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

Financial Statements

June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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. 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 & Nagwood, LLP

Durham, North Carolina
September 9, 2021

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, 2021 and 2020. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Working capital decreased approximately 24% over the prior year.
- Change in net position before profit distributions increased 9.63% over the prior year.
- Approximately 10.77% of profits before distributions were expended for law enforcement in the current year.
- Approximately 5.52% of profits before distributions were expended for alcohol education in the current year.
- Approximately 5.42% 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 \$16,406,864 in 2021, by \$14,394,307 in 2020, and by \$12,792,644 in 2019. The largest component of net position was the investment in capital assets. It was 68% of the total net position for 2021, 48% for 2020, and 47% for 2019. Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position

| | June 30, 2021 | June 30, 2020 | June 30, 2019 | \$ Change This Yr Over Last Yr | % Change This Yr Over Last Yr |
|--|----------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| Current assets | \$ 10,965,274 | \$ 12,735,150 | \$ 10,691,320 | \$ (1,769,876) | -13.90% |
| Non-current assets | 11,089,205 | 6,948,809 | 5,977,632 | 4,140,396 | 59.58% |
| Deferred outflows of resources | <u>627,613</u> | <u>551,691</u> | <u>700,865</u> | <u>75,922</u> | 13.76% |
| Total assets and deferred outflows of resources | <u>\$ 22,682,092</u> | <u>\$ 20,235,650</u> | <u>\$ 17,369,817</u> | <u>\$ 2,446,442</u> | 12.09% |
| Current liabilities | \$ 4,606,004 | \$ 4,363,928 | \$ 3,190,061 | \$ 242,076 | 5.55% |
| Non-current liabilities | 1,639,439 | 1,467,315 | 1,380,033 | 172,124 | 11.73% |
| Deferred inflows of resources | <u>29,785</u> | <u>10,100</u> | <u>7,079</u> | <u>19,685</u> | |
| Total liabilities and deferred inflows of resources | <u>\$ 6,275,228</u> | <u>\$ 5,841,343</u> | <u>\$ 4,577,173</u> | <u>\$ 433,885</u> | 7.43% |
| Net Position | | | | | |
| Net investment in capital assets | \$ 11,089,205 | \$ 6,948,809 | \$ 5,977,632 | \$ 4,140,396 | 59.58% |
| Restricted net position | 1,458,333 | 1,305,213 | 1,185,242 | 153,120 | 11.73% |
| Unrestricted net position | <u>3,859,326</u> | <u>6,140,285</u> | <u>5,629,770</u> | <u>(2,280,959)</u> | -37.15% |
| Total Net Position | <u>\$ 16,406,864</u> | <u>\$ 14,394,307</u> | <u>\$ 12,792,644</u> | <u>\$ 2,012,557</u> | 13.98% |

For June 30, 2021, the increase in liabilities compared to the prior year was due to an increase in payables for inventory. 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 and additions to capital assets.

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.

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, 2021 increased by 13.98% from June 30, 2020 compared to a 12.52% increase between 2020 and 2019. Income from operations increased by 12.55% over the prior year and by 0.14% between 2020 and 2019. Following is a summary of the changes in net position:

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

| | June 30, 2021 | June 30, 2020 | June 30, 2019 | \$ Change This Yr Over Last Yr | % Change This Yr Over Last Yr |
|--|----------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| Operating revenues | \$ 49,234,979 | \$ 44,198,441 | \$ 40,317,691 | \$ 5,036,538 | 11.40% |
| Less: Taxes on gross sales | 11,318,312 | 10,262,891 | 9,501,411 | 1,055,421 | 10.28% |
| Net Sales | <u>37,916,667</u> | <u>33,935,550</u> | <u>30,816,280</u> | <u>3,981,117</u> | 11.73% |
| Less: Cost of sales | <u>25,580,460</u> | <u>22,973,010</u> | <u>20,658,921</u> | <u>2,607,449</u> | 11.35% |
| Gross Profit | 12,336,207 | 10,962,540 | 10,157,359 | 1,373,668 | 12.53% |
| Less: Operating expenses | <u>6,692,800</u> | <u>5,948,511</u> | <u>5,150,206</u> | <u>744,289</u> | 12.51% |
| Income from Operations | 5,643,407 | 5,014,029 | 5,007,153 | 629,378 | 12.55% |
| Non-operating revenues and expenses, net | <u>(53,687)</u> | <u>92,749</u> | <u>87,386</u> | <u>(146,436)</u> | -157.88% |
| Change in net position Before Distributions | 5,589,720 | 5,106,778 | 5,094,539 | 482,943 | 9.46% |
| Less: Distributions | <u>3,577,163</u> | <u>3,505,115</u> | <u>3,306,928</u> | <u>72,048</u> | 2.06% |
| Change in Net Position | 2,012,557 | 1,601,663 | 1,787,611 | 410,895 | 25.65% |
| Net Position - Beginning | <u>14,394,307</u> | <u>12,792,644</u> | <u>11,005,033</u> | <u>1,601,663</u> | 12.52% |
| Net Position - Ending | <u>\$ 16,406,864</u> | <u>\$ 14,394,307</u> | <u>\$ 12,792,644</u> | <u>\$ 2,012,557</u> | 13.98% |

For 2021, gross sales were up \$5,036,538 (+11.40%). 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 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).

Following is a breakdown of gross sales by source:

| | June 30, 2021 | June 30, 2020 | June 30, 2019 | \$ Change This Yr Over Last Yr | % Change This Yr Over Last Yr |
|----------------------|----------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| Retail Liquor Sales | \$ 44,100,274 | \$ 37,550,787 | \$ 31,491,191 | \$ 6,549,487 | 17.44% |
| Mixed Beverage Sales | <u>5,134,705</u> | <u>6,647,654</u> | <u>8,826,500</u> | <u>(1,512,949)</u> | -22.76% |
| Total Gross Sales | <u>\$ 49,234,979</u> | <u>\$ 44,198,441</u> | <u>\$ 40,317,691</u> | <u>\$ 5,036,538</u> | 11.40% |

In 2021, retail sales increased significantly, and mixed beverage sales experienced a decrease compared to 2020.

