

oOo

DURHAM COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)

Financial Statements

June 30, 2016 and 2015

oOo

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-25
Supplementary Information:	
ABC Board's Proportionate Share of Net Pension Liability (Asset)	26
ABC Board's Contributions	27
Other Post Employment Obligations - Schedule of Funding Progress	28
Schedules of Store, Warehouse, and Administrative Expenses	29-30
Reconciliation of Budget to Actual	31-32



Board of Directors
Durham County Alcoholic Beverage Control Board
Durham, North Carolina

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Durham County Alcoholic Beverage Control Board, a component unit of Durham County Government, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements. The June 30, 2015 financial statements were audited by other auditors whose report dated October 8, 2015 expressed an unqualified opinion on those 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Durham County Alcoholic Beverage Control Board, a component unit of Durham County Government, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

919 782 9265
919 783 8937 FAX

Durham
3500 Westgate Drive
Suite 203
Durham, North Carolina 27707

919 354 2584
919 489 8183 FAX

Pittsboro
10 Sanford Road
Post Office Box 1399
Pittsboro, North Carolina 27312

919 542 6000
919 542 5764 FAX

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Post Employment Benefit Schedules of Funding Progress and Employer Contributions on pages 3 through 6 and 28 and the Local Government Employees' Retirement System's Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Store, Warehouse and Administrative Expenses and Reconciliation of Budget to Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Store, Warehouse and Administrative Expenses and Reconciliation of Budget to 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 in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Koonce, Wooten & Haywood, LLP

Raleigh, North Carolina
September 13, 2016

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 Management's Discussion and Analysis
 (Unaudited)

This section of Durham County Alcoholic Beverage Control (ABC) Board's (*the Board*) financial report represents management's discussion and analysis of the financial performance of the Board for the years ended June 30, 2016 and 2015. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Working capital (calculated as current assets less current liabilities) increased approximately 17% over the prior year.
- Change in net position before profit distributions increased 9.35% over the prior year.
- Approximately 9 percent (8.9%) of profits before distributions were expended for law enforcement in the current year.
- Over 5 percent (5.11%) of profits before distributions were expended for alcohol education in the current year.
- Over 6 percent (6.51%) of gross sales were distributed to the City of Durham and Durham County governmental units in the current year.

Overview of the Financial Statements

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

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

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

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

The final required statement is the **Statement of Cash Flows**. This statement reports cash inflows and outflows in the following categories: operating, investing, capital and related financing and noncapital 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Management's Discussion and Analysis
(Unaudited)

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

Financial Analysis of Durham County ABC Board

Net Position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$9,642,099 and \$8,534,444 at June 30, 2016 and 2015, respectively. These figures include deferred inflow and outflows of resources. The largest component of net position was the investment in capital assets. It was 50% of the total net position for 2016, 55% for 2015, and 59% for 2014. Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	June 30, 2014	<u>\$ Change</u> This Yr Over Last Yr	<u>% Change</u> This Yr Over Last Yr
Current assets	\$ 7,973,941	\$ 7,521,012	\$ 5,976,825	\$ 452,929	6.02%
Non-current assets	<u>6,081,730</u>	<u>6,026,123</u>	<u>6,019,833</u>	<u>55,607</u>	<u>0.92%</u>
Total assets	<u>\$ 14,055,671</u>	<u>\$ 13,547,135</u>	<u>\$ 11,996,658</u>	<u>\$ 508,536</u>	<u>3.75%</u>
Current liabilities	\$ 3,163,457	\$ 3,420,387	\$ 2,768,167	\$ (256,930)	-7.51%
Non-current liabilities	<u>1,300,788</u>	<u>1,258,219</u>	<u>1,458,735</u>	<u>42,569</u>	<u>3.38%</u>
Total liabilities	<u>\$ 4,464,245</u>	<u>\$ 4,678,606</u>	<u>\$ 4,226,902</u>	<u>\$ (214,361)</u>	<u>-4.58%</u>
Net Position					
Net investment in capital assets	\$ 4,823,397	\$ 4,671,928	\$ 4,573,110	\$ 151,469	3.24%
Restricted net position	1,001,653	923,959	842,732	77,694	8.41%
Unrestricted net position	<u>3,817,049</u>	<u>2,938,557</u>	<u>2,353,914</u>	<u>878,492</u>	<u>29.90%</u>
Total Net Position	<u>\$ 9,642,099</u>	<u>\$ 8,534,444</u>	<u>\$ 7,769,756</u>	<u>\$ 1,107,655</u>	<u>12.98%</u>

For June 30, 2016, the decrease in liabilities over the prior year was due primarily to a decrease in accounts payable and notes payable. The increase in assets over the prior year was due primarily to an increase in cash and inventory.

For June 30, 2015, the increase in assets and liabilities over the prior year was mainly the result of an increase in ending cash and an increase in accrued profit distributions to Durham City and County.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Management's Discussion and Analysis
(Unaudited)

Net position as of June 30, 2016 increased by 12.98% from June 30, 2015 compared to a 9.8% increase between 2015 and 2014. Income from operations increased by 10.20% over the prior year and by 22.3% between 2015 and 2014. Following is a summary of the changes in net position:

