# Lexington ABC Board

Performance Audit Report

Alcoholic Beverage Control Commission
400 East Tryon Road, Raleigh, NC 27610
p: 919-779-0700 | f: 919-661-5927 | http://abc.nc.gov

# TABLE OF CONTENTS

ABC
COMMISSION
NORTH CAROLINA

**Alcoholic Beverage Control**

CHAIRMAN:
Hank Bauer

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

David Sherlin
Raleigh

DEPUTY COMMISSIONER:
Mike DeSilva

LOCATION:
400 East Tryon Road
Raleigh NC 27610

MAILING:
4307 Mail Service Center
Raleigh NC 27699-4307

PHONE: (919) 779-0700
http://abc.nc.gov/

July 20, 2026

Lexington ABC Board
Jim Myers, Chair
419 N. Main St.
Lexington, NC 27293

Chairperson Myers,

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

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

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

Respectfully,

Michael G. DeSilva

Michael DeSilva
Deputy Commissioner

# OBJECTIVE, PURPOSE & BACKGROUND INFORMATION

In addition to regular and special financial audits, G.S. 18B-705(a) authorizes the NC ABC Commission to conduct performance audits of all local ABC boards in the state. Performance audits examine existing policies, practices, controls, and activities to identify areas that may need 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

The City of Lexington, located in central North Carolina, serves as the county seat of Davidson County. The city is famously known as the “Barbecue Capital of the World” and has an annual barbecue festival which attracts as many as 200,000 visitors. The city’s highest estimated population is 20,100 residents, up around 2% from the 2020 census. The Lexington ABC Board operates two retail stores and is one of three ABC boards in the county.

Chapter 653 of the 1965 Session Laws authorized the City of Lexington to hold an election based upon a petition of at least fifteen percent (15%) of the registered voters. The referendum was held on December 21, 1971, and passed 2,970 to 2,565. The first retail sale occurred on January 14, 1972. A mixed beverage election was held on October 2, 1990, and passed 2,112 to 2,002. Upon approval of an ABC store, an ABC board was created consisting of a chairperson and two members to serve three-year staggered terms. Current board members are Jim Myers, chair, Lee Mabe, and Charles Carter.

*The last performance audit of the Lexington ABC Board concluded in 2021.* The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.

**419 N Main St.**

# OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS

On March 31, 2026, ABC Commission Program Analyst Edwin Strickland visited the Lexington ABC Board and interviewed the General Manager, William (Bill) Sigmon, and other team members. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.


