

Basic Financial Statements

DURHAM COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)

Years Ended June 30, 2015 and 2014

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)

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ROBERSON CPA FIRM, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Durham County Alcoholic Beverage Control Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Durham County Alcoholic Beverage Control Board, a component unit of Durham County Government, North Carolina, which comprise the Statements of Net Position as of June 30, 2015 and 2014, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Durham County Alcoholic Beverage Control Board as of June 30, 2015 and 2014 and the respective changes in financial position, and where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Post-Employment Benefits and Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Employer Contributions on pages 3 through 6 and 23 through 25, respectively, and the Local Government Employees' Retirement System's Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedule of Store, Warehouse, and Administrative Expenses, and Schedule of Reconciliation of Budget to Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Store, Warehouse, and Administrative Expenses, and Schedule of Reconciliation of Budget to Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Robison CPA Firm, PLLC

Durham, North Carolina
October 8, 2015

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014

This section of the Durham County Alcoholic Beverage Control Board's (the Board) financial report represents our discussion and analysis of the financial performance of the Board for the years ended June 30, 2015 and 2014. This information should be read in conjunction with the audited financial statements included in this report.

FINANCIAL HIGHLIGHTS

- Working capital increased approximately 27% over the prior year.
- Approximately 11% of profits before distributions were expended for law enforcement in the current year.
- Approximately 7% of profits before distributions were expended for alcohol education in the current year.
- Approximately 6% of gross sales were distributed to the City of Durham and Durham County governmental units in the current year.
- The Board does not plan to open any new stores in the short term period.

OVERVIEW OF 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 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

The final required statement is the Statement of Cash Flows. This statement reports cash inflows and outflows in the following categories: operating, investing, and financing activities. Based on this data, the user can determine the sources of cash, the uses of cash and the change in cash.

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

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

FINANCIAL ANALYSIS OF THE ABC BOARD

Net position is an indicator of the fiscal health of the Board. Assets exceed liabilities by \$8,534,444 in 2015, by \$7,769,765 in 2014 and by \$6,955,340 in 2013. The largest component of net position is the investment in capital assets. It was 55% of the total net position for 2015, 59% for 2014 and 65% for 2013. Following is a summary of the Statement of Net Position:

CONDENSED STATEMENTS OF NET POSITION

	2015	2014	2013	2015-2014 \$ Change	2015-2014 % Change
Current Assets	\$ 7,521,012	\$ 5,976,825	\$ 5,380,706	\$ 1,544,187	25.8%
Non-Current Assets	6,165,720	6,019,833	6,039,416	145,887	2.4%
Total Assets	13,686,732	11,996,658	11,420,122	1,690,074	14.1%
Current Liabilities	3,313,369	2,768,167	2,910,055	545,202	19.7%
Non-Current					
Liabilities	1,838,919	1,458,735	1,554,727	380,184	26.1%
Total Liabilities	5,152,288	4,226,902	4,464,782	925,386	21.9%
Net Investment in					
Capital Assets	4,671,928	4,573,110	4,503,489	98,818	2.2%
Unrestricted Net					
Position	2,938,557	2,353,914	1,657,876	584,643	24.8%
Restricted Net					
Position	923,959	842,732	793,975	81,227	9.6%
Total Net Position	8,534,444	7,769,756	6,955,340	764,688	9.8%

Note that assets and liabilities increased during the year. This was mainly the result of the increase in ending cash and the increase in accrued year end profit distributions to Durham City and County.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Net position increased by 9.8% from 2014 compared to an 11.7% increase between 2014 and 2013 (7.7% restated). Operating income increased 22.3% from 2014 and by 8.1% between 2014 and 2013. Following is a summary of the changes in net position:

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2015	2014	2013	2015-2014 \$ Change	2015-2014 % Change
Operating Revenues	\$ 31,488,457	\$ 28,735,744	\$ 27,089,726	\$ 2,752,713	9.6%
Less Taxes	7,428,896	6,782,772	6,405,789	646,124	9.5%
Net Sales	24,059,561	21,952,972	20,683,937	2,106,589	9.6%
Cost of Sales	16,256,886	14,788,106	13,912,969	1,468,780	9.9%
Gross Profit	7,802,675	7,164,866	6,770,968	637,809	8.9%
Operating Expenses	4,245,141	4,273,202	4,078,588	(28,061)	0.0%
Other Operating Income	475	18,756	664	(18,281)	(97.5%)
Income From Operations	3,558,009	2,910,420	2,693,044	647,589	22.3%
Nonoperating Income (Expense)	(51,439)	(69,308)	(93,733)	(17,869)	(25.8%)
Change in Net Position Before Required Distributions	3,506,570	2,841,112	2,599,311	665,458	23.4%
Distributions	2,461,558	2,026,696	2,094,585	434,862	21.5%
Change in Net Position	1,045,012	814,416	504,726	230,596	28.3%
Net Position, Beginning	7,489,432	6,955,340	6,450,614	534,092	7.7%
Net Position, Ending	8,534,444	7,769,756	6,955,340	764,688	9.8%

Following is a breakdown of sales by source:

	2015	2014	2013	2015-2014 \$ Change	2015-2014 % Change
Retail Liquor Sales	\$ 24,961,222	\$ 22,853,896	\$ 21,433,740	\$ 2,107,326	9.2%
Retail Wine Sales	39,382	45,091	43,437	(5,709)	(12.7%)
Mixed Beverage Sales	6,487,853	5,836,757	5,612,549	651,096	11.1%
Total Sales	\$ 31,488,457	\$ 28,735,744	\$ 27,089,726	\$ 2,752,713	9.6%

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015 and 2014

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets as of June 30, 2015, totals \$6,026,123 (net of accumulated depreciation). A major capital transaction that occurred during the year includes a land purchase.