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

	June 30, 2016	June 30, 2015	June 30, 2014	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Operating revenues	\$ 34,129,036	\$ 31,488,457	\$ 28,735,744	\$ 2,640,579	8.39%
Less: Taxes on gross sales	8,032,355	7,428,896	6,782,772	603,459	8.12%
Net Sales	<u>26,096,681</u>	<u>24,059,561</u>	<u>21,952,972</u>	<u>2,037,120</u>	
Less: Cost of sales	<u>17,645,529</u>	<u>16,256,886</u>	<u>14,788,106</u>	<u>1,388,642</u>	8.54%
Gross Profit	8,451,152	7,802,675	7,164,866	648,478	8.31%
Less: Operating expenses	<u>4,530,877</u>	<u>4,245,141</u>	<u>4,273,202</u>	<u>285,736</u>	6.73%
Income from Operations	3,920,275	3,557,534	2,891,664	362,741	10.20%
Non-operating expenses, net	<u>(48,097)</u>	<u>(50,964)</u>	<u>(50,552)</u>	<u>2,867</u>	-5.63%
Change in net position Before Distributions	3,872,178	3,506,570	2,841,112	365,609	10.43%
Less: Distributions	<u>2,764,523</u>	<u>2,461,558</u>	<u>2,026,696</u>	<u>302,965</u>	12.31%
Change in Net Position	1,107,655	1,045,012	814,416	62,644	-5.99%
Net Position-Beginning	<u>8,534,444</u>	<u>7,769,756</u>	<u>6,955,340</u>	<u>764,688</u>	9.84%
Net Position-Beginning, Restated	<u> </u>	<u>7,489,432</u>	<u>6,955,340</u>	<u>(7,489,432)</u>	-100.00%
Net Position-Ending	<u>\$ 9,642,099</u>	<u>\$ 8,534,444</u>	<u>\$ 7,769,756</u>	<u>\$ 1,107,655</u>	12.98%

For 2016, gross sales were up \$2,640,579 (+8.39%). This was the net result of an increase in retail sales and mixed beverage sales (sales to permit holders such as bars, restaurants, and hotels).

For 2015, gross sales were up \$2,752,713 (+9.6%). This was the net result of an increase in retail sales, mixed beverage sales (sales to permit holders such as bars, restaurants, and hotels).

Following is a breakdown of gross sales by source:

	June 30, 2016	June 30, 2015	June 30, 2014	\$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Retail Liquor Sales	\$ 26,907,391	\$ 24,961,222	\$ 22,853,896	\$ 1,946,169	7.80%
Mixed Beverage Sales	7,214,339	6,487,853	5,836,757	726,486	11.20%
Retail Wine Sales	<u>7,306</u>	<u>39,382</u>	<u>45,091</u>	<u>(32,076)</u>	-81.45%
Total Gross Sales	<u>\$ 34,129,036</u>	<u>\$ 31,488,457</u>	<u>\$ 28,735,744</u>	<u>\$ 2,640,579</u>	8.39%

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Management's Discussion and Analysis
(Unaudited)

In 2016, increases in mixed beverage sales continue to out-pace increases in retail liquor sales.

Capital Assets

Investment in capital assets as of June 30, 2016, totals \$6,081,730 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- Store renovations and improvements completed and transferred from work in progress to buildings and improvements in the amount of \$173,115.
- New law enforcement vehicles and equipment in the amount of \$78,735
- New technology and equipment upgrades and replacements in the amount of \$92,479.

Table 3
Capital Assets
(net of depreciation)

	June 30, 2016	June 30, 2015	June 30, 2014	\$ Change	% Change
				This Yr Over Last Yr	This Yr Over Last Yr
Land	\$ 2,255,345	2,255,345	2,200,345	\$ -	0.00%
Work in progress	11,832	70,571		(58,739)	-83.23%
Buildings and improvements	3,043,782	3,000,253	3,030,666	43,529	1.45%
Vehicles	37,321	21,404	21,042	15,917	74.36%
Furniture and equipment	372,426	332,298	393,579	40,128	12.08%
Law Enforcement	361,024	346,252	374,201	14,772	4.27%
Total	<u>\$ 6,081,730</u>	<u>\$ 6,026,123</u>	<u>\$ 6,019,833</u>	<u>\$ 55,607</u>	0.92%

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

Debt Administration

The largest component of long-term liabilities is notes payable. It decreased by \$99,609 from the prior year.

Requests for Information

This report is intended to provide a summary of the financial condition of the Durham County ABC Board. Questions or requests for additional information should be addressed to Rufus Sales, Interim General Manager, Durham County Alcoholic Beverage Control Board, 3620 Durham Chapel Hill Boulevard, Durham, North Carolina 27707.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Statements of Net Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,816,563	\$ 4,556,785
Inventories	2,914,619	2,653,246
Prepaid expenses	242,759	124,504
Net pension asset		186,477
Total current assets	7,973,941	7,521,012
Noncurrent assets:		
Capital assets:		
Land	2,255,345	2,255,345
Depreciable capital assets, net	3,465,361	3,424,522
Law enforcement, net	361,024	346,256
Total noncurrent assets	6,081,730	6,026,123
Total assets	\$ 14,055,671	\$ 13,547,135
 DEFERRED OUTFLOWS OF RESOURCES		
	\$ 138,952	\$ 139,597
 LIABILITIES		
Current liabilities:		
Accounts payable	574,000	977,944
Distributions payable	1,155,278	1,171,800
State taxes payable	632,886	567,362
Accrued expenses:		
Liabilities	281,616	231,147
Payroll and related costs	274,501	243,986
Sales tax payable	145,453	132,172
Current portion of long-term debt	99,723	95,976
Total current liabilities	3,163,457	3,420,387
Noncurrent liabilities:		
Long-term debt, net of current portion	1,158,610	1,258,219
Net pension liability	142,178	
Total liabilities	4,464,245	4,678,606
 DEFERRED INFLOWS OF RESOURCES		
	88,279	473,682
 NET POSITION:		
Net investment in capital assets	4,823,397	4,671,928
Restricted for working capital:	1,001,653	923,959
Unrestricted	3,817,049	2,938,557
Total net position	\$ 9,642,099	\$ 8,534,444