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, 2021, totals \$11,089,205 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- Construction on Sherron Road totaling \$1,352,074
- Construction at Store No. 1 totaling \$1,247,586
- Construction on Highway 55 totaling \$998,194

Table 3
Capital Assets
(net of depreciation)

| | June 30, 2021 | June 30, 2020 | June 30, 2019 | \$ Change | % Change |
|----------------------------|----------------------|---------------------|---------------------|-------------------------|-------------------------|
| | | | | This Yr Over Last Yr | This Yr Over Last Yr |
| Land | \$ 2,267,051 | 2,255,345 | 2,255,345 | \$ 11,706 | 0.52% |
| Work in progress | 4,764,561 | 1,049,263 | 105,643 | 3,715,298 | 100.00% |
| Buildings and improvements | 2,975,278 | 2,844,453 | 2,714,834 | 130,825 | 4.60% |
| Vehicles | 279,920 | 127,993 | 124,141 | 151,927 | 118.70% |
| Furniture and equipment | 546,282 | 398,953 | 433,300 | 147,329 | 36.93% |
| Law Enforcement | 256,114 | 272,802 | 344,369 | (16,688) | -6.12% |
| Total | <u>\$ 11,089,205</u> | <u>\$ 6,948,809</u> | <u>\$ 5,977,632</u> | <u>\$ 4,140,396</u> | 59.58% |

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

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, 3620 Shannon Road, Suite 200, Durham, North Carolina 27707.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Statements of Net Position
June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,122,532 | \$ 6,562,089 |
| Inventories | 5,702,728 | 5,952,570 |
| Prepaid expenses | 140,014 | 220,491 |
| Total current assets | <u>10,965,274</u> | <u>12,735,150</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land | 2,267,051 | 2,255,345 |
| Work in progress | 4,764,561 | 1,049,263 |
| Depreciable capital assets, net | 3,801,479 | 3,371,399 |
| Law enforcement, net | 256,114 | 272,802 |
| Total noncurrent assets | <u>11,089,205</u> | <u>6,948,809</u> |
| Total assets | <u>\$ 22,054,479</u> | <u>\$ 19,683,959</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension deferrals | \$ 587,895 | \$ 514,701 |
| OPEB deferrals | 39,718 | 36,990 |
| Total deferred outflows of resources | <u>\$ 627,613</u> | <u>\$ 551,691</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,020,902 | \$ 1,684,859 |
| Distributions payable | 1,333,689 | 1,206,719 |
| State taxes payable | 962,543 | 857,948 |
| Accrued expenses: | | |
| Liabilities | 119,376 | 377,766 |
| Payroll and related costs | 97,054 | 97,253 |
| Sales tax payable | 72,440 | 139,383 |
| Total current liabilities | <u>4,606,004</u> | <u>4,363,928</u> |
| Noncurrent liabilities: | | |
| Accrued vacation | 106,979 | 92,564 |
| Net pension liability | 943,384 | 811,357 |
| Total OPEB liability | 589,076 | 563,394 |
| Total noncurrent liabilities | <u>1,639,439</u> | <u>1,467,315</u> |
| Total liabilities | <u>\$ 6,245,443</u> | <u>\$ 5,831,243</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | \$ 29,785 | \$ 10,100 |
| NET POSITION: | | |
| Net investment in capital assets | \$ 11,089,205 | \$ 6,948,809 |
| Restricted for working capital | 1,458,333 | 1,305,213 |
| Unrestricted | 3,859,326 | 6,140,285 |
| Total net position | <u>\$ 16,406,864</u> | <u>\$ 14,394,307</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| OPERATING REVENUE: | | |
| Liquor sales-regular | \$ 44,100,274 | \$ 37,550,787 |
| Mixed beverage sales | 5,134,705 | 6,647,654 |
| Total gross sales | <u>49,234,979</u> | <u>44,198,441</u> |
| DEDUCT TAXES ON GROSS SALES: | | |
| State excise tax | 10,780,809 | 9,601,846 |
| Mixed beverage tax (Revenue) | 380,644 | 495,939 |
| Mixed beverage tax (Human Resources) | 38,064 | 49,594 |
| Rehabilitation tax | 118,795 | 115,512 |
| Total taxes on gross sales | <u>11,318,312</u> | <u>10,262,891</u> |
| NET SALES | <u>37,916,667</u> | <u>33,935,550</u> |
| DEDUCT COST OF SALES: | | |
| Cost of liquor sold | <u>25,580,460</u> | <u>22,973,010</u> |
| GROSS PROFIT ON SALES | <u>12,336,207</u> | <u>10,962,540</u> |
| DEDUCT OPERATING EXPENSES: | | |
| Store expenses | 4,476,409 | 3,991,882 |
| Warehouse and delivery expenses | 649,478 | 583,551 |
| Administrative expenses | 1,223,502 | 1,028,678 |
| Depreciation expenses | 343,411 | 344,400 |
| Total operating expenses | <u>6,692,800</u> | <u>5,948,511</u> |
| INCOME FROM OPERATIONS | <u>5,643,407</u> | <u>5,014,029</u> |
| NON-OPERATING REVENUES AND EXPENSES: | | |
| Interest income | 1,134 | 67,188 |
| Other income (expense) | (54,821) | 25,561 |
| Total non-operating revenues and expenses | <u>(53,687)</u> | <u>92,749</u> |
| CHANGE IN NET POSITION BEFORE DISTRIBUTIONS | <u>5,589,720</u> | <u>5,106,778</u> |
| DEDUCT: | | |
| Law Enforcement | 602,067 | 544,978 |
| Alcohol education/rehabilitation | 308,429 | 293,473 |
| Total distributions | <u>910,496</u> | <u>838,451</u> |
| CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS (Forward) | <u>4,679,224</u> | <u>4,268,327</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| CHANGE IN NET POSITION | | |
| BEFORE PROFIT DISTRIBUTIONS (Forwarded) | \$ <u>4,679,224</u> | \$ <u>4,268,327</u> |
| PROFIT DISTRIBUTIONS: | | |
| City of Durham | 266,667 | 266,664 |
| County of Durham | <u>2,400,000</u> | <u>2,400,000</u> |
| Total profit distributions | <u>2,666,667</u> | <u>2,666,664</u> |
| CHANGE IN NET POSITION | 2,012,557 | 1,601,663 |
| NET POSITION - Beginning of year | <u>14,394,307</u> | <u>12,792,644</u> |
| NET POSITION - End of year | <u>\$ 16,406,864</u> | <u>\$ 14,394,307</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 49,234,979 | \$ 44,198,441 |
| Cash payments to suppliers for goods and services and taxes on sales | (27,769,337) | (27,242,304) |
| Cash payments to employees for services | (3,495,453) | (3,061,350) |
| Sales taxes paid | (11,280,660) | (10,086,605) |
| Net cash provided by operating activities | <u>6,689,529</u> | <u>3,808,182</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of capital assets | (4,553,057) | (1,316,248) |
| Net cash used by capital and related financing activities | <u>(4,553,057)</u> | <u>(1,316,248)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| Law enforcement distributions | (602,067) | (544,978) |
| Alcohol education distributions | (308,429) | (293,473) |
| Profit distributions to primary government | (2,666,667) | (2,666,664) |
| Net cash used by non-capital financing activities | <u>(3,577,163)</u> | <u>(3,505,115)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest on investments | 1,134 | 67,188 |
| Net cash provided by investing activities | <u>1,134</u> | <u>67,188</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,439,557) | (945,993) |
| CASH AND CASH EQUIVALENTS - Beginning of year | <u>6,562,089</u> | <u>7,508,082</u> |
| CASH AND CASH EQUIVALENTS - End of year | <u>\$ 5,122,532</u> | <u>\$ 6,562,089</u> |
| RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Income from Operations | \$ 5,643,407 | \$ 5,014,029 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | 357,840 | 370,632 |
| Changes in assets and liabilities: | | |
| Inventories | 249,842 | (2,959,883) |
| Prepaid expenses | 80,477 | (29,940) |
| Accounts payable | 336,043 | 694,164 |
| State taxes payable | 104,595 | 102,447 |
| Accrued liabilities | (131,420) | 299,470 |
| Accrued payroll and related costs | 14,216 | 20,039 |
| Accrued sales tax payable | (66,943) | 73,839 |
| Net pension liability | 132,027 | 33,229 |
| Total pension liability | | |
| Total OPEB liability | 25,682 | 37,961 |
| Deferred outflows of resources for pensions | (73,194) | 142,143 |
| Deferred inflows of resources for pensions | 19,685 | 3,021 |
| Deferred outflows of resources for OPEB | (2,728) | 7,031 |
| Net cash provided by operating activities | <u>\$ 6,689,529</u> | <u>\$ 3,808,182</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)
Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, the Board's deposits had a carrying amount of \$5,091,442 and \$6,536,909, respectively, and a bank balance of \$4,982,430 and \$6,653,243, respectively. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,732,430 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, 2021 and 2020

