u>	<u>23,260</u>	<u>0.61</u>
Total Operating Expenses	<u>576,955</u>	<u>13.37</u>	<u>511,813</u>	<u>13.43</u>
INCOME FROM OPERATIONS	<u>499,204</u>	<u>11.54</u>	<u>433,334</u>	<u>11.35</u>

See Accompanying Notes to Financial Statements.

*TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Years Ended June 30, 2020 and 2019*

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
INCOME FROM OPERATIONS - carried forward	\$ 499,204	11.54	\$ 433,334	11.35
NONOPERATING REVENUE				
Interest income	2,760	0.06	237	0.01
Loss on disposal of property and equipment	(922)	(0.02)	-	-
Total Nonoperating Revenue	<u>1,838</u>	<u>0.04</u>	<u>237</u>	<u>0.01</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	<u>501,042</u>	<u>11.58</u>	<u>433,571</u>	<u>11.36</u>
DEDUCT DISTRIBUTIONS				
Law Enforcement	<u>19,000</u>	<u>0.44</u>	<u>16,500</u>	<u>0.43</u>
Total Distributions	<u>19,000</u>	<u>0.44</u>	<u>16,500</u>	<u>0.43</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS	<u>482,042</u>	<u>11.14</u>	<u>417,071</u>	<u>10.93</u>
PROFIT DISTRIBUTIONS				
Town of Waxhaw	329,250		254,063	
Union County	<u>109,750</u>		<u>84,687</u>	
Total Profit Distributions	<u>439,000</u>		<u>338,750</u>	
CHANGE IN NET POSITION	43,042		78,321	
NET POSITION, BEGINNING OF YEAR	866,968		783,939	
RESTATEMENT	<u>42,487</u>		<u>4,708</u>	
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>909,455</u>		<u>788,647</u>	
NET POSITION, END OF YEAR	<u>\$ 952,497</u>		<u>\$ 866,968</u>	

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
STATEMENT OF DISTRIBUTIONS
For The Year Ended June 30, 2020

DISTRIBUTION BY QUARTER FOR JUNE 30, 2020

	Distribution for Quarter Ended June 30, 2020	Distributed in Prior Quarters	Total Distributed as of June 30, 2020
Distribution of Profits			
Town of Waxhaw	\$ 179,250	\$ 150,000	\$ 329,250
Union County	<u>55,750</u>	<u>54,000</u>	<u>109,750</u>
	<u>\$ 235,000</u>	<u>\$ 204,000</u>	<u>\$ 439,000</u>
 Law Enforcement			
Town of Waxhaw	<u>\$ 7,000</u>	<u>\$ 12,000</u>	<u>\$ 19,000</u>

See Accompanying Notes to Financial Statements.

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 4,320,369	\$ 3,814,516
Payments for inventory costs	(2,170,362)	(1,909,360)
Payments for operating expenses	(547,428)	(484,434)
Taxes paid	<u>(960,891)</u>	<u>(876,279)</u>
Net cash provided by operating activities	<u>641,688</u>	<u>544,443</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	<u>(8,414)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(8,414)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Law Enforcement distributions	(20,500)	(12,000)
Town of Waxhaw distributions	(304,063)	(191,250)
Union County distributions	<u>(102,937)</u>	<u>(67,500)</u>
Net cash used in non-capital financing activities	<u>(427,500)</u>	<u>(270,750)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned on investments	<u>2,760</u>	<u>237</u>
NET INCREASE IN CASH	208,534	273,930
RESTATEMENT	42,487	4,708
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>930,189</u>	<u>651,551</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,181,210</u>	<u>\$ 930,189</u>

See Accompanying Notes to Financial Statements.

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	\$ 499,204	\$ 433,334
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	21,951	23,260
Changes in assets and liabilities:		
(Increase) decrease in inventory	(6,681)	4,647
(Increase) decrease in prepaid expenses	(4,622)	1,510
(Increase) decrease in deferred outflows of resources - pensions	5,061	(14,241)
Increase (decrease) in accounts payable	89,467	75,314
Increase (decrease) in taxes payable	30,171	3,769
Increase (decrease) in withheld and accrued payroll liabilities	8,016	1,957
Increase (decrease) in net pension liability	(687)	15,315
Increase (decrease) in deferred inflows of resources - pensions	(192)	(422)
Total adjustments	<u>142,484</u>	<u>111,109</u>
Net cash provided by operating activities	<u>\$ 641,688</u>	<u>\$ 544,443</u>

***TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Town of Waxhaw Alcoholic Beverage Control Board, a component unit of the Town of Waxhaw, is a corporate body with powers outlined by General Statutes Chapter 18B-701. The Town's governing body appoints the ABC Board.

