

Granite Falls ABC Board

Performance Audit Report



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Alcoholic Beverage Control

June 13, 2025

CHAIRMAN:

Hank Bauer

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Granite Falls ABC Board
David Annas, Chair
100 Twin Dr.
Granite Falls, NC 28630

Chairperson Annas,

On the following pages, you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Granite Falls 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 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, Reports, and Administrative Policies
- 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

Granite Falls is a town in mid-western North Carolina in Caldwell County. It is the third largest community solely in the county and borders two other large population areas within the county. The town's population per the 2020 census was 4,965 residents which was an approximate five percent (5%) percent increase from 2010. The Granite Falls ABC Board operates one (1) retail store and is one of two boards with stores in the county.

S.L. 1963-546 authorized the City of Granite Falls to hold an election upon a petition signed by at least fifteen percent (15%) of registered voters. The referendum was held on November 16, 1963, and passed 490 to 474. The first retail sale occurred on March 9, 1964. A subsequent mixed beverage election was held on December 7, 2004, and passed 661 to 432. Upon election of an ABC store, the town was authorized to create an ABC Board consisting of a chairperson and two members to serve for three-year staggered terms. Current board members are David Annas (Chair), Stacy Cooke, and Kevin Brookshire.

The last performance audit for the Granite Falls ABC Board concluded in 2016. 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 Tuesday, February 11, 2025, ABC Commission Program Analyst Edwin Strickland visited the Granite Falls ABC Board and interviewed the interim General Manager, James Ledford. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



100 Twin Dr. Granite Falls, N.C.

FINANCIAL ANALYSIS

INVENTORY TURNOVER

The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set goals for determining an effective rate based on the frequency of deliveries. Below are the turnover rates based upon the delivery schedule:

- Once a week deliveries target at 6 times or more per year
- Twice a month deliveries target at 5 times or more per year
- Monthly deliveries target at 4.5 times or more per year

The Granite Falls ABC Board receives two shipments monthly with a target inventory turnover rate of between 5. The inventory rate in (FY) 2023-2024 was 2.7, which is below the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2023-2024, the Granite Falls ABC Board had an impressive profit percentage to sales of 11.71%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$2M is 5%.

- The Granite Falls ABC Board's gross sales totaled \$1,959,343, which was an approximate .2% increase from the previous fiscal year.
- The board's sales have grown approximately 23% over the last five completed fiscal years.

Granite Falls ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .54 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage is .73 or less.

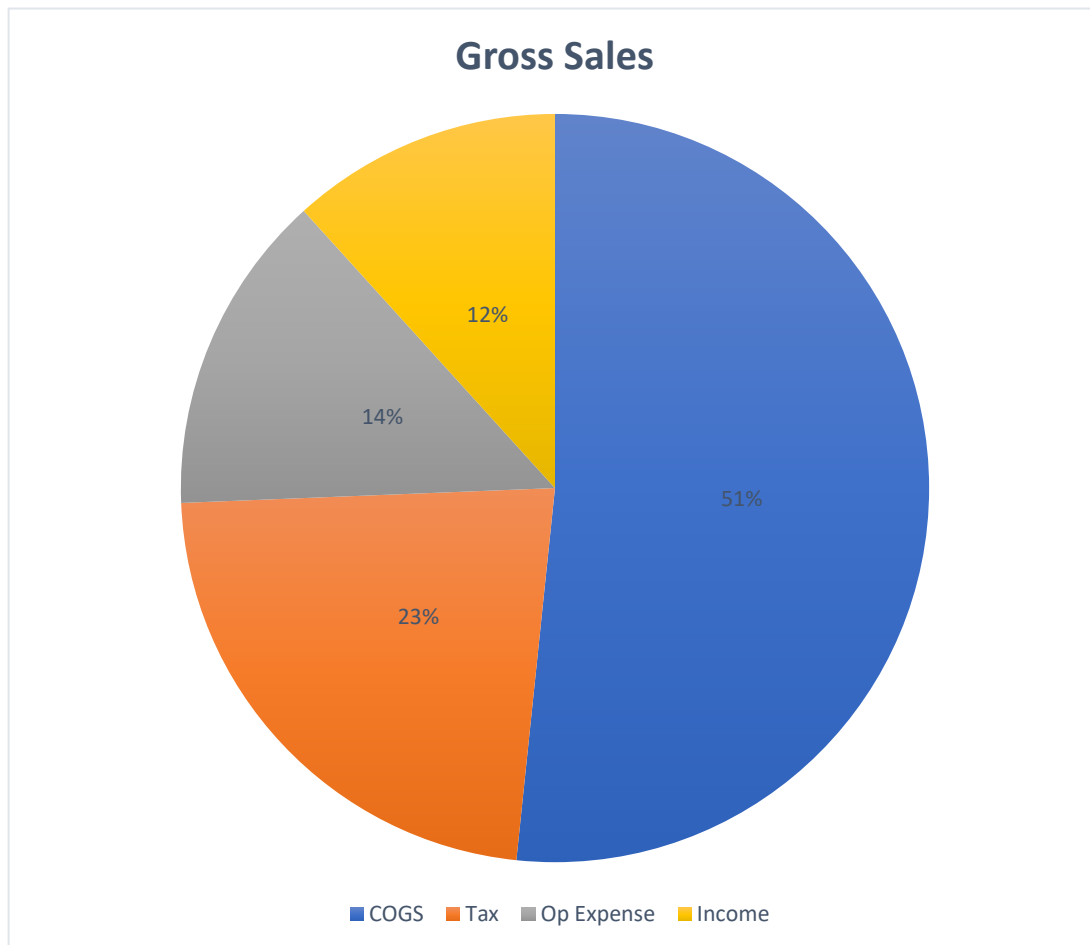
- Operating cost ratio is calculated by dividing total operating expenses less depreciation by the gross profit on sales (Total operating expenses less depreciation/Gross Profit).