1. Summary of Significant Accounting Policies (Concluded)

D. Capital Assets:

Capital Asset activity for the year ended June 30, 2021 was as follows:

| | Balance 06/30/20 | Increases | Decreases | Balance 6/30/2021 |
|---|---------------------|------------------|------------------|----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 2,255,345 | \$ 502,069 | \$ 490,363 | \$ 2,267,051 |
| Work in progress | 1,049,263 | 4,146,133 | 430,835 | 4,764,561 |
| Total capital assets not being depreciated | <u>3,304,608</u> | <u>4,648,202</u> | <u>921,198</u> | <u>7,031,612</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 5,205,195 | 877,165 | 1,485,939 | 4,596,421 |
| Furniture/Equipment | 1,868,500 | 931,137 | 1,180,103 | 1,619,534 |
| Vehicles | 305,710 | 191,492 | 49,580 | 447,622 |
| Law enforcement | 543,616 | | 194,759 | 348,857 |
| Total capital assets being depreciated | <u>7,923,021</u> | <u>1,999,794</u> | <u>1,424,442</u> | <u>7,012,434</u> |
| Total capital assets | 11,227,629 | 6,647,996 | 2,345,640 | 14,044,046 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 2,360,742 | 161,787 | 901,386 | 1,621,143 |
| Furniture/Equipment | 1,469,547 | 148,542 | 544,837 | 1,073,252 |
| Vehicles | 177,717 | 39,565 | 49,580 | 167,702 |
| Law enforcement | 270,814 | 7,946 | 186,017 | 92,743 |
| Total Accumulated Depreciation | <u>4,278,820</u> | <u>357,840</u> | <u>1,681,819</u> | <u>2,954,841</u> |
| Capital assets-net | <u>\$ 6,948,809</u> | | | <u>\$ 11,089,205</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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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 Notes to Financial Statements
 June 30, 2021 and 2020

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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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, 2021, was 10.25% 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 \$248,025 and \$194,561 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the Board reported a liability of \$943,384 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the Board's proportion was 0.02640%, which was a decrease of 0.00331% from its proportion measured as of June 30, 2020.

