

Lake Lure ABC Board

Performance Audit Report



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Alcoholic Beverage Control

CHAIRMAN:

Hank Bauer

COMMISSIONERS:

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David Sherlin

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September 17, 2026

Lake Lure ABC Board

Richard Sayles, Chair

2568 Memorial Hwy.

Lake Lure, NC 28746

Chairperson Sayles,

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

Lake Lure is a town in southwestern North Carolina, and it is the fourth largest community in Rutherford County behind Forest City, Spindale, and the county seat of Rutherfordton. The current estimated population for the town is approximately 1,400 residents, which reflects an increase of about 2.5 percent since the 2020 census. The Lake Lure ABC Board operates one store and is one of three boards in Rutherford County.

Chapter 353 of the 1979 Session authorized the Town of Lake Lure to hold an election for an ABC store. The referendum was held on August 1, 1979, and it passed 169 to 99. The first retail sale occurred on November 10, 1980. A mixed beverage election was held on June 4, 1985, and it passed 220 to 75. As of December 2019, the Town of Lake Lure appoints a chairperson and four additional board members to serve for three-year terms. Current board members are Richard Sayles, Chair, Trace Boswell, Bob Cassano, Peter O’Leary, and Esther Lusk.

The most recent performance audit for the Lake Lure ABC Board concluded in 2023. The Commission audit serves as an ongoing method to provide local boards with information and best practices that identify areas for improvement.

OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS

On June 8, 2026, ABC Commission Program Analyst Edwin Strickland visited the Lake Lure ABC Board and interviewed the General Manager, Patricia Crain, and the Finance Officer, Rhonda Cook. Below is a financial analysis, followed by operational observations, findings, and recommendations related to the performance audit.



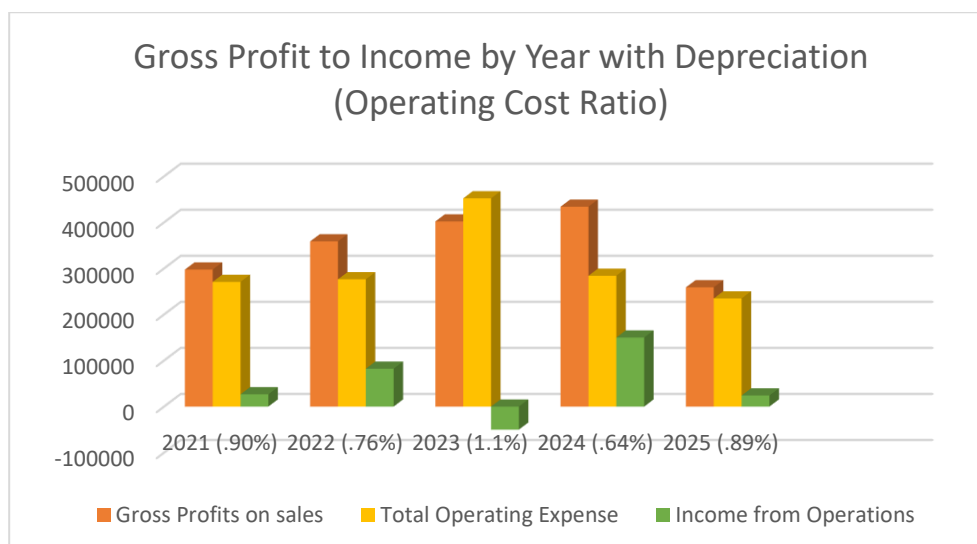
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FINANCIAL ANALYSIS

