

CRAVEN COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD
(A Component Unit of Craven County)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
(Audited)

For the Years Ended
June 30, 2015
and 2014

**CRAVEN COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD**

BOARD MEMBERS

WILFRED "CHIP" CHAGNON
Chairman

TONY W. LEE
Vice Chair

BARBARA WHITEMAN
Secretary

CHARLES C. COLLINS
Member

CAROL CRAYTON
Member

DONNA ROUSE
General Manager

**CRAVEN COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD**

(A component unit of Craven County)

Table of Contents

June 30, 2015 and 2014

	<u>Page</u>
Independent Auditor’s Report	4-5
Management’s Discussion and Analysis	6-9
Basic Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Fund Net Position	11-12
Statements of Cash Flows	13-14
Notes to the Financial Statements	16-27
Required Supplemental Financial Data	
Schedule of the Proportionate Share of the Net Position Asset -Local Government Employees’ Retirement System	29
Schedule of Contributions – Local Government Employees’ Retirement System	30
Supplementary Information	
Schedules of Inventory by Store	32
Revenue and Expense Information:	
Schedules of Revenue, Expenses and Changes in Net Position	33
Schedule of Income by Store	34-35
Schedules of Operating Expense Detail	36
Schedule of Revenues and Expenditures - Budget and Actual	37-38

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 900
LOUISBURG, NC 27549
Bus: 919-496-3041
Fax: 919-496-6342

SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

Independent Auditor's Report

The Board of Directors
Craven County Alcoholic Beverage Control Board
New Bern, North Carolina 28562

Report on the Financial Statements

We have audited the accompanying financial statements of the Craven County ABC Board, a component unit of Craven County Government, which comprise the statements of net position as of June 30, 2015 and 2014, 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 the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Craven County ABC Board as of June 30, 2015 and 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 9 and the Local Government Employees' Retirement System's Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 29 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedules of Inventory by Store, Schedules of Revenues, Expenses, and Changes in Net Position, Schedule of Income by Store, Schedules of Operating Expense Detail, 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 Inventory by Store, Schedules of Revenues, Expenses, and Changes in Net Position, Schedule of Income by Store, Schedules of Operating Expense Detail, and Schedule of Revenues and Expenditures – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

May & Place, P.A

May & Place, PA
September 4, 2015

Management's Discussion and Analysis

This section of the Craven County Alcoholic Beverage Control (ABC) Board's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the years ended June 30, 2015 and 2014. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Craven County ABC Board's assets exceeded its liability by \$2,700,428 and \$2,750,905 at June 30, 2015 and 2014, respectively.
- Working capital, as defined by the North Carolina Alcoholic Beverage Control Commission Rule .0902, increased by \$18,564 or 1.10%, and increased by \$53,113 or 3.26%, from the prior fiscal year ending June 30, 2015 and 2014, respectively.
- Net sales (i.e. sales, net of taxes) increased 6.79% and increased 3.46% from the prior fiscal year during the years ended June 30, 2015 and 2014, respectively.
- Operating income increased by \$78,291 or 8.65% and increased by \$55,974 or 6.59% from the prior fiscal year during the years ended June 30, 2015 and 2014, respectively.

Overview of the Financial Statements

The audited financial statements of Craven County ABC 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 North Carolina ABC Commission requires some schedules in addition to the information required by generally accepted accounting principles. They include a **Schedule of Inventory by Store, Schedule of Revenues, Expenses and Changes in Net Position, Schedule of Income by Store, Schedule of Operating Expense Detail** and a **Schedule of Revenue and Expenditures – Budget and Actual** including detailed expenses by store, warehouse and administrative activities.

Financial Analysis of the Craven County Alcoholic Control Board

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$2,700,428 in 2015, \$2,750,905 in 2014 and by \$2,786,365 in 2013. The largest component of net position was unrestricted net position comprising 52.49% of total assets in 2015, 51.93% of total assets in 2014, and 49.67% of total assets in 2013. Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 2 974 640	\$ 2 797 245	\$ 2 670 721	\$ 177 395	6.34%
Capital assets	1 009 759	1 066 374	1 154 947	(56 615)	(5.31%)
Deferred outflows of resources	<u>40 320</u>	<u>-</u>	<u>-</u>	<u>40 320</u>	100.00%
Total assets and deferred outflows of resources	<u>\$ 4 024 719</u>	<u>\$ 3 863 619</u>	<u>\$ 3 825 668</u>	<u>\$ 161 100</u>	4.17%
Current liabilities	\$ 1 234 922	\$ 1 112 714	\$ 1 039 303	\$ 122 208	10.98%
Non-current liabilities	-	-	-	-	-
Deferred inflows of resources	<u>89 369</u>	<u>-</u>	<u>-</u>	<u>89 369</u>	100.00%
Total liabilities and deferred outflows of resources	<u>1 324 291</u>	<u>1 112 714</u>	<u>1 039 303</u>	<u>211 577</u>	19.01%
Net investment in capital assets	1 009 759	1 066 374	1 154 947	(56 615)	(5.31%)
Restricted net position	273 284	255 900	247 348	17 384	6.79%
Unrestricted net position	<u>1 417 385</u>	<u>1 428 631</u>	<u>1 384 070</u>	<u>(11 246)</u>	(.79%)
Total net position	<u>\$ 2 700 428</u>	<u>\$ 2 750 905</u>	<u>\$ 2 786 365</u>	<u>\$ (50 477)</u>	(1.83%)

Net position decreased by 1.83% from 2014 compared to a 1.27% decrease between 2014 and 2013. The decrease in net position during the current fiscal year was primarily due to distributions exceeding change in net position before distributions resulting in decreased levels of cash. Following is a summary of the changes in net position:

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

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues	\$ 9 268 559	\$ 8 682 234	\$ 8 393 754	\$ 586 325	6.75%
Less: Taxes on gross sales	<u>2 163 177</u>	<u>2 028 837</u>	<u>1 962 681</u>	<u>134 340</u>	6.62%
Net sales	7 105 382	6 653 397	6 431 073	451 985	6.79%
Cost of sales	<u>4 794 750</u>	<u>4 475 509</u>	<u>4 341 319</u>	<u>319 241</u>	7.13%
Gross profit	2 310 632	2 177 888	2 089 754	132 744	6.10%
Less: Operating expenses	<u>1 327 116</u>	<u>1 272 663</u>	<u>1 240 503</u>	<u>54 453</u>	4.28%
Income(loss) from operations	983 516	905 225	849 251	78 291	8.65%
Non-operating revenues and expenses	<u>1 541</u>	<u>1 333</u>	<u>3 617</u>	<u>208</u>	15.60%
Change in net position before distribution	985 057	906 558	852 868	78 499	8.66%
Distributions	<u>985 057</u>	<u>942 018</u>	<u>898 243</u>	<u>43 039</u>	4.57%
Change in net position	-	(35 460)	(45 375)	35 460	100.00%
Net position, beginning	2 750 905	2 786 365	2 831 740	(35 460)	(1.27%)
Net position, beginning, restated	<u>2 700 428</u>	<u>2 786 365</u>	<u>2 831 740</u>	<u>(85 937)</u>	(3.08%)
Net position, ending	<u>\$ 2 700 428</u>	<u>\$ 2 750 905</u>	<u>\$ 2 786 365</u>	<u>\$ (50 477)</u>	(1.83%)

