



Financial Statements

for

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

Years Ended June 30, 2023 and 2022
with Report of Independent Auditors

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Report of Independent Auditors

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

Opinion

We have audited the financial statements of Durham County Alcoholic Beverage Control Board (the Board), a component unit of Durham County Government, which comprise the statements of net position as of June 30, 2023 and 2022, 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, which collectively comprise the Board's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

To the Board of Directors
Durham County Alcoholic Beverage Control Board
Report of Independent Auditors, continued

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 (Asset) 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The Schedules of Store, Warehouse and Administrative Expenses, Schedule of Distributions of Profits, and Reconciliation of Budget to Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information presented on pages 37 to 43 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dean Dotson Allen Ford, PLLC

Durham, North Carolina
September 14, 2023

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, 2023 and 2022. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Working capital increased approximately 108% over the prior year.
- Change in net position before profit distributions increased 13.84% over the prior year.
- Approximately 9.17% of profits before distributions were expended for law enforcement in the current year.
- Approximately 5.15% of profits before distributions were expended for alcohol education in the current year.
- Approximately 4.64% 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 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 noncurrent. 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.

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

The notes to the financial statements provide more detailed information and should be read in conjunction with the financial 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 Revenue and Store, Warehouse and Administrative Expenses, Schedule of Distributions of Profits, and a Reconciliation of Budget to Actual.**

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 \$22,522,011 in 2023, by \$19,083,281 in 2022, and by \$16,406,864 in 2021. The largest component of net position was the investment in capital assets. It was 64% of the total net position for 2023, 81% for 2022, and 75% for 2021. Following is a summary of the statement of net position as of June 30:

Table 1
Condensed Statement of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>\$ Change This Yr over Last Yr</u>	<u>% Change This Yr over Last Yr</u>
Current assets	\$ 15,297,022	\$ 11,760,580	\$ 10,965,274	\$ 3,536,442	30.07 %
Noncurrent assets	14,521,205	15,523,780	12,298,131	(1,002,575)	(6.46)%
Deferred outflows of resources	<u>1,242,541</u>	<u>875,655</u>	<u>627,613</u>	<u>366,886</u>	41.90 %
Total assets and deferred outflows of resources	\$ <u>31,060,768</u>	\$ <u>28,160,015</u>	\$ <u>23,891,018</u>	\$ <u>2,900,753</u>	10.30 %
Current Liabilities	\$ 4,600,809	\$ 5,340,988	\$ 4,925,381	\$ (740,179)	(13.86)%
Non-current Liabilities	3,921,148	3,045,428	2,528,988	875,720	28.76 %
Deferred inflows of resources	<u>16,800</u>	<u>690,318</u>	<u>29,785</u>	<u>(673,518)</u>	(97.57)%
Total liabilities and deferred inflows of resources	\$ <u>8,538,757</u>	\$ <u>9,076,734</u>	\$ <u>7,484,154</u>	\$ <u>(537,977)</u>	(5.93)%
Net position					
Net investment in capital assets	\$ 14,521,205	\$ 15,523,780	\$ 12,298,131	\$ (1,002,575)	(6.46)%
Restricted net position	1,835,092	1,654,728	1,458,333	180,364	10.90 %
Unrestricted net position	<u>6,165,714</u>	<u>1,904,773</u>	<u>2,650,400</u>	<u>4,260,941</u>	223.70 %
Total net position	\$ <u>22,522,011</u>	\$ <u>19,083,281</u>	\$ <u>16,406,864</u>	\$ <u>3,438,730</u>	18.02 %

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

For June 30, 2023, the increase in assets over the prior year was largely due to current year profitability and an increase in cash and inventory. The decrease in liabilities compared to the prior year was driven by a decrease in accounts payable and lease liabilities.

For June 30, 2022, the increase in assets over the prior year was due to current year profitability and additions to capital assets and leased assets. The increase in liabilities compared to the prior year was due to an increase in lease liabilities. There was also an increase in payables for inventory.

Net position as of June 30, 2023 increased by 18.02% from June 30, 2022 compared to a 16.31% increase between 2022 and 2021. Income from operations increased by 4.89% over the prior year and by 21.06% between 2022 and 2021. Following is a summary of the changes in net position for the years ended June 30:

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>\$ Change This Yr Over Last Yr</u>	<u>% Change This Yr Over Last Yr</u>
Gross sales	\$ 62,228,353	\$ 56,097,641	\$ 49,234,979	\$ 6,130,712	10.93 %
Less: taxes on gross sales	14,515,962	13,074,714	11,318,312	1,441,248	11.02 %
Net sales	47,712,391	43,022,927	37,916,667	4,689,464	10.90 %
Less: cost of sales	31,912,274	28,750,469	25,580,460	3,161,805	11.00 %
Gross profit	15,800,117	14,272,458	12,336,207	1,527,659	10.70 %
Less: operating expenses	8,533,129	7,344,030	6,613,193	1,189,099	16.19 %
Income from operations	7,266,988	6,928,428	5,723,014	338,560	4.89 %
Non-operating revenues (expenses), net	115,983	(443,144)	(133,294)	559,127	(126.17)%
Change in net position before distributions	7,382,971	6,485,284	5,589,720	897,687	13.84 %
Less: distributions	3,944,241	3,808,867	3,577,163	135,374	3.55 %
Change in net position	3,438,730	2,676,417	2,012,557	762,313	28.48 %
Net position - beginning	19,083,281	16,406,864	14,394,307	2,676,417	16.31 %
Net position - ending	\$ 22,522,011	\$ 19,083,281	\$ 16,406,864	\$ 3,438,730	18.02 %

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

For 2023, gross sales were up \$6,130,712 (+10.93%). This was the net result of an increase in retail sales and a significant increase in mixed beverage sales (sales to permit holders such as bars, restaurants, and hotels).

For 2022, gross sales were up \$6,862,662 (+13.94%). This was the net result of an increase in retail sales and a significant increase in mixed beverage sales (sales to permit holders such as bars, restaurants, and hotels).

Following is a breakdown of gross sales by source for the years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>\$ Change This Yr Over Last Yr</u>	<u>% Change This Yr Over Last Yr</u>
Retail liquor sales	\$ 49,526,060	\$ 45,821,634	\$ 44,100,274	\$ 3,704,426	8.08 %
Mixed beverage sales	<u>12,702,293</u>	<u>10,276,007</u>	<u>5,134,705</u>	<u>2,426,286</u>	23.61 %
Total gross sales	<u>\$ 62,228,353</u>	<u>\$ 56,097,641</u>	<u>\$ 49,234,979</u>	<u>\$ 6,130,712</u>	10.93 %

In 2023, both retail sales and mixed beverage had an increase compared to 2022.