Following is a summary of the changes in capital assets:

SUMMARY OF CHANGES IN CAPITAL ASSETS (net of depreciation)

	2015	2014	2013	2015-2014 \$ Change	2015-2014 % Change
Land	\$2,255,345	\$2,200,345	\$2,200,345	\$ 55,000	2.5%
Buildings and Improvements	3,000,253	3,030,666	3,147,969	(30,413)	(1.0%)
Equipment	332,298	393,579	254,097	(61,281)	(15.6%)
Motor Vehicles	21,404	21,042	28,300	362	1.7%
Law Enforcement	346,252	374,201	408,705	(27,949)	7.5%
Work in Progress	70,571	-	-	70,571	100.0%
Total	<u>\$6,026,123</u>	<u>\$6,019,833</u>	<u>\$6,039,416</u>	<u>\$ 6,290</u>	0.1%

Debt Administration

The largest component of Long-Term liabilities is notes payable. It decreased by \$92,528 from 2014.

REQUESTS FOR INFORMATION

This report is intended to provide a summary of the financial condition of the Durham County Alcoholic Beverage Control Board. Questions or requests for additional information should be addressed to:

Barry Sessoms, General Manager
Durham County Alcoholic Beverage Control Board
3620 Durham Chapel Hill Blvd.
Durham, N.C. 27707

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,556,785	\$ 3,426,018
Inventories	2,653,246	2,420,843
Prepaid assets and accounts receivable	124,504	129,964
Net pension asset	<u>186,477</u>	<u>-</u>
TOTAL CURRENT ASSETS	7,521,012	5,976,825
NON-CURRENT ASSETS		
Property and equipment:		
Land	2,255,345	2,200,345
Buildings and improvements	4,618,483	4,520,385
Equipment	1,277,649	1,229,110
Motor vehicles	72,308	65,685
Law enforcement	584,652	581,414
Work in progress	<u>70,571</u>	<u>-</u>
	8,879,008	8,596,939
Less accumulated depreciation	<u>2,852,885</u>	<u>2,577,106</u>
	<u>6,026,123</u>	<u>6,019,833</u>
Deferred Outflows of Resources	<u>139,597</u>	<u>-</u>
	<u><u>\$ 13,686,732</u></u>	<u><u>\$ 11,996,658</u></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 NET POSITION
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 95,976	\$ 92,609
Accounts payable:		
Trade	977,944	832,415
State sales tax	132,172	118,242
Other	41,263	20,456
Payroll taxes withheld	7,449	7,629
Accrued Liabilities:		
State excise taxes	514,458	460,495
Rehabilitation tax	7,003	3,794
Mixed beverage tax	45,904	44,499
Salaries	102,171	95,356
Miscellaneous payables	217,229	182,761
Profit distributions	<u>1,171,800</u>	<u>909,911</u>
TOTAL CURRENT LIABILITIES	3,313,369	2,768,167
LONG-TERM LIABILITIES		
Accrued vacation pay	107,018	104,621
Note payable, net of current portion	<u>1,258,219</u>	<u>1,354,114</u>
	<u>1,365,237</u>	<u>1,458,735</u>
	4,678,606	4,226,902
Deferred Inflows of Resources	<u>473,682</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	4,671,928	4,573,110
Restricted working capital	923,959	842,732
Unrestricted	<u>2,938,557</u>	<u>2,353,914</u>
	<u>8,534,444</u>	<u>7,769,756</u>
	<u>\$ 13,686,732</u>	<u>\$ 11,996,658</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
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Liquor sales	\$ 24,961,222	\$ 22,853,896
Mixed beverage sales	6,487,853	5,836,757
Wine sales	39,382	45,091
GROSS SALES	31,488,457	28,735,744
DEDUCT TAXES BASED ON GROSS SALES		
State excise tax	6,759,483	6,160,293
Mixed beverage tax (Revenue)	522,411	483,216
Mixed beverage tax (Human Resources)	52,241	48,321
Rehabilitation tax	92,013	87,796
Sales tax	2,748	3,146
TOTAL TAXES	7,428,896	6,782,772
NET SALES	24,059,561	21,952,972
DEDUCT COST OF SALES		
Cost of liquor sold	16,231,758	14,761,806
Cost of wine sold	25,128	26,300
TOTAL COST OF SALES	16,256,886	14,788,106
GROSS PROFIT OF SALES	7,802,675	7,164,866
DEDUCT OPERATING EXPENSES		
Store expenses	2,783,021	2,871,004
Warehouse and delivery expenses	359,601	343,131
Administrative expenses	856,528	820,416
Depreciation expenses	245,991	238,651
TOTAL OPERATING EXPENSES	4,245,141	4,273,202
OTHER OPERATING INCOME	475	18,756
INCOME FROM OPERATIONS	3,558,009	2,910,420

