

**New Hanover County**  
**Alcoholic Beverage Control Board**  
(A Component Unit of New Hanover County)

Financial Statements

June 30, 2016 and 2015



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

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## **Independent Auditor's Report**

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

### **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 Statement of Net Position as of June 30, 2016, and the related Statement of Revenues, Expenses and Changes in Net Position, and 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 opinion.

## **Opinion**

In our opinion, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of the New Hanover County Alcoholic Beverage Control Board as of June 30, 2016, 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.

## **Prior Period Financial Statements**

The financial statements of New Hanover County Alcoholic Beverage Control Board as of June 30, 2015, were audited by other auditors whose report dated September 16, 2015, expressed an unmodified opinion on those statements.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Other Post Employment Benefits Schedules of Funding Progress and Employer Contributions, on page 40 and 41 and the Local Government Employees' Retirement System's Proportionate Share of Net Pension Liability and Schedule of Contributions, on pages 38 and 39, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedules of Store Expenses, Warehouse and Delivery Expenses, Administrative Expenses, Changes in Net Position, Changes in Net Position Before Profit Distributions by Store, Store Expenses by Store, and Revenues and Expenditures – Budget vs. Actual 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, Changes in Net Position, Changes in Net Position Before Profit Distributions by Store, Store Expenses by Store, and Revenues and Expenditures – Budget vs. Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 taken as a whole.

*W Greene PLLC*

Whiteville, North Carolina  
August 5, 2016

## Management's Discussion and Analysis

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This section of 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 year ended June 30, 2016. This information should be read in conjunction with the audited financial statements included in this report.

### *Financial Highlights*

- Over 71% of profits were distributed to the Board's local government beneficiaries.
- The Board completed the \$2.2 million extensive remodel of its 17<sup>th</sup> and Castle Streets retail and liquor by the drink stores.
- Change in net position before profit distributions increased 4.3% over the prior year.

### *Overview of the Financial Statements*

The audited financial statements of the ABC Board consist of 3 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 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, and financing activities. Based on this data, the user can determine the sources of cash, the uses of cash, and the change in cash.

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

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

### **Financial Analysis of the 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 \$22,034,604 in 2016, \$20,995,274 in 2015, and \$19,620,702 in 2014. The largest component of net position was net investment in capital assets. It was 83.24% of the total net position for 2016, 78.51% for 2015, and 80.44% for 2014. Following is a summary of the Statement of Net Position:

## Management's Discussion and Analysis (Continued)

### Condensed Statement of Net Position

	06-30-16	06-30-15	06-30-14	\$ Change This Yr Over Last Year	% Change This Yr Over Last Year
Current assets	\$ 7,534,108	\$ 7,245,189	\$ 6,729,292	\$ 288,919	3.99%
Non-current assets	18,340,992	16,760,991	15,783,371	1,580,001	9.43%
Total assets	25,875,100	24,006,180	22,512,663	1,868,920	7.79%
Deferred outflows of resources	170,823	156,904	-	13,919	8.87%
Current liabilities	3,237,431	2,170,857	2,429,323	1,066,574	49.13%
Non-current liabilities	686,554	485,213	462,638	201,341	41.50%
Total liabilities	3,923,985	2,656,070	2,891,961	1,267,915	47.74%
Deferred inflows of resources	87,335	511,740	-	(424,405)	-82.93%
Net investment in capital assets	18,340,992	16,760,991	15,783,371	1,580,001	9.43%
Restricted net position	1,209,550	1,124,430	2,656,462	85,120	7.57%
Unrestricted net position	2,484,061	3,109,853	1,180,869	(625,792)	-20.12%
Total net position	\$ 22,034,603	\$ 20,995,274	\$ 19,620,702	\$ 1,039,329	4.95%

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

Net Position increased by 4.95% from 2015 compared to a 7.01% increase between 2015 and 2014. Income from operations increased by 7.68% from 2015 and by 7.28% between 2015 and 2014. Following is a summary of the changes in net position:

### Condensed Statement of Revenues, Expenses, and Changes in Net Position

	06-30-16	06-30-15	06-30-14	\$ Change This Yr Over Last Year	% Change This Yr Over Last Year
Operating revenues	\$ 41,441,444	\$ 38,558,872	\$ 36,254,842	\$ 2,882,572	7.48%
Less: Taxes on gross sales	9,993,148	9,323,672	8,786,815	669,476	7.18%
Net sales	31,448,296	29,235,200	27,468,027	2,213,096	7.57%
Cost of sales	20,610,011	19,150,258	18,042,515	1,459,753	7.62%
Gross profit	10,838,285	10,084,942	9,425,512	753,343	7.47%
Less: Operating expenses	4,518,038	4,215,254	3,954,180	302,784	7.18%
Income from operations	6,320,247	5,869,688	5,471,332	450,559	7.68%
Nonoperating revenues and expenses	(190,627)	7,213	15,965	(197,840)	-2742.83%
Change in net position before distributions	6,129,620	5,876,901	5,487,297	252,719	4.30%
Deduct Distributions	2,610,843	2,464,751	2,364,267	146,092	5.93%
Profit distributions	2,479,447	1,748,346	2,079,244	731,101	41.82%
Change in net position	1,039,330	1,663,804	1,043,786	(624,474)	-37.53%
Net position - beginning, restated	20,995,274	19,331,470	18,576,916	1,663,804	8.61%
Net position - ending	22,034,604	20,995,274	19,620,702	1,039,330	4.95%

For 2016, gross sales were up \$2,882,572. 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.

For 2015, gross sales were up \$2,304,030. 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.



## Management's Discussion and Analysis (Continued)

Following is a breakdown of sales by source:

	06-30-16	06-30-15	06-30-14	\$ Change This Yr Over Last Year	% Change This Yr Over Last Year
Retail Liquor Sales	\$ 29,338,783	\$ 27,459,957	\$ 25,686,213	\$ 1,878,826	6.84%
Mixed Beverage Sales	12,052,590	11,050,805	10,522,030	1,001,785	9.07%
Retail Wine Sales	50,071	48,110	46,599	1,961	4.08%
Total	\$ 41,441,444	\$ 38,558,872	\$ 36,254,842	\$ 2,882,572	7.48%

In fiscal year 2016, increases in retail sales continue to out-pace increases in mixed beverage sales. In fiscal year 2015, increases in retail sales out-paced increases in mixed beverage sales.

### *Capital Asset and Debt Administration*

#### **Capital Assets**

Investment in capital assets as of June 30, 2016 totals \$18,340,992 (net of accumulated depreciation).

Major capital asset transactions during the year include the following

- Purchase of a Chrysler Town & Country Minivan for \$25,994
- Purchase of a new security system at Store #108 (5410 Market Street) for \$15,051
- Completed building renovations for 523 S. 17<sup>th</sup> Street Stores #101 and #103 for a total of \$2,141,122.