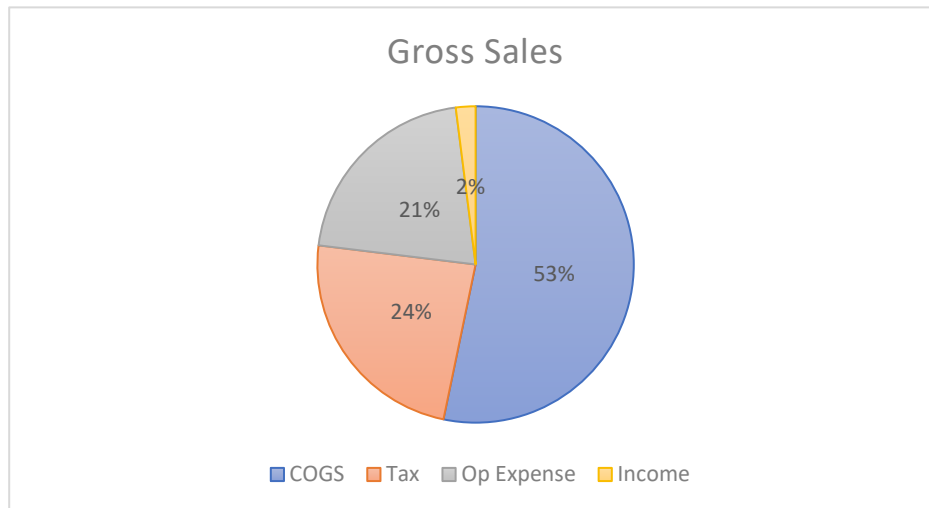
SALES, PROFIT PERCENTAGE, & OPERATING COST RATIO

- In FY 2025, the Lake Lure ABC Board had gross sales totaling \$1,116,736, a decrease of approximately 28% from the previous year. The decline in sales is primarily attributable to the impact of Hurricane Helene on the store operations, mixed beverage businesses, and the broader local economy, including significant disruptions to residents and commercial activity in the region.
 - Between FY 2021 and FY 2024, the board's sales increased by almost 29%.
- In FY 2025, the board's profit percentage to sales ratio was 2.17%.
 - *The profit percentage to sales ratios over the previous four completed fiscal years were 9.61%, -3.43%, 5.82%, and 2.21%, respectively.*
 - The ABC Commission's profit percent to sales standard for boards with sales less than \$5M is 3% or higher.
- Lake Lure ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was 0.89 in FY 2025. *The previous four years are shown in the chart below.*
 - The ABC Commission standard for ABC Boards with one store and mixed beverage sales is 0.73 or less.
- Therefore, the Lake Lure ABC Board did not meet the profitability standard or the operating cost standard set by the ABC Commission for FY 2025 but did meet the standards in FY 2024.
- Below are charts showing gross profit on sales, total operating expenses including depreciation, income from operations for recent years, and operating cost ratios.

	FY 2025	FY 2024
Gross Profit on Sales	\$259,004	\$434,020
Total Operating Expense	(\$234,817)	(\$284,063)
Income from Operations	\$24,187	\$149,957



- 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, debt service, or as additional distributions beyond the minimum requirement.



- *Factors affecting sales:*
 - There are nine other ABC boards with a store within a 30-mile radius of the Lake Lure ABC store.
 - Hurricane Helene had a devastating impact on the region in FY 2025.
 - Lake Lure is a tourism destination, historically welcoming over 300,000 visitors annually.
 - Rutherford County had a 5% unemployment rate in June of 2025, with the North Carolina average being around 3.7% at that time.
 - Approximately 14.8% of the population in the county is below the poverty level, which is higher than the North Carolina average of around 12.6%.
 - In FY 2025 mixed beverage sales accounted for around 27% of gross sales.
 - In FY 2024 mixed beverage sales accounted for around 28% of gross sales which was an additional \$142,130.