The ABC Board is required by State Statute to distribute 75% of its surpluses to the General Fund of the Town which represents a financial benefit to the Town. Therefore, the Waxhaw ABC Board is reported as a discretely presented component unit in the Town's financial statements. The Board also distributes 25% of its surpluses to the General Fund of Union County.

Organizational History

The Board was organized under the provisions of House Bill #197 of the North Carolina Legislature, General Assembly of 1977, March 7, 1977, and implemented by a town wide election held May 14, 1977. The Town of Waxhaw appointed three individuals to serve on the Board with terms of three years, two years, and one year. In September 2010, the Board was expanded to five members.

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

Basis of Presentation

All activities of the Town of Waxhaw Alcoholic Beverage Control 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.

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.

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

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 and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The ABC Board's employer contributions are recognized when due and the ABC Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board had one item that met the criterion for this category, pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board had one item that met the criterion for this category, pension deferrals.

Assets, Liabilities and Net Position

Deposits

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

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

All the 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 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 ABC Board, these deposits are considered to be held by the ABC Board 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 the information with the ABC Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the 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, 2020 the ABC Board's deposits had a carrying amount of \$1,180,310 and a bank balance of \$1,172,604. Of the bank balance, \$718,800 was covered by Federal Deposit Insurance and \$718,800 was covered by collateral held under the pooling method. The Board had \$900 in petty cash on hand.

At June 30, 2019 the ABC Board's deposits had a carrying amount of \$930,089 and a bank balance of \$990,099. Of the bank balance, \$250,000 was covered by Federal Deposit Insurance and \$539,955 was covered by collateral held under the pooling method. The Board had \$100 in petty cash on hand.

Investments

Local ABC boards are allowed to invest idle funds in accordance with G.S. 159-30(c). The Waxhaw ABC Board had no investments at June 30, 2020.

Cash and Cash Equivalents

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

Inventories

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

Details of inventories at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Store #1	\$ <u>217,720</u>	\$ <u>211,039</u>

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES – Continued**

Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated				
Store Equipment	\$ 44,506	\$ 6,507	\$ 3,382	\$ 47,631
Leasehold Improvements	156,021	1,907	-	157,928
Total capital assets being depreciated	<u>200,527</u>	<u>8,414</u>	<u>3,382</u>	<u>205,559</u>
Less accumulated depreciation for:				
Store Equipment	34,321	6,286	2,460	38,147
Leasehold Improvements	58,629	15,665	-	74,294
Total accumulated depreciation	<u>92,950</u>	<u>21,951</u>	<u>2,460</u>	<u>112,441</u>
Capital Assets, net	<u>\$ 107,577</u>			<u>\$ 93,118</u>

Assets	Estimated Useful Life (Years)
Leasehold Improvements	10 - 15
Store Equipment	5

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

Depreciation expense is calculated using the straight-line method over the estimated useful life. Depreciation expense totaled \$21,951 and \$23,260 for each of the years ended June 30, 2020 and 2019, respectively.

Net Position

Net position may consist 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 capital improvements – State law G.S. 18B-805(d) requires approval of the appointing authority to establish this account. The Town of Waxhaw has agreed to allow the Waxhaw ABC Board to accumulate funds to purchase a new store location. The balance in net position restricted for capital improvements consists of the minimum distribution set aside in G.S. 18B-805(c)(1) that would have been paid to the Town of Waxhaw.

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES – Continued**

- c. 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 three months' average gross sales of the last fiscal year (for boards with gross sales greater than or equal to \$1,500,000 and less than \$50,000,000). Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required in G.S. 18B-805(b), (2), (3), and (4).
- d. 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 - **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

For the fiscal year ended June 30, 2020, certain expenditures made by the ABC Board (repairs and maintenance, fees and licenses, breakage, capital outlay and distributions) exceeded the authorized appropriations made by the governing board by \$104,181. The over expenditures in these accounts resulted from increased expenditures and the fact that a budget amendment was not made during the current year. The Board will implement policies and procedures to ensure that the future budgeted amounts are sufficient to cover actual expenditures. The future budget will be reviewed and amended if necessary to prevent an over expenditure.

