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

Financial Statements

June 30, 2019 and 2018

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Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2019 and 2018, 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, 2019 and 2018, 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 12, 2019

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, 2019 and 2018. 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 decreased approximately 0.1% over the prior year.
- Over 22% of profits were expended for alcohol education and rehabilitation and 5% 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 $48,008,629 in 2019. The largest component of net position was the investment in capital assets. It was 55.5% 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, 2019	June 30, 2018	June 30, 2017	$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Current assets	$ 41,220,369	$ 34,618,926	$ 30,872,644	$ 6,601,443	19.1%
Property and equipment	26,647,662	26,685,061	24,210,551	(37,399)	-0.1%
Deferred outflows of resources	2,270,245	1,385,318	1,491,927	884,927	63.9%
Total assets and deferred outflows of resources	$ 70,138,276	$ 62,689,305	$ 56,575,122	$ 7,448,971	11.9%
Current liabilities	$ 11,582,123	$ 11,626,947	$ 10,673,358	$ (44,824)	-0.4%
Non-current liabilities	9,695,455	8,643,894	4,505,250	1,051,561	12.2%
Deferred inflows of resources	852,069	614,950	66,151	237,119	38.6%
Total liabilities and deferred inflows of resources	$ 22,129,647	$ 20,885,791	$ 15,244,759	$ 1,243,856	6.0%
Net position					
Net investment in capital assets	$ 26,647,662	$ 26,685,061	$ 24,210,551	$ (37,399)	-0.1%
Restricted for working capital	4,428,411	4,072,514	3,823,294	355,897	8.7%
Unrestricted	16,932,556	11,045,939	13,296,518	5,886,617	53.3%
Total net position	$ 48,008,629	$ 41,803,514	$ 41,330,363	$ 6,205,115	14.8%

Net position increased by 14.8% from the prior year. Income from operations increased by 8.7% from the prior year. Following is a summary of the changes in net position:

	June 30, 2019	June 30, 2018	June 30, 2017	$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Operating revenues	$ 151,036,772	$ 138,891,419	$ 130,358,564	$ 12,145,353	8.7%
Taxes on sales	(35,898,078)	(33,006,048)	(30,952,916)	(2,892,030)	8.8%
Cost of sales	(77,238,633)	(70,990,914)	(66,825,406)	(6,247,719)	8.8%
Operating expenses	(14,735,640)	(12,734,318)	(11,429,923)	(2,001,322)	15.7%
Non-operating revenues	356,391	222,557	74,355	133,834	60.1%
Distributions	(17,315,697)	(17,305,692)	(16,319,167)	(10,005)	0.1%
Change in net position	6,205,115	5,077,004	4,905,507	1,128,111	22.2%
Net position--Beginning	41,803,514	41,330,363	37,105,195	473,151	1.1%
Net position--Beginning, Restated		36,726,510	36,424,856		
Net position--Ending	$ 48,008,629	$ 41,803,514	$ 41,330,363	$ 6,205,115	14.8%

Gross sales increased from $138,891,419 to $151,036,772 due to price increases and a 6.1% and 8.5% increase in gallon and bottle sales, respectively. Twenty-six percent of sales are from mixed beverages.

Distributions to municipalities and Wake County increased by $417,250; an increase of 3.6% due to an increase in amounts appropriated to Wake County in the current fiscal year to meet the maximum working capital requirement.

