Asheboro ABC Board

Performance Audit Report

Alcoholic Beverage Control Commission
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NORTH CAROLINA

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August 13, 2025

Asheboro ABC Board
Stephen Knight, Chair
700 S. Fayetteville St
Asheboro, NC 27203

Chairperson Knight,

On the following pages, you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Asheboro ABC Board. The report consists of an overview of the objectives & background summary, financial analysis and findings, and a summary of actions recommended based upon your board's performance and related findings. Additional considerations are listed as well to provide further guidance and enhance awareness to promote ABC board success.

Please reach out if you have any questions or require assistance in implementing any of the statute requirements, Commission rules, or other recommendations included in the report. On behalf of the North Carolina ABC Commission, I thank you and your staff for your assistance and cooperation in conducting this periodic review. We appreciate the continued efforts by your board to comply with the performance standards, as well as the board's commitment to increase profitability and reduce expenses.

If we can be of assistance in the future, please do not hesitate to reach out to the Commission staff.

Respectfully,

Michael G. DeSilva

Michael DeSilva
Deputy Commissioner

OBJECTIVE, PURPOSE & BACKGROUND INFORMATION

In addition to regular and special financial audits, G.S. 18B-705(a) authorizes the NC ABC Commission to conduct performance audits of all local ABC boards in the state. Performance audits are examinations of existing operating policies, practices, controls, and activities to determine those areas in which there may be a need for improvement.

The audits are designed to ensure that all local ABC Boards comply with established performance standards pursuant to G.S. 18B-203(a)(20). The audit's scope addresses compliance with ABC laws and rules, store appearance, operating efficiency, solvency, and customer service.

To achieve the objectives of the audit, auditors:

- Review applicable General Statues, ABC Commission Rules, and Administrative Policies
- Review applicable reports and studies of ABC Boards with similar size and geography.
- Verify compliance with Commission and Board policies.
- Verify results of previous performance audit recommendations
- Review ABC Board annual independent financial audits.
- Review ABC Board reporting and documentation reports.
- Visit the store(s)
- Interview key ABC Board personnel.

Asheboro, North Carolina, is a charming city nestled in the heart of the state, offering a blend of natural beauty, cultural attractions, and small-town hospitality. With a population of approximately 27,000, it's the largest city in Randolph County and part of the Piedmont Triad region, which includes Greensboro, High Point, and Winston-Salem. Asheboro is home to the North Carolina Zoo, the world's largest natural habitat zoo, spanning over 500 developed acres. The zoo houses more than 1,800 animals representing over 250 species, primarily from Africa and North America.

Aviation enthusiasts can explore military and civilian aircraft, along with military vehicles and memorabilia, in this 20,000-square-foot museum. The Pisgah Covered Bridge, one of only two remaining original covered bridges in North Carolina, this historic 1911 structure offers a picturesque spot for visitors. There’s also the Uwharrie National Forest. Just outside Asheboro, this 51,000-acre forest provides opportunities for hiking, boating, and camping, with trails like the Uwharrie National Recreation Trail and areas such as the Birkhead Mountains Wilderness. Asheboro serves as the setting for Nicholas Sparks' novel *Counting Miracles*. Fans can explore locations featured in the book, such as the North Carolina Zoo, Uwharrie National Forest, and downtown spots like Four Saints Brewing Company and Antiques & Geeks. Whether you're interested in wildlife, history, outdoor adventures, or cultural experiences, Asheboro offers a diverse array of attractions for visitors and residents alike.

The general manager is responsible for the oversight of all daily operations, inventory management, accounts payable, human resource organization and other administrative decisions for the board. The board hired an external accountant who assists with payroll, financial reporting, the annual audit, and other bookkeeping duties as needed. All store employee’s primary responsibility is to provide friendly customer service to all customers, store upkeep and stock maintenance.

