

Bessemer City ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

May 5, 2026

CHAIRMAN:
Hank Bauer

Bessemer City ABC Board
Michael Brooks, Chair
208 W. Alabama Ave
Bessemer City, NC 28016

COMMISSIONERS:
La'Tanta (L.T.) McCrimmon
Raleigh

David Sherlin
Raleigh

Chairperson Brooks,

DEPUTY COMMISSIONER:
Mike DeSilva

On the following pages, you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Bessemer City 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.

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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 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 Statutes, 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.

Bessemer City ABC is in Bessemer City N.C, a small suburban community in Gaston County in western North Carolina, located a short distance northwest of Gastonia and roughly 25 miles west of Charlotte. Settled in the mid-eighteenth century and incorporated in 1893, the city developed from a rural agricultural area into a mill and mining town as industry expanded in the late nineteenth and early twentieth centuries. Today it covers a little more than five square miles of land and sits at an elevation of just over 900 feet above sea level, with a population of a little over 5,400 residents recorded in the 2020 census.

Early economic life in the community centered on farming, especially corn and cotton—followed by the rise of textile mills that provided the city’s first major industrial base. Over time, additional industry arrived, including lithium mining operations that became nationally significant producers of materials used in batteries, ceramics, and pharmaceuticals. Although agriculture still exists in a limited form, the local economy today is more diversified, blending manufacturing, services, and small business activity while maintaining ties to its industrial heritage.

Modern demographic and economic indicators portray Bessemer City as a modest-income small town with stable households and a working-age population engaged in the regional labor market. Median household income in recent years has been under \$50,000, with about one-sixth of residents living below the poverty line. Educational attainment shows most adults hold at least a high school diploma, though a smaller share have bachelor’s degrees, and typical commute times are under half an hour, reflecting the city’s connection to nearby employment centers in Gaston County and the Charlotte metropolitan area.

Overall, Bessemer City retains the character of a historic mill community that has gradually adapted to economic change while remaining closely linked to surrounding cities in the western Charlotte region. Its scale, industrial roots, and small-town residential setting continue to shape daily life and local identity.

The general manager is responsible for the oversight of all daily operations, inventory management, human resource organization and other administrative decisions for the board. The board hired an external accountant who assists the annual audit and provides additional support. All store employees’ primary responsibility is to provide friendly customer service to all customers, store upkeep and stock maintenance.

A mixed beverage referendum occurred on May 17, 1979, and it passed. *Currently, the Bessemer City ABC Board has a chairperson, four board members and a general manager on the ABC board.* The Bessemer City ABC Board currently operates one (1) retail store. The board staff (5) in total personnel. These include (0) full-time employees and (5) part-time personnel. The general manager is responsible for daily store operations including supervising personnel, inventory management, and various retail functions. The GM provides the board with fiscal management, administrative support, and oversees routine operations of the ABC store. Sales associate responsibilities include selling products, daily stocking, and floor upkeep & maintenance.

The last performance audit for the Bessemer City ABC Board occurred in 2022. The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.



208 W. Alabama Ave, Bessemer City NC

**OPERATIONAL OBSERVATIONS, FINDINGS,
REQUIRED ACTIONS, & RECOMMENDATIONS**

On Wednesday, February 18, 2026, ABC Board Program Analyst II Eric McClary visited the Bessemer City ABC Board and interviewed Terry Battles (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) 2024-2025, the Bessemer City ABC Board had a profit percentage to sales ratio of 3.9%.
 - The Bessemer City ABC Board’s gross sales totaled \$887,956, which was an approximate 13.5% increase from the previous fiscal year. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$5M is 3%.
- Bessemer City ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .80 in FY 2024-2025. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage is .73 or less.
- Thus, the Board did not meet the operating cost ratio Commission standard. The Board will have discussions on ideas to help with this going forward.
- Below are charts showing gross profit on sales, total operating expenses, and income from operations for recent years.

	FY 2024-2025	FY 2023-2024
Gross Profit on Sales	\$217,091	\$186,554
Income from Operations	\$34,671	\$ 10,038

Factors affecting profitability and cost include:

- Surrounding areas with other ABC systems which are within a 25-mile radius include Belmont ABC, Cherryville ABC, Cramerton ABC, Gastonia ABC, Mount Holly ABC, Lincolnton ABC, Kings Mountain ABC, and Shelby ABC.
- The board currently has approximately 4 active mixed beverage customers.