Following is a breakdown of sales by source:

	June 30, 2019	June 30, 2018	June 30, 2017	$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
Retail Liquor Sales	$ 112,069,454	$ 103,414,161	$ 97,615,804	$ 8,655,293	8.4%
Mixed Beverage Sales	38,731,993	35,266,572	32,543,601	3,465,421	9.8%
Retail Wine Sales	235,325	210,686	199,159	24,639	11.7%
Total Sales	$ 151,036,772	$ 138,891,419	$ 130,358,564	$ 12,145,353	8.7%

Capital Assets and Debt Administration

Investment in capital assets as of June 30, 2019 totals $26,647,662 (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

- Registers purchased for each store totaling $691,705
- Construction costs on a new completed building for Store #26 in the amount of $98,641
- Sold old registers for proceeds of $175,015 and disposed of costs of $168,963

	Capital Assets (Net of Depreciation)			$ Change This Yr Over Last Yr	% Change This Yr Over Last Yr
	June 30, 2019	June 30, 2018	June 30, 2017		
Land	$ 12,533,377	$ 12,522,176	$ 12,018,200	$ 11,201	0.1%
Buildings	12,440,674	12,864,599	10,948,130	(423,925)	-3.3%
Leasehold improvements	341,605	400,605	409,013	(59,000)	-14.7%
Furniture/equipment	1,022,044	693,122	632,074	328,922	47.5%
Vehicles	309,962	204,559	203,134	105,403	51.5%
Total	$ 26,647,662	$ 26,685,061	$ 24,210,551	$ (37,399)	-0.1%

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.

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, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 29,466,521	$ 23,800,068
Inventories	11,463,547	9,687,209
Prepaid expenses	290,301	1,131,649
Total current assets	41,220,369	34,618,926
NONCURRENT ASSETS:		
Capital assets (net of accumulated depreciation)	26,647,662	26,685,061
Total assets	$ 67,868,031	$ 61,303,987
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	$ 1,990,784	$ 1,150,497
OPEB deferrals	279,461	234,821
Total deferred outflows of resources	$ 2,270,245	$ 1,385,318
LIABILITIES		
Current liabilities:		
Accounts payable	$ 6,049,279	$ 6,144,892
Distributions payable	1,411,139	1,516,475
Liquor sales tax payable	441,164	420,713
Sales and excise taxes payable	2,905,406	2,789,273
Law enforcement reserve	328,895	343,450
Accrued liabilities	446,240	412,144
Total current liabilities	11,582,123	11,626,947
Noncurrent liabilities		
Net pension liability--LGERS	2,194,891	1,276,413
Total pension liability--LEO	786,712	728,918
Total OPEB liability	6,713,852	6,638,563
Total noncurrent liabilities	9,695,455	8,643,894
Total liabilities	21,277,578	20,270,841
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	39,693	48,098
OPEB deferrals	812,376	566,852
Total deferred inflows of resources	$ 852,069	$ 614,950
NET POSITION:		
Net investment in capital assets	$ 26,647,662	$ 26,685,061
Restricted for working capital	4,428,411	4,072,514
Unrestricted	16,932,556	11,045,939
Total net position	$ 48,008,629	$ 41,803,514

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, 2019 and 2018

	2019	2018
OPERATING REVENUE:		
Liquor sales--regular	$ 112,069,454	$ 103,414,161
Mixed beverage sales	38,731,993	35,266,572
Wine sales	235,325	210,686
Total gross sales	151,036,772	138,891,419
DEDUCT TAXES ON GROSS SALES:		
State excise tax	32,144,987	29,558,258
Mixed beverage tax (Revenue)	3,064,215	2,833,100
Mixed beverage tax (Human Resources)	306,422	283,310
Rehabilitation tax	366,783	318,058
Wine sales tax	15,671	13,322
Total taxes on gross sales	35,898,078	33,006,048
NET SALES	115,138,694	105,885,371
DEDUCT COST OF SALES:		
Cost of liquor sold	77,058,127	70,830,001
Cost of wine sold	180,506	160,913
Total cost of sales	77,238,633	70,990,914
GROSS PROFIT ON SALES	37,900,061	34,894,457
DEDUCT OPERATING EXPENSES:		
Store expenses	11,163,947	9,723,340
Warehouse and delivery expenses	671,682	634,256
Administrative expenses	2,024,661	1,659,164
Depreciation expenses	875,350	717,558
Total operating expenses	14,735,640	12,734,318
INCOME FROM OPERATIONS	23,164,421	22,160,139
NON-OPERATING REVENUES:		
Interest income	112,998	64,125
Other income	243,393	158,432
Total non-operating revenues	356,391	222,557
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	23,520,812	22,382,696
DEDUCT:		
Law enforcement	1,147,161	1,038,960
Alcohol education	4,284,450	4,799,896
CHANGE IN NET POSITION BEFORE PROFIT DISTRIBUTIONS	18,089,201	16,543,840
PROFIT DISTRIBUTIONS		
Municipalities	4,884,086	4,466,836
Wake County	7,000,000	7,000,000
Total profit distributions	11,884,086	11,466,836
CHANGE IN NET POSITION	6,205,115	5,077,004
NET POSITION--Beginning of year	41,803,514	41,330,363
NET POSITION--Beginning of year, Restated		36,726,510
NET POSITION--End of Year	$ 48,008,629	$ 41,803,514

