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NEW HANOVER COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)

Financial Statements

June 30, 2020 and 2019

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NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)

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Finance Committee and Members of the Board of Directors
New Hanover County Alcoholic Beverage Control Board
Wilmington, North Carolina

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the New Hanover County Alcoholic Beverage Control Board, a component unit of New Hanover County, which comprise the Statements of Net Position as of June 30, 2020 and 2019, and the related Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Store Expenses, Warehouse and Delivery Expenses, Administrative Expenses, Reconciliation of Budget to Actual, Detailed Statements of Changes in Net Position, Schedule of Income by Store, Schedule of Profit Distributions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Koonce, Wooten & Haywood, LLP

Raleigh, North Carolina
September 3, 2020

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Management's Discussion and Analysis
(Unaudited)

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

Financial Highlights

- In 2020
 - Over 68% of profits were distributed to the Board's local government beneficiaries.
 - Change in net position before profit distributions increased 14.69% over the prior year.
- In 2019
 - Over 78% of profits were distributed to the Board's local government beneficiaries.
 - Change in net position before profit distributions decreased 8.17% over the prior year.

Overview of the Financial Statements

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

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Additional Information Required by the North Carolina ABC Commission*

The *Basic Financial Statements* are prepared using the full accrual basis of accounting. They consist of three statements. The first statement is the **Statement of Net Position**. Assets and liabilities are classified between current and long-term. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the **Statement of Revenues, Expenses, and Changes in Net Position**. This statement is used in evaluating whether the Board has recovered all of its costs through sales. Its information is used in determining credit worthiness.

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

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

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Management's Discussion and Analysis
(Unaudited)

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

Financial Analysis of New Hanover County ABC Board

Net Position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,168,508 in 2020, \$24,832,576 in 2019, and \$24,032,936 in 2018. The largest component of net position was net investment in capital assets. It was 77.14% of the total net position for 2020, 74.91% for 2019, and 75.57% for 2018. Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	June 30, 2018	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Current Assets	\$ 11,121,892	\$ 10,966,028	\$ 9,843,232	\$ 155,864	1.42%
Non-Current Assets	20,187,228	18,600,909	18,161,660	1,586,319	8.53%
Total Assets	\$ 31,309,120	\$ 29,566,937	\$ 28,004,892	\$ 1,742,183	5.89%
Deferred Outflows of Resources	\$ 774,554	\$ 837,930	\$ 571,536	\$ (63,376)	
Current Liabilities	\$ 3,484,890	\$ 3,374,809	\$ 2,689,961	\$ 110,081	3.26%
Non-Current Liabilities	2,267,120	2,054,249	1,736,577	212,871	10.36%
Total Liabilities	\$ 5,752,010	\$ 5,429,058	\$ 4,426,538	\$ 322,952	5.95%
Deferred Inflows of Resources	\$ 163,156	\$ 143,233	\$ 116,954	\$ 19,923	
Net Investment in Capital Assets	\$ 20,187,228	\$ 18,600,909	\$ 18,161,660	\$ 1,586,319	8.53%
Restricted Net Position	1,528,068	1,401,813	1,339,094	126,255	9.01%
Unrestricted Net Position	4,453,212	4,829,854	4,532,182	(376,642)	-7.80%
Total Net Position	\$ 26,168,508	\$ 24,832,576	\$ 24,032,936	\$ 1,335,932	5.38%

Note that current assets and current liabilities increased during the year. This was due to an increase in cash and inventory and an increase in accounts payable.

Net position as of June 30, 2020 increased by 5.38% from June 30, 2019 compared to a 3.33% increase between 2019 and 2018. Income from operations increased by 8.77% over the prior year and decreased by 2.43% between 2019 and 2018. Following is a summary of the changes in net position:

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Management's Discussion and Analysis
(Unaudited)

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

	June 30, 2020	June 30, 2019	June 30, 2018	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Operating Revenues	\$ 52,068,384	\$ 48,027,744	\$ 45,858,126	\$ 4,040,640	8.41%
Less: Taxes on Gross Sales	12,338,612	11,580,599	11,041,694	758,013	6.55%
Net Sales	39,729,772	36,447,145	34,816,432	3,282,627	
Cost of Sales	26,134,122	23,770,842	22,651,375	2,363,279	9.94%
Gross Profit	13,595,650	12,676,303	12,165,057	919,348	7.25%
Less: Operating Expenses	6,579,762	6,226,146	5,554,250	353,616	5.68%
Income from Operations	7,015,888	6,450,157	6,610,807	565,731	8.77%
Non-Operating Revenues and Expenses	50,814	156,029	148,635	(105,215)	-67.43%
Change in Net Position Before Distributions	7,066,702	6,606,186	6,759,442	460,517	6.97%
Deduct Distributions	2,880,770	2,956,545	2,784,959	(75,775)	-2.56%
Profit Distributions	2,850,000	2,850,001	2,500,000	(1)	0.00%
Change in Net Position	1,335,932	799,640	1,474,483	536,293	-67.07%
Net Position - Beginning	24,832,576	24,032,936	23,159,750	799,640	3.33%
Net Position - Beginning, Restated	-	-	22,558,453	-	
Net Position - Ending	\$ 26,168,508	\$ 24,832,576	\$ 24,032,936	\$ 1,335,932	5.38%

Gross sales were up \$4,040,640 and \$2,169,618 for the years ended June 30, 2020 and 2019, respectively. This was the net result of an increase in retail sales, offset by a decrease in mixed beverage sales (sales to permit holders such as bars, restaurants, and hotels), and an increase in wine sales.