Capital Assets

Investment in Capital Assets as of June 30, 2023, totals \$14,521,205 (net of accumulated depreciation).

Major Capital Asset Transactions during the year include the following:

- Completed construction on Store No. 10 on Highway 55 for a total cost of \$4,169,365
- Sold the old Store No. 10 location and disposed of land and building totaling \$1,088,981

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

Table 3
Capital Assets
(Net of Depreciation)

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>\$ Change</u> <u>This Yr over</u> <u>Last Yr</u>	<u>% Change</u> <u>This Yr over</u> <u>Last Yr</u>
Land	2,930,654	2,580,733	2,267,051	349,921	14 %
Work in progress	193,023	3,805,538	4,764,561	(3,612,515)	(95)%
Buildings and improvements	8,026,876	5,631,454	2,975,278	2,395,422	43 %
Vehicles	148,925	190,457	279,919	(41,532)	(22)%
Furnitures and equipment	1,148,559	916,662	546,282	231,897	25 %
Law enforcement	240,223	248,168	256,114	(7,945)	(3)%
Lease assets	1,832,945	2,150,768	1,208,926	(317,823)	(15)%
Total	<u>\$ 14,521,205</u>	<u>\$ 15,523,780</u>	<u>\$ 12,298,131</u>	<u>\$ (1,002,575)</u>	(6)%

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 Lou Sordel, 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, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,424,977	\$ 1,917,057
Investments	3,233,352	706,685
Inventories	9,187,161	8,800,648
Prepaid expenses	451,532	336,190
Total current assets	15,297,022	11,760,580
Noncurrent assets:		
Capital assets:		
Land	2,930,654	2,580,733
Work in progress	193,023	3,805,538
Depreciable capital assets, net	9,324,360	6,738,573
Law enforcement, net	240,223	248,168
Total capital assets, net	12,688,260	13,373,012
Leased assets:		
Amortizable leased assets, net	1,832,945	2,150,768
Total noncurrent assets	14,521,205	15,523,780
Total assets	\$ 29,818,227	\$ 27,284,360
Deferred Outflows of Resources		
Pension deferrals	\$ 1,201,662	\$ 836,558
OPEB deferrals	40,879	39,097
Total deferred outflows of resources	\$ 1,242,541	\$ 875,655

See accompanying notes.

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

Statements of Net Position, continued

June 30, 2023 and 2022

	2023	2022
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,434,083	\$ 2,281,344
Distributions payable	1,217,743	1,310,082
State taxes payable	1,210,667	1,071,763
Accrued expenses:		
Liabilities	134,881	126,795
Payroll and related costs	217,222	166,379
Sales tax payable	120,277	99,424
Current portion of lease liabilities	265,936	285,201
Total current liabilities	4,600,809	5,340,988
Noncurrent liabilities:		
Accrued vacation	140,977	101,602
Noncurrent portion of lease liabilities	1,656,622	1,922,559
Net pension liability	1,626,424	469,280
Total OPEB liability	497,125	551,987
Total noncurrent liabilities	3,921,148	3,045,428
Total liabilities	\$ 8,521,957	\$ 8,386,416
Deferred Inflows of Resources		
Pension deferrals	\$ 16,800	\$ 690,318
Net Position		
Net position:		
Net investment in capital assets	\$ 14,521,205	\$ 15,523,780
Restricted for working capital	1,835,092	1,654,728
Unrestricted	6,165,714	1,904,773
Total net position	\$ 22,522,011	\$ 19,083,281

See accompanying notes.

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, 2023 and 2022

	2023	2022
Gross sales:		
Liquor sales-regular	\$ 49,526,060	\$ 45,821,634
Mixed beverage sales	<u>12,702,293</u>	<u>10,276,007</u>
Total gross sales	62,228,353	56,097,641
Deduct taxes on gross sales:		
State excise tax (Note 8)	13,460,238	12,165,214
Mixed beverage tax (revenue) (Note 8)	840,459	711,913
Mixed beverage tax (human resources) (Note 8)	84,046	71,191
Rehabilitation tax (Note 8)	<u>131,219</u>	<u>126,396</u>
Total taxes on gross sales	<u>14,515,962</u>	<u>13,074,714</u>
Net sales	47,712,391	43,022,927
Deduct cost of sales:		
Cost of liquor sold	<u>31,912,274</u>	<u>28,750,469</u>
Gross profit on sales	15,800,117	14,272,458
Deduct operating expenses:		
Store expenses	4,738,008	4,324,496
Warehouse and delivery expenses	752,008	618,416
Administrative expenses	2,144,780	1,598,850
Depreciation and amortization expenses	<u>898,333</u>	<u>802,268</u>
Total operating expenses	<u>8,533,129</u>	<u>7,344,030</u>
Income from operations	7,266,988	6,928,428
Non-operating revenues and expenses:		
Interest income	55,009	1,230
Other income (expense)	<u>60,974</u>	<u>(444,374)</u>
Total non-operating revenues and expenses	<u>115,983</u>	<u>(443,144)</u>
Change in net position before distributions	\$ 7,382,971	\$ 6,485,284

See accompanying notes.

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

Statements of Revenues, Expenses, and Changes in Net Position, continued

Years Ended June 30, 2023 and 2022

	2023	2022
Deduct:		
Law enforcement	\$ 677,241	\$ 643,261
Alcohol education/rehabilitation	<u>380,000</u>	<u>387,828</u>
Total distributions	<u>1,057,241</u>	<u>1,031,089</u>
Change in net position before profit distributions	6,325,730	5,454,195
Profit distributions:		
City of Durham	287,000	277,778
County of Durham	<u>2,600,000</u>	<u>2,500,000</u>
Total profit distributions	2,887,000	2,777,778
Change in net position	3,438,730	2,676,417
Net position - beginning of year	<u>19,083,281</u>	<u>16,406,864</u>
Net position - end of year	<u>\$ 22,522,011</u>	<u>\$ 19,083,281</u>

See accompanying notes.

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

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from customers	\$ 62,228,353	\$ 56,097,641
Cash payments to suppliers for goods and services and taxes on sales	(36,213,655)	(34,486,154)
Cash payments to employees for services	(4,606,742)	(3,882,727)
Sales taxes paid	(14,356,205)	(12,938,510)
Net cash provided by operating activities	7,051,751	4,790,250
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	925,000	-
Acquisition of capital assets	(767,730)	(3,182,421)
Payments on lease liabilities	(285,202)	(298,982)
Net cash used by capital and related financing activities	(127,932)	(3,481,403)
Cash flows from non-capital financing activities:		
Law enforcement distributions	(677,241)	(643,261)
Alcohol education distributions	(380,000)	(387,828)
Profit distributions to primary government	(2,887,000)	(2,777,778)
Net cash used by non-capital financing activities	(3,944,241)	(3,808,867)
Cash flows from investing activities:		
Interest on investments	55,009	1,230
Investments (purchased) sold	(2,526,667)	2,498,770
Net cash provided by investing activities	(2,471,658)	2,500,000
Net increase (decrease) in cash and cash equivalents	507,920	(20)
Cash and cash equivalents, beginning of year	1,917,057	1,917,077
Cash and cash equivalents, end of year	\$ 2,424,977	\$ 1,917,057

See accompanying notes.

