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WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)

Financial Statements

June 30, 2020 and 2019

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Wake County Board of Alcoholic Control
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Wake County Board of Alcoholic Control, a component unit of Wake County, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinion an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wake County Board of Alcoholic Control, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedules of Store Expenses, Warehouse Expenses, 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 Schedules of Store Expenses, Warehouse Expenses, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to 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 financial statements taken as a whole.

Koonce, Wooten & Haywood, LLP

Raleigh, North Carolina
September 10, 2020

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL Management's Discussion and Analysis

This section of the Wake County Board of Alcoholic Control's (the Board) financial report represents our discussion and analysis of the financial performance of the Board for the years ended June 30, 2020 and 2019. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board operated twenty-five retail locations and fourteen mixed beverage locations.
- Property and equipment increased approximately 4.3% over the prior year.
- Over 21% of profits were expended for alcohol education and rehabilitation and 6% for law enforcement 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 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, and financing activities. Based on this data, the user can determine the sources of cash, the uses of cash, and the change in cash.

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

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

Financial Analysis of the Board

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$49,496,559 in 2020. The largest component of net position was the investment in capital assets. It was 56.2% of the total net position. The Board has retained working capital to finance planned capital expenditures for new retail locations. Following is a summary of the Statement of Net Position:

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Management's Discussion and Analysis

| | June 30, 2020 | June 30, 2019 | June 30, 2018 | \$ Change This Yr Over Last Yr | % Change This Yr Over Last Yr |
|---|----------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| Current assets | \$ 45,542,571 | \$ 41,220,369 | \$ 34,618,926 | \$ 4,322,202 | 10.5% |
| Property and equipment | 27,804,241 | 26,647,662 | 26,685,061 | 1,156,579 | 4.3% |
| Deferred outflows of resources | <u>4,176,633</u> | <u>2,270,245</u> | <u>1,385,318</u> | <u>1,906,388</u> | 84.0% |
| Total assets and deferred outflows of resources | <u>\$ 77,523,445</u> | <u>\$ 70,138,276</u> | <u>\$ 62,689,305</u> | <u>\$ 7,385,169</u> | 10.5% |
| Current liabilities | \$ 14,558,369 | \$ 11,582,123 | \$ 11,626,947 | \$ 2,976,246 | 25.7% |
| Non-current liabilities | 12,795,172 | 9,695,455 | 8,643,894 | 3,099,717 | 32.0% |
| Deferred inflows of resources | <u>673,345</u> | <u>852,069</u> | <u>614,950</u> | <u>(178,724)</u> | -21.0% |
| Total liabilities and deferred inflows of resources | <u>\$ 28,026,886</u> | <u>\$ 22,129,647</u> | <u>\$ 20,885,791</u> | <u>\$ 5,897,239</u> | 26.6% |
| Net position | | | | | |
| Net investment in capital assets | \$ 27,804,241 | \$ 26,647,662 | \$ 26,685,061 | \$ 1,156,579 | 4.3% |
| Restricted for working capital | 4,944,524 | 4,428,411 | 4,072,514 | 516,113 | 11.7% |
| Unrestricted | <u>16,747,794</u> | <u>16,932,556</u> | <u>11,045,939</u> | <u>(184,762)</u> | -1.1% |
| Total net position | <u>\$ 49,496,559</u> | <u>\$ 48,008,629</u> | <u>\$ 41,803,514</u> | <u>\$ 1,487,930</u> | 3.1% |

Net position increased by 3.1% from the prior year. Income from operations increased by 11.1% from the prior year. Following is a summary of the changes in net position:

| | June 30, 2020 | June 30, 2019 | June 30, 2018 | \$ Change This Yr Over Last Yr | % Change This Yr Over Last Yr |
|-----------------------------------|-----------------------------|-----------------------------|----------------------|--------------------------------------|-------------------------------------|
| Operating revenues | \$ 167,799,107 | \$ 151,036,772 | \$ 138,891,419 | \$ 16,762,335 | 11.1% |
| Taxes on sales | (39,274,801) | (35,898,078) | (33,006,048) | (3,376,723) | 9.4% |
| Cost of sales | (86,644,492) | (77,238,633) | (70,990,914) | (9,405,859) | 12.2% |
| Operating expenses | (16,484,458) | (14,735,640) | (12,734,318) | (1,748,818) | 11.9% |
| Non-operating revenues | 281,717 | 356,391 | 222,557 | (74,674) | -21.0% |
| Distributions | <u>(24,189,143)</u> | <u>(17,315,697)</u> | <u>(17,305,692)</u> | <u>(6,873,446)</u> | 39.7% |
| Change in net position | 1,487,930 | 6,205,115 | 5,077,004 | (4,717,185) | -76.0% |
| Net position--Beginning | <u>48,008,629</u> | <u>41,803,514</u> | <u>41,330,363</u> | <u>6,205,115</u> | 14.8% |
| Net position--Beginning, Restated | <u> </u> | <u> </u> | <u>36,726,510</u> | <u> </u> | |
| Net position--Ending | <u>\$ 49,496,559</u> | <u>\$ 48,008,629</u> | <u>\$ 41,803,514</u> | <u>\$ 1,487,930</u> | 3.1% |

Gross sales increased from \$151,036,772 to \$167,761,172 due to price increases and a 8.5% and 8.2% increase in gallon and bottle sales, respectively. Nineteen percent of sales are from mixed beverages.