Following is a breakdown of gross sales by source:

	June 30, 2020	June 30, 2019	June 30, 2018	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Retail Liquor Sales	\$ 40,086,714	\$ 33,453,634	\$ 32,343,470	\$ 6,633,080	19.83%
Mixed Beverage Sales	11,912,121	14,514,924	13,461,246	(2,602,803)	-17.93%
Retail Wine Sales	69,549	59,186	53,410	10,363	17.51%
Total Gross Sales	\$ 52,068,384	\$ 48,027,744	\$ 45,858,126	\$ 4,040,640	8.41%

In fiscal year 2020, the Board had increases in retail sales and decrease in mixed beverage sales, whereas, in fiscal 2019, increases in mixed beverage sales out-paced increases in retail sales.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Management's Discussion and Analysis
(Unaudited)

Capital Asset and Debt Administration

Capital Assets

Investment in capital assets as of June 30, 2020, totals \$20,187,228 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- Construction costs for Store 104 in Wrightsville Beach totaled \$2,005,128
- New shelving, signs and equipment at Store 104 totaling \$155,345
- Lights replaced in the warehouse totaling \$43,720

Table 3
Capital Assets
(net of depreciation)

	June 30, 2020	June 30, 2019	June 30, 2018	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Land and Construction In Progress	\$ 7,219,208	\$ 7,499,097	\$ 6,942,447	\$ (279,889)	-3.73%
Buildings and improvements	12,132,125	10,230,316	10,691,390	1,901,809	18.59%
Furniture and equipment	816,156	834,652	460,118	(18,496)	-2.22%
Vehicles	19,739	36,844	67,705	(17,105)	-46.43%
Total	<u>\$ 20,187,228</u>	<u>\$ 18,600,909</u>	<u>\$ 18,161,660</u>	<u>\$ 1,586,319</u>	8.53%

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

Debt Administration

The Board has incurred no long-term debt.

Economic Factors

The Board anticipates a small growth in sales due to the increase in population of the area, and upturn in tourism.

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

Requests for Information

This report is intended to provide a summary of the financial condition of the New Hanover County ABC Board. Questions or requests for additional information should be addressed to:

Kathy Clark
New Hanover County ABC Board
6009 Market Street
Wilmington, North Carolina 28405

BASIC FINANCIAL STATEMENTS

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and Cash Equivalents (Note 1)	\$ 5,704,260	\$ 5,768,084
Accounts Receivable	12,235	13,385
Inventories	5,333,596	5,130,672
Prepaid Expenses	71,801	53,887
Total Current Assets	11,121,892	10,966,028
Noncurrent Assets:		
Capital Assets:		
Land and Construction in Progress (Note 1)	7,219,208	7,499,097
Depreciable Capital Assets, net (Note 1)	12,968,020	11,101,812
Total Noncurrent Assets	20,187,228	18,600,909
Total Assets	\$ 31,309,120	\$ 29,566,937
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	\$ 466,378	\$ 571,309
Contributions to Pension Plan in Current Fiscal Year	272,966	236,046
OPEB Deferrals	35,210	30,575
Total Deferred Outflows of Resources	\$ 774,554	\$ 837,930
LIABILITIES		
Current liabilities:		
Accounts Payable	\$ 1,805,151	\$ 1,848,492
Distributions Payable	205,583	216,983
State Taxes Payable	1,147,118	1,034,474
Accrued Expenses:		
Liabilities	33,014	22,423
Payroll and Related Costs	153,515	181,194
Sales Tax Payable	140,509	71,243
Total Current Liabilities	3,484,890	3,374,809
Non-Current Liabilities:		
Total OPEB Liability	1,075,073	1,083,961
Net Pension Liability	1,192,047	970,288
Total Non-Current Liabilities	2,267,120	2,054,249
Total Liabilities	\$ 5,752,010	\$ 5,429,058
DEFERRED INFLOWS OF RESOURCES		
Pension Deferrals	\$ 1,792	\$ 8,461
OPEB Deferrals	161,364	134,772
Total Deferred Inflows of Resources	\$ 163,156	\$ 143,233
NET POSITION:		
Net Investment in Capital Assets	\$ 20,187,228	\$ 18,600,909
Restricted for:		
Working Capital (Note 12)	1,528,068	1,401,813
Unrestricted	4,453,212	4,829,854
Total Net Position	\$ 26,168,508	\$ 24,832,576

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

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

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE:		
Liquor Sales - Regular	\$ 40,086,714	\$ 33,453,634
Mixed Beverage Sales	11,912,121	14,514,924
Wine Sales	69,549	59,186
Total Gross Sales	<u>52,068,384</u>	<u>48,027,744</u>
DEDUCT TAXES ON GROSS SALES:		
State Excise Tax (Note 8)	11,113,609	10,105,871
Mixed Beverage Tax (Revenue) (Note 8)	992,351	1,225,647
Mixed Beverage Tax (Human Resources) (Note 8)	99,235	122,568
Rehabilitation Tax (Note 7)	128,867	122,641
Wine Sales Tax	4,550	3,872
Total Taxes on Gross Sales	<u>12,338,612</u>	<u>11,580,599</u>
NET SALES	39,729,772	36,447,145
DEDUCT COST OF SALES:		
Cost of Sales	<u>26,134,122</u>	<u>23,770,842</u>
GROSS PROFIT ON SALES	<u>13,595,650</u>	<u>12,676,303</u>
DEDUCT OPERATING EXPENSES:		
Store Expenses	4,078,395	4,047,676
Warehouse and Delivery Expenses	552,465	467,029
Administrative Expenses	1,264,999	1,085,544
Depreciation Expenses	683,903	625,897
Total Operating Expenses	<u>6,579,762</u>	<u>6,226,146</u>
INCOME FROM OPERATIONS	<u>7,015,888</u>	<u>6,450,157</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	49,101	43,496
Gain (Loss) on Disposal of Asset	(2,856)	(39,890)
Other Income	4,569	152,423
Total Non-Operating Revenues (Expenses)	<u>50,814</u>	<u>156,029</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	<u>7,066,702</u>	<u>6,606,186</u>
DEDUCT DISTRIBUTIONS:		
Local 3.5% Tax (Note 7)	1,296,589	1,179,021
Local \$.05 Bottle Charge (Note 8)	128,867	122,641
Local Mixed Beverage Surcharge (Note 8)	893,114	1,103,079
Law Enforcement (Note 7)	562,200	551,804
Total Distributions	<u>2,880,770</u>	<u>2,956,545</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS (Forward)	<u>4,185,932</u>	<u>3,649,641</u>