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
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
NON-OPERATING REVENUES (EXPENSES)		
Loss on disposal of assets	\$ -	\$ (14,587)
Interest income	321	365
Interest expense	<u>(51,760)</u>	<u>(55,086)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(51,439)</u>	<u>(69,308)</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	3,506,570	2,841,112
DISTRIBUTIONS		
Law enforcement	286,483	218,880
Alcohol education/rehabilitation	<u>175,075</u>	<u>141,149</u>
	<u>461,558</u>	<u>360,029</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS	3,045,012	2,481,083
PROFIT DISTRIBUTIONS		
City of Durham	200,000	166,667
County of Durham	<u>1,800,000</u>	<u>1,500,000</u>
TOTAL PROFIT DISTRIBUTIONS	<u>2,000,000</u>	<u>1,666,667</u>
CHANGE IN NET POSITION	1,045,012	814,416
NET POSITION - Beginning of year	7,769,756	6,955,340
Prior period adjustment	<u>(280,324)</u>	<u>-</u>
NET POSITION - Beginning of year, restated	<u>7,489,432</u>	<u>-</u>
NET POSITION - End of year	<u><u>\$ 8,534,444</u></u>	<u><u>\$ 7,769,756</u></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
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 31,488,777	\$ 28,734,102
Other cash received	474	18,756
Cash payments for inventory costs	(16,338,620)	(14,628,820)
Cash payments for operating expenses	(3,773,412)	(4,218,676)
Taxes paid	<u>(7,356,389)</u>	<u>(6,769,679)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 4,020,830	 3,135,683
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(284,537)	(273,463)
Book value of disposed assets	-	19,891
Gain (loss) on disposed assets	-	(14,587)
Interest paid on loans	(51,761)	(55,086)
Principal paid on loan maturities	<u>(92,528)</u>	<u>(89,204)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	 (428,826)	 (412,449)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Profit distributions-primary government	(2,000,000)	(1,666,667)
Law enforcement distributions	(286,483)	(218,880)
Alcohol education distributions	<u>(175,075)</u>	<u>(141,149)</u>
NET CASH USED BY NON-CAPITAL FINANCING ACTIVITIES	 (2,461,558)	 (2,026,696)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	<u>321</u>	<u>365</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 1,130,767	 696,903
 CASH AND CASH EQUIVALENTS - Beginning of year	 <u>3,426,018</u>	 <u>2,729,115</u>
 CASH AND CASH EQUIVALENTS - End of year	 <u><u>\$ 4,556,785</u></u>	 <u><u>\$ 3,426,018</u></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
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 3,558,009	\$ 2,910,420
ADJUSTMENTS TO RECONCILE INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	278,248	273,155
Pension expense	6,881	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	320	(1,642)
(Increase) decrease in inventory	(232,403)	110,367
(Increase) decrease in prepaid assets	5,140	(7,941)
Increase (decrease) in accounts payable	166,156	63,256
Increase (decrease) in accrued liabilities	<u>238,479</u>	<u>(211,932)</u>
TOTAL ADJUSTMENTS	<u>462,821</u>	<u>225,263</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 4,020,830</u></u>	<u><u>\$ 3,135,683</u></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, 2015 and 2014

NOTE 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, North Carolina, is a corporate body with powers outlined by General Statutes Chapter 18B-701. The County's governing body appoints the Board.

The Board is required by State Statute to distribute its surpluses to the general fund of Durham County and the City of Durham which represents a financial benefit to the County and City. 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, through its law enforcement division, investigates violations of such laws. North Carolina General Statute 18B-805(c)(2)(3) requires that the Board expend at least 5% of profits for law enforcement and at least 7% of the same profits for alcohol education and rehabilitation purposes.

C. Basis of Presentation

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. All sales are made by cash, debit or credit card and recorded at the time of sale. Other revenues are recorded when earned. Expenses are recognized when incurred.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amount of revenue and expenses during the reporting period. Estimates are used to determine depreciation expense, certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

F. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the 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.

G. Assets, Liabilities and Net Position

(1) Deposits

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

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage 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's 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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Net Position (Continued)

(1) Deposits (Continued)

to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2015, the Board's deposits had a carrying amount of \$4,533,578 and a bank balance of \$4,584,668. At June 30, 2014, the Board's deposits had a carrying amount of \$3,400,724 and a bank balance of \$3,542,460. Of the Board's bank balance at June 30, 2015, \$500,000 was covered by the FDIC and \$4,084,668 was covered by collateral held under the Pooling Method. Of the Board's bank balance at June 30, 2014, \$500,000 was covered by the FDIC and \$3,042,460 was covered by collateral held under the Pooling Method.

(2) Investments

State law G.S. 159-30(c) authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust, an SEC registered (2a-7) money market mutual fund.

At June 30, 2015 and 2014, the Board had no funds invested.

(3) Cash and Cash Equivalents

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

(4) Inventories

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Net Position (Continued)

(5) Capital Assets

Capital Asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 2,200,345	\$ 55,000	\$ -	\$ 2,255,345
Work in progress	-	70,571	-	70,571
Total capital assets not being depreciated	<u>\$ 2,200,345</u>	<u>\$ 125,571</u>	<u>\$ -</u>	<u>\$ 2,325,916</u>
Capital assets being depreciated:				
Buildings	\$ 3,248,229	\$ -	\$ -	\$ 3,248,229
Leasehold improvements	1,272,156	98,098	-	1,370,254
Vehicles	65,685	6,623	-	72,308
Machinery and equipment	1,229,110	49,933	(1,394)	1,277,649
Law enforcement	581,414	4,312	(1,074)	584,652
Total capital assets being depreciated	<u>\$ 6,396,594</u>	<u>\$ 158,966</u>	<u>\$ (2,468)</u>	<u>\$ 6,553,092</u>
Less accumulated depreciation for:				
Buildings	\$ 989,424	\$ 76,116	\$ -	\$ 1,065,540
Leasehold improvements	500,295	52,400	-	552,695
Vehicles	44,643	6,261	-	50,904
Machinery and equipment	835,531	111,213	(1,394)	945,350
Law enforcement	207,213	32,257	(1,074)	238,396
Total accumulated depreciation	<u>2,577,106</u>	<u>278,247</u>	<u>(2,468)</u>	<u>2,852,885</u>
Capital Assets, net	<u>\$ 6,019,833</u>			<u>\$ 6,026,123</u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Net Position (Continued)

