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

Financial Statements

June 30, 2019 and 2018

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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, 2019 and 2018, and the related Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2019 and 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Raleigh
4060 Barrett Drive
Post Office Box 17806
Raleigh, North Carolina 27619

919 782 9265
919 783 8937 FAX

Durham
3500 Westgate Drive
Suite 203
Durham, North Carolina 27707

919 354 2584
919 489 8183 FAX

Pittsboro
579 West Street
Post Office Box 1399
Pittsboro, North Carolina 27312

919 542 6000
919 542 5764 FAX

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 5, 2019

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, 2019 and 2018. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- 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.

- In 2018
 - Over 62% of profits were distributed to the Board's local government beneficiaries.
 - Change in net position before profit distributions increased 9.64% 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 \$24,832,576 in 2019, \$24,032,936 in 2018, and \$23,159,750 in 2017. The largest component of net position was net investment in capital assets. It was 74.91% of the total net position for 2019, 75.57% for 2018, and 80.98% for 2017. Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	June 30, 2017	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Current Assets	\$ 10,966,028	\$ 9,843,232	\$ 8,455,744	\$ 1,122,796	11.41%
Non-Current Assets	18,600,909	18,161,660	18,754,146	439,249	2.42%
Total Assets	\$ 29,566,937	\$ 28,004,892	\$ 27,209,890	\$ 1,562,045	5.58%
Deferred Outflows of Resources	\$ 837,930	\$ 571,536	\$ 698,939	\$ 266,394	
Current Liabilities	\$ 3,374,809	\$ 2,689,961	\$ 3,396,332	\$ 684,848	25.46%
Non-Current Liabilities	2,054,249	1,736,577	1,319,819	317,672	18.29%
Total Liabilities	\$ 5,429,058	\$ 4,426,538	\$ 4,716,151	\$ 1,002,520	22.65%
Deferred Inflows of Resources	\$ 143,233	\$ 116,954	\$ 32,928	\$ 26,279	
Net Investment in Capital Assets	\$ 18,600,909	\$ 18,161,660	\$ 18,754,146	\$ 439,249	2.42%
Restricted Net Position	1,401,813	1,339,094	1,289,970	62,719	4.68%
Unrestricted Net Position	4,829,854	4,532,182	3,115,634	297,672	6.57%
Total Net Position	\$ 24,832,576	\$ 24,032,936	\$ 23,159,750	\$ 799,640	3.33%

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, 2018 increased by 3.33% from June 30, 2017 compared to a 3.77% increase between 2018 and 2017. Income from operations decreased by 2.43% over the prior year and increased by 4.32% between 2018 and 2017. 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, 2019	June 30, 2018	June 30, 2017	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Operating Revenues	\$ 48,027,744	\$ 45,858,126	\$ 44,167,206	\$ 2,169,618	4.73%
Less: Taxes on Gross Sales	11,580,599	11,041,694	10,627,985	538,905	4.88%
Net Sales	36,447,145	34,816,432	33,539,221	1,630,713	
Cost of Sales	23,770,842	22,651,375	21,907,192	1,119,466	4.94%
Gross Profit	12,676,303	12,165,057	11,632,029	511,247	4.20%
Less: Operating Expenses	6,226,146	5,554,250	5,295,269	671,896	12.10%
Income from Operations	6,450,157	6,610,807	6,336,760	(160,650)	-2.43%
Non-Operating Revenues and Expenses	156,029	148,635	6,050	7,394	4.97%
Change in Net Position Before Distributions	6,606,186	6,759,442	6,342,810	(153,255)	-2.27%
Deduct Distributions	2,956,545	2,784,959	2,717,663	171,586	6.16%
Profit Distributions	2,850,001	2,500,000	2,500,000	350,001	14.00%
Change in Net Position	799,640	1,474,483	1,125,147	(674,842)	45.77%
Net Position - Beginning	24,032,936	23,159,750	22,034,603	873,186	3.77%
Net Position - Beginning, Restated	-	22,558,453	22,034,603	-	
Net Position - Ending	\$ 24,832,576	\$ 24,032,936	\$ 23,159,750	\$ 799,640	3.33%

Gross sales were up \$2,169,618 and \$1,690,920 for the years ended June 30, 2019 and 2018, 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 a slight increase in wine sales.

Following is a breakdown of gross sales by source:

	June 30, 2019	June 30, 2018	June 30, 2017	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Retail Liquor Sales	\$ 33,453,634	\$ 32,343,470	\$ 31,467,662	\$ 1,110,164	3.43%
Mixed Beverage Sales	14,514,924	13,461,246	12,647,066	1,053,678	7.83%
Retail Wine Sales	59,186	53,410	52,478	5,776	10.81%
Total Gross Sales	\$ 48,027,744	\$ 45,858,126	\$ 44,167,206	\$ 2,169,618	4.73%

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

In fiscal years 2019 and 2018, increases in mixed beverage sales out-paced increases in retail sales.