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

	<u>2020</u>	<u>2019</u>
CHANGE IN NET POSITION		
BEFORE PROFIT DISTRIBUTIONS (Forwarded)	\$ 4,185,932	\$ 3,649,641
PROFIT DISTRIBUTIONS:		
County (Note 6)	1,452,590	1,326,445
City or Municipality (Note 6)	1,397,410	1,523,556
Total Profit Distributions	<u>2,850,000</u>	<u>2,850,001</u>
CHANGE IN NET POSITION	1,335,932	799,640
NET POSITION - Beginning of year	<u>24,832,576</u>	<u>24,032,936</u>
NET POSITION - End of year	<u>\$ 26,168,508</u>	<u>\$ 24,832,576</u>

The accompanying notes are an integral part of the financial statements

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 52,069,534	\$ 48,029,214
Payments for Inventory Costs	(28,794,698)	(25,372,336)
Payments for Operating Expenses	(3,220,380)	(3,192,596)
Taxes Paid to Government Agencies	(12,156,704)	(11,598,204)
Other Operating Receipts	4,569	152,423
Net Cash Provided by Operating Activities	<u>7,902,321</u>	<u>8,018,501</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	<u>(2,273,078)</u>	<u>(1,105,036)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,273,078)</u>	<u>(1,105,036)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Law Enforcement Distributions	(562,200)	(551,804)
Local Tax and Surcharge	(2,329,968)	(2,407,674)
Profit Distributions - Primary Government	(1,452,590)	(1,326,445)
Profit Distributions - Other	(1,397,410)	(1,523,556)
Net Cash Used by Non-Capital Financing Activities	<u>(5,742,168)</u>	<u>(5,809,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	<u>49,101</u>	<u>43,496</u>
Net Cash Provided by Investing Activities	<u>49,101</u>	<u>43,496</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(63,824)	1,147,482
CASH AND CASH EQUIVALENTS - Beginning of year	<u>5,768,084</u>	<u>4,620,602</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 5,704,260</u>	<u>\$ 5,768,084</u>

(Continued)

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from Operations	\$ 7,015,888	\$ 6,450,157
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	683,903	625,897
Other Income	4,569	152,423
Changes in Assets and Liabilities:		
Accounts Receivable	1,150	1,470
Inventories	(202,924)	(237,606)
Prepaid Expenses	(17,914)	260,822
Deferred Outflows of Resources for Pensions	68,011	(264,898)
Deferred Outflows of Resources for OPEB	(4,635)	(1,496)
Accounts Payable	(43,341)	691,490
State Taxes Payable	112,644	(7,012)
Accrued Liabilities	10,591	1,460
Payroll and Related Costs	(27,681)	12,438
Sales Taxes Payable	69,266	(10,595)
Total OPEB Liability	(8,888)	(14,639)
Net Pension Liability	221,759	332,311
Deferred Inflows of Resources for Pensions	(6,669)	(14,026)
Deferred Inflows of Resources for OPEB	26,592	40,305
	\$ 7,902,321	\$ 8,018,501
Net Cash Provided by Operating Activities	\$ 7,902,321	\$ 8,018,501

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

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

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

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

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

Organizational History:

The Board was organized in 1935. The Board's governing body comprises five individuals, serving staggered 3-year terms, who are appointed by the New Hanover County Commissioners as terms expire.

The Board, as provided by North Carolina Alcoholic Beverage Control laws, operates eight retail liquor stores, one of which also is a combination retail/mixed beverage store and two mixed beverage locations, and, by contract with the New Hanover County Sheriff, 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, but the Board is exempt from the law requiring an expenditure of at least 7% of total 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.

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.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions:

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and 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 Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2020 and 2019, the Board's deposits had a carrying amount of \$5,668,460 and \$5,737,384, respectively, and a bank balance of \$5,860,566 and \$5,782,999, respectively. All of the bank balance was either covered by federal depository insurance or collateralized under the Pooling Method described above.

Cash and Cash Equivalents:

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

Inventories:

Inventories are valued at current replacement cost which approximates the lower of cost (FIFO) or net realizable value.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies (Concluded)

Capital Assets:

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

	Balance 06/30/2019	Increases	Decreases	Balance 6/30/2020
Capital assets not being depreciated				
Land	\$ 6,230,430	\$ 330,483	\$ -	\$ 6,560,913
Construction in Progress	1,268,667	-	610,372	658,295
Total capital assets not being depreciated	<u>7,499,097</u>	<u>330,483</u>	<u>610,372</u>	<u>7,219,208</u>
Capital assets being depreciated				
Buildings and Improvements	15,175,844	2,713,119	886,688	17,002,275
Furniture/Equipment	1,532,116	170,331	90,989	1,611,458
Vehicles	261,050	-	-	261,050
Total capital assets being depreciated	<u>16,969,010</u>	<u>2,883,450</u>	<u>977,677</u>	<u>18,874,783</u>
Less accumulated depreciation				
Buildings and Improvements	4,945,528	481,933	557,311	4,870,150
Furniture/Equipment	697,464	184,864	87,026	795,302
Vehicles	224,206	17,105	-	241,311
Total Accumulated Depreciation	<u>5,867,198</u>	<u>683,902</u>	<u>644,337</u>	<u>5,906,763</u>
Total capital assets being depreciated, net	<u>11,101,812</u>	<u>683,902</u>	<u>644,337</u>	<u>12,968,020</u>
Capital Assets-net	<u>\$ 18,600,909</u>			<u>\$ 20,187,228</u>

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

Long-Lived Assets:

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

Net Position:

Net Position consists of the following:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation.

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

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies (Concluded)

Restricted for working capital – North Carolina Alcoholic Beverage Control Commission Rule [.0902] defines working capital as the total of cash, investments and inventory less all unsecured liabilities. An ABC Board shall set its working capital requirements at not less than two weeks' average gross sales of the last fiscal year (legally required minimum) or greater than: (1) four months of the last fiscal year for boards with gross sales less than \$1,500,000; (2) three months of the latest fiscal year for boards with gross sales greater than or equal to \$1,500,000 and less than \$50,000,000; and (3) two months of the latest fiscal year for boards with gross sales equal to or greater than \$50,000,000. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by State law [G.S. 18B-805(b), (2), (3), and (4)].

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

Note 2. Pension Plan Obligations and Other Post-Employment Benefits

Local Government Employees' Retirement System

Plan Description:

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

Benefits Provided:

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

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 2. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

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, 2020, was 9.18% for general employees. Actuarially determined, this amount, 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 \$272,966 for the year ended June 30, 2020.