#### **Capital Assets (net of depreciation)**

	06-30-16	06-30-15	06-30-14	\$ Change This Yr Over Last Year	% Change This Yr Over Last Year
Land and Construction in Progress	\$ 6,332,376	\$ 6,658,897	\$ 9,597,634	\$ (326,521)	-4.90%
Building and Improvements	11,510,789	9,638,868	5,721,530	1,871,921	19.42%
Furniture and Equipment	474,701	388,749	367,590	85,952	0.00%
Vehicles	23,126	74,477	96,617	26,176	100.00%
Total	\$ 18,340,992	\$ 16,760,991	\$ 15,783,371	\$ 1,580,001	9.43%

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

## Management's Discussion and Analysis (Continued)

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### **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:

Carol E. Martin, CPA, Finance Officer  
New Hanover County ABC Board  
6009 Market Street  
Wilmington, North Carolina 28405

## ***BASIC FINANCIAL STATEMENTS***

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**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**  
(A Component Unit of New Hanover County)  
Statement of Net Position  
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note I)	\$ 3,677,460	\$ 3,767,957
Accounts Receivable	4,046	12,374
Inventory	3,798,614	3,164,239
Prepaid Items	53,988	91,024
Net Pension Asset	-	209,595
<b>Total Current Assets</b>	<u>7,534,108</u>	<u>7,245,189</u>
<b>Non-Current Assets</b>		
Capital Assets		
Land and Construction in Progress (Note I)	6,332,376	6,658,897
Depreciable Capital Assets, Net (Note I)	12,008,616	10,102,094
<b>Total Non-Current Assets</b>	<u>18,340,992</u>	<u>16,760,991</u>
<b>Total Assets</b>	<u><u>25,875,101</u></u>	<u><u>24,006,180</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Deferrals	15,265	-
Contributions to Pension Plan in Current Fiscal Year	155,558	156,904
<b>Total Deferred Outflows of Resources</b>	<u>\$ 170,823</u>	<u>\$ 156,904</u>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**  
(A Component Unit of New Hanover County)  
Statement of Net Position (Continued)  
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,857,863	\$ 992,126
Distributions Payable	213,771	176,361
State Taxes Payable	959,912	825,914
Accrued Expenses:		
Liabilities Payable	20,170	15,897
Payroll and Related Costs	112,761	92,355
Sales Tax Payable	72,954	68,204
<b>Total Current Liabilities</b>	<u>3,237,431</u>	<u>2,170,857</u>
<b>Non-Current Liabilities</b>		
Other Post-Employment Benefits Payable (Note II)	519,827	485,213
Net Pension Liability	166,727	-
<b>Total Non-Current Liabilities</b>	<u>686,554</u>	<u>485,213</u>
<b>Total Liabilities</b>	<u>3,923,985</u>	<u>2,656,070</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Deferrals	87,335	511,740
<b>Total Deferred Inflows of Resources</b>	<u>87,335</u>	<u>511,740</u>
<b>NET POSITION</b>		
<b>Net Position</b>		
Net Investment in Capital Assets	18,340,992	16,760,991
Restricted for:		
Working Capital (Note XI)	1,209,550	1,124,430
Unrestricted	2,484,061	3,109,853
<b>Total Net Position</b>	<u>\$ 22,034,604</u>	<u>\$ 20,995,274</u>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**  
(A Component Unit of New Hanover County)  
Statement Of Revenues, Expenses and Changes In Net Position  
For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	<u>June-30-16</u>	<u>June-30-15</u>
<b>Operating Revenue</b>		
Liquor Sales - Regular	\$ 29,338,783	\$ 27,459,957
Mixed Beverage Sales	12,052,590	11,050,805
Wine Sales	50,071	48,110
<b>Total Gross Sales</b>	<u>41,441,444</u>	<u>38,558,872</u>
<b>Deduct Taxes On Gross Sales</b>		
State Excise Tax (Note VII)	8,699,985	8,113,484
Mixed Beverage Tax (Department of Revenue)(Note VII)	1,070,039	999,326
Mixed Beverage Tax (Department of Human Resources)(Note VII)	107,004	99,933
Rehabilitation Tax (Note VI)	112,844	107,782
Wine Sales Tax	3,276	3,147
<b>Total Taxes</b>	<u>9,993,148</u>	<u>9,323,672</u>
<b>Net Sales</b>	<u>31,448,296</u>	<u>29,235,200</u>
<b>Deduct Cost Of Sales</b>		
Cost of Sales	<u>20,610,011</u>	<u>19,150,258</u>
<b>Gross Profit On Sales</b>	<u>10,838,285</u>	<u>10,084,942</u>
<b>Deduct Operating Expenses</b>		
Store Expenses	2,837,220	2,697,190
Warehouse and Delivery Expenses	343,535	334,308
Administrative Expenses	834,060	738,180
Depreciation Expenses	503,223	445,576
<b>Total Operating Expenses</b>	<u>\$ 4,518,038</u>	<u>\$ 4,215,254</u>
<b>Income from Operations</b>	<u>\$ 6,320,247</u>	<u>\$ 5,869,688</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)  
Statement Of Revenues, Expenses and Changes In Net Position (Continued)  
For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	<u>June-30-16</u>	<u>June-30-15</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Income	4,583	6,859
Gain (Loss) on Disposal of Assets (Note I)	(197,424)	(2,612)
Other Income	2,214	2,966
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(190,627)</u>	<u>7,213</u>
<b>Change in Net Position Before Distributions</b>	<u>6,129,620</u>	<u>5,876,901</u>
<b>Deduct Distributions</b>		
Local 3.5% Tax (Note VI)	1,014,997	946,574
Local \$0.05 Bottle Charge (Note VII)	112,844	107,782
Local Mixed Beverage Surcharge (Note VII)	963,034	899,394
Law Enforcement (Note VI)	519,968	511,001
<b>Total Distributions</b>	<u>2,610,843</u>	<u>2,464,751</u>
<b>Change in Net Position Before Profit Distributions</b>	<u>3,518,777</u>	<u>3,412,150</u>
<b>Profit Distributions</b>		
County (Note V)	1,180,217	840,976
City or Municipality (Note V)	1,299,230	907,370
<b>Total Profit Distributions</b>	<u>2,479,447</u>	<u>1,748,346</u>
<b>Change in Net Position</b>	<u>1,039,330</u>	<u>1,663,804</u>
<b>Net Position - Beginning of Year</b>	<u>20,995,274</u>	<u>19,331,470</u>
<b>Net Position - End of Year</b>	<u>\$ 22,034,604</u>	<u>\$ 20,995,274</u>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**  
(A Component Unit of New Hanover County)  
Statement Of Cash Flows  
For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	<u>June-30-16</u>	<u>June-30-15</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received From Customers	\$ 41,449,772	\$ 38,558,818
Payments for Inventory Costs	(20,378,649)	(21,701,587)
Payments for Operating Expenses	(3,980,488)	(2,400,758)
Taxes Paid to Government Agencies	(9,854,400)	(9,240,745)
Other Operating Receipts	2,214	2,966
<b>Net Cash Provided by Operating Activities</b>	<u>7,238,449</u>	<u>5,218,694</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and Construction of Capital Assets	(2,280,649)	(1,425,808)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(2,280,649)</u>	<u>(1,425,808)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Law Enforcement Distributions	(519,968)	(511,001)
Local Tax and Surcharge	(2,053,465)	(1,940,223)
Profit Distributions - Primary Government	(1,180,217)	(840,976)
Profit Distributions - Other	(1,299,230)	(907,370)
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>(5,052,880)</u>	<u>(4,199,570)</u>
<b>Cash Flows from Investing Activities</b>		
Interest on Investments	4,583	6,859
<b>Net Cash Provided by Investing Activities</b>	<u>4,583</u>	<u>6,859</u>
<b>Net Increase(Decrease) in Cash and Cash Equivalents</b>	<u>(90,497)</u>	<u>(399,825)</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>3,767,957</u>	<u>4,167,782</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 3,677,460</u>	<u>\$ 3,767,957</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)  
Statement Of Cash Flows (Continued)  
For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	<u>June-30-16</u>	<u>June-30-15</u>
<b>Reconciliation of Income from Operations to Net Cash Provided by Operating Activities</b>		
<b>Income from Operations</b>	<b>\$ 6,320,247</b>	<b>\$ 5,869,688</b>
<b>Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities</b>		
Depreciation	503,223	445,576
Pension Expense	-	12,913
Other Income	2,214	2,966
(Increase) Decrease in Assets -		
Inventory	(634,375)	(670,691)
Accounts Receivable	8,328	(54)
Prepaid Items	37,036	(35,382)
Net Pension Asset	209,595	-
Deferred Outflows of Resources For Pensions	(13,919)	(156,904)
Increase (Decrease) in Liabilities -		
Accounts Payable	865,737	(352,485)
Payroll and Related Costs	20,406	1,322
Retirement Payable	-	-
Sales Taxes Payable	4,750	14,168
State Taxes Payable	133,998	68,759
Accrued Liabilities	4,273	(3,757)
Net Pension Liability	166,727	-
Other Post Employment Benefits	34,614	22,575
Deferred Inflows of Resources For Pensions	(424,405)	-
<b>Total Adjustments</b>	<b>918,202</b>	<b>(650,994)</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 7,238,449</b>	<b>\$ 5,218,694</b>

# NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD

Notes to Financial Statements

June 30, 2016 and 2015

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. 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 ABC 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.

### B. Organizational History

The Board was organized in 1935. The Board's governing body is comprised of 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 seven retail liquor stores, two mixed beverage locations, and one combination retail/mixed beverage stores 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.

### C. Basis of Presentation

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

### D. Basis of Accounting

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

## NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of Net Position date, and reported 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.

#### F. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

#### G. Assets, Liabilities and Net Position

##### 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. The Board may also establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Board's agent in the Board's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board 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.

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities and Net Position (Continued)**

**Deposits (Continued)**

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

At June 30, 2016, the ABC Board's deposits had a carrying amount of \$3,648,360 and a bank balance of \$4,296,110. All of the bank balance was covered by federal depository insurance or collateralized under the pooling method described above.

At June 30, 2015, the ABC Board's deposits had a carrying amount of \$3,737,057 and a bank balance of \$3,962,480. All of the bank balance was 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 six 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 market.

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities and Net Position (Continued)**

**Capital Assets**

Capital Asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 6,443,684	\$ -	\$ (114,504)	\$ 6,329,180
Construction in Progress	215,213	3,196	(215,213)	3,196
Total capital assets not being depreciated	<u>6,658,897</u>	<u>3,196</u>	<u>(329,717)</u>	<u>6,332,376</u>
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	13,443,777	2,422,116	(791,837)	15,074,056
Furniture and Equipment	858,207	463,788	(225,286)	1,096,709
Vehicles	217,863	25,994	(198,871)	44,986
Total capital assets being depreciated	<u>14,519,847</u>	<u>2,911,898</u>	<u>(1,215,994)</u>	<u>16,215,751</u>
<b>Less accumulated depreciation for:</b>				
Buildings and Improvements	3,804,909	390,265	(631,907)	3,563,267
Furniture and Equipment	469,458	243,760	(91,210)	622,008
Vehicles	143,386	8,564	(130,090)	21,860
Total accumulated depreciation	<u>4,417,753</u>	<u>\$ 642,589</u>	<u>\$ (853,207)</u>	<u>4,207,135</u>
Total capital assets being depreciated, net	<u>10,102,094</u>			<u>12,008,616</u>
<b>Capital Assets, net</b>	<u>\$ 16,760,991</u>			<u>\$ 18,340,992</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.

During the year, obsolete assets totaling \$197,424 (net of accumulated depreciation of \$713,843) have been written off and reflected as a loss on disposal of assets.

**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 assets 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.

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities and Net Position (Continued)**

**Net Position**

Net position consists of the following:

1. *Net Investment in capital assets* - This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation.
2. *Restricted for capital improvements* - G.S. 18B-805(d) requires approval of the appointing authority to establish this fund, outside of working capital, for specific capital improvements.
3. *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 three months' average gross sales of the last fiscal year. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by G.S. 18B-805(b), (2), (3), and (4).
4. *Unrestricted net position* - This component of net position consists of net position that does not meet the definition of *restricted* or *investment in capital assets*.

**H. Other**

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Board's financial position and operations. Reclassifications have been made, where necessary, in order to provide comparative financial statements.

## NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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### II. DETAIL NOTES ON ALL PENSION BENEFITS

#### Pension Plan Obligations

##### Local Government Employees' Retirement System

*Plan Description.* The Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of General Statute 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, or by calling (919) 981-5454 or at [www.osc.nc.gov](http://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 benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an 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 creditable 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 monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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**II. DETAIL NOTES ON ALL PENSION BENEFITS (Continued)**

**Pension Plan Obligations (Continued)**

**Local Government Employees' Retirement System (Continued)**

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. New Hanover County ABC 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 New Hanover County ABC Board's contractually required contribution rate for the year ended June 30, 2016, was 6.67% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the New Hanover County ABC Board were \$155,558 for the year ended June 30, 2016.

**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, 2016, the ABC Board reported a liability of \$166,727 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the ABC Board's proportion was 0.03715%, which was an increase of 0.00165% from its proportion measured as of June 30, 2014.



**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**II. DETAIL NOTES ON ALL PENSION BENEFITS (Continued)**

**Pension Plan Obligations (Continued)**

**Local Government Employees' Retirement System (Continued)**

For the year ended June 30, 2016, the Board recognized pension expense of \$79,890. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 39,190
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	47,467
Changes in proportion and differences between ABC Board contributions and proportionate share of contributions	15,265	678
Board contributions subsequent to the measurement date	155,558	-
Total	<u>\$ 170,823</u>	<u>\$ 87,335</u>

\$155,558 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2017	\$ (51,538)
2018	(51,538)
2019	(51,475)
2020	82,481
2021	-
Thereafter	-
	<u>\$ (72,070)</u>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**II. DETAIL NOTES ON ALL PENSION BENEFITS (Continued)**

**Pension Plan Obligations (Continued)**

**Local Government Employees' Retirement System (Continued)**

**Actuarial Assumptions.** The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

Valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**II. DETAIL NOTES ON ALL PENSION BENEFITS (Continued)**

**Pension Plan Obligations (Continued)**

**Local Government Employees' Retirement System (Continued)**

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
ABC Board's proportionate share of the net pension liability (asset)	\$ 1,162,611	\$ 166,727	\$ (672,283)

**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.

## NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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### II. DETAIL NOTES ON ALL PENSION BENEFITS (Continued)

#### Pension Plan Obligations (Continued)

##### Death Benefits

The Board has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership 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 month's 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 all employees who are also eligible to participate in the Local Governmental Employees' Retirement System. The Board's contribution is based on matching 100% of employees' contributions ranging from 1% to 5% of salary deferral elected by each eligible employee. The Board's contribution for the years ended June 30, 2016 and 2015 were, \$54,515 and \$58,471, respectively.

