

Basic Financial Statements

**DURHAM COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)**

Years Ended June 30, 2012 and 2011

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD

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ROBERSON CPA FIRM, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Durham County Alcoholic Beverage Control Board

We have audited the accompanying financial statements of the Durham County Alcoholic Beverage Control Board, a component unit of Durham County Government, North Carolina, as of June 30, 2012 and 2011 and for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of the Durham County Alcoholic Beverage Control Board management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Durham County Alcoholic Beverage Control Board as of June 30, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Other Post Employment Benefit Schedule of Employer Contributions on pages 3 through 6 and 29, respectfully, 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 principally 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Durham County Alcoholic Beverage Control Board's financial statements.

The Schedule of Store, Warehouse, and Administrative Expenses, and Schedule of Revenues and Expenditures - Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Store, Warehouse, and Administrative Expenses, and Schedule of Revenues and Expenditures – Budget and Actual 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 by us 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 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 financial statements taken as a whole.

Robinson CPA Firm, PLLC

Durham, North Carolina
September 10, 2012

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

This section of the Durham County Alcoholic Beverage Control Board's (the Board) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2012. This information should be read in conjunction with the audited financial statements included in this report.

FINANCIAL HIGHLIGHTS

- The Board had outgrown one of its retail buildings and bought a new building located adjacent to the old building and, after renovating the new building, moved its operations to the new building in June, 2012.
- The Board temporarily closed one of its locations that it had been leasing and purchased a nearby building to move the operations. Renovations of the new building were complete in August, 2012 and the store is now open.
- The Board closed one of its retail locations in May, 2012.
- Working capital increased approximately 14% over the prior year.
- Approximately 20% of profits before distributions were expended for law enforcement in the current year.
- Approximately 4% of profits before distributions were expended for alcohol education in the current year.
- Approximately 4% of gross sales were distributed to the City of Durham and Durham County governmental units in the current year.

OVERVIEW OF 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 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 Assets. 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 Assets. 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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. With 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 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 Warehouse Expenses, a Schedule of Administrative Expenses and a Budget to Actual Reconciliation.

FINANCIAL ANALYSIS OF THE ABC BOARD

Net assets are an indicator of the fiscal health of the Board. Assets exceed liabilities by \$6,450,614 in 2012. The largest component of net assets is the investment in capital assets which represents 70% of the total net assets. Following is a summary of the Statement of Net Assets:

CONDENSED STATEMENTS OF NET ASSETS

	2012	2011	\$ Change	% Change
Current Assets	\$ 4,596,890	\$ 3,715,813	\$ 881,077	23.7%
Non-Current Assets	6,150,331	5,096,653	1,053,678	20.7%
Total Assets	10,747,221	8,812,466	1,934,755	21.9%
Current Liabilities	2,645,768	1,929,553	716,215	37.1%
Non-Current Liabilities	1,650,839	743,688	907,151	122.0%
Total Liabilities	4,296,607	2,673,241	1,623,366	60.7%
Invested in Capital				
Assets, net of related debt	4,532,518	4,445,045	87,473	2.0%
Unrestricted Net Assets	1,179,619	992,614	187,005	18.8%
Restricted Net Assets	738,477	701,566	36,911	5.3%
Total Net Assets	6,450,614	6,139,225	311,889	5.1%

Note that assets and liabilities increased during the year. This was mainly the result of the addition of two buildings and their renovations. The buildings and their renovations are being financed through loans from Mechanics and Farmers Bank.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Net assets increased by 5.1% from the prior year. Operating income increased 33.6% from the prior year. Following is a summary of the changes in net assets:

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Sales	\$25,218,637	\$23,967,592	\$ 1,251,045	5.2%
Less Taxes	5,965,569	5,663,100	302,469	5.3%
Net Sales	19,253,068	18,304,492	948,576	5.2%
Cost of Sales	12,981,036	12,363,890	617,146	5.0%
Gross Profit	6,272,032	5,940,602	331,430	5.6%
Operating Expenses	4,259,500	4,427,981	(168,481)	(3.8%)
Other Operating				
Income	11,288	2,374	8,914	375.5%
Income from Operations	2,023,820	1,514,995	508,825	33.6%
Nonoperating Income				
(Expense)	(108,082)	(25,669)	(82,413)	(321.1%)
Change in Net Assets				
Before Required				
Distributions	1,915,738	1,489,326	426,412	28.6%
Distributions	1,604,349	1,419,648	184,701	13.0%
Change in Net Assets	311,389	69,678	241,711	346.9%
Net Assets, Beginning	6,139,225	6,069,547	69,678	1.1%
Net Assets, Ending	6,450,614	6,139,225	311,389	5.1%

Following is a breakdown of sales by source:

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Retail Liquor Sales	\$19,988,817	\$19,153,520	\$ 835,297	4.4%
Retail Wine Sales	56,225	68,717	(12,492)	(18.2%)
Mixed Beverage Sales	5,173,595	4,745,355	428,240	9.0%
Total Sales	<u>\$25,218,637</u>	<u>\$23,967,592</u>	<u>\$ 1,251,045</u>	5.2%