NOTE 3 - **PENSION PLAN OBLIGATIONS**

Local Government Employees' Retirement System

Plan Description. The ABC Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 3 - PENSION PLAN OBLIGATIONS – Continued

Benefits Provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2020 was 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$15,053 and \$12,583 for the years ended June 30, 2020 and 2019, respectively.

Refunds of Contributions – Board employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2020, the Board reported a liability of \$36,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. As of June 30, 2020 and 2019, the Board's proportion was 0.00133%, and 0.00156%, respectively.

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 3 - PENSION PLAN OBLIGATIONS – Continued

For the year ended June 30, 2020, the Board recognized pension expense of \$19,235. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,219	\$ -
Changes of assumptions	5,920	-
Net difference between projected and actual earnings on pension plan investments	886	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	6,831	-
ABC Board's contributions subsequent to the measurement date	<u>15,053</u>	<u>-</u>
Total	<u>\$ 34,909</u>	<u>\$ -</u>

The Board reported \$15,053 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date that will be recognized as an decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 9,024
2022	4,389
2023	4,817
2024	<u>1,625</u>
Total	<u>\$ 19,855</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 3 - **PENSION PLAN OBLIGATIONS** – Continued

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

Valuations were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 3 - PENSION PLAN OBLIGATIONS – Continued

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
ABC Board's proportionate share of the net pension liability (asset)	\$ <u>83,073</u>	\$ <u>36,324</u>	\$ <u>(2,539)</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

NOTE 4 - VACATION AND SICK LEAVE COMPENSATION

Employees of the Town of Waxhaw ABC Board earn two weeks paid vacation each year. Employees are allowed to carry forward any vacation time to subsequent years. Employees can accumulate an unlimited amount of sick leave. Sick leave does not vest but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made. Accumulated earned vacation at June 30, 2020 amounted to \$6,261. The entire amount is considered current and is tracked on a calendar year basis.

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 5 - LEASES

During 2016, the Board entered into a ten year operating lease for facilities at Howard's Mill Shopping Center in Waxhaw that expires August 31, 2025. The Board is responsible for taxes and insurance for this location.

Rent expense in the amounts of \$118,777 and \$118,397, respectively were incurred during the years ended June 30, 2020 and 2019.

Future minimum rentals are as follows:

<u>Years Ending June 30:</u>			
2021	\$	125,490	
2022		127,380	
2023		127,380	
2024		127,380	
2025		127,380	
Thereafter		<u>21,230</u>	
Total	\$	<u>656,240</u>	

NOTE 6 - DISTRIBUTIONS OF INCOME

The Board has made distributions since inception as follows:

		<u>Current Year</u>	<u>Total to Date</u>
75% Town of Waxhaw	\$	329,250	\$ 1,042,548
25% Union County	\$	109,750	\$ 364,845

State law [G.S. 18B-805] 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.

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 7 - 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 at June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Taxes payable July 1	\$ 69,669	\$ 69,882
Taxes collected during the year	947,466	829,792
Taxes remitted to Department of Revenue	<u>(924,569)</u>	<u>(830,005)</u>
Taxes payable June 30	\$ <u>92,566</u>	\$ <u>69,669</u>

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

The accrued North Carolina excise tax at June 30, 2020 was remitted to the North Carolina Department of Revenue by July 15, 2020.

A bottle charge of one cent (.01) on each bottle containing 50 milliliters or less and five cents (.05) 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, 2020, payments to the county were based on the following bottle sales:

Regular Bottles	183,589 @ .05 =	\$ 9,179
Mixed Beverage Bottles	14,605 @ .05 =	730
Miniature Bottles	73,199 @ .01 =	<u>732</u>
Total Payment for Year		\$ <u>10,641</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. Five percent of the mixed beverage tax is submitted monthly to the Department of Human Resources.

The mixed beverage tax for the year was:

Department of Revenue (50%)	\$ 29,959
Department of Human Resources (5%)	2,996
Profit Retained (45%)	<u>26,963</u>
Total	\$ <u>59,918</u>

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 8 - LAW ENFORCEMENT AND ALCOHOLIC EDUCATION EXPENSES

The ABC Board is required by law to expend at least 5% of its profits for law enforcement and not less than 7% for alcohol education (alcohol education requirements follows local enabling act). Profits are defined by law for these calculations as change in net position before law enforcement and educational expenses, less the 3 1/2% markup provided in G.S.18B-804(b)(5) and the bottle charge provided for in G.S.18B-804(b)(6b).

