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

Financial Statements

June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 15, 2021

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

Financial Highlights

- In 2021
 - Over 121% of profits were distributed to the Board's local government beneficiaries.
 - Change in net position before profit distributions increased 38.86% over the prior year.
- 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.

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 \$24,912,627 in 2021, \$26,168,508 in 2020, and \$24,832,576 in 2019. The largest component of net position was net investment in capital assets. It was 73.52% of the total net position for 2021, 77.14% for 2020, and 74.91% for 2019. Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	June 30, 2019	<u>\$ Change</u> This Yr Over	<u>% Change</u> This Yr Over
				Last Yr	Last Yr
Current Assets	\$ 11,509,516	\$ 11,121,892	\$ 10,966,028	\$ 387,624	3.49%
Non-Current Assets	18,316,426	20,187,228	18,600,909	(1,870,802)	-9.27%
Total Assets	\$ 29,825,942	\$ 31,309,120	\$ 29,566,937	\$ (1,483,178)	-4.74%
Deferred Outflows of Resources	\$ 1,057,695	\$ 774,554	\$ 837,930	\$ 283,141	
Current Liabilities	\$ 3,028,944	\$ 3,484,890	\$ 3,374,809	\$ (455,946)	-13.08%
Non-Current Liabilities	2,753,703	2,267,120	2,054,249	486,583	21.46%
Total Liabilities	\$ 5,782,647	\$ 5,752,010	\$ 5,429,058	\$ 30,637	0.53%
Deferred Inflows of Resources	\$ 188,363	\$ 163,156	\$ 143,233	\$ 25,207	
Net Investment in Capital Assets	\$ 18,316,426	\$ 20,187,228	\$ 18,600,909	\$ (1,870,802)	-9.27%
Restricted Net Position	1,736,791	1,528,068	1,401,813	208,723	13.66%
Unrestricted Net Position	4,859,410	4,453,212	4,829,854	406,198	9.12%
Total Net Position	\$ 24,912,627	\$ 26,168,508	\$ 24,832,576	\$ (1,255,881)	-4.80%

Note that current assets increased and current liabilities decreased during the year. This was due to an increase in cash and a decrease in accounts payable and payroll and related costs.

Net position as of June 30, 2021 decreased by 4.80% from June 30, 2020 compared to a 5.38% increase between 2020 and 2019. Income from operations increased by 27.63% over the prior year and increased by 8.77% between 2020 and 2019. 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, 2021	June 30, 2020	June 30, 2019	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Operating Revenues	\$ 59,203,586	\$ 52,068,384	\$ 48,027,744	\$ 7,135,202	13.70%
Less: Taxes on Gross Sales	14,047,025	12,338,612	11,580,599	1,708,413	13.85%
Net Sales	45,156,561	39,729,772	36,447,145	5,426,789	
Cost of Sales	29,766,427	26,134,122	23,770,842	3,632,304	13.90%
Gross Profit	15,390,134	13,595,650	12,676,303	1,794,485	13.20%
Less: Operating Expenses	6,435,572	6,579,762	6,226,146	(144,190)	-2.19%
Income from Operations	8,954,562	7,015,888	6,450,157	1,938,674	27.63%
Non-Operating Revenues and Expenses	26,147	50,814	156,029	(24,667)	-48.54%
Change in Net Position Before Distributions	8,980,709	7,066,702	6,606,186	1,914,008	27.08%
Deduct Distributions	3,168,178	2,880,770	2,956,545	287,408	9.98%
Profit Distributions	7,068,412	2,850,000	2,850,001	4,218,412	148.01%
Change in Net Position	(1,255,881)	1,335,932	799,640	(2,591,812)	194.01%
Net Position - Beginning	26,168,508	24,832,576	24,032,936	1,335,932	5.38%
Net Position - Ending	\$ 24,912,627	\$ 26,168,508	\$ 24,832,576	\$ (1,255,881)	-4.80%

Gross sales were up \$7,135,202 and \$4,040,640 for the years ended June 30, 2021 and 2020, respectively. This was the net result of an increase in retail sales, 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, 2021	June 30, 2020	June 30, 2019	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Retail Liquor Sales	\$ 45,028,973	\$ 40,086,714	\$ 33,453,634	\$ 4,942,259	12.33%
Mixed Beverage Sales	14,090,778	11,912,121	14,514,924	2,178,657	18.29%
Retail Wine Sales	83,835	69,549	59,186	14,286	20.54%
Total Gross Sales	\$ 59,203,586	\$ 52,068,384	\$ 48,027,744	\$ 7,135,202	13.70%

In fiscal year 2021, the Board had increases in retail sales and mixed beverage sales, whereas, in fiscal 2020, the Board had increases in retail sales and a decrease in mixed beverage 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, 2021, totals \$18,316,426 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- Sold land on Market Street for gross proceeds of \$1,054,800
- Sold land on 18th Street and Church Street for gross proceeds of \$253,668
- Purchased a truck for use at the warehouse totaling \$112,819