Following is a breakdown of gross sales by source:

	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>\$ Change</u>	<u>% Change</u>
Retail liquor sales	\$ 7 858 648	\$ 7 384 462	\$ 7 141 749	\$ 474 186	6.42%
Mixed beverage sales	1 390 325	1 278 625	1 234 405	111 700	8.74%
Retail wine sales	<u>19 586</u>	<u>19 147</u>	<u>17 600</u>	<u>439</u>	2.29%
Total gross sales	\$ <u>9 268 559</u>	\$ <u>8 682 234</u>	\$ <u>8 393 754</u>	\$ <u>586 325</u>	6.75%

Retail liquor sales increased in line from the overall state average for the year ended June 30, 2015. This is due, in part, to slightly increased prices combined with greater consumer demand due to an increase in economic conditions in the surrounding area. Regular and mixed beverage sales increased due to more consumer demand at mixed beverage establishments and overall consumption. Retail liquor sales increased by 6.42% over the prior year due to higher consumer demand. The increase in gross sales was in line with Board expectations for the year ended June 30, 2015.

Following is a breakdown of operating expenses by function:

	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>\$ Change</u>	<u>% Change</u>
Cost of sales	\$ 4 794 750	\$ 4 475 509	\$ 4 341 319	\$ 319 241	7.13%
Stores	923 257	889 055	883 969	34 202	3.85%
Warehouse	66 098	61 776	57 176	4 322	7.00%
Administration	243 930	234 636	218 757	9 294	3.96%
Depreciation	<u>93 831</u>	<u>87 196</u>	<u>80 601</u>	<u>6 635</u>	7.61%
Total operating expenses	\$ <u>6 121 866</u>	\$ <u>5 748 172</u>	\$ <u>5 581 822</u>	\$ <u>373 694</u>	6.50%

Operating expenses increased by 6.50% from the prior year ended June 30, 2014. Operating expenses for the year ended June 30, 2014 increased 2.98% from the year ended June 30, 2013. These changes are consistent with increases in operating revenue for the current period. The most notable area of increase in operating expenses is administration expenses which increased 3.96% during the current year ended June 30, 2015 and 7.26% during the prior year ended June 30, 2014. The current year's increase in depreciation expense is due to purchase of upgrades to the computer system.

Capital Assets

Capital assets at June 30, 2015 increased by 1.94% from June 30, 2014 and decreased by .69% from June 30, 2014 compared to June 30, 2013.

Table 3
Summary of Changes in Cost of Capital Assets

	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 189 501	\$ 189 501	\$ 189 501	\$ -	-
Buildings	1 113 333	1 113 333	1 090 946	-	-
Automobile	70 315	70 315	112 381	-	-
Furniture and equipment	570 997	533 781	527 296	37 216	6.97%
Leasehold improvements	4 907	4 907	4 907	-	-
Total	\$ <u>1 949 053</u>	\$ <u>1 911 837</u>	\$ <u>1 925 031</u>	\$ <u>37 216</u>	1.94%

Total accumulated depreciation was \$939,294, \$845,463, and \$770,084 at June 30, 2015, 2014, and 2013, respectively. The overall increase in capital assets from 2014 to 2015 was due to security systems upgrades. Overall change in the current year is essentially unchanged and the result of routine capital expenditures.

Economic Factors

The Board is currently aware of economic conditions within the county and closely monitors monthly sales and expenses accordingly. The Board will continue to monitor conditions in order to enhance its financial results.

Requests for Information

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

Donna Rouse, General Manager
Craven County Alcoholic Beverage Control Board
New Bern, North Carolina

**Craven County ABC Board
(A Component Unit of Craven County)
Statements of Net Position
as of June 30, 2015
and June 30, 2014**

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and Cash Equivalents	\$ 2 139 524	\$ 1 888 902
Inventories	778 771	887 162
Prepaid Expenses	19 722	21 181
	<u>2 938 017</u>	<u>2 797 245</u>
Non-current Assets		
Net Pension Asset	36 623	-
Capital Assets		
Land and Construction in Progress	189 501	189 501
Other Capital Assets, Net of Accumulated Depreciation	820 258	876 873
Total Capital Assets	<u>1 009 759</u>	<u>1 066 374</u>
Total Non-Current Assets	<u>1 046 382</u>	<u>1 066 374</u>
<u>Total Assets</u>	<u>3 984 399</u>	<u>3 863 619</u>
<u>Deferred Outflows of Resources</u>	<u>40 320</u>	<u>-</u>
<u>Liabilities</u>		
Current Liabilities		
Accounts Payable	390 365	366 795
Sales Tax Payable	195 327	182 576
Accrued Liabilities	23 563	22 465
Distributions Payable	625 667	540 878
Total Current Liabilities	<u>1 234 922</u>	<u>1 112 714</u>
Non-Current Liabilities	<u>-</u>	<u>-</u>
<u>Total Liabilities</u>	<u>1 234 922</u>	<u>1 112 714</u>
<u>Deferred Inflows of Resources</u>	<u>89 369</u>	<u>-</u>
<u>Net Position</u>		
Net Investment in Capital Assets	1 009 759	1 066 374
Restricted for:		
Law Enforcement	-	-
Capital Improvements	-	-
Working Capital	273 284	255 900
Unrestricted	<u>1 417 385</u>	<u>1 428 631</u>
<u>Total Net Position</u>	<u>\$ 2 700 428</u>	<u>\$ 2 750 905</u>

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

Craven County ABC Board
(A Component Unit of Craven County)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015
and June 30, 2014