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE:		
Liquor sales-regular	\$ 26,907,391	\$ 24,961,222
Mixed beverage sales	7,214,339	6,487,853
Wine sales	7,306	39,382
Total gross sales	<u>34,129,036</u>	<u>31,488,457</u>
DEDUCT TAXES ON GROSS SALES:		
State excise tax	7,318,908	6,759,483
Mixed beverage tax (Revenue)	563,853	522,411
Mixed beverage tax (Human Resources)	55,299	52,241
Rehabilitation tax	93,785	92,013
Wine sales tax	510	2,748
Total taxes on gross sales	<u>8,032,355</u>	<u>7,428,896</u>
NET SALES	<u>26,096,681</u>	<u>24,059,561</u>
DEDUCT COST OF SALES:		
Cost of liquor sold	17,640,574	16,231,758
Cost of wine sold	4,955	25,128
Total cost of sales	<u>17,645,529</u>	<u>16,256,886</u>
GROSS PROFIT ON SALES	<u>8,451,152</u>	<u>7,802,675</u>
DEDUCT OPERATING EXPENSES:		
Store expenses	2,966,894	2,783,021
Warehouse and delivery expenses	425,048	359,601
Administrative expenses	879,265	856,528
Depreciation expenses	259,670	245,991
Total operating expenses	<u>4,530,877</u>	<u>4,245,141</u>
INCOME FROM OPERATIONS	<u>3,920,275</u>	<u>3,557,534</u>
NON-OPERATING REVENUES AND EXPENSES:		
Interest income	329	321
Interest expense	(48,426)	(51,760)
Other income	475	475
Total non-operating revenues and expenses	<u>(48,097)</u>	<u>(50,964)</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	<u>3,872,178</u>	<u>3,506,570</u>
DEDUCT:		
Law Enforcement	344,528	286,483
Alcohol education/rehabilitation	197,795	175,075
Total distributions	<u>542,323</u>	<u>461,558</u>
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS (Forward)	<u>3,329,855</u>	<u>3,045,012</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CHANGE IN NET POSITION		
BEFORE PROFIT DISTRIBUTIONS (Forwarded)	\$ <u>3,329,855</u>	\$ <u>3,045,012</u>
PROFIT DISTRIBUTIONS:		
City of Durham	222,200	200,000
County of Durham	<u>2,000,000</u>	<u>1,800,000</u>
Total profit distributions	<u>2,222,200</u>	<u>2,000,000</u>
CHANGE IN NET POSITION	1,107,655	1,045,012
NET POSITION-Beginning of year	<u>8,534,444</u>	<u>7,769,756</u>
NET POSITION-Beginning of year, Restated	<u> </u>	<u>7,489,432</u>
NET POSITION-End of year	<u>\$ 9,642,099</u>	<u>\$ 8,534,444</u>

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 34,129,036	\$ 31,488,457
Cash payments to suppliers for goods and services and taxes on sales	(20,157,518)	(17,975,598)
Cash payments to employees for services	(2,493,547)	(2,136,112)
Sales taxes paid	(7,953,550)	(7,356,392)
Other operating receipts		475
Net cash provided by operating activities	<u>3,524,421</u>	<u>4,020,830</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(356,161)	(284,537)
Interest paid on loans	(48,426)	(51,761)
Principal paid on loan maturities	(95,862)	(92,528)
Net cash used by capital and related financing activities	<u>(500,449)</u>	<u>(428,826)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Law enforcement distributions	(344,528)	(286,483)
Alcohol education distributions	(197,795)	(175,075)
Profit distributions to primary government	(2,222,200)	(2,000,000)
Net cash used by non-capital financing activities	<u>(2,764,523)</u>	<u>(2,461,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	329	321
Net cash provided by investing activities	<u>329</u>	<u>321</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	259,778	1,130,767
CASH AND CASH EQUIVALENTS--Beginning of year	<u>4,556,785</u>	<u>3,426,018</u>
CASH AND CASH EQUIVALENTS--End of year	<u>\$ 4,816,563</u>	<u>\$ 4,556,785</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from Operations	\$ 3,920,275	\$ 3,557,534
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	300,554	278,248
Other income		475
Changes in assets and liabilities		
Inventories	(261,373)	(232,403)
Prepaid expenses	(118,255)	5,460
Accounts payable	(403,944)	166,156
State taxes payable	65,524	58,577
Accrued payroll and related costs	30,515	9,032
Accrued sales tax payable	13,281	13,930
Accrued liabilities	33,947	303,418
Net pension asset and liability	328,655	
Deferred inflows and outflows of resources for pensions	(384,758)	(139,597)
Net cash provided by operating activities	<u>\$ 3,524,421</u>	<u>\$ 4,020,830</u>

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

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 Government, North Carolina reporting entity, is a corporate body with powers outlined by North Carolina General Statutes Chapter 18B-701. The County's governing body appoints the Board.

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

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 eight retail liquor stores, one mixed beverage location, and three combination retail/mixed beverage 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 the 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 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.

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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

F. Pensions:

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

Assets, Liabilities, and Net Position

A. Deposits:

All deposits of the Board are made in board-designated official depositories and are collateralized as required by State Law G.S. 159-31. The Board may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Board's agent in the Board's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board agent in the Board's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no formal policy regarding custodial credit risk for deposits; however, it is the current informal policy to follow State requirements.