##### Other Post-Employment Benefits

*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. Therefore, 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 December 31, 2014, the date of the last actuarial valuation:

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**II. DETAIL NOTES ON ALL PENSION BENEFITS (Continued)**

**Pension Plan Obligations (Continued)**

**Other Post-Employment Benefits (Continued)**

	General Employees
Retirees and dependents receiving benefits	9
Active plan members	47
Total	<u>56</u>

*Funding Policy.* The current annual required contribution rate is 2.87% of annual covered payroll. For the current year, the Board contributed \$25,431 or 1.31% of annual covered payroll. The New Hanover County Alcoholic Beverage Control Board is required to contribute 100% of the premiums required to provide post-employment health benefits for eligible members under a board resolution that can be amended by the Board. The Board has chosen to fund the health benefits on a pay-as-you go basis.

*Summary of Significant Accounting Policies.* No funds are set aside to pay benefits and administration cost. These expenditures are paid as they come due.

*Annual OPEB Cost and Net OPEB Obligation.* The Board's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation for the healthcare benefits:

	2016	2015
Annual required contribution	\$ 59,178	\$ 49,981
Interest on net OPEB obligation	19,408	18,506
Adjustment to annual required obligation	(18,541)	(17,679)
Annual OPEB cost (expense)	<u>60,045</u>	50,808
Contributions Made	25,431	28,233
Increase (decrease) in OPEB obligation	34,614	22,575
Net OPEB obligation, beginning of year	<u>485,213</u>	462,638
Net OPEB obligation, end of year	<u>\$ 519,827</u>	<u>\$ 485,213</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2016 and 2015 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 60,045	42.35%	\$ 519,827
2015	\$ 50,808	55.57%	\$ 485,213
2014	\$ 50,780	65.55%	\$ 462,638

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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**II. DETAIL NOTES ON ALL PENSION BENEFITS (Continued)**

**Pension Plan Obligations (Continued)**

**Other Post-Employment Benefits (Continued)**

*Funded Status and Funding Progress.* As of December 31, 2014 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$854,091. The covered payroll (annual payroll of active employees covered by the plan) was \$1,942,516, and the ratio of the UAAL to the covered payroll was 43.97%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.5% (pre-Medicare) or 7% (post-Medicare) annually, decreasing to 5% by 2018. Both rates included a 3% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

**III. LEASE COMMITMENTS**

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

Year Ending June 30	
2017	\$ 1,550
	<u>\$ 1,550</u>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

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**IV. VACATION AND SICK LEAVE COMPENSATION**

Board employees may accumulate up to 80 hours earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2016 and 2015 amounted to \$33,170 and \$26,218, 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 taken, no accrual for sick leave has been made.

**V. DISTRIBUTIONS OF INCOME**

State law [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.

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**VI. LOCAL 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 3½% 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 \$306,000. The Board also approved an additional one-time distribution of \$180,000 for fiscal year 2016 to fund a downtown task force and purchased a used vehicle for \$25,000 for law enforcement. 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.

Income Before Distributions	\$ 6,129,620
Less 3½ % Tax and Bottle Charge	<u>1,127,842</u>
Profit Subject to Expense Percentage	<u>\$ 5,001,778</u>
Law Enforcement Expenditures – Actual	<u>\$ 519,968</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 alcoholic education and rehabilitation. For the fiscal year ended June 30, 2016, payments to the County were based on the following bottle sales:

Regular Bottles	1,556,540	@ 5 cents	=	\$ 77,827
Mixed Beverage Bottles	558,162	@ 5 cents	=	27,908
Miniature Bottles	710,881	@ 1 cent	=	<u>7,109</u>
Total Payment for the Year			\$	<u>112,844</u>



**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**VII. 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 sales (excluding wine sales). Transactions for this account for the year are summarized as follows:

Taxes Payable 7-1-15	\$	713,873
Taxes Collected During the Year		8,699,985
Taxes Remitted to Department of Revenue		<u>(8,596,652)</u>
Taxes Payable 6-30-16	\$	<u>817,206</u>

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

The accrued North Carolina excise tax at June 30, 2016 was remitted to the North Carolina Department of Revenue on July 6, 2016.

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 alcoholic education and rehabilitation. For the fiscal year ended June 30, 2016, payments to the County and its municipalities were based on the following bottle sales:

Regular Bottles	1,556,540	@ 5 cents	=	\$	77,827
Mixed Beverage Bottles	558,162	@ 5 cents	=		27,908
Miniature Bottles	710,881	@ 1 cent	=		<u>7,109</u>
Total Payment for the Year				\$	<u>112,844</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 North Carolina Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the Department of Health and Human Resources. The mixed beverage tax for the year was:

Department of Revenue (50%)	\$	1,070,039
Department of Human Resources (5%)		107,004
Profit Retained and Remitted to Local Government Beneficiaries (45%)		<u>963,034</u>
Total	\$	<u>2,140,077</u>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016 and 2015

**VIII. 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,	
		2016	2015	2016	2015
101	523 S. 17 <sup>th</sup> St, Wilmington, NC	\$ 3,646,887	\$ 3,816,239	\$ 326,271	\$ 374,928
102	2378 C. Beach Rd, Wilmington, NC	2,200,001	2,038,550	115,756	113,706
103	523 S. 17 <sup>th</sup> St, Wilmington, NC	307,294	4,720,306	31,524	473,426
104	6730 Wrightsville Ave, W. Beach, NC	4,837,780	4,522,439	452,863	436,155
105	1020 N. Lake Park Blvd, C. Beach, NC	4,939,332	4,542,780	423,946	375,651
106	3544 S. College Rd, Wilmington, NC	5,049,462	4,734,343	457,989	456,784
107	6009 Market St, Wilmington, NC	10,326,510	4,572,972	945,687	426,917
108	5410 Market St, Wilmington, NC	5,568,230	5,133,905	473,986	512,885
109	6015 Castle Hayne Rd, Castle Hayne, NC	1,278,223	1,215,413	26,810	(23,401)
110	8122 Market St, Wilmington, NC	3,287,725	3,261,925	263,948	265,100

**IX. BAILMENT SURCHARGE COLLECTED**

The total amount of surcharge collected for the fiscal year was \$310,679. (The rate increased May 1, 2015 from 80 cents per case sold to \$1.40 per case sold.)

**X. LIQUOR SALES TAX**

The total amount of sales tax collected by the ABC Board and remitted to the Department of Revenue for the fiscal year was \$2,055,536. The current sales tax rate is 7%. This tax is not shown in the Statement of Revenues, Expenses, and Changes in Net Position.

**XI. WORKING CAPITAL**

The ABC 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)).

The Board's position on this requirement is as follows:

Minimum Amount	\$	1,209,550
Maximum Amount	\$	7,862,073
Actual Amount	\$	4,238,643

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 (Continued)

June 30, 2016 and 2015

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### **XII. RISK MANAGEMENT**

The New Hanover County ABC 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 ABC 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.

In accordance with G.S. 18B-803(b)(c), all store managers and employees who have access to funds are insured for \$25,000.

### **XIII. INCOME TAXES**

The New Hanover County Alcoholic Beverage Control Board is an organization exempt from income taxes; consequently, no provision for income taxes has been made.

### **XIV. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 5, 2016, the date on which the financial statements were available to be issued. The Board believes there have been no significant subsequent events.



***REQUIRED  
SUPPLEMENTARY INFORMATION***

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**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 Three Fiscal Years\*

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**Local Government Employees' Retirement System**

	2016	2015	2014
ABC Board's proportion of the net pension liability (asset) (%)	0.03715%	-0.0355%	0.0361%
ABC Board's proportion of the net pension liability (asset) (\$)	\$ 166,727	\$ (209,595)	\$ 435,144
ABC Board's covered-employee payroll	\$ 2,219,298	\$ 2,107,290	\$ 2,264,093
ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.51%	-9.95%	19.22%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

\* 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.