	<u>2015</u>	<u>Percent</u>	<u>2014</u>	<u>Percent</u>
<u>Operating Revenue</u>				
Liquor Sales – Regular	\$ 7 858 648	84.79%	\$ 7 384 462	85.05%
Mixed Beverage Sales	1 390 325	15.00%	1 278 625	14.73%
Wine Sales	19 586	.21%	19 147	.22%
Total Gross Sales	<u>9 268 559</u>	<u>100.00%</u>	<u>8 682 234</u>	<u>100.00%</u>
<u>Deduct Taxes on Gross Sales</u>				
State Excise Tax	1 999 848	21.58%	1 872 830	21.57%
Mixed Beverage Tax (Revenue)	121 080	1.31%	115 583	1.33%
Mixed Beverage Tax (Human Resources)	12 108	.13%	11 559	.13%
Rehabilitation Tax	28 903	.31%	27 654	.32%
Sales Tax – Wine	1 238	.01%	1 211	.01%
Total Taxes	<u>2 163 177</u>	<u>23.34%</u>	<u>2 028 837</u>	<u>23.36%</u>
<u>Net Sales</u>	<u>7 105 382</u>	<u>76.66%</u>	<u>6 653 397</u>	<u>76.64%</u>
<u>Deduct Cost of Sales</u>				
Cost of Liquor Sold	4 781 829	51.59%	4 463 095	51.40%
Cost of Wine Sold	12 921	.14%	12 414	.14%
<u>Gross Profit of Sales</u>	<u>2 310 632</u>	<u>24.93%</u>	<u>2 177 888</u>	<u>25.10%</u>
<u>Deduct Operating Expenses</u>				
Store Expenses	923 257	9.96%	889 055	10.24%
Warehouse and Delivery Expenses	66 098	.71%	61 776	.71%
Administrative Expenses	243 930	2.63%	234 636	2.70%
Depreciation Expenses	93 831	1.01%	87 196	1.00%
Total Operating Expenses	<u>1 327 116</u>	<u>14.31%</u>	<u>1 272 663</u>	<u>14.65%</u>
<u>Income From Operations</u>	<u>\$ 983 516</u>	<u>10.62%</u>	<u>\$ 905 225</u>	<u>10.45%</u>

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

Craven County ABC Board
(A Component Unit of Craven County)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015
and June 30, 2014

	2015	Percent	2014	Percent
<u>Non-operating Revenues and Expenses</u>				
Gain/Loss Disposal of Assets	\$ 750	.01%	\$ -	-
Interest Income	791	.01%	1 333	.02%
Miscellaneous Income	-	-	-	-
Other Expenses	-	-	-	-
	1 541	.02%	1 333	.02%
<u>Change in Net Position Before Distributions</u>	985 057	10.64%	906 558	10.47%
<u>Deduct</u>				
Law Enforcement	36 142	.39%	66 180	.76%
Alcohol Education	5 650	.06%	-	-
	943 265	10.19%	840 378	9.71%
<u>Profit Distributions</u>				
Municipalities	94 327		84 038	
County	848 938		791 800	
	943 265		875 838	
<u>Changes in Net Position</u>	-		(35 460)	
<u>Total Net Position, Previously Reported</u>	2 750 905		2 786 365	
Restatement	(50 477)		-	
<u>Total Net Position, Restated</u>	2 700 428		2 786 365	
<u>Total Net Position, Ending</u>	\$ 2 700 428		\$ 2 750 905	

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

Craven County ABC Board
(A Component Unit of Craven County)
Statements of Cash Flows
For the Years Ended June 30, 2015
and June 30, 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 9 268 559	\$ 8 682 234
Cash Payments to Suppliers for Good and Services	(4 771 180)	(4 325 502)
Cash Payments to Employees for Services	(809 975)	(847 787)
Other Operating Expenses	(350 412)	(544 850)
Liquor Taxes Paid	<u>(2 150 426)</u>	<u>(2 024 044)</u>
Net Cash Provided by Operating Activities	<u>1 186 566</u>	<u>940 051</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Assets	750	-
Acquisition of Capital Assets	<u>(37 216)</u>	<u>(28 874)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(36 466)</u>	<u>(28 874)</u>
Cash Flows from Non-capital Financing Activities		
Law Enforcement Expenses	(30 000)	(60 292)
Alcohol Education	(5 650)	-
Profit Distributions to Primary Government	<u>(864 619)</u>	<u>(829 657)</u>
Net Cash Used in Non-capital Financing Activities	<u>(900 269)</u>	<u>(889 949)</u>
Cash Flows from Investing Activities		
Purchases of Certificates of Deposit	-	-
Redemptions of Certificates of Deposit	-	80 000
Interest Income	<u>791</u>	<u>1 333</u>
Net Cash Provided by Investing Activities	<u>791</u>	<u>81 333</u>
Net Increase (Decrease) in Cash and Cash Equivalents	250 622	102 561
Cash and Cash Equivalents		
Beginning	<u>1 888 902</u>	<u>1 786 341</u>
Ending	<u>\$ 2 139 524</u>	<u>\$ 1 888 902</u>
Noncash Investing Activities		
None Noted		

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

**Craven County ABC Board
(A Component Unit of Craven County)
Statements of Cash Flows
For the Years Ended June 30, 2015
and June 30, 2014**

	2015	2014
Reconciliation of Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (Loss) from Operations	\$ 983 516	\$ 905 225
Adjustments to Reconcile Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Depreciation	93 831	87 196
Pension Expense	2 270	-
Changes in Assets, Deferred Outflows of Resources And Liabilities:		
(Increase) Decrease in Inventory	108 391	(106 431)
(Increase) Decrease in Prepaid Expenses	1 459	2 468
Increase (Decrease) in Accounts Payable	23 570	43 576
Increase (Decrease) in Sales Tax Payable	12 751	4 757
Increase (Decrease) in Other Accrued Liabilities	1 098	3 260
(Increase) Decrease in Deferred Outflows of Resources for Pensions	(40 320)	-
Total Adjustments	203 050	34 826
Net Cash Provided (Used) by Operating Activities	\$ 1 186 566	\$ 940 051
Noncash Investing Financing Activities:		
None	\$ -	\$ -

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

NOTES TO THE FINANCIAL STATEMENTS

**Craven County ABC Board
(A Component Unit of Craven County)
Notes to the Financial Statements
June 30, 2015**

Note 1. Summary of Significant Accounting Policies

A. Principles used in determining the scope of the entity for financial reporting:

Craven County Alcoholic Beverage Control Board, a component unit of Craven County, is a corporate body with powers outlined by General Statutes [Chapter 18B-701]. The County's governing body appoints the ABC Board.

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

B. Organization History

The Board was organized in 1935. The Board's governing body is comprised of five individuals, serving staggered 3-year terms that are appointed by the Craven County Commissioners as terms expire.

