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DURHAM COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)

Financial Statements

June 30, 2020 and 2019

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Board of Directors
Durham County Alcoholic Beverage Control Board
Durham, North Carolina

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Durham County Alcoholic Beverage Control Board, a component unit of Durham County Government, 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 and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Durham County Alcoholic Beverage Control Board, a component unit of Durham County Government, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Post Employment Benefit schedules, the Local Government Employees' Retirement System's Schedule of the Proportionate Share of Net Pension Liability and Schedule of Contributions, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Store, Warehouse and 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 Revenue and Store, Warehouse and Administrative Expenses, Distributions of Profits, and 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 basic financial statements as a whole.

Koonce, Wooten & Hagwood, LLP

Durham, North Carolina
August 31, 2020

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 Management's Discussion and Analysis
 (Unaudited)

This section of Durham County Alcoholic Beverage Control (*ABC*) Board's (*the Board*) financial report represents management's discussion and analysis of the financial performance of the Board for the years ended June 30, 2020 and 2019. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Working capital increased approximately 11% over the prior year.
- Change in net position before profit distributions decreased 1.72% over the prior year.
- Approximately 10.67% of profits before distributions were expended for law enforcement in the current year.
- Approximately 5.75% of profits before distributions were expended for alcohol education in the current year.
- Approximately 6.03% of gross sales were distributed to the City of Durham and Durham County governmental units in the current year.

Overview of the Financial Statements

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

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Additional Information Required by the North Carolina 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, capital and related financing and noncapital 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 North Carolina ABC Commission requires some schedules in addition to the information required by accounting principles generally accepted in the United States of America. They include a **Schedule of Store, Warehouse and Administrative Expenses** and a **Reconciliation of Budget to Actual**.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Management's Discussion and Analysis
(Unaudited)

Financial Analysis of Durham County ABC Board

Net Position is an indicator of the fiscal health of the Board. Assets and deferred outflows exceeded liabilities and deferred inflows by \$14,394,307 in 2020, by \$12,792,644 in 2019, and by \$11,005,033 in 2018. The largest component of net position was the investment in capital assets. It was 48% of the total net position for 2020, 47% for 2019, and 49% for 2018. Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	June 30, 2018	\$ Change	% Change
				This Yr Over Last Yr	This Yr Over Last Yr
Current assets	\$ 12,735,150	\$ 10,691,320	\$ 9,017,414	\$ 2,043,830	19.12%
Non-current assets	6,948,809	5,977,632	6,050,656	971,177	16.25%
Deferred outflows of resources	<u>551,691</u>	<u>700,865</u>	<u>403,326</u>	<u>(149,174)</u>	-21.28%
Total assets and deferred outflows of resources	<u>\$ 20,235,650</u>	<u>\$ 17,369,817</u>	<u>\$ 15,471,396</u>	<u>\$ 2,865,833</u>	16.50%
Current liabilities	\$ 4,363,928	\$ 3,190,061	\$ 3,135,273	\$ 1,173,867	36.80%
Non-current liabilities	1,467,315	1,380,033	1,308,543	87,282	6.32%
Deferred inflows of resources	<u>10,100</u>	<u>7,079</u>	<u>22,547</u>	<u>3,021</u>	
Total liabilities and deferred inflows of resources	<u>\$ 5,841,343</u>	<u>\$ 4,577,173</u>	<u>\$ 4,466,363</u>	<u>\$ 1,264,170</u>	27.62%
Net Position					
Net investment in capital assets	\$ 6,948,809	\$ 5,977,632	\$ 5,375,192	\$ 971,177	16.25%
Restricted net position	1,305,213	1,185,242	1,098,751	119,971	10.12%
Unrestricted net position	<u>6,140,285</u>	<u>5,629,770</u>	<u>4,531,090</u>	<u>510,515</u>	9.07%
Total Net Position	<u>\$ 14,394,307</u>	<u>\$ 12,792,644</u>	<u>\$ 11,005,033</u>	<u>\$ 1,601,663</u>	12.52%

For June 30, 2020, the increase in liabilities compared to the prior year was due to an increase in payables as construction projects on-going at year end. There was also an increase in alcohol education distributions payable at year end with the prior year distributions being paid out prior to year end. The increase in assets over the prior year was due to current year profitability, an increase in inventory held on hand, and additions to capital assets.

For June 30, 2019, the increase in liabilities compared to the prior year was due to an increase in payables as they paid off all payables at June 30, 2018. This increase was offset by paying off the loan-term debt. The increase in assets over the year ended June 30, 2018 was due to current year profitability and not using a cash on hand to pay off payables prior to year end.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Management's Discussion and Analysis
(Unaudited)

Net position as of June 30, 2020 increased by 12.52% from June 30, 2019 compared to a 16.24% increase between 2019 and 2018. Income from operations increased by 0.14% over the prior year and by 19.47% between 2019 and 2018. Following is a summary of the changes in net position:

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

	June 30, 2020	June 30, 2019	June 30, 2018	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Operating revenues	\$ 44,198,441	\$ 40,317,691	\$ 37,346,615	\$ 3,880,750	9.63%
Less: Taxes on gross sales	10,262,891	9,501,411	8,779,091	761,480	8.01%
Net Sales	<u>33,935,550</u>	<u>30,816,280</u>	<u>28,567,524</u>	<u>3,119,270</u>	10.12%
Less: Cost of sales	<u>22,973,010</u>	<u>20,658,921</u>	<u>19,295,261</u>	<u>2,314,088</u>	11.20%
Gross Profit	10,962,540	10,157,359	9,272,263	805,182	7.93%
Less: Operating expenses	<u>5,948,511</u>	<u>5,150,206</u>	<u>5,081,067</u>	<u>798,305</u>	15.50%
Income from Operations	5,014,029	5,007,153	4,191,196	6,876	0.14%
Non-operating revenues and expenses, net	<u>92,749</u>	<u>87,386</u>	<u>(5,929)</u>	<u>5,363</u>	6.14%
Change in net position Before Distributions	5,106,778	5,094,539	4,185,267	12,240	0.24%
Less: Distributions	<u>3,505,115</u>	<u>3,306,928</u>	<u>3,198,327</u>	<u>198,187</u>	5.99%
Change in Net Position	1,601,663	1,787,611	986,940	(185,947)	10.40%
Net Position - Beginning	<u>12,792,644</u>	<u>11,005,033</u>	<u>10,739,155</u>	<u>1,787,611</u>	16.24%
Net Position - Beginning, Restated	<u> </u>	<u> </u>	<u>10,018,093</u>	<u> </u>	<u> </u>
Net Position - Ending	<u>\$ 14,394,307</u>	<u>\$ 12,792,644</u>	<u>\$ 11,005,033</u>	<u>\$ 1,601,663</u>	12.52%

For 2020, gross sales were up \$3,880,750 (+9.63%). This was the net result of an increase in retail sales offset by a decrease in mixed beverage sales (sales to permit holders such as bars, restaurants, and hotels).