Table 3
Capital Assets
(net of depreciation)

	June 30, 2021	June 30, 2020	June 30, 2019	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Land and Construction In Progress \$	5,968,458	\$ 7,219,208	\$ 7,499,097	\$ (1,250,750)	-17.33%
Buildings and improvements	11,606,555	12,132,125	10,230,316	(525,570)	-4.33%
Furniture and equipment	638,117	816,156	834,652	(178,039)	-21.81%
Vehicles	103,296	19,739	36,844	83,557	423.31%
Total	\$ 18,316,426	\$ 20,187,228	\$ 18,600,909	\$ (1,870,802)	-9.27%

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, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and Cash Equivalents (Note 1)	\$ 7,259,810	\$ 5,704,260
Accounts Receivable	1,667	12,235
Inventories	4,180,229	5,333,596
Prepaid Expenses	67,810	71,801
Total Current Assets	11,509,516	11,121,892
Noncurrent Assets:		
Capital Assets:		
Land and Construction in Progress (Note 1)	5,968,458	7,219,208
Depreciable Capital Assets, net (Note 1)	12,347,968	12,968,020
Total Noncurrent Assets	18,316,426	20,187,228
Total Assets	\$ 29,825,942	\$ 31,309,120
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	\$ 489,413	\$ 466,378
Contributions to Pension Plan in Current Fiscal Year	293,457	272,966
OPEB Deferrals	274,825	35,210
Total Deferred Outflows of Resources	\$ 1,057,695	\$ 774,554
LIABILITIES		
Current liabilities:		
Accounts Payable	\$ 1,063,625	\$ 1,805,151
Distributions Payable	299,952	205,583
State Taxes Payable	1,403,780	1,147,118
Accrued Expenses:		
Liabilities	55,001	33,014
Payroll and Related Costs	119,430	153,515
Sales Tax Payable	87,156	140,509
Total Current Liabilities	3,028,944	3,484,890
Non-Current Liabilities:		
Total OPEB Liability	1,392,228	1,075,073
Net Pension Liability	1,361,475	1,192,047
Total Non-Current Liabilities	2,753,703	2,267,120
Total Liabilities	\$ 5,782,647	\$ 5,752,010
DEFERRED INFLOWS OF RESOURCES		
Pension Deferrals	\$ 53,091	\$ 1,792
OPEB Deferrals	135,272	161,364
Total Deferred Inflows of Resources	\$ 188,363	\$ 163,156
NET POSITION:		
Net Investment in Capital Assets	\$ 18,316,426	\$ 20,187,228
Restricted for:		
Working Capital (Note 12)	1,736,791	1,528,068
Unrestricted	4,859,410	4,453,212
Total Net Position	\$ 24,912,627	\$ 26,168,508