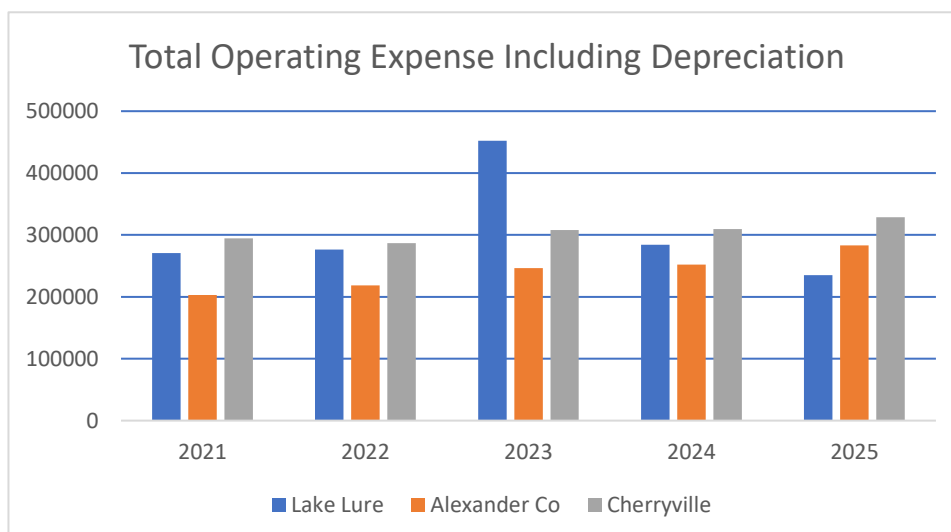
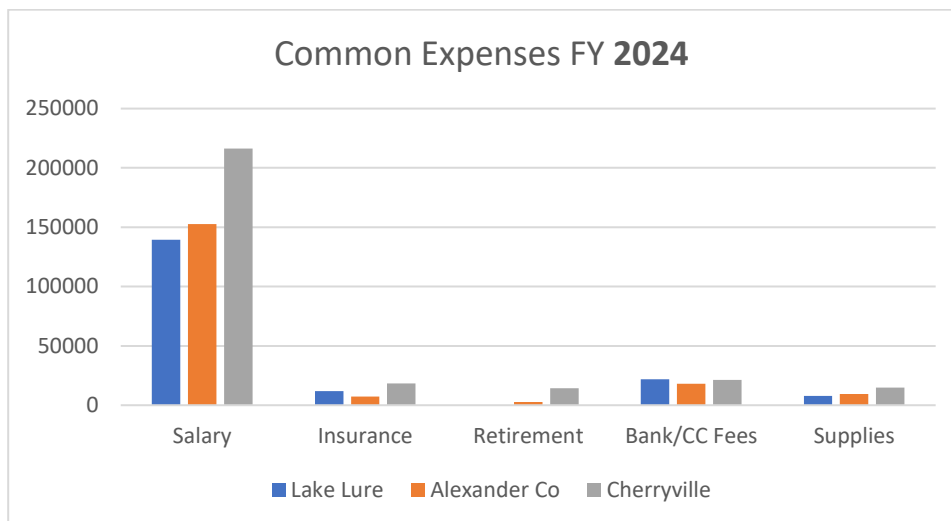
INVENTORY TURNOVER

- 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 these goals for determining an effective rate based on the frequency of deliveries.
 - Once a week deliveries target at 6 times or more per year
 - Twice a month deliveries target 5 times or more per year
 - Monthly deliveries target at 4.5 times or more per year
- The Lake Lure ABC Board receives shipments twice a month, with a target inventory turnover rate of around 5. The inventory turnover rate in FY 2025 was 2.6, which is below the official goal.

EXPENSES

➤ *Expense Information:*

- In FY 2025, total operating expenses decreased by over 17% from the last fiscal year and were around 21% of total annual sales.
 - Salaries were around 11% of total annual sales with a decrease of around 13% from the previous fiscal year.
 - Cost of Goods Sold (COGS) was 53.1% for the fiscal year with a normal range being 52% to 54%.
- A review of both a common expense report (For FY 2024) and a total operating expense report indicates the Lake Lure ABC Board has similar categorical and total operating expenses to those of the other two ABC boards with comparable gross sales and number of stores.
- *Lake Lure ABC had uncommon penalty expense in FY 2023.*
 - Geography and cost-of-living factors are not variables in the charts below.
 - *Common expense report categories can be unreliable, as different CPAs may allocate costs to line items inconsistently.*



BUDGET ANALYSIS

	FY 2025 Budget Projections	FY 2025 Actual	Variance	Variance %
Total Revenues	\$1,637,723	\$1,119,500	(\$518,323)	(31.6%)
Total Expenditures	\$1,586,841	\$1,087,730	\$499,111	31.5%
Distributions	\$52,483	\$65,507		
Revenue over/under Expenditures & Finance		(\$33,737)		
After Reconciling Items		(\$38,556)		

- In reviewing the budget to actual analysis of the FY 2025 financial audit, actual total revenues were 31.6% below the budget and expenditures were 31.5% below the budget.
 - No budget amendments were made during the fiscal year.
- The change in net position during the fiscal year was (\$38,556). *The board's collective net position on June 30, 2025, was \$369,800; the net position has increased by 18.6% since FY 2021.*
- Based on sales trajectory for the current fiscal year with eleven months (92%) of the budget year completed, the board is tracking at around 75% 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 and 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 2025, a total of \$264,224 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Rutherford County.
- In FY 2025, Lake Lure ABC accrued funds for other statutory distributions totaling \$65,507.
- Per the local enabling act, the distribution formula for recipients of net profits is as follows:
 - 100% to Lake Lure General Fund, of which not less than 7% goes to alcohol education.