At June 30, 2014 the Board operates six retail liquor stores and as provided by North Carolina Alcoholic Beverage Control laws, through its law enforcement division, investigates violations of such laws. North Carolina General Statute [18B-805(c)(2)(3)] requires that the ABC Board expend at least 5% of profits for law enforcement and at least 7% of the same profits for alcohol education and rehabilitation purposes.

C. Basis of Presentation

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on 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, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

F. Pensions

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

(1) Deposits

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

All the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the ABC Board's agent in the ABC Board's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the ABC Board, these deposits are considered to be held by the ABC Board agent in the ABC 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 ABC Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The ABC Board has no policy regarding custodial credit risk for deposits; however, it is the current policy to follow State requirements.

At June 30, 2015, the ABC Board had \$12,900 cash on hand and deposits with a carrying amount of \$2,126,624 and a bank balance of \$2,134,144. The carrying amount of deposits on the statement of net position includes \$2,126,624 of cash and cash equivalents and \$0 of certificates of deposit. The ABC Board's deposits rest with banks who have chosen the pooling method of collateralization. Of the bank balance, \$294,374 was covered by federal depository insurance and \$1,832,250 was covered by collateral held by the State Treasurer.

At June 30, 2014, the ABC Board had \$12,900 cash on hand and deposits with a carrying amount of \$1,876,002 and a bank balance of \$1,937,804. The carrying amount of deposits on the statement of net position includes \$1,876,002 of cash and cash equivalents and \$0 of certificates of deposit. The ABC Board's deposits rest with banks who have chosen the pooling method of collateralization. Of the bank balance, \$303,608 was covered by federal depository insurance and \$1,634,196 was covered by collateral held by the State Treasurer.

(2) Cash and Cash Equivalents

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

(3) Inventory

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

(4) Capital Assets

Capital Asset activity for the years ended June 30, 2015 and 2014 is as follows:

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Capital assets not being depreciated:				
Land	\$ 189 501	\$ -	\$ -	\$ 189 501
Total capital assets not being depreciated	<u>189 501</u>	<u>-</u>	<u>-</u>	<u>189 501</u>
Capital assets being depreciated				
Buildings	1 113 333	-	-	1 113 333
Furniture/equipment	533 781	37 216	-	570 997
Vehicles	70 315	-	-	70 315
Leasehold improvements	4 907	-	-	4 907
Total capital assets being depreciated	<u>1 722 336</u>	<u>37 216</u>	<u>-</u>	<u>1 759 552</u>
Less accumulated depreciation for:				
Buildings	465 646	29 382	-	495 028
Furniture/equipment	323 676	58 704	-	382 380
Vehicles	55 321	5 622	-	60 943
Leasehold improvements	820	123	-	943
Total accumulated depreciation	<u>845 463</u>	<u>93 831</u>	<u>-</u>	<u>939 294</u>
Total capital assets being depreciated, net	<u>876 873</u>			<u>820 258</u>
Capital assets, net	<u>\$ 1 066 374</u>			<u>\$ 1 009 759</u>

	Balance 07/01/13	Increases	Decreases	Balance 06/30/14
Capital assets not being depreciated:				
Land	\$ 189 501	\$ -	\$ -	\$ 189 501
Total capital assets not being depreciated	<u>189 501</u>	<u>-</u>	<u>-</u>	<u>189 501</u>
Capital assets being depreciated				
Buildings	1 090 946	22 387	-	1 113 333
Furniture/equipment	527 296	6 485	-	533 781
Vehicles	112 381	-	42 066	70 315
Leasehold improvements	4 907	-	-	4 907
Total capital assets being depreciated	<u>1 735 530</u>	<u>28 872</u>	<u>42 066</u>	<u>1 722 336</u>
Less accumulated depreciation for:				
Buildings	437 140	28 506	-	465 646
Furniture/equipment	270 732	52 944	-	323 676
Vehicles	61 515	11 511	17 705	55 321
Leasehold improvements	697	123	-	820
Total accumulated depreciation	<u>770 084</u>	<u>93 084</u>	<u>17 705</u>	<u>845 463</u>
Total capital assets being depreciated, net	<u>965 446</u>			<u>876 873</u>
Capital assets, net	<u>\$ 1 154 947</u>			<u>\$ 1 066 374</u>

(5) Net Position

Net position consists of the following:

- a. Net investment in capital assets - This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- b. Restricted for law enforcement - This exists when the ABC Board distributions and expenses for law enforcement are less than amounts required by State law [G.S. 18B-805(c)(2)]. At June 30, 2015, there was no restricted amount for law enforcement equal to the amount of law enforcement activity that was underfunded during the years ended June 30, 2015 and June 30, 2014. See Note 9 for the explanation.
- c. Restricted for capital improvements – State law [G.S. 18B-805(d)] requires approval of the appointing authority to establish this account.
- d. Restricted for working capital – North Carolina Alcoholic Beverage Control Commission Rule [.0902] defines working capital as the total of cash, investments and inventory less all unsecured liabilities. An ABC Board shall set its working capital requirements at not less than two weeks' average gross sales of the last fiscal year or greater than three months' average gross sales of the last fiscal year. Average gross sales means gross receipts from the sale of alcoholic beverages less distributions required by State law [G.S. 18B-805(b), (2), (3), and (4)]. The minimum working capital amount is considered restricted by law. See Note 15.
- e. Unrestricted net position – This component of net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

Note 2. Compliance Violation

No instances of noncompliance were noted.

Note 3. Detail Notes

Pension Plan Obligations

A. Local Government Employees' Retirement System

Plan description. The ABC Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of 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.

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 year of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of 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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement and 7.07% 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 ABC Board were \$40,320 for the year ended June 30, 2015.

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, 2015, the Board reported an asset of \$36,623 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension asset 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, 2014, the Board's proportion was 0.029%, which was a decrease (or increase) of 0.001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Board recognized pension expense of \$2,270. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4 002
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	85 258
Changes in proportion and differences between City contributions and proportionate share of contributions	-	109
ABC Board's contributions subsequent to the measurement date	40 320	-
Total	<u>\$ 40 320</u>	<u>\$ 89 369</u>

\$40,320 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (22 342)
2017	(22 342)
2018	(22 342)
2019	(22 343)
2020	-
Thereafter	-
	<u>\$ (89 369)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
ABC Board's proportionate share of the net pension liability (asset)	\$ 124 315	\$ (36 623)	\$ (172 128)

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.

B. Deferred Compensation Plan 457(b)

Plan Description. On February 16, 2011, the ABC Board adopted a resolution to implement the NC Public Employee Deferred Compensation Plan. This resolution was ratified on March 16, 2011. This plan covers both full-time and part-time employees with no cost to the ABC Board. The total cost of the plan withheld from the employees’ payroll checks and remitted at June 30, 2015 totaled \$6,486.

