**North Carolina ABC Board**

**(A component unit of North Carolina Government)**

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**Independent Auditor’s Report**

Board of Directors

ABC Board

**Report on the Financial Statements**

We have audited the accompanying financial statements of the ABC Board, a component unit of the ABC Government, which comprise the Statement of Net Position as of June 30, 2022 and 2021, and the related Statement of Revenues, Expenses and Changes in Net Position, and cash flows for the year 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.

***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 ABC Board as of June 30, 2022 and 2021 and the respective changes in financial position, and where applicable, cash flows thereof for the year 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, the Other Postemployment 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 required 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.

*Supplementary and Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedule of Expenses by Store, Administrative Expenses, Warehouse Expenses, and Schedule of Revenues and Expenditures – Budget vs. Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenses by Store, Administrative Expenses, Warehouse Expenses, and Schedule of Revenues and Expenditures – Budget vs. 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.

**Firm Name**

**City, State**

**Date**

Management's Discussion and Analysis

This section of the Alcoholic Beverage Control (*ABC*) Board's (*the Board)* financial report represents our overview and analysis of the financial activities of the Board for the years ended June 30, 2022 and 2021. This information should be read in conjunction with the audited financial statements included in this report.

***Financial Highlights***

[Examples:]

* The Board opened one new location during the year.
* Working capital increased approximately X% over the prior year.
* Over X% of profits were expended for law enforcement and alcohol education in the current year.

***Overview of the Financial Statements***

The audited financial statements of the ABC Board consist of 3 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 ABC Board**

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows exceeded liabilities and deferred inflows by $XXX in 2022, by $XXX in 2021 and by $XXX in 2020. The largest component of net position was the investment in capital assets. It was X% of the total net position for 2022, X% for 2021 and X% for 2020. Following is a summary of the Statement of Net Position

|  |
| --- |
| **Table 1** |
| **Condensed Statement of Net Position** |
|  |  |
|  |  **6/30/22** |  **6/30/21** |  **6/30/20** |  **$ Change** | **% Change** |
|  |  |  |  | This Yr Over Last Yr | This Yr Over Last Yr |
| Current assets | $ XXX | $ XXX | $ XXX | $ XXX | X% |
| Non-current assets | XXX | XXX | XXX |  XXX | X% |
| Total assets | XXX | XXX | XXX | XXX | X% |
| Current liabilities | XXX | XXX | XXX | XXX | X% |
| Non-current liabilities | XXX | XXX | XXX | XXX | X% |
| Total liabilities | XXX | XXX | XXX | XXX | X% |
| Net investment in capitalassets |  |  |  |  |  |
| XXX | XXX | XXX | XXX | X% |
| Restricted net position | XXX | XXX | XXX | XXX | X% |
| Unrestricted net position | XXX | XXX | XXX | XXX | X% |
| Total net position | XXX | XXX | XXX | XXX | X% |

Note that non-current assets and liabilities increased during the year. This was the result of the addition of a building for a new location. ***The building is being financed with a lease-purchase arrangement through the North Carolina Municipal Leasing Corporation***. The XX% decrease in net position was due to an increase in the contributions to the law enforcement division**.**

Net position decreased by X% from 2021 compared to a X% increase between 2021 and 2020 Income from operations increased by X% from 2021 and by X% between 2021 and 2020. Following is a summary of the changes in net position:

|  |
| --- |
| **Table 2** |
| **Condensed Statement of Revenues, Expenses, and Changes in Net Position** |
|  |
|  |  **6/30/22** |  **6/30/21** |  **6/30/20** |  **$ Change** | **% Change** |
|  |  |  |  | This Yr Over Last Yr | This Yr Over Last Yr |
| Operating revenues | $ XXX | $ XXX | $ XXX | $ XXX | X% |
| Less: Taxes on gross sales | XXX | XXX | XXX | XXX | X% |
| Net sales | XXX | XXX | XXX | XXX | X% |
|  |  |  |  |  |  |
| Cost of sales | XXX | XXX | XXX | XXX | X% |
| Gross profit | XXX | XXX | XXX | XXX | X% |
| Less: Operating expenses | XXX | XXX | XXX | XXX | X% |
|  |  |  |  |  |  |
| Income from operations | XXX | XXX | XXX | XXX | X% |
| Non-operating revenues and expenses |  |  |  |  |  |
| XXX | XXX | XXX | XXX | X% |
| Change in net position before distributions | XXX | XXX | XXX | XXX | X% |
| Distributions | XXX | XXX | XXX | XXX | X% |
| Change in net position | XXX | XXX | XXX | XXX | X% |
| Net position, beginning | XXX | XXX | XXX | XXX | X% |
| Net position, ending | XXX | XXX | XXX | XXX | X% |

Note to preparer: If the effects of the implementation of GASB Statement No. 75 result in a significant change in the financial position, consider addressing it here.