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Notes to Financial Statements
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3. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

For the year ended June 30, 2021, the Board recognized pension expense of \$326,543. At June 30, 2021, 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 | \$ 119,133 | \$ |
| Changes of assumptions | 70,206 | |
| Net difference between projected and actual earnings on pension plan investments | 132,756 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 17,775 | 29,785 |
| Employer contributions subsequent to the measurement date | 248,025 | |
| | <u>\$ 587,895</u> | <u>\$ 29,785</u> |

\$248,025 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | |
|------------------------|-------------------|
| 2022 | \$ 92,353 |
| 2023 | 117,363 |
| 2024 | 61,080 |
| 2025 | 39,289 |
| | <u>\$ 310,085</u> |

Actuarial Assumptions:

The total pension liability in the December 31, 2019 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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Notes to Financial Statements
June 30, 2021 and 2020

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

The actuarial assumptions used in the December 31, 2019 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, 2021 are summarized in the following table:

| Asset Allocation | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|---|
| 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% |
| | 100.0% | |

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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Notes to Financial Statements
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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) | \$ 1,914,024 | \$ 943,384 | \$ 136,715 |

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.

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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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Notes to Financial Statements
June 30, 2021 and 2020

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

B. Total OPEB Liability:

The Board's total OPEB liability of \$589,076 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions. The total OPEB liability in the June 30, 2020 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 | 2.21 percent |
| Healthcare cost trend rates: | |
| Pre-Medicare | 7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030 |
| Medicare | 5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024 |

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.

Changes in Total OPEB Liability

| | Total OPEB Liability |
|---|-------------------------|
| Balance at July 1, 2020 | \$ 563,394 |
| Changes for the year: | |
| Interest on total OPEB liability and Cash Flows | 19,077 |
| Difference between expected and actual experience | (17,100) |
| Changes in assumptions or other inputs | 60,695 |
| Net benefit payments | (36,990) |
| Net changes | 25,682 |
| Balance at June 30, 2021 | \$ 589,076 |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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, 2020 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2021 and 2020

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 four store properties under lease agreements with one expiring in 2022 and three leases expiring in 2031. Each lease requires a minimum monthly rental payment. The rent expense for the years ended June 30, 2021 and 2020 was \$288,781 and \$98,149, respectively.

The lease payment schedule is as follows:

| Year Ending June 30 | |
|------------------------|---------------------|
| 2022 | \$ 343,486 |
| 2023 | 341,183 |
| 2024 | 314,625 |
| 2025 | 259,266 |
| 2026 | 261,654 |
| Thereafter | 1,295,289 |
| | <u>\$ 2,815,503</u> |

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, 2021 and 2020 amounted to \$106,979 and \$92,564, 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. 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:

| Store Location | 2021 | 2020 |
|----------------------|--------------|--------------|
| 90% County of Durham | \$ 2,400,000 | \$ 2,400,000 |
| 10% City of Durham | \$ 266,667 | \$ 266,664 |

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2021 and 2020

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).

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Profit before distributions | \$ 5,589,720 | \$ 5,106,778 |
| Less: 3½% tax and bottle charge | 1,267,294 | 1,120,215 |
| Profit subject to expense percentages | <u>\$ 4,322,426</u> | <u>\$ 3,986,563</u> |
| Law enforcement expenditures--Actual | \$ 602,067 | \$ 544,978 |
| (Percentage of profit) | <u>13.93%</u> | <u>13.67%</u> |
| Provision for alcohol education and rehabilitation--Actual | \$ 308,429 | 293,473 |
| (Percentage of profit) | <u>7.14%</u> | <u>7.36%</u> |

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:

| | 2021 | 2020 |
|---|---------------------|--------------------|
| Taxes payable July 1 | \$ 834,018 | \$ 687,293 |
| Taxes collected during the year | 10,780,809 | 9,601,846 |
| Taxes remitted to Department of Revenue | <u>(10,722,689)</u> | <u>(9,455,121)</u> |
| Taxes payable June 30 | <u>\$ 892,138</u> | <u>\$ 834,018</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.

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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2021 and 2020

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

For the fiscal year ended June 30, 2021, payments to the County and its municipalities were based on the following bottle sales:

| | | | |
|----------------------------|------------------------|----|----------------|
| Regular bottles | 2,015,838 at 5 cents = | \$ | 100,792 |
| Mixed beverage bottles | 193,643 at 5 cents = | | 9,682 |
| Miniature bottles | 832,130 at 1 cent = | | 8,321 |
| Total payment for the year | | \$ | <u>118,795</u> |

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 = | | 8,219 |
| Total payment for the year | | \$ | <u>115,512</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.

The mixed beverage tax for the year was:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Department of Revenue (50%) | \$ 380,644 | \$ 495,939 |
| Department of Health and Human Services (5%) | 38,064 | 49,594 |
| Profit retained and remitted to local government (45%) | 342,580 | 446,345 |
| | <u>\$ 761,288</u> | <u>\$ 991,878</u> |

10. Bailment Surcharge Collected

The total amount of surcharge collected for the fiscal years June 30, 2021 and 2020 was \$261,504 and \$247,648, 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, 2021 and 2020 was \$3,153,792 and \$2,559,807, 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2021 and 2020