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 158,881,634	$ 146,130,346
Cash payments to suppliers for goods and services and taxes on sales	(120,919,830)	(110,460,045)
Cash payments to employees for services	(6,553,792)	(5,965,917)
Other operating revenues	254,417	4,441
Liquor sales taxes paid	(7,824,411)	(7,183,680)
Net cash provided by operating activities	23,838,018	22,525,145
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(1,077,767)	(4,354,978)
Proceeds from sale of assets	175,018	1,271,658
Net cash used for capital and related financing activities	(902,749)	(3,083,320)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Law enforcement distributions	(1,093,390)	(993,714)
Law enforcement asset forfeiture receipts	4,186	19,014
Law enforcement forfeiture expenditure	(18,738)	(43,995)
Alcohol education distributions	(4,284,450)	(4,899,896)
Profit distributions	(11,989,422)	(11,353,144)
Net cash used for non-capital financing activities	(17,381,814)	(17,271,735)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	112,998	64,125
Net cash provided by investing activities	112,998	64,125
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,666,453	2,234,215
CASH AND CASH EQUIVALENTS--Beginning of year	23,800,068	21,565,853
CASH AND CASH EQUIVALENTS--End of year	$ 29,466,521	$ 23,800,068
RECONCILIATION OF CHANGE IN NET POSITION BEFORE DISTRIBUTIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net position before distributions	$ 23,520,812	$ 22,382,696
Adjustments to reconcile change in net position before distributions to net cash provided by operating activities:		
Gain on sale of capital assets	11,024	(153,991)
Depreciation	875,350	717,558
Interest income	(112,998)	(64,125)
Changes in assets and liabilities:		
Inventories	(1,776,338)	(651,230)
Prepaid expenses	841,348	(860,837)
Accounts payable	(95,613)	650,476
Accrued liabilities and other payables	170,680	314,399
Net pension liability--LGERS	918,478	(313,428)
Total pension liability--LEO	57,794	50,290
Total OPEB liability	75,289	(202,071)
Deferred outflows of resources--Pensions	(840,287)	341,430
Deferred outflows of resources--OPEB	(44,640)	(234,821)
Deferred inflows of resources--Pensions	(8,405)	(18,053)
Deferred inflows of resources--OPEB	245,524	566,852
Net cash provided by operating activities	$ 23,838,018	$ 22,525,145

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

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2019 and 2018

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 Statues 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 thirteen 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 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.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2019 and 2018

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, 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.