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 (A component unit of Durham County Government)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2012 and 2011

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital Assets increased by 17.8% from the prior year. Following is a summary of the changes in capital assets:

CONDENSED SUMMARY OF CHANGES IN CAPITAL ASSETS

	2012	2011	\$ Change	% Change
Land	\$ 1,650,345	\$ 1,650,345	\$ -	-
Buildings and Improvements	4,987,467	3,684,875	1,302,592	35.3%
Equipment	1,188,895	1,207,035	(18,140)	(1.5%)
Motor Vehicles	87,119	87,119	-	-
Law Enforcement	602,464	599,661	2,803	0.5%
Total	<u>\$ 8,516,290</u>	<u>\$ 7,229,035</u>	<u>\$ 1,287,255</u>	17.8%

The overall increase in capital assets is due to the purchase of a new building and renovations of several buildings.

Debt Administration

The change in long-term debt is due to a new loan of \$1,000,000 from Mechanics and Farmers Bank to finance the purchase and up fit of a new retail location. The new loan has a seven year payment plan with a balloon payment due at the end of the term.

REQUESTS FOR INFORMATION

This report is intended to provide a summary of the financial condition of the Durham County Alcoholic Beverage Control Board. Questions or requests for additional information should be addressed to:

Emily Page, General Manager
 Durham County Alcoholic Beverage Control Board
 3620 Durham Chapel Hill Blvd.
 Durham, N.C. 27707

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,523,404	\$ 1,560,866
Inventories	1,939,633	2,031,508
Prepaid assets and accounts receivable	<u>133,853</u>	<u>123,439</u>
TOTAL CURRENT ASSETS	4,596,890	3,715,813
PROPERTY AND EQUIPMENT		
Land	1,650,345	1,650,345
Buildings and improvements	4,987,467	3,684,875
Equipment	1,188,895	1,207,035
Motor vehicles	87,119	87,119
Law enforcement	<u>602,464</u>	<u>599,661</u>
	8,516,290	7,229,035
Less accumulated depreciation	<u>2,365,959</u>	<u>2,132,382</u>
	<u>6,150,331</u>	<u>5,096,653</u>
	<u><u>\$ 10,747,221</u></u>	<u><u>\$ 8,812,466</u></u>

See accompanying notes.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 77,820	\$ 34,424
Accounts payable:		
Trade	1,193,082	688,758
State sales tax	112,288	119,163
Other	14,516	7,376
Payroll taxes withheld	-	6,288
Accrued Liabilities:		
State excise taxes	433,977	402,986
Rehabilitation tax	6,566	6,125
Mixed beverage tax	40,588	37,738
Salaries	81,981	85,027
Miscellaneous payables	94,833	40,047
Profit distributions	590,117	501,621
	<u>2,645,768</u>	<u>1,929,553</u>
TOTAL CURRENT LIABILITIES	2,645,768	1,929,553
LONG-TERM DEBT LIABILITIES		
Accrued vacation pay	110,846	126,504
Note payable, net of current portion	1,539,993	617,184
	<u>1,650,839</u>	<u>743,688</u>
	4,296,607	2,673,241
NET ASSETS		
Invested in capital assets, net of related debt	4,532,518	4,445,045
Restricted working capital	738,477	701,566
Unrestricted	1,179,619	992,614
	<u>6,450,614</u>	<u>6,139,225</u>
	<u>\$ 10,747,221</u>	<u>\$ 8,812,466</u>

See accompanying notes.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Liquor sales	\$ 19,988,817	\$ 19,153,520
Mixed beverage sales	5,173,595	4,745,355
Wine sales	<u>56,225</u>	<u>68,717</u>
GROSS SALES	25,218,637	23,967,592
DEDUCT TAXES BASED ON GROSS SALES		
State excise tax	5,389,193	5,120,934
Mixed beverage tax (Revenue)	447,247	417,336
Mixed beverage tax (Human Services)	44,725	41,734
Rehabilitation tax	80,849	78,153
Sales tax	<u>3,555</u>	<u>4,943</u>
TOTAL TAXES	<u>5,965,569</u>	<u>5,663,100</u>
NET SALES	19,253,068	18,304,492
DEDUCT COST OF SALES		
Cost of liquor sold	12,949,041	12,326,866
Cost of wine sold	<u>31,995</u>	<u>37,024</u>
TOTAL COST OF SALES	<u>12,981,036</u>	<u>12,363,890</u>
GROSS PROFIT OF SALES	6,272,032	5,940,602
DEDUCT OPERATING EXPENSES		
Store expenses	2,927,951	3,004,181
Warehouse and delivery expenses	353,334	317,555
Administrative expenses	736,609	876,111
Depreciation expenses	<u>241,606</u>	<u>230,134</u>
TOTAL OPERATING EXPENSES	<u>4,259,500</u>	<u>4,427,981</u>
OTHER OPERATING INCOME	11,288	2,374
INCOME FROM OPERATIONS	2,023,820	1,514,995