DISTRIBUTIONS (cont.)

➤ **STATUTORY DISTRIBUTIONS:**

- **Net Profit Distributions** – The Lake Lure ABC board has made net profit distributions for two of the last five fiscal years above the minimum mandatory distribution as referenced in G.S. 18B-805(c)(1). **The table below shows 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 accrued and/or disbursed at or above the standard 5% statute amount for two of the last five FYs.
- **Alcohol Education Distributions:** Have been accrued and/or disbursed at or above the standard 7% statute amount for two of the last five FYs.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients <i>Note: Referencing CPA Audit Reports</i>		Lake Lure ABC Board Net profit distribution made annually by fiscal year	
Calculated Amount		Total paid to recipient(s)	
FY-2025	\$27,920	FY-2025	\$65,507
FY-2024	\$41,952	FY-2024	\$54,351
FY-2023	\$39,535	FY-2023	\$0
FY-2022	\$38,358	FY-2022	\$13,193
FY-2021	\$32,742	FY-2021	\$0

- Since inception in 1980, the board has distributed a total of \$708,814 to the Lake Lure General Fund, with almost 19% of this amount distributed within the last five fiscal years.
- Referencing the local enabling act for the board, alcohol education distributions are to be made in accordance with G.S. 18B-805(c)(3). Normally, this distribution percentage is set as an amount of seven percent (7%) of the gross receipts remaining after the distribution required in subdivision [1] which equates to the minimum mandatory distribution under G.S. 18B-805(c)(1). Since the local enabling act is constructed for Town of Lake Lure to use 7% of net profit distributions for alcohol education, the ABC board is recommended to issue two (2) checks each time net profit distributions are made to the town. This would include one check for 93% of total net profit distribution amount, and a check for 7% of the total amount designated for alcohol education on the memo line. This will ensure the ABC board reasonably does what is possible to ensure the town is made fully aware of the designated use of those funds.

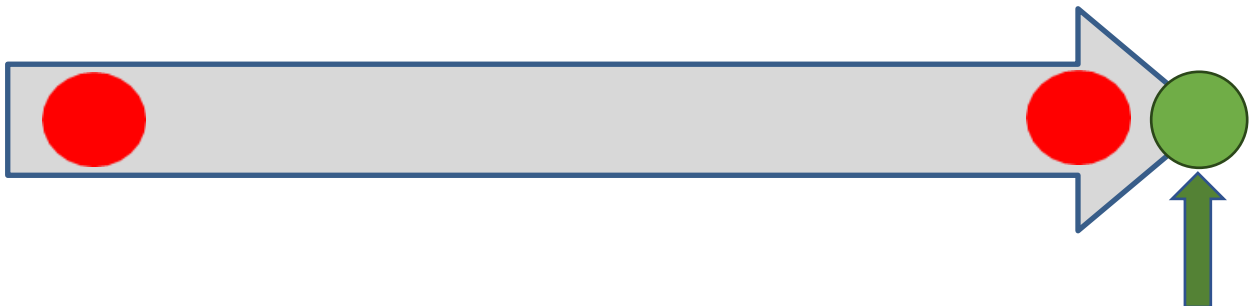
WORKING CAPITAL

- 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 means gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4).
- Based on the existing rules, as of June 30, 2025, the Lake Lure ABC Board is required to maintain a minimum working capital of \$32,872 with a maximum working capital amount of \$284,890.
 - On June 30, 2025, the board had a working capital balance of \$350,397 which is more than the maximum allowed per Commission requirement for this section (*).
 - Net sales for FY 2025 declined compared to the board's recent historical sales performance. The actual working capital amount of \$350,397 would have fallen below the maximum allowable threshold for FY 2024 and other recent fiscal years.