At June 30, 2018, the Board's deposits had a carrying amount of $23,784,068 and a bank balance of $22,242,236. 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, 2019 and 2018

1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets:

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

	Useful Life	Balance 06/30/18	Increases	Decreases	Balance 06/30/19
Capital assets not being depreciated					
Land		$ 12,522,176	$ 11,201		$ 12,533,377
Capital assets being depreciated					
Buildings	30 Years	16,887,087	135,231		17,022,318
Furniture/Equipment	6 Years	2,303,625	754,710	492,442	2,565,893
Vehicles	6 Years	386,529	187,720	88,753	485,496
Leasehold Improvements	10 Years	643,323			643,323
Total capital assets being depreciated		20,220,564	1,077,661	581,195	20,717,030
Less accumulated depreciation for:					
Buildings		4,022,488	559,156		4,581,644
Furniture/Equipment		1,610,503	239,404	306,058	1,543,849
Vehicles		181,970	71,222	77,658	175,534
Leasehold Improvements		242,718	59,000		301,718
Total capital assets being depreciated, net		14,162,885	$ 148,879	$ 197,479	14,114,285
Capital Assets, net		$ 26,685,061			$ 26,647,662

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)].

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.

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, 2019 was 8.50% of compensation for law enforcement officers and 7.83% 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 $489,696 for the year ended June 30, 2019.

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 year of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Board reported a liability of $2,194,891 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Board's proportion was 0.09252%, which was a decrease (or increase) of (.00897%) from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Board recognized pension expense of $476,116. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 338,619	$ 11,362
Changes of assumptions	582,439	
Net difference between projected and actual earnings on pension plan investments	301,293	
Changes in proportion and differences between employer contributions and proportionate share of contributions	126,160	
Employer contributions subsequent to the measurement date	559,457	
	$ 1,907,968	$ 11,362

3. Pension Plan Obligations (Continued)

$559,457 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		
2020	$	631,422
2021		420,791
2022		96,211
2023		188,725
	$	1,337,149

Actuarial Assumptions:

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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, 2018 are summarized in the following table:

Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return
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%
	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate:

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

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 on percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net penion liability (asset)	$ 5,272,318	$ 2,194,891	$ (376,655)

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, 2019 and 2018

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, 2019 and 2018, the Separation Allowance's membership consisted of:

	Law Enforcement Officers	
	2019	2018
Retirees receiving benefits	1	1
Active plan members	7	7
	8	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, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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 $51,363 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, 2019, the Board reported a total pension liability of $786,712. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Board recognized pension expense of $20,102.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 60,592	$ 3,616
Changes of assumptions	22,224	24,715
Board benefit payments and plan administrative expense made subsequent to the measurement date		
	$ 82,816	$ 28,331

Year Ending June 30	
2020	$ 12,076
2021	14,251
2022	15,230
2023	11,950
2024	978
	$ 54,485

No paid as benefits came due during the year were reported as deferred outflows of resources.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
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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 3.64% would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	$ 841,127	$ 786,712	$ 736,346

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

Beginning balance	$ 728,918
Service Cost	20,479
Interest on the total pension liability	22,482
Changes in benefit terms	
Differences between expected and actual experience in the measurement of the total pension liability	75,370
Changes in assumptions or other inputs	(25,602)
Benefit payments	(34,935)
Ending balance of the total pension liability	$ 786,712

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

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:

	LGERS	LEOSSA	Total
Pension Expense	$ 476,116	$ 20,102	$ 496,218
Pension Liability	2,194,891	786,712	2,981,603
Proportionate share of the net pension liability	0.09252%	2.56%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	338,619	60,592	399,211
Changes of assumptions	582,439	22,224	604,663
Net difference between projected and actual earnings on plan investments	301,293		301,293
Changes in proportion & differences between contributions & proportionate share of contributions	126,160		126,160
Benefit payments & administrative costs paid subsequent to the measurement date	559,457		559,457
Deferred of Inflows of Resources			
Differences between expected and actual experience	11,362	3,616	14,978
Changes of assumptions		24,715	24,715
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 $6,211,586. Total contributions for the year ended June 30, 2019, were $433,561, which consisted of $310,922 from the Board and $122,639 in voluntary contributions from the employees. The Board's required contributions and the employees' voluntary contributions represented 5.01% and 1.97% of the covered payroll amount, respectively. Contributions for the prior year, 2018, were $396,237, which consisted of $293,041 from the Board and $103,196 in voluntary contributions. The Board's required contributions and the employees' voluntary contributions in 2018 represented 5.01% and 1.76% of the covered payroll amount, respectively.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
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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, 2017, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	43	1
Terminated plan members entitled to but not yet receiving benefits		
Active plan members	114	7
	157	8