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

Statements of Cash Flows, continued

Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 7,266,988	\$ 6,928,428
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	906,279	810,214
Changes in assets and liabilities:		
Inventories	(386,513)	(3,097,920)
Prepaid expenses	(115,342)	(196,176)
Accounts payable	(847,261)	260,442
State taxes payable	138,904	109,220
Accrued liabilities	(84,253)	(16,188)
Accrued payroll and related costs	90,218	63,948
Accrued sales tax payable	20,853	26,984
Net pension liability	1,157,144	(474,104)
Total OPEB liability	(54,862)	(37,089)
Deferred outflows of resources for pensions	(365,104)	(248,663)
Deferred inflows of resources for pensions	(673,518)	660,533
Deferred outflows of resources for OPEB	(1,782)	621
Net cash provided by operating activities	\$ 7,051,751	\$ 4,790,250

Supplemental disclosure of noncash transactions:

Non-cash financing activities:

Additions to right-of-use assets obtained from financing lease liabilities	\$ -	\$ 1,299,269
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See accompanying notes.

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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 (the County), 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.

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.

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.

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.

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

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of net position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and other post-employment benefit expenses. Actual results may differ from those estimates.

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

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.

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

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities, and Net Position, continued

Deposits, continued

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, 2023 and 2022, the Board's deposits had a carrying amount of \$2,389,416 and \$1,888,513, respectively, and a bank balance of \$4,024,676 and \$2,723,467, respectively. Of the bank balance, \$385,201 was covered by federal depository insurance and \$3,639,475 was covered by collateral held under the Pooling Method.

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 (NCCMT), an SEC registered (2a-7) money market mutual fund.

The Board's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by either quoted market prices, significant other observable inputs or significant unobservable inputs. Non-participating interest earning contracts and the NCCMT, an SEC registered 2a-7 external investment pool, are measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued based at fair value as determined by significant other observable inputs. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

Cash and Cash Equivalents

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

Inventories

Inventories are value at the lower of cost or market.

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

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities, and Net Position, continued

Capital and Leased Assets

Capital and leased asset activity for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 2,580,733	\$ 708,788	\$ 358,867	\$ 2,930,654
Work in progress	<u>3,805,538</u>	<u>690,637</u>	<u>4,303,152</u>	<u>193,023</u>
Total capital assets not being depreciated	6,386,271	1,399,425	4,662,019	3,123,677
Capital assets being depreciated:				
Buildings and improvements	7,233,214	3,125,536	764,783	9,593,967
Furniture/equipment	2,186,310	488,534	187,728	2,487,116
Vehicles	348,896	-	-	348,896
Law enforcement	<u>348,857</u>	<u>-</u>	<u>-</u>	<u>348,857</u>
Total capital assets being depreciated	10,117,277	3,614,070	952,511	12,778,836
Less accumulated depreciation:				
Buildings	1,601,760	284,278	318,947	1,567,091
Furniture/Equipment	1,269,648	254,700	185,791	1,338,557
Vehicles	158,439	41,532	-	199,971
Law Enforcement	<u>100,689</u>	<u>7,945</u>	<u>-</u>	<u>108,634</u>
Total accumulated depreciation	<u>3,130,536</u>	<u>588,455</u>	<u>504,738</u>	<u>3,214,253</u>
Total capital assets, being depreciated, net	6,986,741	3,025,615	447,773	9,564,583
Leased Assets:				
Buildings	<u>2,635,031</u>	<u>-</u>	<u>43,058</u>	<u>2,591,973</u>
Total leased assets being amortized	2,635,031	-	43,058	2,591,973
Less accumulated amortization:				
Buildings	<u>484,263</u>	<u>317,823</u>	<u>43,058</u>	<u>759,028</u>
Total accumulated amortization	<u>484,263</u>	<u>317,823</u>	<u>43,058</u>	<u>759,028</u>
Total leased assets, being amortized, net	<u>2,150,768</u>	<u>(317,823)</u>	<u>-</u>	<u>1,832,945</u>
Capital and leased assets, net	<u>\$ 15,523,780</u>			<u>\$ 14,521,205</u>

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

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities, and Net Position, continued

When an asset is disposed of, the cost of the asset and the related accumulated depreciation or amortization are removed from the books. The gain or loss on the sale of capital assets is recorded in the year of disposition.

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 are reported at the lower of carry amount or fair value less cost to sell.

Leases

Lease assets represent the Board's right to use an underlying asset for the lease term and lease liabilities represent the Board's obligation to make lease payments arising from the lease, measured on a discounted basis. The Board determines if an arrangement is, or contains, a lease at inception of the agreement, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Board obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Board also considers whether its service arrangements include the right to control the use of an asset.

The Board has made an accounting policy election not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. Lease expense for such leases is recognized on a straight-line basis over the lease term. For all other leases, they are classified as finance leases.

Finance leases are included in leased assets, and financing lease liabilities (current and noncurrent) in the statements of net position. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

Finance lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date of the lease, and are reduced by any lease incentives.

Lease terms may include options to extend or terminate the lease. Where management concludes that it is reasonably certain that a renewal or termination option will be exercised, that renewal period or termination option is used to determine the lease term and the related payments that are reflected in the ROU asset and lease liability.

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

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities, and Net Position, continued

Some of the Board's leases include variable lease payments. Variable lease payments are only included in measuring ROU assets and lease liabilities if they depend on an index or a rate, or are in substance fixed payments. Variable payments that are not included in measuring the ROU assets are expensed when incurred. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Lease agreements with lease and non-lease components are generally accounted for separately based upon the standalone price of the separate lease and non-lease components at the commencement date of the lease. The Board has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for the Board's real estate leases. The non-lease components generally relate to the separate payments made to the lessor based on the lessor's property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance costs associated with the property. The non-lease components are variable in nature and are recorded in variable lease expense in the period incurred.

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.

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)].

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

Notes to the Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities, and Net Position, continued

Net Position, continued

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.

Reclassifications

Funds held with North Carolina Capital Management Trust have been reclassified as investments in the 2022 financial statements to conform with the 2023 financial statement presentation. This reclassification had no effect on the change in net position.