Capital Asset and Debt Administration

Capital Assets

Investment in capital assets as of June 30, 2019, totals \$18,600,909 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- Construction costs for Store 104 in Wrightsville Beach totaled \$547,112
- Parking lot expansion at Store 101 totaling \$116,576
- Upgrades of furniture and equipment totaling \$548,387, including upgrading the point-of-sale system

Table 3
Capital Assets
(net of depreciation)

	<u>June 30, 2019</u>	June 30, 2018	June 30, 2017	<u>\$ Change This Yr Over Last Yr</u>	<u>% Change This Yr Over Last Yr</u>
Land and Construction In Progress \$	7,499,097	\$ 6,942,447	\$ 6,987,681	\$ 556,650	8.02%
Buildings and improvements	10,230,316	10,691,390	11,152,464	(461,074)	-4.31%
Furniture and equipment	834,652	460,118	510,850	374,534	81.40%
Vehicles	36,844	67,705	103,151	(30,861)	-45.58%
Total	<u>\$ 18,600,909</u>	<u>\$ 18,161,660</u>	<u>\$ 18,754,146</u>	<u>\$ 439,249</u>	2.42%

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.

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, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and Cash Equivalents (Note 1)	\$ 5,768,084	\$ 4,620,602
Accounts Receivable	13,385	14,855
Inventories	5,130,672	4,893,066
Prepaid Expenses	53,887	314,709
Total Current Assets	10,966,028	9,843,232
Noncurrent Assets:		
Capital Assets:		
Land and Construction in Progress (Note 1)	7,499,097	6,942,448
Depreciable Capital Assets, net (Note 1)	11,101,812	11,219,212
Total Noncurrent Assets	18,600,909	18,161,660
Total Assets	\$ 29,566,937	\$ 28,004,892
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	\$ 571,309	\$ 326,933
Contributions to Pension Plan in Current Fiscal Year	236,046	215,524
OPEB Deferrals	30,575	29,079
Total Deferred Outflows of Resources	\$ 837,930	\$ 571,536
LIABILITIES		
Current liabilities:		
Accounts Payable	\$ 1,848,492	\$ 1,157,002
Distributions Payable	216,983	219,914
State Taxes Payable	1,034,474	1,041,486
Accrued Expenses:		
Liabilities	22,423	20,963
Payroll and Related Costs	181,194	168,758
Sales Tax Payable	71,243	81,838
Total Current Liabilities	3,374,809	2,689,961
Non-Current Liabilities:		
Total OPEB Liability	1,083,961	1,098,600
Net Pension Liability	970,288	637,977
Total Non-Current Liabilities	2,054,249	1,736,577
Total Liabilities	\$ 5,429,058	\$ 4,426,538
DEFERRED INFLOWS OF RESOURCES		
Pension Deferrals	\$ 8,461	\$ 22,487
OPEB Deferrals	134,772	94,467
Total Deferred Inflows of Resources	\$ 143,233	\$ 116,954
NET POSITION:		
Net Investment in Capital Assets	\$ 18,600,909	\$ 18,161,660
Restricted for:		
Working Capital (Note 12)	1,401,813	1,339,094
Unrestricted	4,829,854	4,532,182
Total Net Position	\$ 24,832,576	\$ 24,032,936