**** FY 2025: Working Capital (WC) Graphic***

MIN

MAX



ACTUAL

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

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

Board Members

- The board consists of four members and a chairperson who receive compensation for their services in compliance with G.S. 18B-700(g).
 - Current board members' terms are staggered to comply with G.S. 18B-700(a).
 - Three members need to complete their ethics training requirement before the end of their term's first year, and preferably sooner.
 - Copies of members' oaths of office are now available in the board's records.
 - Members have professional experience in business, finance, and hospitality.
- Meetings are generally held on the third Monday of each month.
 - Meeting announcements are provided to the town and are posted on the town's website.
- Meeting minutes are well organized, available, and follow the proper order of proceedings.
 - All meeting minutes reviewed include a conflict-of-interest statement.
 - Financial data are presented and discussed at board meetings to include budget comparisons for sales and expenses.
 - 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 in annual audits.

Board Personnel

- The board employs two full-time and five part-time employees.
- The General Manager is full-time, has completed the ethics training, and is responsible for overseeing all board operations and activities.
- The Assistant Manager supports and complements the General Manager with daily store operations.
- The Finance Officer is a contracted employee and is responsible for all accounting related activities and provides financial oversight.
- All employees are responsible for providing friendly customer service, general store maintenance, and stock management.
- Training for new employees is on the job and mentorship based and includes introductory product knowledge discussions.
 - Cross training for administrative responsibilities has been extended to the Assistant Manager.
 - Most team members have received RASP training with the exception of the two newest employees.
- No conflicts related to nepotism were found, based on discussion with the General Manager.
- All store personnel are aware that loitering is prohibited on board property and in the store.

Law Enforcement

- The board has an active law enforcement contract with the Town of Lake Lure Police Department.
- Law enforcement reports are submitted by the General Manager with data provided by Sergeant Collins.
 - Applicable data for accountability as outlined in G.S. 18B-501(f1), is typically provided.

Policies

- The board has a code of ethics policy which adheres to the requirements of G.S. 18B-706(a), and a thorough personnel manual which covers many additional policies and the requirements of Rule 15A .1006.
- Other policies on file with the Commission include mixed beverage sales, price discrepancy, credit card usage, and in store tastings.
- While already being followed, the board should adopt a written shelf management plan pursuant to Rule 15A .1708.
- Other written policies the board may wish to consider include allocated product sales, and a policy for employees who also work at a mixed beverage permitted establishment.
- For travel, the board follows the State travel plan per G.S. 18B-702(g2), with reimbursements made pursuant to G.S. 138-6.

Operations

- Full inventory is conducted two or three times annually with continuous spot checks during stocking.
 - Multiple team members participate and scanners are used.
 - All variances are recounted by a different team member, and the General Manager is responsible for all adjustments.
 - *A small sample of products was inventoried during the Commission visit with only one possible variance found.*
 - Slow moving products are relocated within the store and sometimes included in displays.
- Liquor orders are made by the General Manager who compares stock status to a thirty-day sales list.
 - Out of stock shelf tags are pulled and ordered first to avoid any possible missed items.
 - SPA lists are reviewed and buy in investments are considered when available. *The board's mixed beverage customers will accept liter bottles, which makes them a priority focus for buy-ins due to their more frequent availability.*
 - Special order requests are made for mixed beverage customers and considered on a case by case basis for retail sales.
- The board receives liquor deliveries on the first and third Mondays of each month.
 - Pallets are dropped and down stacked with scanners and variances are rechecked by a second person and again before the report is sent to LB&B.
- The board currently has fourteen active mixed beverage customer accounts.
 - Pulled orders are rechecked by a second team member and again during the customer transaction.
 - Invoices are provided to the permittees, and signed copies are retained for each account.
 - The board stamps bottles as required by Rule 15A .1901.
- Some allocated products are available for mixed beverage customers, with others being shelved according to the General Manager's discretion.
- The board retains breakage reports and submits them to suppliers for credit. To comply with Rule 15A .1701(c), the board should reestablish emailing copies of the reports to the Commission quarterly.
- The board has social media to promote general store information and special events at the board or in the town.
- The board's login website was updated prior to the Commission visit and contains accurate information pertaining to board members, personnel, and store locations.