C. Death Benefits

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

Note 4. Commitments

For the year ended June 30, 2015 and 2014, the ABC Board must pay employment security taxes quarterly due to new legislation.

Note 5. Leases

At June 30, 2015, the Board was leasing two retail locations, both under non-cancelable agreements that expire December 31, 2017 and on a month to month basis. On October 3, 2012, the Board entered into a five-year lease agreement for the James City store (#6) with equal monthly installments of \$2,625, beginning January 8, 2013. On May 1, 2014, the Board entered into a month to month lease agreement for the new Havelock store (#4) with equal monthly installments of \$945, beginning July 1, 2014.

The total minimum rental commitment at June 30, 2015 is due in future years as follows:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Store #6	\$ 31 500	\$ 31 500	\$ 15 750
Total	<u>\$ 31 500</u>	<u>\$ 31 500</u>	<u>\$ 15 750</u>

Rental expense totaled \$42,840 and \$42,840 for the years ended June 30, 2015 and 2014, respectively.

Note 6. Subsequent Events

Subsequent events were evaluated through September 4, 2015, which is the date the financial statements were available to be issued

Note 7. Vacation and Sick Leave Compensation

ABC Board employees may accumulate earned vacation and such leave is fully vested when earned. Accumulated earned vacation must be used by November 30th of each year. Accumulated earned vacation at June 30, 2015 and June 30, 2014 amounted to approximately \$18,048 and \$14,562, respectively. Management estimated \$18,048 will be liquidated during the year ended June 30, 2016.

Employees can accumulate an unlimited amount of sick leave. Sick leave may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Note 8. Distributions of Income

The Board has made distributions since inception in 1936 as follows:

	<u>Year Ended June 30, 2015</u>		<u>Total To Date</u>
Craven County	\$ 848 938	\$	17 542 998
Cities and municipalities	<u>94 327</u>		<u>2 080 360</u>
	<u>\$ 943 265</u>	\$	<u>19 623 358</u>

State law [G.S. 18B-805(e)] requires the entire increase in net assets, after deducting amounts required for law enforcement (see Note 9) and after retaining proper working capital (see Note 15), be paid quarterly to the County and municipalities. The distributions to Craven County include amounts for alcohol education and rehabilitation purposes. All distributions have been made.

Note 9. Law Enforcement Expenses

The ABC Board is required by law to expend at least 5% of its profits for law enforcement. Profits are defined by law for this calculation as change in net position before law enforcement, less the 3 1/2% markup provided in G.S. 18B-804(b)(5) and the bottle charge provided for in G.S. 18B-804(b)(6b).

	<u>Years Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Profit before required distributions:	\$ 985 057	\$ 906 558
Less: 3 1/2 % tax and bottle charge	<u>262 219</u>	<u>246 150</u>
Profit subject to expense percentage:	<u>\$ 722 838</u>	<u>\$ 660 408</u>
Required minimum law enforcement expenses	<u>\$ 36 142</u>	<u>\$ 33 020</u>
	<u>5%</u>	<u>5%</u>

The profit subject to this computation excludes interest income and any losses of individual stores.

On March 21, 2014, the Board dissolved its law enforcement division and contracted with the North Carolina Department of Public Safety, Division of Alcohol Law Enforcement to provide these services. This contract will remain in effect until April 14, 2016.

Note 10. Disbursement of Taxes Included in Selling Price

Net sales are calculated by taking gross sales less applicable taxes as follows:

	<u>2015</u>	<u>2014</u>
Gross Sales	\$ 9 268 559	\$ 8 682 234
Deduct taxes on gross sales:		
State excise tax	1 999 848	1 872 830
Mixed beverage tax (Department of Revenue)	121 080	115 583
Mixed beverage tax (Dept of Health and Human Services)	12 108	11 559
Rehabilitation tax	28 903	27 654
Sales tax – wine	<u>1 238</u>	<u>1 211</u>
Total taxes	<u>2 163 177</u>	<u>2 028 837</u>
Net sales	\$ <u>7 105 382</u>	\$ <u>6 653 397</u>

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 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Taxes payable – beginning	\$ 148 697	\$ 146 344
Taxes collected during the year	1 999 848	1 872 830
Taxes remitted to Department of Revenue	<u>1 987 773</u>	<u>1 870 477</u>
Taxes payable, ending	\$ <u>160 772</u>	\$ <u>148 697</u>

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

The accrued North Carolina excise tax at June 30, 2015 was remitted to the North Carolina Department of Revenue on July 3, 2015.

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 years ended June 30, 2015 and 2014, payments to Craven County were based on the following bottle sales:

	<u>2015</u>
Regular bottles	473 607 at 5 cents \$ 23 680
Mixed beverage bottles	62 855 at 5 cents 3 143
Miniature bottles	208 030 at 1 cent <u>2 080</u>
Total payments for the year	\$ <u>28 903</u>

		<u>2014</u>
Regular bottles	454 495 at 5 cents	\$ 22 725
Mixed beverage bottles	60 106 at 5 cents	3 005
Miniature bottles	192 398 at 1 cent	<u>1 924</u>
Total payments for the year		<u>\$ 27 654</u>

A “mixed beverage tax” at the rate of \$20 per 4 liters is charged on the sale of liquor to be resold as mixed beverages. One-half of the mixed beverage tax is submitted monthly to the Department of Revenue. Five percent of the mixed beverage tax is submitted monthly to the Department of Human Services. The remaining forty-five (45%) is retained by the ABC Board.

The mixed beverage tax for the years ended June 30, 2015 and 2014 were:

	<u>2015</u>	<u>2014</u>
Department of Revenue (50%)	\$ 121 080	\$ 115 583
Department of Health and Human Resources (5%)	12 108	11 559
Profit Retained (45%)	<u>108 969</u>	<u>104 026</u>
	<u>\$ 242 157</u>	<u>\$ 231 168</u>
Sales tax on wine sales totaled	<u>\$ 1 238</u>	<u>\$ 1 211</u>

Note 11. Accounts Payable – Taxes

At June 30, 2015, accounts payable – taxes include North Carolina excise taxes of \$160,772, mixed beverage tax of \$10,103, rehabilitation tax of \$2,308, liquor sales tax of \$21,799 and state wine tax of \$345. These taxes payable were remitted to the proper authorities in July 2015.

At June 30, 2014, accounts payable – taxes include North Carolina excise taxes of \$148,697, mixed beverage tax of \$11,095, rehabilitation tax of \$2,172, liquor sales tax of \$20,275 and state wine tax of \$337. These taxes payable were remitted to the proper authorities in July 2014.