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, | |
| | | 2021 | 2020 | 2021 | 2020 |
| 1 | 1930 Holloway St. | \$ 5,235,336 | \$ 4,511,290 | \$ 741,626 | \$ 570,544 |
| 3 | 2806 Hillsborough Rd. | 6,019,795 | 5,053,685 | 982,575 | 744,281 |
| 4 | 2121 T.W. Alexander Dr. | 5,087,825 | 4,059,825 | 734,661 | 555,503 |
| 5 | 115 Sharon Rd. | | | (16,671) | |
| 8 | 5234 Roxboro Rd. | 4,766,129 | 3,348,608 | 581,490 | 379,272 |
| 10 | 5202 Highway 55 | 5,679,261 | 5,005,784 | 873,183 | 778,645 |
| 11 | 3620 Chapel Hill Blvd. | 11,335,300 | 12,059,005 | 1,928,583 | 2,028,561 |
| 12 | 3318 Guess Rd. | 5,078,019 | 4,826,285 | 783,632 | 755,880 |
| 14 | 4717 Hope Valley Rd. | 6,033,314 | 5,333,959 | 1,006,770 | 907,953 |
| | | \$ 49,234,979 | \$ 44,198,441 | \$ 7,615,849 | \$ 6,720,639 |

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 | \$ 1,458,333 |
| Maximum amount | \$ 9,479,167 |
| Actual amount | \$ 6,112,277 |

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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2021 and 2020

15. Commitments

The Board entered into a contract for new construction on NC Hwy 55 in Durham, NC. The remaining balance on the contract at June 30, 2021 is \$2,650,000.

The Board entered into a contract for new construction on Sherron Road. The remaining balance on the contract at June 30, 2021 is \$46,076.

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, 2021 is \$123,331.

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 eight fiscal years

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|--------------|--------------|
| ABC Board's proportion of the net pension liability (asset) (%) | 0.0264% | 0.0297% | 0.0328% | 0.0303% |
| ABC Board's proportion of the net pension liability (asset) (\$) | \$ 943,384 | \$ 811,357 | \$ 778,128 | \$ 462,595 |
| ABC Board's covered-employee payroll | \$ 2,153,404 | \$ 2,299,853 | \$ 2,253,249 | \$ 2,164,634 |
| ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 43.81% | 35.28% | 34.53% | 21.37% |
| Plan fiduciary net position as a percentage of the total pension liability ** | 88.61% | 90.86% | 91.63% | 94.18% |

* 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>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--------------|--------------|--------------|--------------|
| 0.0295% | 0.0317% | 0.2890% | 0.0298% |
| \$ 625,664 | \$ 142,178 | \$ (186,477) | \$ 419,474 |
| \$ 1,919,632 | \$ 1,863,329 | \$ 1,854,330 | \$ 2,064,711 |
| 32.59% | 7.63% | -10.06% | 20.32% |
| 91.45% | 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 eight fiscal years

Local Government Employees' Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 248,025 | \$ 194,561 | \$ 181,112 | \$ 171,914 |
| Contributions in relation to the contractually required contribution | <u>248,025</u> | <u>194,561</u> | <u>181,112</u> | <u>171,914</u> |
| Contribution deficiency (excess) | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| ABC Board's covered-employee payroll | \$ 2,410,876 | \$ 2,153,404 | \$ 2,299,853 | \$ 2,253,249 |
| Contributions as a percentage of covered-employee payroll | 10.29% | 9.04% | 7.87% | 7.63% |

| <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$ 160,184 | \$ 130,609 | \$ 139,597 | \$ 139,150 |
| <u>160,184</u> | <u>130,609</u> | <u>139,597</u> | <u>139,150</u> |
| \$ <u><u> </u></u> | \$ <u><u> </u></u> | \$ <u><u> </u></u> | \$ <u><u> </u></u> |
| \$ 2,164,634 | \$ 1,919,632 | \$ 1,863,329 | \$ 1,854,330 |
| 7.40% | 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, 2021

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| Interest on total OPEB liability and Cash Flows | \$ 19,077 | \$ 21,304 |
| Difference between expected and actual experience | (17,100) | (1,996) |
| Changes of assumptions or other inputs | 60,695 | 18,653 |
| Benefit payments | (36,990) | |
| Net change in total OPEB liability | <u>25,682</u> | <u>37,961</u> |
| Total OPEB liability - beginning | <u>563,394</u> | <u>525,433</u> |
| Total OPEB liability - ending | <u>\$ 589,076</u> | <u>\$ 563,394</u> |
| Covered payroll | \$ 2,410,876 | \$ 2,153,404 |
| Total OPEB liability as a percentage of covered payroll | 24.43% | 26.16% |

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> |
|--------------------|-------------|
| 2021 | 2.21% |
| 2020 | 3.50% |