2. Pension Plan Obligations and Other Post-Employment Benefits

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 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, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Notes to the Financial Statements, continued

2. Pension Plan Obligations and Other Post-Employment Benefits, continued

Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached 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.

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, 2023, was 12.16% 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 \$371,457 and \$298,824 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

Notes to the Financial Statements, continued

2. Pension Plan Obligations and Other Post-Employment Benefits, continued

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, 2023, the Board reported a liability of \$1,626,424 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the Board's proportion was 0.02883%, which was an decrease of 0.00177% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Board recognized pension expense of \$489,979. At June 30, 2023, 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	\$ 70,081	\$ 6,871
Changes of Assumptions	162,281	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	537,550	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	60,293	9,929
Employer Contributions Subsequent to the Measurement Date	371,457	-
	\$ 1,201,662	\$ 16,800

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

Notes to the Financial Statements, continued

2. Pension Plan Obligations and Other Post-Employment Benefits, continued

Reported \$371,457 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2024	\$ 260,399
2025	235,686
2026	61,221
2027	<u>256,099</u>
	<u>\$ 813,405</u>

Actuarial Assumptions

The total pension liability in the December 31, 2020 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 8.1 percent, including inflation and productivity
Investment rate of return	7.0 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2020.

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.

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

Notes to the Financial Statements, continued

2. Pension Plan Obligations and Other Post-Employment Benefits, continued

Actuarial Assumptions, continued

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, 2023 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 6.50%. 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
(A Component Unit of Durham County Government)

Notes to the Financial Statements, continued

2. 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 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
ABC Board's proportionate share of the net pension liability	\$ 2,935,485	\$ 1,626,424	\$ 547,681

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued 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.

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

Notes to the Financial Statements, continued

2. Pension Plan Obligations and Other Post-Employment Benefits, continued

Other Post-Employment Benefits (OPEB)

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.

Total OPEB Liability

The Board's total OPEB liability of \$497,125 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions: The total OPEB liability in the June 30, 2022 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	3.25 to 8.41 percent
Law Enforcement Officers	3.25 to 7.90 percent
Discount Rate	3.54 percent
Healthcare Cost Trend Rates:	
Medicare	5.25 percent for 2022, decreasing to an ultimate rate of 4.5 percent by 2025

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.

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

Notes to the Financial Statements, continued

2. Pension Plan Obligations and Other Post-Employment Benefits, continued

Other Post-Employment Benefits (OPEB), continued

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	\$ 551,987
Changes for the year:	
Interest on total OPEB liability and cash flows	11,503
Difference between expected and actual experience	29,669
Changes in assumptions or other inputs	(56,937)
Net benefit payments	(39,097)
Net changes	(54,862)
Balance at June 30, 2023	\$ 497,125

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

Mortality rates were based on the RP-2010 Total Data Set for Healthy Annuitants Mortality Table, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a review of recent plan experience performed concurrently with the June 30, 2022.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current discount rate:

	Current		
	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 2,935,485	\$ 1,626,424	\$ 547,681

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

Notes to the Financial Statements, continued

2. Pension Plan Obligations and Other Post-Employment Benefits, continued

Other Post-Employment Benefits (OPEB), continued

Changes in Total OPEB Liability, continued

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

	Current		
	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	\$ 2,935,485	\$ 1,626,424	\$ 547,681

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Board recognized OPEB income of \$56,644. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Benefit Payments & Administrative Costs Made Subsequent to the Measurement Date	40,879	-
	\$ 40,879	\$ -

3. 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.

4. Leases

The Board has entered into lease agreements for buildings for three store locations with terms ranging from 36 months to 120 months, and interest rates ranging from 2.15% to 2.85%. The Board's finance leases do not contain material restrictive covenants or residual value guarantees. The total of the Board's lease assets is recorded at a cost of \$2,635,031, less accumulated amortization of \$759,028.

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

Notes to the Financial Statements, continued

4. Leases, continued

Some leases include one or more options to renew, generally at the Board's sole discretion, with renewal terms that can extend the lease term. In addition, certain leases contain termination options, where the rights to terminate are held by either the Board, the lessor, or both parties.

The components of lease expense for the years ended June 30, 2023 and 2022, were as follows:

	2023	2022
Finance lease cost:		
Amortization of ROU assets	\$ 317,823	\$ 322,223
Interest on lease liabilities	55,987	79,058
Total finance lease cost	\$ 373,810	\$ 401,281

The weighted average remaining lease term for the finance leases as of June 30, 2023 and 2022 was 7.41 and 8.17 years, respectively.

The weighted average discount rate as of June 30, 2023 and 2022 was 2.71% and 2.69%, respectively.

Maturities of lease liabilities as of June 30, 2023 were as follows:

	Leases		
	Principal	Interest	Total
2024	\$ 265,936	\$ 48,686	\$ 314,622
2025	216,802	42,463	259,265
2026	225,168	36,484	261,652
2027	248,146	30,090	278,236
2028	257,460	23,236	280,696
Thereafter	709,046	27,305	736,351
	\$ 1,922,558	\$ 208,264	\$ 2,130,822

5. 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, 2023 and 2022 amounted to \$140,977 and \$101,602, 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
(A Component Unit of Durham County Government)

Notes to the Financial Statements, continued

6. 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 ended June 30 as follows:

Store Location	2023	2022
90% County of Durham	\$ 2,600,000	\$ 2,500,000
10% City of Durham	\$ 287,000	\$ 277,778

7. 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).

	2023	2022
Change in net position before distributions	\$ 7,382,971	\$ 6,485,284
Less: 3.5% tax and bottle charge	<u>1,702,009</u>	<u>1,545,777</u>
Profit subject to expense percentages	<u>\$ 5,680,962</u>	<u>\$ 4,939,507</u>
Law enforcement expenditures	\$ <u>677,241</u>	\$ <u>643,261</u>
Percentage of profit	11.92 %	13.02 %
Provision for alcohol education and rehabilitation	\$ <u>380,000</u>	\$ <u>387,828</u>
Percentage of profit	6.69 %	7.85 %

8. 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:

	2023	2022
Taxes payable beginning of year,	\$ 988,799	\$ 892,138
Taxes collected during the year	13,460,238	12,165,214
Taxes remitted to Department of Revenue	<u>(13,329,958)</u>	<u>(12,068,553)</u>
Taxes payable end of year	<u>\$ 1,119,079</u>	<u>\$ 988,799</u>

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

Notes to the Financial Statements, continued

8. Disbursement of Taxes Included in Selling Price, continued

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.