The increase in sales is due to the addition of the new location. There is also a corresponding increase in expenses for operations of the new facility. The increase in distributions was due to the increase in contributions to the law enforcement division.

Following is a breakdown of sales by source:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  **6/30/22** |  **6/30/21** |  **6/30/20** |  **$ Change This Yr Over Last Yr**  | **% Change This Yr Over Last Yr** |
| Retail Liquor Sales | $X,XXX | $ XXX | $ X,XXX | $ XX,XX | X% |
| Mixed Beverage Sales | X,XXX | X,XXX | XXX | XXX | X% |
| Retail Wine Sales | X,XXX | X,XXX | X,XXX | X,XXX | X% |
|  |  |  |  |  |  |
| Total Sales | $ X,XXX | $ X,XXX | $ X,XXX | $ X,XXX | X% |

The percentage of mixed beverage sales to the total increased by X% in 2022 and increased by X% in 2021 compared to 2020.

***Capital Asset and Debt Administration***

# **Capital Assets**

Investment in capital assets as of June 30, 2022, totals $XXX,XXX (net of accumulated depreciation).

Major capital asset transactions during the year include the following:

[Examples]

* Construction in progress of $XXX,XXX for a new store location.
* Computer system upgrade resulted in an increase in capital assets of $XXX,XXX.

|  |  |
| --- | --- |
|  | **Table 3** |
|  | **Capital Assets****(net of depreciation)** |
|  |  |  |
|  |  **6/30/22** |  **6/30/21** |  **6/30/20** | **$ Change This Yr Over Last Yr** | **$ Change This Yr Over Last Yr**  |  |
| Land | $ XXX | $ XXX | $ XXX | $ XXX | X% |  |
| Buildings |  XXX | XXX | XXX | XXX | X% |  |
| Improvements other than buildings | XXX | XXX | XXX | XXX | X% |  |
| Store equipment | XXX | XXX | XXX | XXX | X% |  |
| Warehouse equipment | XXX | XXX | XXX | XXX | X% |  |
| Law enforcement equipment | XXX | XXX | XXX | XXX | X% |  |
| Motor vehicles | XXX | XXX | XXX | XXX | X% |  |
| Total |  |  |  |  |  |  |

Additional information on the ABC Board’s capital assets can be found in Note 1.G.6 of the Basic Financial Statements.

# **Debt Administration**

The largest component of long-term debt is notes payable. It increased by X% from the prior year.

|  |  |
| --- | --- |
|  | **Table 4** |
|  | **Summary of Changes in Long-term Debt** |
|  |  |
|  |  **6/30/22** |  **6/30/21** | **6/30/20** | **$ Change** | **% Change** |
| Notes payable | $ XXX | $ XXX | $ XXX | $ XXX | X% |
| Capital leases | XXX | XXX | XXX | XXX | X% |
|  |  |  |  |  |  |
| Total |  |  |  |  |  |

You will see that the increase in notes payable was due to the fact that the POS system was financed with a note payable over X years at an interest rate of X%. The change in capital leases was minimal because the Board retired X capital leases on existing buildings while incurring a new lease for the new facility.

***Economic Factors***

[Should be Board specific].

# ***Requests for Information***

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

Name, Finance Officer

ABC Board

Address

City, State Zip Code

**ABC Board**

 **(A component unit of ABC Government)**

**Statement of Net Position**

**as of June 30, 2022**

**and June 30,2021**

**ASSETS**  2022 2021

 Current Assets

 Cash and cash equivalents

 Investments

 Accounts receivable (net)

#  Inventories

 Prepaid expenses

 Total Current Assets

 Non-current Assets

 Property plant and equipment

 (net of accumulated depreciation)

 Total Net Amount

Total Assets

**DEFERRED OUTFLOWS OF RESOURCES**

Pension deferrals

OPEB deferrals

 Total Deferred Outflows of Resources

**LIABILITIES**

 Current Liabilities

 Current portion of long-term debt

#  Accounts payable

 Liquor sales tax payable

 Payroll taxes payable

#  Accrued liabilities

 Distributions payable

 Total Current Liabilities

#  Non-current Liabilities

 Note payable less current

 Net pension liability

 Total pension liability

 Total OPEB liability

Total Liabilities

**DEFERRED INFLOWS OF RESOURCES**

Pension deferrals

OPEB deferrals

 Total Deferred Outflows of Resources

**Net Position**

#  Net Investment in Capital Assets

 Restricted for:

 Law enforcement

 Capital improvements

 Working capital [minimum is only restriction]

 Unrestricted

#### Total Net Position

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

**ABC Board**

**(A component unit of ABC Government)**

**Statement of Revenues, Expenses and Changes in Net Position**

**For the Years Ended June 30, 2022**

**and June 30, 2021**

 2022 2021

**OPERATING REVENUES**

 Liquor Sales – Regular

 Mixed Beverage Sales

 Wine/Mixer Sales

 Total Gross Sales

**DEDUCT TAXES ON GROSS SALES**

 State Excise Tax

 Mixed Beverage Tax (Revenue)

 Mixed Beverage Tax (Human Resources)

 Rehabilitation Tax

#  Wine/Mixer Sales Tax

 Total Taxes

**Net Sales**

**COST OF SALES**

 Cost of Liquor Sold

 Cost of Wine Sold

**Gross Profit on Sales**

**OPERATING EXPENSES**

 Store Expenses

 Warehouse and Delivery Expenses

 Administrative Expenses

 Depreciation Expenses

 Total Operating Expenses

**Income From Operations**

**NON-OPERATING REVENUES AND EXPENSES**

Interest Income

Other Income (Identify)

Other Expenses (Identify)

 Total Non-operating Revenues (Expenses)

**ABC Board**

 **(A component unit of ABC Government)**

**Statement of Revenues, Expenses and Changes in Net Position**

**For the Years Ended June 30, 2022**

**and June 30, 2021**

 2022 2021

**Change in Net Position Before Distributions**

Deduct

 Law Enforcement

 Alcohol Education

**Change in Net Position Before Profit Distributions**

**PROFIT DISTRIBUTIONS**

 Municipality

 County

 Other (Identify)

 Total Profit Distributions

**Change in Net Position**

**Net Position, Beginning of Year**

**Net Position, Beginning of Year, Restated**

**Net Position, End of Year**

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

 **ABC Board**

 **(A component unit of ABC Government)**

**Statement of Cash Flows**

**For the Years Ended June 30, 2022**

**and June 30, 2021**

**Cash flows from operating activities:** 20222021

 Cash received from customers

 Payments for inventory costs

 Payments for operating expenses

 Taxes paid

 Other operating expenses

 Net cash provided (used) by operating activities

**Cash flows from capital and related financing activities:**

Acquisition and construction of capital assets

 Proceeds from the sale of assets

 Principal paid on loan maturities and equipment contracts

 Interest paid on loans and contracts

 Net cash provided (used) by capital

 and related financing activities

**Cash flows from non-capital financing activities:**

 Law enforcement distributions

 Alcohol education distributions

 Profit distributions to primary government

 Net cash provided (used) by non-capital

financing activities

**Cash flows from investing activities:**

 Interest earned on investments

 Investments purchased

 Investments redeemed or matured

 Net cash provided (used) by investing activities

 Net increase (decrease) in cash and cash equivalents

 Cash and cash equivalents, beginning of year

 Cash and cash equivalents, end of year

**ABC Board**

 **(A component unit of ABC Government)**

**Statement of Cash Flows**

**For the Years Ended June 30, 2022**

**and June 30,2021**

**Reconciliation of income from operations to**

**net cash provided (used) by operating activities: 2022 2021**

 Income (loss) from operations

Adjustments to reconcile income from operations

to net cash provided (used) by operating activities:

 Depreciation

 Changes in assets and liabilities:

 (Increase) decrease in accounts receivable

 (Increase) decrease in inventory

 (Increase) decrease in prepaid expenses

Decrease in deferred outflows of resources – pensions

(Increase) in deferred outflows of resources – OPEB

Increase (decrease) in accounts payable

 Decrease in accrued liabilities

 Increase in net pension liability

 Increase in deferred inflows of resources – OPEB

 Increase in OPEB liability

 Increase in accrued OPEB liability

 Total adjustments

 Net cash provided (used) by operating activities

**Noncash investing financing activities:**

 [Example]

Shortly before the statement of net position date, the ABC board entered into a capital lease agreement to purchase office equipment costing $7,500. No down payment and no monthly installments were made before year-end.

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

**ABC Board**

**(A component unit of ABC Government)**

**Notes to the Financial Statements**

**June 30, 2022**

**Note 1. Summary of Significant Accounting Policies**

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

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

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

B. Organizational History

The board was organized under the provisions of Session Law XXX of the North Carolina Legislature, General Assembly of XXXX, March X, XXXX, and implemented by a county wide (city wide) election held November X, XXXX. The city council appointed three individuals to serve on the ABC Board with terms of three years, two years and one year.