(6) Net Position

Net position consists of the following:

1. Net investment in capital assets - This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
2. Restricted for law enforcement - This applies only when the Board employs its own ABC officer.
3. Restricted for capital improvements - State law G.S. 18B-805(d) requires approval of the appointing authority to establish this account.
4. 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. The Board shall set its working capital requirements at not less than two weeks' average gross sales of the last fiscal year or greater than four months' average gross sales of the last fiscal year. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by State law G.S. 18B-805(b)(2),(3) and (4).
5. 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – PENSION PLAN OBLIGATIONS

A. Local Government Employees' Retirement System

Plan Description - The Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns 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 LGERS 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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 office. 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 5 years of creditable service as a LEO and have reached age 55,

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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

A. Local Government Employees' Retirement System (Continued)

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 contribution.

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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$139,535 and \$139,150 for the years ended June 30, 2015 and 2014, respectively.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Resources Related to Pensions Inflows

At June 30, 2015, the Board reported an asset of \$186,477 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension asset 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.

For the year ended June 30, 2015, the Board recognized pension expense of \$6,881. At June 30, 2015, the Board reported outflows of resources and deferred inflows of resources related to pension from the following sources:

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NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

A. Local Government Employees' Retirement System (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,376
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	434,115
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	19,191
Employer contributions subsequent to the measurement date	<u>139,597</u>	<u>-</u>
Total	<u>\$ 139,597</u>	<u>\$ 473,682</u>

\$139,597 reported as deferred outflows of resources related to pension resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2015

2016	\$
	(118,445)
2017	(118,445)
2018	(118,445)
2019	(118,347)
2020	-
Thereafter	<u>-</u>
	<u>\$ (473,682)</u>

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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

A. Local Government Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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June 30, 2015 and 2014

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

A. Local Government Employees' Retirement System (Continued)

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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 assets 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 assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. 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.

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June 30, 2015 and 2014

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

A. Local Government Employees' Retirement System (Continued)

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate - The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percent point higher (8.25 percent) than the current rate.

	1 % Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
ABC Board's proportionate share of the net pension liability (asset)	632,986	(186,477)	(876,440)

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

B. Law Enforcement Officers' Special Separation Allowance

1. Plan Description:

The Board administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides benefits to the Board's qualified sworn law enforcement officers. The Separation Allowance is 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 are 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.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

B. Law Enforcement Officers' Special Separation Allowance (Continued)

All full-time law enforcement officers of the Board are covered by the Separation Allowance. At both June 30, 2015 and 2014, the Separation Allowance's membership consisted of:

	<u>2015</u>	<u>2014</u>
Retirees receiving benefits	-	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>2</u>	<u>2</u>
Total	<u>2</u>	<u>2</u>

2. Summary of Significant Accounting Policies:

Basis of Accounting - The Board has chosen to fund the Separation Allowance on a pay as you go basis. The financial statements of the Board are prepared using the accrual basis of accounting. Benefits are recognized as expenses when due and payable in accordance with the terms of the plan. Administration expenses are recognized as incurred.

Method Used to Value Investments - No funds are set aside to pay benefits and administration costs. These expenses are paid as they come due.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68.

- 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

3. Contributions:

The Board is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to pay benefits and administration costs on a pay as you go basis. For June 30, 2015 and 2014 the Board paid final benefits of \$-0- or 0% of annual covered payroll. There were no contributions made to the plan by employees. The Board's obligation to make these payments was established and may be amended by the

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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June 30, 2015 and 2014

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

B. Law Enforcement Officers' Special Separation Allowance (Continued)

North Carolina General Assembly.

The Board has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

1. Plan Description:

The Board contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Board. 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 for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (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 for Law Enforcement Officers. 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.

2. Funding Policy:

Article 12E of G.S. Chapter 143 requires 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. Contributions for the year ended June 30, 2015 were \$ 18,274, which consisted of \$5,262 from the Board and \$13,012 from the law enforcement officers. Contributions for the year ended June 30, 2014 were \$6,319, which consisted of \$5,519 from the Board and \$800 from the law enforcement officers.

D. 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 contributing membership

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NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

D. Death Benefits (Continued)

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.

E. Other Post-Employment Benefits (OPEB)

1. 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 will end 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 will be fully eliminated for retirements beyond the fiscal year ending June 30, 2019.

2. Funding Policy:

Retiree health insurance benefits have been funded on a pay as you go basis so no funds are set aside to pay these benefits.

3. Summary of Significant Accounting Policies:

Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. The expenditures are paid as they come due.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

E. Other Post-Employment Benefits (OPEB) (Continued)

4. Annual OPEB Cost and Net OPEB Obligation:

Unfunded accrued actuarial liability (UAAL) has been computed at \$859,775 at June 30, 2015 and \$1,216,326 at June 30, 2014. The Board has elected to use a 30 year amortization period. When the UAAL of \$859,775 is divided by 30 years the amortized payment is calculated at \$28,659. This payment is then adjusted for the present value of interest of \$1,708 which is added to this payment to bring the total amortized payment to \$30,367. The actual amount the Board spent during the year ended June 30, 2015 was \$55,332 and for June 30, 2014 was \$59,280. The Board has elected not to record the resulting difference of \$24,965 for June 30, 2015 as an asset on the financial statements.