Note 12. Surcharge Collected

The total amount of surcharge collected for the fiscal years ended June 30, 2015 and 2014 was \$49,689 and \$42,521, respectively. (The rate increased May 1, 2015 from 80 cents per case sold to \$1.40 per case sold.)

Note 13. Liquor Sales Tax

The total amount of sales tax collected by the ABC Board and remitted to the Department of Revenue for the fiscal years ended June 30, 2015 and 2014 was \$550,867 and \$517,535, respectively. The current tax rate is 7%.

Note 14. Retail Outlets

The Craven County Alcoholic Beverage Control Board operated with six retail outlets. Key store sale information for the fiscal year ended June 30, 2015 is as follows:

<u>Store #</u>		<u>Gross Sales</u>	<u>Net income (loss) before profit distributions</u>
1	318 S. Front Street, New Bern, NC	\$ 1 582 502	\$ 164 754
2	8001 Main St., Vanceboro, NC	408 697	19 480
3	1212 E. Main St., Havelock, NC	1 292 124	114 271
4	482 Westbrooke Shopping Center, Havelock, NC	815 572	67 669
5	2005 S. Glenburnie Rd., New Bern, NC	3 350 846	430 926
6	985 U S Hwy 70 East, New Bern, NC	1 818 818	146 165
		<u>\$ 9 268 559</u>	<u>\$ 943 265</u>

Note 15. Working Capital

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

The Board's position at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Minimum amount	\$ 273 284	\$ 255 900
Maximum amount	\$ 1 776 342	\$ 1 663 350
Actual working capital	\$ 1 683 373	\$ 1 663 350

At June 30, 2015, the ABC Board had met the minimum amount of working capital as defined by G.S. 18B. At June 30, 2014, the Board had met the minimum amount of working capital as defined by G.S. 18B.

Note 16. Risk Management

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has commercial property, general liability, auto liability, worker's compensation and employee health coverage. The Board also has liquor legal liability.

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

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

Note 17. Change in Accounting Principles/Restatement

The ABC Board implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pension (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the ABC Board to record beginning net pension liability and the effects on net position of contributions made by the ABC Board during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the ABC Board decreased by \$50,477.

**REQUIRED
SUPPLEMENTARY INFORMATION**

**Craven County ABC Board
Craven County ABC Board's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years***

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Craven County ABC Board's proportion of the net pension liability (asset) (%)	0.02898%	0.02980%
Craven County ABC Board's proportion of the net pension liability (asset) (\$)	\$ (36 623)	\$ 84 377
Craven County ABC Board's covered-employee payroll	\$ 570 899	\$ 479 494
Craven County ABC Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(6.41%)	17.60%
Plan fiduciary net position as a percentage of the total pension liability**	7.11%	7.14%

* 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.

**Craven County ABC Board
Craven County ABC Board's Contributions
Required Supplementary Information
Last Two Fiscal Years**

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 40 320	\$ 33 900
Contributions in relation to the contractually required Contribution	<u>40 320</u>	<u>33 900</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
ABC Board's covered-employee payroll	\$ 570 899	\$ 479 494
Contributions as a percentage of covered-employee payroll	7.06%	7.07%

SUPPLEMENTARY INFORMATION

**(The following schedules are information the
ABC Commission requires.)**

**Craven County Alcoholic Beverage Control Board
(A Component Unit of Craven County)
Schedules of Inventory by Store
June 30, 2015 and 2014**

		<u>2015</u>		<u>2014</u>
Store #1 – 318 South Front Street, New Bern, NC	\$	109 064	\$	117 647
Store #2 – 7917 Main Street, Vanceboro, NC		52 816		54 190
Store #3 – Highway 70 East, Havelock, NC		104 959		108 226
Store #4 – Westbrooke Shopping Center, Havelock, NC		74 999		77 540
Store #5 – 2005 S. Glenburnie Road, New Bern, NC		165 296		163 103
Store #6 – 939 Highway 70 East, New Bern, NC		134 803		123 029
Warehouse		<u>136 834</u>		<u>243 427</u>
	\$	<u>778 771</u>	\$	<u>887 162</u>

Craven County ABC Board
(A Component Unit of Craven County)
Schedules of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30, 2015
and June 30, 2014

	Amount		Percentage Of Net Sales	
	2015	2014	2015	2014
OPERATING REVENUE				
Liquor Sales, Regular	\$ 7 858 648	\$ 7 384 462		
Mixed Beverage Sales	1 390 325	1 278 625		
Wine Sales	19 586	19 147		
Total Gross Sales	<u>9 268 559</u>	<u>8 682 234</u>		
Deduct Taxes on Gross Sales:				
State Excise Tax	1 999 848	1 872 830		
Mixed Beverage Tax (Department of Revenue)	121 080	115 583		
Mixed Beverage Tax (Department of Health and Human Services)	12 108	11 559		
Rehabilitation Tax	28 903	27 654		
Sales Tax – Wine	1 238	1 211		
Total Taxes	<u>2 163 177</u>	<u>2 028 837</u>		
Net Sales	7 105 382	6 653 397	100.00%	100.00%
Cost of Sales	<u>4 794 750</u>	<u>4 475 509</u>	<u>67.48%</u>	<u>67.27%</u>
Gross Profit	<u>2 310 632</u>	<u>2 177 888</u>	<u>32.52%</u>	<u>32.73%</u>
OPERATING EXPENSES				
Stores	923 257	889 055	12.99%	13.36%
Warehouse and Delivery	66 098	61 776	.93%	.93%
Administration	243 930	234 636	3.43%	3.53%
Depreciation	93 831	87 196	1.32%	1.31%
Total Operating Expenses	<u>1 327 116</u>	<u>1 272 663</u>	<u>18.67%</u>	<u>19.13%</u>
Income From Operations	<u>983 516</u>	<u>905 225</u>	<u>13.85%</u>	<u>13.60%</u>
NON OPERATING REVENUE				
Interest Income	791	1 333	.01%	.02%
Sale of Assets	750	-	.01%	-
Total Non-Operating Revenues	<u>1 541</u>	<u>1 333</u>	<u>.02%</u>	<u>.02%</u>
Change in Net Position Before Distribution	985 057	906 558	13.87%	13.62%
Law Enforcement	36 142	66 180	.51%	.99%
Alcohol Education	5 650	-	.08%	-
Net Income before Profit Distributions	<u>943 265</u>	<u>840 378</u>	<u>13.28%</u>	<u>12.63%</u>
Profit Distributions				
Craven County	848 938	791 800		
Cities and Municipalities	94 327	84 038		
	<u>943 265</u>	<u>875 838</u>		
Change in Net Position	<u>-</u>	<u>(35 460)</u>		
Total Net Position Previously Reported	2 750 905	2 786 365		
Restatement	(50 477)	-		
Total Net Position, Restated	<u>2 700 428</u>	<u>2 786 365</u>		
Total Net Position, Ending	<u>\$ 2 700 428</u>	<u>\$ 2 750 905</u>		