At June 30, 2016 and 2015, the Board's deposits had a carrying amount of \$4,788,488 and \$4,533,578, respectively, and a bank balance of \$5,789,048 and \$4,584,668, respectively. All of the bank balance was either insured by federal depository insurance or collateralized under the pooling method described above.

B. Cash and Cash Equivalents:

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

C. 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, 2016 and 2015

1. Summary of Significant Accounting Policies (Concluded)

D. Capital Assets:

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

	Balance 06/30/15	Increases	Decreases	Balance 6/30/2016
Capital assets not being depreciated				
Land	\$ 2,255,345	\$	\$	\$ 2,255,345
Work in progress	70,571	11,832	70,571	11,832
Total capital assets not being depreciated	<u>2,325,916</u>	<u>11,832</u>	<u>70,571</u>	<u>2,267,177</u>
Capital assets being depreciated				
Buildings and improvements	4,618,483	173,115		4,791,598
Furniture/Equipment	1,277,649	163,050	33,202	1,407,497
Vehicles	72,308	23,361		95,669
Law enforcement	584,652	78,735	23,361	640,026
Total capital assets being depreciated	<u>6,553,092</u>	<u>438,261</u>	<u>56,563</u>	<u>6,934,790</u>
Total capital assets	8,879,008	450,093	127,134	9,201,967
Less accumulated depreciation				
Buildings and improvements	1,618,235	129,581		1,747,816
Furniture/Equipment	945,350	122,923	33,202	1,035,071
Vehicles	50,904	7,444		58,348
Law enforcement	238,396	40,606		279,002
Total Accumulated Depreciation	<u>2,852,885</u>	<u>300,554</u>	<u>33,202</u>	<u>3,120,237</u>
Capital assets-net	<u>\$ 6,026,123</u>			<u>\$ 6,081,730</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 period.

E. Long-Lived Assets:

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

2. Net Position

Net Position consists of the following:

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

Restricted for law enforcement – This applies only when the Board employs its own ABC officer.

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, 2016 and 2015

2. Net Position (Continued)

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 State law [G.S. 18B-805(b), (2), (3), and (4)].

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

3. Pension Plan Obligations and Other Post Employment Benefits

Local Government Employees' Retirement System

A. Plan Description:

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

B. Benefits Provided:

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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 Notes to Financial Statements
 June 30, 2016 and 2015

3. Pension Plan Obligations and Other Post Employment Benefits (Continued)

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

C. Contributions:

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2016, was 7.41% of compensation for law enforcement officers and 7.07% for general employees. Actuarially determined, this amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$130,609 and \$139,597 for the years ended June 30, 2016 and June 30, 2015, respectively.

D. 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 and 2015, the Board reported a liability of \$142,178 and an asset of \$186,477, respectively 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 asset 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 Board's proportion was 0.0317%, which was a decrease (or increase) of 0.0607% from its proportion measured as of June 30, 2014.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

3. Pension Plan Obligations and Other Post Employment Benefits (Continued)

For the year ended June 30, 2016, the Board recognized pension expense of \$74,506. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 33,420
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		40,478
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,343	14,381
Employer contributions subsequent to the measurement date *	130,609	
	<u>\$ 138,952</u>	<u>\$ 88,279</u>

* Amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date.

\$130,609 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2017	\$ (49,789)
2018	(49,789)
2019	(49,690)
2020	69,333
2021	-
Thereafter	-
	<u>\$ (79,935)</u>

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 increases	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

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

3. Pension Plan Obligations and Other Post Employment Benefits (Continued)

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.

The actuarial assumptions used in the December 31, 2014 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 Allocation</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%
	<u>100.0%</u>	

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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

3. Pension Plan Obligations and Other Post Employment Benefits (Continued)

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 what the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
ABC Board's proportionate share of the net pension liability (asset)	\$ 991,427	\$ 142,178	\$ (573,295)

Pension Plan Fiduciary Net Position:

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

Death Benefits:

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

Supplemental Retirement Income Plan for Law Enforcement Officers

A. 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 Notes to Financial Statements
 June 30, 2016 and 2015

3. Pension Plan Obligations and Other Post Employment Benefits (Continued)

B. Funding Policy:

Article 12E of G.S. Chapter 143 required 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 ending June 30, 2016 were \$30,068, which consisted of \$5,666 from the Board and \$24,402 from the law enforcement officers. Contributions for the year ending June 30, 2015 were \$18,274, which consisted of \$5,262 from the Board and \$13,012 from the law enforcement officers.

Other Post Employment Benefits (OPEB)

A. 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.

B. 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.

C. 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.

D. Annual OPEB Cost and Net OPEB Obligation:

Unfunded accrued actuarial liability (UAAL) has been computed at \$715,543 at June 30, 2016 and \$859,775 at June 30, 2015. The Board has elected to use a 30 year amortization period. When the UAAL of \$715,543 is divided by 30 years the amortized payment is calculated at \$23,851. This payment is then adjusted for the present value of interest of \$1,525 which is added to this payment to bring the total amortized payment to \$25,376. The actual amount the Board spent during the year ended June 30, 2016 was \$47,349 and for June 30, 2015 was \$55,332. The Board has elected not to record the resulting difference of \$21,973 for June 30, 2016 as an asset on the financial statements.