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUE:		
Liquor Sales - Regular	\$ 45,028,973	\$ 40,086,714
Mixed Beverage Sales	14,090,778	11,912,121
Wine Sales	83,835	69,549
Total Gross Sales	<u>59,203,586</u>	<u>52,068,384</u>
DEDUCT TAXES ON GROSS SALES:		
State Excise Tax (Note 8)	12,627,676	11,113,609
Mixed Beverage Tax (Revenue) (Note 8)	1,159,896	992,351
Mixed Beverage Tax (Human Resources) (Note 8)	115,987	99,235
Rehabilitation Tax (Note 7)	137,981	128,867
Wine Sales Tax	5,485	4,550
Total Taxes on Gross Sales	<u>14,047,025</u>	<u>12,338,612</u>
NET SALES	45,156,561	39,729,772
DEDUCT COST OF SALES:		
Cost of Sales	<u>29,766,427</u>	<u>26,134,122</u>
GROSS PROFIT ON SALES	<u>15,390,134</u>	<u>13,595,650</u>
DEDUCT OPERATING EXPENSES:		
Store Expenses	3,986,413	4,078,395
Warehouse and Delivery Expenses	497,921	552,465
Administrative Expenses	1,218,367	1,264,999
Depreciation Expenses	732,871	683,903
Total Operating Expenses	<u>6,435,572</u>	<u>6,579,762</u>
INCOME FROM OPERATIONS	<u>8,954,562</u>	<u>7,015,888</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	39,539	49,101
Loss on Disposal of Asset	(15,609)	(2,856)
Other Income	2,217	4,569
Total Non-Operating Revenues (Expenses)	<u>26,147</u>	<u>50,814</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	<u>8,980,709</u>	<u>7,066,702</u>
DEDUCT DISTRIBUTIONS:		
Local 3.5% Tax (Note 7)	1,473,230	1,296,589
Local \$.05 Bottle Charge (Note 8)	137,981	128,867
Local Mixed Beverage Surcharge (Note 8)	1,043,907	893,114
Law Enforcement (Note 7)	513,060	562,200
Total Distributions	<u>3,168,178</u>	<u>2,880,770</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS (Forward)	<u>5,812,531</u>	<u>4,185,932</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CHANGE IN NET POSITION		
BEFORE PROFIT DISTRIBUTIONS (Forwarded)	\$ 5,812,531	\$ 4,185,932
PROFIT DISTRIBUTIONS:		
County (Note 6)	3,467,477	1,452,590
City or Municipality (Note 6)	3,600,935	1,397,410
Total Profit Distributions	<u>7,068,412</u>	<u>2,850,000</u>
CHANGE IN NET POSITION	(1,255,881)	1,335,932
NET POSITION - Beginning of year	<u>26,168,508</u>	<u>24,832,576</u>
NET POSITION - End of year	<u>\$ 24,912,627</u>	<u>\$ 26,168,508</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 59,214,154	\$ 52,069,534
Payments for Inventory Costs	(31,722,681)	(28,794,698)
Payments for Operating Expenses	(3,114,064)	(3,220,380)
Taxes Paid to Government Agencies	(13,843,717)	(12,156,704)
Other Operating Receipts	2,217	4,569
Net Cash Provided by Operating Activities	<u>10,535,909</u>	<u>7,902,321</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	<u>1,122,322</u>	<u>(2,273,078)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,122,322</u>	<u>(2,273,078)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Law Enforcement Distributions	(513,060)	(562,200)
Local Tax and Surcharge	(2,560,748)	(2,329,968)
Profit Distributions - Primary Government	(3,467,477)	(1,452,590)
Profit Distributions - Other	(3,600,935)	(1,397,410)
Net Cash Used by Non-Capital Financing Activities	<u>(10,142,220)</u>	<u>(5,742,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	<u>39,539</u>	<u>49,101</u>
Net Cash Provided by Investing Activities	<u>39,539</u>	<u>49,101</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,555,550	(63,824)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>5,704,260</u>	<u>5,768,084</u>
CASH AND CASH EQUIVALENTS - End of year	\$ <u>7,259,810</u>	\$ <u>5,704,260</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, 2021 and 2020

	2021	2020
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from Operations	\$ 8,954,562	\$ 7,015,888
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	732,871	683,903
Other Income	2,217	4,569
Changes in Assets and Liabilities:		
Accounts Receivable	10,568	1,150
Inventories	1,153,367	(202,924)
Prepaid Expenses	3,991	(17,914)
Deferred Outflows of Resources for Pensions	(43,526)	68,011
Deferred Outflows of Resources for OPEB	(239,615)	(4,635)
Accounts Payable	(741,526)	(43,341)
State Taxes Payable	256,662	112,644
Accrued Liabilities	21,987	10,591
Payroll and Related Costs	(34,086)	(27,681)
Sales Taxes Payable	(53,353)	69,266
Total OPEB Liability	317,155	(8,888)
Net Pension Liability	169,428	221,759
Deferred Inflows of Resources for Pensions	51,299	(6,669)
Deferred Inflows of Resources for OPEB	(26,092)	26,592
	\$ 10,535,909	\$ 7,902,321
Net Cash Provided by Operating Activities	\$ 10,535,909	\$ 7,902,321

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

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

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 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, 2021 and 2020

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, 2021 and 2020, the Board's deposits had a carrying amount of \$7,206,664 and \$5,668,460, respectively, and a bank balance of \$9,541,538 and \$5,860,566, 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, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets:

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

	Balance 06/30/2020	Increases	Decreases	Balance 6/30/2021
Capital assets not being depreciated				
Land	\$ 6,560,913	\$ -	\$ 1,252,613	\$ 5,308,300
Construction in Progress	658,295	1,863	-	660,158
Total capital assets not being depreciated	<u>7,219,208</u>	<u>1,863</u>	<u>1,252,613</u>	<u>5,968,458</u>
Capital assets being depreciated				
Buildings and Improvements	17,002,275	-	-	17,002,275
Furniture/Equipment	1,611,458	-	5,748	1,605,710
Vehicles	261,050	112,819	-	373,869
Total capital assets being depreciated	<u>18,874,783</u>	<u>112,819</u>	<u>5,748</u>	<u>18,981,854</u>
Less accumulated depreciation				
Buildings and Improvements	4,870,150	525,570	-	5,395,720
Furniture/Equipment	795,302	178,039	5,748	967,593
Vehicles	241,311	29,262	-	270,573
Total Accumulated Depreciation	<u>5,906,763</u>	<u>732,871</u>	<u>5,748</u>	<u>6,633,886</u>
Total capital assets being depreciated, net	<u>12,968,020</u>	<u>732,871</u>	<u>5,748</u>	<u>12,347,968</u>
Capital Assets-net	<u>\$ 20,187,228</u>			<u>\$ 18,316,426</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, 2021 and 2020

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, 2021 and 2020

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, 2021, was 10.36% 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 \$293,457 for the year ended June 30, 2021.