The ABC Board, as provided by North Carolina Alcoholic Beverage Control laws, operates two liquor stores and through its law enforcement division, investigates violations of such laws. North Carolina General Statute [18B-805(c)(2)(3)] requires that the 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.

*(****Note to preparer****: The 7% for alcohol education may not apply to those boards whose local enabling act sets a different* ***alcohol education*** *distribution.)*

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, 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.

At June 30, 2022, the ABC Board's deposits had a carrying amount of $X,XXX and a bank balance of $XX,XXX. All of the bank balance was covered by federal depository insurance.

At June 30,2021, the ABC Board's deposits had a carrying amount of $X,XXX and a bank balance of $XX,XXX. All of the bank balance was covered by federal depository insurance.

*(****Note to preparer:*** *The method of collateralization should be clearly disclosed for bank balances over the federal depository insurance limits****.)***

(2) Investments

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

The ABC Board’s investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by either quoted market prices, significant other observable inputs or significant unobservable inputs. Non-participating interest earning contracts and the NCCMT, an SEC registered 2a7 external investment pool, are measured at amortized cost, which is the NCCMT’s share price. The NCCMT Term Portfolio’s securities are valued based at fair value as determined by significant other observable inputs. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

*(****Note to preparer****: State the policy for valuing investments that are currently reported. For example, if the ABC Board does not invest in the NCCMT’s term portfolio, it is not recommended to include a disclosure about its valuation method.)*

 (3) 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.

(4) Accounts Receivable

 (5) Inventories

 Inventories are valued at LIFO.

 (6) Capital Assets

 Capital Asset activity for the year ended June 30, 2022 was as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | BeginningBalances | Increases | Decreases | EndingBalances |
| **Capital assets not being depreciated** |  |  |  |  |
|  Land | $XXX,XXX | $X,XXX |  | $XXX,XXX |
|  Construction in progress | $XXX,XXX | $X,XXX |  | $XXX,XXX |
|  Total capital assets not being depreciated | $XXX,XXX | $X,XXX |   | $XXX,XXX |
| **Capital assets being depreciated** |   |   |   |   |
|  Buildings | $XXX,XXX | $X,XXX | $X,XXX | $XXX,XXX |
|  Other improvements | $XXX,XXX | - | - | $XXX,XXX |
|  Equipment and Furniture | $XXX,XXX | $X,XXX | $X,XXX | $XXX,XXX |
|  Vehicles | $XXX,XXX | $X,XXX | $X,XXX | $XXX,XXX |
|  Computer equipment | $XXX,XXX | $X,XXX | - | $XXX,XXX |
|  Total capital assets being depreciated | $XXX,XXX | $X,XXX | $X,XXX | $XXX,XXX |
| **Less accumulated depreciation for:** |  |  |  |  |
|  Buildings | $XX,XXX | $X,XXX | - | $XX,XXX |
|  Other improvements | $XX,XXX | $X,XXX | - | $XX,XXX |
|  Equipment and Furniture | $XX,XXX | $X,XXX | $X,XXX | $XX,XXX |
|  Vehicles | $XX,XXX | $X,XXX | - | $XX,XXX |
|  Computer equipment | $XX,XXX | $X,XXX | - | $XX,XXX |
| Total accumulated depreciation | $XX,XXX | $XX,XX | $X.XXX | $XX,XXX |
|  Total capital assets being depreciated, net | $XX,XXX |  |  | $XX,XXX |
| **Capital Assets, net** | $XX,XXX |  |  | $XX,XXX |

 (7) 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 applies only when the ABC board employs its own ABC officer.

 c. Restricted for capital improvements - State law [G.S.18B-805(d)] requires approval of the appointing authority to establish this fund, outside of working capital, for **specific** capital improvements.

 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: (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)]. ***[Note to preparer: the minimum working capital is the only restricted amount of ABC board funds.]***

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

**Note 2. Stewardship, Compliance and Accountability**

Noncompliance with N. C. General Statutes

A. The ABC Board is not making the quarterly distributions required by G.S. 18B-805(g). The Board will put policies and procedures in place to ensure that future distributions are made in a timely manner.

B. For the fiscal year ended June 30, xxxx, the expenditures made by the ABC Board for [list] exceeded the authorized appropriations made by the governing board by $xx,xxx. Management and the Board will implement the following steps to ensure compliance in future years.

 **Note to the preparer:** A corrective action plan should be included for each statutory violation.

**Note 3. Detail Notes on All Funds**

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 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 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, 2022 was XXX% of compensation for law enforcement officers and XXX% 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 $X,XXX for the year ended June 30, 2022.

