

Chatham County ABC Board

Performance Audit Report



TABLE OF CONTENTS

ABC Commission Statement	3
Objective, Purpose & Background Information	4
Financial Analysis, Observations & Findings	7
Recommended Actions & Additional Considerations	15-17
Chatham County ABC Response Letter	18-19



Alcoholic Beverage Control

October 9, 2026

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Hank Bauer

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Chatham County ABC Board
Walter Harris, Chair
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Chairperson Harris,

On the following pages, you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Chatham County 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,

Greg Stallings
Director Boards and Pricing

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.

Chatham County is located in the heart of central North Carolina and is one of the state's fastest-growing counties. Established in 1771, the county covers more than 700 square miles and is known for its blend of rural landscapes, historic communities, and expanding residential and commercial development. Its central location between the Research Triangle and the Piedmont Triad has made it increasingly attractive to residents and businesses seeking convenient access to major employment centers while maintaining a quieter, more rural quality of life.

The county seat is Pittsboro, a historic town that serves as the center of county government and has experienced significant growth in recent years. Other incorporated communities include Siler City, the county's largest municipality, and Goldston, along with portions of Apex and Cary that extend into eastern Chatham County. While these towns provide commercial, educational, and government services, much of the county remains rural, with farms, forests, and small unincorporated communities preserving the area's traditional character.

Chatham County's economy is diverse and continues to evolve. Agriculture has long been a cornerstone of the local economy, with poultry, cattle, row crops, and specialty farms contributing to the agricultural sector. In recent years, the county has experienced substantial economic investment in manufacturing, technology, and advanced industries, while healthcare, education, construction, retail, and professional services have also expanded alongside population growth. Tourism, arts, and outdoor recreation further contribute to the local economy.

Outdoor recreation is one of Chatham County's defining features. Jordan Lake is a major destination for boating, fishing, camping, hiking, and wildlife observation, attracting visitors from across the region. The county is also home to portions of the Haw, Deep, and Rocky Rivers, with the Haw and Deep Rivers joining to form the Cape Fear River. These waterways, combined with rolling hills and protected natural areas, provide abundant opportunities for outdoor activities and environmental conservation.

Education and community development are important priorities throughout the county. Chatham County Schools serve local students, while nearby universities such as the University of North Carolina at Chapel Hill, Duke University, North Carolina State University, and several other colleges are within a short drive. This proximity provides residents with access to higher education, research opportunities, and a highly skilled workforce.

The county is recognized for its strong sense of community, growing arts scene, historic downtown districts, and commitment to preserving its rural heritage while accommodating responsible growth. Residents enjoy a high quality of life supported by expanding public services, parks, cultural events, and convenient access to major metropolitan areas. As development continues, Chatham County strives to balance economic opportunity with environmental stewardship and the preservation of its unique character, making it one of North Carolina's most desirable places to live, work, and visit.

The general manager is responsible for the oversight of all daily operations, 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 referendum was held on May 8, 1984, and it passed. *Currently, the Chatham County ABC Board has a chairperson, three board members, a Finance Officer and a general manager on the ABC board.* The Chatham County ABC Board currently operates four retail stores. The board staff (27) total personnel. These include (8) full-time employees and (14) 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 Chatham County ABC Board occurred in 2023. The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.



10435 US 64 Hwy E, Chatham County NC

OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS

On Tuesday, June 23, 2026, ABC Board Program Analyst II Eric McClary visited the Chatham County ABC Board and interviewed Matt Williams (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) 2025-2026, the Chatham County ABC Board had a profit percentage to sales ratio of 0.0%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales within \$5M to \$10M is 4%.
 - The Chatham County ABC Board's gross sales totaled \$7,970,996, which was an approximate 6.64% decrease from the previous fiscal year.
- Chatham County ABC Board operates four retail stores with mixed beverage sales. The operating cost ratio for the board was .78 in FY 2025-2026. The NC ABC Commission standard for ABC Boards with three or more stores and mixed beverage is .63 or less.
 - Operating cost ratio is calculated by dividing total operating expenses less depreciation by the gross profit on sales (Total operating expenses less depreciation/Gross Profit).
- Below are charts showing gross profit on sales, total operating expenses, and income from operations for recent years.

	FY 2025-2026	FY 2024-2025
Gross Profit on Sales	\$1,991,273	\$2,130,588
Income from Operations	\$(15,592)	\$131,344

Factors affecting profitability and cost include:

- Surrounding areas with other ABC systems which are within a 25-mile radius include Pittsboro ABC, and Sanford ABC.
- The board currently has approximately 15 active mixed beverage customers.

FINANCIAL ANALYSIS (cont.)

- *Factors affecting expenses:*
 - Total operating expenses increased around 0.08% from the last fiscal year.
 - Cost of Goods Sold (COGS) was roughly 52.4% for the fiscal year with a normal range being 52% to 54%.