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

(A Component Unit of New Hanover County)

ABC Board's Contributions

Required Supplementary Information

Last Two Fiscal Years

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**Local Government Employee's Retirement System**

	2016	2015	2014
Contractually required contribution	\$ 155,558	\$ 156,904	\$ 152,104
Contributions in relation to the contractually required contribution	155,558	156,904	152,104
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ABC Board's covered employee payroll	\$ 2,332,204	\$ 2,219,298	\$ 2,151,400
Contributions as a percentage of covered-employee payroll	6.67%	7.07%	7.07%

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Other Postemployment Benefits

Required Supplementary Information

Schedule of Funding Progress

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
12/31/2014	\$ -	\$ 854,091	\$ 854,091	0.00%	\$ 1,942,516	43.97%
12/31/2011	-	791,283	791,283	0.00%	2,037,135	38.80%
6/30/2009	-	880,945	880,945	0.00%	1,980,624	44.50%



**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

Other Postemployment Benefits

Required Supplementary Information

Schedule of Employer Contributions

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 49,984	66.60%
2015	49,981	56.50%
2016	59,178	0.00%



## ***SUPPLEMENTARY INFORMATION***

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**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

(A Component Unit of New Hanover County)

## Schedule of Store Expenses

For the Years Ended June 30, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
Pay and Related	\$ 2,065,914	\$ 2,023,631
Alarm System	3,823	3,812
Breakage	2,006	1,867
Cash (Over)/Short	416	1,391
Charge Card Fees	341,052	304,669
Insurance - General	63,514	69,293
Janitorial	150	-
Licenses and Other Taxes	1,310	1,681
Maintenance Contracts	57,144	47,076
Merchandise (Over) Short	4,291	3,276
Professional Services	12,413	11,533
Repairs and Maintenance - Building	71,174	37,759
Repairs and Maintenance - Equipment	1,002	2,335
Supplies	82,374	64,199
Telephone	45,473	44,306
Training and Education	951	1,000
Travel	154	313
Utilities	84,059	79,049
<b>Total Operating Expenses</b>	<b><u>\$ 2,837,220</u></b>	<b><u>\$ 2,697,190</u></b>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

(A Component Unit of New Hanover County)

Schedule of Warehouse and Delivery Expenses

For the Years Ended June 30, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
Pay and Related	\$ 298,882	\$ 299,676
Alarm System	318	239
Insurance - General	4,734	6,693
Maintenance Contracts	1,288	672
Professional Services	486	1,348
Repairs and Maintenance - Building	4,452	802
Repairs and Maintenance - Equipment	18	422
Supplies	2,812	2,502
Telephone	3,131	1,608
Training and Education	926	416
Travel	619	855
Utilities	15,200	11,228
Vehicle Expense	10,669	7,847
<b>Total Operating Expenses</b>	<b>\$ 343,535</b>	<b>\$ 334,308</b>

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**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

(A Component Unit of New Hanover County)

Schedule of Administrative Expenses

For the Years Ended June 30, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
Pay and Related	\$ 561,960	\$ 501,055
Alarm System	159	203
Board Member - Per Diem	15,600	15,600
Cash (Over)/Short	-	(2)
Dues and Subscriptions	4,968	4,956
Insurance - General	27,707	17,534
Janitorial	6,495	3,715
Legal and Audit	40,000	39,500
Licenses and Other Taxes	263	60
Maintenance Contracts	16,846	16,799
Miscellaneous Expense	6,171	5,075
Pension Expense	-	12,913
Postage	1,871	1,681
Professional Services	14,248	12,582
Repairs and Maintenance - Building	6,869	1,082
Repairs and Maintenance - Equipment	445	251
Retirees' Healthcare Expense	60,045	50,808
Supplies	17,502	15,760
Telephone	16,731	9,561
Training and Education	5,385	8,216
Travel - Board Members	10,511	11,183
Travel	11,085	1,747
Utilities	6,963	6,697
Vehicle Expense	2,236	1,204
<b>Total Operating Expenses</b>	<b>\$ 834,060</b>	<b>\$ 738,180</b>

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**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

(A Component Unit of New Hanover County)

Schedule of Changes in Net Position

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

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	<b>Net Position June 30, 2015</b>	<b>Net Income</b>	<b>Profit Distributions</b>	<b>Net Position June 30, 2016</b>
New Hanover County	\$ 11,622,396	\$ 1,625,051	\$ 1,180,217	\$ 12,067,230
Wilmington	5,371,005	1,156,412	736,396	5,791,021
Wrightsville Beach	2,775,364	419,356	349,602	2,845,118
Carolina Beach	1,185,209	310,006	208,274	1,286,941
Kure Beach	41,300	7,952	4,958	44,294
<b>Total</b>	<b>\$ 20,995,274</b>	<b>\$ 3,518,777</b>	<b>\$ 2,479,447</b>	<b>\$ 22,034,604</b>

	<b>Net Position June 30, 2014</b>	<b>Net Income</b>	<b>Profit Distributions</b>	<b>Net Position June 30, 2015</b>
New Hanover County	\$ 10,839,735	\$ 1,623,637	\$ 840,976	\$ 11,622,396
Wilmington	4,851,893	1,109,836	590,724	5,371,005
Wrightsville Beach	2,561,852	405,651	192,139	2,775,364
Carolina Beach	1,038,879	267,175	120,845	1,185,209
Kure Beach	39,111	5,851	3,662	41,300
<b>Total</b>	<b>\$ 19,331,470</b>	<b>\$ 3,412,150</b>	<b>\$ 1,748,346</b>	<b>\$ 20,995,274</b>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

(A Component Unit of New Hanover County)