Distributions to municipalities and Wake County increased by \$6,395,983; an increase of 53.8% due to an increase in amounts appropriated to Wake County in the current fiscal year to meet the maximum working capital requirement.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Management's Discussion and Analysis

Following is a breakdown of sales by source:

| | June 30, 2020 | June 30, 2019 | June 30, 2018 | \$ Change This Yr Over Last Yr | % Change This Yr Over Last Yr |
|----------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|-------------------------------------|
| Retail Liquor Sales | \$ 135,867,195 | \$ 112,069,454 | \$ 103,414,161 | \$ 23,797,741 | 21.2% |
| Mixed Beverage Sales | 31,656,721 | 38,731,993 | 35,266,572 | (7,075,272) | -18.3% |
| Retail Wine Sales | 308,521 | 235,325 | 210,686 | 73,196 | 31.1% |
| Sales Refunds, Net | (33,330) | | | (33,330) | -100.0% |
| Total Sales | <u>\$ 167,799,107</u> | <u>\$ 151,036,772</u> | <u>\$ 138,891,419</u> | <u>\$ 16,762,335</u> | 11.1% |

Capital Assets and Debt Administration

Investment in capital assets as of June 30, 2020 totals \$27,804,241 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- Construction costs on a building expansion for Store #1 in the amount of \$438,031
- Construction costs on building for Store #6 in the amount of \$1,350,519
- Purchased a new warehouse vehicle for \$102,419

| | Capital Assets (Net of Depreciation) | | | \$ Change This Yr Over Last Yr | % Change This Yr Over Last Yr |
|------------------------|---|----------------------|----------------------|--------------------------------------|-------------------------------------|
| | June 30, 2020 | June 30, 2019 | June 30, 2018 | Last Yr | Last Yr |
| Land | \$ 12,533,377 | \$ 12,533,377 | \$ 12,522,176 | \$ | 0.0% |
| Buildings | 13,717,827 | 12,440,674 | 12,864,599 | 1,277,153 | 10.3% |
| Leasehold improvements | 313,007 | 341,605 | 400,605 | (28,598) | -8.4% |
| Furniture/equipment | 806,937 | 1,022,044 | 693,122 | (215,107) | -21.0% |
| Vehicles | 433,093 | 309,962 | 204,559 | 123,131 | 39.7% |
| Total | <u>\$ 27,804,241</u> | <u>\$ 26,647,662</u> | <u>\$ 26,685,061</u> | <u>\$ 1,156,579</u> | 4.3% |

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

Debt Administration

The Board does not have any long-term debt.

Economic Factors

The Board plans to address growth in the area by opening new locations, some of which have been identified, as well as renovating existing locations in the upcoming fiscal year.

As a result of the COVID-19 coronavirus, restaurants and bars were ordered to be closed by North Carolina Governor through an executive order. This has impacted the Board's mixed beverage sales beginning in March 2020 and will continue to impact their mixed beverage sales in the upcoming year. Also, as a result of the ongoing pandemic, the Board has seen an increase in retail sales that has offset any losses in mixed beverage sales during the year.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Management's Discussion and Analysis

Requests for Information

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

Ms. Danielle Brigman
Finance Director
Wake County Board of Alcoholic Control
1212 Wicker Drive
Raleigh, NC 27604

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Statements of Net Position
June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 31,676,752 | \$ 29,466,521 |
| Inventories | 13,599,774 | 11,463,547 |
| Prepaid expenses | 266,045 | 290,301 |
| Total current assets | <u>45,542,571</u> | <u>41,220,369</u> |
| NONCURRENT ASSETS: | | |
| Capital assets (net of accumulated depreciation) | <u>27,804,241</u> | <u>26,647,662</u> |
| Total assets | <u>\$ 73,346,812</u> | <u>\$ 67,868,031</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension deferrals | \$ 1,758,176 | \$ 1,990,784 |
| OPEB deferrals | 2,418,457 | 279,461 |
| Total deferred outflows of resources | <u>\$ 4,176,633</u> | <u>\$ 2,270,245</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,244,911 | \$ 6,049,279 |
| Distributions payable | 2,505,461 | 1,411,139 |
| Liquor sales tax payable | 699,165 | 441,164 |
| Sales and excise taxes payable | 3,259,997 | 2,905,406 |
| Law enforcement reserve | 318,509 | 328,895 |
| Accrued liabilities | 530,326 | 446,240 |
| Total current liabilities | <u>14,558,369</u> | <u>11,582,123</u> |
| Noncurrent liabilities | | |
| Net pension liability--LGERS | 2,571,163 | 2,194,891 |
| Total pension liability--LEO | 851,864 | 786,712 |
| Total OPEB liability | 9,372,145 | 6,713,852 |
| Total noncurrent liabilities | <u>12,795,172</u> | <u>9,695,455</u> |
| Total liabilities | <u>27,353,541</u> | <u>21,277,578</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | 19,093 | 39,693 |
| OPEB deferrals | 654,252 | 812,376 |
| Total deferred inflows of resources | <u>\$ 673,345</u> | <u>\$ 852,069</u> |
| NET POSITION: | | |
| Net investment in capital assets | \$ 27,804,241 | \$ 26,647,662 |
| Restricted for working capital | 4,944,524 | 4,428,411 |
| Unrestricted | 16,747,794 | 16,932,556 |
| Total net position | <u>\$ 49,496,559</u> | <u>\$ 48,008,629</u> |

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

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| OPERATING REVENUE: | | |
| Liquor sales--regular | \$ 135,867,195 | \$ 112,069,454 |
| Mixed beverage sales | 31,656,721 | 38,731,993 |
| Wine sales | 308,521 | 235,325 |
| Sales refunds, net | (33,330) | |
| Total gross sales | <u>167,799,107</u> | <u>151,036,772</u> |
| DEDUCT TAXES ON GROSS SALES: | | |
| State excise tax | 36,157,118 | 32,144,987 |
| Mixed beverage tax (Revenue) | 2,457,493 | 3,064,215 |
| Mixed beverage tax (Human Resources) | 245,749 | 306,422 |
| Rehabilitation tax | 393,585 | 366,783 |
| Wine sales tax | 20,856 | 15,671 |
| Total taxes on gross sales | <u>39,274,801</u> | <u>35,898,078</u> |
| NET SALES | <u>128,524,306</u> | <u>115,138,694</u> |
| DEDUCT COST OF SALES: | | |
| Cost of liquor sold | 86,405,642 | 77,058,127 |
| Cost of wine sold | 238,850 | 180,506 |
| Total cost of sales | <u>86,644,492</u> | <u>77,238,633</u> |
| GROSS PROFIT ON SALES | <u>41,879,814</u> | <u>37,900,061</u> |
| DEDUCT OPERATING EXPENSES: | | |
| Store expenses | 12,570,973 | 11,163,947 |
| Warehouse and delivery expenses | 849,975 | 671,682 |
| Administrative expenses | 2,168,255 | 2,024,661 |
| Depreciation expenses | 895,255 | 875,350 |
| Total operating expenses | <u>16,484,458</u> | <u>14,735,640</u> |
| INCOME FROM OPERATIONS | <u>25,395,356</u> | <u>23,164,421</u> |
| NON-OPERATING REVENUES: | | |
| Interest income | 281,390 | 112,998 |
| Other income (loss) | 327 | 243,393 |
| Total non-operating revenues | <u>281,717</u> | <u>356,391</u> |
| CHANGE IN NET POSITION BEFORE DISTRIBUTIONS | <u>25,677,073</u> | <u>23,520,812</u> |
| DEDUCT: | | |
| Law enforcement | 1,341,220 | 1,147,161 |
| Alcohol education | 4,567,854 | 4,284,450 |
| CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS | <u>19,767,999</u> | <u>18,089,201</u> |
| PROFIT DISTRIBUTIONS | | |
| Municipalities | 5,337,359 | 4,884,086 |
| Wake County | 12,942,710 | 7,000,000 |
| Total profit distributions | <u>18,280,069</u> | <u>11,884,086</u> |
| CHANGE IN NET POSITION | 1,487,930 | 6,205,115 |
| NET POSITION--Beginning of year | <u>48,008,629</u> | <u>41,803,514</u> |
| NET POSITION--End of Year | <u>\$ 49,496,559</u> | <u>\$ 48,008,629</u> |