Refunds of Contributions:

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

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

At June 30, 2020, the Board reported a liability of \$1,192,047 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Board's proportion was 0.04365%, which was an increase of 0.00275% from its proportion measured as of June 30, 2019.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 2. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

For the year ended June 30, 2020, the Board recognized pension expense of \$283,101. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 204,109	\$ -
Changes of assumptions	194,284	-
Net difference between projected and actual earnings on pension plan investments	29,075	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,910	1,792
Board contributions subsequent to the measurement date	272,966	-
	<u>\$ 739,344</u>	<u>\$ 1,792</u>

\$272,966 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2020	\$ 225,914
2021	80,029
2022	120,499
2023	38,145
	<u>\$ 464,587</u>

Actuarial Assumptions:

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

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

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.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 2. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

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

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

<u>Asset Allocation</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	<u>100.0%</u>	

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

Discount Rate:

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

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 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 7.00 percent, as well as what the Board's proportionate share of what the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Sensitivity of the net pension liability (asset) to changes in the discount rate.	\$ 2,726,431	\$ 1,192,047	\$ (83,336)

Pension Plan Fiduciary Net Position:

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

Death Benefits:

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

Supplemental Retirement Plan

Plan Description:

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

The plan covers full-time employees who are also eligible to participate in the Local Governmental Employee's Retirement System. The Board's contribution is based on matching 100% of employee's contributions ranging from 1% to 5% of salary deferral elected by each eligible employee. The Board's contribution for the years ended June 30, 2020 and 2019 was \$77,451 and \$66,124, respectively.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 2. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB)

Plan Description:

The Board has adopted, by resolution, a single employer, defined benefit health insurance plan, whereas upon retirement of each employee who has been continuously employed by said Board for thirty or more years of service, or each employee who has been continuously employed by said Board for twenty-five years of service and reached age sixty, the Board shall pay and provide medical insurance coverage at no cost to said employee until such time as said employee is eligible for Medicare Benefits. Thereafter, the Board shall pay and provide to each qualifying employee, supplemental insurance to Medicare Benefits they are eligible to receive.

Membership of the Healthcare Benefits Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees
Retirees receiving benefits	8
Active plan members - current employees	54
	62

Total OPEB Liability:

The Board's total OPEB liability of \$1,075,073 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates:	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability:

Balance at July 1, 2019	\$ 1,083,961
Changes for the year:	
Service cost	38,205
Interest on total OPEB liability	41,475
Changes of benefit terms	-
Differences between expected and actual experience	(36,124)
Changes in assumptions or other inputs	(16,560)
Benefit payments	(35,884)
Net changes	(8,888)
Balance at June 30, 2020	\$ 1,075,073

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 2. Pension Plan Obligations and Other Post-Employment Benefits (Continued)

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

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

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

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 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	Current		
	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 1,275,756	\$ 1,075,073	\$ 917,229

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 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Current		
	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	\$ 904,278	\$ 1,075,073	\$ 1,297,868

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

For the year ended June 30, 2020, the Board recognized OPEB expense of \$48,200. At June 30, 2020, 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	\$ 79	\$ 32,069
Changes of assumptions	-	129,295
Benefit payments & administrative costs made subsequent to the measurement date	35,131	-
	\$ 35,210	\$ 161,364

\$35,131 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
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Note 2. Pension Plan Obligations and Other Post-Employment Benefits (Concluded)

Year Ending June 30	
2021	\$ (26,080)
2022	(26,080)
2023	(26,080)
2024	(26,080)
2025	(26,080)
Thereafter	(30,885)
	<u>\$ (161,285)</u>

Note 3. Commitments

The Board has two contracts with the New Hanover County Sheriff's Department to provide law enforcement services. At June 30, 2020, the commitment for both contracts to the Sheriff's Department totaled \$513,060.

The Board has a commitment remaining on a contract for support for their accounting system in the amount of \$75,737 at June 30, 2020.

Note 4. Lease Commitments

The Board leased a retail store under an operating lease for three months. Lease expense was \$29,000 for the year ended June 30, 2020.

The Board leases copiers at its administrative office. The lease commitment is as follows:

Year Ending June 30	
2021	\$ 3,000
2022	3,000
2023	2,750
	<u>\$ 8,750</u>

Note 5. Vacation and Sick Leave Compensation

Board employees may accumulate up to 120 hours earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2020 and 2019 amounted to \$81,767 and \$64,861, 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.

Note 6. Local Distributions of Income

North Carolina G.S. 18B-805 requires that the minimum distribution set aside in (c)(1) and any profit remaining after deducting amounts required for law enforcement and alcohol education and retaining proper working capital, be paid quarterly to the appointing authority.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 6. Local Distributions of Income (Continued)

Profits of the local retail stores are distributed to the local government units according to the location of each store as follows:

<u>Store Location</u>	<u>NH County</u>	<u>Wilmington</u>	<u>W. Beach</u>	<u>C. Beach</u>	<u>K. Beach</u>
Unincorporated area	100				
Wilmington	50	50			
Wrightsville Beach	25		75		
Carolina Beach	25			75	
Kure Beach	25				75

Profits derived from the mixed beverage outlets are distributed similarly but according to the relative sales in each location rather than the store's location. The local governmental unit's share of the mixed beverage tax is distributed separately but in the same manner.

The 3.5% local tax and the local \$.05 per bottle charge are distributed separately but in the same way as profits.

Note 7. Law Enforcement and Alcohol Education Expenses

The Board is required by law to expend at least 5% of its profits for law enforcement purposes. 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).

The Board contracts with New Hanover County whereby the local sheriffs' department will provide law enforcement on behalf of the Board. The contract requires annual payments of \$382,200. The Board also approved an additional distribution of \$180,000 for fiscal year 2020 to fund a downtown task force. The Board contracted via an Interlocal Agreement between the City of Wilmington and the Board for two police officers to assume the non-exclusive responsibility for ABC Law Enforcement, at a cost of \$1 per year.