See accompanying notes.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OTHER INCOME (EXPENSE)		
Loss on disposal of assets	\$ (68,078)	\$ (3,188)
Interest income	1,567	2,699
Interest expense	<u>(41,571)</u>	<u>(25,180)</u>
TOTAL OTHER INCOME (EXPENSE)	<u>(108,082)</u>	<u>(25,669)</u>
CHANGE IN NET ASSETS BEFORE DISTRIBUTIONS	1,915,738	1,489,326
DISTRIBUTIONS		
Law enforcement	391,941	344,547
Alcohol education/rehabilitation	<u>84,626</u>	<u>65,101</u>
	<u>476,567</u>	<u>409,648</u>
CHANGE IN NET ASSETS BEFORE PROFIT DISTRIBUTIONS	1,439,171	1,079,678
PROFIT DISTRIBUTIONS		
City of Durham	112,782	101,000
County of Durham	<u>1,015,000</u>	<u>909,000</u>
TOTAL PROFIT DISTRIBUTIONS	<u>1,127,782</u>	<u>1,010,000</u>
CHANGE IN NET ASSETS	311,389	69,678
NET ASSETS - beginning of year	<u>6,139,225</u>	<u>6,069,547</u>
NET ASSETS - end of year	<u>\$ 6,450,614</u>	<u>\$ 6,139,225</u>

See accompanying notes.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 25,218,051	\$ 23,967,645
Other cash received	11,288	2,374
Cash payments for inventory costs	(12,394,665)	(12,584,864)
Cash payments for operating expenses	(3,853,064)	(4,178,720)
Taxes paid	<u>(5,938,162)</u>	<u>(5,619,162)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 3,043,448	 1,587,273
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,474,543)	(848,871)
Book value of disposed asset	71,781	6,815
Interest paid on loans	(41,571)	(25,180)
New loans	1,000,000	662,000
Principal paid on loan maturities	<u>(33,795)</u>	<u>(468,537)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	 (478,128)	 (673,773)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Profit distributions-primary government	(1,127,782)	(1,010,000)
Law enforcement distributions	(391,941)	(344,547)
Alcohol education distributions	<u>(84,626)</u>	<u>(65,101)</u>
NET CASH USED BY NON-CAPITAL FINANCING ACTIVITIES	 (1,604,349)	 (1,419,648)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	<u>1,567</u>	<u>2,699</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 962,538	 (503,449)
 CASH AND CASH EQUIVALENTS - beginning of year	 <u>1,560,866</u>	 <u>2,064,315</u>
 CASH AND CASH EQUIVALENTS - end of year	 <u><u>\$ 2,523,404</u></u>	 <u><u>\$ 1,560,866</u></u>

See accompanying notes.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Income from operations	\$ 2,023,820	\$ 1,514,995
ADJUSTMENTS TO RECONCILE INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation and amortization	281,006	256,747
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(586)	53
(Increase) decrease in inventory	91,875	(233,771)
(Increase) decrease in prepaid assets	(9,828)	(3,751)
Increase (decrease) in accounts payable	498,301	26,797
Increase (decrease) in accrued liabilities	<u>158,860</u>	<u>26,203</u>
TOTAL ADJUSTMENTS	<u>1,019,628</u>	<u>72,278</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,043,448</u>	<u>\$ 1,587,273</u>

See accompanying notes.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Principles Used in Determining the Scope of the Entity for Financial Reporting

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

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

B. Organizational History

The Board was organized under the provisions of the Pasquotank Act in 1937, and implemented by a county wide vote on May 15, 1937, at which time the Durham County Commissioners appointed three individuals to serve on the Board with terms of three years. In 2001 the County Commissioners added two more individuals to serve on the Board bringing the total to five Board members.

The Board, as provided by North Carolina Alcoholic Beverage Control laws, operates nine retail liquor stores and, through its law enforcement division, investigates violations of such laws. North Carolina General Statute 18B-805(c)(2)(3) requires that the Board expend at least 5% of profits for law enforcement and at least 7% of same 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 assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. All sales are made by cash, debit or credit card and recorded at the time of sale. Other revenues are recorded when earned. Expenses are recognized when incurred. As permitted, the Board has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its proprietary operation, unless those pronouncements conflict with or contradict GASB pronouncements.

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 assets date, and reported amount of revenue and expenses during the reporting period. Estimates are used to determine depreciation expense, certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

F. Assets, Liabilities and Net Assets

Deposits

All deposits of the Board are made in board designated official depositories and are collateralized as required by G.S. 159-31. The Board may designate, as an official depository, any bank or savings 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 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, 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's 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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Net Assets (Continued)

Deposits (Continued)

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, 2012, the Board's deposits had a carrying amount of \$2,514,744 and a bank balance of \$2,318,055. At June 30, 2011, the Board's deposits had a carrying amount of \$1,550,506 and a bank balance of \$1,750,844. Of the Board's bank balance at June 30, 2012, \$676,042 was covered by the FDIC and \$1,642,015 was covered by collateral held under the Pooling Method.