Financial & Internal Controls

- Invoices for liquor are paid per truck and processed by the Finance Officer.
- The board's checks are signed by the Finance Officer and counter-signed by the General Manager.
 - The checks do not have the required disbursement certificate for compliance with G.S. 18B-702(q).
- The preaudit certificate is not utilized on liquor or other purchase orders. *The board could consider methods to accommodate the provisions of G.S. 18B-702(m) regarding the preaudit/preauthorization of non-recurring payments by the Finance Officer, including properly designating a deputy finance officer.*
- Tax and primary distributions are processed by the Finance Officer.
- The board has a bank card that is kept in the safe and used by the General Manager.
 - Itemized invoices are retained and the account is paid in full monthly.
 - Mileage logs are kept for the General Manager or Assistant General Manager, and reimbursements are made monthly in accordance with the travel policy.
- Cash-handling procedures are in place and understood by all staff.
 - Employees work out of one till daily with all funds counted at the beginning of each day.
 - Deposits are compiled daily and transported to the board's bank weekly. *An official Commission waiver has been approved for staggered deposits.*
 - The Finance Officer conducts month-end reconciliations.
 - *A sample of recent deposits was reviewed with no variances noted.*
- Payroll is processed every two weeks by the Finance Officer through QuickBooks.
 - Employees use a time clock, and time sheets are reviewed by the General Manager before being sent to the Finance Officer for processing.
 - *Payroll summaries reviewed indicate corresponding compensation for Board Members and the General Manager as compared with the board's login website.*
- All board members and applicable personnel are bonded for at least \$50,000 as required by G.S. 18B-700(i).
- The annual CPA audit was received by the Commission on September 9, 2025.
- Alcohol education distributions were not made in FY 2025.
 - G.S. 18B-805(h) requires the board to include in its meeting minutes how its alcoholism funds are to be spent and to verify any person or agency receiving funds from the board reports to the board at least annually, describing how these funds were spent.

STORE INSIGHT & OVERVIEW

- The Lake Lure ABC Board's store is in two suites of a small strip of shops located on the town's major thoroughfare.
 - The store has easily viewable roadside and building signs.
 - There is adequate parking, and the exterior is free of trash and debris.
- The interior of the store is well lit and organized.
 - Floors and shelves are clean and displays and end caps are utilized.
 - The Fetal Alcohol Syndrome poster required by G.S. 18B-808 is displayed.
 - A quarterly price book is available at the counter, and an SPA pricing list is available upon request.
 - Broker supplied shelf tags highlight items that are currently on sale.
 - The store has a North Carolina product section, and additional North Carolina products are placed within their corresponding categories.
- Shelf management practices are properly implemented.
 - Products are fronted and bottles are dusted.
 - Products are grouped by category, and premium products are located at eye level or higher.
 - Bottles are arranged so that they increase in size from left to right of the same item.
 - Shelf space for products is set to follow the factors identified in Rule 15A .1708(5).
- A sample of approximately one hundred items was selected to determine if uniform pricing was displayed. Of those selected, several items of the same brand had incorrect prices.
 - Price discrepancies are handled in the customer's favor if the shelf tag were to be lower than the current price mandate and the customer objects.
- Sales associates value customer service, and all are attentive and courteous.
- The store is open from 10:00 a.m. until 7:00 p.m. Monday through Saturday.
- The store is closed every Sunday, the five previously required holidays, and Memorial Day.
- The building has a camera system, alarms, and panic buttons.

REQUIRED OR REQUESTED ACTIONS

- Item #1: G.S. 18B-706(b) requires each member of a local ABC board to complete ethics education within 12 months after initial appointment to office and within 12 months of each subsequent appointment. *Three members, appointed in February 2026, will need to satisfy this requirement within the next few months.*
- Item #2: 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. Ensure budget amendment copies are submitted to the ABC Commission as required per G.S. 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.
- Item #3: G.S. 18B-702(q) states all checks or drafts must bear a certificate, and the certificate shall take substantially the following form: “This disbursement has been approved in the manner required by G.S. 18B-702.” This is most applicable for the payment of liquor invoices.
- Item #4: The board should re-establish full compliance with G.S. 18B-702(m) by ensuring the preaudit approval certificate appears on purchase orders or liquor orders to take substantially the following form: “This instrument has been preaudited in the manner required by G.S. 18B-702”. *This could most reasonably be accomplished by having the Finance Officer or Deputy Finance Officer stamp and sign the order edit list for liquor or other purchase orders and contracts.*
- Item #5: When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. Rule 15A .1701(c) requires boards to submit quarterly reports for any unsaleable merchandise and to retain the original copies for three years.
- Item #6: 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.