For the year ended June 30, 2023, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	2,017,803 at 5 cents = \$	100,890
Mixed beverage bottles	430,921 at 5 cents =	21,546
Miniature bottles	878,315 at 1 cent =	<u>8,783</u>
Total payment for the year		<u>\$ 131,219</u>

For the fiscal year ended June 30, 2022, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	1,987,370 at 5 cents = \$	99,368
Mixed beverage bottles	362,517 at 5 cents =	18,126
Miniature bottles	890,169 at 1 cent =	<u>8,902</u>
Total payment for the year		<u>\$ 126,396</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 NC Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the NC Department of Health and Human Services.

The mixed beverage tax for the year's ending June 30:

	<u>2023</u>	<u>2022</u>
Department of Revenue (50%)	\$ 840,459	\$ 711,913
Department of Health and Human Services (5%)	84,046	71,191
Profit retained and remitted to local government (45%)	<u>756,413</u>	<u>640,722</u>
	<u>\$ 1,680,918</u>	<u>\$ 1,423,826</u>

9. Surcharge Collected

The total amount of surcharge collected for the years June 30, 2023 and 2022 was \$300,987 and \$285,617, respectively. The bailment surcharge rate is \$1.15 per case.

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

Notes to the Financial Statements, continued

10. Liquor Sales Tax

The amount of sales tax collected by the Board and remitted to the Department of Revenue for the fiscal years June 30, 2023 and 2022 was \$3,440,003 and \$3,180,530, 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.

11. Retail Outlets

The ABC Board operated nine retail outlets with two of the locations offering mixed beverage.

Store #	Store Address	Gross Sales		Change in Net Position	
		Year Ended June 30,		Year Ended June 30,	
		2023	2022	2023	2022
1	1928 Holloway St.	\$ 5,429,567	\$ 4,682,507	\$ 877,268	\$ 720,765
3	2806 Hillsborough Rd.	5,668,927	5,792,824	911,170	999,538
4	2121 T.W. Alexander Dr.	5,292,637	4,958,652	723,686	676,630
5	115 Sherron Rd.	3,551,391	3,312,092	370,193	353,143
8	5122 N. Roxboro Rd.	4,941,135	4,856,947	563,831	617,874
10	5608 Highway 55	9,445,264	5,397,496	1,712,584	886,613
11	3620 Chapel Hill Blvd	16,201,503	16,071,545	3,419,243	3,339,840
12	1515 N. Point Dr.	5,765,237	5,185,725	740,110	635,219
14	4717 Hope Valley Rd.	5,932,692	5,839,853	942,054	1,040,769
		<u>\$ 62,228,353</u>	<u>\$ 56,097,641</u>	<u>\$ 10,260,139</u>	<u>\$ 9,270,391</u>

12. 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	\$ 1,835,092
Maximum amount	\$ 11,928,098
Actual amount	\$ 8,447,082

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

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

Notes to the Financial Statements, continued

13. 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 and 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

14. Contingencies and Commitments

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, 2025 with the Board agreeing to pay \$90,097 per quarter.

15. Subsequent Events

Management has evaluated subsequent events through September 14, 2023, the date on which the financial statements were available to be issued. The Board believes there have been no significant subsequent events.

Supplementary Information

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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
ABC Board's proportion of the net pension liability (asset) (%)	0.0288 %	0.0306 %	0.0264 %	0.0297 %	0.0328 %	0.0303 %	0.0295 %	0.0317 %
ABC Board's proportion of the net pension liability	\$1,626,424	\$ 469,280	\$ 943,384	\$ 811,357	\$ 778,128	\$ 462,595	\$ 625,664	\$ 142,178
ABC Board's covered-employee payroll	\$2,608,382	\$2,410,876	\$2,153,404	\$2,299,853	\$2,253,249	\$2,164,634	\$1,919,632	\$1,863,329
ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	62.35 %	19.47 %	43.81 %	35.28 %	34.53 %	21.37 %	32.59 %	7.63 %
Plan fiduciary net position as a percentage of the total pension liability**	84.14 %	91.63 %	88.61 %	90.86 %	91.63 %	94.18 %	91.45 %	98.09 %

* 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.

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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 371,457	\$ 298,824	\$ 248,025	\$ 194,561	\$ 181,112	\$ 171,914	\$ 160,184	\$ 130,609
Contribution in relation to the contractually required contribution	<u>371,457</u>	<u>298,824</u>	<u>248,025</u>	<u>194,561</u>	<u>181,112</u>	<u>171,914</u>	<u>160,184</u>	<u>130,609</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
ABC Board's covered-employee payroll	\$ 3,050,620	\$ 2,608,382	\$ 2,410,876	\$ 2,153,404	\$ 2,299,853	\$ 2,253,249	\$ 2,164,634	\$ 1,919,632
Contributions as a percentage of covered-employee payroll	12.18 %	11.46 %	10.29 %	9.04 %	7.87 %	7.63 %	7.40 %	6.80 %

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, 2023 and 2022

	2023	2022
Interest on total OPEB liability and cash flows	\$ 11,503	\$ 12,582
Difference between expected and actual experience	29,669	173
Changes of assumptions or other inputs	(56,937)	(10,126)
Benefit payments	<u>(39,097)</u>	<u>(39,718)</u>
Net change in total OPEB liability	(54,862)	(37,089)
Total OPEB liability - beginning	<u>551,987</u>	<u>589,076</u>
Total OPEB liability - ending	<u>\$ 497,125</u>	<u>\$ 551,987</u>
Covered payroll	\$ 3,050,620	\$ 2,608,382
Total OPEB liability as a percentage of covered payroll	16.30 %	21.16 %

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:

Year	Rate
2023	3.54 %
2022	2.16 %

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, 2023

	Store 1	Store 3	Store 4	Store 5	Store 8	Store 9	Store 10
Gross sales:							
Liquor sales - regular	\$ 5,429,567	\$ 5,668,927	\$ 5,292,637	\$ 3,551,391	\$ 4,941,135	\$ -	\$ 6,967,191
Mixed beverage sales	-	-	-	-	-	8,690,515	2,478,073
Total gross sales	<u>5,429,567</u>	<u>5,668,927</u>	<u>5,292,637</u>	<u>3,551,391</u>	<u>4,941,135</u>	<u>8,690,515</u>	<u>9,445,264</u>
Deduct taxes on gross sales:							
State excise tax	1,199,939	1,252,034	1,169,600	784,230	1,091,341	1,929,828	1,924,866
Mixed beverage tax (revenue)	-	-	-	-	-	582,706	156,139
Mixed beverage tax (human resources)	-	-	-	-	-	58,271	15,614
Rehabilitation tax	11,444	11,950	11,152	7,484	10,409	18,633	19,658
Total taxes on gross sales	<u>1,211,383</u>	<u>1,263,984</u>	<u>1,180,752</u>	<u>791,714</u>	<u>1,101,750</u>	<u>2,589,438</u>	<u>2,116,277</u>
Net sales	4,218,184	4,404,943	4,111,885	2,759,677	3,839,385	6,101,077	7,328,987
Cost of sales	<u>2,845,900</u>	<u>2,986,993</u>	<u>2,789,505</u>	<u>1,903,553</u>	<u>2,609,617</u>	<u>3,919,824</u>	<u>4,837,777</u>
Gross profit on sales	1,372,284	1,417,950	1,322,380	856,124	1,229,768	2,181,253	2,491,210
Operating expenses:							
Salaries and wages	198,569	198,894	200,770	186,586	182,401	(7,060)	298,175
FICA taxes	14,748	14,455	14,561	14,312	13,026	-	22,544
Pension expense	27,416	28,106	28,080	26,686	26,086	-	41,915
401(K) expense	4,592	4,358	5,684	6,603	5,381	-	6,355
Life insurance	661	650	734	651	664	-	891
Hospital insurance	31,798	27,152	27,091	22,770	34,148	63	30,699
Disability insurance	2,109	1,943	2,198	2,098	2,170	-	2,667
Dental insurance	1,835	3,095	3,195	1,369	2,382	-	3,833
Vision insurance	202	372	372	153	305	-	357
Utilities	18,670	13,319	12,744	15,552	19,820	1,171	29,004
Telephone	830	830	830	830	830	1,875	1,251
Credit card expenses	58,002	92,172	85,435	49,615	68,681	55,657	121,882
Insurance - general	8,868	8,868	8,868	8,868	8,868	8,737	16,130
Supplies	22,742	25,311	21,558	16,754	21,222	(14,617)	33,025
Travel expense	82	71	111	-	109	80	-
Safe deposit	8,789	8,295	8,295	8,675	8,295	3,241	8,626
Temporary help	-	-	-	-	-	-	-
Maintenance agreements	16,550	16,550	43,106	16,550	73,806	16,252	18,487
Building maintenance	8,767	10,721	8,578	24,137	19,495	3,182	17,780
Postage	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-
Per diem - Board members	-	-	-	-	-	-	-
Yard maintenance	4,217	3,845	805	3,905	258	-	3,845
Security - alarm contracts	2,309	1,894	1,187	929	1,268	-	4,909
Vehicle expense	-	-	-	-	-	4,689	-
Gas and oil	-	-	-	-	-	1,792	371
Waste disposal	2,525	1,887	-	6,375	7,789	1,252	7,009
Advertising	-	-	-	-	-	-	-
Bottled water	483	408	640	478	378	-	130
Staff training and development	-	-	-	-	-	-	-
Minor equipment	977	1,756	1,552	419	1,548	471	6,812
Interest expense	-	-	2,212	-	21,312	-	-
Total operating expenses	<u>433,741</u>	<u>464,952</u>	<u>478,606</u>	<u>414,315</u>	<u>520,242</u>	<u>76,785</u>	<u>676,697</u>
Depreciation	61,275	41,828	36,338	71,616	41,550	26,320	101,929
Amortization	-	-	83,750	-	104,145	-	-
Total expenses	495,016	506,780	598,694	485,931	665,937	103,105	778,626
Income from operations	877,268	911,170	723,686	370,193	563,831	2,078,148	1,712,584
Non-operating revenues and expenses	-	-	-	-	-	-	-
Change in net position before profit distributions	<u>\$ 877,268</u>	<u>\$ 911,170</u>	<u>\$ 723,686</u>	<u>\$ 370,193</u>	<u>\$ 563,831</u>	<u>\$ 2,078,148</u>	<u>\$ 1,712,584</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Schedule of Revenue and Store, Warehouse, and Administrative Expenses, continued
Year Ended June 30, 2023

	Store 11	Store 12	Store 14	Subtotal	Warehouse	Administrative	Total
Gross sales:							
Liquor sales - regular	\$ 5,977,283	\$ 5,765,237	\$ 5,932,692	\$ 49,526,060	\$ -	\$ -	\$ 49,526,060
Mixed beverage sales	1,533,705	-	-	12,702,293	-	-	12,702,293
Total gross sales	<u>7,510,988</u>	<u>5,765,237</u>	<u>5,932,692</u>	<u>62,228,353</u>	<u>-</u>	<u>-</u>	<u>62,228,353</u>
Deduct taxes on gross sales:							
State excise tax	1,525,369	1,273,076	1,309,955	13,460,238	-	-	13,460,238
Mixed beverage tax (revenue)	101,614	-	-	840,459	-	-	840,459
Mixed beverage tax (human resources)	10,161	-	-	84,046	-	-	84,046
Rehabilitation tax	15,838	12,146	12,505	131,219	-	-	131,219
Total taxes on gross sales	<u>1,652,982</u>	<u>1,285,222</u>	<u>1,322,460</u>	<u>14,515,962</u>	<u>-</u>	<u>-</u>	<u>14,515,962</u>
Net sales	5,858,006	4,480,015	4,610,232	47,712,391	-	-	47,712,391
Cost of sales	<u>3,828,813</u>	<u>3,032,950</u>	<u>3,157,342</u>	<u>31,912,274</u>	<u>-</u>	<u>-</u>	<u>31,912,274</u>
Gross profit on sales	2,029,193	1,447,065	1,452,890	15,800,117	-	-	15,800,117
Operating expenses:							
Salaries and wages	305,331	214,021	228,823	2,004,510	463,218	1,486,316	3,954,044
FICA taxes	22,571	16,278	16,060	148,555	34,020	108,899	291,474
Pension expense	42,354	30,187	29,893	280,723	63,841	88,773	433,337
401(K) expense	6,922	3,054	3,578	46,527	11,690	19,594	77,811
Life insurance	1,174	794	662	6,881	1,781	2,203	10,865
Hospital insurance	44,372	31,725	24,206	274,024	54,025	96,015	424,064
Disability insurance	3,505	2,373	1,987	21,050	5,287	6,605	32,942
Dental insurance	2,250	1,955	1,902	21,816	4,280	6,672	32,768
Vision insurance	381	290	197	2,629	465	730	3,824
Utilities	18,590	17,303	10,591	156,764	20,470	16,788	194,022
Telephone	827	870	960	9,933	3,162	5,411	18,506
Credit card expenses	101,975	84,950	99,413	817,782	-	-	817,782
Insurance - general	8,868	8,868	8,868	95,811	22,043	6,527	124,381
Supplies	26,244	22,825	26,034	201,098	8,480	18,765	228,343
Travel expense	-	130	-	583	-	27,770	28,353
Safe deposit	4,723	8,295	8,295	75,529	-	-	75,529
Temporary help	-	-	-	-	841	-	841
Maintenance agreements	17,943	53,532	16,549	289,325	16,569	28,727	334,621
Building maintenance	12,183	8,983	(617)	113,209	10,386	17,394	140,989
Postage	-	-	-	-	-	3,999	3,999
Professional services	-	-	-	-	-	151,528	151,528
Dues and subscriptions	-	-	-	-	-	1,580	1,580
Per diem - Board members	-	-	-	-	-	16,800	16,800
Yard maintenance	3,845	258	3,845	24,823	3,845	375	29,043
Security - alarm contracts	2,449	1,585	1,759	18,289	1,964	1,460	21,713
Vehicle expense	-	-	-	4,689	12,628	7,966	25,283
Gas and oil	-	-	-	2,163	10,152	8,790	21,105
Waste disposal	9,126	3,494	3,352	42,809	1,169	131	44,109
Advertising	-	-	-	-	-	920	920
Bottled water	455	375	433	3,780	455	480	4,715
Staff training and development	-	-	-	-	-	12,414	12,414
Minor equipment	1,653	2,007	1,524	18,719	1,237	1,148	21,104
Interest expense	-	32,463	-	55,987	-	-	55,987
Total operating expenses	<u>637,741</u>	<u>546,615</u>	<u>488,314</u>	<u>4,738,008</u>	<u>752,008</u>	<u>2,144,780</u>	<u>7,634,796</u>
Depreciation	50,357	30,413	22,522	484,148	51,476	44,887	580,511
Amortization	-	129,927	-	317,822	-	-	317,822
Total expenses	<u>688,098</u>	<u>706,955</u>	<u>510,836</u>	<u>5,539,978</u>	<u>803,484</u>	<u>2,189,667</u>	<u>8,533,129</u>
Income from operations	1,341,095	740,110	942,054	10,260,139	(803,484)	(2,189,667)	7,266,988
Non-operating revenues and expenses	-	-	-	-	-	115,983	115,983
Change in net position before profit distributions	<u>\$ 1,341,095</u>	<u>\$ 740,110</u>	<u>\$ 942,054</u>	<u>\$ 10,260,139</u>	<u>\$ (803,484)</u>	<u>\$ (2,073,684)</u>	<u>\$ 7,382,971</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, 2022