Investments

State law G.S. 159-30(c) authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust, an SEC registered (2a-7) money market mutual fund.

At June 30, 2012 and 2011, the Board had no funds invested.

Cash and Cash Equivalents

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

Inventories

Inventories are valued at the lower of cost (FIFO) or market.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Net Assets (Continued)

Property and Equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives on a straight-line basis as follows:

	<u>Useful Life</u>
Buildings	20-40 years
Furniture and equipment	5-12 years
Vehicles and computer equipment	3-5 years
Leasehold improvements	10-20 years

All assets purchased with a cost in excess of \$500 are capitalized.

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 the earnings for the period.

Net Assets

Net Assets consists of the following:

1. Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
2. Restricted for law enforcement - This applies only when the Board employs its own ABC officer.
3. Restricted for capital improvements - State law G.S. 18B-805(d) requires approval of the appointing authority to establish this account.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Net Assets (Continued)

Net Assets (Continued)

4. 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. The Board shall set its working capital requirements at not less than two weeks' average gross sales of the last fiscal year nor greater than four 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 State law G.S. 18B-805(b),(2),(3), and (4).
5. Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of *restricted* or *invested in capital assets, net of related debt*.

NOTE 2 – PENSION PLAN OBLIGATIONS

A. Local Government Employees' Retirement System

Plan Description - The Board contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The Board is required to contribute at an actuarially determined rate. The Board's current rate for employees not engaged in law enforcement and for law enforcement officers is 7.00% and 7.05%, respectively, of annual covered payroll for the year ending June 30, 2012 and was 6.50% and 6.41%, respectively, of annual covered payroll for the year ending June 30, 2011. The contribution requirements of members and of the ABC Board are established and may be amended by the North Carolina General Assembly. The Board's contributions to LGERS for the years ended June 30, 2012 and 2011 were \$149,016 and \$142,723, respectively. The contributions made by the Board equaled the required contributions for each year.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A component unit of Durham County Government)
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

B. Law Enforcement Officers' Special Separation Allowance

1. Plan Description:

The Board administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides benefits to the Board's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Board are covered by the Separation Allowance. At June 30, 2012 and 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>3</u>
Total	<u><u>4</u></u>

2. Summary of Significant Accounting Policies:

Basis of Accounting - The Board has chosen to fund the Separation Allowance on a pay as you go basis. The financial statements of the Board are prepared using the accrual basis of accounting. Benefits are recognized as expenses when due and payable in accordance with the terms of the plan. Administration expenses are recognized as incurred.

Method Used to Value Investments - No funds are set aside to pay benefits and administration costs. These expenses are paid as they come due. One employee has been eligible for this benefit since July, 2006. The Board anticipates a total pay out of \$105,134 from the time of retirement until the retiree reaches age 62.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

B. Law Enforcement Officers' Special Separation Allowance (Continued)

3. Contributions:

The Board is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to pay benefits and administration costs on a pay as you go basis. For both June 30, 2012 and 2011, the Board paid benefits of \$17,282 or 11% of annual covered payroll. There were no contributions made to the plan by employees. The Board's obligation to make these payments was established and may be amended by the North Carolina General Assembly.

The Board has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

1. Plan Description:

The Board contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Board. 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 for Law Enforcement Officers 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 for Law Enforcement Officers. 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.

2. Funding Policy:

Article 12E of G.S. Chapter 143 requires the Board to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$ 10,883, which consisted of \$7,893 from the Board and \$2,990 from the law enforcement officers. Contributions for the year ended June 30, 2011 were \$10,589, which consisted of \$7,599 from the Board and \$2,990 from the law enforcement officers.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

D. Other Post-Employment Benefits (OPEB)

1. Plan Description:

From 1997 until January 16, 2007 the Board had a policy to provide health insurance benefits to retirees. Retirees with at least 30 years of service were provided health insurance at no cost to the retiree through continuing enrollment (employee-only coverage) in the Board's health insurance plan until age 65. At age 65 a supplemental health insurance policy was provided at the Board's cost for the retiree's lifetime. This benefit was also available under certain early retirement elections, but with early retirement the benefit was paid for fully by the retiree and ceased at age 65. On January 16, 2007 the Board terminated the health insurance benefit for future retirees under a 12 year transition plan that will end on June 30, 2019. During the transition plan period (January 16, 2007 to June 30, 2019) retirees may participate in the Board's health insurance plan by paying either a portion or all of the premium but the benefit ceases at age 65. Health benefits for future retirees will be fully eliminated for retirements beyond the fiscal year ending June 30, 2019.

2. Funding Policy:

Retiree health insurance benefits have been funded on a pay as you go basis so no funds are set aside to pay these benefits.

3. Summary of Significant Accounting Policies:

Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. The expenditures are paid as they come due.