Schedule of Change in Net Position Before Profit Distributions by Store

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

	523 S. 17th St Wilmington, NC Store #101		2378 C. Beach Rd Wilmington, NC Store #102		525 S. 17th St Wilmington, NC Store #103		6730 Wrightsville Ave Wilmington, NC Store #104		1020 N. Lake Park Blvd C. Beach, NC Store #105		3544 S. College Rd Wilmington, NC Store #106	
	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales
<b>Operating Revenue</b>												
Liquor Sales - Regular	\$3,643,155	99.90%	\$2,198,098	99.91%	\$ -	0.00%	\$4,829,232	99.82%	\$3,510,009	71.06%	\$5,041,287	99.84%
Mixed Beverage Sales	-	0.00%	-	0.00%	307,294	100.00%	-	0.00%	1,418,786	28.72%	-	0.00%
Wine Sales	3,732	0.10%	1,903	0.09%	-	0.00%	8,548	0.18%	10,537	0.21%	8,175	0.16%
<b>Total Gross Sales</b>	<b>3,646,887</b>	<b>100.00%</b>	<b>2,200,001</b>	<b>100.00%</b>	<b>307,294</b>	<b>100.00%</b>	<b>4,837,780</b>	<b>100.00%</b>	<b>4,939,332</b>	<b>100.00%</b>	<b>5,049,462</b>	<b>100.00%</b>
<b>Deduct Taxes On Gross Sales</b>												
State Excise Tax	806,031	22.10%	485,962	22.09%	56,264	18.31%	1,071,856	22.16%	1,009,346	20.43%	1,117,127	22.12%
Mixed Beverage Tax (NCDOR)	-	0.00%	-	0.00%	26,884	8.75%	-	0.00%	135,177	2.74%	-	0.00%
Mixed Beverage Tax (NCDOHR)	-	0.00%	-	0.00%	2,688	0.87%	-	0.00%	13,518	0.27%	-	0.00%
Rehabilitation Tax	12,678	0.35%	7,904	0.36%	705	0.23%	11,641	0.24%	13,582	0.27%	14,020	0.28%
Wine Sales Tax	244	0.01%	125	0.01%	-	0.00%	559	0.01%	689	0.01%	535	0.01%
<b>Total Taxes</b>	<b>818,953</b>	<b>22.46%</b>	<b>493,991</b>	<b>22.45%</b>	<b>86,541</b>	<b>28.16%</b>	<b>1,084,056</b>	<b>22.41%</b>	<b>1,172,312</b>	<b>23.73%</b>	<b>1,131,682</b>	<b>22.41%</b>
<b>Net Sales</b>	<b>2,827,934</b>	<b>77.54%</b>	<b>1,706,010</b>	<b>77.55%</b>	<b>220,753</b>	<b>71.84%</b>	<b>3,753,724</b>	<b>77.59%</b>	<b>3,767,020</b>	<b>76.27%</b>	<b>3,917,780</b>	<b>77.59%</b>
<b>Deduct Cost Of Sales</b>												
<b>Total Cost of Sales</b>	<b>1,900,187</b>	<b>52.10%</b>	<b>1,128,431</b>	<b>51.29%</b>	<b>89,404</b>	<b>29.09%</b>	<b>2,538,180</b>	<b>52.47%</b>	<b>2,450,096</b>	<b>49.60%</b>	<b>2,656,953</b>	<b>52.62%</b>
<b>Gross Profit On Sales</b>	<b>927,747</b>	<b>25.44%</b>	<b>577,579</b>	<b>26.25%</b>	<b>131,349</b>	<b>42.74%</b>	<b>1,215,544</b>	<b>25.13%</b>	<b>1,316,924</b>	<b>26.66%</b>	<b>1,260,827</b>	<b>24.97%</b>
<b>Deduct Operating Expenses</b>												
Store Expenses	311,379	8.54%	280,463	12.75%	40,680	13.24%	358,829	7.42%	339,094	6.87%	365,969	7.25%
Warehouse and Delivery Expenses	30,231	0.83%	18,237	0.83%	2,547	0.83%	40,103	0.83%	40,945	0.83%	41,858	0.83%
Administrative Expenses	73,398	2.01%	44,278	2.01%	6,185	2.01%	97,366	2.01%	99,410	2.01%	101,627	2.01%
Depreciation Expenses	24,684	0.68%	21,248	0.97%	12,227	3.98%	51,768	1.07%	81,044	1.64%	69,379	1.37%
<b>Total Operating Expenses</b>	<b>439,692</b>	<b>12.06%</b>	<b>364,226</b>	<b>16.56%</b>	<b>61,639</b>	<b>20.06%</b>	<b>548,067</b>	<b>11.33%</b>	<b>560,494</b>	<b>11.35%</b>	<b>578,833</b>	<b>11.46%</b>
<b>Income from Operations</b>	<b>488,055</b>	<b>13.38%</b>	<b>213,353</b>	<b>9.70%</b>	<b>69,710</b>	<b>22.69%</b>	<b>667,477</b>	<b>13.80%</b>	<b>756,430</b>	<b>15.31%</b>	<b>681,994</b>	<b>13.51%</b>
<b>Nonoperating Revenues (Expenses)</b>												
Interest Income	403	0.01%	243	0.01%	34	0.01%	535	0.01%	546	0.01%	558	0.01%
Gain (Loss) on Disposal of Assets	(17,374)	-0.48%	(10,481)	-0.48%	(1,464)	-0.48%	(23,047)	-0.48%	(23,531)	-0.48%	(24,055)	-0.48%
Other Income	195	0.01%	118	0.01%	16	0.01%	258	0.01%	264	0.01%	270	0.01%
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(16,775)</b>	<b>-0.46%</b>	<b>(10,120)</b>	<b>-0.46%</b>	<b>(1,414)</b>	<b>-0.46%</b>	<b>(22,253)</b>	<b>-0.46%</b>	<b>(22,720)</b>	<b>-0.46%</b>	<b>(23,227)</b>	<b>-0.46%</b>
<b>Change in Net Position Before Distributions</b>	<b>\$ 471,279</b>	<b>12.92%</b>	<b>\$ 203,233</b>	<b>9.24%</b>	<b>\$ 68,297</b>	<b>22.23%</b>	<b>\$ 645,224</b>	<b>13.34%</b>	<b>\$ 733,710</b>	<b>14.85%</b>	<b>\$ 658,767</b>	<b>13.05%</b>
<b>Deduct Distributions</b>												
Local 3.5% Tax	\$ 89,321	2.45%	\$ 53,883	2.45%	\$ 7,526	2.45%	\$ 118,488	2.45%	\$ 120,976	2.45%	\$ 123,673	2.45%
Local \$0.05 Bottle Charge	9,930	0.27%	5,991	0.27%	837	0.27%	13,173	0.27%	13,450	0.27%	13,750	0.27%
Local Mixed Beverage Surcharge	-	0.00%	-	0.00%	24,554	7.99%	-	0.00%	113,365	2.30%	-	0.00%
Law Enforcement	45,758	1.25%	27,604	1.25%	3,856	1.25%	60,700	1.25%	61,974	1.25%	63,356	1.25%
<b>Total Distributions</b>	<b>145,009</b>	<b>3.98%</b>	<b>87,477</b>	<b>3.98%</b>	<b>36,772</b>	<b>11.97%</b>	<b>192,361</b>	<b>3.98%</b>	<b>309,764</b>	<b>6.27%</b>	<b>200,778</b>	<b>3.98%</b>
<b>Change in Net Position Before Profit Distributions</b>	<b>\$ 326,271</b>	<b>8.95%</b>	<b>\$ 115,756</b>	<b>5.26%</b>	<b>\$ 31,524</b>	<b>10.26%</b>	<b>\$ 452,863</b>	<b>9.36%</b>	<b>\$ 423,946</b>	<b>8.58%</b>	<b>\$ 457,989</b>	<b>9.07%</b>



**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

(A Component Unit of New Hanover County)

Schedule of Change in Net Position Before Profit Distributions by Store (Continued)