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE:		
Liquor Sales - Regular	\$ 33,453,634	\$ 32,343,470
Mixed Beverage Sales	14,514,924	13,461,246
Wine Sales	59,186	53,410
Total Gross Sales	<u>48,027,744</u>	<u>45,858,126</u>
DEDUCT TAXES ON GROSS SALES:		
State Excise Tax (Note 8)	10,105,871	9,642,060
Mixed Beverage Tax (Revenue) (Note 8)	1,225,647	1,158,632
Mixed Beverage Tax (Human Resources) (Note 8)	122,568	115,863
Rehabilitation Tax (Note 7)	122,641	121,645
Wine Sales Tax	3,872	3,494
Total Taxes on Gross Sales	<u>11,580,599</u>	<u>11,041,694</u>
NET SALES	36,447,145	34,816,432
DEDUCT COST OF SALES:		
Cost of Sales	<u>23,770,842</u>	<u>22,651,375</u>
GROSS PROFIT ON SALES	<u>12,676,303</u>	<u>12,165,057</u>
DEDUCT OPERATING EXPENSES:		
Store Expenses	4,047,676	3,526,958
Warehouse and Delivery Expenses	467,029	451,487
Administrative Expenses	1,085,544	961,094
Depreciation Expenses	625,897	614,711
Total Operating Expenses	<u>6,226,146</u>	<u>5,554,250</u>
INCOME FROM OPERATIONS	<u>6,450,157</u>	<u>6,610,807</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	43,496	9,107
Gain (Loss) on Disposal of Asset	(39,890)	137,488
Other Income	152,423	2,040
Total Non-Operating Revenues (Expenses)	<u>156,029</u>	<u>148,635</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	<u>6,606,186</u>	<u>6,759,442</u>
DEDUCT DISTRIBUTIONS:		
Local 3.5% Tax (Note 7)	1,179,021	1,124,907
Local \$.05 Bottle Charge (Note 8)	122,641	121,645
Local Mixed Beverage Surcharge (Note 8)	1,103,079	1,042,765
Law Enforcement (Note 7)	551,804	495,642
Total Distributions	<u>2,956,545</u>	<u>2,784,959</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS (Forward)	<u>3,649,641</u>	<u>3,974,483</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CHANGE IN NET POSITION		
BEFORE PROFIT DISTRIBUTIONS (Forwarded)	\$ <u>3,649,641</u>	\$ <u>3,974,483</u>
PROFIT DISTRIBUTIONS:		
County (Note 6)	1,326,445	1,198,053
City or Municipality (Note 6)	<u>1,523,556</u>	<u>1,301,947</u>
Total Profit Distributions	<u>2,850,001</u>	<u>2,500,000</u>
CHANGE IN NET POSITION	799,640	1,474,483
NET POSITION - Beginning of year	<u>24,032,936</u>	<u>23,159,750</u>
NET POSITION - Beginning of year, restated	<u>-</u>	<u>22,558,453</u>
NET POSITION - End of year	<u>\$ 24,832,576</u>	<u>\$ 24,032,936</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 48,029,214	\$ 45,859,234
Payments for Inventory Costs	(25,372,336)	(25,976,877)
Payments for Operating Expenses	(3,192,596)	(3,025,816)
Taxes Paid to Government Agencies	(11,598,204)	(11,005,786)
Other Operating Receipts	152,423	2,040
Net Cash Provided by Operating Activities	<u>8,018,501</u>	<u>5,852,795</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,105,036)	(121,737)
Proceeds from the Sale of Assets	-	237,000
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,105,036)</u>	<u>115,263</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Law Enforcement Distributions	(551,804)	(495,642)
Local Tax and Surcharge	(2,407,674)	(2,288,573)
Profit Distributions - Primary Government	(1,326,445)	(1,198,053)
Profit Distributions - Other	(1,523,556)	(1,301,947)
Net Cash Used by Non-Capital Financing Activities	<u>(5,809,479)</u>	<u>(5,284,215)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	43,496	9,107
Net Cash Provided by Investing Activities	<u>43,496</u>	<u>9,107</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,147,482	692,950
CASH AND CASH EQUIVALENTS - Beginning of year	<u>4,620,602</u>	<u>3,927,652</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 5,768,084</u></u>	<u><u>\$ 4,620,602</u></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, 2019 and 2018

	2019	2018
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from Operations	\$ 6,450,157	\$ 6,610,807
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	625,897	614,711
Other Income	152,423	2,040
Changes in Assets and Liabilities:		
Accounts Receivable	1,470	1,108
Inventories	(237,606)	(435,901)
Prepaid Expenses	260,822	(259,745)
Deferred Outflows of Resources for Pensions	(264,898)	156,482
Deferred Outflows of Resources for OPEB	(1,496)	(29,079)
Accounts Payable	691,490	(773,166)
State Taxes Payable	(7,012)	32,389
Accrued Liabilities	1,460	(11,396)
Payroll and Related Costs	12,438	41,538
Sales Taxes Payable	(10,595)	3,520
Total OPEB Liability	(14,639)	(57,626)
Net Pension Liability	332,311	(126,913)
Deferred Inflows of Resources for Pensions	(14,026)	(10,441)
Deferred Inflows of Resources for OPEB	40,305	94,467
	\$ 8,018,501	\$ 5,852,795
Net Cash Provided by Operating Activities	\$ 8,018,501	\$ 5,852,795

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

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018, the Board's deposits had a carrying amount of \$5,737,384 and \$4,590,802, respectively, and a bank balance of \$5,782,999 and \$4,986,279, 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, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (Concluded)

Capital Assets:

Capital Asset activity for the year ended June 30, 2019 was as follows:

	Balance 06/30/2018	Increases	Decreases	Balance 6/30/2019
Capital assets not being depreciated				
Land	\$ 6,230,430	\$ -	\$ -	\$ 6,230,430
Construction in Progress	712,017	556,650	-	1,268,667
Total capital assets not being depreciated	<u>6,942,447</u>	<u>556,650</u>	<u>-</u>	<u>7,499,097</u>
Capital assets being depreciated				
Buildings and Improvements	15,175,844	-	-	15,175,844
Furniture/Equipment	1,157,859	548,386	174,129	1,532,116
Vehicles	261,050	-	-	261,050
Total capital assets being depreciated	<u>16,594,753</u>	<u>548,386</u>	<u>174,129</u>	<u>16,969,010</u>
Less accumulated depreciation				
Buildings and Improvements	4,484,454	461,074	-	4,945,528
Furniture/Equipment	697,741	133,962	134,239	697,464
Vehicles	193,345	30,861	-	224,206
Total Accumulated Depreciation	<u>5,375,540</u>	<u>625,897</u>	<u>134,239</u>	<u>5,867,198</u>
Total capital assets being depreciated, net	<u>11,219,213</u>	<u>625,897</u>	<u>134,239</u>	<u>11,101,812</u>
Capital Assets-net	<u>\$ 18,161,660</u>			<u>\$ 18,600,909</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, 2019 and 2018

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, 2019 and 2018

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, 2019, was 8.05% 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 \$236,046 for the year ended June 30, 2019.