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

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|--|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 177,309,811 | \$ 158,881,634 |
| Cash payments to suppliers for goods and services and taxes on sales | (133,673,122) | (120,919,830) |
| Cash payments to employees for services | (7,298,431) | (6,553,792) |
| Other operating revenues | 2,312 | 254,417 |
| Liquor sales taxes paid | (9,252,703) | (7,824,411) |
| Net cash provided by operating activities | 27,087,867 | 23,838,018 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of capital assets | (2,125,722) | (1,077,767) |
| Proceeds from sale of assets | | 175,018 |
| Net cash used for capital and related financing activities | (2,125,722) | (902,749) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| Law enforcement distributions | (1,269,311) | (1,093,390) |
| Law enforcement asset forfeiture receipts | 4,831 | 4,186 |
| Law enforcement forfeiture expenditure | (15,223) | (18,738) |
| Alcohol education distributions | (4,567,854) | (4,284,450) |
| Profit distributions | (17,185,747) | (11,989,422) |
| Net cash used for non-capital financing activities | (23,033,304) | (17,381,814) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest on investments | 281,390 | 112,998 |
| Net cash provided by investing activities | 281,390 | 112,998 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,210,231 | 5,666,453 |
| CASH AND CASH EQUIVALENTS--Beginning of year | 29,466,521 | 23,800,068 |
| CASH AND CASH EQUIVALENTS--End of year | \$ 31,676,752 | \$ 29,466,521 |
| RECONCILIATION OF CHANGE IN NET POSITION BEFORE DISTRIBUTIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Change in net position before distributions | \$ 25,677,073 | \$ 23,520,812 |
| Adjustments to reconcile change in net position before distributions to net cash provided by operating activities: | | |
| Loss on sale of capital assets | 1,985 | 11,024 |
| Depreciation | 895,255 | 875,350 |
| Interest income | (281,390) | (112,998) |
| Changes in assets and liabilities: | | |
| Inventories | (2,136,227) | (1,776,338) |
| Prepaid expenses | 24,256 | 841,348 |
| Accounts payable | 1,195,632 | (95,613) |
| Accrued liabilities and other payables | 696,678 | 170,680 |
| Net pension liability--LGERS | 376,272 | 918,478 |
| Total pension liability--LEO | 65,152 | 57,794 |
| Total OPEB liability | 2,658,293 | 75,289 |
| Deferred outflows of resources--Pensions | 232,608 | (840,287) |
| Deferred outflows of resources--OPEB | (2,138,996) | (44,640) |
| Deferred inflows of resources--Pensions | (20,600) | (8,405) |
| Deferred inflows of resources--OPEB | (158,124) | 245,524 |
| Net cash provided by operating activities | \$ 27,087,867 | \$ 23,838,018 |

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

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies

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

The Wake County Board of Alcoholic Control (the Board), a component unit of Wake County, 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 the County, which represents a financial benefit to the County. 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 Alcoholic Beverage Control Act of 1937 and implemented by a countywide election held June 23, 1937. The county commissioners appoint five individuals to serve on the ABC Board.

The Board, as provided by North Carolina Alcoholic Beverage Control laws, operates twenty-five retail liquor stores and fourteen mixed beverage locations 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 profits for alcohol education and rehabilitation purposes. The Board is also required to distribute 27% of the profits after all other required appropriations to the cities and towns in Wake County.

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, credit card or ACH 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.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

F. Pensions:

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The 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.

G. 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 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 the pooling method. 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 under the pooling method.

At June 30, 2020, the Board's deposits had a carrying amount of \$31,659,452 and a bank balance of \$31,386,212. All of the bank balance was either insured by federal depository insurance or collateralized under the pooling method described above.

At June 30, 2019, the Board's deposits had a carrying amount of \$29,449,721 and a bank balance of \$28,397,919. All of the bank balance was either insured by federal depository insurance or collateralized under the pooling method described above.

H. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

I. Inventories:

Inventories are valued at current replacement cost which approximates the lower of cost or market.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets:

Capital Asset activity for the year ended June 30, 2020 was as follows:

| | Useful Life | Balance 06/30/19 | Increases | Decreases | Balance 06/30/20 |
|--|----------------|----------------------|---------------------|-----------------|----------------------|
| Capital assets not being depreciated | | | | | |
| Land | | \$ 12,533,377 | \$ _____ | _____ | \$ 12,533,377 |
| Capital assets being depreciated | | | | | |
| Buildings | 30 Years | 17,022,318 | 1,839,395 | | 18,861,713 |
| Furniture/Equipment | 6 Years | 2,565,893 | 27,861 | 15,229 | 2,578,525 |
| Vehicles | 6 Years | 485,496 | 230,667 | 28,851 | 687,312 |
| Leasehold Improvements | 10 Years | 643,323 | 32,260 | | 675,583 |
| Total capital assets being depreciated | | <u>20,717,030</u> | <u>2,130,183</u> | <u>44,080</u> | <u>22,803,133</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | | 4,581,644 | 562,242 | | 5,143,886 |
| Furniture/Equipment | | 1,543,849 | 240,984 | 13,245 | 1,771,588 |
| Vehicles | | 175,534 | 103,075 | 24,390 | 254,219 |
| Leasehold Improvements | | 301,718 | 60,858 | | 362,576 |
| Total capital assets being depreciated, net | | <u>14,114,285</u> | <u>\$ 1,163,024</u> | <u>\$ 6,445</u> | <u>15,270,864</u> |
| Capital Assets, net | | <u>\$ 26,647,662</u> | | | <u>\$ 27,804,241</u> |

K. 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 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. A Board shall set its working capital requirements at not less than two weeks' average gross sales of the last fiscal year or greater than: (1) four months of the last fiscal year for boards with gross sales less than \$1,500,000; (2) three months of the latest fiscal year for boards with gross sales greater than or equal to \$1,500,000 and less than \$50,000,000; and (3) two months' of the latest fiscal year for boards with gross sales equal to or greater than \$50,000,000. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by State law [G.S. 18B-805(b), (2), (3), and (4)].