5. Actuarial Methods and Assumptions:

The Board's Annual Required Contribution and OPEB Obligation were calculated as required by the Government Accounting Standards Board (GASB) Statement 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. The Board's plan has less than 100 plan members so the calculations used the Alternative Method allowed by GASB and did not involve an actuarial valuation.

NOTE 3 – COMMITMENTS

During the years ended June 30, 2015 and 2014 the Board entered into a service contract with the County of Durham to provide routine ground and pest control services at a monthly rate of \$2,833 plus a standard mileage rate. Any special services provided will be billed at a predetermined hourly rate.

NOTE 4 – DEPRECIATION - 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 – LEASES

The Board has leased one store property under a lease agreement which expires December, 2020 and requires various minimum annual rentals. Rent expense for the years ended June 30, 2015 and 2014 amounts to \$63,048 and \$64,189, respectively.

The Board entered into a vehicle lease on August 24, 2010. The terms of the lease call for 48 monthly payments of \$468. The lease ended on July 31, 2014. Rent expense for the years ended June 30, 2015 was \$468 and 2014 was \$5,616.

Minimum annual rentals on lease terms extending beyond one year, at June 30, 2015 are summarized as follows:

<u>Year Ending June 30,</u>	<u>Annual lease</u>
2016	\$ 64,704
2017	66,408
2018	68,160
2019	69,972
2020	<u>35,448</u>
	<u>\$ 304,692</u>

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 8, 2015, the date of the issuance of the Board's financial statements.

NOTE 7 – 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 and related expenses at June 30, 2015 and 2014 amounted to \$107,018 and \$104,621, 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 8 – DISTRIBUTION OF INCOME

The Board has made distributions since inception as follows:

	<u>Current Year</u>	<u>Total to Date</u>
90% County of Durham	\$ 1,800,000	\$ 38,785,363
10% City of Durham	\$ 200,000	\$ 9,447,768

North Carolina General Statute 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.

NOTE 9 – LAW ENFORCEMENT AND ALCOHOL EDUCATION EXPENSES

The Board is required by law to expend at least 5% of its total profits for law enforcement and not less than 7% for alcohol education (alcohol education requirement 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 3½% markup provided in G.S. 18B-804(b)(5) and the bottle charge provided for in G.S. 18B-804(b)(6b).

	<u>2015</u>	<u>2014</u>
Profit before distributions	\$ 3,506,570	\$ 2,841,112
Less 3½% tax and bottle charge	<u>880,183</u>	<u>806,497</u>
Profit subject to expense percentages	<u>\$ 2,626,387</u>	<u>\$ 2,034,615</u>
Law enforcement expenditures	\$ 286,483	\$ 218,880
- Actual percentage of profit	11%	11%
Provision for alcohol education and rehabilitation	\$ 175,075	\$ 141,149
- Actual percentage of profit	7%	7%

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 10 – DISBURSEMENT OF TAXES INCLUDED IN SELLING PRICE

A state excise tax, at the rate of 30% on the retail (net sales) price is charged monthly on liquor sales (excluding wine sales). Transactions for this account for the years ended June 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Taxes payable July 1	\$ 460,495	\$ 450,731
Taxes collected during the year	7,281,940	6,643,509
Less taxes remitted to Department of Revenue	<u>7,227,977</u>	<u>6,633,745</u>
Taxes payable June 30	<u>\$ 514,458</u>	<u>\$ 460,495</u>

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

The accrued North Carolina excise tax at June 30, 2015 and 2014 was remitted to the North Carolina Department of Revenue on July 14, 2015 and July 14, 2014, respectively.

A bottle charge 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 to the county commissioners for alcohol education and rehabilitation. For the fiscal year, payments to the County were based on the following bottle sales:

	<u>2015</u>		
Regular bottles	1,436,150	@ \$.05 =	\$ 71,808
Mixed beverage bottles	268,866	@ \$.05 =	13,443
Miniature bottles	676,225	@ \$.01 =	<u>6,762</u>
Total payment for year			<u>\$ 92,013</u>
	<u>2014</u>		
Regular bottles	1,389,678	@ \$.05 =	\$ 69,484
Mixed beverage bottles	248,725	@ \$.05 =	12,436
Miniature bottles	587,592	@ \$.01 =	<u>5,876</u>
Total payment for year			<u>\$ 87,796</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 10 – DISBURSEMENT OF TAXES INCLUDED IN SELLING PRICE (Continued)

A "mixed beverage tax" at the rate of \$20 per 4 liters is charged on the sale of liquor to be resold as mixed beverages. One-half (1/2) of the mixed beverage tax is submitted monthly to the Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the Department of Human Services.

The mixed beverage taxes for the year ended June 30 were as follows:

	2015	2014
Department of Revenue (50%)	\$ 522,411	\$ 483,216
Department of Human Services (5%)	52,241	48,321
Profit retained (45%)	470,170	434,892
	<u>\$ 1,044,822</u>	<u>\$ 966,429</u>

NOTE 11 – SURCHARGE COLLECTED

The total amount of surcharge collected for the fiscal years June 30, 2015 and 2014 was \$157,181 and \$135,329, respectively. (The rate increased May 1, 2015 from 80 cents per case sold to \$1.40 per case sold)

NOTE 12 – LIQUOR SALES TAX

The total amount of sales tax collected by the Board and remitted to the Department of Revenue for the years ended June 30, 2015 and 2014 was \$1,735,047 and \$1,602,419, respectively. The current sales tax rate is 7%.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 13 – RETAIL OUTLETS

The Board operated with eight retail outlets as of June 30, 2015 and 2014.