Refunds of Contributions:

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

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

At June 30, 2021, the Board reported a liability of \$1,361,475 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Board's proportion was 0.03810%, which was a decrease of 0.00555% from its proportion measured as of June 30, 2020.

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

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

For the year ended June 30, 2021, the Board recognized pension expense of \$177,201. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 171,930	\$ -
Changes of assumptions	101,320	-
Net difference between projected and actual earnings on pension plan investments	191,591	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,572	53,091
Board contributions subsequent to the measurement date	293,457	-
	<u>\$ 782,870</u>	<u>\$ 53,091</u>

\$293,457 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2022	\$ 127,726
2023	161,879
2024	90,018
2025	56,699
	<u>\$ 436,322</u>

Actuarial Assumptions:

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 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, 2021 and 2020

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<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 2016 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, 2021 and 2020

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:

	Current		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Sensitivity of the net pension liability (asset) to changes in the discount rate.	\$ 2,762,285	\$ 1,361,475	\$ 197,304

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, 2021 and 2020 was \$44,886 and \$77,451, respectively.

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

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 \$1,392,228 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

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	2.21 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, 2020	\$ 1,075,073
Changes for the year:	
Service cost	37,375
Interest on total OPEB liability	38,222
Changes of benefit terms	-
Differences between expected and actual experience	2,347
Changes in assumptions or other inputs	280,342
Benefit payments	(41,131)
Net changes	317,155
Balance at June 30, 2021	\$ 1,392,228

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

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 3.50% to 2.21%.

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

The actuarial assumptions used in the June 30, 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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	Current		
	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 1,682,674	\$ 1,392,228	\$ 1,167,372

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	\$ 1,136,110	\$ 1,392,228	\$ 1,735,054

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

For the year ended June 30, 2021, the Board recognized OPEB expense of \$77,170. At June 30, 2021, 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	\$ 2,135	\$ 27,724
Changes of assumptions	246,968	107,548
Benefit payments & administrative costs made subsequent to the measurement date	25,722	-
	\$ 274,825	\$ 135,272

\$25,722 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, 2021. 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
June 30, 2021 and 2020

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

Year Ending June 30		
2022	\$	7,573
2023		7,573
2024		7,573
2025		7,573
2026		14,682
Thereafter		68,857
	\$	113,831

Note 3. Commitments

The Board has two contracts with the New Hanover County Sheriff's Department to provide law enforcement services. At June 30, 2021, the commitment for both contracts to the Sheriff's Department totaled \$515,000.

The Board has a commitment remaining on a contract for support for their accounting system in the amount of \$75,737 at June 30, 2021.

The Board has a commitment for alcohol, education, and rehabilitation in the amount of \$510,000 at June 30, 2021.

Note 4. Lease Commitments

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

Year Ending June 30		
2022	\$	3,000
2023		2,750
	\$	5,750

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, 2021 and 2020 amounted to \$86,932 and \$81,767, 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.

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

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.

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 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).

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 \$333,060. The Board also approved an additional distribution of \$180,000 for fiscal year 2021 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	\$ 8,980,709
Less: 3.5% tax and bottle charge	1,611,211
Profit subject to expense percentages	<u>\$ 7,369,498</u>
Law enforcement expenditures - Actual	<u>\$ 513,060</u>
Percentage of profit	<u>6.96%</u>

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

Note 8. Disbursement of Taxes Included in Selling Price

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

Taxes payable July 1, 2020	\$ 1,047,167
Taxes collected during the year	12,627,676
Taxes remitted to Department of Revenue	<u>(12,462,430)</u>
 Taxes payable June 30, 2021	 \$ <u><u>1,212,413</u></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, 2021, was remitted to the North Carolina Department of Revenue on July 15, 2021.

A bottle charge of one cent on each bottle containing 50 milliliters or less and five cents on each bottle containing more than 50 milliliters is collected and distributed monthly for alcohol education and rehabilitation. For the fiscal year ended June 30, 2021, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	1,964,656 at 5 cents	=	\$ 98,233
Mixed beverage bottles	595,859 at 5 cents	=	29,793
Miniature bottles	995,538 at 1 cent	=	<u>9,955</u>
 Total payment for the year			 \$ <u><u>137,981</u></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 Human Resources.