A mixed beverage referendum occurred on July 29, 2008, and it passed. *Currently, the Asheboro ABC Board appoints a chairperson, two board members and a general manager to serve on the ABC board.* The Asheboro ABC Board currently operates one (1) retail store. The board staffs thirty (13) in total personnel. These include four (4) full-time employees and six (6) part-time personnel. The general manager is responsible for daily store operations including supervising personnel, inventory management, and various retail functions. The board’s General Manager is also the Finance Officer, while Stephen Knight is the assistant Finance Officer. The GM provides the board with fiscal management, administrative support, and oversees routine operations of the ABC stores. Sales associate responsibilities include, selling products, daily stocking, and floor upkeep & maintenance.

The last performance audit for the Asheboro ABC Board occurred in 2015. The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.

OPERATIONAL OBSERVATIONS, FINDINGS,
REQUIRED ACTIONS, & RECOMMENDATIONS

On Monday, May 12, 2025, ABC Board Program Analyst II Eric McClary, visited the Asheboro ABC Board and interviewed Amy Welch (General Manager). Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.

FINANCIAL ANALYSIS

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2024, the Asheboro ABC Board had a profit percentage to sales of 13.32%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales more than $2M yet less than $10M is 6.5%. The Asheboro ABC Board's gross sales totaled $5,862,859, which was a 3.4% increase from the previous fiscal year.

The operating cost ratio for the Asheboro ABC Board was *0.47* in FY 2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is *.73* or less.

Thus, the Asheboro ABC Board met the profitability standard and commendably made the operating cost standard set by the NC ABC Commission. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	$1,517,698	$1,438,736
Income from Operations	$780,776	$734,132

Factors affecting profitability and cost include:

- Surrounding areas with other ABC Boards operating stores which are within a 25-mile radius include Liberty ABC, Ramseur ABC, Randleman ABC, Thomasville ABC, Siler City ABC, High Point ABC and Biscoe ABC.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Asheboro ABC Board's cost of goods sold was approximately **51.0%** in FY 2024.

BUDGET ANALYSIS

	FY 2023-2024 Budget Projections	*FY2023-2024 Actual*	Variance	Variance %
Sales	$6,154,250	*$5,885,196*	($269,054)	(4.3%)
Revenue over or (under) Expenditures		*($65,124)*		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were under forecasted projections by 4.3%. In addition, the net income change during the fiscal year was ($53,735). *The board's collective net position on June 30, 2024, was $1,031,643.*

DISTRIBUTIONS

G.S. 18B-805 (b) requires the board to pay from gross receipts, all expenses, excise, and rehabilitation taxes. G.S. 18B-805(c)(2) requires the board to *typically* distribute at least five percent (5%) of applicable gross receipts to law enforcement and *typically* at least seven percent (7%) for alcohol education. *Before assigning these percentage distributions, G.S. 18B-805(c)(1) requires the board to first make a minimum quarterly distribution of the 3.5% markup & relevant bottle charges to certain county/municipal recipients.* **Some of these distribution percentages are designated by an official local enabling act (*and thus distribution requirements and recipients are subject to vary).***

Asheboro ABC made a total of $1,356,441 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), NC Department of Health & Human Services (NCDHHS), and the county commissioners of Randolph County.

Per the local enabling act, the distribution formula for recipients of net profits is as follows:

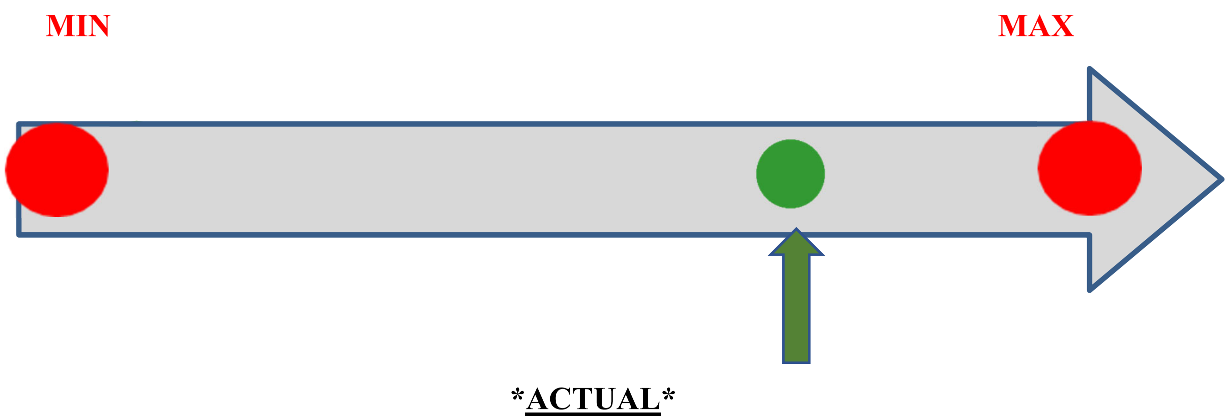
- One Hundred percent (100%) to Asheboro general fund.