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

2. Net Position (Continued)

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

3. Pension Plan Obligations

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.

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.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Continued)

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, 2020 was 9.70% of compensation for law enforcement officers and 9.02% for general employees, actuarially determined as an amount that, 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 \$631,308 for the year ended June 30, 2020.

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, 2020, the Board reported a liability of \$2,571,163 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the Board's proportion was 0.09415%, which was a decrease (or increase) of (.00163%) from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Board recognized pension expense of \$636,904. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 440,248 | \$ |
| Changes of assumptions | 419,057 | |
| Net difference between projected and actual earnings on pension plan investments | 62,714 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 82,702 | |
| Employer contributions subsequent to the measurement date | 631,253 | |
| | <u>\$ 1,635,974</u> | <u>\$ -</u> |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Continued)

\$631,253 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | |
|------------------------|--------------|
| 2021 | \$ 499,504 |
| 2022 | 169,430 |
| 2023 | 263,799 |
| 2024 | 71,988 |
| | \$ 1,004,721 |

Actuarial Assumptions:

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.5 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

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

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

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

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

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

| <u>Asset Allocation</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| | <u>100.0%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate:

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments on the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate:

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

| | Current | | |
|---|------------------------|--------------------------|------------------------|
| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
| Board's proportionate share of the net pension liability (asset) | \$ 5,880,720 | \$ 2,571,163 | \$ (179,749) |

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.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Continued)

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 retirement benefits to the Board’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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, 2020 and 2019, the Separation Allowance’s membership consisted of:

| | Law Enforcement Officers | |
|-----------------------------|-----------------------------|------|
| | 2020 | 2019 |
| Retirees receiving benefits | 2 | 1 |
| Active plan members | 7 | 7 |
| | 9 | 8 |

A separate report was not issued for the plan.

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.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in Governmental Accounting Standards Board (GASB) Statement 73:

- 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

C. Actuarial Assumptions:

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 2.50 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.26 percent |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Continued)

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2014 Health Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

D. 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. There were no contributions made to the plan by employees. The Board's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Board paid \$54,102 as benefits came due for the reporting period.

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

At June 30, 2020, the Board reported a total pension liability of \$851,864. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Board recognized pension expense of \$16,528.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 89,050 | \$ 2,552 |
| Changes of assumptions | 33,152 | 16,541 |
| Board benefit payments and plan administrative expense made subsequent to the measurement date | \$ 122,202 | \$ 19,093 |
| Year Ending June 30 | | |
| 2021 | | \$ 28,601 |
| 2022 | | 29,580 |
| 2023 | | 26,300 |
| 2024 | | 15,328 |
| 2025 | | 3,300 |
| | | \$ 103,109 |

None paid as benefits came due during the year were reported as deferred outflows of resources.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Continued)

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 3.26% would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

| | 1% Decrease (2.26%) | Current Discount Rate (3.26%) | 1% Increase (4.26%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Total Pension Liability | \$ 912,073 | \$ 851,864 | \$ 796,505 |

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

| | |
|---|------------|
| Beginning balance | \$ 786,712 |
| Service Cost | 16,552 |
| Interest on the total pension liability | 27,652 |
| Changes in benefit terms | |
| Differences between expected and actual experience in the measurement of the total pension liability | 53,457 |
| Changes in assumptions or other inputs | 21,593 |
| Benefit payments | (54,102) |
| Ending balance of the total pension liability | \$ 851,864 |

The plan currently uses mortality tables that vary by age, 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Continued)

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

Following is information related to the proportionate share and pension expense for all pension plans:

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Pension Expense | \$ 636,904 | \$ 16,528 | \$ 653,432 |
| Pension Liability | 2,571,163 | 851,864 | 3,423,027 |
| Proportionate share of the net pension liability | 0.09415% | N/A | |
| Deferred of Outflows of Resources | | | |
| Differences between expected and actual experience | 440,248 | 89,050 | 529,298 |
| Changes of assumptions | 419,057 | 33,152 | 452,209 |
| Net difference between projected and actual earnings on plan investments | 62,714 | | 62,714 |
| Changes in proportion & differences between contributions & proportionate share of contributions | 82,702 | | 82,702 |
| Benefit payments & administrative costs paid subsequent to the measurement date | 631,253 | | 631,253 |
| Deferred of Inflows of Resources | | | |
| Differences between expected and actual experience | | 2,552 | 2,552 |
| Changes of assumptions | | 16,541 | 16,541 |
| Net difference between projected and actual earnings on plan investments | | | |
| Changes in proportion and differences between contributions & proportionate share of contributions | | | |

Supplemental Retirement Income Plan

A. Plan Description:

All full-time employees of the Board participate in the Supplemental Retirement Income Plan of North Carolina (401K), a defined contribution pension plan. Participation begins at the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board contributes each month an amount equal to 5% of each employee's salary and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan.

The Board's contributions were calculated using a covered payroll amount of \$6,957,385. Total contributions for the year ended June 30, 2020, were \$491,646, which consisted of \$348,049 from the Board and \$143,597 in voluntary contributions from the employees. The Board's required contributions and the employees' voluntary contributions represented 5.00% and 2.06% of the covered payroll amount, respectively. Contributions for the prior year, 2019, were \$433,561, which consisted of \$310,922 from the Board and \$122,639 in voluntary contributions. The Board's required contributions and the employees' voluntary contributions in 2019 represented 5.01% and 1.97% of the covered payroll amount, respectively.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Continued)

Death Benefits

The Board provides group term life insurance through a commercial carrier to all full-time employees. The death benefit is equal to the employee's gross annual salary but may not exceed \$150,000.