For 2019, gross sales were up \$2,971,076 (+7.96%). This was the net result of an increase in retail sales and mixed beverage sales (sales to permit holders such as bars, restaurants, and hotels).

Following is a breakdown of gross sales by source:

	June 30, 2020	June 30, 2019	June 30, 2018	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Retail Liquor Sales	\$ 37,550,787	\$ 31,491,191	\$ 29,338,357	\$ 6,059,596	19.24%
Mixed Beverage Sales	6,647,654	8,826,500	8,008,078	(2,178,846)	-24.69%
Retail Wine Sales	<u> </u>	<u> </u>	<u>180</u>	<u> </u>	<u> </u>
Total Gross Sales	<u>\$ 44,198,441</u>	<u>\$ 40,317,691</u>	<u>\$ 37,346,615</u>	<u>\$ 3,880,750</u>	9.63%

In 2020, retail sales increased significantly, and mixed beverage sales experienced a decrease compared to 2019.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Management's Discussion and Analysis
(Unaudited)

Capital Assets

Investment in capital assets as of June 30, 2020, totals \$6,948,809 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- Purchase of property and construction on Sherron Road totaling \$646,756
- Renovations and construction at Store No. 1 totaling \$187,031

Table 3
Capital Assets
(net of depreciation)

	June 30, 2020	June 30, 2019	June 30, 2018	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Land	\$ 2,255,345	2,255,345	2,255,345	\$	0.00%
Work in progress	1,049,263	105,643		943,620	100.00%
Buildings and improvements	2,844,453	2,714,834	2,860,154	129,619	4.77%
Vehicles	215,354	124,141	137,600	91,213	73.48%
Furniture and equipment	400,328	433,300	451,566	(32,972)	-7.61%
Law Enforcement	184,066	344,369	345,991	(160,303)	-46.55%
Total	<u>\$ 6,948,809</u>	<u>\$ 5,977,632</u>	<u>\$ 6,050,656</u>	<u>\$ 971,177</u>	16.25%

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

Debt Administration

The largest component of noncurrent liabilities is the net pension liability. Noncurrent liabilities increased by \$87,282 from the prior year.

Requests for Information

This report is intended to provide a summary of the financial condition of the Durham County ABC Board. Questions or requests for additional information should be addressed to Niegel Sullivan, General Manager, Durham County Alcoholic Beverage Control Board, 2634 Durham Chapel Hill Boulevard, Suite 10, Durham, North Carolina 27707.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,562,089	\$ 7,508,082
Inventories	5,952,570	2,992,687
Prepaid expenses	220,491	190,551
Total current assets	<u>12,735,150</u>	<u>10,691,320</u>
Noncurrent assets:		
Capital assets:		
Land	2,255,345	2,255,345
Work in progress	1,049,263	105,643
Depreciable capital assets, net	3,460,135	3,272,275
Law enforcement, net	184,066	344,369
Total noncurrent assets	<u>6,948,809</u>	<u>5,977,632</u>
Total assets	<u>\$ 19,683,959</u>	<u>\$ 16,668,952</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	\$ 514,701	\$ 656,844
OPEB deferrals	36,990	44,021
Total deferred outflows of resources	<u>\$ 551,691</u>	<u>\$ 700,865</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,684,859	\$ 990,695
Distributions payable	1,206,719	1,213,148
State taxes payable	857,948	755,501
Accrued expenses:		
Liabilities	377,766	71,867
Payroll and related costs	97,253	93,306
Sales tax payable	139,383	65,544
Total current liabilities	<u>4,363,928</u>	<u>3,190,061</u>
Noncurrent liabilities:		
Accrued vacation	92,564	76,472
Net pension liability	811,357	778,128
Total OPEB liability	563,394	525,433
Total noncurrent liabilities	<u>1,467,315</u>	<u>1,380,033</u>
Total liabilities	<u>\$ 5,831,243</u>	<u>\$ 4,570,094</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	\$ 10,100	\$ 7,079
NET POSITION:		
Net investment in capital assets	\$ 6,948,809	\$ 5,977,632
Restricted for working capital	1,305,213	1,185,242
Unrestricted	<u>6,140,285</u>	<u>5,629,770</u>
Total net position	<u>\$ 14,394,307</u>	<u>\$ 12,792,644</u>

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE:		
Liquor sales-regular	\$ 37,550,787	\$ 31,491,191
Mixed beverage sales	6,647,654	8,826,500
Total gross sales	<u>44,198,441</u>	<u>40,317,691</u>
DEDUCT TAXES ON GROSS SALES:		
State excise tax	9,601,846	8,654,194
Mixed beverage tax (Revenue)	495,939	671,024
Mixed beverage tax (Human Resources)	49,594	67,102
Rehabilitation tax	115,512	109,091
Total taxes on gross sales	<u>10,262,891</u>	<u>9,501,411</u>
NET SALES	<u>33,935,550</u>	<u>30,816,280</u>
DEDUCT COST OF SALES:		
Cost of liquor sold	<u>22,973,010</u>	<u>20,658,921</u>
GROSS PROFIT ON SALES	<u>10,962,540</u>	<u>10,157,359</u>
DEDUCT OPERATING EXPENSES:		
Store expenses	3,991,882	3,387,151
Warehouse and delivery expenses	583,551	525,910
Administrative expenses	1,028,678	901,643
Depreciation expenses	344,400	335,502
Total operating expenses	<u>5,948,511</u>	<u>5,150,206</u>
INCOME FROM OPERATIONS	<u>5,014,029</u>	<u>5,007,153</u>
NON-OPERATING REVENUES AND EXPENSES:		
Interest income	67,188	91,457
Interest expense		(4,071)
Other income	25,561	
Total non-operating revenues and expenses	<u>92,749</u>	<u>87,386</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	<u>5,106,778</u>	<u>5,094,539</u>
DEDUCT:		
Law Enforcement	544,978	484,250
Alcohol education/rehabilitation	293,473	267,123
Total distributions	<u>838,451</u>	<u>751,373</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS (Forward)	<u>4,268,327</u>	<u>4,343,166</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CHANGE IN NET POSITION		
BEFORE PROFIT DISTRIBUTIONS (Forwarded)	\$ <u>4,268,327</u>	\$ <u>4,343,166</u>
PROFIT DISTRIBUTIONS:		
City of Durham	266,664	255,555
County of Durham	<u>2,400,000</u>	<u>2,300,000</u>
Total profit distributions	<u>2,666,664</u>	<u>2,555,555</u>
CHANGE IN NET POSITION	1,601,663	1,787,611
NET POSITION - Beginning of year	<u>12,792,644</u>	<u>11,005,033</u>
NET POSITION - End of year	<u>\$ 14,394,307</u>	<u>\$ 12,792,644</u>