WORKING CAPITAL

G.S. 18B-805(d) allows the board to set aside a portion of the remaining gross receipts, within the limits set by the rules of the Commission, as cash to operate the ABC system. The NC ABC Commission has set a working capital standard for boards with annual gross sales more than $1.5M an amount equal to four (4) months of sales revenue.

Based upon the existing rules, as of June 30, 2024, the Asheboro ABC Board is required to maintain a minimum working capital of $173,354 with a maximum working capital amount of $1,126,800. The Asheboro ABC Board had a working capital balance of $695,485 which falls below the Commission requirements for this section (*).

*** FY 2023-2024:** ***Working Capital (WC) graphic***



Under 18B-805(d), with approval of the appointing authority for the board, the local board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements whenever working capital is exceeded.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

The findings for personnel, operational & administrative compliance are as follows:

The board holds board meetings the 1st Tuesday of each month at 5:30 PM, records regular meeting minutes, and provides public notification and awareness of these meetings. The meeting minutes are organized in a folder for review. They record regular meeting minutes and provide public notification and awareness of these meetings. The meetings are organized by session and kept in a book. Board meetings were viewed and followed the order of proceedings, providing sufficient detail that a reasonable person would be able to follow what transpired.

° Training Records: Board members and board personnel are not fully compliant on ethics training referencing GS 18B-706. One member is due for completion.

- Oath of Office*:* All board members have taken an oath. All board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Written template is available in the operations manual on Commission website.*
- General Manager (GM) Salary and Board Member compensation: GM salary fully adheres to 18B-700(g1) statute requirements. The Board member compensation complies with statute 18B-700(g) requirement.
- Board website review: The board's login website was updated by the Commission in 2022 for board member term tenure information (*begin dates & end dates*). **Special note**: As part of a revalidation effort, the Commission has worked to revalidate term tenure information for all ABC boards across the state, working directly with the appointing authorities. As a value-added measure for all ABC boards and Commission records tracking in summer 2022, the term begin dates as well as term end dates were entered on all individual ABC board websites.
    - *The expectation going forward is that ABC boards will better manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
- Board Personnel & Board Members: The general manager is very meticulous with oversight and recordkeeping including keeping board meeting minutes in heavily reinforced binder. The GM provides board members with monthly sales information and previous year's applicable sales and operational concerns along with financials from accounting firm. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.
- POLICIES: The board has a personnel manual, and the Commission does have a current copy. Also, the Commission does have a current copy of their travel policy. For travel policy, Commission records indicate the board adheres to the State travel policy.
- Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings or employee tastings, and social media.

- FINANCIAL INSIGHT: Invoices are processed monthly by the General Manager. Invoice records for recent liquor purchases reflect them as being paid routinely well inside of 30 days. Taxes and distributions are paid in a routine and timely manner. The board uses Quick Books for routine journal entries.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- Bank deposits are routinely made each business day per review of bank Statements and discussion with GM. For safeguard measures and adherence to *Commission rule 15A .0905 Daily Deposits*, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.
- All board members and applicable personnel are each bonded for $50,000 per G.S. 18B-700(i).

- Law Enforcement (LE) Contract: The board has an active contract on file however is outdated, dated year 2008. The Commission will require the board to produce an updated copy. The board also has been submitting LE reports since January 2024.

- The annual CPA audit was received and logged by the Commission on September 16, 2024.