➤ **FINANCIAL ANALYSIS (cont.)**

➤ *Factors affecting expenses:*

- Total operating expenses increased around (3.3%) from the last fiscal year.
- Cost of Goods Sold (COGS) was roughly 52.8% for the fiscal year with a normal range being 52% to 54%.

BUDGET ANALYSIS

	FY 2024-2025 Budget Projection	FY 2024-2025 Actual	Variance	Variance %
Sales	\$887,005	\$887,956	-	-
Revenue over or (under) Expenditures		\$16,424		

In reviewing the budget to actual analysis of the FY 2024-2025 financial audit, actual sales revenues were more than forecasted projections of -%. The Board has submitted a budget amendment. After reconciliation, the change in the Board’s end net position was \$209,646.

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).* Bessemer City ABC made a total of \$201,903 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 Gaston County.

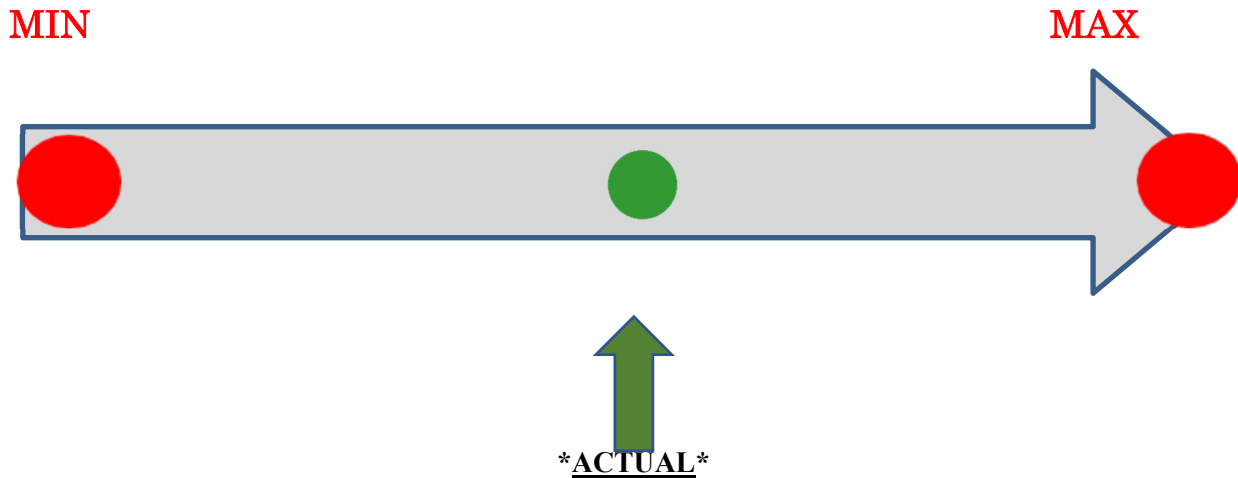
Per the local enabling act, the distribution formula for recipients of net profits is as follows:

- *100% to the Bessemer City 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.
 - NCAC 15A .0902 sets a working capital maximum standard for boards with annual gross sales less than \$1.5M as an amount equal to four (4) months of gross sales.
 - G.S. 18B-702(g)(3) defines "Working Capital" as the total of cash, investments, and inventory less all unsecured liabilities. As it pertains to working capital computation, gross sales mean gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4).
- Based upon the existing rules, as of June 30, 2025, the Bessemer City ABC Board is required to maintain a minimum working capital of \$26,387 with a maximum working capital amount of \$228,684.
 - The Bessemer City ABC Board had a working capital balance of \$156,216 which is more than the minimum and less than the maximum Commission requirements for this section (*).

*** FY 2024-2025: 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.

➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Bessemer City ABC Board except for 2023, has routinely made 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. An explanation is documented in the Recommended Actions Section.**
- 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 disbursed at or above the standard 7% statute amount of the last three (3).