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 44,198,441	\$ 40,317,691
Cash payments to suppliers for goods and services and taxes on sales	(27,242,304)	(21,660,293)
Cash payments to employees for services	(3,061,350)	(3,055,206)
Sales taxes paid	(10,086,605)	(9,567,879)
Net cash provided by operating activities	3,808,182	6,034,313
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(1,316,248)	(310,886)
Interest paid on loans		(4,071)
Principal paid on loan maturities		(675,464)
Net cash used by capital and related financing activities	(1,316,248)	(990,421)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Law enforcement distributions	(544,978)	(484,250)
Alcohol education distributions	(293,473)	(267,123)
Profit distributions to primary government	(2,666,664)	(2,555,555)
Net cash used by non-capital financing activities	(3,505,115)	(3,306,928)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	67,188	91,457
Net cash provided by investing activities	67,188	91,457
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(945,993)	1,828,421
CASH AND CASH EQUIVALENTS - Beginning of year	7,508,082	5,679,661
CASH AND CASH EQUIVALENTS - End of year	\$ 6,562,089	\$ 7,508,082
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from Operations	\$ 5,014,029	\$ 5,007,153
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	370,632	383,910
Changes in assets and liabilities:		
Inventories	(2,959,883)	104,926
Prepaid expenses	(29,940)	49,589
Accounts payable	694,164	990,695
State taxes payable	102,447	35,343
Accrued liabilities	299,470	(188,567)
Accrued payroll and related costs	20,039	(36,075)
Accrued sales tax payable	73,839	(101,811)
Net pension liability	33,229	315,533
Total pension liability		(44,545)
Total OPEB liability	37,961	(168,831)
Deferred outflows of resources for pensions	142,143	(253,518)
Deferred inflows of resources for pensions	3,021	(15,468)
Deferred outflows of resources for OPEB	7,031	(44,021)
Net cash provided by operating activities	\$ 3,808,182	\$ 6,034,313

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies

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

The Durham County Alcoholic Beverage Control Board (the Board), a component unit of Durham County Government, North Carolina reporting entity, is a corporate body with powers outlined by North Carolina General Statutes Chapter 18B-701. The County's governing body appoints the Board.

The Board is required by State Statute to distribute a portion of its surpluses to the General Fund of the County and its municipalities, which represents a financial benefit to the County and its municipalities. Therefore, the Board is reported as a discretely presented component unit in the County's financial statements.

B. Organizational History:

The Board was organized under the provisions of the Pasquotank Act in 1937, and implemented by a county wide vote on May 15, 1937, at which time the Durham County Commissioners appointed three individuals to serve on the Board with terms of three years. In 2001 the County Commissioners added two more individuals to serve on the Board bringing the total to five Board members.

The Board, as provided by North Carolina Alcoholic Beverage Control laws, operates eight retail liquor stores and one mixed beverage location and, through its contract with the NC State Bureau of Investigations, Alcohol Law Enforcement Branch (ALE), 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 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 other post-employment benefit expenses. Actual results may differ from those estimates.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

F. Pensions:

For purposes of measuring the net pension asset and liability, 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 addition 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.

Assets, Liabilities, and Net Position

A. Deposits:

All deposits of the Board are made in board-designated official depositories and are collateralized as required by State Law G.S. 159-31. The Board may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. 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 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 Board's agent in the Board's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board agent in the Board's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no formal policy regarding custodial credit risk for deposits; however, it is the current informal policy to follow State requirements.

At June 30, 2020 and 2019, the Board's deposits had a carrying amount of \$6,536,909 and \$7,485,447, respectively, and a bank balance of \$6,653,243 and \$7,982,626, respectively. Of the bank balance, \$250,000 was covered by federal depository insurance and \$6,403,243 was covered by collateral held under the Pooling Method.

B. Cash and Cash Equivalents:

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

C. Inventories:

Inventories are valued at the lower of cost or market.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Concluded)

D. Capital Assets:

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

	Balance 06/30/19	Increases	Decreases	Balance 6/30/2020
Capital assets not being depreciated				
Land	\$ 2,255,345	\$	\$	\$ 2,255,345
Work in progress	105,643	1,230,593	286,973	1,049,263
Total capital assets not being depreciated	<u>2,360,988</u>	<u>1,230,593</u>	<u>286,973</u>	<u>3,304,608</u>
Capital assets being depreciated				
Buildings and improvements	4,912,858	292,337		5,205,195
Furniture/Equipment	1,765,929	110,369	7,798	1,868,500
Vehicles	221,992	129,807	46,089	305,710
Law enforcement	765,096		221,480	543,616
Total capital assets being depreciated	<u>7,665,875</u>	<u>532,513</u>	<u>275,367</u>	<u>7,923,021</u>
Total capital assets	10,026,863	1,763,106	562,340	11,227,629
Less accumulated depreciation				
Buildings and improvements	2,198,024	162,718		2,360,742
Furniture/Equipment	1,332,629	142,536	6,993	1,468,172
Vehicles	97,851	38,594	46,089	90,356
Law enforcement	420,727	26,232	87,409	359,550
Total Accumulated Depreciation	<u>4,049,231</u>	<u>370,080</u>	<u>140,491</u>	<u>4,278,820</u>
Capital assets-net	<u>\$ 5,977,632</u>			<u>\$ 6,948,809</u>

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 other income for the period.

E. Long-Lived Assets:

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

2. Net Position

Net Position consists of the following:

Net investment in capital assets – This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any 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.

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2. Net Position (Continued)

Restricted for law enforcement – This applies only when the Board employs its own ABC officer.

Restricted for capital improvements – State law [G.S. 18B-805(d)] requires approval of the appointing authority to establish this account, outside of working capital, for specific capital improvements.

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 (legally required minimum) or greater than: (1) four months of the last fiscal year for boards with gross sales less than \$1,500,000; (2) three months of the latest fiscal year for boards with gross sales greater than or equal to \$1,500,000 and less than \$50,000,000; and (3) two months of the latest fiscal year for boards with gross sales equal to or greater than \$50,000,000. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by State law [G.S. 18B-805(b), (2), (3), and (4)].

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

3. Pension Plan Obligations and Other Post-Employment Benefits

Local Government Employees' Retirement System

A. Plan Description:

The Board is a participating employer in the statewide Local Government 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.