E. 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

3. Pension Plan Obligations and Other Post Employment Benefits (Concluded)

Law Enforcement Officers' Special Separation Allowance

A. 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 both June 30, 2016 and 2015, the Separation Allowance's membership consisted of:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	-	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	1	1
	1	1

B. 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.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68.

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

C. 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 June 30, 2016 and 2015, the Board paid final benefits of \$0 or 0% 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

4. Commitments

During the years ended June 30, 2016 and 2015 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 \$3,119 plus a standard mileage rate. Any special services provided will be billed at a predetermined hourly rate.

5. Law Enforcement Division

The statements of Net Position 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.

6. Lease Commitments

The Board has leased one store property under a lease agreement which expires February 2021, and requires a minimum monthly rental payment. Rent expense for the years ended June 30, 2016 and 2015 was \$64,704 and \$63,048, respectively.

Year Ending June 30		
2017	\$	66,120
2018		67,864
2019		69,664
2020		71,528
2021		48,528
	\$	323,704

7. 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 at June 30, 2016 and 2015 amounted to \$108,311 and \$107,018, 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.

8. Local Distributions of Income

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

The Board has made distributions for the years ending June 30 as follows:

Store Location	2016	2015
90% County of Durham	\$ 2,000,000	\$ 1,800,000
10% City of Durham	\$ 222,200	\$ 200,000

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

9. Law Enforcement and Alcohol Education Expenses

The Board is required by law to expend at least 5% of its profits for law enforcement purposes. Profits are defined by law for these calculations as change in net position before law enforcement and educational expenses, less the 3.5% markup provided in G.S. 18B-804(b)(5) and the bottle charge provided for in G.S. 18B-804(b)(6b).

	2016	2015
Profit before distributions	\$ 3,872,178	\$ 3,506,570
Less: 3½% tax and bottle charge	947,606	880,183
Profit subject to expense percentages	<u>\$ 2,924,572</u>	<u>\$ 2,626,387</u>
Law enforcement expenditures--Actual	\$ 344,528	\$ 286,483
(Percentage of profit)	11.78%	10.91%
Provision for alcohol education and rehabilitation--Actual	\$ 197,795	175,075
(Percentage of profit)	6.76%	6.67%

10. Disbursement of Taxes Included in Selling Price

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

	2016	2015
Taxes payable July 1	\$ 514,458	\$ 460,495
Taxes collected during the year	7,882,073	7,281,940
Taxes remitted to Department of Revenue	<u>(7,821,999)</u>	<u>(7,227,977)</u>
Taxes payable June 30	<u>\$ 574,532</u>	<u>\$ 514,458</u>

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

The accrued North Carolina excise tax at June 30, 2016, was remitted to the North Carolina Department of Revenue on July 15, 2015.

An additional bottle charge as provided for in G.S. 18B-804(b)(6b) of one cent on each bottle containing 50 milliliters or less and five cents on each bottle containing more than 50 milliliters is collected and distributed monthly for alcohol education and rehabilitation.

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

Regular bottles	1,459,986 at 5 cents =	\$ 72,999
Mixed beverage bottles	289,460 at 5 cents =	14,473
Miniature bottles	631,280 at 1 cent =	<u>6,313</u>
Total payment for the year		<u>\$ 93,785</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

10. Disbursement of Taxes Included in Selling Price (Continued)

For the fiscal year ended June 30, 2015, payments to the County and its municipalities were based on the following bottle sales:

Regular bottles	1,436,150 at 5 cents =	\$	71,808
Mixed beverage bottles	268,866 at 5 cents =		13,443
Miniature bottles	676,225 at 1 cent =		<u>6,762</u>
Total payment for the year		\$	<u><u>92,013</u></u>

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

The mixed beverage tax for the year was:

	<u>2016</u>	<u>2015</u>
Department of Revenue (50%)	\$ 563,853	\$ 522,411
Department of Health and Human Services (5%)	55,299	52,241
Profit retained and remitted to local government (45%)	<u>508,554</u>	<u>470,170</u>
	<u>\$ 1,127,706</u>	<u>\$ 1,044,822</u>

11. Bailment Surcharge Collected

The total amount of surcharge collected for the fiscal years June 30, 2016 and 2015 was \$239,288 and \$157,181, respectively. (The rate increased May 1, 2015 from 80 cents per case sold to \$1.40 per case sold.)

12. Liquor Sales Tax

The total amount of sales tax collected by the Board and remitted to the Department of Revenue for the fiscal years June 30, 2016 and 2015 was \$1,879,592 and \$1,735,047, respectively. The current sales tax rate is 7%. This tax is collected as agent for the State in each sales transaction and remitted each month to the State. This tax is not shown in the Schedule of Revenues, Expenses, and Changes in Net Position.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

13. Retail Outlets

The ABC Board operated eight retail outlets, five of which also sold mixed beverages:

Store #	Store Address	Gross Sales		Change in Net Position	
		Year Ended June 30,		Year Ended June 30,	
		2016	2015	2016	2015
1	1930 Holloway St.	\$ 3,656,585	\$ 3,493,248	\$ 528,193	\$ 495,694
3	2806 Hillsborough Rd.	5,944,047	5,400,389	1,039,114	891,922
4	2121 T.W. Alexander Dr.	2,526,309	2,307,371	277,562	254,286
8	5234 Roxboro Rd.	2,407,912	2,260,419	281,863	261,340
10	5202 Highway 55	5,077,220	4,666,318	845,114	755,197
11	3620 Chapel Hill Blvd.	7,132,454	6,513,367	1,208,169	1,111,331
12	3318 Guess Rd.	3,373,419	3,132,814	476,321	451,412
14	4717 Hope Valley Rd.	4,011,090	3,714,530	617,597	598,448
		<u>\$ 34,129,036</u>	<u>\$ 31,488,456</u>	<u>\$ 5,273,933</u>	<u>\$ 4,819,630</u>

14. Working Capital

The Board is required by the Alcoholic Beverage Control Commission rule [.0902] to set its working capital requirements at not less than two weeks average gross sales of the last fiscal year. (Gross sales are gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4)).