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

	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		Current Year Total		Prior Year Total	
	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales
<b>Operating Revenue</b>												
Liquor Sales - Regular	\$ -	0.00%	\$5,558,355	99.82%	\$1,277,128	99.91%	\$3,281,519	99.81%	\$29,338,783	70.80%	\$27,459,957	71.22%
Mixed Beverage Sales	10,326,510	100.00%	-	0.00%	-	0.00%	-	0.00%	12,052,590	29.08%	11,050,805	28.66%
Wine Sales	-	0.00%	9,875	0.18%	1,095	0.09%	6,206	0.19%	50,071	0.12%	48,110	0.12%
<b>Total Gross Sales</b>	<b>10,326,510</b>	<b>100.00%</b>	<b>5,568,230</b>	<b>100.00%</b>	<b>1,278,223</b>	<b>100.00%</b>	<b>3,287,725</b>	<b>100.00%</b>	<b>41,441,444</b>	<b>100.00%</b>	<b>38,558,872</b>	<b>100.00%</b>
<b>Deduct Taxes On Gross Sales</b>												
State Excise Tax	1,911,360	18.51%	1,231,739	22.12%	282,463	22.10%	727,837	22.14%	8,699,985	20.99%	8,113,484	21.04%
Mixed Beverage Tax (NCDOR)	907,978	8.79%	-	0.00%	-	0.00%	-	0.00%	1,070,039	2.58%	999,326	2.59%
Mixed Beverage Tax (NCDOHR)	90,798	0.88%	-	0.00%	-	0.00%	-	0.00%	107,004	0.26%	99,933	0.26%
Rehabilitation Tax	23,630	0.23%	15,938	0.29%	4,403	0.34%	8,343	0.25%	112,844	0.27%	107,782	0.28%
Wine Sales Tax	-	0.00%	646	0.01%	72	0.01%	406	0.01%	3,276	0.01%	3,147	0.01%
<b>Total Taxes</b>	<b>2,933,766</b>	<b>28.41%</b>	<b>1,248,323</b>	<b>22.42%</b>	<b>286,938</b>	<b>22.45%</b>	<b>736,586</b>	<b>22.40%</b>	<b>9,993,148</b>	<b>24.11%</b>	<b>9,323,672</b>	<b>24.18%</b>
<b>Net Sales</b>	<b>7,392,744</b>	<b>71.59%</b>	<b>4,319,907</b>	<b>77.58%</b>	<b>991,285</b>	<b>77.55%</b>	<b>2,551,139</b>	<b>77.60%</b>	<b>31,448,296</b>	<b>75.89%</b>	<b>29,235,200</b>	<b>75.82%</b>
<b>Deduct Cost Of Sales</b>												
<b>Total Cost of Sales</b>	<b>4,500,554</b>	<b>43.58%</b>	<b>2,985,058</b>	<b>53.61%</b>	<b>636,742</b>	<b>49.81%</b>	<b>1,724,406</b>	<b>52.45%</b>	<b>20,610,011</b>	<b>49.73%</b>	<b>19,150,258</b>	<b>49.66%</b>
<b>Gross Profit On Sales</b>	<b>2,892,190</b>	<b>28.01%</b>	<b>1,334,849</b>	<b>23.97%</b>	<b>354,543</b>	<b>27.74%</b>	<b>826,733</b>	<b>25.15%</b>	<b>10,838,285</b>	<b>26.15%</b>	<b>10,084,942</b>	<b>26.15%</b>
<b>Deduct Operating Expenses</b>												
Store Expenses	300,476	2.91%	367,415	6.60%	202,303	15.83%	270,612	8.23%	2,837,220	6.85%	2,697,190	6.99%
Warehouse and Delivery Expenses	85,603	0.83%	46,159	0.83%	10,596	0.83%	27,254	0.83%	343,535	0.83%	334,308	0.87%
Administrative Expenses	207,834	2.01%	112,067	2.01%	25,726	2.01%	66,170	2.01%	834,060	2.01%	738,180	1.91%
Depreciation Expenses	69,367	0.67%	88,203	1.58%	32,403	2.54%	52,899	1.61%	503,223	1.21%	445,576	1.16%
<b>Total Operating Expenses</b>	<b>663,280</b>	<b>6.42%</b>	<b>613,844</b>	<b>11.02%</b>	<b>271,028</b>	<b>21.20%</b>	<b>416,935</b>	<b>12.68%</b>	<b>4,518,038</b>	<b>10.90%</b>	<b>4,215,254</b>	<b>10.93%</b>
<b>Income from Operations</b>	<b>2,228,910</b>	<b>21.58%</b>	<b>721,005</b>	<b>12.95%</b>	<b>83,515</b>	<b>6.53%</b>	<b>409,798</b>	<b>12.46%</b>	<b>6,320,247</b>	<b>15.25%</b>	<b>5,869,688</b>	<b>15.22%</b>
<b>Nonoperating Revenues (Expenses)</b>												
Interest Income	1,142	0.01%	616	0.01%	141	0.01%	364	0.01%	4,583	0.01%	6,859	0.02%
Gain (Loss) on Disposal of Assets	(49,195)	-0.48%	(26,527)	-0.48%	(6,089)	-0.48%	(15,662)	-0.48%	(197,424)	-0.48%	(2,612)	-0.01%
Other Income	552	0.01%	297	0.01%	68	0.01%	176	0.01%	2,214	0.01%	2,966	0.01%
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(47,501)</b>	<b>-0.46%</b>	<b>(25,613)</b>	<b>-0.46%</b>	<b>(5,880)</b>	<b>-0.46%</b>	<b>(15,123)</b>	<b>-0.46%</b>	<b>(190,627)</b>	<b>-0.46%</b>	<b>7,213</b>	<b>0.02%</b>
<b>Change in Net Position Before Distributions</b>	<b>\$2,181,409</b>	<b>21.12%</b>	<b>\$ 695,391</b>	<b>12.49%</b>	<b>\$ 77,635</b>	<b>6.07%</b>	<b>\$ 394,675</b>	<b>12.00%</b>	<b>\$ 6,129,620</b>	<b>14.79%</b>	<b>\$ 5,876,901</b>	<b>15.24%</b>
<b>Deduct Distributions</b>												
Local 3.5% Tax	\$ 252,920	2.45%	\$ 136,379	2.45%	\$ 31,307	2.45%	\$ 80,524	2.45%	\$ 1,014,997	2.45%	\$ 946,574	2.45%
Local \$0.05 Bottle Charge	28,119	0.27%	15,162	0.27%	3,481	0.27%	8,952	0.27%	112,844	0.27%	107,782	0.28%
Local Mixed Beverage Surcharge	825,116	7.99%	-	0.00%	-	0.00%	-	0.00%	963,034	2.32%	899,394	2.33%
Law Enforcement	129,567.27	1.25%	69,865	1.25%	16,038	1.25%	41,251	1.25%	519,968	1.25%	511,001	1.33%
<b>Total Distributions</b>	<b>1,235,722</b>	<b>11.97%</b>	<b>221,406</b>	<b>3.98%</b>	<b>50,825</b>	<b>3.98%</b>	<b>130,728</b>	<b>3.98%</b>	<b>2,610,843</b>	<b>6.30%</b>	<b>2,464,751</b>	<b>6.39%</b>
<b>Change in Net Position Before Profit Distributions</b>	<b>\$ 945,687</b>	<b>9.16%</b>	<b>\$ 473,986</b>	<b>8.51%</b>	<b>\$ 26,810</b>	<b>2.10%</b>	<b>\$ 263,947</b>	<b>8.03%</b>	<b>\$ 3,518,777</b>	<b>8.49%</b>	<b>\$ 3,412,150</b>	<b>8.85%</b>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

(A Component Unit of New Hanover County)