Other Post-Employment Benefits

A. Plan Description:

Under the terms of a Board resolution, the Board administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of May 1, 2002, this plan provides postemployment healthcare benefits to retirees of the Board, provided they have at least 25 years of creditable service with the Board. Prior to May 1, 2002, employees qualified for similar level benefits after at least fifteen years of creditable service with the Board. The Board pays the full cost of coverage for these benefits through private insurers. The Board of Directors may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

| | General Employees | Law Enforcement Officers |
|--|----------------------|--------------------------------|
| Retirees and dependents receiving benefits | 45 | 2 |
| Terminated plan members entitled to but not yet receiving benefits | 129 | 7 |
| Active plan members | 174 | 9 |
| | 174 | 9 |

B. Funding Policy:

The Board pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Board resolution that can be amended by the Board of Directors. The Board has chosen to fund the healthcare benefits on a pay as you go basis.

C. Total OPEB Liability:

The Board's total OPEB (Other Post Employment Benefit) liability of \$9,372,145 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|------------------------------|--|
| Inflation | 2.50 percent |
| Salary increases: | |
| General Employees | 3.50 to 7.75 percent, average, including inflation |
| Law Enforcement Officers | 3.50 to 7.35 percent, average, including inflation |
| Discount rate | 3.50 percent |
| Healthcare cost trend rates: | |
| Pre-Medicare | 7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026 |
| Medicare | 5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021 |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Continued)

The discount rate is based on the yield of the Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

| | |
|--|---------------------|
| Balance at July 1, 2019 | \$ 6,713,852 |
| Changes for the year: | |
| Service cost | 222,394 |
| Interest on total OPEB liability | 255,785 |
| Changes of benefit terms | |
| Differences between expected and actual experience | 2,435,260 |
| Changes in assumptions or other inputs | 24,315 |
| Benefit payments | (279,461) |
| Net changes | <u>2,658,293</u> |
| Balance at June 30, 2020 | <u>\$ 9,372,145</u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2014 through December 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

| | Current | | |
|----------------------|------------------------|--------------------------|------------------------|
| | 1% Decrease (2.50%) | Discount Rate (3.50%) | 1% Increase (4.50%) |
| Total OPEB Liability | \$ 11,159,426 | \$ 9,372,145 | \$ 7,981,618 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | Current | | |
|----------------------|--------------|---------------|---------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| Total OPEB Liability | \$ 7,886,753 | \$ 9,372,145 | \$ 11,325,095 |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

3. Pension Plan Obligations (Concluded)

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

For the year ended June 30, 2020, the Board recognized OPEB expense of \$361,173. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 2,109,255 | \$ 26,665 |
| Changes of assumptions | 21,060 | 627,587 |
| Benefit payments and administrative costs made subsequent to the measurement date | 288,142 | |
| | <u>\$ 2,418,457</u> | <u>\$ 654,252</u> |

\$288,142 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | |
|------------------------|---------------------|
| 2021 | \$ 171,136 |
| 2022 | 171,136 |
| 2023 | 171,136 |
| 2024 | 194,756 |
| 2025 | 283,884 |
| Thereafter | 484,015 |
| | <u>\$ 1,476,063</u> |

4. Commitments

The Board entered into a contract to build a replacement for store number 6 and had a remaining commitment on the contract at June 30, 2020 of \$605,225.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

5. Leases

The Board leases five of its retail stores under operating leases. Lease commitments are as follows:

| Year Ending June 30 | |
|------------------------|--------------|
| 2021 | \$ 366,322 |
| 2022 | 320,149 |
| 2023 | 267,342 |
| 2024 | 241,913 |
| 2025 | 169,866 |
| | \$ 1,365,592 |

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 at June 30, 2020 and 2019, amounted to \$470,103 and \$390,127, respectively.

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.

7. Distributions of Income

The Board has made distributions since inception as follows:

| | Current Year | Total to Date |
|---------------------------------|---------------|----------------|
| Cities and towns of Wake County | \$ 5,337,359 | \$ 76,209,386 |
| Wake County | \$ 12,942,710 | \$ 155,472,678 |

State law [G.S.18B-805(e)] requires that the entire profit, after deducting amounts required for law enforcement and alcohol education and retaining proper working capital, be paid quarterly to the county.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

8. Law Enforcement and Alcohol Education Expenses

The Board is required by law to expend at least 5% of its profits for law enforcement and not less than 7% for alcohol education (alcohol education requirements follows local enabling act). Profits are defined by law for these calculations as change in net position before law enforcement and educational expenses, less the 3½% markup provided in G.S. 18B-804(b)(5) and the bottle charge provided for in G.S. 18B-804(b)(6b).

| | |
|--|------------------------|
| Profit before distributions | \$ 25,677,073 |
| Less: 3½% tax and bottle charge | 4,611,916 |
| Profit subject to expense percentages | \$ 21,065,157 |
| Law enforcement expenditures--Actual (Percentage of profit) | \$ 1,341,220 6.37% |
| Provision for alcohol education and rehabilitation--Actual (Percentage of profit) | \$ 4,567,854 21.68% |

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 year are summarized as follows:

| | |
|---|--------------|
| Taxes payable July 1, 2019 | \$ 2,628,190 |
| Taxes collected during the year | 36,177,974 |
| Taxes remitted to Department of Revenue | (35,674,649) |
| Taxes payable June 30, 2020 | \$ 3,131,515 |

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

The accrued North Carolina excise tax at June 30, 2020, was remitted to the North Carolina Department of Revenue on July 6, 2020.

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

| | | | |
|----------------------------|----------------------|---|------------|
| Regular bottles | 5,915,012 at 5 cents | = | \$ 295,751 |
| Mixed beverage bottles | 1,241,226 at 5 cents | = | 62,061 |
| Miniature bottles | 3,577,350 at 1 cent | = | 35,773 |
| Total payment for the year | | | \$ 393,585 |

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 of the mixed beverage tax is submitted monthly to the Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the Department of Human Resources.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

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

The mixed beverage tax for the year was:

| | | |
|------------------------------------|--------|-----------------------------|
| Department of Revenue (50%) | \$ | 2,457,493 |
| Department of Human Resources (5%) | | 245,749 |
| Profit retained (45%) | | 2,211,744 |
| Total | \$ | <u><u>4,914,986</u></u> |

10. Bailment Surcharge Collected

The total amount of surcharge collected for the fiscal year was \$1,022,230. The bailment surcharge rate is \$1.15 per case.