Minimum amount	\$ 1,001,653
Maximum amount	\$ 6,510,745
Actual amount	\$ 4,701,284

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

15. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has commercial property, general liability, auto liability, workmen's compensation, data breach, flood, wind & hail, public officials liability/employment practice and employee health coverage. The Board also has liquor legal liability coverage.

There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Notes to Financial Statements
June 30, 2016 and 2015

16. Long-Term Debt

A summary of long-term debt is as follows at June 30:

	2016	2015
Note payable to a bank payable in 83 monthly payments of interest and principal totaling \$4,760 and one 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.	\$ 468,388	\$ 507,753
Note payable to a bank payable in 72 monthly payments of interest and principal totaling \$7,264 and one 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.	789,945	846,442
	1,258,333	1,354,195
Less: Current portion of debt	99,723	95,976
Total long-term debt	\$ 1,158,610	\$ 1,258,219

Estimated maturities on long-term debt as of June 30, 2016 are as follows:

Year Ending June 30	
2017	\$ 99,723
2018	488,973
2019	669,637
	\$ 1,258,333

17. Restatement

Beginning net position for the year ended June 30, 2015, was restated by \$289,232 to account for recording the Board's portion of the Local Government Employees' Retirement System (LGERS). This restatement was due to the required implementation of GASB 68.

SUPPLEMENTARY INFORMATION

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 ABC Board's Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 June 30, 2016 and 2015

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>
ABC Board's proportion of the net pension liability (asset) (%)	0.0317%	-0.0290%
ABC Board's proportion of the net pension liability (asset) (\$)	\$ 142,178	\$ (186,477)
ABC Board's covered-employee payroll	\$ 1,919,632	\$ 1,863,329
ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.41%	-10.01%
Plan fiduciary net position as a percentage of the total pension liability **	98.09%	102.64%

* 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.

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 ABC Board's Contributions
 Required Supplementary Information
 June 30, 2016 and 2015

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 130,609	\$ 139,597
Contributions in relation to the contractually required contribution	<u>130,609</u>	<u>139,597</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
ABC Board's covered-employee payroll	\$ 1,919,632	\$ 1,863,329
Contributions as a percentage of covered-employee payroll	6.80%	7.49%

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
 (A Component Unit of Durham County Government)
 Other Post-Employment Benefit Obligation
 Required Supplementary Information
Schedules of Funding Progress
 June 30, 2016 and 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Accrued Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2016	\$	\$ 715,543	\$ 715,543	0.00%	\$ 1,919,632	0.0%
6/30/2015		859,775	859,775	0.00%	1,968,568	0.0%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2016	\$ 25,376	100.0%
6/30/2015	30,367	100.0%

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
SCHEDULE OF STORE, WAREHOUSE AND ADMINISTRATIVE EXPENSES
Year Ended June 30, 2016