*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, 2022, the Board reported a liability of $XX,XXX for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022, (measurement date), the Board’s proportion was 0.XXX%, which was a decrease (or increase) of 0.XXX% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Board recognized pension expense of $X,XXX. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



$XX,XXX reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022 XXX

2023 XXX

2024 XXX

2025 XXX

2026 XXX

Thereafter XXX

*Actuarial Assumptions.* The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2020.

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, 2020 are summarized in the following table:



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

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments 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 liability to changes in the discount rate*. The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:



*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. Law Enforcement Officers’ Special Separation Allowance

**Note to preparer:** Notes for the Law Enforcement Officers’ Special Separation Allowance should be based on data specific to your board. Assumptions, measurement dates and other information requiring disclosure will not be uniform across the state. Please refer to your actuarial valuation report for specifics for your LEOSSA note and to GASB Statement No. 73 for specific disclosure requirements.

***1. Plan Description.***

ABC 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 0.85 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 ABC Board law enforcement officers are covered by the Separation Allowance. At December 31, 2019 the Separation Allowance’s membership consisted of:

|  |  |
| --- | --- |
| Retirees receiving benefits | X |
| Terminated plan members entitled to but not yet receiving benefits | X |
| Active plan members | XX |
| Total | XX |

***2. Summary of Significant Accounting Policies:***

*Basis of Accounting.* The Board has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

***3. Actuarial Assumptions***

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.5 percent

Salary increases 3.50 to 8.10 percent, including inflation and productivity factor

Discount rate 2.98 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

***3. Contributions.***

The Board is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made 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 $XXXX 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, 2022 the Board reported a total pension liability of $XXXX. The total pension liability was measured as of December 31, 2021 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Board recognized pension expense of $XXXX.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Deferred** |  | **Deferred** |
|  | **Outflows of** |  | **Inflows of** |
|  | **Resources** |  | **Resources** |
| Differences between expected and actual experience | $ |  | $ |
| Changes of assumptions | - |  | - |
| Board benefit payments and plan administrative expense made subsequent to the measurement date |  - |  |  - |
|  Total | $ |  | $ |

Year ended June 30:

2022 $

2023 $

2024

2025

2026

Thereafter

$XXXX paid as benefits came due and $XXX of administrative expenses during the year are reported as deferred outflows of resources.

*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 2.98 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 1-percentage-point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current rate:



****

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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2019.

***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 | $ | $ | $ |
| Pension Liability |  |  |  |
| Proportionate share of the net pension liability |  |  |  |
|  |  |  |  |
| Deferred of Outflows of Resources |  |  |  |
|  Differences between expected & actual experience |  |  |  |
|  Changes of assumptions |  |  |  |
|  Net difference between projected and actual earnings on plan investments |  |  |  |
|  Changes in proportion & differences between contributions & proportionate share of contributions |  |  |  |
|  Benefit payments & administrative costs paid subsequent to the measurement date |  |  |  |
|  |  |  |  |
| Deferred of Inflows of Resources |  |  |  |
|  Differences between expected and actual experience |  |  |  |
|  Change of assumptions |  |  |  |
|  Net difference between projected and actual earnings on plan investments |  |  |  |
|  Changes in proportion & differences between contributions and proportionate share of contributions |  |  |  |

C. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The ABC Board contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the ABC Board. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the ABC Board to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The Board made benefit payments of $XX,XXX for the reporting year. No amounts were forfeited.

 D. 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 to preparer**: In the disclosure above, the Local Government Employees’

Retirement System (LGERS) was the only group-term life insurance provided to an employee. This insurance has a maximum limit of $50,000.

If your unit provides additional group-term life insurance, please include a description of the policy in the above note. In addition, please note that the benefits in excess of $50,000 are considered taxable to the employee as a fringe benefit.

 E. Other Post-Employment Benefits

 Healthcare Benefits

**Note to preparer**: The following note disclosure presents an ABC board’s pay-as-you-go funded single-employer defined benefit postemployment healthcare plan. Each board has unique parameters based on its board-approved benefits, the participation by its members, the plan’s funding, etc. Therefore, the note must be tailored for the unique criteria of each local ABC board’s plan.

*Plan Description.* Under the terms of a Board resolution, the Board administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided.* As of \_\_\_\_\_\_\_\_\_\_\_, XXXX this plan provides postemployment healthcare benefits to retirees of the Board, provided they participate in the North Carolina Local Government Employees’ Retirement System (LGERS) and have at least twenty years of creditable service with the Board. The Board pays the full cost of coverage for these benefits through private insurers. The Board’s retirees cannot purchase spouse or dependent coverage.

|  |  |
| --- | --- |
| Retired Employees’ Years of Creditable Service | Date Hired |
| Less than 5 years | Not eligible for coverage |
| 5 – 20 years | Not eligible for coverage |
| 20+ years | Full coverage paid for by the Board |

**Note to preparer:** Please include specific details regarding who is and who is not covered under the plan, any employer cap to contributions, when or if Medicare assumes coverage, what benefits are included, etc.