RECOMMENDATIONS OR CONSIDERATIONS

- Board personnel should work to ensure shelf prices match the cash register prices. *Price checks could be incorporated into routine inventory counts or after the conclusion of monthly or quarterly price changes.*
- While generally understood by all staff, the board may wish to consider establishing or adopting the following written policies. *Written policies can serve to strengthen internal controls and as good guidelines if updates are made or are being considered to the procedures already in place.* Copies of all adopted policies should be forwarded to the Commission for approval and records retention.
 - Mixed beverages secondary employment: While this situation does not always create a direct conflict of interest, an employee of the board who also is employed by one of the board's mixed beverage customers may give rise to the appearance of a conflict. To address this concern, the board could consider establishing a policy that clearly defines boundaries and expectations for employees in this circumstance, helping to mitigate any perceived conflict of interest.
 - The board may wish to consider adopting a written policy for the sale of allocated products. A formal policy would establish clear and equitable guidelines, assist team members in navigating interactions with patrons regarding high-demand items, and promote transparency in the distribution process.
- The board may wish to consider contacting the Commission's Education Outreach personnel to set up RASP training for some of its newer employees or for those who have not participated in the training recently.

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

ADDITIONAL GUIDANCE FOR ALL BOARDS

- 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 the 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.
- 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 when 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 sales adjustment for current fiscal year sales estimates.
- 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.
- Referencing G.S. 18B-805(c)(1) for Other Statutory Distributions, ABC boards shall set aside the clear proceeds of the 3.5% markup and additional bottle charge to be distributed as part of the remaining gross receipts to recipients in the local enabling act for net profit distributions. Thus, the board should be routinely making this minimum annual CPA calculated amount. Exceptions would be a scenario where there is an approval agreement with the appointing authority to withhold funds for capital improvements or increasing financial solvency.
- 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.

PREVIOUS PERFORMANCE AUDIT ACTIONS (2023)

- 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.
- Law enforcement reports must be submitted on the Commission's board website by the 7th of each month referencing G.S. 18B-501(f1). Reports are to include as applicable the number of arrests made for ABC law, number of agencies assisted with ABC law, and other metrics for ABC law contribution such as compliance checks and alcohol education classes presented. It is important to make sure reports are placed in a "Final Submitted" status when entered online. If no data / statistics is provided by the police department for any given month, reports should still be submitted to reflect a narrative of "No data was provided or available."
- Board meeting minutes should be signed by the Chairperson as part of guidance provided in the Commission's Operations Manual.
- Local ABC boards shall establish a shelf management plan per Commission Rule 15A .1708 Shelf Management. The board needs to work to rearrange liquor inventory on the shelves to follow shelf management requirements, in particular ensuring bottles increase in size going from left to right.
- Checks or drafts must bear a certificate, and the certificate shall state the following: "This disbursement has been approved in the manner required by G.S. 18B-702." This is most applicable for checks written to pay liquor invoices. The best recommendation is to simply use checks that have this pre-printed statement listed.
- Ensure all purchase orders to include obligations evidenced by a contract or agreement requiring the payment of money, shall include or bear a certificate stating that the instrument (or order) has been preaudited 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 would 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.
- Due to new Town officials, the board needs to draft a new law enforcement contract with Lake Lure Police Department and provide a copy to the Commission in connection with G.S. 18B-501(f).
- 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.