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 year 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, 2019, the Board reported a liability of \$970,288 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2019, the Board's proportion was 0.04090%, which was a decrease (or increase) of 0.0086% from its proportion measured as of June 30, 2018.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2019 and 2018

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

For the year ended June 30, 2019, the Board recognized pension expense of \$53,387. At June 30, 2019, 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	\$ 149,692	\$ 5,023
Changes of assumptions	257,477	-
Net difference between projected and actual earnings on pension plan investments	133,192	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,948	3,438
Board contributions subsequent to the measurement date	236,046	-
	<u>\$ 807,355</u>	<u>\$ 8,461</u>

\$236,046 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2019	\$ 269,446
2020	176,431
2021	39,814
2022	77,157
	<u>\$ 562,848</u>

Actuarial Assumptions:

The total pension liability in the December 31, 2017 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, 2019 and 2018

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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 2017 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, 2019 and 2018

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.	\$ 2,330,716	\$ 970,288	\$ (166,507)

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, 2019 and 2018 was \$66,124 and \$64,519, respectively.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2019 and 2018

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, 2018, the date of the latest actuarial valuation:

	General Employees
Retirees receiving benefits	8
Active plan members - current employees	46
	54

Total OPEB Liability:

The Board's total OPEB liability of \$1,083,961 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 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	3.89 percent
Healthcare cost trend rates:	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

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, 2018	\$ <u>1,098,600</u>
Changes for the year:	
Service cost	40,751
Interest on total OPEB liability	38,512
Changes of benefit terms	-
Differences between expected and actual experience	103
Changes in assumptions or other inputs	(60,126)
Benefit payments	(33,879)
Net changes	(14,639)
Balance at June 30, 2019	\$ <u>1,083,961</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2019 and 2018

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 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 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 (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	Current		
	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	\$ 1,281,895	\$ 1,083,961	\$ 927,657

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	\$ 907,423	\$ 1,083,961	\$ 1,313,527

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

For the year ended June 30, 2019, the Board recognized OPEB expense of \$54,654. At June 30, 2019, 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	\$ 91	\$ 290
Changes of assumptions	-	134,482
Benefit payments & administrative costs made subsequent to the measurement date	30,484	-
	\$ 30,575	\$ 134,772

\$30,484 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, 2019. 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, 2019 and 2018

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

Year Ending June 30		
2020		\$ (19,809)
2021		(19,809)
2022		(19,809)
2023		(19,809)
2024		(19,809)
Thereafter		(35,636)
		\$ (134,681)

Note 3. Commitments

The Board has two contracts with the New Hanover County Sheriff's Department to provide law enforcement services. At June 30, 2019, the commitment for both contracts to the Sheriff's Department totaled \$562,200.

The Board has a commitment remaining on a Wrightsville building contract of \$1,841,000. They have entered into a purchase agreement totaling \$200,000. In addition, they have \$82,191 remaining on a contract for support for their accounting system.

Note 4. Lease Commitments

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

Year Ending June 30		
2020		\$ <u>2,750</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, 2019 and 2018 amounted to \$64,861 and \$59,100, 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, 2019 and 2018

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 \$371,657. The Board also approved an additional distribution of \$180,000 for fiscal years 2019 and 2018 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	\$ 6,606,186
Less: 3.5% tax and bottle charge	1,301,662
Profit subject to expense percentages	<u>\$ 5,304,524</u>
Law enforcement expenditures - Actual	<u>\$ 551,804</u>
Percentage of profit	<u>10.40%</u>

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, 2019, payments to the County were based on the following bottle sales:

Regular bottles	1,645,367 at 5 cents = \$ 82,268
Mixed beverage bottles	633,121 at 5 cents = 31,656
Miniature bottles	871,687 at 1 cent = <u>8,717</u>
Total payment for the year	<u>\$ 122,641</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
Notes to Financial Statements
June 30, 2019 and 2018

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, 2018	\$	903,700
Taxes collected during the year		10,105,871
Taxes remitted to Department of Revenue		<u>(10,109,992)</u>
 Taxes payable June 30, 2019	 \$	 <u><u>899,579</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, 2019, was remitted to the North Carolina Department of Revenue on July 2, 2019.

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, 2019, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	1,645,367 at 5 cents	=	\$	82,268
Mixed beverage bottles	633,121 at 5 cents	=		31,656
Miniature bottles	871,687 at 1 cent	=		<u>8,717</u>
 Total payment for the year			 \$	 <u><u>122,641</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 Health and Human Services.