	<u>2020</u>	<u>2019</u>
Income before required distributions	\$ 501,042	\$ 433,571
Less: 3 1/2% tax & bottle charge	<u>121,890</u>	<u>105,466</u>
Profit subject to expense percentages	<u>\$ 379,152</u>	<u>\$ 328,103</u>
Law enforcement expenditures - actual	\$ 19,000	\$ 16,500
(percentage of profit)	5%	5%

The Board's local enabling act designates that 7% of the profit distributions to the Town of Waxhaw are designated for alcohol education.

NOTE 9 - SURCHARGE COLLECTED

The total amount of surcharge collected for the year ended June 30, 2020 was \$25,870. The bailment surcharge rate was \$1.40 per case July through October and decreased to \$1.15 per case November 1, 2018.

NOTE 10 - LIQUOR SALES TAX

The total amount of sales tax collected by the ABC Board and remitted to the Department of Revenue for the fiscal year was \$277,009. The current sales tax rate is 7%.

NOTE 11 - RETAIL OUTLETS

The Town of Waxhaw Alcoholic Beverage Control Board operated one retail outlet, with sales and profits as follows for the year ended June 30, 2020:

	<u>Gross Sales</u>	<u>Change in Net Position Before Distributions</u>
2528 Cuthbertson Rd, Waxhaw	\$ <u>4,320,369</u>	\$ <u>501,042</u>

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019

NOTE 12 - WORKING CAPITAL NEEDS

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

	<u>June 30, 2020</u>
Gross Sales for the Year	\$ 4,320,369
Less: State Excise Tax	947,466
Mixed Beverage Tax	29,959
Rehabilitation Tax	<u>10,641</u>
Net Sales	\$ <u>3,332,303</u>
Minimum Amount (average for 2 weeks)	\$ 128,166
Maximum Amount (average for 4 months)	\$ 833,076
Actual Working Capital	\$ 829,240

The Waxhaw ABC Board has met the minimum amount of working capital required by ABC laws.

NOTE 13 - RISK MANAGEMENT

The Town of Waxhaw ABC 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 ABC 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), 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.

***TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
NOTES TO FINANCIAL STATEMENT
For The Years Ended June 30, 2020 and 2019***

NOTE 14 - RESTATEMENT

The Board hired a dedicated finance officer that started January 2020. When the new finance officer prepared the December 2019 bank reconciliation, it was discovered that revenue from credit cards was not previously recognized until the funds hit the bank statement (cash basis). The new finance officer began recognizing the revenue from credit cards when the sale was made (accrual basis). Due to this some of the sales from the end of June 2019 in the previous fiscal year were not reported on the financial records until the beginning of this fiscal year. An adjustment to retained earnings of \$42,487 has been reported as a prior period adjustment. The new finance officer verified the taxes on liquor sales were generated from within the point of sale software and were on the accrual basis.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 16, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)

Last Five Fiscal Years
Local Government Employees' Retirement System

PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.00133%	0.00156%	0.00142%	0.00092%	0.00119%	0.00143%	0.00150%
Proportion of the net pension liability (asset)	\$ 36,324	\$ 37,011	\$ 21,696	\$ 19,527	\$ 5,341	\$ (8,433)	\$ 18,081
Covered-employee payroll	\$ 162,358	\$ 129,387	\$ 107,021	\$ 85,487	\$ 139,095	\$ 126,676	\$ 135,396
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.37%	28.60%	20.27%	22.84%	3.84%	-6.66%	13.35%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

CONTRIBUTIONS

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 15,053	\$ 12,583	\$ 9,704	\$ 7,759	\$ 5,702	\$ 9,834	\$ 8,956
Contributions in relation to the contractually required contribution	15,053	12,583	9,704	7,759	5,702	9,834	8,956
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 168,194	\$ 162,358	\$ 129,387	\$ 107,021	\$ 85,487	\$ 139,095	\$ 126,676
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

SUPPLEMENTARY INFORMATION

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
SCHEDULES OF STORE AND WAREHOUSE EXPENSES
For The Years Ended June 30, 2020 and 2019