	June 30, 2015		June 30, 2014	
	Gross Sales	Change in Net Position	Gross Sales	Change in Net Position
Store 1 - 1930 Holloway St.	\$ 3,493,248	\$ 495,693	\$	\$ 433,496
Store 3 - 2806 Hillsborough Rd.	5,400,389	891,922		840,217
Store 4 - 2121 T.W. Alexander Dr.	2,307,370	254,285		161,324
Store 8 - 5234 Roxboro Road	2,260,420	261,342		195,331
Store 10 - 5202 Highway 55	4,666,318	755,196		672,564
Store 11 - 3620 Chapel Hill Blvd.	6,513,367	1,111,331		946,001
Store 12 - 3318 Guess Road	3,132,814	451,412		356,335
Store 14 - 4717 Hope Valley Rd.	3,714,531	598,446		492,695
	<u>\$31,488,457</u>	<u>\$ 4,819,627</u>	<u>\$</u>	<u>\$4,097,963</u>

Stores 3, 4, 10, 11, and 14 serve as mixed beverage outlets as well as retail stores. For the year ended June 30, 2012 and for all years forward the mixed beverage gross sales and the related cost of liquor for the retail outlets have been included in this schedule.

NOTE 14 – WORKING CAPITAL REQUIREMENTS

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).

	2015	2014
Minimum amount	\$ 923,959	\$ 842,732
Maximum amount	\$ 6,005,732	\$ 5,477,757
Actual amount	\$ 3,885,620	\$ 3,066,682

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 15 – 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 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.

NOTE 16 – LONG-TERM DEBT

A summary of long-term debt follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Note payable to Mechanics and Farmers Bank payable in 83 monthly payments of interest and principal totaling \$4,760 and 1 balloon payment of \$401,759 due on April 1, 2018. Interest is fixed at 3.57%. The note is secured by a deed of trust on property and the proceeds are to be used for store expansions and renovations.	\$ 507,753	\$ 545,769
 Note payable to Mechanics and Farmers Bank payable in 72 monthly payments of interest and principal totaling \$7,264 and 1 balloon payment of \$672,680 due on August 1, 2018. Interest is fixed at 3.68%. The note is secured by a deed of trust on property and the proceeds are to be used for store expansions and renovations.	 846,442	 900,954
	<u>1,354,195</u>	<u>1,446,723</u>
Less current portion of debt	<u>(95,976)</u>	<u>(92,609)</u>
Total long-term debt	<u>\$ 1,258,219</u>	<u>\$ 1,354,114</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 16 – LONG-TERM DEBT (Continued)

Estimated maturities on long-term debt as of June 30, 2015 are as follows:

June 30, 2016	\$ 95,976
June 30, 2017	99,637
June 30, 2018	487,632
Thereafter	<u>670,950</u>
	<u>\$ 1,354,195</u>

NOTE 17 – PRIOR PERIOD ADJUSTMENT FOR CHANGE IN ACCOUNTING PRINCIPLES

The Board implemented Government Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of this standard required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (June 30, 2014). As a result, a prior period adjustment of \$280,324 was made to decrease net position at the beginning of the year.

REQUIRED
SUPPLEMENTARY INFORMATION

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset) - %	0.02898%	0.02980%
Board's proportion of the net pension liability (asset)	\$ (186,477)	\$ 419,474
Board's covered-employee payroll	\$ 1,863,329	\$ 1,854,330
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(10.0%)	22.64%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 139,597	\$ 139,150
Contributions in relation to the contractually required contribution	<u>139,597</u>	<u>139,150</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Board's covered-employee payroll	\$ 1,863,329	\$ 1,854,330
Contributions as a percentage of covered-employee payroll	7.5%	7.5%

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b – a)/c)
6/30/15	\$ -	\$ 859,775	\$ 859,775	0.0%	\$ -	0.0%
6/30/14	-	1,216,326	1,216,326	0.0%	-	0.0%
6/30/13	-	1,238,797	1,238,797	0.0%	-	0.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ending June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 30,367	100.0%
2014	42,866	100.0%
2013	44,364	100.0%

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

SUPPLEMENTARY INFORMATION

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
SCHEDULE OF STORE, WAREHOUSE AND ADMINISTRATIVE EXPENSES
Year Ended June 30, 2015