BUDGET ANALYSIS

	FY 2025-2026 Budget Projection	FY 2025-2026 Actual	Variance	Variance %
Sales	\$8,828,000	\$7,970,996	(857,004)	0.09%
Revenue over or (under)				
Expenditures		(97,623)		

In reviewing the budget to actual analysis of the FY 2025-2026 financial audit, actual sales revenues were more than forecasted projections of 0.09%. After reconciliation, the change in the Board's end net position was \$1,769,294.

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).* Chatham County ABC made a total of \$1,804,031 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 Chatham County.

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

- *100% to Chatham County 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 more than \$1.5M as an amount equal to three (3) 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, 2026, the Chatham County ABC Board is required to maintain a minimum working capital of \$237,191 with a maximum working capital amount of \$1,541,741.
 - The Chatham County ABC Board had a working capital balance of \$814,347 which is more than the minimum and less than the maximum Commission requirements for this section (*).

*** FY 2025-2026: *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 Chatham County 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. 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) years.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients <u>Note: Referencing CPA Audit Reports</u>		Chatham County ABC Board Net profit distribution made annually by fiscal year	
CPA Calculated Amount		Total paid to recipient(s)	
FY-2026	\$220,171	FY-2026	(76,001)
FY-2025	\$235,566	FY-2025	\$235,592
FY-2024	\$245,658	FY-2024	\$245,658

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

Board Members

- ➤ The board consists of General Manager, 5 active 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). The board has had two reappointments.
 - Those two board members are due to the ethics training requirements. The GM will ensure that the members complete the training.
 - Members have professional experience in the fields of Hospital Administration, Accounting, business and Marketing.
- All members have taken an oath of office per G.S. 11-7.
- Meetings are generally held on the last Tuesday of the month at 11:30 a.m. The board announces the meetings by posting them at all stores.
- Meeting minutes are organized, available, and follow all the order of proceedings.

- Comprehensive financial data is provided and discussed at meetings to include annual computations from the board's auditor, 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 Chatham County Sheriff's department dated 2017. The Commission requests an updated LE contract.
- Law enforcement reports are submitted regularly by Investigator Heesacker.

Board Personnel

- The board currently staffs (27) total employees, with (8) full-time workers, and (14) part-time.
- General Manager has served in this role with the board for over 11 years.
 - General Manager is full time; his salary is within the allowable compensation per G.S. 18B-700(g1).
 - The GM and members' responsibilities include full oversight of all daily store operations, human resources, ordering, inventory, and other operational tasks.
- The FO Megan McElhaney.
- The FO provides the board with accounting-related duties and financial reporting, and HR duties.
 - These responsibilities include processing much of the information provided by personnel, providing financial reports for member review and providing general financial oversight and guidance.
- Store managers are 1 full-time and 3 part time, while all other store employees are full and part-time sales associates/employees. They're 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 style.
 - Product knowledge training is conducted informally between management 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, equal employment opportunities, business ethics and conduct, intoxicated patrons, and pricing discrepancies, and a job description for full and part time employees.
 - Additional policies on file with the commission include a code of ethics, allocated products, and mixed beverage sales.
- For travel, the board follows the local municipalities' reimbursement schedule, G.S. 138-6.

Operations

- Board personnel conduct full inventory at the retail stores weekly. Some or other products are conducted monthly.
 - Counts are made manually and visually by a daily invoice record report. Variances are re-checked before being submitted to the administrative office.
 - The Assistant Manager "Troy Smith" reviews and investigates discrepancies before adjustments are made.
- The board receives deliveries of liquor every Wednesday. The board then delivers to the stores on Thursday of each week.
 - Pallets are removed from the truck by the driver, and he will bring the pallets in and they are placed in the warehouse. Products are hand delivered into the warehouse by the driver. The board does have a loading dock.
 - Any variances are recounted and balanced against store and warehouse stock before reports are sent to LB&B.
- Liquor orders are made by the warehouse manager, Tarrie Bowen.
- 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 15 mixed-covered customer accounts active in the county.
 - MXB 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 or check within 30 days. There are a few vendors that won't accept ACH.
 - *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 FO.
- The GM and the warehouse manager conduct reviews of liquor orders and the pre-audit stamp required by G.S. 18B-702(m) is being properly affixed to purchase orders.
- Deposits are conducted daily, except for Saturday. 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 retail stores generally have 2 registers in their showroom. Tills generally start at \$100.00 to \$200.00.
 - Drawers are counted at the beginning and end of each shift; the tills are placed in a safe.
- Funds are kept in a pooling bank approved by the North Carolina Treasury Office.
- Payroll is bi-weekly and processed by the Fo. The store managers verify and submit the payroll to the FO. Employees use a timecard to document hours worked. The store manager at Store 1 makes the schedule for his store while the GM makes the hours for the additional; stores. Payroll is verified by the GM and FO.
- 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 29, 2025.
- All board members and the general manager are properly bonded for \$50,000 per G.S. 18B-700(i).