	2020		2019	
	Amount	Percent	Amount	Percent
Store salaries	\$ 224,735	5.20	\$ 187,006	4.90
Retirement	19,235	0.45	13,235	0.35
General repairs and maintenance	9,552	0.22	8,608	0.23
Utilities	10,704	0.25	10,609	0.28
Telephone	4,080	0.09	3,394	0.09
Rent	118,777	2.75	118,397	3.10
Payroll taxes	16,168	0.37	14,688	0.39
Store supplies	12,606	0.29	9,022	0.24
Insurance	38,954	0.90	38,584	1.01
Miscellaneous	(743)	(0.02)	227	0.01
Breakage/shortage	793	0.02	-	-
Credit card fees	68,091	1.58	54,364	1.43
Total Store and Warehouse Expenses	<u>\$ 522,952</u>	<u>12.10</u>	<u>\$ 458,134</u>	<u>12.03</u>

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
SCHEDULES OF ADMINISTRATIVE EXPENSES
For The Years Ended June 30, 2020 and 2019

	2020		2019	
	Amount	Percent	Amount	Percent
Professional fees	\$ 8,760	0.20	\$ 9,150	0.24
Directors' fees	-	-	231	0.01
Dues and subscriptions	1,086	0.03	1,080	0.03
Postage	1,144	0.03	806	0.02
Office supplies	7,390	0.17	5,107	0.13
Fees and licenses	4,648	0.11	3,593	0.09
Janitorial services	2,827	0.07	2,270	0.06
Travel	1,152	0.03	1,533	0.04
Uniforms	337	0.01	1,167	0.03
Bank fees	1,633	0.04	2,461	0.06
Alarm service	3,075	0.07	3,021	0.08
	<u>32,052</u>	<u>0.76</u>	<u>30,419</u>	<u>0.79</u>
Total Administrative Expenses	<u>\$ 32,052</u>	<u>0.76</u>	<u>\$ 30,419</u>	<u>0.79</u>

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
SCHEDULE OF DISTRIBUTIONS OF PROFITS
For The Year Ended June 30, 2020

Distribution

Restrictions on Use

<u>Recipient</u>	<u>Amount</u>	<u>Date of Distribution</u>
<u>Law Enforcement</u>		
For ABC law enforcement		
Town of Waxhaw	\$ 4,000	9/27/2019
Town of Waxhaw	4,000	12/27/2019
Town of Waxhaw	4,000	3/31/2020
Town of Waxhaw	4,000	6/30/2020
Town of Waxhaw	<u>3,000</u>	Accrued
	<u>\$ 19,000</u>	
<u>Town of Waxhaw</u>		
75% distribution of profits - of which 7% for alcohol education		
Town of Waxhaw	\$ 50,000	9/27/2019
Town of Waxhaw	50,000	12/27/2019
Town of Waxhaw	50,000	3/31/2020
Town of Waxhaw	50,000	6/30/2020
Town of Waxhaw	<u>129,250</u>	Accrued
	<u>\$ 329,250</u>	
<u>Union County</u>		
25% distribution of profits - no restrictions		
Union County	\$ 18,000	9/27/2019
Union County	18,000	12/27/2019
Union County	18,000	3/31/2020
Union County	18,000	6/30/2020
Union County	<u>37,750</u>	Accrued
	<u>\$ 109,750</u>	

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For The Year Ended June 30, 2020

	2020 Original Budget	2020 Revised Budget	2020 Actual	Variance Positive (Negative)
REVENUES				
OPERATING REVENUES				
Liquor sales			\$ 3,953,516	
Mixed beverage sales			366,853	
Total	\$ 4,000,000	\$ 4,212,916	4,320,369	\$ 107,453
NONOPERATING REVENUES				
Interest income	350	350	2,760	2,410
Total Nonoperating Revenues	350	350	2,760	2,410
Total Revenues	4,000,350	4,213,266	4,323,129	109,863
EXPENDITURES				
TAXES BASED ON REVENUE				
State excise tax			947,466	
Mixed beverage tax (Department of Revenue)			29,959	
Mixed beverage tax (Human Resources)			2,996	
Rehabilitation tax			10,641	
Total	947,500	1,005,689	991,062	14,627
COST OF GOODS SOLD	2,100,000	2,321,731	2,253,148	68,583
OPERATING EXPENSES				
Salaries and wages	220,000	230,000	224,735	5,265
Payroll taxes	17,000	23,626	16,168	7,458
Directors' fees	3,600	3,600	-	3,600
Retirement	13,000	19,053	15,053	4,000
Rent	119,000	119,000	118,777	223
Repairs and maintenance	7,950	7,950	9,552	(1,602)
Insurance - general and bonds	40,000	46,050	38,954	7,096
Office/store supplies	16,250	21,994	21,140	854
Travel	2,800	1,350	1,152	198
Professional fees	9,500	8,950	8,760	190
Credit card fees	65,000	69,300	68,091	1,209
Janitorial service	2,900	2,900	2,827	73
Utilities and telephone	15,200	15,100	14,784	316

TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
(A COMPONENT UNIT OF THE TOWN OF WAXHAW)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For The Year Ended June 30, 2020

	2020 Original Budget	2020 Revised Budget	2020 Actual	Variance Positive (Negative)
OPERATING EXPENSES - Continued				
Fees and licenses	4,000	4,575	4,648	(73)
Security and training	2,900	3,175	3,075	100
Dues and subscriptions	1,200	1,136	1,086	50
Uniforms	1,200	435	337	98
Bank service charges	3,000	2,250	1,633	617
Miscellaneous	-	800	(743)	1,543
Breakage/shortage	-	(800)	793	(1,593)
Contingencies	93,350	-	-	-
Total Operating Expenses	<u>637,850</u>	<u>580,444</u>	<u>550,822</u>	<u>29,622</u>
Capital outlay	-	-	8,414	(8,414)
DISTRIBUTIONS				
Law enforcement	15,000	18,500	19,000	(500)
Town of Waxhaw	300,000	332,000	329,250	2,750
Union County	-	15,000	109,750	(94,750)
Total	<u>315,000</u>	<u>365,500</u>	<u>458,000</u>	<u>(92,500)</u>
Total expenditures & distributions	<u>4,000,350</u>	<u>4,273,364</u>	<u>4,261,446</u>	<u>11,918</u>
Revenues over expenditures	-	(60,098)	61,683	121,781
Other financing sources/(uses)				
Fund balance appropriated	-	60,098	-	60,098
Revenues over expenditures and other financing sources/(uses)	<u>\$ -</u>	<u>\$ -</u>	61,683	<u>\$ 61,683</u>

**Reconciliation from budgetary
basis (modified accrual) to full accrual:**

Reconciling items:

Depreciation	(21,951)
Loss on disposal of property and equipment	(922)
Increase (decrease) in deferred outflows of resources - pensions	(5,061)
Increase in net pension liability	687
(Increase) decrease in deferred inflows of resources - pensions	192
Capital outlay	8,414
Change in net position	<u>\$ 43,042</u>

*TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For The Year Ended June 30, 2020*

	<u>2020</u>
OPERATING REVENUES	
Liquor sales	\$ 3,953,516
Mixed beverage sales	<u>366,853</u>
Total Operating Revenues	<u>4,320,369</u>
TAXES ON GROSS SALES	
State excise tax	947,466
Mixed beverage tax (Department of Revenue)	29,959
Mixed beverage tax (Human Resources)	2,996
Rehabilitation tax	<u>10,641</u>
Total Taxes	<u>991,062</u>
NET SALES	<u>3,329,307</u>
COST OF SALES	
Cost of liquor sold	<u>2,253,148</u>
GROSS PROFIT ON SALES	<u>1,076,159</u>
OPERATING EXPENSES	
Store and warehouse expenses	522,952
Administrative expenses	32,052
Depreciation expense	<u>21,951</u>
Total Operating Expenses	<u>576,955</u>
INCOME FROM OPERATIONS	<u>499,204</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,760
Loss on disposal of property and equipment	<u>(922)</u>
Total Nonoperating Revenues (Expenses)	<u>1,838</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	<u>501,042</u>

*TOWN OF WAXHAW ALCOHOLIC BEVERAGE CONTROL BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For The Year Ended June 30, 2020*

	<u>2020</u>
DEDUCT	
Law Enforcement	<u>19,000</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS	<u>482,042</u>
PROFIT DISTRIBUTIONS	
Town of Waxhaw	329,250
Union County	<u>109,750</u>
Total Profit Distributions	<u>439,000</u>
CHANGE IN NET POSTITION	43,042
Net Position - Beginning of Year	866,968
Restatement	<u>42,487</u>
Net Position - Beginning of Year, Restated	<u>909,455</u>
Net Position - End of Year	<u>\$ 952,497</u>
45% Mixed Beverage Tax Retained	\$ 26,963
Surcharge Collected for the Year	\$ 25,870
Bottles Sold:	
Regular	183,589
Mixed Beverage	14,605
Miniatures	73,199
Number of Retail Stores	1