Profit before distributions	\$ 7,066,702
Less: 3.5% tax and bottle charge	1,425,456
Profit subject to expense percentages	<u>\$ 5,641,246</u>
Law enforcement expenditures - Actual	<u>\$ 562,200</u>
Percentage of profit	9.97%

A bottle charge as provided for in G.S. 18B-804(b)(6) of one cent on each bottle containing 50 milliliters or less and five cents on each bottle containing more than 50 milliliters is collected and distributed monthly to the county commissioners for alcohol education and rehabilitation. For the fiscal year ended June 30, 2020, payments to the County were based on the following bottle sales:

Regular bottles	1,881,693 at 5 cents = \$ 94,085
Mixed beverage bottles	510,870 at 5 cents = 25,544
Miniature bottles	923,905 at 1 cent = <u>9,239</u>
Total payment for the year	<u>\$ 128,867</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 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:

Taxes payable July 1, 2019	\$	899,579
Taxes collected during the year		11,113,609
Taxes remitted to Department of Revenue		<u>(10,966,021)</u>
 Taxes payable June 30, 2020	 \$	 <u>1,047,167</u>

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

The accrued North Carolina excise tax at June 30, 2020, was remitted to the North Carolina Department of Revenue on July 1, 2020.

An additional bottle charge as provided for in G.S. 18B-804(b)(6b) of one cent on each bottle containing 50 milliliters or less and five cents on each bottle containing more than 50 milliliters is collected and distributed monthly for alcohol education and rehabilitation. For the fiscal year ended June 30, 2020, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	1,881,693 at 5 cents	=	\$	94,085
Mixed beverage bottles	510,870 at 5 cents	=		25,544
Miniature bottles	923,905 at 1 cent	=		<u>9,239</u>
 Total payment for the year			 \$	 <u>128,867</u>

A “mixed beverage tax” as provided for in G.S.18B-804(b)(8) at the rate of \$20 per 4 liters is charged on the sale of liquor to be resold as mixed beverages. One-half of the mixed beverage tax is submitted monthly to the Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the Department of Health and Human Services.

The mixed beverage tax for the year was:

Department of Revenue (50%)	\$	992,351
Department of Health and Human Services (5%)		99,235
Profit retained and remitted to local government (45%)		893,114
	\$	<u>1,984,700</u>

Note 9. Bailment Surcharge Collected

The total amount of surcharge collected for the fiscal year was \$301,172. The bailment surcharge rate is \$1.15 per case.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD

Notes to Financial Statements

June 30, 2020 and 2019

Note 10. Liquor Sales Tax

The total amount of sales tax collected by the Board and remitted to the Department of Revenue for the fiscal year was \$2,738,729. 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.

Note 11. Retail Outlets

The ABC Board operated eight retail outlets, one of which also sold mixed beverages and two outlets that only sold mixed beverages:

Store #	Store Address	Gross Sales		Net Profit (Loss) Before Profit Distributions	
		Year Ended June 30,		Year Ended June 30,	
		2020	2019	2020	2019
101	523 S. 17th St, Wilmington, NC	\$ 5,803,108	\$ 5,310,736	\$ 669,662	\$ 418,045
102	2378 C. Beach Rd, Wilmington, NC	2,718,057	2,067,590	120,348	(11,380)
103	523 S. 17th St, Wilmington, NC	4,860,541	6,112,822	375,267	577,563
104	6730 Wrightsville Ave, W. Beach, NC	5,419,218	5,068,794	229,968	391,032
105	1020 N. Lake Park Blvd, C Beach, NC	6,637,885	5,818,131	547,573	465,103
106	3544 S. College Rd, Wilmington, NC	7,172,234	6,161,847	680,578	555,370
107	6009 Market St, Wilmington, NC	5,520,959	6,686,855	505,070	704,740
108	5410 Market St, Wilmington, NC	6,955,771	5,988,127	639,983	514,642
109	6015 Castle Hayne Rd, Castle Hayne, NC	1,748,107	471,289	(28,671)	(276,084)
110	8122 Market St, Wilmington, NC	5,232,504	4,341,553	446,154	310,610
		<u>\$ 52,068,384</u>	<u>\$ 48,027,744</u>	<u>\$ 4,185,932</u>	<u>\$ 3,649,641</u>

Note 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	\$ 1,528,068
Maximum amount	\$ 9,932,443
Actual amount	\$ 7,552,966

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

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2020 and 2019

Note 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 & 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.

Note 14. Operating Expenses

The Board had operating expenses at their retail locations totaling \$5,564,584 for the year ended June 30, 2020. The Board also had operating expenses at the mixed beverage locations totaling \$1,015,178 for the year ended June 30, 2020.

Note 15. Subsequent Events

Management has evaluated subsequent events through September 3, 2020, the date on which the financial statements were available to be issued.

The Board sold three plots of land for a total of \$253,668 in July 2020.

SUPPLEMENTARY INFORMATION

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

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
ABC Board's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
ABC Board's proportion of the net pension liability (asset) (%)	0.0437%	0.0409%	0.0417%	0.0360%
ABC Board's proportion of the net pension liability (asset) (\$)	\$ 1,192,047	\$ 970,288	\$ 637,977	\$ 764,890
ABC Board's covered-employee payroll	\$ 2,571,407	\$ 2,528,320	\$ 2,630,015	\$ 2,332,304
ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.36%	38.38%	24.26%	32.80%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	94.18%	91.45%

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

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

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0372%	-0.0355%	0.0361%
\$ 166,727	\$ (209,595)	\$ 435,144
\$ 2,219,298	\$ 2,107,290	\$ 2,264,093
7.51%	-9.95%	19.22%
98.09%	102.64%	94.35%

ABC BOARD'S CONTRIBUTIONS

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
ABC Board's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 272,966	\$ 236,046	\$ 215,524	\$ 198,023
Contributions in relation to the contractually required contribution	<u>272,966</u>	<u>236,046</u>	<u>215,524</u>	<u>198,023</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	\$ 2,600,102	\$ 2,571,407	\$ 2,528,320	\$ 2,630,015
Contributions as a percentage of covered-employee payroll	10.50%	9.18%	8.52%	7.53%

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 155,558	\$ 156,904	\$ 152,104
<u>155,558</u>	<u>156,904</u>	<u>152,104</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ 2,332,304	\$ 2,219,298	\$ 2,107,290
6.67%	7.07%	7.22%

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

Total OPEB Liability

Service Cost	\$ 38,205
Interest	41,475
Changes of benefit terms	-
Differences between expected and actual experience	(36,124)
Changes of assumptions	(16,560)
Benefit payments	(35,884)
Net change in total OPEB liability	<u>(8,888)</u>
Total OPEB liability - beginning	1,083,961
Total OPEB liability - ending	<u><u>\$ 1,075,073</u></u>
Covered payroll	2,600,102
Total OPEB liability as a percentage of covered payroll	41.35%

Notes to Schedule

Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.