Thus, the Granite Falls ABC Board exceeds both the profitability and the operating cost standards 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	\$502,725	\$517,969
Income from Operations	\$229,507	\$249,950

FINANCIAL ANALYSIS (cont.)

- *Factors affecting sales:*
 - Other ABC boards with stores within a 30-mile radius include Taylorsville, Lenoir City, Blowing Rock, Morganton, Valdese, and Catawba County.
 - A 4.2% unemployment rate in Caldwell County in June of 2024 with a .4% increase from the previous year.
 - The board currently has approximately 5 active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for nearly 5% of gross sales.*
- The chart below shows where portions of gross sales are expended or retained as income. COGS and primary distributions (Taxes) usually account for approximately seventy six percent (76%) of any board's gross receipts, with the remainder used to operate the system and as income. In turn, the income is then used to satisfy other statutory distributions and as working capital, capital improvements, or as additional distributions beyond the minimum requirement.

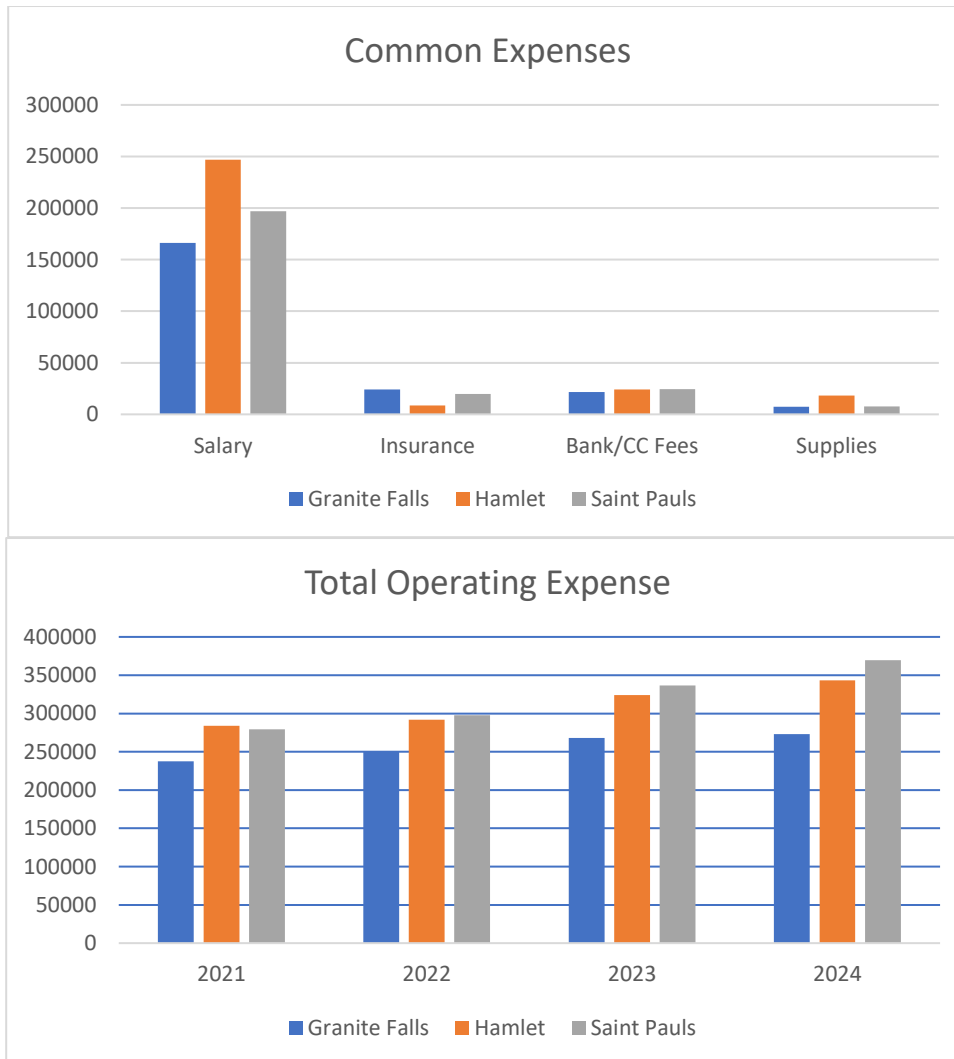


FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting expenses:*

- Total operating expenses increased less than two percent (2%) from the last fiscal year and were roughly fourteen percent (14%) of total annual sales in FY-23/24.
- Board salaries and wages were approximately eight percent (8%) of total annual sales. Salaries and wages increased by around four percent (4%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 51.6% for the fiscal year with a normal range being 52% to 54%.

- An operating expense report and common expense report show the Granite Falls ABC Board has similar categorical and lower total operating expenses comparable to other ABC boards within a similar gross sales range. *Common expense report categories can be unreliable as different CPAs may include different expenses in their line items.*



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Total Revenues	\$1,981,880	\$1,960,042	(\$21,838)	(1.1%)
Total Expenditures	\$1,771,380	\$1,726,324	\$45,056	2.5%