**1705 Cotton Grove Rd.**

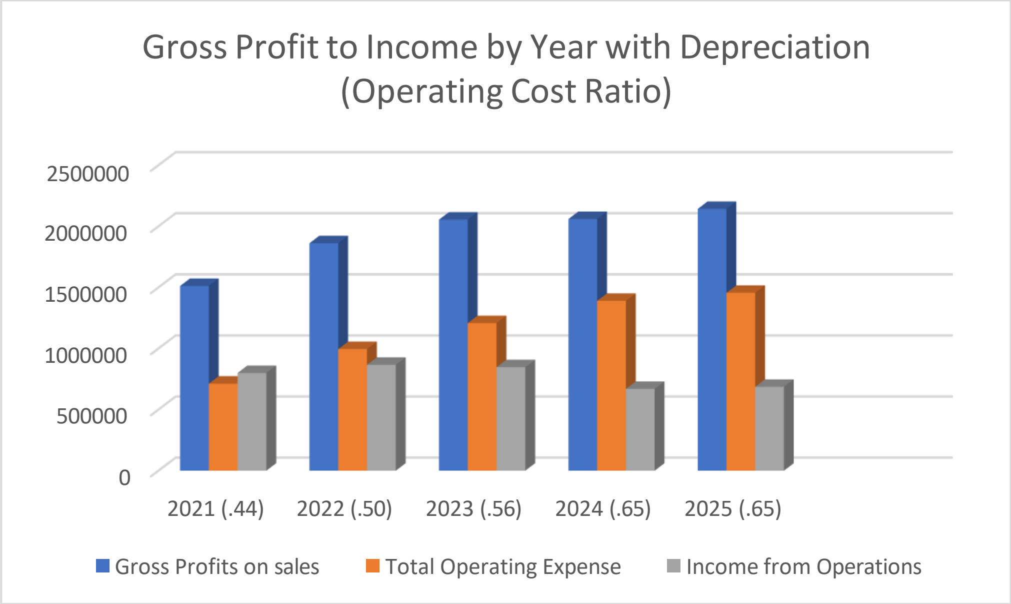
# FINANCIAL ANALYSIS

## PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

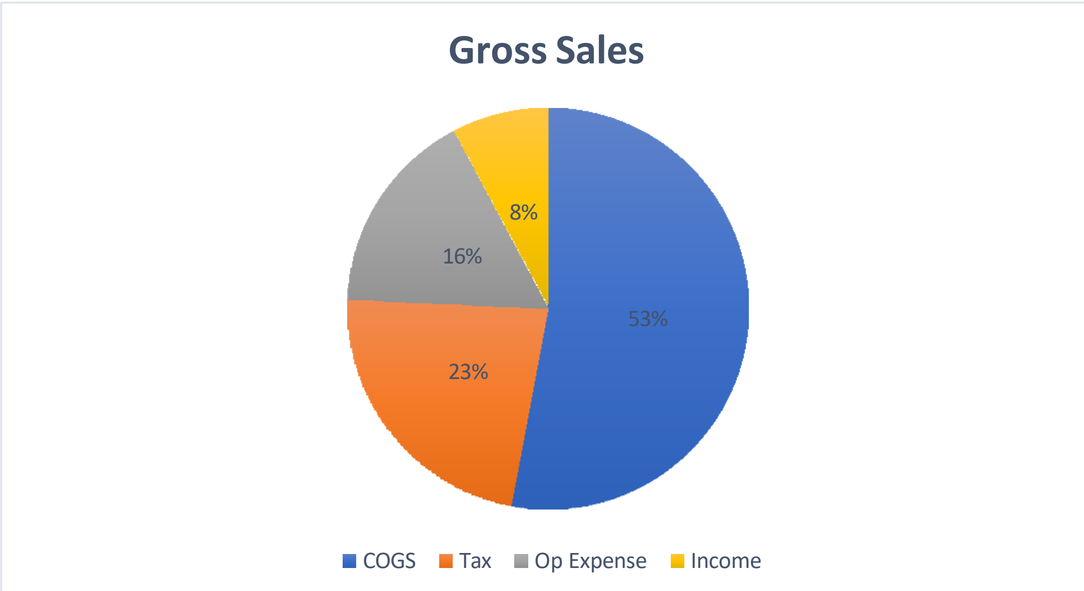
- In fiscal year FY 2025, the Lexington ABC Board had a profit percentage to sales ratio of 7.77%. The NC ABC Commission historical profit to sales standards for ABC boards with gross sales greater than $2M is 6.5%.
    - *The profit percentage to sales ratio over the previous four completed fiscal years were 7.65%, 10.49%, 11.34%, and 12.69%, respectively.*
    - The Lexington ABC Board's gross sales totaled $8,830,067, which was an approximate 1% increase from the previous fiscal year.
    - The board's sales have increased by an impressive 40% compared to FY 2021.
- The Lexington ABC Board operates two retail stores with mixed beverage sales. The operating cost ratio for the board was *0.65* in FY 2025. The NC ABC Commission historical standard for ABC boards with one or two stores and mixed beverage sales is *.73* or less. *The operating cost ratios for the previous four years are shown in the chart below.*
    - The operating cost ratio is calculated by dividing total operating expense, 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 including depreciation, income from operations for recent years, and operating cost ratios.

| | FY 2024-2025 | FY 2023-2024 |
|---|---|---|
| **Gross Profit on Sales** | $2,142,206 | $2,059,518 |
| **Total Operating Expense** | ($1,455,705) | ($1,390,038) |
| **Income from Operations** | $686,501 | $669,480 |



- 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.



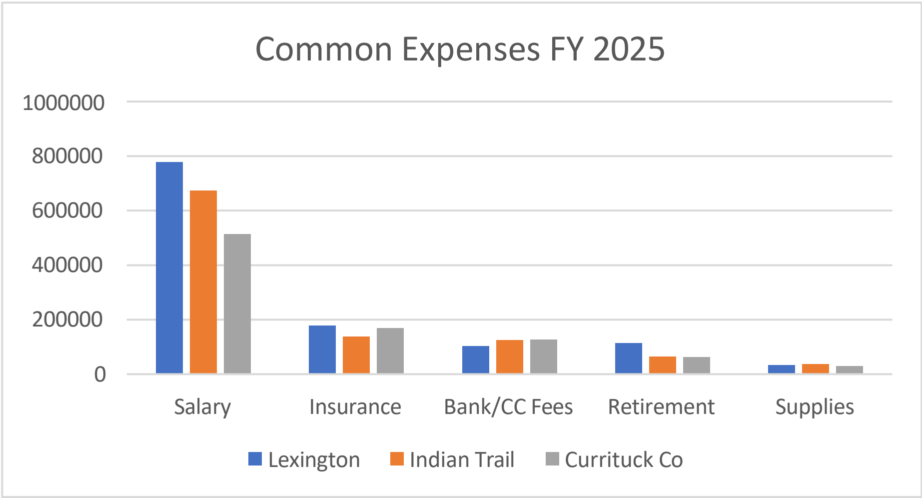

- *Factors affecting sales:*
    - Davidson County has two other ABC boards, and there are seven total boards with a store located within 25 miles of a Lexington ABC Board store.
    - The unemployment rate in Davidson County was 4.0% in June of 2025 with little change from the previous year. *The North Carolina average in June 2025 was 3.7%.*
    - Approximately 11.2% of the population in the county is below the poverty level. *The North Carolina average is 12.8%.*
    - In FY 2025, mixed beverage sales accounted for around 7.1% of gross sales.
    - In FY 2025, the board had $1,276 in non-operating revenue.