The following are the discount rates used in each period:

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

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Schedules of Store Expenses
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Pay and Related	\$ 2,896,113	\$ 2,798,670
Alarm System	6,933	6,320
Breakage	1,780	106,717
Cash (Over) Short	(5,340)	(1,997)
Charge Card Fees	582,049	485,173
Insurance - General	65,980	59,238
Janitorial	485	-
Leases	29,000	-
Licenses and Other Taxes	6,426	7,715
Maintenance Contracts	99,892	90,187
Merchandise (Over) Short	8,320	5,268
Professional Services	10,016	5,923
Repairs and Maintenance - Building	61,408	207,611
Repairs and Maintenance - Equipment	41,510	22,002
Supplies	94,681	96,895
Telephone	85,212	72,661
Travel	559	-
Utilities	93,371	85,293
	<u>93,371</u>	<u>85,293</u>
Total store expenses	<u>\$ 4,078,395</u>	<u>\$ 4,047,676</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Schedules of Warehouse and Delivery Expenses
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Pay and Related	\$ 453,562	\$ 414,813
Alarm System	710	632
Breakage	(6,620)	(13,023)
Insurance - General	6,077	5,178
Maintenance Contracts	5,462	2,596
Professional Services	413	380
Repairs and Maintenance - Building	43,743	8,205
Repairs and Maintenance - Equipment	5,713	1,396
Supplies	2,878	4,454
Telephone	5,625	3,714
Training and Education	454	1,135
Utilities	20,608	19,300
Vehicle Expense	<u>13,840</u>	<u>18,249</u>
Total warehouse expenses	<u>\$ 552,465</u>	<u>\$ 467,029</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Schedules of Administrative Expenses
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Pay and Related	\$ 623,918	\$ 724,716
Alarm System	710	632
Board Member - Per Diem	15,600	15,600
Dues and Subscriptions	4,251	4,955
Insurance - General	29,305	21,575
Janitor	7,010	5,230
Legal and Audit	42,000	42,000
Maintenance Contracts	37,821	27,473
Miscellaneous Expense	8,389	1,354
Pension	283,101	53,387
Postage	2,170	2,085
Professional Services	96,919	52,957
Repairs and Maintenance - Building	12,325	8,896
Repairs and Maintenance - Equipment	759	1,971
Retirees' Healthcare Expense	48,200	54,884
Supplies	7,520	13,760
Telephone	26,075	24,223
Training and Education	-	(418)
Travel - Board Members	2,917	7,445
Travel	6,421	12,500
Utilities	9,186	8,111
Vehicle Expense	402	2,208
	<u> </u>	<u> </u>
Total administrative expenses	<u>\$ 1,264,999</u>	<u>\$ 1,085,544</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Reconciliation of Budget to Actual
June 30, 2020

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Operating Revenues:				
Liquor sales-regular	\$ 33,210,300	\$ 36,630,927	\$ 40,086,714	\$ 3,455,787
Mixed beverage sales	13,233,900	14,110,838	11,912,121	(2,198,717)
Wine sales	55,800	55,800	69,549	13,749
Total sales	<u>46,500,000</u>	<u>50,797,565</u>	<u>52,068,384</u>	<u>1,270,819</u>
Non-operating revenues:				
Interest income	38,800	38,800	49,101	10,301
Other income	1,200	1,200	4,569	3,369
Total revenues	<u>46,540,000</u>	<u>50,837,565</u>	<u>52,122,054</u>	<u>1,284,489</u>
Expenditures:				
Total Taxes based on revenue:				
State excise tax	9,799,727	10,705,424	11,113,609	408,185
Mixed beverage tax (Revenue)	1,134,145	1,239,023	992,351	(246,672)
Mixed beverage tax (Human Resources)	113,812	124,337	99,235	(25,102)
Rehabilitation tax	125,399	138,789	128,867	(9,922)
Wine/mixer sales tax	3,649	4,010	4,550	540
Total Taxes based on revenue:	<u>11,176,732</u>	<u>12,211,583</u>	<u>12,338,612</u>	<u>127,029</u>
Cost of goods sold	<u>23,250,000</u>	<u>25,398,783</u>	<u>26,134,122</u>	<u>735,339</u>
OPERATING EXPENSES:				
Pay and Related	3,893,268	4,383,252	3,973,593	409,659
Alarm Service	10,887	10,888	8,353	2,535
Board Member-Per Diem	15,600	15,600	15,600	-
Breakage	5,000	5,000	(4,840)	9,840
Cash Short (Over)	2,500	2,500	(5,340)	7,840
Charge Card Fees	465,000	550,998	582,049	(31,051)
Dues and Subscriptions	6,143	6,144	4,251	1,893
Insurance-General	97,618	97,619	101,361	(3,742)
Janitor Service	7,000	7,000	7,495	(495)
Leases	-	-	29,000	(29,000)
Legal and Audit	-	42,500	42,000	500
Licenses & Other Taxes	11,649	11,649	6,426	5,223
Maintenance Contracts	107,635	140,919	143,174	(2,255)
Merchandise Short (Over)	5,000	5,000	8,320	(3,320)
Miscellaneous	150,000	60,953	8,391	52,562
Postage	2,731	2,731	2,170	561
Professional Services	102,500	108,975	107,347	1,628
Repairs and Maint-Bldg	81,248	81,248	117,476	(36,228)
Repairs and Maint-Equipment	6,100	6,101	47,983	(41,882)
Retirees' Healthcare Expense	41,000	41,000	48,200	(7,200)
Supplies-Admin	17,183	17,183	7,520	9,663
Supplies-Stores and Warehouse	104,817	104,817	97,560	7,257
Telephone	94,547	94,548	116,912	(22,364)
Training and Education	25,000	25,000	454	24,546
Travel-Board Member	7,100	7,100	2,917	4,183