Distributions	\$181,850	\$210,438	\$1,042,169	15.7%
Revenue over or (under) Expenditures		\$23,279		
After Accrual		\$19,768		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were 1.1% below final budget amendment. In addition, the net income change during the fiscal year was \$19,768. *The board's collective net position on June 30, 2024, was \$504,436; the net position has increased approximately 47% in the last five (5) fiscal years.*

Based on sales trajectory for the current fiscal year with seven months (58%) of the budget year completed, the board is tracking along very well at 61.5% of annual budgeted sales.

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).***

In FY 2023-2024, Granite Falls ABC made other statutory distributions totaling \$210,438 (Net profit distribution recipients received \$185,445 of this). The amount of \$444,725 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Caldwell County.

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

- 10% to Granite Falls Recreation Commission.
- 30% to Granite Falls School District.
- 60% to Granite Falls General Fund.

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Granite Falls ABC board has made net profit distributions over last five (5) fiscal years well above the minimum mandatory distribution in reference to NCGS 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the ABC Board for the last five (5) years on the right.**
- Law Enforcement Distributions: Have been properly disbursed above the standard 5% statute amount for the last five (5) FYs.
 - Board's local act was amended by NC SL 1979 Chapter 32 and specifies a ten percent (10%) profit distribution to the town's police department.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for the last five (5) FYs.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Granite Falls ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$65,747	FY-2024	\$185,445
FY-2023	\$50,324	FY-2023	\$174,489
FY-2022	\$49,718	FY-2022	\$170,791
FY-2021	\$47,945	FY-2021	\$158,436
FY-2020	\$44,025	FY-2020	\$153,062

Special note: The CPA calculation per the FY 23/24 may be inaccurate.