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 $6,713,852 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

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

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
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3. Pension Plan Obligations (Continued)

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

Changes in the Total OPEB Liability

Balance at July 1, 2018	$ 6,638,563
Changes for the year:	
Service cost	238,388
Interest on total OPEB liability	240,549
Changes of benefit terms	
Differences between expected and actual experience	(33,818)
Changes in assumptions or other inputs	(369,830)
Benefit payments	
Net changes	75,289
Balance at June 30, 2019	$ 6,713,852

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	$ 7,935,909	$ 6,713,852	$ 5,757,711

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:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 5,655,564	$ 6,713,852	$ 8,097,821

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, 2019, the Board recognized OPEB expense of $276,173. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 32,427
Changes of assumptions		779,949
Benefit payments and administrative costs made subsequent to the measurement date	279,461	
	$ 279,461	$ 812,376

$279,461 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2020	$ (158,124)
2021	(158,124)
2022	(158,124)
2023	(158,124)
2024	(134,504)
Thereafter	(45,376)
	$ (812,376)

4. Commitments

The Board entered into a contract to build additions to store number 1 and had a remaining commitment on the contract at June 30, 2019 of $388,863.

The Board entered into a contract to build additions to the warehouse and had a remaining commitment on the contract at June 30, 2019 of $42,931.

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
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5. Leases

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

Year Ending June 30	
2020	$ 398,471
2021	366,322
2022	320,149
2023	267,342
2024	241,913
Thereafter	169,867
	$ 1,764,064

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, 2019 and 2018, amounted to $390,127 and $356,163, 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	$ 4,884,086	$ 70,872,027
Wake County	$ 7,000,000	$ 142,529,968

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
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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	$	23,520,812
Less: 3½% tax and bottle charge		4,117,031
Profit subject to expense percentages	$	19,403,781
Law enforcement expenditures--Actual	$	1,147,161
(Percentage of profit)		5.91%
Provision for alcohol education and rehabilitation--Actual	$	4,284,450
(Percentage of profit)		22.08%

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, 2018	$	2,523,581
Taxes collected during the year		27,423,126
Taxes remitted to Department of Revenue		(27,318,517)
Taxes payable June 30, 2019	$	2,628,190

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

The accrued North Carolina excise tax at June 30, 2019, was remitted to the North Carolina Department of Revenue on July 5, 2019.

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	5,135,961 at 5 cents	=	$	256,798
Mixed beverage bottles	1,552,464 at 5 cents	=		77,623
Miniature bottles	3,236,177 at 1 cent	=		32,362
Total payment for the year			$	366,783

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

The mixed beverage tax for the year was:

Department of Revenue (50%)	$	3,064,215
Department of Human Resources (5%)		306,422
Profit retained (45%)		2,757,793
Total	$	6,128,430

10. Bailment Surcharge Collected

The total amount of surcharge collected for the fiscal year was $914,686. The bailment surcharge rate was $1.40 per case July through October and decreased to $1.15 per case November 1, 2018.