4. Annual OPEB Cost and Net OPEB Obligation:

Unfunded accrued actuarial liability (UAAL) has been computed at \$1,752,537 at June 30, 2012. The Board has elected to use a 30 year amortization period. When the UAAL of \$1,752,537 is divided by 30 years the amortized payment is calculated at \$58,418. This payment is then adjusted for the present value of interest of \$3,071 which is added to this payment to bring the total amortized payment to \$61,489. The actual amount the Board spent during the year ended June 30, 2012 was \$66,725. The Board has elected not to record the resulting difference of \$5,236 as an asset on the financial statements.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 – PENSION PLAN OBLIGATIONS (Continued)

D. Other Post-Employment Benefits (OPEB) (Continued)

5. Actuarial Methods and Assumptions:

The Board's Annual Required Contribution and OPEB Obligation were calculated as required by the Government Accounting Standards Board (GASB) Statement 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. The Board's plan has less than 100 plan members so the calculations used the Alternative Method allowed by GASB and did not involve an actuarial valuation.

NOTE 3 – COMMITMENTS

The Board has elected to pay direct costs of employment security benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following the discharge of employees.

During the years ended June 30, 2012 and 2011 the Board entered into a service contract with the County of Durham to provide routine ground and pest control services at a monthly rate of \$2,747 plus a standard mileage rate. Any special services provided will be billed at a predetermined hourly rate.

NOTE 4 – DEPRECIATION - LAW ENFORCEMENT DIVISION

The statements of Net Assets of the Board include land, building, improvements, equipment, and motor vehicles of the Law Enforcement Division. However, the depreciation expense for these assets is charged directly to the Law Enforcement Division so as to properly reflect the Division's expenses.

NOTE 5 – LEASES

The Board has leased three store properties under lease agreements; two of which expired November, 2011 and January, 2012, and one which expires December, 2016 and require various minimum annual rentals. Rent expense for the years ended June 30, 2012 and 2011 amounts to \$115,087 and \$128,232, respectively.

The Board entered into a vehicle lease on August 24, 2010. The terms of the lease call for 48 monthly payments of \$468. The lease will end on July 31, 2014. Rent expense for the year ended June 30, 2012 was \$5,149.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A component unit of Durham County Government)
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

NOTE 5 – LEASES (Continued)

Minimum annual rentals on lease terms extending beyond one year, at June 30, 2012 are summarized as follows:

<u>Year Ending June 30,</u>	<u>Annual lease</u>
2013	\$ 65,496
2014	67,056
2015	63,516
2016	<u>31,932</u>
	<u>\$ 228,000</u>

NOTE 6 – VACATION AND SICK LEAVE COMPENSATION

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. Accumulated earned vacation and related expenses at June 30, 2012 and 2011 amounted to \$110,846 and \$126,504, 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 7 – DISTRIBUTION OF INCOME

The Board has made distributions since inception as follows:

	<u>Current Year</u>	<u>Total to Date</u>
90% County of Durham	\$ 1,015,000	\$ 33,985,363
10% City of Durham	\$ 112,782	\$ 8,914,434

North Carolina General Statute 18B-805(e) 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 8 – LAW ENFORCEMENT AND ALCOHOL EDUCATION EXPENSES

The Board is required by law to expend at least 5% of its total profits for law enforcement and not less than 7% for alcohol education (alcohol education requirement follows local enabling act). Profits are defined by law for these calculations as change in net assets 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).

	<u>2012</u>	<u>2011</u>
Profit before distributions	\$ 1,915,738	\$ 1,489,326
Less 3½% tax and bottle charge	<u>709,589</u>	<u>675,594</u>
Profit subject to expense percentages	<u>\$ 1,206,149</u>	<u>\$ 813,732</u>
Law enforcement expenditures	\$ 391,941	\$ 344,547
- Actual percentage of profit	33%	43%
Provision for alcohol education and rehabilitation	\$ 84,626	\$ 65,101
- Actual percentage of profit	7%	8%

NOTE 9 – DISBURSEMENT OF TAXES INCLUDED IN SELLING PRICE

A state excise tax, at the rate of 30% on the retail (net sales) price is charged monthly on liquor sales (excluding wine sales). Transactions for this account for the years ended June 30, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Taxes payable July 1	\$ 402,986	\$ 370,822
Taxes collected during the year	5,836,440	5,538,270
Less taxes remitted to Department of Revenue	<u>5,805,449</u>	<u>5,506,106</u>
Taxes payable June 30	<u>\$ 433,977</u>	<u>\$ 402,986</u>

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

The accrued North Carolina excise tax at June 30, 2012 and 2011 was remitted to the North Carolina Department of Revenue on July 13, 2012 and July 14, 2011, respectively.