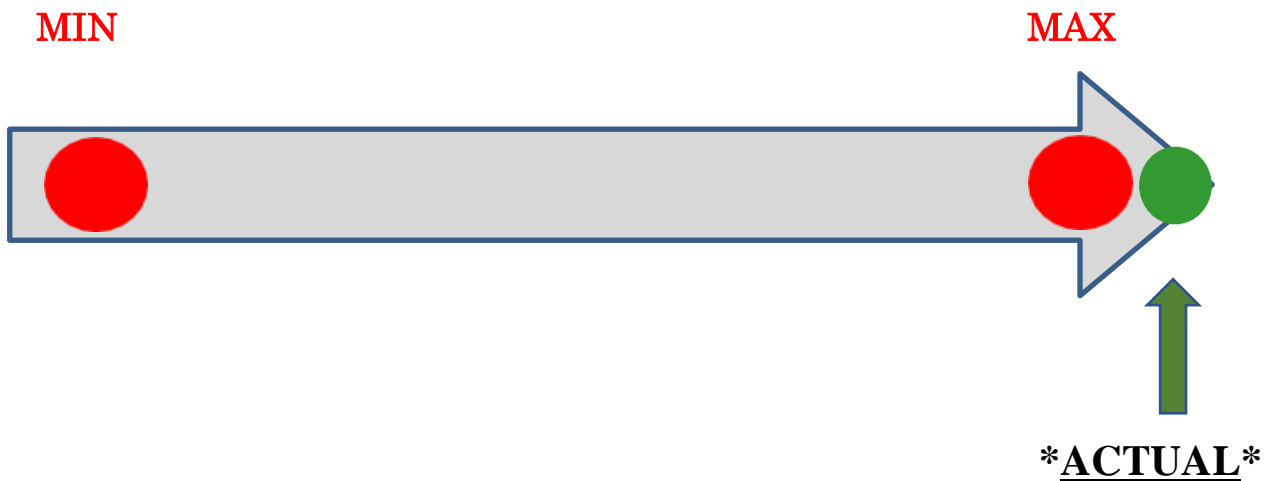
WORKING CAPITAL

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 maximum standard for boards with annual gross sales greater than \$1.5M as an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2024, the Granite Falls ABC Board is required to maintain a minimum working capital of \$58,255 with a maximum working capital amount of \$378,655. The Granite Falls ABC Board had a working capital balance of \$401,608 which is greater than the maximum Commission requirements for this section (*).

- 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.
- Otherwise, board should make an additional distribution(s) in FY 24/25 to ensure that actual working capital is below the maximum amount allowed.

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



PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

Board Members

- The board consists of two members and a chairperson, each receiving compensation for their services below the maximum \$150.00 per meeting.
 - Board members are compliant on ethics training with one reappointed member needing to satisfy the requirement in the coming months.
 - Members terms are appropriately staggered with all end dates the same month and in sequential calendar years.
 - Chairperson has served many terms for the board and other members are in serving in their first or second term.
 - Members have professional experience in accounting, business, government, and other community activities.
- Members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Written copies of oaths should be available at the board's administrative office.*
- Meetings are generally held the second Monday of each month and public notices are posted on the town's website.
- Meeting minutes are available and follow the order of proceedings, providing thorough detail of business discussed in a transparent and easily comprehensible manner.
 - To comply with G.S. 18B-702, the board posts a no conflict-of-interest sign in the meeting space and references all members have read in their minutes.
 - Financial reports are provided and discussed at meetings in addition to other board business.
 - *It is recommended for the chairperson to sign minutes after approval of said minutes at the following board meeting.*
- 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 location.
 - *The expectation going forward is that ABC boards will routinely 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.*

Law Enforcement

- The board has a law enforcement contract with the Granite Falls Police Department from 1987.
 - Board's local act was amended by NC SL 1979 Chapter 32 and specifies a ten percent (10%) profit distribution and specifies the board should only contract with the town's police department.
- Law enforcement reports are submitted by the general manager with data supplied from Lt. K. Kirby.
 - Reports provide details of activities for accountability.
 - *At Commission visit reports for the most recent two months had not been submitted to the Commission as required for compliance with G.S. 18B-501(f1).*