The mixed beverage tax for the year was:

Department of Revenue (50%)	\$ 1,159,896
Department of Health and Human Services (5%)	115,987
Profit retained and remitted to local government (45%)	<u>1,043,907</u>
	\$ <u><u>2,319,790</u></u>

Note 9. Surcharge Collected

The total amount of surcharge collected for the fiscal year was \$333,204. The bailment surcharge rate is \$1.15 per case.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD

Notes to Financial Statements

June 30, 2021 and 2020

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 \$3,138,088. 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,	
		2021	2020	2021	2020
101	523 S. 17th St, Wilmington, NC	\$ 6,417,277	\$ 5,803,108	\$ 684,250	\$ 669,662
102	2378 C. Beach Rd, Wilmington, NC	2,814,386	2,718,057	228,371	120,348
103	523 S. 17th St, Wilmington, NC	5,412,776	4,860,541	478,988	375,267
104	6730 Wrightsville Ave, W. Beach, NC	6,977,812	5,419,218	686,664	229,968
105	1020 N. Lake Park Blvd, C Beach, NC	7,959,145	6,637,885	820,794	547,573
106	3544 S. College Rd, Wilmington, NC	7,966,136	7,172,234	874,298	680,578
107	6009 Market St, Wilmington, NC	6,806,895	5,520,959	632,773	505,070
108	5410 Market St, Wilmington, NC	7,370,869	6,955,771	808,501	639,983
109	6015 Castle Hayne Rd, Castle Hayne, NC	1,933,920	1,748,107	59,321	(28,671)
110	8122 Market St, Wilmington, NC	5,544,370	5,232,504	538,571	446,154
		<u>\$ 59,203,586</u>	<u>\$ 52,068,384</u>	<u>\$ 5,812,531</u>	<u>\$ 4,185,932</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	\$ 1,736,791
Maximum amount	\$ 7,526,094
Actual amount	\$ 8,411,095

The Board exceeded the maximum amount of working capital by \$885,001 at June 30, 2021. In years where working capital is in excess of the maximum, the excess will be distributed to the municipalities in the following year.

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

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 \$5,316,941 for the year ended June 30, 2021. The Board also had operating expenses at the mixed beverage locations totaling \$1,118,631 for the year ended June 30, 2021.

Note 15. Subsequent Events

Management has evaluated subsequent events through September 15, 2021, the date on which the financial statements were available to be issued. The Board believes there have been no significant subsequent events.

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 Eight Fiscal Years*

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ABC Board's proportion of the net pension liability (asset) (%)	0.0381%	0.0437%	0.0409%	0.0417%
ABC Board's proportion of the net pension liability (asset) (\$)	\$ 1,361,475	\$ 1,192,047	\$ 970,288	\$ 637,977
ABC Board's covered-employee payroll	\$ 2,600,102	\$ 2,571,407	\$ 2,528,320	\$ 2,630,015
ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.36%	46.36%	38.38%	24.26%
Plan fiduciary net position as a percentage of the total pension liability **	88.61%	90.86%	91.63%	94.18%

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

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0360%	0.0372%	-0.0355%	0.0361%
\$ 764,890	\$ 166,727	\$ (209,595)	\$ 435,144
\$ 2,332,304	\$ 2,219,298	\$ 2,107,290	\$ 2,264,093
32.80%	7.51%	-9.95%	19.22%
91.45%	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 Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 293,457	\$ 272,966	\$ 236,046	\$ 215,524
Contributions in relation to the contractually required contribution	<u>293,457</u>	<u>272,966</u>	<u>236,046</u>	<u>215,524</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ABC Board's covered-employee payroll	\$ 2,664,170	\$ 2,600,102	\$ 2,571,407	\$ 2,528,320
Contributions as a percentage of covered-employee payroll	11.01%	10.50%	9.18%	8.52%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 198,023	\$ 155,558	\$ 156,904	\$ 152,104
<u>198,023</u>	<u>155,558</u>	<u>156,904</u>	<u>152,104</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ 2,630,015	\$ 2,332,304	\$ 2,219,298	\$ 2,107,290
7.53%	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, 2021