Membership in the HCB plan consisted of the following at December 31, 20XX, the date of the last actuarial valuation.

|  |  |  |
| --- | --- | --- |
|  | General Employees | Law Enforcement Officers |
| Retirees and dependents receiving benefits |  |  |
| Terminated plan members entitled to but not yet receiving benefits |  |  |
| Active plan members |  |  |
|  Total |  |  |

(*If the OPEB plan has been closed to new entrants, the OPEB plan should disclose that fact.)*

**Total OPEB Liability**

The Board’s total OPEB liability of $xxx,xxx was measured as of December 31, 20XX and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.*  The total OPEB liability in the December 31, 20XX actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation x.x percent

Salary increases x.x percent, average, including inflation

Discount rate x.xx percent

Healthcare cost trend rates Medical – x.x%

 Prescription – x.x%

 Admin Expenses – x.x%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

**Changes in the Total OPEB Liability**

 **Total OPEB Liability**

**Balance at July 1,2022** $

**Changes for the year**

Service cost

 Interest

 Changes of benefit terms

 Differences between expected and actual experience

 Changes in assumptions or other inputs

 Benefit payments

 **Net changes**

**Balance at June 30, 2022**

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

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 2014 through December 2019.

*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 (x.xx%) or 1-percentage-point higher (x.xx%) than the current discount rate:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1% Decrease | Discount Rate (x.xx%) | 1% Increase |
| Total OPEB liability | $ | $ | $ |

*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:

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Medical – x.x%, Prescription – x.xx%, Admin Expenses – x.xx%) | Discount Rate (Medical – x.x%, Prescription – x.xx%, Admin Expenses – x.xx%) | (Medical – x.x%, Prescription – x.xx%, Admin Expenses – x.xx%) |
| Total OPEB liability | $ | $ | $ |

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

For the year ended June 30, 2022, the Board recognized OPEB expense of $xx,xxx. At June 30, 2022, 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 |
| Difference between expected and actual experience | $ | $ |
| Changes of assumptions |  |  |
| Benefit payments & administrative costs made subsequent to the measurement date |  |  |
|  Total | $ | $ |

$xx,xxx 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022 $

2023

2024

2025

2026

Thereafter

**Note 4. Debt**

*(****Note to preparer****: If this ABC Board is carrying debt, see GASB Statement No. 88 and LGC Memorandum # 2020-08)*

**Note 5. Leases**

The ABC Board has an operating lease for facilities at 13 West 1st Street, city name. The lease is a fifteen-year lease expiring December 31, 20XX.

 Lease Payment Schedule

 2022

 2023

 2024

 2025

 2026-2030

 Total

The ABC Board has leased the following equipment under capital leases:

 Equipment

 Store #1

 Store #2

The following is a schedule of the future minimum lease payments under capital leases and the present value of the net minimum lease payments at June 30, 2022:

 2022

 2023

 Total minimum lease payments

 Less amount representing interest

 Present value of net minimum lease payments

**Note 6. Related Party Transactions**

*(****Note to preparer:*** *Disclose significant transactions with elected officials, employees, and related organizations. Disclosures should include the nature of the relationship, a description and dollar amounts of the transactions, amounts due to or from related parties, etc.)*

**Note 7. Subsequent Events**

*(****Note to preparer:*** *Disclose events that occur between the end of the period covered by the financial statements and the statement issuance date that have a significant effect on the unit.)*

**Note 8. Vacation and Sick Leave Compensation**

***(Note to preparer:*** *Use benefits here that the ABC board has adopted)*

ABC board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2022 and June 30,2021 amounted to approximately $X,XXX and $X,XXX respectively. The current portion of the accumulated vacation pay is not considered to be material.

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

**Note 9. Distributions of Income**

The ABC Board has made distributions since inception as follows:

 Current Year Total to Date

 [xx% City of ]

 [xx% County of]

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

**Note 10. Law Enforcement and Alcohol Education Expenses**

The ABC 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 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).

|  |  |
| --- | --- |
| Profit before distributions: | $ X,XXX |
| Less: 3 1/2 % tax and bottle charge | XXX |
|  |  |
| Profit subject to expense percentages: | X,XXX |
| Law enforcement expenditures | X,XXX |
| -actual percentage of profit | X% |
| Provision for alcohol education and rehabilitation | X,XXX |
| -actual percentage of profit | X% |

**Note 11. 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 7/1/2021

 Taxes collected during the year

 Taxes remitted to Department of Revenue

 Taxes payable 6/30/2022

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

The accrued North Carolina excise tax at June 30, 2022 was remitted to the North Carolina Department of Revenue on July XX, 2022

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 XX,XXX @ 5 cents = $XX,XXX

 Mixed Beverage Bottles X,XXX @ 5 cents = X,XXX

 Miniature Bottles XX,XXX @ 1 cent = XX,XXX

 Total payment for the year = $ XX,XXX

*(****Note to preparer****: the breakdown of bottles sold is required and should reconcile with the Rehabilitation Tax)*

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.