	<u>Store 1</u>	<u>Store 3</u>	<u>Store 4</u>	<u>Store 5</u>	<u>Store 8</u>	<u>Store 9</u>	<u>Store 10</u>
Operating expenses:							
Salaries and wages	\$ 203,420	\$ 206,320	\$ 199,836	\$ 206,590	\$ 178,125	\$ 37,949	\$ 221,977
FICA taxes	15,526	15,030	14,833	14,897	12,824	2,647	16,064
Pension expense	14,494	13,715	14,512	14,471	13,074	-	14,888
401(K) expense	3,185	4,459	4,708	4,411	4,167	-	3,848
Life insurance	560	728	656	693	643	-	737
Hospital insurance	25,692	31,393	30,869	27,841	19,369	104	19,996
Disability insurance	1,709	1,410	1,718	1,541	1,331	-	1,766
Dental insurance	1,201	2,132	2,421	1,051	350	-	1,035
Vision insurance	223	244	329	137	185	-	244
Utilities	18,160	9,621	13,419	14,913	20,641	4,976	9,607
Telephone	772	772	772	772	772	913	772
Credit card expenses	47,728	91,567	75,514	43,316	65,666	51,207	81,486
Insurance - general	7,534	7,534	7,534	7,534	7,534	7,510	7,534
Supplies	23,269	25,825	21,979	15,537	23,292	18,010	25,612
Travel expense	175	-	811	-	149	237	25
Store security	-	545	-	-	140	-	-
Safe deposit	7,086	8,268	7,632	7,632	7,632	3,816	7,632
Temporary help	-	-	-	-	-	-	-
Maintenance agreements	16,662	14,188	39,458	14,237	56,735	15,479	14,188
Building maintenance	17,415	8,964	9,811	9,992	15,688	3,212	10,378
Postage	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-
Per diem - Board members	-	-	-	-	-	-	-
Yard maintenance	3,076	3,076	475	-	3,076	-	2,818
Security - alarm contracts	1,231	1,051	826	400	1,178	-	826
Vehicle expense	-	-	-	-	-	542	-
Gas and oil	-	-	-	-	-	175	-
Waste disposal	5,782	1,001	27	9,166	7,094	3,358	5,293
Advertising	-	-	-	-	-	-	-
Bottled water	669	638	598	625	697	-	678
Staff training and development	-	-	-	-	-	-	-
Minor equipment	850	2,633	2,482	452	3,769	2,455	4,347
Interest expense	95	-	5,262	-	30,996	-	-
Total operating expenses	416,514	451,114	456,482	396,208	475,127	152,590	451,751
Depreciation	49,498	37,547	32,756	67,399	33,691	20,551	26,181
Amortization	4,401	-	83,750	-	104,145	-	-
Total expenses	\$ 470,413	\$ 488,661	\$ 572,988	\$ 463,607	\$ 612,963	\$ 173,141	\$ 477,932

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Schedule of Store, Warehouse, and Administrative Expenses, continued
Year Ended June 30, 2022

	<u>Store 11</u>	<u>Store 12</u>	<u>Store 14</u>	<u>Subtotal</u>	<u>Warehouse</u>	<u>Administrative</u>	<u>Total</u>
Operating expenses:							
Salaries and wages	\$ 300,815	\$ 190,076	\$ 187,409	\$ 1,932,517	\$ 352,836	\$ 1,063,674	\$ 3,349,027
FICA taxes	22,669	14,030	14,404	142,924	25,996	79,802	248,722
Pension expense	21,112	13,291	13,543	133,100	24,781	42,241	200,122
401(K) expense	5,004	2,920	3,060	35,762	5,680	12,614	54,056
Life insurance	1,161	675	917	6,770	1,325	1,496	9,591
Hospital insurance	43,420	24,930	26,174	249,788	48,143	102,906	400,837
Disability insurance	2,364	1,399	1,891	15,129	2,675	4,314	22,118
Dental insurance	2,021	976	1,051	12,238	1,918	3,884	18,040
Vision insurance	327	186	156	2,031	310	674	3,015
Utilities	11,441	17,155	7,621	127,554	16,712	13,951	158,217
Telephone	772	772	818	7,907	3,347	6,406	17,660
Credit card expenses	87,108	74,309	94,275	712,176	-	-	712,176
Insurance - general	7,534	7,534	7,534	75,316	22,533	8,336	106,185
Supplies	26,490	22,931	25,789	228,734	9,489	17,231	255,454
Travel expense	269	-	33	1,699	-	7,680	9,379
Store security	1,870	-	-	2,555	-	-	2,555
Safe deposit	3,816	7,632	7,632	68,778	-	-	68,778
Temporary help	-	-	-	-	17,657	-	17,657
Maintenance agreements	14,188	53,623	14,187	252,945	14,182	29,987	297,114
Building maintenance	17,028	27,350	7,707	127,545	14,997	18,086	160,628
Postage	-	-	-	-	-	3,834	3,834
Professional services	-	-	-	-	-	143,042	143,042
Dues and subscriptions	-	-	-	-	-	7,622	7,622
Per diem - Board members	-	-	-	-	-	12,200	12,200
Yard maintenance	3,076	3,076	3,076	21,749	3,076	768	25,593
Security - alarm contracts	826	826	1,266	8,430	1,780	440	10,650
Vehicle expense	-	-	-	542	38,108	6,435	45,085
Gas and oil	-	-	-	175	9,146	4,499	13,820
Waste disposal	5,772	3,538	6,447	47,478	1,553	27	49,058
Advertising	-	-	-	-	-	298	298
Bottled water	452	462	557	5,376	452	423	6,251
Staff training and development	-	-	-	-	-	5,710	5,710
Minor equipment	2,244	2,710	4,278	26,220	1,720	270	28,210
Interest expense	-	42,705	-	79,058	-	-	79,058
Total operating expenses	581,779	513,106	429,825	4,324,496	618,416	1,598,850	6,541,762
Depreciation	46,697	19,384	21,644	355,348	65,180	59,517	480,045
Amortization	-	129,927	-	322,223	-	-	322,223
Total expenses	\$ 628,476	\$ 662,417	\$ 451,469	\$ 5,002,067	\$ 683,596	\$ 1,658,367	\$ 7,344,030