	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	\$ 189,704	\$ 247,337	\$ 144,349	\$ 165,034	\$ 88,633	\$ 203,050	\$ 171,862	\$ 174,089	\$ 156,540	\$ 1,540,598	\$ 183,998	\$ 471,067	\$ 2,195,663
FICA taxes	15,152	18,143	10,791	13,339	6,525	15,912	13,508	13,038	11,869	118,277	14,484	35,858	168,619
Retirement fund	573	683	404	512	176	604	501	497	398	4,348	611	1,538	6,497
Life insurance	525	615	358	421	146	567	448	489	352	3,921	494	1,381	5,796
Hospital insurance	22,908	24,830	16,897	17,678	6,133	26,202	16,319	19,775	19,048	169,790	23,769	82,960	276,519
Disability insurance	1,836	2,145	1,253	1,387	515	1,900	1,565	1,709	1,232	13,542	1,714	4,845	20,101
Dental insurance	1,513	1,471	892	951	456	1,399	697	1,023	1,219	9,621	1,343	2,677	13,641
Rent	-	-	63,048	-	-	-	-	-	-	63,048	-	-	63,048
Store security	11,663	11,263	1,140	863	-	11,550	11,200	1,013	1,150	49,842	-	-	49,842
Utilities	12,629	11,041	4,481	15,408	2,885	9,452	8,631	11,192	7,859	83,578	14,004	8,960	106,542
Telephone	1,045	1,940	2,093	823	1,144	2,181	1,920	1,984	1,654	14,784	3,622	12,262	30,668
Credit card expenses	31,902	48,451	34,793	28,155	-	46,207	54,171	40,904	53,496	338,079	-	-	338,079
Insurance - general	9,090	6,875	4,070	9,211	3,262	11,336	8,482	6,927	8,319	67,572	9,431	12,900	89,903
Supplies	13,643	22,138	8,149	9,020	1,619	18,693	15,451	11,972	14,590	115,275	1,983	5,047	122,305
Travel expense	322	457	1,078	269	237	172	1	893	583	4,012	227	14,809	19,048
Temporary help	-	-	-	-	-	-	-	-	-	-	72,603	11,045	83,648
Maintenance agreements	4,236	6,180	4,285	4,627	5,019	6,662	4,721	5,715	7,762	49,207	7,596	21,435	78,238
Building maintenance	15,729	13,458	3,460	3,970	1,109	4,928	8,777	3,076	4,544	59,051	11,587	5,319	75,957
Postage	-	-	-	-	-	-	-	-	-	-	-	3,199	3,199
Professional services	-	-	-	-	-	-	-	-	-	-	-	129,421	129,421
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	4,335	4,335
Per diem - Board members	-	-	-	-	-	-	-	-	-	-	-	12,000	12,000
Yard maintenance	3,085	3,085	-	3,085	-	3,085	3,085	3,085	3,085	21,595	3,085	-	24,680
Security - alarm contracts	3,510	4,912	3,488	4,115	3,002	3,972	4,368	3,975	3,365	34,707	1,043	-	35,750
Vehicle expense	-	-	-	-	-	-	-	-	-	-	2,180	2,315	4,495
Gas and oil	-	-	-	-	-	-	-	-	-	-	5,103	2,099	7,202
Waste disposal	1,993	608	91	387	2,066	2,162	3,161	2,016	2,370	14,854	-	-	14,854
Advertising	-	-	-	-	-	-	-	-	-	-	-	3,749	3,749
Bottled water	336	473	260	264	-	425	756	288	342	3,144	492	-	3,636
Staff training and development	-	-	-	-	-	-	-	-	-	-	-	4,641	4,641
Minor equipment	699	883	317	200	435	933	184	-	525	4,176	232	2,666	7,074
	342,093	426,988	305,697	279,719	123,362	371,392	329,808	303,660	300,302	2,783,021	359,601	856,528	3,999,150
Depreciation	27,198	21,645	15,349	21,473	3,123	27,495	43,582	18,095	22,064	200,024	20,203	25,764	245,991
	<u>\$ 369,291</u>	<u>\$ 448,633</u>	<u>\$ 321,046</u>	<u>\$ 301,192</u>	<u>\$ 126,485</u>	<u>\$ 398,887</u>	<u>\$ 373,390</u>	<u>\$ 321,755</u>	<u>\$ 322,366</u>	<u>\$ 2,983,045</u>	<u>\$ 379,804</u>	<u>\$ 882,292</u>	<u>\$ 4,245,141</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)
SCHEDULE OF STORE, WAREHOUSE AND ADMINISTRATIVE EXPENSES
Year Ended June 30, 2014

	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	\$ 199,158	\$ 222,331	\$ 141,091	\$ 169,813	\$ 80,683	\$ 203,031	\$ 175,081	\$ 185,799	\$ 165,850	\$ 1,542,837	\$ 201,714	\$ 406,056	\$ 2,150,607
FICA taxes	15,881	17,662	11,569	14,353	6,817	16,343	14,764	15,244	13,735	126,368	16,750	31,500	174,618
Retirement fund	11,747	13,133	8,318	9,857	3,248	13,053	10,727	11,242	10,382	91,707	12,571	26,821	131,099
Life insurance	500	513	342	620	136	689	450	475	435	4,160	515	1,108	5,783
Hospital insurance	21,658	20,862	17,092	22,639	5,567	27,731	14,683	19,536	19,217	168,985	23,473	78,596	271,054
Disability insurance	1,670	1,709	1,141	1,536	453	2,298	1,497	1,581	1,452	13,337	1,709	3,698	18,744
Dental insurance	1,590	1,271	1,128	1,357	509	1,842	551	1,061	1,142	10,451	1,490	2,305	14,246
Rent	-	-	64,189	-	-	-	-	-	-	64,189	-	-	64,189
Store security	13,100	5,963	906	925	-	12,013	11,900	1,025	1,013	46,845	-	-	46,845
Utilities	12,711	10,936	3,930	14,999	2,843	9,892	8,649	11,532	8,037	83,529	15,565	8,714	107,808
Telephone	1,341	1,707	1,737	1,076	1,087	2,013	1,712	2,260	1,542	14,475	3,042	10,424	27,941
Credit card expenses	33,109	48,503	32,899	29,082	-	47,057	54,576	40,058	53,297	338,581	-	-	338,581
Insurance - general	8,202	6,413	3,928	7,734	2,878	11,015	8,144	6,717	7,581	62,612	8,750	11,564	82,926
Supplies	10,156	14,348	5,322	6,362	1,714	13,443	11,255	8,104	8,791	79,495	1,757	29,701	110,953
Travel expense	910	378	594	-	258	232	283	1,102	128	3,885	231	17,798	21,914
Temporary help	-	-	-	-	-	-	-	-	-	-	29,710	2,890	32,600
Maintenance agreements	7,129	8,048	7,260	7,459	6,224	8,043	8,943	7,436	7,693	68,235	6,682	15,508	90,425
Building maintenance	3,086	6,505	3,176	28,647	400	6,135	5,483	4,690	24,052	82,174	5,805	3,324	91,303
Postage	-	-	-	-	-	-	-	-	-	-	-	2,650	2,650
Professional services	-	-	-	-	-	-	-	-	-	-	-	132,661	132,661
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	3,650	3,650
Per diem - Board members	-	-	-	-	-	-	-	-	-	-	-	12,000	12,000
Yard maintenance	2,955	2,955	-	2,955	-	2,955	2,955	2,955	2,955	20,685	2,955	-	23,640
Security - alarm contracts	2,326	3,340	4,282	2,817	2,260	3,079	3,732	2,886	2,451	27,173	1,040	-	28,213
Vehicle expense	-	-	-	-	-	-	-	-	-	-	2,093	6,352	8,445
Gas and oil	-	-	-	-	-	-	-	-	-	-	6,221	1,170	7,391
Waste disposal	1,957	118	118	118	2,005	2,132	3,083	1,979	2,271	13,781	-	114	13,895
Advertising	-	-	-	-	-	-	-	-	-	-	-	5,953	5,953
Bottled water	281	439	274	232	-	370	715	343	306	2,960	457	-	3,417
Staff training and development	-	-	-	-	-	-	-	-	-	-	-	2,617	2,617
Minor equipment	421	827	534	105	-	1,426	674	110	443	4,540	601	3,242	8,383
Depreciation	349,888	387,961	309,830	322,686	117,082	384,792	339,857	326,135	332,773	2,871,004	343,131	820,416	4,034,551
	26,458	14,447	15,678	20,873	5,696	27,090	47,543	16,968	21,176	195,929	18,123	24,599	238,651
	<u>\$ 376,346</u>	<u>\$ 402,408</u>	<u>\$ 325,508</u>	<u>\$ 343,559</u>	<u>\$ 122,778</u>	<u>\$ 411,882</u>	<u>\$ 387,400</u>	<u>\$ 343,103</u>	<u>\$ 353,949</u>	<u>\$ 3,066,933</u>	<u>\$ 361,254</u>	<u>\$ 845,015</u>	<u>\$ 4,273,202</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)
RECONCILIATION OF BUDGET TO ACTUAL
Year Ended June 30, 2015