- Referencing G.S. 18B-805(c)(1) for Other Statutory Distributions, ABC boards shall set aside the clear proceeds of the 3.5% markup and additional bottle charge to be distributed as part of the remaining gross receipts to recipients in the local enabling act for net profit distributions. Thus, the board should be routinely making this minimum annual CPA calculated amount. Exceptions would be a scenario where there is an approval agreement with the appointing authority to withhold funds for capital improvements or increasing financial solvency.
- Referencing the local enabling act for the board, alcohol education distributions are to be made in accordance with G.S. 18B-805(c)(3). Normally, this distribution percentage is set as an amount of seven percent (7%) of the gross receipts remaining after the distribution required in subdivision [1] which equates to the minimum mandatory distribution under G.S. 18B-805(c)(1). Since the local enabling act is constructed for Town of Lake Lure to use 7% of net profit distributions for alcohol education, the ABC board is recommended to issue two (2) checks each time net profit distributions are made to the town. This would include one check for 93% of total net profit distribution amount, and a check for 7% of the total amount designated for alcohol education on the memo line. This will ensure the ABC board reasonably does what is possible to ensure the town is made fully aware of the designated use of those funds.
- ABC board members must complete ethics training within one (1) year of each appointment and again following all reappointments per G.S. 18B-706(b).
 - Special note: Currently, one board member is overdue by more than a year and must complete the training by March 15, 2023. Also, the finance officer needs to complete the training as a one-time requirement by March 31, 2023.
 - General managers, finance officers (and any applicable deputies) have a one-time training requirement for ethics training but are encouraged to complete training periodically as a good refresher along with any other full-time or part-time personnel interested.

While having addressed most considerations from the previous Commission review, the board should still monitor and strive to satisfy previously recommended actions.

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

7/17/2026

Dear Commission Members,

Thank you for the time and recommendations provided during the recent performance audit. We appreciate the Commission's guidance and have reviewed each finding carefully. Below are the Board's responses and the corrective actions that have been completed or are in progress.

Item 1

The Board has submitted its Code of Ethics Policy to the Commission in accordance with G.S. 18B-706(a). Board members appointed in February 2026 have been scheduled to complete the required ethics education, and payment to Alcoholic Management LLC has been made. Upon completion, the Board will be in full compliance with this requirement.

Item 2

The Board recognizes the importance of maintaining a balanced budget each fiscal year. Going forward, all budget amendments will be approved by the Board before any funds are transferred between accounts. Budget amendment copies will continue to be submitted to the Commission as required by G.S. 18B-702(b).

Item 3

The Board will ensure compliance with G.S. 18B-702(9) by requiring the appropriate disbursement certificate on all applicable checks. A stamp containing the required certification language has been obtained and will be used on all qualifying purchase orders and liquor orders. The required Finance Officer signature will accompany each certification.

Item 4

The Board has re-established compliance with G.S. 18B-702(10) by implementing the required pre-audit certification on all purchase orders and liquor orders. The certification stamp and Finance Officer signature will be applied before purchases are approved.

Item 5

The Board will continue monitoring shelf tag prices to ensure accuracy and consistency with register pricing. Price checks will be incorporated into routine inventory counts and monthly or quarterly price change procedures. Staff will immediately correct any pricing discrepancies identified.

Item 6

The Board has completed and signed the Certificate of Accountability. A copy has been forwarded to the Commission with this response and will continue to be submitted as required.

Additional Recommendations

The Board has also addressed the Commission's recommendations by:

- Developing and adopting a written policy regarding secondary employment with mixed beverage permittees to prevent actual or perceived conflicts of interest.
- Working on a written policy governing the sale and allocation of limited or allocated products to ensure fairness, transparency, and consistency.
- Reaching out to schedule Responsible Alcohol Seller/Server Program (RASP) training for applicable employees.
- Continuing to strengthen internal policies and procedures to promote accountability and compliance with all applicable statutes and Commission guidance.

The Board appreciates the Commission's assistance throughout this audit process and remains committed to maintaining full compliance with all applicable laws, regulations, and best practices.

Sincerely

Patricia Crain

General Manager

Lake Lure ABC Board

PO Box 21, Lake Lure NC 28746

Sep 15 2026
Month Day Year

Lake Lure
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).

Pat C...
General Manager

Phinda Stedman
Financial Officer

Richard Sykes
Chairman

[Signature]
Board Member

Pat Case
Board Member

T. Boswell
Board Member

Peter O'Hearn
Board Member