- STATUTORY DISTRIBUTIONS:
  - Net Profit Distributions - The Asheboro ABC Board has routinely made the minimum mandatory distributions to the designated recipients over the last three years referencing NCGS 18B-805(c)(1). **The table below references distributions calculated by CPA on the left and total net profit distributions made by the ABC Board for the last three (3) years on the right.**
  - Law Enforcement Distributions: Have been properly disbursed at or above the regular 5% statute amount over the last three (3) fiscal years.
  - Alcohol Education Distributions: Have been properly disbursed at or above the regular 7% statute amount. This distribution category has been increased moderately annually.

NC GENERAL STATUTE: 18B-805 (c)(1)				
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients ***Note: Referencing CPA Audit Reports***			**Asheboro ABC Board Net profit distribution made annually by fiscal year**	
CPA Calculated Amount			**Total paid to recipient(s)**	
FY-2024	***$162,709***		**FY-2024**	***$780,000***
FY-2023	***$157,804***		**FY-2023**	***$680,000***
FY-2022	***$154,410***		**FY-2022**	***$579,000***

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- LAW ENFORCEMENT (LE) REPORTS: Reports have been submitted online routinely since January 2024.

  - LAW ENFORCEMENT (LE) CONTRACT: The Commission has an electronic copy of a law enforcement contract, which is outdated and is FY 2008. The Board will provide an updated LE contract to the Commission.

  - INVENTORY: Full store inventories are conducted monthly. Outside of this, spot checks in certain categories are conducted at random intervals.

  - INTERNAL CONTROLS:
    - The board has three (3) full-time employees to support the general manager.
    - The board has 10 tills, The tills contain $250.00 before they get their loan. The opening employees obtain loan out of the safe for the individual till. The manager will then gauge how much and what change is required.
    - The General Manager prepares monthly financial statements for the board. The GM also reviews and makes these available for the monthly board meetings.
    - Invoice information is entered into Quick Books, cash requirements are printed for the truck shipments and the Purchase Orders History from the computer system and is utilized to balance totals to make sure invoices / inventory match the system.
    - Bank Deposits are made each day by the general manager. Personnel review deposits and the general manager compares deposit slips with bank statements and the Finance Officer reviews at monthly reconciliation. *For safeguard measures and adherence to Commission rule 15A0905 Daily Deposits, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.*

  - EXPENSES:
    - Total operating expenses increased 4.5 % from the last fiscal year.
    - Board salaries was roughly 7.7% of total annual sales.
    - Cost of Goods Sold (COGS) were an impressive 51.0%.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Store has a modern layout, good ergonomics for shoppers, and plenty of inventory on the shelves.
- Sales associate interactions with customers are attentive, courteous, and all are eager to meet the needs of the customers.
- The board has twenty-nine (29) MXB customers as of May 12, 2025. The board also has twenty-five (25) customers who get deliveries. The board delivers on Tuesday, Thursday and Friday. The order is in by 3:00 p.m. and on Friday's. The board's does not charge for deliveries. Thus, the board has requested and received an approval waiver from the Commission for a delivery service policy - Referencing Rule 15A. 1903 Delivery of MXB Permittee Orders.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, there were two that required updating and were updated immediately. Every item reflected the correct quarterly or monthly SPA price. The board highlights the monthly SPA products very well with visual aids.
- Besides closing on the two (2) required annual holidays and every Sunday, the board may opt to continue closing on New Year's Day, July 4th, and Labor Day annually.
- The store displays the required Fetal Alcohol Syndrome poster required by G.S. 18B-808. A new poster was provided to replace the older one.
- Products are placed within the designated categories; premium products are found at eye-level or top shelf. Some other areas had bottle sizes of the same products decreasing in size from top to bottom, with larger bottles placed at the top. Bottles were fronted and dusted. Bottles are also organized from top to bottom on some shelves, to increase the possibility of sales. Bottles were properly fronted and dusted.
- Outside area surrounding the store is well-maintained and free of debris or trash.
- Security systems are in place and functional in all designated areas.
    - *Twenty-six (26) cameras work to cover the property footprint with six outside and twenty interior cameras.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- ABC Board members must complete ethics training within one (1) year of each appointment and again following all reappointments under NCGS 18B-706(b).