	2015 Original Budget	2015 Revised Budget	2015 Actual	Variance Positive (Negative)
REVENUES:				
OPERATING REVENUES				
Liquor sales	\$ 23,276,074	\$ 23,300,235	\$ 24,961,222	\$ 1,660,987
Mixed beverage sales	5,910,305	5,951,830	6,487,853	536,023
Wine sales	43,737	43,737	39,382	(4,355)
Other operating revenue	-	-	-	-
	29,230,116	29,295,802	31,488,457	2,192,655
NON-OPERATING REVENUES				
Interest	312	312	321	9
TOTAL REVENUES	29,230,428	29,296,114	31,488,778	2,192,664
EXPENDITURES:				
TAXES BASED ON REVENUE:				
State excise tax	6,275,071	6,275,071	6,759,483	(484,412)
Mixed beverage tax (Revenue)	520,107	520,107	522,411	(2,304)
Mixed beverage tax (Human Services)	53,193	53,193	52,241	952
Rehabilitation tax	110,908	110,908	92,013	18,895
Sales tax	3,280	3,280	2,748	532
	6,962,559	6,962,559	7,428,896	(466,337)
COST OF GOODS SOLD	15,372,234	15,372,234	16,256,886	(884,652)
TOTAL	22,334,793	22,334,793	23,685,782	(1,350,989)
OPERATING EXPENSES:				
Personnel expenses	3,101,712	3,101,712	2,680,340	421,372
Facilities expenses	333,288	365,288	351,497	13,791
Supplies and materials	146,196	146,196	136,218	9,978
Contract/professional services	310,000	290,000	262,908	27,092
Repairs and maintenance	118,020	118,020	89,937	28,083
Credit card fees	372,752	372,752	338,078	34,674

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
RECONCILIATION OF BUDGET TO ACTUAL
Year Ended June 30, 2015

	2015 Original Budget	2015 Revised Budget	2015 Actual	Variance Positive (Negative)
EXPENDITURES:				
OPERATING EXPENSES (Continued)				
Travel, training and development	\$ 54,500	\$ 54,500	\$ 23,688	\$ 30,812
Other operating expenses	116,320	116,320	109,987	6,333
Miscellaneous-contingency	60,000	28,000	-	28,000
TOTAL	4,612,788	4,592,788	3,992,653	600,135
Capital outlay	738,000	738,000	270,244	467,756
Debt service	144,300	144,300	144,300	-
TOTAL EXPENDITURES	27,829,881	27,809,881	28,092,979	(414,906)
DISTRIBUTIONS:				
Law enforcement	225,204	266,729	253,835	12,894
Alcohol education and rehabilitation	95,934	140,095	175,075	(34,980)
County	971,468	971,468	1,800,000	(828,532)
Municipal	107,941	107,941	200,000	(92,059)
TOTAL DISTRIBUTIONS	1,400,547	1,486,233	2,428,910	(942,677)
TOTAL EXPENDITURES & DISTRIBUTIONS	29,230,428	29,296,114	30,521,889	(1,357,583)
REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 966,889	\$ 966,889
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:				
RECONCILING ITEMS:				
Depreciation			\$ (278,248)	
Plus capital outlay			270,244	
Interest expense			(51,761)	
Debt service			144,300	
Miscellaneous income			469	
Pension			(6,881)	
TOTAL			78,123	
Change in net position			\$ 1,045,012	

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