

**Black Mountain Board of
Alcoholic Beverage Control
Black Mountain, North Carolina**

Financial Statements

June 30, 2010

BLACK MOUNTAIN BOARD OF ALCOHOLIC BEVERAGE CONTROL

(Component Unit of the Town of Black Mountain)

(Organized under the provisions of

Senate Bill #351 of the North Carolina

Legislature, General Assembly of 1971, March 31, 1971)

Directors

	<u>Term to Expire July 21</u>
Donna Hughes, Chairperson	2010
John Sobol, Member	2011
Lloyd Spaulding, Member	2012

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 3
Basic Financial Statements	
Statements of Net Assets	4
Statements of Revenues, Expenses and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13
Supplemental Financial Data	
Selling and Administrative Expenses	14

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

The Board of Directors
Black Mountain Board of Alcoholic Beverage Control
Black Mountain, North Carolina

We have audited the accompanying basic financial statements of Black Mountain Board of Alcoholic Beverage Control, a component unit of the Town of Black Mountain, as of June 30, 2010 and 2009, and for the years then ended. These basic financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these basic 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Black Mountain Board of Alcoholic Beverage Control as of June 30, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial data is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gould Killian CPA Group, P.A.

Asheville, North Carolina

October 4, 2010

Management's Discussion and Analysis

This section of the Alcoholic Beverage Control (ABC) Board's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2010. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- Sales are down 2.82% compared to the same period last year.
- Profit before distributions increased \$8,790 compared to the same period last 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 3 statements. The first statement is the statement of net assets. 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 assets. 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 certain schedules in addition to the information required by generally accepted accounting principles. They include a Schedule of Selling and Administrative Expenses.

Financial Analysis of the ABC Board

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$336,396 at June 30, 2010. The largest component of net assets was property and equipment. It was 42% of the total net assets. Following is a summary of the Statement of Net Assets.

	6/30/2010	6/30/2009	\$ Change	% Change
Current assets	\$ 313,261	\$ 315,250	\$ (1,989)	-1%
Noncurrent assets	142,915	152,481	(9,566)	-6
Total assets	456,176	467,731	(11,555)	-2
Current liabilities	119,780	141,466	(21,686)	-15
Total liabilities	119,780	141,466	(21,686)	-15
Invested in capital assets	142,915	152,481	(9,566)	-6
Restricted net assets	44,212	46,940	(2,728)	-6
Unrestricted net assets	149,269	126,844	22,425	18
Total net assets	\$ 336,396	\$ 326,265	\$ 10,131	3%

Net assets increased by \$10,131. Income from operations increased by 14% from the prior year. Following is a summary of the changes in net assets:

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

	Years Ended		\$ Change	% Change
	6/30/2010	6/30/2009		
Operating revenues	\$ 1,474,683	\$ 1,517,501	\$ (42,818)	-3%
Less: Taxes on gross sales	325,180	297,066	(28,114)	9
Net sales	1,149,503	1,220,435	(70,932)	-6
Cost of sales	798,845	841,771	(42,926)	-5
Gross profit	350,658	378,664	(28,006)	-7
Less: Operating expenses	271,346	308,787	(37,441)	-12
Income from operations	79,312	69,877	9,435	14
Nonoperating revenues and expenses	1,123	1,768	(645)	-36
Change in net assets before distributions	80,435	71,645	8,790	12
Distributions	70,304	104,319	(34,015)	-33
Change in net assets	10,131	(32,674)	42,805	
Net assets, beginning	326,265	358,939	(32,674)	
Net assets, ending	\$ 336,396	\$ 326,265	\$ 10,131	

The increase in net assets is due to an reduction in operating expenses and distributions.

Capital Asset and Debt Administration

Capital Assets

The Board purchased no capital assets during the year ended June 30, 2010.

Debt Administration

The Board has no long-term debt.