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, 2021

| | Store 1 | Store 3 | Store 4 | Store 5 | Store 8 | Store 9 | Store 10 | Store 11 | Store 12 | Store 14 | Subtotal | Warehouse | Administrative | Total |
|--|-------------------|-------------------|-------------------|--------------------|-------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Revenue: | | | | | | | | | | | | | | |
| Liquor sales-regular | \$ 5,235,336 | \$ 6,019,795 | \$ 5,087,825 | \$ | \$ 4,766,129 | \$ | \$ 5,679,261 | \$ 6,200,595 | \$ 5,078,019 | \$ 6,033,314 | \$ 44,100,274 | \$ | \$ | \$ 44,100,274 |
| Mixed beverage sales | | | | | | 5,134,705 | | | | | 5,134,705 | | | 5,134,705 |
| Gross Sales | <u>5,235,336</u> | <u>6,019,795</u> | <u>5,087,825</u> | <u></u> | <u>4,766,129</u> | <u>5,134,705</u> | <u>5,679,261</u> | <u>6,200,595</u> | <u>5,078,019</u> | <u>6,033,314</u> | <u>49,234,979</u> | <u></u> | <u></u> | <u>49,234,979</u> |
| Adjustments to Revenue: | | | | | | | | | | | | | | |
| State excise tax | 1,146,588 | 1,318,518 | 1,114,313 | | 1,043,802 | 1,121,370 | 1,243,923 | 1,358,169 | 1,112,478 | 1,321,648 | 10,780,809 | | | 10,780,809 |
| Mixed beverage tax (Revenue) | | | | | | 380,644 | | | | | 380,644 | | | 380,644 |
| Mixed beverage tax (Human Resources) | | | | | | 38,064 | | | | | 38,064 | | | 38,064 |
| Rehabilitation tax | 12,643 | 14,536 | 12,282 | | 11,497 | 12,312 | 13,715 | 14,972 | 12,270 | 14,568 | 118,795 | | | 118,795 |
| Total Adjustments to Revenue | <u>1,159,231</u> | <u>1,333,054</u> | <u>1,126,595</u> | <u></u> | <u>1,055,299</u> | <u>1,552,390</u> | <u>1,257,638</u> | <u>1,373,141</u> | <u>1,124,748</u> | <u>1,336,216</u> | <u>11,318,312</u> | <u></u> | <u></u> | <u>11,318,312</u> |
| Net Sales | <u>4,076,105</u> | <u>4,686,741</u> | <u>3,961,230</u> | <u></u> | <u>3,710,830</u> | <u>3,582,315</u> | <u>4,421,623</u> | <u>4,827,454</u> | <u>3,953,271</u> | <u>4,697,098</u> | <u>37,916,667</u> | <u></u> | <u></u> | <u>37,916,667</u> |
| Deduct Cost of Sales | <u>2,790,779</u> | <u>3,168,043</u> | <u>2,695,965</u> | <u></u> | <u>2,494,279</u> | <u>2,265,885</u> | <u>2,998,578</u> | <u>3,321,617</u> | <u>2,654,095</u> | <u>3,191,219</u> | <u>25,580,460</u> | <u></u> | <u></u> | <u>25,580,460</u> |
| Gross Profit on Sales | <u>1,285,326</u> | <u>1,518,698</u> | <u>1,265,265</u> | <u></u> | <u>1,216,551</u> | <u>1,316,430</u> | <u>1,423,045</u> | <u>1,505,837</u> | <u>1,299,176</u> | <u>1,505,879</u> | <u>12,336,207</u> | <u></u> | <u></u> | <u>12,336,207</u> |
| Operating Expenses: | | | | | | | | | | | | | | |
| Salaries and wages | 238,321 | 230,451 | 205,444 | 3,768 | 231,375 | 158,897 | 262,197 | 286,451 | 252,314 | 217,289 | 2,086,507 | 344,130 | 582,983 | 3,013,620 |
| FICA taxes | 18,168 | 16,570 | 19,494 | | 16,082 | 12,852 | 20,357 | 20,308 | 17,710 | 16,324 | 157,865 | 22,444 | 40,338 | 220,647 |
| Pension expense | 26,720 | 26,331 | 26,240 | | 26,941 | 9,046 | 26,728 | 31,291 | 27,616 | 24,600 | 225,513 | 46,100 | 77,883 | 349,496 |
| 401(K) expense | 2,995 | 2,991 | 4,367 | | 4,838 | 2,409 | 4,626 | 5,416 | 3,708 | 3,817 | 35,167 | 6,171 | 11,912 | 53,250 |
| Life insurance | 384 | 518 | 472 | 35 | 439 | 358 | 480 | 607 | 678 | 497 | 4,468 | 851 | 1,225 | 6,544 |
| Hospital insurance | 22,225 | 35,694 | 33,467 | 2,888 | 26,070 | 11,276 | 37,866 | 32,025 | 37,147 | 27,980 | 266,638 | 42,122 | 106,162 | 414,922 |
| Disability insurance | 1,299 | 1,620 | 1,478 | 105 | 1,359 | 1,141 | 1,494 | 1,876 | 1,739 | 1,174 | 13,285 | 2,683 | 4,380 | 20,348 |
| Dental insurance | 1,511 | 2,133 | 2,791 | 199 | 887 | 1,219 | 1,131 | 979 | 1,441 | 236 | 12,527 | 1,963 | 4,653 | 19,143 |
| Vision Insurance | 193 | 237 | 280 | 22 | 220 | 152 | 276 | 276 | 249 | 141 | 2,046 | 313 | 611 | 2,970 |
| Rent | 72,971 | | 75,711 | | 133,891 | | | | 6,208 | | 288,781 | | 145,750 | 434,531 |