Craven County Alcoholic Beverage Control Board
(A Component Unit of Craven County)
Schedule of Income by Store
For the Year Ended June 30, 2015

	318 South Front Street New Bern, NC Store #1		8001 Main Street Vanceboro, NC Store #2		1212 East Main St Havelock, NC Store #3	
	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>	<u>Amount</u>	<u>% of Net Sales</u>
OPERATING REVENUE						
Liquor Sales, Regular	\$ 1 137 985		\$ 407 876		\$ 1 081 493	
Mixed Beverage Sales	442 773		-		207 436	
Wine Sales	1 744		821		3 195	
Total Gross Sales	<u>1 582 502</u>		<u>408 697</u>		<u>1 292 124</u>	
Deduct Taxes on Gross Sales:						
State Excise Tax	335 024		90 455		278 016	
Mixed Beverage Tax (Department of Revenue)	35 571		-		18 457	
Mixed Beverage Tax (Department of Health Human Services)	3 557		-		1 846	
Rehabilitation Tax	5 274		1 471		4 113	
Sales Tax – Wine	110		52		202	
Total Taxes	<u>379 536</u>		<u>91 978</u>		<u>302 634</u>	
Net Sales	1 202 966	100.00%	316 719	100.00%	989 490	100.00%
Cost of Sales	<u>793 635</u>	<u>65.97%</u>	<u>216 844</u>	<u>68.47%</u>	<u>661 352</u>	<u>66.84%</u>
Gross Profit	<u>409 331</u>	<u>34.03%</u>	<u>99 875</u>	<u>31.53%</u>	<u>328 138</u>	<u>33.16%</u>
OPERATING EXPENSES						
Stores	181 724	15.11%	64 157	20.26%	162 540	16.43%
Warehouse and Delivery	11 979	1.00%	3 095	.98%	9 782	.99%
Administration	44 003	3.66%	11 368	3.59%	35 934	3.63%
Total Operating Cost	<u>237 706</u>	<u>19.77%</u>	<u>78 620</u>	<u>24.83%</u>	<u>208 256</u>	<u>21.05%</u>
Income (Loss) from Operations	<u>171 625</u>	<u>14.26%</u>	<u>21 255</u>	<u>6.70%</u>	<u>119 882</u>	<u>12.11%</u>
NONOPERATING INCOME (EXPENSES)	<u>263</u>	<u>.02%</u>	<u>68</u>	<u>.02%</u>	<u>215</u>	<u>.02%</u>
Income (Loss) before Distributions	<u>171 888</u>	<u>14.28%</u>	<u>21 323</u>	<u>6.72%</u>	<u>120 097</u>	<u>12.13%</u>
Law Enforcement and Alcohol Education Expenses	<u>7 134</u>	<u>.59%</u>	<u>1 843</u>	<u>.58%</u>	<u>5 826</u>	<u>.59%</u>
Net Income (Loss) before Distributions	<u>\$ 164 754</u>	<u>13.69%</u>	<u>\$ 19 480</u>	<u>6.14%</u>	<u>\$ 114 271</u>	<u>11.54%</u>

Westbrooke Havelock, NC Store #4		2005 S. Glenburnie Rd New Bern, NC Store #5		985 Highway 70 East New Bern, NC Store #6		Total	
Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
\$ 668 545		\$ 2 954 586		\$ 1 608 163		\$ 7 858 648	
144 713		389 405		205 998		1 390 325	
2 314		6 855		4 657		19 586	
<u>815 572</u>		<u>3 350 846</u>		<u>1 818 818</u>		<u>9 268 559</u>	
175 086		726 215		395 052		1 999 848	
12 327		36 931		17 794		121 080	
1 233		3 693		1 779		12 108	
2 594		10 035		5 416		28 903	
146		433		295		1 238	
<u>191 386</u>		<u>777 307</u>		<u>420 336</u>		<u>2 163 177</u>	
624 186	100.00%	2 573 539	100.00%	1 398 482	100.00%	7 105 382	100.00%
416 771	66.77%	1 749 160	67.97%	956 988	68.43%	4 794 750	67.48%
207 415	33.23%	824 379	32.03%	441 494	31.57%	2 310 632	32.52%
107 344	17.20%	260 310	10.11%	223 089	15.95%	999 164	14.06%
6 175	.99%	25 375	.99%	13 767	.98%	70 173	.99%
22 685	3.63%	93 213	3.62%	50 576	3.62%	257 779	3.63%
<u>136 204</u>	<u>21.82%</u>	<u>378 898</u>	<u>14.72%</u>	<u>287 432</u>	<u>20.55%</u>	<u>1 327 116</u>	<u>18.68%</u>
71 211	11.41%	445 481	17.31%	154 062	11.02%	983 516	13.84%
136	.02%	557	.02%	302	.02%	1 541	.02%
71 347	11.43%	446 038	17.33%	154 364	11.04%	985 057	13.86%
3 678	.59%	15 112	.59%	8 199	.59%	41 792	.59%
<u>\$ 67 669</u>	<u>10.84%</u>	<u>\$ 430 926</u>	<u>16.74%</u>	<u>\$ 146 165</u>	<u>10.45%</u>	<u>\$ 943 265</u>	<u>13.27%</u>

Craven County Alcoholic Beverage Control Board
(A Component Unit of Craven County)
Schedules of Operating Expense Detail
For the Years Ended June 30, 2015 and 2014