The mixed beverage tax for the year was:

Department of Revenue (50%)	\$	1,225,647
Department of Health and Human Services (5%)		122,568
Profit retained and remitted to local government (45%)		<u>1,103,079</u>
	\$	<u><u>2,451,294</u></u>

Note 9. Bailment Surcharge Collected

The total amount of surcharge collected for the fiscal year was \$301,886. The bailment surcharge rate was \$1.40 per case July through October and decreased to \$1.15 per case November 1, 2018.

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD

Notes to Financial Statements

June 30, 2019 and 2018

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 \$2,344,227. 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,	
		2019	2018	2019	2018
101	523 S. 17th St, Wilmington, NC	\$ 5,310,736	\$ 4,776,260	\$ 418,045	\$ 444,521
102	2378 C. Beach Rd, Wilmington, NC	2,067,590	2,154,668	(11,380)	37,626
103	523 S. 17th St, Wilmington, NC	6,112,822	5,630,110	577,563	555,004
104	6730 Wrightsville Ave, W. Beach, NC	5,068,794	5,018,392	391,032	489,507
105	1020 N. Lake Park Blvd, C Beach, NC	5,818,131	5,419,859	465,103	457,886
106	3544 S. College Rd, Wilmington, NC	6,161,847	5,596,275	555,370	536,407
107	6009 Market St, Wilmington, NC	6,686,855	6,290,597	704,740	657,289
108	5410 Market St, Wilmington, NC	5,988,127	5,694,476	514,642	556,730
109	6015 Castle Hayne Rd, Castle Hayne, NC	471,289	1,484,053	(276,084)	(40,280)
110	8122 Market St, Wilmington, NC	4,341,553	3,793,436	310,610	279,793
		<u>\$ 48,027,744</u>	<u>\$ 45,858,126</u>	<u>\$ 3,649,641</u>	<u>\$ 3,974,483</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	\$ 1,401,813
Maximum amount	\$ 9,111,786
Actual amount	\$ 7,523,947

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, 2019 and 2018

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. Subsequent Events

Management has evaluated subsequent events through September 5, 2019, the date on which the financial statements were available to be issued. The Board believes there have been no significant subsequent events.

Note 15. Restatements

The ABC Board implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Board related to OPEB during the measurement period. Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position decreased by \$601,297.

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 Six Fiscal Years*

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
ABC Board's proportion of the net pension liability (asset) (%)	0.0409%	0.0417%	0.0360%	0.0372%
ABC Board's proportion of the net pension liability (asset) (\$)	\$ 970,288	\$ 637,977	\$ 764,890	\$ 166,727
ABC Board's covered-employee payroll	\$ 2,528,320	\$ 2,630,015	\$ 2,332,304	\$ 2,219,298
ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.38%	24.26%	32.80%	7.51%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.45%	98.09%

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

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

<u>2015</u>	<u>2014</u>
-0.0355%	0.0361%
\$ (209,595)	\$ 435,144
\$ 2,107,290	\$ 2,264,093
-9.95%	19.22%
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 Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 236,046	\$ 215,524	\$ 198,023	\$ 155,558
Contributions in relation to the contractually required contribution	<u>236,046</u>	<u>215,524</u>	<u>198,023</u>	<u>155,558</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ABC Board's covered-employee payroll	\$ 2,571,407	\$ 2,528,320	\$ 2,630,015	\$ 2,332,304
Contributions as a percentage of covered-employee payroll	9.18%	8.52%	7.53%	6.67%

<u>2015</u>	<u>2014</u>
\$ 156,904	\$ 152,104
<u>156,904</u>	<u>152,104</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ 2,219,298	\$ 2,107,290
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, 2019

Total OPEB Liability

Service Cost	\$ 40,751
Interest	38,512
Changes of benefit terms	-
Differences between expected and actual experience	103
Changes of assumptions	(60,126)
Benefit payments	(33,879)
Net change in total OPEB liability	<u>(14,639)</u>
Total OPEB liability - beginning	1,098,600
Total OPEB liability - ending	<u><u>\$ 1,083,961</u></u>
Covered payroll	2,571,407
Total OPEB liability as a percentage of covered payroll	42.15%