Total OPEB Liability

Service Cost	\$ 37,375
Interest	38,222
Changes of benefit terms	-
Differences between expected and actual experience	2,347
Changes of assumptions	280,342
Benefit payments	(41,131)
Net change in total OPEB liability	<u>317,155</u>
Total OPEB liability - beginning	1,075,073
Total OPEB liability - ending	<u><u>\$ 1,392,228</u></u>
Covered payroll	2,664,170
Total OPEB liability as a percentage of covered payroll	52.26%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Schedules of Store Expenses
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Pay and Related	\$ 2,741,037	\$ 2,896,113
Alarm System	7,381	6,933
Breakage	2,062	1,780
Cash (Over) Short	1,223	(5,340)
Charge Card Fees	685,456	582,049
Insurance - General	69,451	65,980
Janitorial	3,280	485
Leases	-	29,000
Licenses and Other Taxes	-	6,426
Maintenance Contracts	100,680	99,892
Merchandise (Over) Short	8,567	8,320
Professional Services	8,684	10,016
Repairs and Maintenance - Building	81,206	61,408
Repairs and Maintenance - Equipment	3,404	41,510
Supplies	113,321	94,681
Telephone	78,392	85,212
Travel	120	559
Utilities	82,149	93,371
	<u> </u>	<u> </u>
Total store expenses	<u>\$ 3,986,413</u>	<u>\$ 4,078,395</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Pay and Related	\$ 427,415	\$ 453,562
Alarm System	410	710
Breakage	-	(6,620)
Insurance - General	7,430	6,077
Maintenance Contracts	5,316	5,462
Professional Services	415	413
Repairs and Maintenance - Building	10,961	43,743
Repairs and Maintenance - Equipment	3,442	5,713
Supplies	2,289	2,878
Telephone	4,599	5,625
Training and Education	108	454
Utilities	18,106	20,608
Vehicle Expense	<u>17,430</u>	<u>13,840</u>
Total warehouse expenses	<u>\$ 497,921</u>	<u>\$ 552,465</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Pay and Related	\$ 698,435	\$ 623,918
Alarm System	410	710
Board Member - Per Diem	15,600	15,600
Cash (Over) Short	(9)	-
Dues and Subscriptions	6,697	4,251
Insurance - General	34,544	29,305
Janitor	7,080	7,010
Legal and Audit	43,000	42,000
Maintenance Contracts	30,659	37,821
Miscellaneous Expense	81	8,389
Pension	177,201	283,101
Postage	2,359	2,170
Professional Services	55,775	96,919
Repairs and Maintenance - Building	23,624	12,325
Repairs and Maintenance - Equipment	1,331	759
Retirees' Healthcare Expense	77,170	48,200
Supplies	12,232	7,520
Telephone	21,614	26,075
Training and Education	75	-
Travel - Board Members	-	2,917
Travel	37	6,421
Utilities	8,399	9,186
Vehicle Expense	2,053	402
	<u> </u>	<u> </u>
Total administrative expenses	<u>\$ 1,218,367</u>	<u>\$ 1,264,999</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Reconciliation of Budget to Actual
June 30, 2021

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Operating Revenues:				
Liquor sales-regular	\$ 34,281,600	\$ 46,905,153	\$ 45,028,973	\$ (1,876,180)
Mixed beverage sales	13,660,800	12,014,922	14,090,778	2,075,856
Wine sales	57,600	72,121	83,835	11,714
Total sales	<u>48,000,000</u>	<u>58,992,196</u>	<u>59,203,586</u>	<u>211,390</u>
Non-operating revenues:				
Interest income	28,800	28,800	39,539	10,739
Other income	1,200	1,200	2,217	1,017
Total revenues	<u>48,030,000</u>	<u>59,022,196</u>	<u>59,245,342</u>	<u>223,146</u>
Expenditures:				
Total Taxes based on revenue:				
State excise tax	10,115,846	12,432,417	12,627,676	195,259
Mixed beverage tax (Revenue)	1,170,731	1,212,391	1,159,896	(52,495)
Mixed beverage tax (Human Resources)	117,483	121,663	115,987	(5,676)
Rehabilitation tax	129,444	159,089	137,981	(21,108)
Wine/mixer sales tax	3,767	4,654	5,485	831
Total Taxes based on revenue:	<u>11,537,271</u>	<u>13,930,214</u>	<u>14,047,025</u>	<u>116,811</u>
Cost of goods sold	<u>24,000,000</u>	<u>29,496,099</u>	<u>29,766,427</u>	<u>270,328</u>
OPERATING EXPENSES:				
Pay and Related	4,361,647	4,337,833	3,866,887	470,946
Alarm Service	10,887	10,888	8,201	2,687
Board Member-Per Diem	15,600	15,600	15,600	-
Breakage	5,000	5,000	2,062	2,938
Cash Short (Over)	2,500	2,500	1,214	1,286
Charge Card Fees	480,000	708,001	685,456	22,545
Dues and Subscriptions	4,500	4,500	6,697	(2,197)
Insurance-General	131,000	131,001	111,425	19,576
Janitor Service	7,100	10,380	10,360	20
Leases	-	-	-	-
Legal and Audit	-	43,000	43,000	-
Licenses & Other Taxes	-	-	-	-
Maintenance Contracts	145,000	145,000	136,656	8,344
Merchandise Short (Over)	5,000	5,000	8,567	(3,567)
Miscellaneous	150,000	150,000	79	149,921
Postage	-	3,000	2,359	641
Professional Services	100,000	64,500	64,873	(373)
Repairs and Maint-Bldg	92,000	92,001	115,790	(23,789)
Repairs and Maint-Equipment	7,200	7,201	8,177	(976)
Retirees' Healthcare Expense	41,000	41,000	77,170	(36,170)
Supplies-Admin	11,000	11,000	12,232	(1,232)
Supplies-Stores and Warehouse	89,000	116,301	115,610	691
Telephone	105,540	105,540	104,605	935
Training and Education	25,000	25,000	183	24,817
Travel-Board Member	7,100	7,100	-	7,100