	2015				2014			
	Selling				Selling			
	Stores	Warehouse	Total	Administrative	Stores	Warehouse	Total	Administrative
Salaries	\$ 498 576	\$ 41 424	\$ 540 000	\$ 150 078	\$ 457 496	\$ 39 259	\$ 496 755	\$ 146 849
Heat, Water and Lights	38 484	5 455	43 939	-	36 308	5 762	42 070	-
Repairs and Maintenance	45 458	2 810	48 268	6 981	44 157	1 966	46 123	6 500
Rent	42 840	-	42 840	-	42 840	-	42 840	-
Insurance	42 222	7 037	49 259	7 037	32 058	5 343	37 401	5 343
Credit Card Fees	91 452	-	91 452	5 580	82 292	-	82 292	4 500
Taxes and Licenses	37 090	3 630	40 720	11 108	39 316	3 463	42 779	11 220
Depreciation	75 907	4 075	79 982	13 849	70 509	3 945	74 454	12 742
Telephone	10 637	-	10 637	3 079	10 935	-	10 935	3 028
Travel and Convention	-	-	-	3 594	-	-	-	3 940
Freight-In	-	3 852	3 852	2 901	-	3 653	3 653	2 317
Hospitalization Insurance	89 127	-	89 127	23 112	91 898	-	91 898	21 367
Employees' Retirement	2 746	-	2 746	6 010	27 280	-	27 280	12 899
Legal and Accounting	-	-	-	17 574	138	-	138	10 233
Supplies and Miscellaneous	24 625	1 890	26 515	6 876	24 337	2 330	26 667	6 440
	<u>\$ 999 164</u>	<u>\$ 70 173</u>	<u>\$ 1 069 337</u>	<u>\$ 257 779</u>	<u>\$ 959 564</u>	<u>\$ 65 721</u>	<u>\$ 1 025 285</u>	<u>\$ 247 378</u>

Breakdown of 2015 Expenses by Store

	Store # 1	Store # 2	Store # 3	Store # 4	Store # 5	Store # 6	Total
Salaries	\$ 94 837	\$ 30 724	\$ 87 441	\$ 51 828	\$ 133 124	\$ 100 622	\$ 498 576
Heat, Water and Lights	8 208	4 385	7 885	2 915	6 943	8 148	38 484
Repairs and Maintenance	12 696	3 586	5 854	3 484	4 629	15 209	45 458
Rent	-	-	-	11 340	-	31 500	42 840
Insurance	7 037	7 037	7 037	7 037	7 037	7 037	42 222
Credit Card Fees	11 560	3 353	10 968	7 824	38 078	19 669	91 452
Taxes and Licenses	6 870	2 311	6 751	3 869	9 829	7 460	37 090
Depreciation	14 690	9 021	24 946	6 935	9 188	11 127	75 907
Telephone	2 530	1 724	1 501	1 501	1 824	1 557	10 637
Travel and Convention	-	-	-	-	-	-	-
Freight-In	-	-	-	-	-	-	-
Hospitalization Insurance	19 002	-	7 068	7 985	41 406	13 666	89 127
Employees' Retirement	-	-	-	-	989	1 757	2 746
Legal and Accounting	-	-	-	-	-	-	-
Supplies and Miscellaneous	4 294	2 016	3 089	2 626	7 263	5 337	24 625
Allocation of Warehouse Expenses	11 979	3 095	9 782	6 175	25 375	13 767	70 173
Allocation of Administration Expense	44 003	11 368	35 934	22 685	93 213	50 576	257 779
	<u>\$ 237 706</u>	<u>\$ 78 620</u>	<u>\$ 208 256</u>	<u>\$ 136 204</u>	<u>\$ 378 898</u>	<u>\$ 287 432</u>	<u>\$ 1 327 116</u>

Craven County ABC Board
Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2015

	<u>2015 Original Budget</u>	<u>2015 Revised Budget</u>	<u>2015 Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Operating Revenues:				
Liquor Sales – Regular	\$ -	\$ -	\$ -	\$ -
Mixed Beverage Sales	-	-	-	-
Wine/Mixer Sales	-	-	-	-
	<u>8 759 931</u>	<u>9 378 431</u>	<u>9 268 559</u>	<u>(109 872)</u>
Total				
Non-operating Revenues:				
Interest	1 100	1 100	1 541	441
Gain on Sale of Assets	-	-	-	-
	<u>1 100</u>	<u>1 100</u>	<u>1 541</u>	<u>441</u>
Total Revenues	<u>8 761 031</u>	<u>9 379 531</u>	<u>9 270 100</u>	<u>(109 431)</u>
Expenditures:				
Taxes Based on Revenue:				
State Excise Tax	-	-	-	-
Mixed Beverage Tax (Revenue)	-	-	-	-
Mixed Beverage Tax (Human Resources)	-	-	-	-
Rehabilitation Tax	-	-	-	-
Wine/Mixer Sales Tax	-	-	-	-
Total	<u>2 051 997</u>	<u>2 191 639</u>	<u>2 163 177</u>	<u>28 462</u>
Cost of Goods Sold	<u>4 550 909</u>	<u>4 878 172</u>	<u>4 794 750</u>	<u>83 422</u>
Operating Expenses:				
Salaries and Benefits	-	-	-	-
Board Member Expense	-	-	-	-
Unemployment Insurance	-	-	-	-
Cash Over/Short	-	-	-	-
Rent	-	-	-	-
Utilities	-	-	-	-
Repairs & Maintenance	-	-	-	-
Office/Store Supplies	-	-	-	-
Insurance – General & Bonds	-	-	-	-
Travel	-	-	-	-
Professional Fees	-	-	-	-
Credit Card Fees	-	-	-	-
Vehicle	-	-	-	-
Contingencies	-	-	-	-
Total	<u>1 296 504</u>	<u>1 327 404</u>	<u>1 309 641</u>	<u>17 763</u>
Capital Outlay:	<u>70 000</u>	<u>38 325</u>	<u>37 216</u>	<u>1 109</u>
Debt Service:	-	-	-	-
Total Expenditures	<u>\$ 7 969 410</u>	<u>\$ 8 435 540</u>	<u>\$ 8 304 784</u>	<u>\$ 130 756</u>

Craven County ABC Board
Schedule of Revenues and Expenditures – Budget and Actual
For the Year Ended June 30, 2015

	<u>2015 Original Budget</u>	<u>2015 Revised Budget</u>	<u>2015 Actual</u>	<u>Variance Positive (Negative)</u>
Distributions:				
County	\$ -	\$ -	\$ -	\$ -
Municipality	-	-	-	-
Other	-	-	-	-
Total	<u>791 621</u>	<u>943 991</u>	<u>943 265</u>	<u>726</u>
Total Expenditures & Distributions	<u>8 761 031</u>	<u>9 379 531</u>	<u>9 248 049</u>	<u>131 482</u>
Revenues Over (Under) Expenditures	-	-	22 051	22 051
Other Financing (Uses):				
Working Capital Retained (Unrestricted Funds)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over Expenditures and Other Financing (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22 051</u>	<u>\$ 22 051</u>

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

Reconciling Items:

Capital Outlay	37 216
Depreciation	(93 831)
Increase in Accrued Vacation Pay	(3 486)
Increase in Accrued OPEB Liability	-
Deferred Outflows of Resources for Contributions made to pension plan in current fiscal year	40 320
Pension Expense	<u>(2 270)</u>
Total	<u>(22 051)</u>
Change in Net Position	<u>\$ -</u>