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>
2019	3.89%

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Schedules of Store Expenses
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Pay and Related	\$ 2,798,670	\$ 2,667,087
Alarm System	6,320	6,320
Breakage	106,717	2,835
Cash (Over) Short	(1,997)	(391)
Charge Card Fees	485,173	400,350
Insurance - General	59,238	60,350
Janitorial	-	-
Licenses and Other Taxes	7,715	1,313
Maintenance Contracts	90,187	67,544
Merchandise (Over) Short	5,268	3,711
Professional Services	5,923	11,780
Repairs and Maintenance - Building	207,611	67,148
Repairs and Maintenance - Equipment	22,002	7,171
Supplies	96,895	75,212
Telephone	72,661	68,347
Training and Education	-	4,167
Travel	-	11
Utilities	85,293	84,003
	<u> </u>	<u> </u>
Total store expenses	\$ <u><u>4,047,676</u></u>	\$ <u><u>3,526,958</u></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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Pay and Related	\$ 414,813	\$ 392,052
Alarm System	632	632
Breakage	(13,023)	-
Insurance - General	5,178	4,769
Maintenance Contracts	2,596	2,119
Professional Services	380	368
Repairs and Maintenance - Building	8,205	5,896
Repairs and Maintenance - Equipment	1,396	3,260
Supplies	4,454	5,396
Telephone	3,714	4,197
Training and Education	1,135	1,617
Utilities	19,300	18,439
Vehicle Expense	18,249	12,742
	<u> </u>	<u> </u>
Total warehouse expenses	\$ <u>467,029</u>	\$ <u>451,487</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Pay and Related	\$ 724,716	\$ 666,805
Alarm System	632	632
Board Member - Per Diem	15,600	15,600
Cash (Over) Short	-	-
Dues and Subscriptions	4,955	5,907
Insurance - General	21,575	27,691
Janitor	5,230	5,000
Legal and Audit	42,000	55,694
Licenses and Other Taxes	-	2,076
Maintenance Contracts	27,473	24,151
Miscellaneous Expense	1,354	2,523
Pension	53,387	19,128
Postage	2,085	1,181
Professional Services	52,957	39,776
Repairs and Maintenance - Building	8,896	5,883
Repairs and Maintenance - Equipment	1,971	366
Retirees' Healthcare Expense	54,884	36,901
Supplies	13,760	10,274
Telephone	24,223	22,668
Training and Education	(418)	539
Travel - Board Members	7,445	1,562
Travel	12,500	7,016
Utilities	8,111	8,420
Vehicle Expense	2,208	1,301
	<u> </u>	<u> </u>
Total administrative expenses	<u>\$ 1,085,544</u>	<u>\$ 961,094</u>

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Reconciliation of Budget to Actual
June 30, 2019

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Operating Revenues:				
Liquor sales-regular	\$ 34,574,054	\$ 34,574,054	\$ 33,453,634	\$ (1,120,420)
Mixed beverage sales	13,673,147	13,673,147	14,514,924	841,777
Wine sales	52,801	52,801	59,186	6,385
Total sales	<u>48,300,002</u>	<u>48,300,002</u>	<u>48,027,744</u>	<u>(272,258)</u>
Non-operating revenues:				
Interest income	41,900	41,900	43,496	1,596
Other income	2,100	2,100	152,423	150,323
Total revenues	<u>48,344,002</u>	<u>48,344,002</u>	<u>48,223,663</u>	<u>(120,339)</u>
Expenditures:				
Total Taxes based on revenue:				
State excise tax	10,169,072	10,169,072	10,105,871	(63,201)
Mixed beverage tax (Revenue)	1,178,048	1,178,048	1,225,647	47,599
Mixed beverage tax (Human Resources)	118,218	118,218	122,568	4,350
Rehabilitation tax	128,876	128,876	122,641	(6,235)
Wine/mixer sales tax	3,796	3,796	3,872	76
Total Taxes based on revenue:	<u>11,598,010</u>	<u>11,598,010</u>	<u>11,580,599</u>	<u>(17,411)</u>
Cost of goods sold	<u>25,116,001</u>	<u>25,116,001</u>	<u>23,770,842</u>	<u>(1,345,159)</u>
OPERATING EXPENSES:				
Pay and Related	4,266,997	4,266,997	3,938,199	328,798
Alarm Service	7,901	7,901	7,584	317
Board Member-Per Diem	15,600	15,600	15,600	-
Breakage	5,000	5,000	93,693	(88,693)
Cash Short (Over)	2,500	2,500	(1,997)	4,497
Charge Card Fees	483,000	483,000	485,173	(2,173)
Dues and Subscriptions	5,200	5,200	4,955	245
Insurance-General	91,401	91,401	85,990	5,411
Janitor Service	7,000	7,000	5,230	1,770
Legal and Audit	41,500	41,500	42,000	(500)
Licenses & Other Taxes	11,501	11,501	7,715	3,786
Maintenance Contracts	98,901	98,901	120,256	(21,355)
Merchandise Short (Over)	5,000	5,000	5,268	(268)
Miscellaneous	74,982	74,982	1,356	73,626
Postage	1,920	1,920	2,085	(165)
Professional Services	60,501	60,501	59,260	1,241
Repairs and Maint-Bldg	122,601	122,601	224,712	(102,111)
Repairs and Maint-Equipment	6,101	6,101	25,369	(19,268)
Retirees' Healthcare Expense	34,000	34,000	54,884	(20,884)
Supplies-Admin	17,183	17,183	13,760	3,423
Supplies-Stores and Warehouse	102,897	102,897	101,349	1,548
Telephone	95,001	95,001	100,598	(5,597)
Training and Education	3,150	3,150	717	2,433
Travel-Board Member	7,100	7,100	7,445	(345)

(Continued)

NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of New Hanover County)
Reconciliation of Budget to Actual
June 30, 2019