11. Liquor Sales Tax

The total amount of sales tax collected by the Board and remitted to the Department of Revenue for the fiscal year was \$9,510,704. The sales tax rate is 7%.

12. Retail Outlets

The Board operated twenty-five retail outlets. Mixed beverage location results are included in the totals below:

| | | | Gross Sales | Change in Net Position |
|--------------|---------------------------------|---------------|----------------|---------------------------|
| Store No. 1 | 7112 Sandy Forks Road | Raleigh | \$ 12,240,712 | \$ 2,065,931 |
| Store No. 2 | Wellington Park Shopping Center | Cary | 6,569,509 | 1,006,299 |
| Store No. 3 | Davis Drive | Morrisville | 6,039,097 | 894,946 |
| Store No. 4 | Mission Valley Shopping Center | Raleigh | 3,513,107 | 289,200 |
| Store No. 5 | N. Arendell Avenue | Zebulon | 2,796,470 | 271,320 |
| Store No. 6 | 6816 Davis Circle | Raleigh | 6,338,274 | 939,429 |
| Store No. 7 | 3615 SW Cary Parkway | Cary | 6,067,019 | 856,990 |
| Store No. 8 | 417 Woodburn Road | Raleigh | 8,902,717 | 1,216,672 |
| Store No. 9 | 1222 New Bern Avenue | Raleigh | 2,542,084 | 152,626 |
| Store No. 10 | 2649 Appliance Court | Raleigh | 7,116,298 | 991,517 |
| Store No. 11 | 3320 Olympia Drive | Raleigh | 5,201,050 | 699,413 |
| Store No. 12 | 1793 West Williams Street | Apex | 6,452,069 | 974,205 |
| Store No. 13 | 1941 Cinema Drive | Fuquay-Varina | 5,040,794 | 659,742 |
| Store No. 14 | 11360 Capital Boulevard | Wake Forest | 10,447,170 | 1,697,077 |
| Store No. 15 | 665 Cary Towne Boulevard | Cary | 8,058,563 | 1,219,357 |
| Store No. 17 | 6301 Town Center Drive | Raleigh | 8,297,797 | 1,211,213 |
| Store No. 18 | 200 New Rand Road | Garner | 5,661,735 | 755,997 |
| Store No. 19 | 1601-61 Cross Link Road | Raleigh | 2,989,074 | 239,190 |
| Store No. 20 | 7336 Creedmoor Road | Raleigh | 6,122,206 | 851,194 |
| Store No. 21 | 704 Money Court | Knightdale | 4,512,393 | 575,548 |
| Store No. 22 | 1415 Highway 55 South | Apex | 3,003,871 | 304,297 |
| Store No. 23 | 7911 ACC Boulevard | Raleigh | 8,108,891 | 1,282,458 |
| Store No. 24 | 100 Village Walk Drive | Holly Springs | 6,328,171 | 925,260 |
| Store No. 25 | 4501 Vineyard Pine Lane | Rolesville | 3,486,505 | 444,460 |
| Store No. 26 | 1505 Banyon Place | Wendell | 3,010,810 | 283,427 |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2020 and 2019

13. 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)).

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

| | | |
|----------------|----|------------|
| Minimum amount | \$ | 4,944,524 |
| Maximum amount | \$ | 21,426,273 |
| Actual amount | \$ | 21,426,273 |

The Board has met the minimum amount of working capital.

14. 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 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 is bonded in the amount of \$50,000, secured by a corporate surety.

In accordance with G.S. 18B-803(b) and (c), the store manager and employees are bonded for \$100,000.

15. Subsequent Events

Management has evaluated subsequent events through September 10, 2020, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ABC BOARD'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
ABC Board's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Local Government Employees' Retirement System

| | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|
| ABC Board's proportion of the net pension liability (asset) (%) | 0.0942% | 0.0925% |
| ABC Board's proportion of the net pension liability (asset) (\$) | \$ 2,571,163 | \$ 2,194,891 |
| ABC Board's covered-employee payroll | \$ 6,211,586 | \$ 5,851,653 |
| ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 41.39% | 37.51% |
| Plan fiduciary net position as a percentage of the total pension liability** | 90.86% | 91.63% |

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

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

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--------------|--------------|--------------|--------------|--------------|
| 0.0836% | 0.0749% | 0.0656% | -0.0659% | 0.0676% |
| \$ 1,276,413 | \$ 1,589,841 | \$ 294,409 | \$ (388,466) | \$ 814,840 |
| \$ 5,143,216 | \$ 4,723,244 | \$ 4,231,409 | \$ 4,233,328 | \$ 4,083,474 |
| 24.82% | 33.66% | 6.96% | -9.18% | 19.95% |
| 94.18% | 91.45% | 98.09% | 102.64% | 94.35% |

ABC BOARD'S CONTRIBUTIONS

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
ABC Board's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Contractually required contribution | \$ 631,253 | \$ 559,457 |
| Contributions in relation to the contractually required contribution | <u>631,253</u> | <u>559,457</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| ABC Board's covered-employee payroll | <u>\$ 6,957,385</u> | <u>\$ 6,211,586</u> |
| Contributions as a percentage of covered-employee payroll | 9.07% | 9.01% |

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----|------------------|---------------------|---------------------|---------------------|---------------------|
| \$ | 447,394 | \$ 381,405 | \$ 322,641 | \$ 301,840 | \$ 300,182 |
| | <u>447,394</u> | <u>381,405</u> | <u>322,641</u> | <u>301,840</u> | <u>300,182</u> |
| \$ | <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| \$ | <u>5,851,653</u> | \$ <u>5,143,216</u> | \$ <u>4,723,244</u> | \$ <u>4,231,409</u> | \$ <u>4,233,328</u> |
| | 7.65% | 7.42% | 6.83% | 7.13% | 7.09% |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

| | |
|---|---------------------|
| Service Cost | \$ 222,394 |
| Interest | 255,785 |
| Changes of benefit terms | |
| Differences between expected and actual experience | 2,435,260 |
| Changes of assumptions | 24,315 |
| Benefit payments | (279,461) |
| Net change in total OPEB liability | <u>2,658,293</u> |
| Total OPEB liability - beginning | 6,713,852 |
| Total OPEB liability - ending | <u>\$ 9,372,145</u> |
| | |
| Covered payroll | 6,957,385 |
| Total OPEB liability as a percentage of covered payroll | 134.71% |