B. 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

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached aged 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 on the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

C. Contributions:

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The 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 Board's contractually required contribution rate for the year ended June 30, 2020, was 9.02% 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 Board were \$194,561 and \$181,112 for the years ended June 30, 2020 and June 30, 2019, respectively.

D. 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 \$811,357 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 asset 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. At June 30, 2019, the Board's proportion was 0.02971%, which was a decrease of 0.00309% from its proportion measured as of June 30, 2018.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

For the year ended June 30, 2020, the Board recognized pension expense of \$372,954. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,925	\$
Changes of assumptions	132,238	
Net difference between projected and actual earnings on pension plan investments	19,791	
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,186	10,100
Employer contributions subsequent to the measurement date	194,561	
	<u>\$ 514,701</u>	<u>\$ 10,100</u>

\$194,561 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2021	\$ 152,816
2022	54,068
2023	82,847
2024	20,309
	<u>\$ 310,040</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	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including

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.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

The actuarial assumptions used in the December 31, 2018 valuation 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 Allocation</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%
	<u>100.0%</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.

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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

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 what 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
ABC Board's proportionate share of the net pension liability (asset)	\$ 1,855,722	\$ 811,357	\$ (56,722)

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.

Death Benefits:

The Board has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contribution membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Board has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the Post Employment benefit amount and the other benefit amount. The Board considers these contributions to be immaterial.

Supplemental Retirement Income Plan for Law Enforcement Officers

A. Plan Description:

The Board contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the CAFR for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

B. Funding Policy:

Article 12E of G.S. Chapter 143 required the Board to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The law enforcement department was terminated effective May 1, 2019, therefore there were no contributions for the year ended June 30, 2020. Contributions for the year ending June 30, 2019 were \$9,875, which consisted of \$7,772 from the Board and \$2,103 from the law enforcement officers.

Other Post-Employment Benefits (OPEB)

A. Plan Description:

From 1997 until January 16, 2007 the Board had a policy to provide health insurance benefits to retirees. Retirees with at least 30 years of service were provided health insurance at no cost to the retiree through continuing enrollment (employee-only coverage) in the Board's health insurance plan until age 65. At age 65, a supplemental health insurance policy was provided at the Board's cost for the retiree's lifetime. This benefit was also available under certain early retirement elections, but with early retirement the benefit was paid for fully by the retiree and ceased at age 65. On January 16, 2007 the Board terminated the health insurance benefit for future retirees under a 12-year transition plan that ended on June 30, 2019. During the transition plan period (January 16, 2007 to June 30, 2019) retirees may participate in the Board's health insurance plan by paying either a portion or all of the premium but the benefit ceases at age 65. Health benefits for future retirees are fully eliminated for retirements beyond the fiscal year ended June 30, 2019.

B. Total OPEB Liability:

The Board's total OPEB liability of \$563,394 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases:	
General employees	3.50 to 7.75 percent
Law Enforcement Officers	3.50 to 7.35 percent
Discount rate	3.50 percent
Healthcare cost trend rates:	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Medicare	5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published by The Bond Buyer.

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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ 525,433
Changes for the year:	
Interest on total OPEB liability and Cash Flows	21,304
Difference between expected and actual experience	(1,996)
Changes in assumptions or other inputs	18,653
Net changes	<u>37,961</u>
Balance at June 30, 2020	<u>\$ 563,394</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Law Enforcement Officers' Special Separation Allowance

A. Plan Description:

The Board administered a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provided retirement benefits to the Board's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years creditable service. The Separation Allowance was equal to 85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits were not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Effective May 1, 2019, the Board voted to eliminate the Durham County Alcoholic Beverage Control Board law enforcement department and to contract with an outside law enforcement provider. At the effective termination date of the plan, there were no law enforcement officers that had met the Separation Allowance plan requirements.

B. Summary of Significant Accounting Policies:

Basis of Accounting – The Board had chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized as expenses when due and payable in accordance with the terms of the plan.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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3. Pension Plan Obligations and Other Post-Employment Benefits (Concluded)

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in Governmental Accounting Standards Board (GASB) Statement No. 73.

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

C. Contributions:

The Board is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Board's obligation to make these payments was established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Board paid \$0 as benefits came due for the reporting period. There was no total pension liability as of June 30, 2020 and 2019 with the elimination of the law enforcement department.

4. Law Enforcement Division

The statements of Net Position of the Board include land, building improvements, equipment, and motor vehicles of the Law Enforcement Division. However, the depreciation expense for these assets is charged directly to the Law Enforcement Division so as to properly reflect the Division's expenses.

5. Lease Commitments

The Board has leased three store properties under lease agreements which expire 2021, 2022, and 2031. The Board also leases its home office location under a lease agreement which expires May 2022. Each lease requires a minimum monthly rental payment. The rent expense for the years ended June 30, 2020 and 2019 was \$98,149 and \$77,548, respectively.

The lease payment schedule is as follows:

Year Ending June 30	
2021	\$ 273,410
2022	223,871
2023	112,283
2024	114,525
2025	116,766
Thereafter	630,695
	<u>\$ 1,471,550</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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6. Vacation and Sick Leave Compensation

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2020 and 2019 amounted to \$92,564 and \$76,472, respectively. The current portion of the accumulated vacation pay is not considered to be material.

Employees can accumulate an unlimited amount of sick leave. Sick leave 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.

7. Local Distributions of Income

North Carolina 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.

The Board has made distributions for the years ending June 30 as follows:

<u>Store Location</u>	<u>2020</u>	<u>2019</u>
90% County of Durham	\$ 2,400,000	\$ 2,300,000
10% City of Durham	\$ 266,664	\$ 255,555

8. Law Enforcement and Alcohol Education 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 (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 3.5% 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>
Profit before distributions	\$ 5,106,778	\$ 5,094,544
Less: 3½% tax and bottle charge	1,120,215	1,009,656
Profit subject to expense percentages	<u>\$ 3,986,563</u>	<u>\$ 4,084,888</u>
Law enforcement expenditures--Actual	\$ 544,978	\$ 484,250
(Percentage of profit)	<u>13.67%</u>	<u>11.85%</u>
Provision for alcohol education and rehabilitation--Actual	\$ 293,473	267,123
(Percentage of profit)	<u>7.36%</u>	<u>6.54%</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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9. Disbursement of Taxes Included in Selling Price

A state excise tax at the rate of 30% on the liquor (net sales) price is charged monthly on sales (excluding wine sales). Transactions for this account for the year are summarized as follows:

	2020	2019
Taxes payable July 1	\$ 687,293	\$ 656,884
Taxes collected during the year	9,601,846	8,654,194
Taxes remitted to Department of Revenue	<u>(9,455,121)</u>	<u>(8,623,785)</u>
Taxes payable June 30	<u>\$ 834,018</u>	<u>\$ 687,293</u>

The excise tax is computed in accordance with G.S. 18B-805(i) and is included in State Taxes Payable in the Statements of Net Position.