| Utilities | 11,139 | 9,439 | 6,077 | 2,059 | 16,482 | 5,167 | 8,918 | 10,545 | 9,805 | 7,577 | 87,208 | 16,719 | 11,163 | 115,090 |
| Telephone | 411 | 411 | 411 | 11 | 541 | 351 | 411 | 411 | 411 | 411 | 3,780 | 3,095 | 7,415 | 14,290 |
| Credit card expenses | 50,269 | 93,470 | 73,965 | 2 | 62,539 | 21,887 | 83,178 | 90,403 | 66,655 | 95,182 | 637,550 | | | 637,550 |
| Insurance - general | 7,766 | 6,269 | 3,487 | | 9,057 | 3,516 | 7,819 | 12,040 | 6,212 | 6,586 | 62,752 | 20,336 | 9,644 | 92,732 |
| Supplies | 20,675 | 22,561 | 17,752 | 594 | 15,465 | 2,276 | 21,350 | 22,660 | 19,947 | 22,398 | 165,678 | 7,870 | 12,017 | 185,565 |
| Travel expense | 667 | 616 | 1,028 | | 429 | 696 | 541 | 634 | 449 | 638 | 5,698 | 424 | 3,363 | 9,485 |
| Store Security | | | | | | | 140 | | 878 | | 1,018 | | | 1,018 |
| Safe Deposit | 2,349 | 1,949 | 2,482 | 636 | 1,949 | 2,228 | 1,969 | 2,864 | 1,949 | 1,969 | 20,344 | | | 20,344 |
| Temporary help | | | | | | | | | | | | 43,416 | | 43,416 |
| Maintenance agreements | 11,798 | 11,987 | 11,314 | 217 | 11,068 | 10,117 | 11,584 | 12,174 | 11,539 | 12,146 | 103,944 | 9,380 | 19,896 | 133,220 |
| Building maintenance | 19,636 | 19,667 | 22,850 | 2,408 | 22,407 | 1,815 | 18,527 | 24,130 | 21,144 | 23,935 | 176,519 | 32,492 | 15,144 | 224,155 |
| Postage | | | | | | | | | | | | | 3,411 | 3,411 |
| Professional services | | | | | | | | | | | | | 136,782 | 136,782 |
| Dues and subscriptions | | | | | | | | | | | | | 10,437 | 10,437 |
| Per diem - Board members | | | | | | | | | | | | | 12,600 | 12,600 |
| Yard maintenance | 2,786 | 2,786 | | | 2,786 | | 2,786 | 2,786 | 2,786 | 2,786 | 19,502 | 2,786 | | 22,288 |
| Security - alarm contracts | 3,845 | 3,635 | 4,070 | 80 | 5,279 | | 3,741 | 4,434 | 4,064 | 3,655 | 32,803 | 1,057 | 355 | 34,215 |
| Vehicle expense | | | | | | | | | | | | 31,703 | 2,430 | 34,133 |
| Gas and oil | | | | | | | | | | | | 6,226 | 3,834 | 10,060 |
| Waste disposal | (247) | 683 | 14 | 2,479 | 6,853 | 3,023 | 3,892 | 5,254 | 2,667 | 4,435 | 29,053 | 880 | 529 | 30,462 |
| Advertising | | | | | | | | | | | | | 469 | 469 |
| Bottled water | 784 | 410 | 869 | | 620 | | 608 | 581 | 642 | 478 | 4,992 | 489 | 717 | 6,198 |
| Staff training and development | | | | | | | | | | | | | (5,568) | (5,568) |
| Minor equipment | 861 | 3,274 | 6,803 | 1,168 | 5,887 | 1,478 | 3,399 | 3,115 | 3,631 | 3,155 | 32,771 | 5,828 | 2,967 | 41,566 |
| Depreciation | <u>517,526</u> | <u>493,702</u> | <u>520,866</u> | <u>16,671</u> | <u>603,464</u> | <u>249,904</u> | <u>524,018</u> | <u>571,260</u> | <u>501,589</u> | <u>477,409</u> | <u>4,476,409</u> | <u>649,478</u> | <u>1,223,502</u> | <u>6,349,389</u> |
| | <u>26,174</u> | <u>42,421</u> | <u>9,738</u> | <u></u> | <u>31,597</u> | <u>19,514</u> | <u>25,844</u> | <u>53,006</u> | <u>13,955</u> | <u>21,700</u> | <u>243,949</u> | <u>53,842</u> | <u>45,620</u> | <u>343,411</u> |
| Total Expenses | <u>543,700</u> | <u>536,123</u> | <u>530,604</u> | <u>16,671</u> | <u>635,061</u> | <u>269,418</u> | <u>549,862</u> | <u>624,266</u> | <u>515,544</u> | <u>499,109</u> | <u>4,720,358</u> | <u>703,320</u> | <u>1,269,122</u> | <u>6,692,800</u> |
| Income from Operations | <u>741,626</u> | <u>982,575</u> | <u>734,661</u> | <u>(16,671)</u> | <u>581,490</u> | <u>1,047,012</u> | <u>873,183</u> | <u>881,571</u> | <u>783,632</u> | <u>1,006,770</u> | <u>7,615,849</u> | <u>(703,320)</u> | <u>(1,269,122)</u> | <u>5,643,407</u> |
| Non-Operating Revenues/Expenses | | | | | | | | | | | | | <u>(53,687)</u> | <u>(53,687)</u> |
| Change in Net Position Before Distributions | <u>\$ 741,626</u> | <u>\$ 982,575</u> | <u>\$ 734,661</u> | <u>\$ (16,671)</u> | <u>\$ 581,490</u> | <u>\$ 1,047,012</u> | <u>\$ 873,183</u> | <u>\$ 881,571</u> | <u>\$ 783,632</u> | <u>\$ 1,006,770</u> | <u>\$ 7,615,849</u> | <u>\$ (703,320)</u> | <u>\$ (1,322,809)</u> | <u>\$ 5,589,720</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, 2020