Board Personnel

- The board currently staffs nine (9) total employees, with two (2) full time, and seven (7) part time.
- General Manager has served in this role with the board for thirteen years and has previous experience in the beverage sales industry.
 - General manager is full time, and their salary is below the maximum allowable compensation per G.S. 18B-700(g1).
 - Their responsibilities include full oversight of all daily store operations, human resources, scheduling, ordering, payroll, and front-line sales responsibilities.
- The finance officer is full time and has been in this role for less than one year, with additional experience as a salesclerk.
 - In addition to sales and other typical store operations, their responsibilities include warehouse management, pre-auditing purchases, and reviewing payments.
 - *The finance officer will need to satisfy the required ethics training before the completion of their first year in this role.*
- 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.
 - The board currently has a salesclerk who handles liquor billing through their banking system, and another who is learning some of the administrative responsibilities of the general manager for support and to facilitate any possible future changes in the management.
 - Other training opportunities are handled informally with the board's personnel manual covering many job descriptions and expectations.
 - Several, but not all, current staff has received RASP training.
 - Product knowledge training is discussed regularly and through broker rep visits.
- Employee files are kept locked in the administrative office and include tax and other identification information, application, and personnel manual acknowledgment form.
- Full time employees are enrolled in LGERS.
- No conflicts pertaining to nepotism found and per discussion with general manager.

Policies

- The board has a thorough personnel manual which outlines many policies and behavioral standards. *An updated copy is in Commission records retention.* Some of the headlines included in the manual are as follows:
 - Ethics standards and customer, employee, and personnel relationship.
 - Media, internet, equipment usage and cell phones.
 - Alcohol sales for identification of age, intoxication, employee, or families.
 - Cash handling including shortages and deposits.
 - Conduct standards including appearance, attendance, etiquette, drug or alcohol use, smoking, discipline, and harassment.
 - Pay, leave and benefits including holidays, timekeeping, insurance, illness, medical, military, pregnancy, and employment categories.
 - Mixed beverage and reimbursements for travel.
- Additional policies have been submitted and approved by the Commission including shelf management and allocated products.
- Although followed when applicable, the board should officially adopt a price discrepancy policy to comply with NCAC 15A .1705(b).
 - Board could consider additional policies including tastings and employee tastings.
- For travel, the board chooses to follow the state's travel policy.

Operations

- Inventory is conducted categorically almost each month with multiple personnel participating.
 - Scanners are used and discrepancies are investigated.
 - Adjustments are made by the general manager who retains the sheets for review.
 - A small sample of items were selected to verify accurate current inventory. Of those selected all items actual inventory matched the theoretical.
- Board receives deliveries twice a month, and an independently created offload sheet is used for minimizing any errors with variances.
 - The board has recently upfitted their delivery area to accommodate pallets.
 - Variances are reviewed before sending notification to LB&B.
- All mixed beverage accounts have a file for invoices through the year and previous years are retained for the required three-year period.
- General manager makes liquor order by reviewing monthly sales for the previous month and six-month periods.
 - Manager utilizes a well-crafted spreadsheet which accounts for both monthly and quarterly pricing and current inventory.
 - Buy ins and other evidence of meticulous attention to price was witnessed.
 - Portions of allocated products are reserved for mixed beverage customers and the board has different methods for other products to include random shelving and others.

Financial, Administrative, and Internal Controls

- Invoices for liquor are processed per delivery using the board's bank's bill pay service.
 - Team member inputs data from invoices with general manager's review.
 - A sample of check payment dates were reviewed and indicated invoices were paid within the thirty-day requirement.
- Board's checks do not have the required disbursement certificate in compliance with G.S. 18B-702(q).
 - Checks are used for most payments except liquor bills including employee paychecks.
 - The finance officer and a board member countersign all checks.
- Pre-audit stamp verification is being implemented on liquor orders and other purchase invoices.
 - *Board should consult 18B-702(m) to ensure full compliance for pre-audit certificate.*
- The board does not have credit/bank cards.
 - *Any travel expenses are reimbursed to applicable personnel with the finance officer approving and retaining itemized receipts.*
- Deposits are made each night dropped at their bank with police escort. Deposit slips and other banking information are retained at board and the general manager conducts month end reconciliation.
 - *A review of one month's deposit information was conducted, and no discrepancies were found between deposits and account data.*
- The board generally uses two registers daily beginning with \$200.00. Funds are verified at the conclusion of the business day but not during shift change.
 - The board has a shortage policy included in their personnel manual.
 - Store has a change fund and no petty cash.
- All funds are kept in a pooling bank approved by the North Carolina Treasury Office.
- Payroll is bi-weekly and processed by the general manager using Excel.
 - Custom built spreadsheet accounts for all taxes and deductions and captures data through the entire taxable year for W-2.
 - Signed timecards are utilized for hourly accuracy and accountability.
- Board keeps records for unsaleable merchandise reports and emails copies of the claims to the Commission regularly in compliance with NCAC 15A .1701(c).
- The board does not receive a report describing expenditures of funds from their alcohol education and rehabilitation recipient, Town of Granite Falls.
 - *Board should consult their recipient, to have included in the town board's minutes, how the specific funds from the education/rehabilitation distribution is spent in compliance of G.S. 18B-805(h).*
- The annual CPA audit was received by the Commission on September 17, 2024.
- All board members, General Manager, and Finance Officer are each bonded for \$100,000 per G.S. 18B-700(i).
- Board has an approved code of ethics policy on file with the Commission.