A bottle charge of one cent on each bottle containing 50 milliliters or less and five cents on each bottle containing more than 50 milliliters is collected and distributed monthly to the county

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 9 – DISBURSEMENT OF TAXES INCLUDED IN SELLING PRICE (Continued)

commissioners for alcohol education and rehabilitation. For the fiscal year, payments to the County were based on the following bottle sales:

	<u>2012</u>		
Regular bottles	1,297,268	@ \$.05 =	\$ 64,863
Mixed beverage bottles	231,522	@ \$.05 =	11,576
Miniature bottles	440,991	@ \$.01 =	<u>4,410</u>
Total payment for year			<u>\$ 80,849</u>
	<u>2011</u>		
Regular bottles	1,260,236	@ \$.05 =	\$ 63,012
Mixed beverage bottles	215,579	@ \$.05 =	10,779
Miniature bottles	436,188	@ \$.01 =	<u>4,362</u>
Total payment for year			<u>\$ 78,153</u>

A "mixed beverage tax" at the rate of \$20 per 4 liters is charged on the sale of liquor to be resold as mixed beverages. One-half (1/2) of the mixed beverage tax is submitted monthly to the Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the Department of Human Services.

The mixed beverage taxes for the year ended June 30 were as follows:

	<u>2012</u>	<u>2011</u>
Department of Revenue (50%)	\$ 447,247	\$ 417,336
Department of Human Services (5%)	44,725	41,734
Profit retained (45%)	<u>402,519</u>	<u>375,602</u>
	<u>\$ 894,491</u>	<u>\$ 834,672</u>

NOTE 10 – SURCHARGE COLLECTED

The total amount of surcharge collected for the fiscal years June 30, 2012 and 2011 was \$124,307 and \$119,742, respectively. (The rate is 85 cents per case sold effective November 1, 2006).

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 11 – BREAKAGE EXPENSE

Breakage expense absorbed by the Board for the years ended June 30, 2012 and 2011 was \$1,143 and \$833, respectively.

NOTE 12 – WORKING CAPITAL REQUIREMENTS

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).

	2012	2011
Minimum amount	\$ 738,477	\$ 701,566
Maximum amount	\$ 4,800,100	\$ 6,080,239
Actual amount	\$ 1,784,243	\$ 1,570,741

The Board has met the minimum amount of working capital and has not exceeded the maximum amount.

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 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 – LIQUOR SALES TAX

The total amount of sales tax collected by the Board and remitted to the Department of Revenue for the years ended June 30, 2012 and 2011 was \$1,412,143 and \$1,531,434, respectively. The current sales tax rate is 7%.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 15 – RETAIL OUTLETS

The Board operated with nine retail outlets as of June 30, 2012 and 2011.

	<u>June 30, 2012</u>		<u>June 30, 2011</u>	
	Gross Sales	Change in Net Assets	Gross Sales	Change in Net Assets
Store 1 - 1930 Holloway St.	\$ 2,244,413	\$ 238,010	\$ 2,041,908	\$ 226,609
Store 2 - 905 Fayetteville St.	-	-	-	(13,623)
Store 3 - 2806 Hillsborough Rd.	4,264,954	702,327	2,751,018	615,936
Store 4 - 2121 T.W. Alexander Dr.	1,520,046	67,519	1,430,897	53,709
Store 5 - 121 Sherron Road	863,916	(47,989)	957,823	(48,868)
Store 8 - 5234 Roxboro Road	1,967,032	188,540	1,857,095	162,026
Store 10 - 5202 Highway 55	4,833,664	767,524	3,104,086	702,336
Store 11 - 3620 Chapel Hill Blvd.	3,869,818	551,512	3,446,565	488,565
Store 12 - 3318 Guess Road	2,632,701	318,606	2,453,366	276,868
Store 14 - 6209 Falconbridge Rd.	676,493	(43,624)	1,179,479	(55,285)
	<u>\$22,873,037</u>	<u>\$ 2,742,425</u>	<u>\$ 19,222,237</u>	<u>\$ 2,408,273</u>

Store 2 at 905 Fayetteville St. closed in February, 2010. Store 5 at 121 Sherron Road closed in May, 2012. Store 14 at 6209 Falconbridge Road closed in January, 2012.

Stores 3,4,10 and 11 serve as mixed beverage outlets as well as retail stores. For the year ended June 30, 2012 and for all years forward from now the mixed beverage gross sales and the related cost of liquor for the retail outlets have been included in this schedule. For the year ended June 30, 2011, the mixed beverage gross sales and the related estimated cost of liquor were excluded from this schedule.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 10, 2012, the date of the issuance of the Board's financial statements.