| | 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 | \$ 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 |
| | 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 |
| Depreciation | 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 |
| | <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> |

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Schedule of Distributions of Profits
For the Year Ended June 30, 2021

| <u>Distribution</u> | <u>Recipient</u> | <u>Amount</u> | <u>Date of Distribution</u> | <u>Restrictions on Use</u> |
|-----------------------------|---|---------------------|-----------------------------|-------------------------------|
| Law Enforcement | NC State Bureau of Investigation - ALE | \$ 602,067 | 7/1/20 - 6/30/21 | Law Enforcement |
| Total | | <u>602,067</u> | | |
| Alcohol Education | Velasquez Communications | \$ 330 | 02/26/21 | Community Ads - Alc. Ed. |
| | Latino Communications | 250 | 03/01/21 | Community Ads - Alc. Ed. |
| | INDY Week | 750 | 03/01/21 | Community Ads - Alc. Ed. |
| | McClatchy Company LLC | 332 | 03/19/21 | Community Ads - Alc. Ed. |
| | Latino Communications | 250 | 04/21/21 | Community Ads - Alc. Ed. |
| | Zoom Grant Software | 4,500 | 11/01/20 | Internet Based Grant Software |
| | Charles Hamilton Houston Foundation | 34,500 | 06/30/21 | Alcohol Education |
| | Community Health Coalitition | 17,500 | 06/30/21 | Alcohol Education |
| | Durham Co. Criminal Justice Resource Center | 32,000 | 06/30/21 | Alcohol Education |
| | Durham Proud Program | 30,000 | 06/30/21 | Alcohol Education |
| | Durham Business & Chain | 25,000 | 06/30/21 | Alcohol Education |
| | Durham County Teen Court | 20,000 | 06/30/21 | Alcohol Education |
| | LIFE Skills Foundation | 20,000 | 06/30/21 | Alcohol Education |
| | Pinnacle Community Development Corp./TRY | 31,000 | 06/30/21 | Alcohol Education |
| | StandUp SpeakOut of North Carolina | 30,000 | 06/30/21 | Alcohol Education |
| | TROSA (Triangle Residential Options for Substance Abusers) | 25,000 | 06/30/21 | Alcohol Education |
| | Wake Monarch Academy | 35,000 | 06/30/21 | Alcohol Education |
| | Future Grant Allocation | 2,017 | 06/30/21 | Alcohol Education |
| Total | | <u>\$ 308,429</u> | | |
| County and Municipality* | City of Durham | \$ 266,667 | 7/1/20 - 6/30/21 | None |
| | Durham County | 2,400,000 | 7/1/20 - 6/30/21 | None |
| Total | | <u>\$ 2,666,667</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, 2021

| | <u>Original Budget</u> | <u>Revised Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------------|----------------------------|---------------------------|-------------------|---|
| REVENUES: | | | | |
| Operating Revenues: | | | | |
| Liquor sales-regular | \$ 36,469,090 | 43,569,090 | \$ 44,100,274 | \$ 531,184 |
| Mixed beverage sales | 5,072,959 | 5,072,959 | 5,134,705 | 61,746 |
| Total sales | <u>41,542,049</u> | <u>48,642,049</u> | <u>49,234,979</u> | <u>592,930</u> |
| Non-operating revenues: | | | | |
| Interest income | 18,000 | 18,000 | 1,134 | (16,866) |
| Other income (expense) | | | (54,821) | (54,821) |
| Total revenues | <u>41,560,049</u> | <u>48,660,049</u> | <u>49,181,292</u> | <u>521,243</u> |
| EXPENDITURES: | | | | |
| Total Taxes based on revenue: | | | | |
| State excise tax | 8,936,496 | 10,205,636 | 10,780,809 | (575,173) |
| Mixed beverage tax (Revenue) | 647,810 | 739,810 | 380,644 | 359,166 |
| Mixed beverage tax (Human Resources) | 148,996 | 170,156 | 38,064 | 132,092 |
| Rehabilitation tax | 124,626 | 142,326 | 118,795 | 23,531 |
| Total taxes based on revenue | <u>9,857,928</u> | <u>11,257,928</u> | <u>11,318,312</u> | <u>(60,384)</u> |
| Cost of goods sold | <u>21,689,104</u> | <u>25,389,104</u> | <u>25,580,460</u> | <u>(191,356)</u> |
| OPERATING EXPENSES: | | | | |
| Personnel expenses | 3,844,235 | 3,731,235 | 4,100,940 | (369,705) |
| Facilities expenses | 599,483 | 743,483 | 875,031 | (131,548) |
| Supplies and materials | 224,763 | 204,763 | 236,740 | (31,977) |
| Contract/professional services | 229,987 | 199,987 | 180,198 | 19,789 |
| Repairs and maintenance | 158,177 | 158,177 | 177,413 | (19,236) |
| Credit card fees | 540,000 | 640,000 | 637,550 | 2,450 |
| Travel, training and development | 61,400 | 61,400 | 3,917 | 57,483 |
| Other operating expenses | 131,494 | 206,494 | 137,600 | 68,894 |
| Miscellaneous-contingency | 100,000 | | | |
| Total operating expense | <u>5,889,539</u> | <u>5,945,539</u> | <u>6,349,389</u> | <u>(403,850)</u> |
| Capital Outlay | <u>4,917,614</u> | <u>4,957,114</u> | <u>4,553,057</u> | <u>404,057</u> |
| Total expenditures | 42,354,185 | 47,549,685 | 47,801,218 | (251,533) |

(Continued)

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Reconciliation of Budget to Actual
June 30, 2021

| | <u>Original Budget</u> | <u>Revised Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------------------|---------------------------|-----------------------------|---|
| DISTRIBUTIONS: | | | | |
| Law Enforcement | \$ 499,624 | \$ 499,624 | \$ 602,067 | \$ (102,443) |
| Alcohol education/rehabilitation | 290,794 | 290,794 | 308,429 | (17,635) |
| County and Municipal | 1,865,538 | 2,530,538 | 2,666,667 | (136,129) |
| Total distributions | <u>2,655,956</u> | <u>3,320,956</u> | <u>3,577,163</u> | <u>(256,207)</u> |
| Total expenditures and distributions | 45,010,141 | 50,870,641 | 51,378,381 | (507,740) |
| Revenues over (under) expenditures | (3,450,092) | (2,210,592) | (2,197,089) | 13,503 |
| Other financing sources (uses): | | | | |
| Working capital retained | <u>3,450,092</u> | <u>2,210,592</u> | <u> </u> | <u> </u> |
| Revenues over expenditures and other financing uses | <u>\$</u> | <u>\$</u> | <u>\$ (2,197,089)</u> | <u>\$ 13,503</u> |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | | |
| Reconciling Items: | | | | |
| Depreciation | | | \$ (343,411) | |
| Capital outlay | | | 4,553,057 | |
| Total | | | <u>4,209,646</u> | |
| Change in Net Position | | | <u>\$ 2,012,557</u> | |