The accrued North Carolina excise tax at June 30, 2020 was remitted to the North Carolina Department of Revenue on July 14, 2020.

An additional bottle charge as provided for in G.S. 18B-804(b)(6b) of one cent on each bottle containing 50 milliliters or less and five cents on each bottle containing more than 50 milliliters is collected and distributed monthly for alcohol education and rehabilitation.

For the fiscal year ended June 30, 2020, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	1,890,853 at 5 cents =	\$ 94,544
Mixed beverage bottles	254,980 at 5 cents =	12,749
Miniature bottles	821,891 at 1 cent =	<u>8,219</u>
Total payment for the year		<u>\$ 115,512</u>

For the fiscal year ended June 30, 2019, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	1,675,127 at 5 cents =	\$ 83,757
Mixed beverage bottles	346,729 at 5 cents =	17,336
Miniature bottles	799,820 at 1 cent =	<u>7,998</u>
Total payment for the year		<u>\$ 109,091</u>

A "mixed beverage tax" as provided for in G.S.18B-804(b)(8) 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 Health and Human Services.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2020 and 2019

9. Disbursement of Taxes Included in Selling Price (Continued)

The mixed beverage tax for the year was:

	2020	2019
Department of Revenue (50%)	\$ 495,939	\$ 671,024
Department of Health and Human Services (5%)	49,594	67,102
Profit retained and remitted to local government (45%)	446,345	603,922
	<u>\$ 991,878</u>	<u>\$ 1,342,048</u>

10. Bailment Surcharge Collected

The total amount of surcharge collected for the fiscal years June 30, 2020 and 2019 was \$247,648 and \$246,283, respectively. The bailment surcharge rate is \$1.15 per case.

11. Liquor Sales Tax

The total amount of sales tax collected by the Board and remitted to the Department of Revenue for the fiscal years June 30, 2020 and 2019 was \$2,559,807 and \$2,203,611, respectively. The current sales tax rate is 7%. This tax is collected as agent for the State in each sales transaction and remitted each month to the State. This tax is not shown in the Schedule of Revenues, Expenses, and Changes in Net Position.

12. Retail Outlets

The ABC Board operated eight retail outlets and one mixed beverage centralized location (3620 Chapel Hill Boulevard).

Store #	Store Address	Gross Sales		Change in Net Position	
		Year Ended June 30,		Year Ended June 30,	
		2020	2019	2020	2019
1	1930 Holloway St.	\$ 4,511,290	\$ 4,110,979	\$ 570,544	\$ 614,945
3	2806 Hillsborough Rd.	5,053,685	4,472,767	744,281	761,610
4	2121 T.W. Alexander Dr.	4,059,825	3,066,020	555,503	338,321
8	5234 Roxboro Rd.	3,348,608	2,746,685	379,272	256,836
10	5202 Highway 55	5,005,784	4,142,992	778,645	624,198
11	3620 Chapel Hill Blvd.	12,059,005	13,364,843	2,028,561	2,620,017
12	3318 Guess Rd.	4,826,285	3,983,460	755,880	592,410
14	4717 Hope Valley Rd.	5,333,959	4,429,945	907,953	691,540
		<u>\$ 44,198,441</u>	<u>\$ 40,317,691</u>	<u>\$ 6,720,639</u>	<u>\$ 6,499,877</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 Notes to Financial Statements
 June 30, 2020 and 2019

13. Working Capital

The Board is required by the Alcoholic Beverage Control Commission rule [.0902] to set its working capital requirements at not less than two weeks average gross sales of the last fiscal year. (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)).

Minimum amount	\$ 1,305,213
Maximum amount	\$ 8,483,888
Actual amount	\$ 8,058,167

The Board has met the minimum amount of working capital required by ABC law as shown above.

14. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has commercial property, general liability, auto liability, workmen's compensation, data breach, flood, wind & hail, public officials liability/employment practice and employee health coverage. The Board also has liquor legal liability coverage.

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.

15. Commitments

The Board entered into a purchase agreement for property on NC Hwy 55 in Durham, NC in December 2019 with a purchase price of \$750,000 with an anticipated closing in December 2020.

The Board entered into a contract for new construction on Sherron Road. The remaining balance on the contract at June 30, 2020 is \$1,087,425.

The Board entered into a service contract with the NC State Bureau of Investigations, Alcohol Law Enforcement Branch (ALE) for the ALE to provide law enforcement of the ABC laws within Durham County. The contract extends through the year ending June 30, 2022 with the Board agreeing to pay \$94,981 per quarter.

The Board entered into a contract for renovations and construction for Store No. 1 on Holloway Street. The remaining balance on the contract at June 30, 2020 is \$1,521,554.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2020 and 2019

16. Subsequent Events

Management has evaluated subsequent events through August 31, 2020, the date on which the financial statements were available to be issued. As a result of the COVID-19 coronavirus, restaurants and bars were ordered to be closed by North Carolina Governor through an executive order. This has impacted the Board's mixed beverage sales beginning in March 2020 and will continue to impact their mixed beverage sales in the upcoming year. Also, as a result of the ongoing pandemic, the Board has seen an increase in retail sales that has offset any losses in mixed beverage sales during the year.

SUPPLEMENTARY INFORMATION

ABC BOARD'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
ABC Board's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last seven fiscal years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
ABC Board's proportion of the net pension liability (asset) (%)	0.0297%	0.0328%	0.0303%	0.0295%
ABC Board's proportion of the net pension liability (asset) (\$)	\$ 811,357	\$ 778,128	\$ 462,595	\$ 625,664
ABC Board's covered-employee payroll	\$ 2,299,853	\$ 2,253,249	\$ 2,164,634	\$ 1,919,632
ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.28%	34.53%	21.37%	32.59%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	94.18%	91.45%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0317%	0.2890%	0.0298%
\$ 142,178	\$ (186,477)	\$ 419,474
\$ 1,863,329	\$ 1,854,330	\$ 2,064,711
7.63%	-10.06%	20.32%
98.09%	102.64%	94.35%

ABC BOARD'S CONTRIBUTIONS

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
ABC Board's Contributions
Required Supplementary Information
Last seven fiscal years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 194,561	\$ 181,112	\$ 171,914	\$ 160,184
Contributions in relation to the contractually required contribution	<u>194,561</u>	<u>181,112</u>	<u>171,914</u>	<u>160,147</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
ABC Board's covered-employee payroll	\$ 2,153,404	\$ 2,299,853	\$ 2,253,249	\$ 2,164,634
Contributions as a percentage of covered-employee payroll	9.04%	7.87%	7.63%	7.40%