A new location for Store 14 has been opened in the Woodcroft area of Durham County. The prior location for Store 14 was a leased store and in 2011 the Board purchased a building and land to replace the leased store and, after spending several months renovating the building, it was opened on August 14, 2012.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 17 – LONG-TERM DEBT

A summary of long-term debt follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Note payable to Mechanics and Farmers Bank payable in 83 monthly payments of interest and principal totaling \$4,760 and 1 balloon payment of \$401,759 due on April 1, 2018. Interest is fixed at 3.57%. The note is secured by a deed of trust on property and the proceeds are to be used for store expansions and renovations.	\$ 617,813	\$ 651,608
Note payable to Mechanics and Farmers Bank payable in 72 monthly payments of interest and principal totaling \$7,264 and 1 balloon payment of \$672,680 due on August 1, 2018. Interest is fixed at 3.68%. The note is secured by a deed of trust on property and the proceeds are to be used for store expansions and renovations.	1,000,000	-
Less current portion of debt	<u>(77,820)</u>	<u>(34,424)</u>
Total long-term debt	<u>\$ 1,539,993</u>	<u>\$ 617,184</u>

Estimated maturities on long-term debt as of June 30, 2012 are as follows:

June 30, 2013	\$ 77,820
June 30, 2014	89,309
June 30, 2015	92,609
June 30, 2016	95,959
June 30, 2017	99,515
Thereafter	<u>1,162,601</u>
	<u>\$ 1,617,813</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A component unit of Durham County Government)
 OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 REQUIRED SUPPLEMENTARY INFORMATION
 Year Ended June 30, 2012

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b - a)/c</u>
6/30/12	\$ -0-	\$ 1,752,537	\$1,752,537	0.0%	\$ -0-	0.0%
6/30/11	-0-	1,503,622	1,503,622	0.0%	-0-	0.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ending June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 61,489	100.0%
2011	52,720	100.0%

SUPPLEMENTARY INFORMATION

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
SCHEDULE OF STORE, WAREHOUSE AND ADMINISTRATIVE EXPENSES
Year Ended June 30, 2012

	Store 1	Store 3	Store 4	Store 5	Store 8	Store 9	Store 10	Store 11	Store 12	Store 14	Subtotal	Warehouse	Administrative	Total
Salaries and wages	\$ 190,006	\$ 209,164	\$ 147,211	\$ 133,103	\$ 159,738	\$ 122,654	\$ 235,849	\$ 204,097	\$ 189,919	\$ 94,843	\$ 1,686,584	\$ 189,161	\$ 368,719	\$ 2,244,464
FICA taxes	14,230	16,509	11,514	11,226	12,779	10,197	17,951	15,669	14,953	9,393	134,421	15,467	31,073	180,961
Retirement fund	10,996	10,486	9,596	9,702	10,106	7,237	11,461	11,183	10,291	7,468	98,526	12,488	26,880	137,894
Life insurance	461	1,918	1,907	412	445	312	428	398	459	459	7,199	526	1,088	8,813
Hospital insurance	19,842	17,607	17,682	17,007	18,835	10,059	19,848	19,467	19,839	15,877	176,063	21,293	84,792	282,148
Disability insurance	1,538	1,432	1,357	1,375	1,481	1,040	1,426	1,328	1,523	1,531	14,031	1,755	3,630	19,416
Dental insurance	1,250	1,202	1,178	1,013	1,202	648	650	1,226	1,226	847	10,442	1,360	1,732	13,534
Rent	-	-	58,492	32,293	-	-	-	-	-	24,302	115,087	-	-	115,087
Maintenance - equipment	-	-	-	-	-	-	-	-	-	-	-	-	427	427
Utilities	11,106	9,479	3,210	3,999	13,173	3,232	8,285	10,197	9,713	8,529	80,923	12,196	7,172	100,291
Telephone	2,277	1,950	2,437	1,886	1,606	2,488	1,927	1,948	2,300	1,349	20,168	3,307	10,036	33,511
Credit card expenses	18,715	41,656	25,655	13,402	26,707	-	51,920	57,511	36,596	12,624	284,786	-	-	284,786
Insurance - general	3,707	5,662	3,161	3,368	7,538	3,921	10,504	7,126	6,473	5,814	57,274	8,477	10,237	75,988
Supplies	7,621	13,457	5,357	2,850	6,505	2,547	16,051	12,688	8,584	3,600	79,260	927	17,358	97,545
Travel expense	1,847	1,911	1,610	1,185	1,488	360	1,367	390	1,840	1,250	13,248	38	9,778	23,064
Property taxes	-	-	-	-	-	-	-	-	-	4,550	4,550	-	-	4,550
Temporary help	-	-	-	-	-	-	-	-	-	-	-	28,888	73	28,961
Maintenance agreements	3,762	4,910	4,653	3,318	4,610	3,920	5,835	6,743	5,359	3,510	46,620	4,839	24,075	75,534
Building maintenance	2,904	3,088	2,153	3,396	7,819	609	6,303	3,953	3,828	3,221	37,274	36,652	2,998	76,924
Postage	-	-	-	-	-	-	-	-	-	-	-	-	2,461	2,461
Professional services	-	-	-	-	-	-	-	-	-	-	-	-	104,111	104,111
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	2,500	2,500
Per diem - Board members	-	-	-	-	-	-	-	-	-	-	-	-	11,950	11,950
Yard maintenance	5,111	5,111	-	-	5,111	-	5,111	5,111	5,111	-	30,666	5,111	-	35,777
Security - alarm contracts	534	1,096	240	200	720	-	1,690	1,092	670	220	6,462	1,065	-	7,527
Vehicle expense	-	-	-	-	-	-	-	-	-	-	-	3,126	6,305	9,431
Gas and oil	-	-	-	-	-	-	-	-	-	-	-	6,023	1,550	7,573
Waste disposal	1,617	106	106	106	106	1,602	2,045	2,515	1,482	106	9,791	51	-	9,842
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	4,274	4,274
Bottled water	280	363	232	239	377	-	412	687	301	109	3,000	439	-	3,439
Staff training and development	-	-	-	-	-	-	-	-	-	-	-	-	1,813	1,813
Minor equipment	4,410	402	287	4,118	462	580	323	533	311	150	11,576	145	1,577	13,298
	302,214	347,509	298,038	244,198	280,808	171,406	399,386	363,862	320,778	199,752	2,927,951	353,334	736,609	4,017,894
Depreciation	17,641	15,477	17,050	16,384	21,960	5,710	28,612	47,320	17,858	14,218	202,230	15,960	23,416	241,606
	<u>\$ 319,855</u>	<u>\$ 362,986</u>	<u>\$ 315,088</u>	<u>\$ 260,582</u>	<u>\$ 302,768</u>	<u>\$ 177,116</u>	<u>\$ 427,998</u>	<u>\$ 411,182</u>	<u>\$ 338,636</u>	<u>\$ 213,970</u>	<u>\$ 3,130,181</u>	<u>\$ 369,294</u>	<u>\$ 760,025</u>	<u>\$ 4,259,500</u>