STORE INSIGHT & OVERVIEW

- The board's administrative office is located off a large 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 store 2 location.
 - o The floors are carpeted and very nice.
 - 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
 - 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.
 - o Price discrepancies are handled in the customers favor if the shelf tag were to be lower than the current price mandate.
- ☐ Stores are generally open from 9:00 am until 9:00 pm daily, Monday through Saturday. 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.

(RECOMMENDED ACTIONS (STATUTES OR COMMISSION RULES))

- The board is recommended to forward a current law enforcement contract. Please provide a copy to the Commission per G.S. 18B-501(f).
- ABC Board members must complete ethics training within one (1) year of each appointment and again following all reappointments under NCGS 18B-706(b).
- Beginning with the fiscal year ended June 30, 2025, the Board was required to operate under a balanced budget in accordance with G.S. 18B-702. At June 30, 2025, the Board had budgetary lines that exceeded the amended budget at the level of detail in which the budget was authorized as follows. See 2025 Budget Analysis.
- In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping.

(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 MXB beverage delivery policy and a credit card policy is recommended to established authorized use (sample copy forwarded for consideration). A tastings policy is recommended if tastings are done routinely.
- 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.

CHATHAM COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD

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DEBRA OLDHAM, Secretary/Board Member
MATTHEW WILLIAMS, General Manager

Board Members
JOSEPH McEVOY
CHRISTINE HARRELSON
LARRY MILLER

August 21st, 2026

Eric McClary
NC ABC Commission
400 East Tryon Rd.
Raleigh, NC 27610

The Chatham County ABC Board would like to thank you for your support and recommendation following the recently performed audit. The Board has read, reviewed, and discussed the reports. Below are our responses to the findings and recommendations in "red". Let me know if you need any additional information.

- The board is recommended to forward a current law enforcement contract. Please provide a copy to the Commission per G.S. 18B-501(f).
 - General Manager to work with Chatham County Sheriff's Department and County Attorney to update law enforcement contract
- ABC Board members must complete ethics training within one (1) year of each appointment and again following all reappointments under NCGS 18B-706(b).
 - All recommendations will be followed.
- Beginning with the fiscal year ended June 30, 2025, the Board was required to operate under a balanced budget in accordance with G.S. 18B-702. At June 30, 2025, the Board had budgetary lines that exceeded the amended budget at the level of detail in which the budget was authorized as follows. See 2025 Budget Analysis.
 - All recommendations will be followed.
- In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping.
 - Certificate of Accountability attached.

Sincerely,
Walter F Harris, Board Chairman



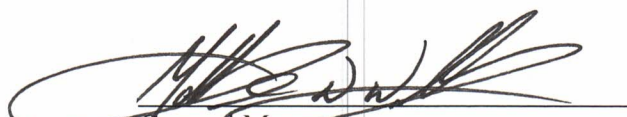
August 21st 2026
Month Day Year

Chatham County
ABC Board

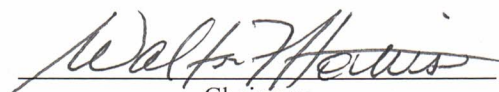
Certificate of Accountability

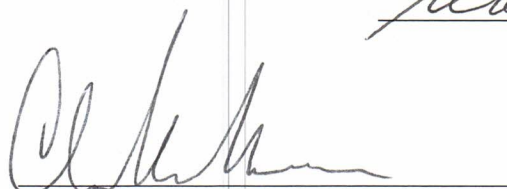
This document assures this Board and the State of North Carolina that the following statutory duties required of local ABC Boards have been properly performed.

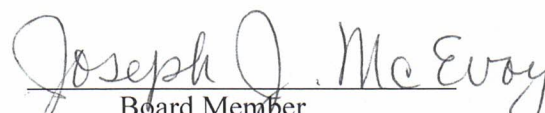
1. The system has complied with all State uniform pricing requirements pursuant to NCGS §18B-804.
2. That all alcoholic beverages sold have been approved by the Commission for sale in this State pursuant to NCGS §18B-800.
3. That all "gross receipts" pursuant to NCGS §18B-805(a) have been properly accounted 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).

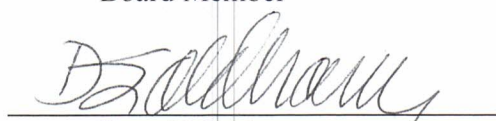

General Manager

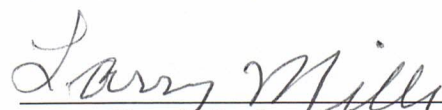

Financial Officer


Chairman


Board Member


Board Member


Board Member


Board Member