The mixed beverage tax for the year was:

 Department of Revenue (50%) $X,XXX

 Department of Human Resources (5%) XXX

 Profit Retained (45%) X,XXX

 Total $X,XXX

**Note 12. Surcharge Collected**

The total amount of surcharge collected for the fiscal year was $X,XXX. The bailment surcharge rate is $1.15 per case.

**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 year was $X,XXX. The current sales tax rate is 7%.

**Note 14. Retail Outlets**

[This note is needed only for multi-store ABC boards.]

 The ABC Boardoperated with two retail outlets:

 Store #1 - 131 Elm Street, Town

 Gross Sales $X,XXX Change in Net Position $X,XXX

 Store #2 - 413 Wayne Street, Town

 Gross Sales $X,XXX Change in Net Position $X,XXX

**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 on this requirement is as follows:

 Minimum Amount

 Maximum Amount

 Actual Amount

 The board has met (or not met) the minimum amount of working capital

***(Note to preparer: If the board exceeds the maximum amount, specify whether these funds will be distributed or placed in a capital improvements account. If a capital improvements account is established, the appointing authority must approve it in advance).***

**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, workmen'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. Restatements**

Change in Accounting Principle

The ABC Board implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in the fiscal year ending June 30, 2019. 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 $xxx,xxx.

**REQUIRED**

**SUPPLEMENTARY INFORMATION**

ABC Board

ABC Board’s Proportionate Share of Net Pension Liability (Asset)

Required Supplementary Information

Last Eight Fiscal Years\*

Local Government Employees’ Retirement System

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| ABC Board's proportion of the net pension liability (asset) (%) | % | % | % | % | % | % | % | % |
| ABC Board's proportion of the net pension liability (asset) ($) | $ | $ | $ | $ | $ | $ | $ | $ |
| ABC Board's covered-employee payroll | $ | $ | $ | $ | $ | $ | $ | $ |
| ABC Board's proportionate share of the net pension liability (asset) |  |  |  |  |  |  |  |  |
| as a percentage of its covered-employee payroll | % | % | % | % | % | % | % | % |
|  |  |  |  |  |  |  |  |  |
| Plan fiduciary net position as a percentage of the total pension liability\*\* | 91.63% | 94.18% | 91.47% | 98.09% | 99.07% | 102.64% | 94.35% | 96.45% |
|  |  |  |  |  |  |  |  |  |
| \*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. |

ABC Board

ABC Board’s Contributions

Required Supplementary Information

Last Eight Fiscal Years

Local Government Employee’s Retirement System

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution | $ | $ | $ | $ | $ | $ | $ | $ |
| Contributions in relation to the contractually required contribution | $ | $ | $ | $ | $ | $ | $ | $ |
| Contribution deficiency (excess) | $ | $ | $ | $ | $ | $ | $ | $ |
| ABC Board's employee payroll | $ | $ | $ | $ | $ | $ | $ | $ |
| Contributions as a percentage of employee payroll | % | % | % | % | % | % | % | % |

ABC Board

Schedule of Changes in Total Pension Liability

Law Enforcement Officers’ Special Separation Allowance

For the Year Ended June 30, 2022

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2022 | 2021 | 2020 | 2019 |
| Beginning balance | $ | $ |  |  |
| Service Cost |  |  |  |  |
| Interest on the total pension liability |  |  |  |  |
| Changes of benefit terms |  |  |  |  |
| Differences between expected and actual experience in the measurement |  |  |  |  |
| of the total pension liability |  |  |  |  |
| Changes of assumptions or other inputs |  |  |  |  |
| Benefit payments |  |  |  |  |
| Other changes |  |   |  |  |
| Ending balance of the total pension liability | $ | $ |  |  |

The amounts presented for each fiscal year were determined as of the prior December 31.

**Note to preparer:** All years for which information is available should be presented. If your valuation report provides information from the prior year(s), present all prior years for which information has been provided to you.