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 130,609	\$ 139,597	\$ 139,150
<u>130,609</u>	<u>139,597</u>	<u>139,150</u>
<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
\$ 1,919,632	\$ 1,863,329	\$ 1,854,330
6.80%	7.49%	7.50%

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
June 30, 2020

	<u>2020</u>	<u>2019</u>
Interest on total OPEB liability and Cash Flows	\$ 21,304	\$ 20,905
Difference between expected and actual experience	(1,996)	343
Changes of assumptions or other inputs	18,653	(146,293)
Benefit payments		(43,786)
Net change in total OPEB liability	<u>37,961</u>	<u>(168,831)</u>
Total OPEB liability - beginning	<u>525,433</u>	<u>694,264</u>
Total OPEB liability - ending	<u>\$ 563,394</u>	<u>\$ 525,433</u>
Covered payroll	\$ 2,153,404	\$ 2,299,853
Total OPEB liability as a percentage of covered payroll	26.16%	22.85%

Notes to Schedule

Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.
The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 Schedule of Changes in Total Pension Liability
 Law Enforcement Officers' Special Separation Allowance
 For the Year Ended June 30, 2020

	2020	2019
Beginning balance	\$	\$ 44,545
Changes in benefit terms		(44,545)
Ending balance of the total pension liability	\$	\$

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 Schedule of Total Pension Liability as a Percentage of Covered Payroll
 Law Enforcement Officers' Special Separation Allowance
 For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
Total pension liability	\$	\$ 44,545
Covered payroll		166,983
Total pension liability as a percentage of covered payroll	0.0%	26.7%

Notes to the schedules:

The ABC Board has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
SCHEDULE OF REVENUE AND STORE, WAREHOUSE AND ADMINISTRATIVE EXPENSES
Year Ended June 30, 2020

	Store 1	Store 3	Store 4	Store 8	Store 9	Store 10	Store 11	Store 12	Store 14	Subtotal	Warehouse	Administrative	Total
Revenue:													
Liquor sales-regular	\$ 4,511,290	\$ 5,053,685	\$ 4,059,825	\$ 3,348,608	\$	\$ 5,005,784	\$ 5,411,351	\$ 4,826,285	\$ 5,333,959	\$ 37,550,787	\$	\$	\$ 37,550,787
Mixed beverage sales					6,647,654					6,647,654			6,647,654
Gross Sales	<u>4,511,290</u>	<u>5,053,685</u>	<u>4,059,825</u>	<u>3,348,608</u>	<u>6,647,654</u>	<u>5,005,784</u>	<u>5,411,351</u>	<u>4,826,285</u>	<u>5,333,959</u>	<u>44,198,441</u>			<u>44,198,441</u>
Adjustments to Revenue:													
State excise tax	980,872	1,099,098	884,118	728,836	1,431,978	1,088,926	1,177,382	1,050,013	1,160,623	9,601,846			9,601,846
Mixed beverage tax (Revenue)					495,939					495,939			495,939
Mixed beverage tax (Human Resources)					49,594					49,594			49,594
Rehabilitation tax	11,758	13,162	10,545	8,706	17,623	13,029	14,258	12,558	13,873	115,512			115,512
Total Adjustments to Revenue	<u>992,630</u>	<u>1,112,260</u>	<u>894,663</u>	<u>737,542</u>	<u>1,995,134</u>	<u>1,101,955</u>	<u>1,191,640</u>	<u>1,062,571</u>	<u>1,174,496</u>	<u>10,262,891</u>			<u>10,262,891</u>
Net Sales	<u>3,518,660</u>	<u>3,941,425</u>	<u>3,165,162</u>	<u>2,611,066</u>	<u>4,652,520</u>	<u>3,903,829</u>	<u>4,219,711</u>	<u>3,763,714</u>	<u>4,159,463</u>	<u>33,935,550</u>			<u>33,935,550</u>
Deduct Cost of Sales	<u>2,427,905</u>	<u>2,704,549</u>	<u>2,157,003</u>	<u>1,791,207</u>	<u>3,046,866</u>	<u>2,661,844</u>	<u>2,873,915</u>	<u>2,517,080</u>	<u>2,792,641</u>	<u>22,973,010</u>			<u>22,973,010</u>
Gross Profit on Sales	<u>1,090,755</u>	<u>1,236,876</u>	<u>1,008,159</u>	<u>819,859</u>	<u>1,605,654</u>	<u>1,241,985</u>	<u>1,345,796</u>	<u>1,246,634</u>	<u>1,366,822</u>	<u>10,962,540</u>			<u>10,962,540</u>
Operating Expenses:													
Salaries and wages	238,975	208,940	175,791	217,405	223,867	200,495	224,305	239,813	189,643	1,919,234	297,245	475,789	2,692,268
FICA taxes	16,602	13,966	14,356	16,333	17,041	14,408	16,135	17,519	14,707	141,067	21,661	34,124	196,852
Pension expense	27,402	32,729	26,510	36,859	26,215	28,683	30,871	33,080	30,155	272,504	54,920	90,521	417,945
401(K) expense	3,172	2,509	2,391	4,360	3,162	2,512	3,677	2,925	3,508	28,216	4,597	10,010	42,823
Life insurance	482	497	365	426	506	428	471	516	472	4,163	849	1,291	6,303
Hospital insurance	31,486	37,528	28,979	26,161	28,291	35,111	28,082	33,994	30,412	280,044	42,771	89,499	412,314
Disability insurance	1,821	1,866	1,369	1,594	1,899	1,613	2,064	1,680	1,770	15,676	3,183	4,840	23,699
Dental insurance	1,436	1,504	1,271	894	1,234	1,188	1,076	1,412	1,134	11,149	1,323	2,396	14,868
Rent	21,461		76,688							98,149		76,452	174,601
Utilities	9,786	10,272	3,455	12,583	6,089	9,069	9,627	9,234	8,104	78,219	14,485	7,626	100,330
Telephone	703	703	703	703	580	703	1,033	703	703	6,534	3,056	10,661	20,251
Credit card expenses	42,176	76,947	59,121	41,393	35,300	72,121	76,732	63,193	83,347	550,330			550,330
Insurance - general	6,992	5,815	2,889	6,874	3,362	7,578	11,099	5,525	6,122	56,256	21,984	7,356	85,596
Supplies	24,203	23,592	16,976	15,054	3,358	22,534	24,069	21,226	23,188	174,200	7,299	7,562	189,061
Travel expense	24	152	125	139	249	70	-	29	48	836	171	6,905	7,912
Temporary help											43,818	4,720	48,538
Maintenance agreements	12,912	10,313	10,968	10,233	10,708	10,287	10,418	10,213	10,309	96,361	7,195	21,582	125,138
Building maintenance	31,293	18,873	11,714	11,588	1,817	12,029	16,771	13,457	13,058	130,600	28,512	1,238	160,350
Postage												3,115	3,115
Professional services												132,991	132,991
Dues and subscriptions												5,983	5,983
Per diem - Board members												11,700	11,700
Yard maintenance	2,977	2,977		2,977		2,977	2,977	2,977	2,977	20,839	2,977		23,816
Security - alarm contracts	10,044	6,580	5,830	6,176	533	5,718	5,634	6,076	5,883	52,474	1,065	420	53,959
Vehicle expense					593					593	15,908	1,974	18,475
Gas and oil											6,525	3,026	9,551
Waste disposal	3,229	671	29	509	3,670	3,983	5,141	3,280	4,308	24,820	998	81	25,899
Advertising												3,390	3,390
Bottled water	645	652	588	568		773	453	604	434	4,717	339	641	5,697
Staff training and development												10,412	10,412
Minor equipment	2,805	2,704	2,427	3,149	11	2,878	2,776	4,630	3,521	24,901	2,670	2,373	29,944
Depreciation	490,626	459,790	442,545	415,978	368,485	435,158	473,411	472,086	433,803	3,991,882	583,551	1,028,678	5,604,111
	29,585	32,805	10,111	24,609	19,024	28,182	61,969	18,668	25,066	250,019	53,360	41,021	344,400
Total Expenses	<u>520,211</u>	<u>492,595</u>	<u>452,656</u>	<u>440,587</u>	<u>387,509</u>	<u>463,340</u>	<u>535,380</u>	<u>490,754</u>	<u>458,869</u>	<u>4,241,901</u>	<u>636,911</u>	<u>1,069,699</u>	<u>5,948,511</u>
Income from Operations	<u>570,544</u>	<u>744,281</u>	<u>555,503</u>	<u>379,272</u>	<u>1,218,145</u>	<u>778,645</u>	<u>810,416</u>	<u>755,880</u>	<u>907,953</u>	<u>6,720,639</u>	<u>(636,911)</u>	<u>(1,069,699)</u>	<u>5,014,029</u>
Non-Operating Revenues/Expenses												<u>92,749</u>	<u>92,749</u>
Change in Net Position Before Distributions	<u>\$ 570,544</u>	<u>\$ 744,281</u>	<u>\$ 555,503</u>	<u>\$ 379,272</u>	<u>\$ 1,218,145</u>	<u>\$ 778,645</u>	<u>\$ 810,416</u>	<u>\$ 755,880</u>	<u>\$ 907,953</u>	<u>\$ 6,720,639</u>	<u>\$ (636,911)</u>	<u>\$ (976,950)</u>	<u>\$ 5,106,778</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
SCHEDULE OF STORE, WAREHOUSE AND ADMINISTRATIVE EXPENSES
Year Ended June 30, 2019