Notes to Schedule

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

| <u>Fiscal Year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2020 | 3.50% |
| 2019 | 3.89% |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

| | | |
|--|----|-----------------------|
| Beginning balance | \$ | 786,712 |
| Service Cost | | 16,552 |
| Interest | | 27,652 |
| Changes of benefit terms | | |
| Differences between expected and actual experience | | 53,457 |
| Changes of assumptions | | 21,593 |
| Benefit payments | | (54,102) |
| Ending balance of the total pension liability | \$ | <u><u>851,864</u></u> |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2020

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Total pension liability | \$ 851,864 | \$ 786,712 |
| Covered payroll | 551,771 | 496,900 |
| Total pension liability as a percentage of covered payroll | 154.4% | 158.3% |

Notes to Schedule:

The ABC Board has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedules of Store Expenses
For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|----------------------|----------------------|
| Wages and salaries | \$ 6,074,250 | \$ 5,386,820 |
| Payroll taxes | 447,976 | 399,990 |
| Employee retirement | 1,190,415 | 644,731 |
| Group insurance | 1,191,515 | 1,010,943 |
| Insurance and bond premiums | 186,109 | 205,603 |
| Repairs to equipment | 100,324 | 209,291 |
| Repairs to buildings | 168,599 | 152,358 |
| Rent | 399,319 | 392,935 |
| Heat, lights and water | 267,686 | 265,238 |
| Telephone | 83,156 | 80,933 |
| General supplies expense | 465,183 | 696,147 |
| Credit card service charges | <u>1,996,441</u> | <u>1,718,958</u> |
| Total store expenses | <u>\$ 12,570,973</u> | <u>\$ 11,163,947</u> |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedules of Warehouse Expenses
For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|-------------------|-------------------|
| Wages and salaries | \$ 470,137 | \$ 354,120 |
| Payroll taxes | 35,169 | 26,859 |
| Employee retirement | 107,627 | 50,052 |
| Group insurance | 59,478 | 49,402 |
| Insurance and bond premiums | 24,157 | 22,802 |
| Repairs to equipment | 7,208 | 11,725 |
| Repairs to building | 10,854 | 17,903 |
| Heat, lights and water | 8,243 | 9,289 |
| Telephone | 6,039 | 6,888 |
| General supplies expense | 91,063 | 88,546 |
| Motor vehicle expense | <u>30,000</u> | <u>34,096</u> |
| Total warehouse expenses | <u>\$ 849,975</u> | <u>\$ 671,682</u> |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedules of Administrative Expenses
For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Wages and salaries | \$ 834,019 | \$ 846,818 |
| Payroll taxes | 57,663 | 59,470 |
| Employee retirement | 182,855 | 180,948 |
| Group insurance | 381,023 | 399,900 |
| Insurance and bond premiums | 4,325 | 5,020 |
| Repairs to equipment | 5,081 | 10,537 |
| Repairs to buildings | 1,893 | 3,454 |
| Professional fees | 103,000 | 85,000 |
| Heat, lights and water | 9,914 | 10,193 |
| Telephone | 9,396 | 11,014 |
| General supplies expense | 88,063 | 80,753 |
| Stationary and printing | 5,088 | 7,062 |
| Travel | 4,570 | 17,080 |
| Dues/subscriptions | 4,320 | 3,377 |
| Contingency | 198,486 | 28,435 |
| Programming | | 600 |
| Credit card service charges | 3,559 | |
| Other post-employment benefits expense | <u>275,000</u> | <u>275,000</u> |
| Total administrative expenses | <u>\$ 2,168,255</u> | <u>\$ 2,024,661</u> |

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedule of Distributions of Profits
For the Year Ended June 30, 2020

| <u>Distribution</u> | <u>Recipient</u> | <u>Amount</u> | <u>Date of Distribution</u> | <u>Restrictions on Use</u> |
|---------------------|----------------------------|---------------|-----------------------------|----------------------------|
| Law Enforcement | Wake ABC Law Enforcement | \$ 1,341,220 | 7/1/19 - 6/30/20 | Law Enforcement |
| Alcohol Education | | | | |
| | Wake County-Wakebrook | 1,000,000 | 07/01/19 | Alcohol Education |
| | Healing Transitions | 1,200,000 | 09/30/19 | Alcohol Education |
| | North Carolina Theatre | 35,000 | 10/31/19 | Alcohol Education |
| | Raleigh Rescue Mission | 550,000 | 10/31/19 | Alcohol Education |
| | Southlight | 750,000 | 10/31/19 | Alcohol Education |
| | Alice Aycock Poe Center | 100,000 | 11/29/19 | Alcohol Education |
| | Triangle Family Services | 125,000 | 11/29/19 | Alcohol Education |
| | Women's Center of Wake Cty | 65,000 | 11/29/19 | Alcohol Education |
| | Knightdale Police Dept. | 4,756 | 12/31/19 | Alcohol Education |
| | Town of Wendell | 29,991 | 12/31/19 | Alcohol Education |
| | Urban Ministries | 75,000 | 01/31/20 | Alcohol Education |
| | MADD | 50,000 | 01/31/20 | Alcohol Education |
| | Town of Rolesville | 23,107 | 01/31/20 | Alcohol Education |
| | Boys & Girls Club | 175,000 | 02/28/20 | Alcohol Education |
| | Emmaus House | 100,000 | 02/28/20 | Alcohol Education |
| | Fellowship Home of Raleigh | 30,000 | 02/28/20 | Alcohol Education |
| | Oxford House | 35,000 | 03/31/20 | Alcohol Education |
| | Interact | 70,000 | 03/31/20 | Alcohol Education |
| | Interact | 15,000 | 04/30/20 | Alcohol Education |
| | Women's Center of Wake Cty | 15,000 | 04/30/20 | Alcohol Education |
| | Southlight | 30,000 | 04/30/20 | Alcohol Education |
| | Fellowship Home of Raleigh | 30,000 | 04/30/20 | Alcohol Education |
| | Healing Transitions | 30,000 | 04/30/20 | Alcohol Education |
| | Urban Ministries | 15,000 | 04/30/20 | Alcohol Education |
| | Raleigh Rescue Mission | 15,000 | 04/30/20 | Alcohol Education |
| Total | | \$ 4,567,854 | | |
| Municipality* | | | | |
| | Angier | \$ 2,507 | 7/1/19 - 6/30/20 | None |
| | Apex | 317,576 | 7/1/19 - 6/30/20 | None |
| | Cary | 1,165,914 | 7/1/19 - 6/30/20 | None |
| | Clayton | 3 | 7/1/19 - 6/30/20 | None |
| | Durham | 4,625 | 7/1/19 - 6/30/20 | None |
| | Fuquay Varina | 153,193 | 7/1/19 - 6/30/20 | None |
| | Garner | 156,851 | 7/1/19 - 6/30/20 | None |
| | Holly Springs | 211,813 | 7/1/19 - 6/30/20 | None |
| | Knightdale | 79,185 | 7/1/19 - 6/30/20 | None |
| | Morrisville | 214,628 | 7/1/19 - 6/30/20 | None |
| | Raleigh | 2,676,699 | 7/1/19 - 6/30/20 | None |
| | Rolesville | 43,249 | 7/1/19 - 6/30/20 | None |
| | Wake Forest | 232,073 | 7/1/19 - 6/30/20 | None |
| | Wendell | 29,783 | 7/1/19 - 6/30/20 | None |
| | Zebulon | 49,260 | 7/1/19 - 6/30/20 | None |
| | Wake County | 3,000,000 | 7/1/2019 | None |
| | Wake County | 1,880,884 | 9/26/2019 | None |
| | Wake County | 7,000,000 | 6/25/2020 | None |
| | Wake County | 1,061,826 | 6/30/2020 | None |
| Total | | \$ 18,280,069 | | |