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 $7,844,862. 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	$ 11,202,375	$ 1,908,717
Store No. 2	Wellington Park Shopping Center	Cary	5,612,030	824,388
Store No. 3	Davis Drive	Morrisvile	5,687,863	832,405
Store No. 4	Mission Valley Shopping Center	Raleigh	3,168,495	242,129
Store No. 5	N. Arendell Avenue	Zebulon	2,489,373	179,882
Store No. 6	6816 Davis Circle	Raleigh	5,340,514	772,407
Store No. 7	3615 SW Cary Parkway	Cary	4,660,699	582,946
Store No. 8	417 Woodburn Road	Raleigh	7,451,121	934,351
Store No. 9	1222 New Bern Avenue	Raleigh	2,206,169	163,125
Store No. 10	2649 Appliance Court	Raleigh	5,896,003	799,795
Store No. 11	3320 Olympia Drive	Raleigh	4,605,435	590,164
Store No. 12	1793 West Williams Street	Apex	5,279,472	716,196
Store No. 13	1941 Cinema Drive	Fuquay-Varina	4,055,385	468,365
Store No. 14	11360 Capital Boulevard	Wake Forest	8,569,890	1,324,952
Store No. 15	665 Cary Towne Boulevard	Cary	7,933,943	1,233,822
Store No. 17	6301 Town Center Drive	Raleigh	7,328,056	1,072,495
Store No. 18	200 New Rand Road	Garner	4,795,390	581,669
Store No. 19	1601-61 Cross Link Road	Raleigh	2,595,792	185,418
Store No. 20	7336 Creedmoor Road	Raleigh	5,211,282	672,670
Store No. 21	704 Money Court	Knightdale	3,641,228	411,108
Store No. 22	1415 Highway 55 South	Apex	2,499,683	193,516
Store No. 23	7911 ACC Boulevard	Raleigh	7,627,832	1,232,835
Store No. 24	100 Village Walk Drive	Holly Springs	5,268,205	724,328
Store No. 25	4501 Vineyard Pine Lane	Rolesville	2,682,173	277,059
Store No. 26	1505 Banyon Place	Wendell	2,007,189	55,261

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
Notes to Financial Statements
June 30, 2019 and 2018

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	$	4,428,411
Maximum amount	$	19,189,782
Actual amount	$	21,070,666

The Board exceeded the maximum amount of working capital by $1,880,884 at June 30, 2019. In years where working capital is in excess of the maximum, the excess will be distributed to the County in the following year.

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. Change in Accounting Principles/Restatement

The Board implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Board related to OPEB during the measurement period. Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position decreased $4,603,853.

SUPPLEMENTARY INFORMATION

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

2017	2016	2015	2014
0.0749%	0.0656%	-0.0659%	0.0676%
$ 1,589,841	$ 294,409	$ (388,466)	$ 814,840
$ 4,723,244	$ 4,231,409	$ 4,233,328	$ 4,083,474
33.66%	6.96%	-9.18%	19.95%
91.45%	98.09%	102.64%	94.35%

ABC BOARD'S CONTRIBUTIONS

2017	2016	2015	2014
$ 381,405	$ 322,641	$ 301,840	$ 300,182
381,405	322,641	301,840	300,182
$ -	$ -	$ -	$ -
$ 5,143,216	$ 4,723,244	$ 4,231,409	$ 4,233,328
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, 2019

Service Cost	$	238,388
Interest		240,549
Changes of benefit terms		
Differences between expected and actual experience		(33,818)
Changes of assumptions		(369,830)
Benefit payments		
Net change in total OPEB liability		75,289
Total OPEB liability - beginning		6,638,563
Total OPEB liability - ending	$	6,713,852
Covered payroll		6,211,586
Total OPEB liability as a percentage of covered payroll		108.09%

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:

Fiscal Year	Rate
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, 2019

Beginning balance	$	728,918
Service Cost		20,479
Interest		22,482
Changes of benefit terms		
Differences between expected and actual experience		75,370
Changes of assumptions		(25,602)
Benefit payments		(34,935)
Ending balance of the total pension liability	$	786,712

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, 2019

	2019	2018
Total pension liability	$ 786,712	$ 728,918
Covered payroll	496,900	525,891
Total pension liability as a percentage of covered payroll	158.3%	138.6%