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

Schedule of Distributions of Profits

Year Ended June 30, 2023

<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	\$ <u>677,241</u>	7/1/22-6/30/23	Law Enforcement
Alcohol Education	Charless Hamilton Houston Foundation	\$ 50,000	7/1/22-6/30/23	Alcohol Education
	Community Health Coalition	17,500	7/1/22-6/30/23	Alcohol Education
	Durham Co. Criminal Justice Resource Center	42,500	7/1/22-6/30/23	Alcohol Education
	Durham Proud Programs	20,000	7/1/22-6/30/23	Alcohol Education
	Durham Business & Professional Chain	35,000	7/1/22-6/30/23	Alcohol Education
	Durham County Teen Court	25,000	7/1/22-6/30/23	Alcohol Education
	EI Future, Inc.	25,000	7/1/22-6/30/23	Alcohol Education
	LIFE Skills Foundation	20,000	7/1/22-6/30/23	Alcohol Education
	Pinnacle Community Development Corp./TRY EI Futuro	35,000	7/1/22-6/30/23	Alcohol Education
	Trosa (Triangle Residential Options for Substance Abusers)	25,000	7/1/22-6/30/23	Alcohol Education
	Jubilee Home	35,000	7/1/22-6/30/23	Alcohol Education
	Urban Ministries of Durham	35,000	7/1/22-6/30/23	Alcohol Education
	Purpose Learning Lab, Inc.	<u>15,000</u>	7/1/22-6/30/23	Alcohol Education
	Total	\$ <u>380,000</u>		
County and Municipality*	City of Durham	\$ 287,000	7/1/22-6/30/23	None
	Durham County	<u>2,600,000</u>	7/1/22-6/30/23	None
	Total	\$ <u>2,887,000</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

Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Gross sales:				
Liquor sales-regular	\$47,752,567	\$47,752,567	\$49,526,060	\$ 1,773,493
Mixed beverage sales	<u>12,247,433</u>	<u>12,247,433</u>	<u>12,702,293</u>	<u>454,860</u>
Total gross sales	60,000,000	60,000,000	62,228,353	2,228,353
Non-operating revenues:				
Interest income	500	500	55,009	54,509
Other income	<u>1,430,000</u>	<u>1,430,000</u>	<u>60,974</u>	<u>(1,369,026)</u>
Total revenues	61,430,500	61,430,500	62,344,336	913,836
Expenditures:				
Total taxes based on revenue:				
State excise tax	13,200,000	13,200,000	13,460,238	(260,238)
Mixed beverage tax (revenue)	348,000	348,000	840,459	(492,459)
Mixed beverage tax (human resources)	36,000	36,000	84,046	(48,046)
Rehabilitation tax	<u>150,000</u>	<u>150,000</u>	<u>131,219</u>	<u>18,781</u>
Total taxes based on revenue	13,734,000	13,734,000	14,515,962	(781,962)
Cost of goods sold	31,200,000	31,200,000	31,912,274	712,274
Operating expenses:				
Personnel expenses	5,220,777	5,220,777	5,261,129	(40,352)
Facilities expenses	735,178	735,178	504,369	230,809
Supplies and materials	391,363	391,363	258,161	133,202
Contract/professional services	271,103	271,103	152,369	118,734
Repairs and maintenance	395,450	395,450	381,009	14,441
Credit card fees	768,000	768,000	817,782	(49,782)
Travel, training, and development	129,415	129,415	40,767	88,648
Other operating expenses	114,078	114,078	219,210	(105,132)
Miscellaneous-contingency	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total operating expenses	8,150,364	8,150,364	7,634,796	515,568
Capital outlay	<u>2,230,600</u>	<u>2,230,600</u>	<u>767,730</u>	<u>1,462,870</u>
Total expenditures	<u>55,314,964</u>	<u>55,314,964</u>	<u>54,830,762</u>	<u>484,202</u>

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

Reconciliation of Budget to Actual, continued

Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
Distributions:				
Law enforcement	\$ 632,357	\$ 632,357	\$ 677,241	\$ (44,884)
Alcohol education/rehabilitation	380,000	380,000	380,000	-
County and municipal	<u>2,889,000</u>	<u>2,889,000</u>	<u>2,887,000</u>	<u>2,000</u>
 Total distributions	 <u>3,901,357</u>	 <u>3,901,357</u>	 <u>3,944,241</u>	 <u>(42,884)</u>
 Total expenditures and distributions	 <u>59,216,321</u>	 <u>59,216,321</u>	 <u>58,775,003</u>	 <u>441,318</u>
 Revenues over (under) expenditures	 2,214,179	 2,214,179	 3,569,333	 1,355,154
Other financing sources (uses):				
Working capital retained	<u>(2,214,179)</u>	<u>(2,214,179)</u>	<u>-</u>	<u>-</u>
 Revenues over expenditures and other financing users	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 3,569,333</u>	 <u>\$ 1,355,154</u>

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

Reconciling items:		
Depreciation and amortization		\$ (898,333)
Capital outlay		<u>767,730</u>
 Total		 <u>(130,603)</u>
 Change in net position		 <u>\$ 3,438,730</u>