*Payments to municipalities are made quarterly.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedule of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2020

| | Original Budget | Revised Budget | Actual | Variance Positive (Negative) |
|----------------------------|---------------------|---------------------|---------------------|------------------------------------|
| REVENUES: | | | | |
| Operating Revenues: | | | | |
| Liquor sales-regular | \$ 110,000,000 | \$ 134,500,000 | \$ 135,867,195 | \$ 1,367,195 |
| Mixed beverage sales | 35,950,000 | 30,771,000 | 31,656,721 | 885,721 |
| Wine sales | 210,000 | 305,000 | 308,521 | 3,521 |
| Sales refunds, net | | | (33,330) | 33,330 |
| Total sales | <u>146,160,000</u> | <u>165,576,000</u> | <u>167,799,107</u> | <u>2,289,767</u> |
| Non-operating revenues: | | | | |
| Interest income | 55,000 | 55,000 | 281,390 | 226,390 |
| Other income (expense) | (8,500) | (8,500) | 327 | 8,827 |
| Total revenues | <u>146,206,500</u> | <u>165,622,500</u> | <u>168,080,824</u> | <u>2,524,984</u> |
| Expenditures: | | | | |
| Taxes based on revenue: | | | | |
| Beverage and sales taxes | 32,060,000 | 37,717,500 | 36,571,559 | 1,145,941 |
| Mixed beverage taxes | 3,542,000 | 2,715,891 | 2,703,242 | 12,649 |
| Total expenditures | <u>35,602,000</u> | <u>40,433,391</u> | <u>39,274,801</u> | <u>1,158,590</u> |
| Cost of goods sold | <u>77,073,800</u> | <u>87,621,925</u> | <u>86,644,492</u> | <u>977,433</u> |
| OPERATING EXPENSES: | | | | |
| Salaries | 7,795,000 | 7,795,000 | 7,378,407 | 416,593 |
| Payroll taxes | 590,198 | 590,198 | 538,970 | 51,228 |
| Employee retirement | 1,134,093 | 1,134,093 | 1,480,897 | (346,804) |
| Health Insurance | 2,025,000 | 2,025,000 | 1,632,016 | 392,984 |
| Insurance and bond | 350,000 | 350,000 | 214,590 | 135,410 |
| Depreciation | 918,000 | 918,000 | 895,255 | 22,745 |
| Repairs to equipment | 433,000 | 433,000 | 112,613 | 320,387 |
| Repairs to buildings | 225,000 | 225,000 | 181,346 | 43,654 |
| Rent | 421,000 | 421,000 | 399,319 | 21,681 |
| Professional fees | 103,000 | 103,000 | 103,000 | |
| Utilities | 314,000 | 314,000 | 285,842 | 28,158 |
| Telephone | 128,500 | 128,500 | 98,590 | 29,910 |
| Stationary and printing | 15,000 | 15,000 | 5,088 | 9,912 |
| Supplies | 780,000 | 780,000 | 644,308 | 135,692 |
| Vehicle expense | 30,000 | 30,000 | 30,000 | |
| Travel | 25,000 | 25,000 | 4,570 | 20,430 |
| Credit card expense | 2,000,000 | 2,000,000 | 2,000,000 | |
| Administrative expense | 15,500 | 15,500 | 4,320 | 11,180 |
| Unemployment taxes | 39,000 | 39,000 | 1,839 | 37,161 |
| Unfunded employee benefits | 275,000 | 275,000 | 275,000 | |
| Contingency | 350,000 | 350,000 | 198,487 | 151,513 |
| Total operating expenses | <u>17,966,291</u> | <u>17,966,291</u> | <u>16,484,457</u> | <u>1,481,834</u> |
| DISTRIBUTIONS: | | | | |
| Law Enforcement | 1,497,388 | 1,497,388 | 1,341,220 | 156,168 |
| Alcohol education | 5,000,000 | 5,000,000 | 4,567,854 | 432,146 |
| Cities and Towns | 4,500,000 | 4,500,000 | 5,337,359 | (837,359) |
| Wake County | 3,000,000 | 3,000,000 | 12,942,710 | (9,942,710) |
| Total distributions | <u>13,997,388</u> | <u>13,997,388</u> | <u>24,189,143</u> | <u>(10,191,755)</u> |
| Revenues over expenditures | <u>\$ 1,567,021</u> | <u>\$ 5,603,505</u> | <u>\$ 1,487,931</u> | <u>\$ (4,115,574)</u> |