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Bessemer City ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
CPA Calculated Amount		Total paid to recipient(s)	
FY-2025	\$25,446	FY-2025	\$25,446
FY-2024	\$22,527	FY-2024	\$22,527
FY-2023	\$22,851	FY-2023	-

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

Board Members

- ➤ The board consists of General Manager, 4 members and a chairperson, each receiving compensation for their services at a maximum of \$150.00 per meeting and in compliance with G.S. 18B-700(g).
 - Current board members’ terms are staggered to comply with G.S. 18B-700(a).
 - All other board members are currently compliant with the ethics training.
 - Members have professional experience in the fields of business, Government, accounting, education and retail sales.
- All members have taken an oath of office per G.S. 11-7 and there are copies on site.
- Meetings are generally held on the fourth Monday of every month. The board announces the meetings on the board web page, at the store and social media.
- Meeting minutes are organized, available, and follow all the order of proceedings.
 - Comprehensive financial data is provided and discussed at meetings to include quarterly computations from the board’s FO, sales comparisons and other expense reports
 - Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld. Boards should also routinely review any notes and recommendations provided by the CPA firm on annual audits.

- The board's login website had been updated at and prior to Commission visit and contains accurate information pertaining to board members, personnel, and store locations.

Law Enforcement

- The board has a law enforcement contract with the Bessemer City Police Department from 2013, and a copy is on file in Commission records.
- Law enforcement reports are submitted regularly by SGT. D.M. Beane of the Bessemer City Police Department and are current to date.

Board Personnel

- The board currently staffs (5) total employees, with (0) full-time, and (5) part-time.
- General Manager has served in this role with the board for approximately 2 years.
 - General Manager is part-time; his salary is within the allowable compensation per G.S. 18B-700(g1). The Gm is a salary employee. All members are compliant with ethics training.
 - The GM and members' responsibilities include full oversight of all daily store operations, human resources, ordering, inventory, and other operational tasks.
- The GM provides the board with accounting-related duties and financial reporting.
- All other store employees are part-time sales associates and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.
- Training is provided for new employees from management and other personnel and consists of on the job, and mentorship styled.
 - Product knowledge training is handled informally between the GM and team members.
- Employee files are kept in the administrative office and include tax and other applicable information.
- No conflicts pertaining to nepotism found and per discussion with general manager.

Policies

- The board has a thorough personnel manual with additional policies that details various work requirements, behavioral standards, leave and other benefits, scheduling and holidays, and the requirements of Rule 15A .1006.
 - The manual includes additional policies for customer relations, employee relations, workplace violence prevention, drug and alcohol use and conduct, intoxication and customer code of conduct.
 - Additional policies on file with the commission include a personnel manual.
- For travel, the board follows the State travel reimbursement schedule for state employees in G.S. 138-6.

Operations

- ➤ Board personnel conduct full inventory weekly at the board. This is done weekly because there is lots of fluctuation in inventory.
 - Counts are made using scanners and count sheets. Variances are re-checked before being submitted to the administrative office.
 - The General Manager reviews and investigates discrepancies before adjustments are made. The GM and other staff conduct the inventory. Sometimes the GM will conduct it by himself.
 - Strategies for slow-moving products is conducted by having a section “sale” section” specifically for these products.
- The board receives deliveries of liquor is first and third Tuesday of each month.
 - Pallets are removed from the truck to the dock area. Products are then brought to the storage area by hand truck by board employees.
 - Any variances are recounted and balanced against store and warehouse stock before reports are sent to LB&B.
- Liquor orders are made by the general manager.

The board retains breakage reports and regularly includes the reports for credit with their suppliers. *For compliance with Rule 15A 1701(c), the board regularly emails copies of reports to the Commission as applicable.*
- The board currently has 4 mixed beverage customer accounts active in the county.
 - Invoices are provided to permittees, and signed copies are retained in a file for each account.
 - The board stamps bottles in the manner required by NCAC 15A .1901.