Economic Factors

A national recession continues during 2009 and into 2010. Liquor sales locally and state-wide have declined from prior year

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:

Mr. Terry Griffin
Black Mountain ABC Board
207 Highway 9
Black Mountain, NC 28711

BLACK MOUNTAIN BOARD OF ALCOHOLIC BEVERAGE CONTROL

STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 93,114	\$ 172,128
Inventory	219,269	139,791
Prepaid expenses	878	3,331
	<u>313,261</u>	<u>315,250</u>
Property and Equipment:		
Land	66,737	66,737
Building and improvements	180,012	180,012
Equipment	78,041	78,041
	<u>324,790</u>	<u>324,790</u>
Accumulated depreciation	(181,875)	(172,309)
Property and equipment, net	<u>142,915</u>	<u>152,481</u>
	<u>\$ 456,176</u>	<u>\$ 467,731</u>
Liabilities and Net Assets		
Current Liabilities:		
Distillers	\$ 69,469	\$ 92,044
Others	2,837	4,193
Payroll taxes	2,719	3,932
State excise taxes -- liquor	26,922	23,639
Sales tax payable	9,715	8,626
County rehabilitation charge	422	448
Distributions	1,823	-
Accrued vacation pay	5,873	8,584
	<u>119,780</u>	<u>141,466</u>
Net Assets		
Invested in capital assets	142,915	152,481
Restricted for minimum working capital	44,212	46,940
Unrestricted	149,269	126,844
	<u>336,396</u>	<u>326,265</u>
Net Assets	<u>\$ 456,176</u>	<u>\$ 467,731</u>

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

BLACK MOUNTAIN BOARD OF ALCOHOLIC BEVERAGE CONTROL

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS**

For the years ended June 30, 2010 and 2009

	2010	2009
Gross liquor sales	\$ 1,474,683	\$ 1,517,501
Less taxes on gross sales:		
State excise tax	319,913	291,647
Rehabilitation charge	5,267	5,419
Total taxes	<u>325,180</u>	<u>297,066</u>
Net sales	1,149,503	1,220,435
Cost of sales	<u>798,845</u>	<u>841,771</u>
Gross profit	<u>350,658</u>	<u>378,664</u>
Operating expenses:		
Store and administrative	261,780	297,519
Depreciation	9,566	11,268
Total operating expenses	<u>271,346</u>	<u>308,787</u>
Income from operations	79,312	69,877
Non-operating income (expense):		
Interest income	<u>1,123</u>	<u>1,768</u>
Changes in net assets before distributions	<u>80,435</u>	<u>71,645</u>
Distributions:		
Law enforcement	3,708	2,541
Alcohol education	2,596	1,778
Total distributions	<u>6,304</u>	<u>4,319</u>
Changes in net assets before profit distributions	<u>74,131</u>	<u>67,326</u>
Profit distributions:		
Town of Black Mountain	48,000	75,000
Buncombe County	16,000	25,000
	<u>64,000</u>	<u>100,000</u>
Changes in net assets	10,131	(32,674)
Net assets, beginning of year	<u>326,265</u>	<u>358,939</u>
Net assets, end of year	<u>\$ 336,396</u>	<u>\$ 326,265</u>

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

BLACK MOUNTAIN BOARD OF ALCOHOLIC BEVERAGE CONTROL

STATEMENTS OF CASH FLOWS
For the years ended June 20, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,474,683	\$ 1,517,501
Cash payments to suppliers for goods and services	(1,356,382)	(1,216,899)
Cash payments to employees for services	(129,957)	(159,490)
Net cash provided (used) by operating activities	<u>(11,656)</u>	<u>141,112</u>
 Cash Flows from Non-Capital Financing Activities:		
Law enforcement distributions	(1,200)	(2,541)
Alcohol education distribution	(800)	(1,778)
Profit distributions	(66,481)	(102,618)
Net cash used by non-capital financing activities	<u>(68,481)</u>	<u>(106,937)</u>
 Cash Flows from Investing Activities:		
Interest on investments	<u>1,123</u>	<u>1,768</u>
 Increase (decrease) in cash	(79,014)	35,943
Cash, beginning of year	<u>172,128</u>	<u>136,185</u>
Cash, end of year	<u>\$ 93,114</u>	<u>\$ 172,128</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Income (loss) from operations	\$ 79,312	\$ 69,877
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,566	11,268
Change in assets and liabilities:		
Inventory	(79,478)	27,766
Prepaid expenses	2,453	(2,491)
Accounts payable and accrued expenses	(23,509)	34,692
Total adjustments	<u>(90,968)</u>	<u>71,235</u>
Net cash provided by operating activities	<u>\$ (11,656)</u>	<u>\$ 141,112</u>

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

BLACK MOUNTAIN BOARD OF ALCOHOLIC BEVERAGE CONTROL

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies

The Board's accounting policies reflect industry practices and conform to accounting principles generally accepted in the United States of America. Policies considered significant are briefly described below.