	Store 1	Store 3	Store 4	Store 8	Store 9	Store 10	Store 11	Store 12	Store 14	Subtotal	Warehouse	Administrative	Total
Salaries and wages	\$ 219,230	\$ 183,139	\$ 178,578	\$ 204,067	\$ 252,585	\$ 193,830	\$ 203,611	\$ 211,310	\$ 194,946	\$ 1,841,296	\$ 288,553	\$ 501,173	\$ 2,631,022
FICA taxes	16,206	12,746	13,493	15,109	18,884	14,733	14,933	16,343	13,754	136,201	21,985	38,190	196,376
Pension expense	886	805	842	923	755	773	846	887	890	7,607	1,417	(12,877)	(3,853)
401(K) expense	4,044	2,889	1,834	4,235	3,463	3,119	3,884	2,945	3,769	30,182	4,557	12,181	46,920
Life insurance	478	439	144	496	429	429	465	535	505	3,920	754	1,466	6,140
Hospital insurance	24,814	25,968	21,573	20,745	18,597	24,402	25,018	25,975	26,099	213,191	27,695	77,434	318,320
Disability insurance	1,874	1,656	1,783	1,861	1,610	1,603	1,733	1,826	1,880	15,826	2,828	5,498	24,152
Dental insurance	1,369	1,380	1,701	1,056	1,198	1,077	1,514	1,484	1,035	11,814	1,109	2,611	15,534
Rent			77,548							77,548		73,981	151,529
Utilities	14,221	10,600	4,325	14,632	6,970	9,283	8,991	10,531	8,396	87,949	13,859	7,192	109,000
Telephone	360	433	360	808	433	433	433	350	433	4,043	2,433	9,568	16,044
Credit card expenses	36,537	66,126	45,139	32,924	12,046	58,067	62,738	50,665	68,752	432,994			432,994
Insurance - general	11,383	9,869	8,141	11,869	9,149	12,006	15,535	10,288	11,110	99,350	23,644	32,941	155,935
Supplies	16,315	17,796	11,853	11,655	5,873	15,282	18,011	14,998	16,089	127,872	8,085	4,822	140,779
Travel expense	249	130	717	382	639	934	946	169	850	5,016	995	10,146	16,157
Temporary help											59,233		59,233
Maintenance agreements	9,521	9,627	9,340	9,330	6,039	9,452	9,504	9,702	9,492	82,007	4,952	17,333	104,292
Building maintenance	8,586	10,263	5,533	18,936	2,060	12,291	15,553	13,526	22,198	108,946	36,215	1,548	146,709
Postage												3,134	3,134
Professional services												85,932	85,932
Dues and subscriptions												6,312	6,312
Per diem - Board members												12,600	12,600
Yard maintenance	3,269	6,522		3,269		3,269	3,269	3,269	3,269	26,136	3,269		29,405
Security - alarm contracts	4,547	4,814	4,596	4,673	1,057	4,729	4,830	4,848	4,655	38,749	1,156	899	40,804
Vehicle expense	560	1,120				140			967	2,787	10,979	1,087	14,853
Gas and oil											6,558	1,734	8,292
Waste disposal	3,984	785	185	665	3,147	3,110	4,353	3,674	4,004	23,907	979	-	24,886
Advertising												2,165	2,165
Bottled water	558	208	532	369	-	383	499	114	473	3,136	499	535	4,170
Staff training and development												3,113	3,113
Minor equipment	489	895	183	834	1,464	321	508	1,509	471	6,674	4,156	925	11,755
	<u>379,480</u>	<u>368,210</u>	<u>388,400</u>	<u>358,838</u>	<u>346,398</u>	<u>369,666</u>	<u>397,174</u>	<u>384,948</u>	<u>394,037</u>	<u>3,387,151</u>	<u>525,910</u>	<u>901,643</u>	<u>4,814,704</u>
Depreciation	<u>34,820</u>	<u>30,461</u>	<u>14,061</u>	<u>26,385</u>	<u>16,743</u>	<u>32,035</u>	<u>64,354</u>	<u>21,676</u>	<u>29,796</u>	<u>270,331</u>	<u>37,281</u>	<u>27,890</u>	<u>335,502</u>
	<u>\$ 414,300</u>	<u>\$ 398,671</u>	<u>\$ 402,461</u>	<u>\$ 385,223</u>	<u>\$ 363,141</u>	<u>\$ 401,701</u>	<u>\$ 461,528</u>	<u>\$ 406,624</u>	<u>\$ 423,833</u>	<u>\$ 3,657,482</u>	<u>\$ 563,191</u>	<u>\$ 929,533</u>	<u>\$ 5,150,206</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Schedule of Distributions of Profits
For the Year Ended June 30, 2020