ABC Board

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Law Enforcement Officers’ Special Separation Allowance

For the Year Ended June 30, 2022

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2022 | 2021 | 2020 | 2019 |
|  |  |  |  |  |
| Total pension liability | $ | $ | $ | $ |
| Covered payroll |  |  |  |  |
| Total pension liability as a percentage of covered payroll | % | % | % | % |

Notes to the schedules:

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.

**Note to preparer:** All years for which information is available should be presented. If your valuation report provides information from the prior year(s), present all prior years for which information has been provided to you.

**ABC Board**

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

**June 30, 2022**

**Total OPEB Liability 2022 2021**

Service cost

Interest

Changes of benefit terms

Differences between expected and actual experience

Changes of assumptions

Benefit payments \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_

**Net change in total OPEB liability**

**Total OPEB liability – beginning \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_**

**Total OPEB liability – ending**

**Covered payroll**

**Total OPEB liability as a percentage of covered payroll**

**Notes to Schedule**

Changes of assumptions: 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

 2022 x.xx%

 2021 x.xx%

**Note to preparer**: All years for which information is available should be presented. If your valuation report provides information from the prior years), present all prior years for which information has been provided to you.

**SUPPLEMENTARY INFORMATION**

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

**ABC Board**

**Schedule of Expenses by Store**

**For the Years Ended June 30, 2022**

**and June 30,2021**

 2022 2021

Salaries

Payroll Taxes

Employees' retirement

Group Insurance

Cash (over or short)

Repairs and maintenance - Buildings

Repairs and maintenance - Equipment

Utilities

Insurance – General & Liability

Store Supplies

License/taxes

Janitorial Service

Maintenance Agreements

Security

Breakage

Card Processing Fees

Miscellaneous

Total Store Expenses

**ABC Board**

**Schedule of Administrative Expenses**

**For the Years Ended June 30, 2022**

**and June 30,2021**

 2022 2021

Salaries

Payroll Taxes

Board Member Compensation

Employees' Retirement

Employee Travel

Board Member Travel

Group Insurance

Repairs and Maintenance - Equipment

Utilities

Insurance and Bonding

Office Supplies

Maintenance Agreements

Professional Services

Dues and Subscriptions

Data Processing

Vehicle Expense

Miscellaneous

Total Administrative Expenses

**ABC Board**

**Schedule of Warehouse Expenses**

**For the Years Ended June 30, 2022**

**and June 30,2021**

 2022 2021

Salaries

Payroll Taxes

Employees' Retirement

Group Insurance

Repairs and Maintenance - Building

Repairs and Maintenance - Equipment

Utilities

Insurance - General

Delivery Expense

Office Supplies

Vehicle Expense

Miscellaneous

Breakage

Total Warehouse Expense

**Schedule of Distributions of Profits**

**For the Year Ended June 30, 2022**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Distribution** | Recipient | Amount | Date of Distribution | Restrictions on Use |
| Law Enforcement |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  Total |  | $ |  |  |
|  |  |  |  |  |
| Alcohol Education |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  Total |  | $ |  |  |
|  |  |  |  |  |
| County/Municipality |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  Total |  | $ |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**ABC Board**

**Schedule of Revenues and Expenditures - Budget and Actual**

**For the Year Ended June 30, 2022**

 Variance Original Revised Positive Budget Budget Actual (Negative)

Revenues:

Operating revenues:

Liquor sales – regular

Mixed beverage sales

Wine/mixer sales \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Total

Non-operating revenues:

Interest \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Total revenues

Expenditures:

Taxes based on revenue:

State excise tax

Mixed beverage tax (Revenue)

Mixed beverage tax (Human resources)

Rehabilitation tax

Wine/mixer sales tax \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Total

Cost of goods sold \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Operating Expenses:

Salaries and benefits

Board member expense

Rent

Utilities

Repairs & maintenance

Office/store supplies

Insurance – general & bonds

Travel

Professional fees

Credit card fees

Contingencies

Total

Capital outlay:

Debt service:

Total expenditures \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Distributions:

Law enforcement

Alcohol education & rehab.

County

Municipal

Other \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Total \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Total expenditures & distributions

Revenues over expenditures

Other financing (uses):

Working capital retained

(Unrestricted funds) \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Revenues over expenditures

 and other financing (uses) $\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_

**Reconciliation from budgetary**

**basis (modified accrual) to**

**full accrual:**

Reconciling items:

Depreciation

Increase in accrued vacation pay

Decrease in net pension asset

Increase (or decrease) in deferred outflows of resources – pensions

Increase in net pension liability

Decrease (or increase) in deferred inflows of resources - pensions

Increase in accrued OPEB liability

Total

Change in net position \_$\_\_\_\_\_\_\_\_\_