Schedule of Store Expenses By Store

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

	523 S. 17th St Wilmington, NC Store #101	2378 C. Beach Rd Wilmington, NC Store #102	525 S. 17th St Wilmington, NC Store #103	6730 Wrightsville Ave Wilmington, NC Store #104	1020 N. Lake Park Blvd C. Beach, NC Store #105	3544 S. College Rd Wilmington, NC Store #106
Pay and Related	\$ 234,750	\$ 221,356	\$ 17,011	\$ 241,723	\$ 238,181	\$ 253,114
Alarm System	159	478	159	478	478	478
Breakage	415	106	-	269	180	686
Cash (Over)/Short	(652)	58	127	328	(403)	(290)
Charge Card Fees	30,884	21,438	-	66,071	41,747	62,906
Insurance - General	4,336	2,881	2,442	12,344	15,390	5,351
Janitorial	150	-	-	-	-	-
Licenses and Other Taxes	131	131	131	131	131	131
Maintenance Contracts	5,547	6,165	2,092	6,130	7,479	6,297
Merchandise (Over)/Short	1,091	435	(7)	221	602	917
Professional Services	820	3,047	70	1,482	1,555	1,242
Repairs and Maintenance - Building	9,182	5,861	3,306	7,419	6,644	10,393
Repairs and Maintenance - Equipment	136	45	-	55	487	72
Supplies	9,809	7,119	5,852	11,201	7,455	12,017
Telephone	7,763	5,166	2,672	3,678	4,438	3,606
Training and Education	-	-	-	-	-	-
Travel	32	26	-	8	21	22
Utilities	6,826	6,151	6,825	7,291	14,709	9,027
<b>Total Operating Expenses</b>	<b>\$ 311,379</b>	<b>\$ 280,463</b>	<b>\$ 40,680</b>	<b>\$ 358,829</b>	<b>\$ 339,094</b>	<b>\$ 365,969</b>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**

(A Component Unit of New Hanover County)

Schedule of Store Expenses By Store (Continued)

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

	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	Current Year Total	Prior Year Total
Pay and Related	\$ 266,881	\$ 249,681	\$ 155,503	\$ 187,714	\$ 2,065,914	\$ 2,023,631
Alarm System	159	478	478	478	3,823	3,812
Breakage	101	72	59	118	2,006	1,867
Cash (Over)/Short	593	458	78	119	416	1,391
Charge Card Fees	-	61,808	13,147	43,051	341,052	304,669
Insurance - General	7,101	5,182	4,623	3,864	63,514	69,293
Janitorial	-	-	-	-	150	-
Licenses and Other Taxes	131	131	131	131	1,310	1,681
Maintenance Contracts	4,092	6,297	5,418	7,627	57,144	47,076
Merchandise (Over)/Short	(240)	611	112	549	4,291	3,276
Professional Services	342	1,409	1,240	1,206	12,413	11,533
Repairs and Maintenance - Building	3,540	13,829	5,701	5,299	71,174	37,759
Repairs and Maintenance - Equipment	18	-	118	71	1,002	2,335
Supplies	4,954	11,577	5,682	6,708	82,374	64,199
Telephone	3,375	4,685	5,232	4,858	45,473	44,306
Training and Education	951	-	-	-	951	1,000
Travel	-	-	23	22	154	313
Utilities	8,478	11,197	4,758	8,797	84,059	79,049
<b>Total Operating Expenses</b>	<b>\$ 300,476</b>	<b>\$ 367,415</b>	<b>\$ 202,303</b>	<b>\$ 270,612</b>	<b>\$ 2,837,220</b>	<b>\$ 2,697,190</b>

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**  
(A Component Unit of New Hanover County)  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>Revenues:</b>				
<b>Operating Revenue</b>				
Liquor Sales - Regular			\$ 29,338,783	
Mixed Beverage Sales			12,052,590	
Wine Sales			50,071	
<b>Total Operating Revenue</b>	\$ 39,401,375	\$ 39,401,375	<b>41,441,444</b>	\$ 2,040,069
<b>Nonoperating Revenues</b>				
Interest Income			4,583	
Other Income			2,214	
<b>Total Nonoperating Revenues</b>	6,491	6,491	<b>6,797</b>	306
<b>Total Revenues</b>	39,407,866	39,407,866	<b>41,448,241</b>	2,040,375
<b>Expenditures:</b>				
<b>Taxes Based on Revenue</b>				
State Excise Tax			8,699,985	
Mixed Beverage Tax (Department of Revenue)			1,070,039	
Mixed Beverage Tax (Department of Human Resources)			107,004	
Rehabilitation Tax			112,844	
Wine Sales Tax			3,276	
<b>Total Taxes Based on Revenue</b>	9,544,527	9,544,527	<b>9,993,148</b>	(448,621)
<b>Cost Of Sales</b>	19,606,603	19,606,603	<b>20,610,011</b>	(1,003,408)
<b>Operating Expenditures</b>				
Pay and Related	3,226,294	3,226,294	2,960,920	265,374
Alarm Service	7,494	7,494	4,300	3,194
Board Member-Per Diem	15,600	15,600	15,600	-
Breakage	3,452	3,452	2,006	1,446
Cash Short(Over)	1,972	1,972	416	1,556
Charge Card Fees	351,927	351,927	341,052	10,875
Dues and Subscriptions	4,660	4,660	4,968	(308)
Insurance- General	115,928	115,928	95,955	19,973
Janitorial	6,000	7,000	6,645	355
Licenses & Other Taxes	960	1,785	1,573	212
Maintenance Contracts	80,592	80,592	75,278	5,314
Merchandise Short(Over)	7,911	7,911	4,291	3,620
Miscellaneous	144,000	77,881	6,171	71,710
Professional Services	61,220	72,190	67,147	5,043
Repairs and Maintenance	65,244	94,844	83,960	10,884
Retirees' Healthcare Expense	35,676	86,802	25,431	61,371
Supplies	87,648	105,707	104,559	1,148
Telephone	60,420	65,426	65,335	91
Training Education	18,872	18,872	7,262	11,610
Travel	25,490	26,149	22,369	3,780
Utilities	107,940	107,940	106,222	1,718
Vehicle Expense	15,180	15,180	12,905	2,275
<b>Total Operating Expenditures</b>	4,444,480	4,495,606	<b>4,014,365</b>	481,241

**NEW HANOVER COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD**  
(A Component Unit of New Hanover County)  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>Capital Outlay</b>	\$ 2,167,000	\$ 2,167,000	\$ 2,280,649	\$ (113,649)
<b>Total Expenditures</b>	35,762,610	35,813,736	36,898,173	(1,084,437)
<b>Distributions</b>				
Local 3.5% Tax	969,655	969,655	1,014,997	(45,342)
Local \$.05 Bottle Tax	113,753	113,753	112,844	909
Law Enforcement	552,181	552,181	519,968	32,213
Local Mixed Beverage Surcharge	779,748	779,748	963,034	(183,286)
County and Municipal	2,129,446	2,129,446	2,479,447	(350,001)
<b>Total Distributions</b>	4,544,783	4,544,783	5,090,290	(545,507)
<b>Total Expenditures and Distributions</b>	40,307,393	40,358,519	41,988,463	(1,629,944)
<b>Excess (Deficiency) of Revenues Over Expenditures and Distributions</b>	(899,527)	(950,653)	(540,222)	410,431
<b>Other Financing Sources (Uses)</b>				
Working Capital Retained	899,527	950,653	-	(950,653)
<b>Total Other Financing Sources (Uses)</b>	899,527	950,653	-	(950,653)
<b>Excess (Deficiency) of Revenues Over Expenditures, Distributions, and Other Financing Sources (Uses)</b>	\$ -	\$ -	(540,222)	\$ (540,222)

**Reconciliation from Budgetary Basis  
(Modified Accrual) to Full Accrual:**

**Reconciling Items:**

Depreciation Expense	(503,223)
Loss on Disposal of Assets	(197,424)
Capital Outlays	2,280,649
Decrease in Net Pension Asset	(209,595)
Decrease in Deferred Outflows of Resources - Pensions	(13,919)
Increase in Net Pension Liability	(166,727)
Increase in OPEB Liability	(34,614)
Decrease in Deferred Inflows of Resources - Pensions	424,405

**Change in Net Position** \$ 1,039,330