	Store 1	Store 3	Store 4	Store 8	Store 9	Store 10	Store 11	Store 12	Store 14	Subtotal	Warehouse	Administrative	Total
Salaries and wages	\$ 199,721	\$ 237,266	\$ 153,212	\$ 162,953	\$ 98,908	\$ 206,841	\$ 186,374	\$ 179,616	\$ 190,054	\$ 1,614,945	\$ 178,615	\$ 474,010	\$ 2,267,570
FICA taxes	14,596	17,868	11,240	11,519	6,859	14,726	13,763	13,855	14,141	118,567	13,029	33,977	165,573
Pension expense	5,836	7,210	4,564	4,833	2,124	6,149	5,318	5,854	5,052	46,940	5,109	17,731	69,780
401(K) expense	1,482	2,035	2,565	2,658	1,089	2,191	3,025	3,304	2,113	20,462	2,623	7,372	30,457
Life insurance	454	572	376	362	151	507	409	450	396	3,677	492	1,356	5,525
Hospital insurance	21,555	24,034	19,138	20,159	7,509	24,590	19,822	14,629	18,536	169,972	24,237	86,757	280,966
Disability insurance	1,608	2,008	1,320	1,275	531	1,780	1,432	1,583	1,394	12,931	1,726	4,785	19,442
Dental insurance	1,178	1,086	718	716	500	885	1,081	794	872	7,830	1,096	2,364	11,290
Rent	-	-	64,704	-	-	-	-	-	-	64,704	-	-	64,704
Utilities	13,301	11,698	4,162	14,471	3,279	10,124	8,084	10,948	7,989	84,056	13,189	9,674	106,919
Telephone	1,471	1,367	1,575	1,076	1,510	1,670	1,785	1,455	1,155	13,064	4,311	18,317	35,692
Credit card expenses	35,546	56,991	39,743	31,972	-	53,585	58,279	46,291	62,284	384,691	-	-	384,691
Insurance - general	10,696	8,508	4,397	8,790	4,033	12,392	9,551	8,137	9,274	75,778	11,590	15,934	103,302
Supplies	14,252	20,377	10,216	9,372	2,291	18,104	18,009	13,080	15,280	120,981	2,117	5,690	128,788
Travel expense	634	327	2,459	780	315	406	308	1,474	1,043	7,746	150	14,564	22,460
Temporary help	-	-	-	-	-	-	-	-	-	-	121,747	15,863	137,610
Maintenance agreements	5,864	8,731	6,064	6,552	11,654	8,269	6,226	5,777	8,227	67,364	6,643	23,439	97,446
Building maintenance	6,863	2,591	5,560	5,625	1,432	9,437	14,711	23,435	2,760	72,414	4,353	8,256	85,023
Postage	-	-	-	-	-	-	-	-	-	-	-	2,522	2,522
Professional services	-	-	-	-	-	-	-	-	-	-	-	107,785	107,785
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	4,443	4,443
Per diem - Board members	-	-	-	-	-	-	-	-	-	-	-	12,600	12,600
Yard maintenance	2,993	2,993	-	2,993	-	2,993	2,993	2,993	2,993	20,951	2,993	-	23,944
Security - alarm contracts	3,839	4,144	3,611	3,509	2,993	3,600	3,690	3,558	3,405	32,349	1,164	-	33,513
Vehicle expense	-	-	-	-	-	-	-	-	-	-	22,615	1,597	24,212
Gas and oil	-	-	-	-	-	-	-	-	-	-	3,654	1,423	5,077
Waste disposal	2,033	613	-	493	2,337	2,195	3,426	2,057	2,386	15,540	851	-	16,391
Advertising	-	-	-	-	-	-	-	-	-	-	-	2,927	2,927
Bottled water	295	480	246	492	-	405	569	198	457	3,142	483	-	3,625
Staff training and development	-	-	-	-	-	-	-	-	-	-	-	4,113	4,113
Minor equipment	1,018	220	300	883	751	380	4,393	238	607	8,790	2,261	1,766	12,817
	<u>345,235</u>	<u>411,119</u>	<u>336,170</u>	<u>291,483</u>	<u>148,266</u>	<u>381,229</u>	<u>363,248</u>	<u>339,726</u>	<u>350,418</u>	<u>2,966,894</u>	<u>425,048</u>	<u>879,265</u>	<u>4,271,207</u>
Depreciation	27,199	29,219	16,101	22,952	1,796	29,477	43,366	19,420	20,468	209,998	22,900	26,772	259,670
	<u>\$ 372,434</u>	<u>\$ 440,338</u>	<u>\$ 352,271</u>	<u>\$ 314,435</u>	<u>\$ 150,062</u>	<u>\$ 410,706</u>	<u>\$ 406,614</u>	<u>\$ 359,146</u>	<u>\$ 370,886</u>	<u>\$ 3,176,892</u>	<u>\$ 447,948</u>	<u>\$ 906,037</u>	<u>\$ 4,530,877</u>

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
SCHEDULE OF STORE, WAREHOUSE AND ADMINISTRATIVE EXPENSES
Year Ended June 30, 2015

	Store 1	Store 3	Store 4	Store 8	Store 9	Store 10	Store 11	Store 12	Store 14	Subtotal	Warehouse	Administrative	Total
Salaries and wages	\$ 189,704	\$ 247,337	\$ 144,349	\$ 165,034	\$ 88,633	\$ 203,050	\$ 171,862	\$ 174,089	\$ 156,540	\$ 1,540,598	\$ 183,998	\$ 471,067	\$ 2,195,663
FICA taxes	15,152	18,143	10,791	13,339	6,525	15,912	13,508	13,038	11,869	118,277	14,484	35,858	168,619
Retirement fund	573	683	404	512	176	604	501	497	398	4,348	611	1,538	6,497
401(K) expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Life insurance	525	615	358	421	146	567	448	489	352	3,921	494	1,381	5,796
Hospital insurance	22,908	24,830	16,897	17,678	6,133	26,202	16,319	19,775	19,048	169,790	23,769	82,960	276,519
Disability insurance	1,836	2,145	1,253	1,387	515	1,900	1,565	1,709	1,232	13,542	1,714	4,845	20,101
Dental insurance	1,513	1,471	892	951	456	1,399	697	1,023	1,219	9,621	1,343	2,677	13,641
Rent	-	-	63,048	-	-	-	-	-	-	63,048	-	-	63,048
Store security	11,663	11,263	1,140	863	-	11,550	11,200	1,013	1,150	49,842	-	-	49,842
Utilities	12,629	11,041	4,481	15,408	2,885	9,452	8,631	11,192	7,859	83,578	14,004	8,960	106,542
Telephone	1,045	1,940	2,093	823	1,144	2,181	1,920	1,984	1,654	14,784	3,622	12,262	30,668
Credit card expenses	31,902	48,451	34,793	28,155	-	46,207	54,171	40,904	53,496	338,079	-	-	338,079
Insurance - general	9,090	6,875	4,070	9,211	3,262	11,336	8,482	6,927	8,319	67,572	9,431	12,900	89,903
Supplies	13,643	22,138	8,149	9,020	1,619	18,693	15,451	11,972	14,590	115,275	1,983	5,047	122,305
Travel expense	322	457	1,078	269	237	172	1	893	583	4,012	227	14,809	19,048
Temporary help	-	-	-	-	-	-	-	-	-	-	72,603	11,045	83,648
Maintenance agreements	4,236	6,180	4,285	4,627	5,019	6,662	4,721	5,715	7,762	49,207	7,596	21,435	78,238
Building maintenance	15,729	13,458	3,460	3,970	1,109	4,928	8,777	3,076	4,544	59,051	11,587	5,319	75,957
Postage	-	-	-	-	-	-	-	-	-	-	-	3,199	3,199
Professional services	-	-	-	-	-	-	-	-	-	-	-	129,421	129,421
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	4,335	4,335
Per diem - Board members	-	-	-	-	-	-	-	-	-	-	-	12,000	12,000
Yard maintenance	3,085	3,085	-	3,085	-	3,085	3,085	3,085	3,085	21,595	3,085	-	24,680
Security - alarm contracts	3,510	4,912	3,488	4,115	3,002	3,972	4,368	3,975	3,365	34,707	1,043	-	35,750
Vehicle expense	-	-	-	-	-	-	-	-	-	-	2,180	2,315	4,495
Gas and oil	-	-	-	-	-	-	-	-	-	-	5,103	2,099	7,202
Waste disposal	1,993	608	91	387	2,066	2,162	3,161	2,016	2,370	14,854	-	-	14,854
Advertising	-	-	-	-	-	-	-	-	-	-	-	3,749	3,749
Bottled water	336	473	260	264	-	425	756	288	342	3,144	492	-	3,636
										-			
Staff training and development	-	-	-	-	-	-	-	-	-	-	-	4,641	4,641
Minor equipment	699	883	317	200	435	933	184	-	525	4,176	232	2,666	7,074
	342,093	426,988	305,697	279,719	123,362	371,392	329,808	303,660	300,302	2,783,021	359,601	856,528	3,999,150
Depreciation	27,198	21,645	15,349	21,473	3,123	27,495	43,582	18,095	22,064	200,024	20,203	25,764	245,991
	\$ 369,291	\$ 448,633	\$ 321,046	\$ 301,192	\$ 126,485	\$ 398,887	\$ 373,390	\$ 321,755	\$ 322,366	\$ 2,983,045	\$ 379,804	\$ 882,292	\$ 4,245,141