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, 2019 and 2018

	2019	2018
Wages and salaries	$ 5,386,820	$ 4,972,740
Payroll taxes	399,990	376,000
Employee retirement	644,731	560,316
Group insurance	1,010,943	763,191
Insurance and bond premiums	205,603	256,845
Repairs to equipment	209,291	130,848
Repairs to buildings	152,358	101,721
Rent	392,935	388,824
Heat, lights and water	265,238	243,124
Telephone	80,933	85,936
General supplies expense	696,147	364,022
Credit card service charges	1,718,958	1,479,773
Total store expenses	$ 11,163,947	$ 9,723,340

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedules of Warehouse Expenses
For the Years Ended June 30, 2019 and 2018

	2019	2018
Wages and salaries	$ 354,120	$ 342,054
Payroll taxes	26,859	25,525
Employee retirement	50,052	44,385
Group insurance	49,402	53,794
Insurance and bond premiums	22,802	19,585
Repairs to equipment	11,725	16,610
Repairs to building	17,903	20,443
Heat, lights and water	9,289	7,948
Telephone	6,888	7,287
General supplies expense	88,546	71,625
Motor vehicle expense	34,096	25,000
Total warehouse expenses	$ 671,682	$ 634,256

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedules of Administrative Expenses
For the Years Ended June 30, 2019 and 2018

	2019	2018
Wages and salaries	$ 846,818	$ 712,306
Payroll taxes	59,470	50,989
Employee retirement	180,948	89,510
Group insurance	399,900	331,015
Insurance and bond premiums	5,020	16,035
Repairs to equipment	10,537	43,402
Repairs to buildings	3,454	6,736
Professional fees	85,000	64,491
Heat, lights and water	10,193	8,965
Telephone	11,014	8,277
General supplies expense	80,753	47,653
Stationary and printing	7,062	7,051
Travel	17,080	11,271
Association dues	3,377	3,113
Contingency	28,435	128,389
Programming	600	
Other post-employment benefits expense	275,000	129,961
Total administrative expenses	$ 2,024,661	$ 1,659,164

WAKE COUNTY BOARD OF ALCOHOLIC CONTROL
(A Component Unit of Wake County)
Schedule of Distributions of Profits
For the Year Ended June 30, 2019

Distribution	Recipient	Amount	Date of Distribution	Restrictions on Use
Law Enforcement	Wake ABC Law Enforcement	$ 1,147,161	7/1/18 - 6/30/19	Law Enforcement
Alcohol Education				
	Alice Aycock Poe Center	100,000	12/31/18	Alcohol Education
	Boys & Girls Club	150,000	11/30/18	Alcohol Education
	Emmaus House	50,000	01/31/19	Alcohol Education
	Fellowship Home of Raleigh	30,000	09/28/18	Alcohol Education
	Healing Transitions	1,200,000	07/31/18	Alcohol Education
	Interact	68,500	03/29/19	Alcohol Education
	MADD	70,950	10/31/18	Alcohol Education
	Neighbor to Neighbor	75,000	12/31/18	Alcohol Education
	North Carolina Theatre	35,000	11/30/18	Alcohol Education
	Occoneechee Council (BSA)	50,000	03/29/19	Alcohol Education
	Oxford House	35,000	02/28/19	Alcohol Education
	Raleigh Rescue Mission	550,000	08/31/18	Alcohol Education
	Southlight	500,000	06/28/19	Alcohol Education
	St. Augustine University	45,000	04/30/19	Alcohol Education
	Triangle Family Services	125,000	11/30/18	Alcohol Education
	Urban Ministries	50,000	10/31/18	Alcohol Education
	Wake County Recovery Court	110,000	02/28/19	Alcohol Education
	Wake County-Wakebrook	1,000,000	07/02/18	Alcohol Education
	Women's Center of Wake Cty	40,000	10/31/18	Alcohol Education
Total		$ 4,284,450		
Municipality*				
	Angier	$ 2,343	7/1/18 - 6/30/19	None
	Apex	273,665	7/1/18 - 6/30/19	None
	Cary	1,080,775	7/1/18 - 6/30/19	None
	Clayton	1	7/1/18 - 6/30/19	None
	Durham	3,420	7/1/18 - 6/30/19	None
	Fuquay Varina	134,184	7/1/18 - 6/30/19	None
	Garner	141,978	7/1/18 - 6/30/19	None
	Holly Springs	186,495	7/1/18 - 6/30/19	None
	Knightdale	70,888	7/1/18 - 6/30/19	None
	Morrisville	192,704	7/1/18 - 6/30/19	None
	Raleigh	2,483,421	7/1/18 - 6/30/19	None
	Rolesville	37,333	7/1/18 - 6/30/19	None
	Wake Forest	205,947	7/1/18 - 6/30/19	None
	Wendell	24,665	7/1/18 - 6/30/19	None
	Zebulon	46,267	7/1/18 - 6/30/19	None
Total		$ 4,884,086		