(Continued)

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Reconciliation of Budget to Actual
June 30, 2020

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING EXPENSES (Continued):				
Travel-Other Than Board	\$ 27,900	\$ 27,900	\$ 6,980	\$ 20,920
Utilities	115,297	115,297	123,165	(7,868)
Vehicle Expense	25,000	25,000	14,241	10,759
Total operating expense	<u>5,427,723</u>	<u>5,996,922</u>	<u>5,612,758</u>	<u>344,268</u>
Capital Outlay:	<u>801,500</u>	<u>841,572</u>	<u>2,273,078</u>	<u>(1,431,506)</u>
Total expenditures	40,655,955	44,448,860	46,358,570	(1,909,710)
DISTRIBUTIONS:				
Local 3.5% tax	1,117,957	1,248,107	1,296,589	48,482
Local \$.05 bottle charge	122,703	139,634	128,867	(10,767)
Law Enforcement	562,200	562,200	562,200	-
Local Mixed Beverage Surcharge	998,780	1,137,072	893,114	(243,958)
County and Municipal	2,850,000	2,850,000	2,850,000	-
Alcohol Grants/Scholarships	100,000	-	-	-
Total distributions	<u>5,751,640</u>	<u>5,937,013</u>	<u>5,730,770</u>	<u>(206,243)</u>
Total expenditures and distributions	46,407,595	50,385,873	52,089,340	1,703,467
Revenues over (under) expenditures	132,405	451,692	32,714	(418,978)
Other financing sources (uses):				
Working capital retained	<u>(132,405)</u>	<u>(451,692)</u>	<u>-</u>	<u>-</u>
Revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,714</u>	<u>\$ (418,978)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling Items:				
Capital Outlay			2,273,078	
Gain on Disposal of Asset			(2,856)	
Pension expense			(283,101)	
Depreciation			(683,903)	
Total			<u>1,303,218</u>	
Change in Net Position			<u>\$ 1,335,932</u>	

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Detailed Statements of Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	Net Position June 30, 2019	Net Income	Profit Distributions	Net Position June 30, 2020
New Hanover County	\$ 13,289,571	\$ 2,158,128	\$ 1,452,590	\$ 13,995,109
Wilmington	6,727,415	1,398,496	891,234	7,234,677
Wrightsville Beach	3,220,391	235,447	247,878	3,207,960
Carolina Beach	1,540,283	385,905	253,321	1,672,867
Kure Beach	54,916	7,956	4,977	57,895
	<u>\$ 24,832,576</u>	<u>\$ 4,185,932</u>	<u>\$ 2,850,000</u>	<u>\$ 26,168,508</u>

	Net Position June 30, 2018	Net Income	Profit Distributions	Net Position June 30, 2019
New Hanover County	\$ 12,965,828	\$ 1,650,188	\$ 1,326,445	\$ 13,289,571
Wilmington	6,436,366	1,212,862	921,813	6,727,415
Wrightsville Beach	3,112,160	444,970	336,739	3,220,391
Carolina Beach	1,465,985	332,642	258,344	1,540,283
Kure Beach	52,597	8,979	6,660	54,916
	<u>\$ 24,032,936</u>	<u>\$ 3,649,641</u>	<u>\$ 2,850,001</u>	<u>\$ 24,832,576</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Schedule of Income By Store
For the Year Ended June 30, 2020