STORE INSIGHT & OVERVIEW

- The board's store and administrative office is on a service road near a major highway and is within 1 mile of the downtown business district.
 - There are easily viewable building and street signs, and ample parking.
 - Outside area surrounding the store is well-maintained and free of debris or trash.
 - *There is no access from the north bound lanes of the highway.*
- The interior retail area and warehouse are well lit and diligently organized.
 - Space is maximized allowing for easy flow for customers and staff.
 - The Fetal Alcohol Syndrome poster required by G.S. 18B-808 is displayed, and the quarterly price book is available.
 - Warehouse is arranged by numeric code and has a conveyors belt.
 - *The board has recently installed a new door to accommodate pallet delivery. Board has received only one pallet shipment and is working through new methods for warehouse offload and setup.*
- Shelf management practices are fully implemented, and a written plan is now available for store personnel which corresponds with NCAC 15A .1708.
 - Products are fronted and dusted and are placed within designated categories.
 - Premium products are generally found at eye-level or top shelf.
 - Bottles are arranged so they increase in size left to right of the same item.
- Management utilizes a unique color-coded shelf tag system which, along with broker supplied tags, helps highlight specially priced monthly and quarterly items.
 - Other shelf signs are used to feature recipes, special pricing, and volume deals.
- Sales associate interactions with customers are attentive, courteous, welcoming, and all are eager to meet the needs of the customers.
- A sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all item's prices were accurately posted.
 - Board uses scanners at beginning of the month to minimize inaccuracies.
 - *Price discrepancies are handled in the customers favor if the shelf tag were to be lower than the current price mandate.*
- The board welcomes tastings.
- Store is generally open from 10:00 am until 9:00 pm daily. They are currently closed every Sunday and the five (5) previously required annual holidays.
 - *Board places an A-frame sign indicating they are open near the road on days where other boards may elect to close, or the public may not be aware they are open.*
- Security systems are in place and functional in all designated areas. *Updates for the newly installed door system in the warehouse were being finalized at Commission visit.*
 - Thirteen cameras can be viewed in the office.
 - Panic buttons are located at register area which is also elevated to allow better view of the showroom.
 - The location of the store and a DOT fence around the property limits egress providing additional security.

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *A written account of the oaths should be available at board administration.*
- The board's FY 2023/2024 audit indicates an excess in set working capital per NCAC 15A .0902(a)(2). The board should make additional distributions to comply with administrative code. *Alternately, with an approval from their appointing authority, the board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements per G.S. 18B-805(d).*
- All recipient(s) of alcoholism fund or education distributions should provide annual documentation to the board describing the activity for which these awarded funds are spent per G.S. 18B-805(h). *The board could also simply request annually a copy of the minutes from the board of county commissioners [G.S. 18B-805(b)(4)] and from their local board [G.S. 18B-805(c)(3)] to satisfy the requirement.*
- To comply with G.S. 18B-702(q), ensure each check or draft on an official depository shall bear on its face a certificate signed by the finance officer or a deputy finance officer approved for this purpose by the local board (or signed by the chairman or some other member of the board pursuant to subsection (o) of this section). The certificate shall take substantially the following form "This disbursement has been approved in the manner required by G.S. 18B-702. _____ (Signature of finance officer)."
- 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.