	<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	\$ 12,500	\$ 15,400
Utilities	118,001	118,001	112,705	5,296
Vehicle Expense	25,000	25,000	20,456	4,544
Total operating expense	<u>5,737,838</u>	<u>5,737,838</u>	<u>5,546,862</u>	<u>185,158</u>
Capital Outlay:	<u>3,449,540</u>	<u>3,449,540</u>	<u>1,105,036</u>	<u>2,344,504</u>
Total expenditures	45,901,389	45,901,389	42,003,339	3,898,050
DISTRIBUTIONS:				
Local 3.5% tax	1,186,755	1,186,755	1,179,021	(7,734)
Local \$.05 bottle charge	130,254	130,254	122,641	(7,613)
Law Enforcement	547,200	547,200	551,804	-
Local Mixed Beverage Surcharge	1,060,243	1,060,243	1,103,079	42,836
County and Municipal	2,850,000	2,850,000	2,850,001	-
Total distributions	<u>5,774,452</u>	<u>5,774,452</u>	<u>5,806,546</u>	<u>27,489</u>
Total expenditures and distributions	51,675,841	51,675,841	47,809,885	(3,865,956)
Revenues over (under) expenditures	(3,331,839)	(3,331,839)	413,778	3,745,617
Other financing sources (uses):				
Working capital retained	<u>3,331,839</u>	<u>3,331,839</u>	<u>-</u>	<u>-</u>
Revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 413,778</u>	<u>\$ 3,745,617</u>

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

Reconciling Items:

Capital Outlay	1,105,036
Gain on Disposal of Asset	(39,890)
Pension expense	(53,387)
Depreciation	(625,897)
Total	<u>385,862</u>

Change in Net Position \$ 799,640

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, 2019 and 2018

	Retained Earnings June 30, 2018	Net Income	Profit Distributions	Retained Earnings 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>

	Retained Earnings June 30, 2017	Net Income	Profit Distributions	Retained Earnings June 30, 2018
New Hanover County	\$ 12,262,554	\$ 1,901,327	\$ 1,198,053	\$ 12,965,828
Wilmington	5,977,717	1,239,592	780,943	6,436,366
Wrightsville Beach	2,922,063	508,612	318,515	3,112,160
Carolina Beach	1,350,244	306,990	191,249	1,465,985
Kure Beach	45,874	17,963	11,240	52,597
	<u>\$ 22,558,452</u>	<u>\$ 3,974,484</u>	<u>\$ 2,500,000</u>	<u>\$ 24,032,936</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, 2019