*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, 2019

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES:				
Operating Revenues:				
Liquor sales-regular	$ 102,026,496	$ 110,522,606	$ 112,069,454	$ 1,546,848
Mixed beverage sales	35,253,504	38,197,394	38,731,993	534,599
Wine sales	191,000	233,000	235,325	2,325
Total sales	137,471,000	148,953,000	151,036,772	2,083,772
Non-operating revenues:				
Interest income	55,000	55,000	112,998	57,998
Other income (expense)	(63,500)	(63,500)	243,393	306,893
Total revenues	137,462,500	148,944,500	151,393,163	2,448,663
Expenditures:				
Taxes based on revenue:				
Beverage and sales taxes	30,228,000	33,605,000	32,527,441	1,077,559
Mixed beverage taxes	3,339,600	3,775,200	3,370,637	404,563
Total expenditures	33,567,600	37,380,200	35,898,078	1,482,122
Cost of goods sold	72,673,980	78,756,740	77,238,633	1,518,107
OPERATING EXPENSES:				
Salaries	6,700,000	6,700,000	6,587,756	112,244
Payroll taxes	505,400	505,400	482,567	22,833
Employee retirement	861,125	936,125	875,731	60,394
Health Insurance	1,525,000	1,525,000	1,460,246	64,754
Insurance and bond	370,000	370,000	233,425	136,575
Depreciation	910,000	910,000	875,350	34,650
Repairs to equipment	433,000	433,000	231,553	201,447
Repairs to buildings	210,000	210,000	173,714	36,286
Rent	414,000	414,000	392,935	21,065
Professional fees	85,000	85,000	85,000	-
Utilities	338,000	338,000	284,719	53,281
Telephone	128,500	128,500	98,834	29,666
Stationary and printing	15,000	15,000	7,062	7,938
Supplies	760,000	960,000	865,448	94,552
Vehicle expense	28,000	35,000	34,096	904
Travel	25,000	25,000	17,081	7,919
Credit card expense	2,000,000	2,000,000	1,718,958	281,042
Adminstative expense	15,000	15,000	3,977	11,023
Unemployment taxes	39,000	39,000	3,753	35,247
Unfunded employee benefits	275,000	275,000	275,000	-
Contingency	200,000	200,000	28,435	171,565
Total operating expenses	15,837,025	16,119,025	14,735,640	1,383,385
DISTRIBUTIONS:				
Law Enforcement	1,209,690	1,209,690	1,147,161	62,529
Alcohol education	4,900,000	4,900,000	4,284,450	615,550
Cities and Towns	4,000,000	4,000,000	4,884,086	(884,086)
Wake County	3,000,000	3,000,000	7,000,000	(4,000,000)
Total distributions	13,109,690	13,109,690	17,315,697	(4,206,007)
Revenues over expenditures	$ 2,274,205	$ 3,578,845	$ 6,205,115	$ 2,626,270