(Continued)

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Reconciliation of Budget to Actual
June 30, 2021

	<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	\$ 157	\$ 27,743
Utilities	130,000	130,001	108,658	21,343
Vehicle Expense	25,000	25,000	19,482	5,518
Total operating expense	<u>5,978,974</u>	<u>6,224,247</u>	<u>5,525,500</u>	<u>648,002</u>
Capital Outlay:	<u>750,000</u>	<u>750,000</u>	<u>(1,122,322)</u>	<u>1,872,322</u>
Total expenditures	42,266,245	50,400,560	48,216,630	2,183,930
DISTRIBUTIONS:				
Local 3.5% tax	1,179,383	1,449,468	1,473,230	23,762
Local \$.05 bottle charge	129,444	159,089	137,981	(21,108)
Law Enforcement	513,060	513,060	513,060	-
Local Mixed Beverage Surcharge	1,053,658	1,295,121	1,043,907	(251,214)
County and Municipal	2,850,000	6,074,744	7,068,412	993,668
Alcohol Grants/Scholarships	500,000	-	-	-
Total distributions	<u>6,225,545</u>	<u>9,491,482</u>	<u>10,236,590</u>	<u>745,108</u>
Total expenditures and distributions	48,491,790	59,892,042	58,453,220	(1,438,822)
Revenues over (under) expenditures	(461,790)	(869,846)	792,122	1,661,968
Other financing sources (uses):				
Working capital retained	<u>461,790</u>	<u>869,846</u>	<u>-</u>	<u>-</u>
Revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 792,122</u>	<u>\$ 1,661,968</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling Items:				
Capital Outlay			(1,122,322)	
Gain on Disposal of Asset			(15,609)	
Pension expense			(177,201)	
Depreciation			(732,871)	
Total			<u>(2,048,003)</u>	
Change in Net Position			<u>\$ (1,255,881)</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, 2021 and 2020

	Net Position June 30, 2020	Net Income	Profit Distributions	Net Position June 30, 2021
New Hanover County	\$ 13,995,109	\$ 2,887,448	\$ 3,467,477	\$ 13,415,080
Wilmington	7,234,677	1,731,575	2,048,018	6,918,234
Wrightsville Beach	3,207,960	593,891	776,534	3,025,317
Carolina Beach	1,672,867	591,661	764,960	1,499,568
Kure Beach	57,895	7,956	11,423	54,428
	<u>\$ 26,168,508</u>	<u>\$ 5,812,531</u>	<u>\$ 7,068,412</u>	<u>\$ 24,912,627</u>