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

The Black Mountain Board of Alcoholic Beverage Control, a component unit of the Town of Black Mountain, is a corporate body with powers outlined by General Statutes Chapter 18B 701. The Town'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 Town which represents a financial benefit to the Town. Therefore, the Board is reported as a discretely presented component unit in the Town's financial statements.

B. Organizational History -

The Board was organized under the provisions of Senate Bill #351 of the North Carolina Legislature, General Assembly of 1971, March 31, 1971, and implemented by a town wide election held July 13, 1971. Appointments by the Black Mountain Town Council are for three-year terms.

North Carolina General Statute 18B-805(c)(2) and (3) requires that the Board expend at least 5% of profits for law enforcement and at least 7% of profits for alcohol education and rehabilitation purposes.

From inception, the Board has operated a single store.

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 assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Basis of Accounting -

The financial statements have been prepared on the accrual basis of accounting. All sales are made for cash (or credit card) and recorded at the time of sale; revenues are recorded when earned. Expenses are recognized when incurred. The Board has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These standards provide for the inclusion of Management's Discussion and Analysis as required supplementary information.

E. Deposits -

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

All of the Board's deposits are either insured or collateralized by using one of two options. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Board's agent in the Board's name. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the board agent in the Board's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository.

At June 30, 2010, the Board's deposits had a carrying amount of \$91,814 and a bank balance of \$104,459. All of the bank balance was covered by Federal depository insurance. The store also had cash on hand at June 30, 2010 of \$1,300.

F. 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.

G. Investments -

G.S. 159-30(c) authorizes The 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, an SEC registered mutual fund. Investments are stated at cost or amortized cost. The Board held no investments at June 30, 2010.

H. Inventory -

Inventory is priced by reference to the latest available price lists which approximated the lower of cost (first-in, first-out method) or market at June 30, 2010 and 2009.

I. Fair Value of Financial Instruments -

The carrying values of cash, accounts receivable, accounts payable and accrued expenses are reasonable estimates of their fair values because of the short maturity of these financial instruments.

J. Property and Equipment -

Property and equipment are stated at cost and are being depreciated over their estimated useful lives on a straight-line basis as follows:

	Useful Life	Accumulated Depreciation	
		6/30/10	6/30/09
Building and improvements	40 years	\$ 109,902	\$ 104,127
Equipment	5 - 10 years	71,973	68,182
		<u>\$ 181,875</u>	<u>\$ 172,309</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

K. Unemployment Compensation -

The Board has elected to pay direct costs of employment security benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees.

L. Net Assets

Net assets consist of the following:

- a. Invested in capital assets – This component of net assets 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- b. 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 four 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)].
- c. Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of restricted or *invested in capital assets, net of related debt*.

M. Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Vacation and Sick Leave Compensation

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. Accumulated earned vacation pay at June 30, 2010 and 2009, amounted to \$5,873 and \$8,584, respectively.

Employees can accumulate an unlimited amount of unused 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 liability for sick leave has been recorded.

Note 3 - Lease and Rental Expense

The Board rents various equipment under short-term lease arrangements. Rental expense for the years ended June 30, 2010 and 2009 amounted to \$436 and \$1,095, respectively.

Note 4 - Distributions of Income

The Board has made distributions since its inception in 1971 as follows:

	<u>Current Year</u>	<u>Total To Date</u>
75% Town of Black Mountain	\$ 48,000	\$ 1,540,927
25% Buncombe County	<u>16,000</u>	<u>513,640</u>
	<u>\$ 64,000</u>	<u>\$ 2,054,567</u>

N.C. General Statute 18B-805(e) requires that the entire net income, after deducting amounts required for law enforcement and education and retaining sufficient working capital, be paid quarterly to the County and Town.

Note 5 - Law Enforcement and Alcoholic Education Expenses

The Board is required by law to expend at least 5% of its total profits for law enforcement and not less than 7% of its total profits for education on the excessive use of alcoholic beverages and for rehabilitation of alcoholics. The Board has decided to expend 10% of its total profits for law enforcement and 7% of its total profits for alcohol education and rehabilitation. Profits are defined by law for these calculations as income before law enforcement and educational expenses, less the 3-1/2% markup provided in G.S. 18B-804(b)(5) and the additional bottle charge provided for in G.S. 18B-804(b)(6b).