See accompanying notes.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

	2012 Original Budget	2012 Revised Budget	2012 Actual	Variance Positive (Negative)
REVENUES:				
OPERATING REVENUES				
Liquor sales	\$ 19,656,518	\$ 19,805,700	\$ 19,988,817	\$ 183,117
Mixed beverage sales	4,793,570	4,830,787	5,173,595	342,808
Wine sales	69,599	69,599	56,225	(13,374)
Other operating revenue	-	-	11,288	11,288
	<u>24,519,687</u>	<u>24,706,086</u>	<u>25,229,925</u>	<u>523,839</u>
NON-OPERATING REVENUES				
Interest	2,280	2,280	1,567	(713)
	<u>24,521,967</u>	<u>24,708,366</u>	<u>25,231,492</u>	<u>523,126</u>
EXPENDITURES:				
TAXES BASED ON REVENUE:				
State excise tax	5,239,654	5,239,654	5,389,193	(149,539)
Mixed beverage tax (Revenue)	414,644	414,644	447,247	(32,603)
Mixed beverage tax (Human Services)	43,142	43,142	44,725	(1,583)
Rehabilitation tax	85,575	85,575	80,849	4,726
Sales tax	4,872	4,872	3,555	1,317
	<u>5,787,887</u>	<u>5,787,887</u>	<u>5,965,569</u>	<u>(177,682)</u>
COST OF GOODS SOLD	<u>12,834,884</u>	<u>12,834,884</u>	<u>12,981,036</u>	<u>(146,152)</u>
TOTAL	<u>18,622,771</u>	<u>18,622,771</u>	<u>18,946,605</u>	<u>(323,834)</u>
OPERATING EXPENSES:				
Personnel expenses	3,001,782	2,988,672	2,887,227	101,445
Facilities expenses	348,189	389,584	383,932	5,652
Supplies and materials	120,456	128,456	116,746	11,710
Contract/Professional services	110,200	138,200	133,072	5,128
Repairs and maintenance	119,376	111,376	92,538	18,838
Credit card fees	330,005	291,004	284,786	6,218

See accompanying notes.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A component unit of Durham County Government)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

	2012 Original Budget	2012 Revised Budget	2012 Actual	Variance Positive (Negative)
EXPENDITURES:				
OPERATING EXPENSES (Continued)				
Travel, training and development	48,780	48,780	24,877	23,903
Other operating expenses	108,060	108,060	94,714	13,346
TOTAL	4,186,848	4,204,132	4,017,892	186,240
Capital outlay	537,274	653,000	406,468	246,532
Debt service	57,120	75,367	75,367	-
TOTAL EXPENDITURES	23,404,013	23,555,270	23,446,332	108,938
DISTRIBUTIONS:				
Law enforcement	335,578	361,687	352,543	9,144
Alcohol education and rehabilitation County	65,000	44,932	84,626	(39,694)
Municipal	645,638	645,638	1,015,000	(369,362)
	71,738	71,738	112,782	(41,044)
TOTAL DISTRIBUTIONS	1,117,954	1,123,995	1,564,951	(440,956)
TOTAL EXPENDITURES & DISTRIBUTIONS	24,521,967	24,679,265	25,011,283	(332,018)
REVENUES OVER EXPENDITURES	\$ -	\$ 29,101	\$ 220,209	\$ 191,108
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:				
RECONCILING ITEMS:				
Depreciation			(281,006)	
Plus capital outlay			406,468	
Interest expense			(41,571)	
Debt service			75,367	
Loss on disposal of assets			(68,078)	
TOTAL			91,180	
Change in net assets			\$ 311,389	

See accompanying notes.