	523 S. 17th St Wilmington, NC Store # 101		2378 C. Beach Rd Wilmington, NC Store # 102		523 S. 17th St Wilmington, NC Store # 103		6730 Wrightsville Ave W. Beach, NC Store # 104		1020 N. Lake Pk Blvd C. Beach, NC Store # 105		3544 S. College Rd Wilmington, NC Store # 106		6009 Market St Wilmington, NC Store # 107		5410 Market St. Wilmington, NC Store # 108		6015 Castle Hayne Rd Castle Hayne, NC Store # 109		8122 Market St Wilmington, NC Store # 110		Total	
	Percent of Net Sales		Percent of Net Sales		Percent of Net Sales		Percent of Net Sales		Percent of Net Sales		Percent of Net Sales		Percent of Net Sales		Percent of Net Sales		Percent of Net Sales		Percent of Net Sales		Percent of Net Sales	
	Amount	Sales	Amount	Sales	Amount	Sales	Amount	Sales	Amount	Sales	Amount	Sales	Amount	Sales	Amount	Sales	Amount	Sales	Amount	Sales	Amount	Sales
OPERATING REVENUE																						
Liquor sales, regular	\$ 5,795,777		\$ 2,714,829		\$ -		\$ 5,410,336		\$ 5,053,945		\$ 7,159,564		\$ 37,405		\$ 6,945,631		\$ 1,745,650		\$ 5,223,577		\$ 40,086,714	
Mixed beverage	-		-		4,860,541		-		1,568,026		-		5,483,554		-		-		-		11,912,121	
Wine Sales	7,331		3,228		-		8,882		15,914		12,670		-		10,140		2,457		8,927		69,549	
Total gross sales	<u>5,803,108</u>		<u>2,718,057</u>		<u>4,860,541</u>		<u>5,419,218</u>		<u>6,637,885</u>		<u>7,172,234</u>		<u>5,520,959</u>		<u>6,955,771</u>		<u>1,748,107</u>		<u>5,232,504</u>		<u>52,068,384</u>	
Deduct taxes on gross sales:																						
State excise tax	1,287,085		601,983		906,666		1,203,785		1,409,848		1,590,421		1,022,441		1,542,750		387,215		1,161,415		11,113,609	
Mixed beverage tax (Department of Revenue)	-		-		392,034		-		137,769		-		462,548		-		-		-		992,351	
Mixed beverage tax (Department of Health and Human Services)	-		-		39,203		-		13,777		-		46,255		-		-		-		99,235	
Rehabilitation tax	17,258		8,720		10,014		11,241		16,335		18,026		12,014		18,138		5,283		11,838		128,867	
Sales tax-wine	480		211		-		581		1,041		829		-		663		161		584		4,550	
Total taxes	<u>1,304,823</u>		<u>610,914</u>		<u>1,347,917</u>		<u>1,215,607</u>		<u>1,578,770</u>		<u>1,609,276</u>		<u>1,543,258</u>		<u>1,561,551</u>		<u>392,659</u>		<u>1,173,837</u>		<u>12,338,612</u>	
Net sales	4,498,285	100.00%	2,107,143	100.00%	3,512,624	100.00%	4,203,611	100.00%	5,059,115	100.00%	5,562,958	100.00%	3,977,701	100.00%	5,394,220	100.00%	1,355,448	100.00%	4,058,667	100.00%	39,729,772	100.00%
Cost of sales	2,856,079	63.49%	1,417,384	67.27%	2,107,868	60.01%	3,001,996	71.41%	3,327,843	65.78%	3,757,651	67.55%	2,374,311	59.69%	3,637,956	67.44%	912,700	67.34%	2,740,334	67.52%	26,134,122	65.78%
Gross profit	<u>1,642,206</u>	<u>36.51%</u>	<u>689,759</u>	<u>32.73%</u>	<u>1,404,756</u>	<u>39.99%</u>	<u>1,201,615</u>	<u>28.59%</u>	<u>1,731,272</u>	<u>34.22%</u>	<u>1,805,307</u>	<u>32.45%</u>	<u>1,603,390</u>	<u>40.31%</u>	<u>1,756,264</u>	<u>32.56%</u>	<u>442,748</u>	<u>32.66%</u>	<u>1,318,333</u>	<u>32.48%</u>	<u>13,595,650</u>	<u>34.22%</u>
OPERATING EXPENSES																						
Stores	520,217	11.56%	357,000	16.94%	338,385	9.63%	553,718	13.17%	558,462	11.04%	568,810	10.22%	298,790	7.51%	576,501	10.69%	335,112	24.72%	467,778	11.53%	4,574,773	11.51%
Warehouse and Delivery	65,287	1.45%	30,582	1.45%	50,981	1.45%	61,010	1.45%	73,426	1.45%	80,739	1.45%	57,731	1.45%	78,290	1.45%	19,673	1.45%	58,906	1.45%	576,625	1.45%
Administration	161,722	3.60%	75,756	3.60%	126,285	3.60%	151,128	3.60%	181,885	3.60%	199,999	3.60%	143,006	3.60%	193,932	3.60%	48,731	3.60%	145,920	3.60%	1,428,364	3.60%
Total operating expenses	<u>747,226</u>		<u>463,338</u>		<u>515,651</u>		<u>765,856</u>		<u>813,773</u>		<u>849,548</u>		<u>499,527</u>		<u>848,723</u>		<u>403,516</u>		<u>672,604</u>		<u>6,579,762</u>	
Income from operations	894,980	19.90%	226,421	10.75%	889,105	25.31%	435,759	10.37%	917,499	18.14%	955,759	17.18%	1,103,863	27.75%	907,541	16.82%	39,232	2.89%	645,729	15.91%	7,015,888	17.66%
NONOPERATING INCOME																						
Interest income (allocated based on net sales)	5,559	0.12%	2,604	0.12%	4,341	0.12%	5,195	0.12%	6,252	0.12%	6,874	0.12%	4,916	0.12%	6,667	0.12%	1,675	0.12%	5,018	0.12%	49,101	0.12%
Gain on the disposal of asset (allocated based on net sales)	(323)	-0.01%	(151)	-0.01%	(253)	-0.01%	(302)	-0.01%	(364)	-0.01%	(400)	-0.01%	(286)	-0.01%	(388)	-0.01%	(97)	-0.01%	(292)	-0.01%	(2,856)	-0.01%
Miscellaneous income (allocated based on net sales)	517	0.01%	242	0.01%	404	0.01%	483	0.01%	582	0.01%	639	0.01%	457	0.01%	620	0.01%	156	0.01%	469	0.01%	4,569	0.01%
Profit before distributions	900,733	20.02%	229,116	10.87%	893,597	25.44%	441,135	10.49%	923,969	18.26%	962,872	17.31%	1,108,950	27.88%	914,440	16.95%	40,966	3.02%	650,924	16.04%	7,066,702	17.79%
Local taxes included in selling price	167,418	3.72%	78,951	3.75%	468,622	13.34%	151,683	3.61%	304,808	6.02%	203,575	3.66%	547,593	13.77%	198,126	3.67%	50,458	3.72%	147,336	3.63%	2,318,570	5.84%
Law Enforcement	63,653	1.42%	29,817	1.42%	49,708	1.42%	59,484	1.42%	71,588	1.42%	78,719	1.42%	56,287	1.42%	76,331	1.42%	19,179	1.41%	57,434	1.42%	562,200	1.42%
Net income (loss) before profit distributions	<u>\$ 669,662</u>	<u>14.89%</u>	<u>\$ 120,348</u>	<u>5.71%</u>	<u>\$ 375,267</u>	<u>10.68%</u>	<u>\$ 229,968</u>	<u>5.47%</u>	<u>\$ 547,573</u>	<u>10.82%</u>	<u>\$ 680,578</u>	<u>12.23%</u>	<u>\$ 505,070</u>	<u>12.70%</u>	<u>\$ 639,983</u>	<u>11.86%</u>	<u>\$ (28,671)</u>	<u>-2.12%</u>	<u>\$ 446,154</u>	<u>10.99%</u>	<u>\$ 4,185,932</u>	<u>10.54%</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Schedule of Distributions of Profits
For the Year Ended June 30, 2020

<u>Distribution</u>	<u>Recipient</u>	<u>Amount</u>	<u>Date of Distribution</u>	<u>Restrictions on Use</u>
Law Enforcement	New Hanover County Sheriff's Department	\$ 562,200	7/1/19 - 6/30/20	Law Enforcement
County & Municipality*				
	Wilmington	\$ 891,234	7/1/19 - 6/30/20	None
	Wrightsville	247,878	7/1/19 - 6/30/20	None
	Carolina Beach	253,321	7/1/19 - 6/30/20	None
	Kure Beach	4,977	7/1/19 - 6/30/20	None
	New Hanover County	1,452,590	7/1/19 - 6/30/20	None
Total		\$ 2,850,000		

*Payments to municipalities are made quarterly.