	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	\$ 5,304,045		\$ 2,065,468		\$ -		\$ 5,059,559		\$ 4,087,691		\$ 6,152,013		\$ -		\$ 5,980,216		\$ 470,660		\$ 4,333,982		\$ 33,453,634	
Mixed beverage	-		-		6,112,822		-		1,715,247		-		6,686,855		-		-		-		14,514,924	
Wine Sales	6,691		2,122		-		9,235		15,193		9,834		-		7,911		629		7,571		59,186	
Total gross sales	<u>5,310,736</u>		<u>2,067,590</u>		<u>6,112,822</u>		<u>5,068,794</u>		<u>5,818,131</u>		<u>6,161,847</u>		<u>6,686,855</u>		<u>5,988,127</u>		<u>471,289</u>		<u>4,341,553</u>		<u>48,027,744</u>	
Deduct taxes on gross sales:																						
State excise tax	1,176,334		457,538		1,133,339		1,124,635		1,219,897		1,365,391		1,234,634		1,327,066		104,193		962,844		10,105,871	
Mixed beverage tax (Department of Revenue)	-		-		505,284		-		153,440		-		566,923		-		-		-		1,225,647	
Mixed beverage tax (Department of Health and Human Services)	-		-		50,529		-		15,346		-		56,693		-		-		-		122,568	
Rehabilitation tax	16,861		6,990		12,942		11,475		14,890		16,291		14,681		16,586		1,562		10,363		122,641	
Sales tax-wine	438		139		-		604		994		643		-		518		41		495		3,872	
Total taxes	<u>1,193,633</u>		<u>464,667</u>		<u>1,702,094</u>		<u>1,136,714</u>		<u>1,404,567</u>		<u>1,382,325</u>		<u>1,872,931</u>		<u>1,344,170</u>		<u>105,796</u>		<u>973,702</u>		<u>11,580,599</u>	
Net sales	4,117,103	100.00%	1,602,923	100.00%	4,410,728	100.00%	3,932,080	100.00%	4,413,564	100.00%	4,779,522	100.00%	4,813,924	100.00%	4,643,957	100.00%	365,493	100.00%	3,367,851	100.00%	36,447,145	100.00%
Cost of sales	2,767,877	67.23%	1,078,443	67.28%	2,631,921	59.67%	2,654,226	67.50%	2,879,084	65.23%	3,239,487	67.78%	2,863,332	59.48%	3,129,738	67.39%	249,398	68.24%	2,277,336	67.62%	23,770,842	65.22%
Gross profit	<u>1,349,226</u>	<u>32.77%</u>	<u>524,480</u>	<u>32.72%</u>	<u>1,778,807</u>	<u>40.33%</u>	<u>1,277,854</u>	<u>32.50%</u>	<u>1,534,480</u>	<u>34.77%</u>	<u>1,540,035</u>	<u>32.22%</u>	<u>1,950,592</u>	<u>40.52%</u>	<u>1,514,219</u>	<u>32.61%</u>	<u>116,095</u>	<u>31.76%</u>	<u>1,090,515</u>	<u>32.38%</u>	<u>12,676,303</u>	<u>34.78%</u>
OPERATING EXPENSES																						
Stores	534,812	12.99%	381,167	23.78%	336,696	7.63%	512,757	13.04%	519,874	11.78%	527,827	11.04%	293,190	6.09%	554,894	11.95%	356,955	97.66%	459,036	13.63%	4,477,208	12.28%
Warehouse and Delivery	56,758	1.38%	22,098	1.38%	60,806	1.38%	54,208	1.38%	60,845	1.38%	65,890	1.38%	66,365	1.38%	64,022	1.38%	5,039	1.38%	46,429	1.38%	502,460	1.38%
Administration	140,804	3.42%	54,819	3.42%	150,846	3.42%	134,476	3.42%	150,943	3.42%	163,458	3.42%	164,635	3.42%	158,822	3.42%	12,500	3.42%	115,176	3.42%	1,246,478	3.42%
Total operating expenses	<u>732,374</u>		<u>458,084</u>		<u>548,348</u>		<u>701,441</u>		<u>731,662</u>		<u>757,176</u>		<u>524,189</u>		<u>777,737</u>		<u>374,493</u>		<u>620,642</u>		<u>6,226,146</u>	
Income from operations	616,852	14.98%	66,396	4.14%	1,230,459	27.90%	576,413	14.66%	802,818	18.19%	782,859	16.38%	1,426,403	29.63%	736,482	15.86%	(258,398)	-70.70%	469,873	13.95%	6,450,157	17.70%
NONOPERATING INCOME																						
Interest income (allocated based on net sales)	4,913	0.12%	1,913	0.12%	5,264	0.12%	4,693	0.12%	5,267	0.12%	5,703	0.12%	5,745	0.12%	5,542	0.12%	436	0.12%	4,020	0.12%	43,496	0.12%
Gain on the disposal of asset (allocated based on net sales)	(4,506)	-0.11%	(1,754)	-0.11%	(4,827)	-0.11%	(4,304)	-0.11%	(4,830)	-0.11%	(5,231)	-0.11%	(5,269)	-0.11%	(5,083)	-0.11%	(400)	-0.11%	(3,686)	-0.11%	(39,890)	-0.11%
Miscellaneous income (allocated based on net sales)	17,218	0.42%	6,703	0.42%	18,446	0.42%	16,444	0.42%	18,458	0.42%	19,987	0.42%	20,132	0.42%	19,421	0.42%	1,529	0.42%	14,085	0.42%	152,423	0.42%
Profit before distributions	634,477	15.41%	73,258	4.57%	1,249,342	28.33%	593,246	15.09%	821,713	18.62%	803,318	16.81%	1,447,011	30.06%	756,362	16.29%	(256,833)	-70.27%	484,292	14.38%	6,606,186	18.13%
Local taxes included in selling price	154,100	3.74%	60,370	3.77%	604,999	13.72%	142,683	3.63%	289,790	6.57%	175,587	3.67%	669,389	13.91%	171,411	3.69%	13,718	3.75%	122,694	3.64%	2,404,741	6.60%
Law Enforcement	62,332	1.51%	24,268	1.51%	66,780	1.51%	59,531	1.51%	66,820	1.51%	72,361	1.51%	72,882	1.51%	70,309	1.51%	5,533	1.51%	50,988	1.51%	551,804	1.51%
Net income (loss) before profit distributions	<u>\$ 418,045</u>	<u>10.15%</u>	<u>\$ (11,380)</u>	<u>-0.71%</u>	<u>\$ 577,563</u>	<u>13.09%</u>	<u>\$ 391,032</u>	<u>9.94%</u>	<u>\$ 465,103</u>	<u>10.54%</u>	<u>\$ 555,370</u>	<u>11.62%</u>	<u>\$ 704,740</u>	<u>14.64%</u>	<u>\$ 514,642</u>	<u>11.08%</u>	<u>\$ (276,084)</u>	<u>-75.54%</u>	<u>\$ 310,610</u>	<u>9.22%</u>	<u>\$ 3,649,641</u>	<u>10.01%</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, 2019

<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	\$ 551,804	7/1/18 - 6/30/19	Law Enforcement
County & Municipality*				
	Wilmington	\$ 921,813	7/1/18 - 6/30/19	None
	Wrightsville	336,739	7/1/18 - 6/30/19	None
	Carolina Beach	258,344	7/1/18 - 6/30/19	None
	Kure Beach	6,660	7/1/18 - 6/30/19	None
	New Hanover County	1,326,445	7/1/18 - 6/30/19	None
Total		\$ 2,850,001		

*Payments to municipalities are made quarterly.