- The Commission recognizes that the board follows the state's travel policy, however the Board does not have a policy on site. As a reminder, the board must annually obtain approval from the appointing authority to adhere to their local government travel policy and annually provide the Commission a copy of this approval per G.*S. 18B-700(g2)*.

- The board is recommended to forward a current law enforcement contract. Please provide a copy to the Commission *per G.S. 18B-501(f)*.

ADDITIONAL CONSIDERATIONS & GUIDANCE ….

- The Commission's primary focus for ABC board members:

- ABC board members are highly encouraged to meet monthly for the best formal oversight and review of board operations, routinely recording meeting minutes (*adhering to closed meeting requirements where applicable*) and ensuring either no conflicts of interest are present or that they are addressed appropriately when presented. Monthly sales should be reported to the Commission at beginning of next month, providing annual budgets, budget amendments, miscellaneous financial reporting to Commission following timelines, and ensuring Commission has annual CPA audits by Sept 30th.

- ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc. *Moreover, liaising with the Commission when new members are appointed or when member resign early before term has ended is very important for recordkeeping efforts of the Commission.*

- ABC boards are highly encouraged to find straightforward ways to lower any recurring expenses. *A very tangible way to lower operating costs is to fully maximize monthly special purchase allowance (SPA) liquor products that routinely sell well in the store to lower cost of goods sold (COGS).* ABC Boards can limit the number of personnel travelling to conference and convention events across the state. Other ways to try to improve expenses include requesting bids annually from various vendors to get the best rates possible on financial audits, various utilities, maintenance contracts, and *credit card processing companies*.

- ABC boards are encouraged to closely review financial statements monthly, comparing with the annual budget forecast, approving budget amendments when necessary and submitting copies to the Commission for anticipated sales increases as well as other adjustments for budgeted accounts.

- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when the board will exceed its annual forecasted sales budget. *Ensure budget amendment copies are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.*

- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. Also, training opportunities can work well to develop store employees for increased responsibility roles and serving to make both the routine operations and employee morale stronger.

- NCAC Rule 15A .1701 requires quarterly reports be submitted for any unsaleable merchandise (breakage) and retain original copies for three (3) years. *All breakage reports should only be transmitted via email submission to Commission staff; copies should not be mailed.*

- As a reminder, remove all faded posters and replace with new ones when applicable. Reach out to the Commission to provide fetal alcohol syndrome posters, NC Dept of Labor can provide wage & hour posters, and OSHA can provide some applicable federal posters if any are needed.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission as well as partnering with other ABC boards on specific areas such as best retail and marketing practices.

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700 South Fayetteville Street, Asheboro, NC 27203

NC ABC Commission
400 E. Tyron Rd.
Raleigh, NC 27610

June 10, 2025

We appreciate your support and recommendations from the audit recently performed. This performance audit will help us with the areas that need improvement. Please find below our responses to the findings and recommendations.

Item 1:
All recommendations will be followed.

Item 2:
An updated Law Enforcement Contract has been submitted
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06/06/2025 — Month Day Year

Asheboro — ABC Board

Certificate of Accountability

This document assures this Board and the State of North Carolina that the following statutory duties required of local ABC Boards have been properly performed.

1. The system has complied with all State uniform pricing requirements pursuant to NCGS §18B-804.

2. That all alcoholic beverages sold have been approved by the Commission for sale in this State pursuant to NCGS §18B-800.

3. That all "gross receipts" pursuant to NCGS §18B-805(a) have been properly accounted for and are lawful.

4. That all taxes due and board expenses have been properly and timely paid pursuant to NCGS §18B-805(b).

5. That all distributions pursuant to NCGS §18B-805 have been properly and timely paid.

6. That the finance officer for the board has properly performed all duties as required pursuant to NCGS §18B-702(k).

Amy Welch
General Manager

Amy Welch
Financial Officer

Stephen R Knight
Chairman

Robert E Morrison
Board Member

[illegible]
Board Member

Board Member

Board Member