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 September 30th of each year.
 - 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.
- While already being implemented after the order, ensure liquor purchase orders include or bear a certificate stating that the instrument (or order) has been pre-audited to ensure compliance with G.S. 18B-702(m) with a signature by the finance officer. The specific statement should read, "This instrument has been pre audited in the manner required by G.S. 18B-702." Special note: This could be most reasonably accomplished by signing & stamping the summary total of the Order Edit List from inventory system before any liquor orders are placed with state warehouse.
- All board members, general manager, and finance officer are required to complete ethics training within one (1) year of their appointment (reappointment) date per G.S. 18B-706(b). *Completion certificates should then simply be forwarded via email to the Commission.*
- While typically exceeding the standard statutory law enforcement distribution required by 18B-805(c)(2), the board should review their local enabling act and subsequent NC SL 1979 Chapter 32, for compliance with law enforcement distributions. *While all other statutory distributions from 18B-805(c) are issued to the same entity this may be most reasonably accommodated through a different distribution arrangement of the same funds.*
- While already being implemented and followed, the board should consider officially adopting a price discrepancy policy to ensure compliance with NCAC 15A .1705(b). Additional policies could be considered and provided to the Commission for approval including tastings or employee tastings.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission Education Outreach as well as partnering with other ABC boards or the Association of ABC Boards on specific areas such as best retail and marketing practices.

Please network with the ABC Commission whenever needed for guidance and assistance to support local ABC board mission and success.

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2016)

- Adopt a mixed-beverage policy that follows current practices while contributing to customer friendly services.
- Adopt a travel policy that conforms to the appointing authority's travel policy or the State's travel policy.
- Submit breakage forms quarterly as required by the Commission rule. Include the reasons why products are unsalable.
- Place the pre-audit certificate with the finance officer's signature on the orders to LB&B. When ordering supplies, include the certificate on the invoice, purchase order, or order confirmation before the transaction takes place.
- As specified in G.S. 143-318, the board must follow and enter closed session proceedings through motion and vote. The purpose must be specifically stated within the motion and only that topic may be discussed in the closed session. All actions discussed in closed session must be stated and/or voted on in open session and included in open session minutes.
- The board must approve closed session meeting minutes. The required procedure is to hold a new closed session meeting specifically to approve the minutes of an earlier session.

While having addressed considerations from previous Commission review (2016), board should still monitor and strive to satisfy previously noted recommended actions.

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.

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. A written account of the oaths should be available at board administration.

Response: GF ABC will verify, and as needed administer an oath of office and retain a written copy.

- The board's FY 2023/2024 audit indicates an excess in set working capital per NCAC 15A .0902(a)(2). The board should make additional distributions to comply with administrative code. Alternately, with an approval from their appointing authority, the board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements per G.S. 18B-805(d).

Response: GF ABC plans to make an additional discretionary distribution at 2024-2025 YE to reduce working capital to within the directed standards.

- All recipient(s) of alcoholism fund or education distributions should provide annual documentation to the board describing the activity for which these awarded funds are spent per G.S. 18B-805(h). The board could also simply request annually a copy of the minutes from the board of county commissioners [G.S. 18B-805(b)(4)] and from their local board [G.S. 18B 805(c)(3)] to satisfy the requirement.

Response: GF ABC will request documentation describing how the disbursed funds are spent from both the appointing authority (Town of Granite Falls) ...and the Caldwell County Commissioner's Office.

- To comply with G.S. 18B-702(q), ensure each check or draft on an official depository shall bear on its face a certificate signed by the finance officer or a deputy finance officer approved for this purpose by the local board (or signed by the chairman or some other member of the board pursuant to subsection (o) of this section). The certificate shall take substantially the following form "This disbursement has been approved in the manner required by G.S. 18B-702.

(Signature of finance officer)."

Response: GF ABC will ensure all checks and drafts drawn on ABC accounts bear the required wordage.

Response: GF ABC will draft a request to the NC ABC Commission waiving the requirement for dual signature on disbursements for liquor invoices paid through of bank's "BillPay" service, as we have no actual contact with those remittances.

➤ 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.

Response: GF ABC will submit a reviewed and signed copy of the Certificate of Accountability to the NC ABC Commission.

Sincerely,
Granite Falls ABC Board



David Annas, Chairman



Jim Ledford, General Manager

6/11/25