	2010	2009
Profit before required distributions	\$ 80,435	\$ 71,645
Less: 3-1/2% tax and additional bottle charge	<u>(43,352)</u>	<u>(46,241)</u>
Profit subject to expense percentages	<u>\$ 37,083</u>	<u>\$ 25,404</u>
Law enforcement expenditures - actual	<u>\$ 3,708</u>	<u>\$ 2,541</u>
Percentage of profit	10%	10%
Provisions for alcoholic education and rehabilitation - actual	<u>\$ 2,596</u>	<u>\$ 1,778</u>
Percentage of profit	7%	7%

Note 6 - Disbursement of Taxes Included in Selling Price

A state excise tax at the rate of 25% through August, 2009 and 30% effective September 1, 2009, on the retail (net sales) price is charged monthly on liquor sales. Transactions for this account for the year ended June 30, 2010 and 2009 are summarized as follows:

	2010	2009
Taxes payable, beginning of year	\$ 23,639	\$ 24,014
Taxes collected for the year	319,913	291,647
Taxes remitted to Department of Revenue	<u>(316,630)</u>	<u>(292,022)</u>
Taxes payable, end of year	<u>\$ 26,922</u>	<u>\$ 23,639</u>

The North Carolina excise tax payable at June 30, 2010 was remitted to the North Carolina Department of Revenue in July 2010.

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 or rehabilitation. For 2010 and 2009, payments to the county were based on the following bottle sales:

Bottle Size	Chg.	2010		2009	
		Number of Bottles	Rehabilitation Tax	Number of Bottles	Rehabilitation Tax
Larger than 50 ml.	.05	99,467	\$ 4,973	102,838	\$ 5,142
50 ml. or less	.01	<u>29,377</u>	<u>294</u>	<u>27,712</u>	<u>277</u>
Total		<u>128,844</u>	<u>\$ 5,267</u>	<u>130,550</u>	<u>\$ 5,419</u>

Note 7 - Bailment Surcharge Collected

The total amounts of bailment surcharge collected for the years ended June 30, 2010 and 2009, amounted to \$7,676 and \$7,913, respectively.

Note 8 - 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 \$115,647. (The sales tax rate was 7% through August 2009 and increased to 8% effective September 1, 2009.)

Note 9 - Working Capital

The Black Mountain 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 nor greater than four months' average gross sales of the last fiscal year. Gross sales means gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4).

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

Minimum amount	\$	44,212
Maximum allowed	\$	383,168
Actual working capital as defined by Alcoholic Beverage Control Commission Rule .0902	\$	192,603

The Black Mountain Board of Alcoholic Beverage Control has met the minimum amount of working capital required.

Note 10 - North Carolina Local Governmental Employees' Retirement System**A. Plan Description -**

The ABC Board contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

B. Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The ABC Board is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement is 9.08% of annual covered payroll. The contribution requirements of members and the ABC Board are established and may be amended by the North Carolina General Assembly. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$8,760, \$14,199 and \$10,667, respectively. The contributions made by the ABC Board equaled the required contributions for each year.

Note 11 - Breakage Expense

Breakage expense is recovered from the distillers and none is absorbed by the Board.

Note 12 - Risk Management

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

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

In accordance with G.S. 18B-700(i), each board member is bonded in the amount of \$5,000, secured by a corporate surety.

In accordance with G.S. 18B-803(b) and (c), the store manager is bonded for \$5,000. All other employees who have access to funds are bonded under a blanket bond for \$5,000.

Note 13 - Subsequent Events

The Board evaluated the effects subsequent effects would have on the financial statements through October 4, 2010; which is the date the financial statements were available to be issued.

SUPPLEMENTAL FINANCIAL DATA

BLACK MOUNTAIN BOARD OF ALCOHOLIC BEVERAGE CONTROL

SELLING AND ADMINISTRATIVE EXPENSES

For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Board members - per diem	\$ 2,100	\$ 2,100
Salaries and wages	129,957	159,490
Payroll taxes	10,002	11,891
Retirement - employer portion	8,760	14,199
Group insurance	27,046	44,055
Supplies	3,236	4,015
Memberships, dues and subscriptions	365	477
Equipment repairs and maintenance	760	58
Building repairs and maintenance	1,415	4,417
Equipment rental	436	1,095
Utilities	7,525	6,543
Telephone	2,186	2,370
Postage	466	252
Cleaning service	25	170
General insurance	7,591	7,657
Professional fees	26,988	8,115
Software maintenance fees	3,842	2,408
Office expense	1,650	840
Cash over/short	10	-
Bank charges	3,444	3,346
Credit card charges	23,674	23,968
Miscellaneous	302	53
	<u> </u>	<u> </u>
Total	<u>\$ 261,780</u>	<u>\$ 297,519</u>