	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>

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, 2021

	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		
	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Percent of Net Sales	
OPERATING REVENUE																							
Liquor sales, regular	\$ 6,408,920		\$ 2,810,766		\$ -		\$ 6,964,039		\$ 5,987,809		\$ 7,951,792		\$ 81,342		\$ 7,358,962		\$ 1,931,099		\$ 5,534,244		\$ 45,028,973		
Mixed beverage	-		-		5,412,776		-		1,952,449		-		6,725,553		-		-		-		14,090,778		
Wine Sales	8,357		3,620		-		13,773		18,887		14,344		-		11,907		2,821		10,126		83,835		
Total gross sales	6,417,277		2,814,386		5,412,776		6,977,812		7,959,145		7,966,136		6,806,895		7,370,869		1,933,920		5,544,370		59,203,586		
Deduct taxes on gross sales:																							
State excise tax	1,424,246		623,827		1,011,439		1,550,039		1,688,489		1,767,370		1,266,896		1,635,680		428,633		1,231,057		12,627,676		
Mixed beverage tax (Department of Revenue)	-		-		432,999		-		171,453		-		555,444		-		-		-		1,159,896		
Mixed beverage tax (Department of Health and Human Services)	-		-		43,298		-		17,143		-		55,546		-		-		-		115,987		
Rehabilitation tax	17,304		8,281		11,074		13,884		18,698		18,923		14,391		18,021		5,467		11,938		137,981		
Sales tax-wine	547		237		-		901		1,236		938		-		779		185		662		5,485		
Total taxes	1,442,097		632,345		1,498,810		1,564,824		1,897,019		1,787,231		1,892,277		1,654,480		434,285		1,243,657		14,047,025		
Net sales	4,975,180	100.00%	2,182,041	100.00%	3,913,966	100.00%	5,412,988	100.00%	6,062,126	100.00%	6,178,905	100.00%	4,914,618	100.00%	5,716,389	100.00%	1,499,635	100.00%	4,300,713	100.00%	45,156,561	100.00%	
Cost of sales	3,357,350	67.48%	1,471,409	67.43%	2,367,156	60.48%	3,659,147	67.60%	3,989,903	65.82%	4,182,267	67.69%	2,954,998	60.13%	3,861,495	67.55%	1,012,534	67.52%	2,910,168	67.67%	29,766,427	65.92%	
Gross profit	1,617,830	32.52%	710,632	32.57%	1,546,810	39.52%	1,753,841	32.40%	2,072,223	34.18%	1,996,638	32.31%	1,959,620	39.87%	1,854,894	32.45%	487,101	32.48%	1,390,545	32.33%	15,390,134	34.08%	
OPERATING EXPENSES																							
Stores	496,533	9.98%	289,984	13.29%	349,574	8.93%	596,561	11.02%	572,419	9.44%	582,289	9.42%	414,269	8.43%	546,184	9.55%	295,872	19.73%	477,212	11.10%	4,620,897	10.23%	
Warehouse and Delivery	59,550	1.20%	26,118	1.20%	46,848	1.20%	64,790	1.20%	72,560	1.20%	73,958	1.20%	58,825	1.20%	68,422	1.20%	17,950	1.20%	51,477	1.20%	540,498	1.20%	
Administration	140,384	2.82%	61,570	2.82%	110,440	2.82%	152,738	2.82%	171,054	2.82%	174,349	2.82%	138,675	2.82%	161,299	2.82%	42,315	2.82%	121,353	2.82%	1,274,177	2.82%	
Total operating expenses	696,467		377,672		506,862		814,089		816,033		830,596		611,769		775,905		356,137		650,042		6,435,572		
Income from operations	921,363	18.52%	332,960	15.26%	1,039,948	26.57%	939,752	17.36%	1,256,190	20.72%	1,166,042	18.87%	1,347,851	27.43%	1,078,989	18.88%	130,964	8.73%	740,503	17.22%	8,954,562	19.83%	
NONOPERATING INCOME																							
Interest income (allocated based on net sales)	4,356	0.09%	1,911	0.09%	3,427	0.09%	4,740	0.09%	5,308	0.09%	5,410	0.09%	4,303	0.09%	5,005	0.09%	1,313	0.09%	3,765	0.09%	39,539	0.09%	
Gain on the disposal of asset (allocated based on net sales)	(1,720)	-0.03%	(754)	-0.03%	(1,353)	-0.03%	(1,871)	-0.03%	(2,095)	-0.03%	(2,136)	-0.03%	(1,699)	-0.03%	(1,976)	-0.03%	(518)	-0.03%	(1,487)	-0.03%	(15,609)	-0.03%	
Miscellaneous income (allocated based on net sales)	244	0.00%	107	0.00%	192	0.00%	266	0.00%	298	0.00%	302	0.00%	241	0.00%	281	0.00%	74	0.00%	213	0.00%	2,217	0.00%	
Profit before distributions	924,243	18.58%	334,224	15.32%	1,042,214	26.63%	942,887	17.42%	1,259,701	20.78%	1,169,618	18.93%	1,350,696	27.48%	1,082,299	18.93%	131,833	8.79%	742,994	17.28%	8,980,709	19.89%	
Local taxes included in selling price	183,466	3.69%	81,061	3.71%	518,754	13.25%	194,722	3.60%	370,031	6.10%	225,116	3.64%	662,084	13.47%	208,850	3.65%	55,474	3.70%	155,560	3.62%	2,655,118	5.88%	
Law Enforcement	56,527	1.14%	24,792	1.14%	44,472	1.14%	61,501	1.14%	68,876	1.14%	70,204	1.14%	55,839	1.14%	64,948	1.14%	17,038	1.14%	48,863	1.14%	513,060	1.14%	
Net income (loss) before profit distributions	\$ 684,250	13.75%	\$ 228,371	10.47%	\$ 478,988	12.24%	\$ 686,664	12.69%	\$ 820,794	13.54%	\$ 874,298	14.15%	\$ 632,773	12.88%	\$ 808,501	14.14%	\$ 59,321	3.96%	\$ 538,571	12.52%	\$ 5,812,531	12.87%	

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, 2021

<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	\$ 513,060	7/1/20 - 6/30/21	Law Enforcement
County & Municipality*				
	Wilmington	\$ 2,048,018	7/1/20 - 6/30/21	None
	Wrightsville	776,534	7/1/20 - 6/30/21	None
	Carolina Beach	764,960	7/1/20 - 6/30/21	None
	Kure Beach	11,423	7/1/20 - 6/30/21	None
	New Hanover County	3,467,477	7/1/20 - 6/30/21	None
Total		\$ 7,068,412		

*Payments to municipalities are made quarterly.