Financial, Administrative, and Internal Controls

- Invoices for liquor are processed for all deliveries and payments are processed via ACH within 30 days.
 - *A sample of payment dates was reviewed and indicated invoices were paid within the thirty-day requirement.*
- Board’s checks have the required disbursement certificate in compliance with G.S. 18B-702(q). and are signed by the GM and the Chairman.
- The store manager conducts regularly review liquor orders. The pre-audit stamp required by G.S. 18B-702(m) is not properly affixed to purchase orders. The GM will comply with this recommendation.
- The general manager has a credit card, and it’s kept in a secure location at the administrative office. The board does not have an updated credit card policy.
- Deposits are conducted daily. Deposit slips and other banking information are retained at the board’s office.
 - *A review of one month’s deposit information was conducted, and no discrepancies were found between deposits and register receipts.*
- The board has 2 registers in their showroom. Tills start at \$150.00.
 - Drawers are counted at the beginning and end of each shift.
- Funds are kept in a pooling bank approved by the North Carolina Treasury Office.
- Payroll is bi-weekly and processed by the ASST Manager. She then sends the hours to the accountant and then processes the payroll.
 - Employees use a time clock “timecard” procedure to document time. The hours are reviewed by the GM. Employees usually work between 20-25 hours a week.
- Board keeps thorough records for unsaleable merchandise reports and emails copies of the claims to the Commission regularly in compliance with NCAC 15A .1701(c).

- The annual CPA audit was received by the Commission on September 26, 2025.
- All board members and the general manager are not properly bonded for \$50,000 per G.S. 18B-700(i).

STORE INSIGHT & OVERVIEW

- The board's administrative office is located off a small commercial thoroughfare.
 - o Outside area surrounding the board is well-maintained and free of debris or trash.
 - o There is ample parking, and deliveries are conducted at the board primary location.
 - o The floors are of a hard surface.
 - o The Fetal Alcohol Syndrome poster required by G.S. 18B-808 is displayed, and the quarterly price book is available should customers request.
 - o Listings for specially priced items are printed and available for customers to review.
- The warehouse and administrative areas are located at the back of the main store.
 - o The area is well lit and organized and can accommodate many cases.
- □ Shelf management practices are implemented.
 - o Products are fronted and dusted, and most are placed in categorized areas around the store.
 - o Premium products are generally found at eye level or top shelves at all retail locations.
 - o Bottles are arranged so they increase in size from left to right.
- Sales associate interactions with customers are attentive, courteous, and the staff are very familiar with many of their patrons.
- A sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected there were no prices that were inaccurately posted.
 - o Price discrepancies are handled in the customers favor if the shelf tag were to be lower than the current price mandate.
- Store is generally open from 10:00 am until 8:00 pm daily, Monday through Saturday. The GM will likely request to the board that the store hours change. The board is closed every Sunday. 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.
- Security systems are in place and functional in all designated areas.
 - o *The board has (12) security cameras.*

(RECOMMENDED ACTIONS (STATUTES OR COMMISSION RULES))

- The ABC Board is not making quarterly required by G.S. 18B-805(g). The ABC Board will put policies in place to ensure that future distributions are made in a timely manner. The GM advises that this was due to the board not having sufficient funds to make the distribution.

(GENERAL STATUTE REMINDERS)

- 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.*
- Please ensure all newly adopted policies or any updated policies are submitted electronically to the Commission for recordkeeping and review per NCAC 15A .1102 Rule. Electronic copies of the personnel manual should be emailed to Commission personnel for recordkeeping. A credit card policy is recommended to established authorized use (sample copy forwarded for consideration).
- ABC Boards are required to work within general minimum and maximum limits for working capital, as established per Commission Rule NCAC 15A .0902(a)(2). When ABC Boards exceed maximum working capital in any given FY due to planned capital improvements, please secure written approval from the applicable County or Municipal authorities per N.C.G.S. 18B-805(d) and forward to the Commission. As best measure, securing documentation prior to exceeding maximum working capital would be the most ideal approach.

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.
- 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.

(RECOMMENDED ACTIONS (STATUTES OR COMMISSION RULES))

➤ The ABC Board is not making quarterly required by G.S. 18B-805(g). The ABC Board will put policies in place to ensure that future distributions are made in a timely manner. The GM advises that this was due to the board not having sufficient funds to make the distribution

We are presently working to get the Bessemer City Disbursement current.

We have complied with 18B 702 (M) we are stamping all invoices.

Terry Battles General manager BC ABC