<u>Distribution</u>	<u>Recipient</u>	<u>Amount</u>	<u>Date of Distribution</u>	<u>Restrictions on Use</u>
Law Enforcement	Durham ABC Law Enforcement	\$ 165,088	7/1/19 - 6/30/20	Law Enforcement
	NC State Bureau of Investigation - ALE	379,890	7/1/19 - 6/30/20	Law Enforcement
Total		<u>544,978</u>		
Alcohol Education	Nando Media	\$ 312	03/01/20	Community Ads - Alc. Ed.
	Indy Week	500	02/19/20	Community Ads - Alc. Ed.
	Food Lion	5	03/27/20	Water For Grant Meeting
	La Conexion	330	02/19/20	Community Ads - Alc. Ed.
	Zoom Grant Software	4,500	11/01/19	Internet Based Grant Software
	Charles Hamilton Houston Foundation	25,000	06/30/20	Alcohol Education
	Duke University	35,000	06/30/20	Alcohol Education
	Durham Co. Criminal Justice Resource Center	32,000	06/30/20	Alcohol Education
	Durham Crisis Response Center	13,500	06/30/20	Alcohol Education
	Durham Proud Program	30,000	06/30/20	Alcohol Education
	El Centro Hispano Program	16,500	06/30/20	Alcohol Education
	Exchange Club's for Child Abuse Prevention Center	17,100	06/30/20	Alcohol Education
	Jubilee Home	24,800	06/30/20	Alcohol Education
	LIFE Skills Foundation	17,100	06/30/20	Alcohol Education
	Pinnacle Community Development Corp./TRY	16,500	06/30/20	Alcohol Education
	Rebound, Alternatives for Youth	30,000	06/30/20	Alcohol Education
	StandUp SpeakOut of North Carolina	30,000	06/30/20	Alcohol Education
	TROSA (Triangle Residential Options for Substance Abusers)	25,000	06/30/20	Alcohol Education
Total		<u>\$ 318,147</u>		
County and Municipality*	City of Durham	\$ 266,664	7/1/19 - 6/30/20	None
	Durham County	2,400,000	7/1/19 - 6/30/20	None
Total		<u>\$ 2,666,664</u>		

*Payments to the county and municipality are made quarterly.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Reconciliation of Budget to Actual
June 30, 2020

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Operating Revenues:				
Liquor sales-regular	\$ 32,809,362	34,643,408	\$ 37,550,787	\$ 2,907,379
Mixed beverage sales	9,227,654	9,489,660	6,647,654	(2,842,006)
Total sales	<u>42,037,016</u>	<u>44,133,068</u>	<u>44,198,441</u>	<u>65,373</u>
Non-operating revenues:				
Interest income	50,000	50,002	67,188	17,186
Other income			25,561	25,561
Total revenues	<u>42,087,016</u>	<u>44,183,070</u>	<u>44,291,190</u>	<u>108,120</u>
EXPENDITURES:				
Total Taxes based on revenue:				
State excise tax	9,026,656	9,255,659	9,601,846	(346,187)
Mixed beverage tax (Revenue)	738,212	738,212	495,939	242,273
Mixed beverage tax (Human Resources)	83,049	83,049	49,594	33,455
Rehabilitation tax	126,111	126,111	115,512	10,599
Total taxes based on revenue	<u>9,974,028</u>	<u>10,203,031</u>	<u>10,262,891</u>	<u>(59,860)</u>
Cost of goods sold	<u>21,947,205</u>	<u>22,583,490</u>	<u>22,973,010</u>	<u>(389,520)</u>
OPERATING EXPENSES:				
Personnel expenses	3,759,343	3,779,818	3,807,072	(27,254)
Facilities expenses	556,268	619,712	559,206	60,506
Supplies and materials	168,550	228,550	227,817	733
Contract/professional services	218,220	218,220	181,529	36,691
Repairs and maintenance	152,263	152,263	153,164	(901)
Credit card fees	524,130	549,130	550,330	(1,200)
Travel, training and development	61,400	61,400	18,324	43,076
Other operating expenses	168,488	168,488	106,669	61,819
Miscellaneous-contingency	66,000	66,000		66,000
Total operating expense	<u>5,674,662</u>	<u>5,843,581</u>	<u>5,604,111</u>	<u>239,470</u>
Capital Outlay	<u>1,757,360</u>	<u>1,834,127</u>	<u>1,316,248</u>	<u>517,879</u>
Total expenditures	39,353,255	40,464,229	40,156,260	307,969

(Continued)

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Reconciliation of Budget to Actual
June 30, 2020

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
DISTRIBUTIONS:				
Law Enforcement	\$ 456,525	\$ 518,482	\$ 544,978	\$ (26,496)
Alcohol education/rehabilitation	247,716	305,647	293,473	12,174
County and Municipal	1,887,764	2,666,664	2,666,664	
Total distributions	<u>2,592,005</u>	<u>3,490,793</u>	<u>3,505,115</u>	<u>(14,322)</u>
Total expenditures and distributions	41,945,260	43,955,022	43,661,375	293,647
Revenues over (under) expenditures	141,756	228,048	629,815	401,767
Other financing sources (uses):				
Working capital retained	<u>(141,756)</u>	<u>(228,048)</u>	<u> </u>	<u> </u>
Revenues over expenditures and other financing uses	<u>\$ </u>	<u>\$ </u>	<u>\$ 629,815</u>	<u>\$ 401,767</u>

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

Reconciling Items:

Depreciation	\$ (344,400)
Capital outlay	1,316,248
Total	<u>971,848</u>

Change in Net Position \$ 1,601,663