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Reconciliation of Budget to Actual
June 30, 2016

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Operating Revenues:				
Liquor sales-regular	\$ 26,210,355	26,210,355	\$ 26,907,391	\$ 697,036
Mixed beverage sales	6,746,814	6,869,814	7,214,339	344,525
Wine sales	44,938	44,938	7,306	(37,632)
Total sales	<u>33,002,107</u>	<u>33,125,107</u>	<u>34,129,036</u>	<u>1,003,929</u>
Non-operating revenues:				
Interest income	288	288	329	41
Other income			-	-
Total revenues	<u>33,002,395</u>	<u>33,125,395</u>	<u>34,129,365</u>	<u>1,003,970</u>
EXPENDITURES:				
Total Taxes based on revenue:				
State excise tax	7,085,791	7,085,791	7,318,908	(233,117)
Mixed beverage tax (Revenue)	593,720	593,720	563,853	29,867
Mixed beverage tax (Human Resources)	60,721	60,721	55,299	5,422
Rehabilitation tax	125,237	125,237	93,785	31,452
Wine/mixer sales tax	3,370	3,370	510	2,860
Total taxes based on revenue	<u>7,868,839</u>	<u>7,868,839</u>	<u>8,032,355</u>	<u>(163,516)</u>
Cost of goods sold	<u>17,336,874</u>	<u>17,336,874</u>	<u>17,645,529</u>	<u>(308,655)</u>
OPERATING EXPENSES:				
Personnel expenses	3,035,405	3,035,405	2,836,926	198,479
Facilities expenses	350,584	380,584	366,186	14,398
Supplies and materials	141,216	141,216	147,752	(6,536)
Contract/professional services	242,880	279,880	245,395	34,485
Repairs and maintenance	105,120	126,120	126,735	(615)
Credit card fees	396,841	396,841	384,691	12,150
Travel, training and development	54,080	54,080	26,573	27,507
Other operating expenses	121,555	121,555	123,272	(1,717)
Miscellaneous-contingency	66,000	66,000		66,000
Total operating expense	<u>4,513,681</u>	<u>4,601,681</u>	<u>4,257,530</u>	<u>344,151</u>
Debt Service	144,300	144,300	144,288	12
Capital Outlay	<u>689,818</u>	<u>689,818</u>	<u>356,161</u>	<u>333,657</u>
Total expenditures	<u>30,553,512</u>	<u>30,641,512</u>	<u>30,435,863</u>	<u>205,649</u>

(Continued)

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Durham County Government)
Reconciliation of Budget to Actual
June 30, 2016

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
DISTRIBUTIONS:				
Law Enforcement	\$ 361,284	\$ 361,284	\$ 344,528	\$ 16,756
Alcohol education/rehabilitation	161,490	161,490	197,795	(36,305)
County and Municipal	1,395,735	1,395,735	2,222,200	(826,465)
Total distributions	<u>1,918,509</u>	<u>1,918,509</u>	<u>2,764,523</u>	<u>(846,014)</u>
Total expenditures and distributions	32,472,021	32,560,021	33,200,386	(640,365)
Revenues over (under) expenditures	530,374	565,374	928,979	363,605
Other financing sources (uses):				
Working capital retained	<u>(530,374)</u>	<u>(565,374)</u>	<u> </u>	<u> </u>
Revenues over expenditures and other financing uses	<u>\$</u>	<u>\$</u>	<u>\$ 928,979</u>	<u>\$ 363,605</u>

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

Reconciling Items:

Decrease in net pension asset	(186,477)
Increase in net pension liability	(142,178)
Decrease in deferred outflows of resources	(645)
Decrease in deferred inflows of resources	385,403
Pension expense	(69,780)
Depreciation	(259,670)
Capital outlay	356,161
Debt service	95,862
Total	<u>178,676</u>

Change in Net Position \$ 1,107,655