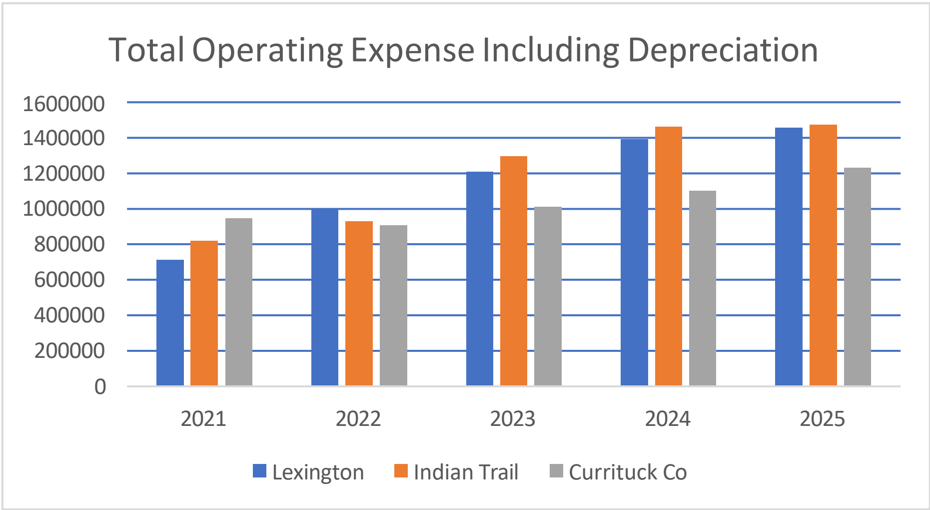
## INVENTORY TURNOVER

- 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 at 5 times or more per year
    - Monthly deliveries target at 4.5 times or more per year
- The Lexington ABC Board receives shipments weekly with a target inventory turnover rate of around 6. The inventory turnover rate in FY 2025 was 3.5, which is below the official goal.

## FINANCIAL ANALYSIS (cont.)

- *Factors affecting expenses:*
    - Total operating expenses increased by less than five percent (5%) from the last fiscal year and were around sixteen and one-half percent (16.5%) of total annual sales.
    - Board salaries were around nine percent (9%) of total annual sales and increased around six- and one-half percent (6.5%) from the previous fiscal year.
    - Cost of Goods Sold (COGS) was 53% for the fiscal year. with a normal range being 52% to 54%.
- A common expense report and a total operating expense report show the Lexington ABC Board has similar categorical and total operating expenses compared to other ABC boards within a somewhat relatable gross sales range and other variables. *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** | $8,686,000 | $8,833,775 | $147,775 | 1.7% |
| **Total Expenditures** | $7,739,975 | $8,180,551 | ($440,576) | (5.7%) |
| **Distributions** | $946,025 | $391,954 | | |
| **Revenue over/under Expenditures & Finance** | | *$261,270* | | |
| **After Reconciling Items** | | *$295,823* | | |

- In reviewing the budget to actual analysis of the FY 2025 financial audit, actual total revenues were 1.7% above the final budget amendment, while expenditures exceeded the amendment by 5.7%.
    - The change in net position was $295,823 for the fiscal year. *The board's collective net position on June 30, 2025, was $2,454,344; the net position has increased by one hundred and four percent (104%) since FY 2021.*
- Based on sales trajectory for the current fiscal year with eight months (67%) of the budget year completed, the board is tracking at around 67% 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, the amount of $2,009,082 in primary distributions and other taxes was paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Davidson County.
- In FY 2025, Lexington ABC accrued funds for other statutory distributions totaling $391,954 *(the net profit recipient received $340,000).*
- Per the local enabling act, the distribution formula for recipients of net profits is as follows:
    - 15% to the Lexington General Fund for recreational purposes
    - 15% to the Lexington General Fund for schools
    - Remainder to the Lexington General Fund

## DISTRIBUTIONS (cont.)

- STATUTORY DISTRIBUTIONS:
  - Net Profit Distributions – The Lexington ABC board has made net profit distributions for the last five (5) fiscal years above the minimum mandatory distribution in reference to G.S. 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 disbursed at or above the standard 5% statute amount for the last five (5) FYs.
  - 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**<br>***Note: Referencing CPA Audit Reports*** | | **Lexington ABC Board Net profit distribution made annually by fiscal year** | |
| **Calculated Amount** | | **Total paid to recipient(s)** | |
| FY-2025 | *$255,558* | FY-2025 | ***$340,000*** |
| FY-2024 | *$253,267* | FY-2024 | ***$351,000*** |
| FY-2023 | *$232,141* | FY-2023 | ***$330,000*** |
| FY-2022 | *$215,337* | FY-2022 | ***$540,000*** |
| FY-2021 | *$178,455* | FY-2021 | ***$511,000*** |

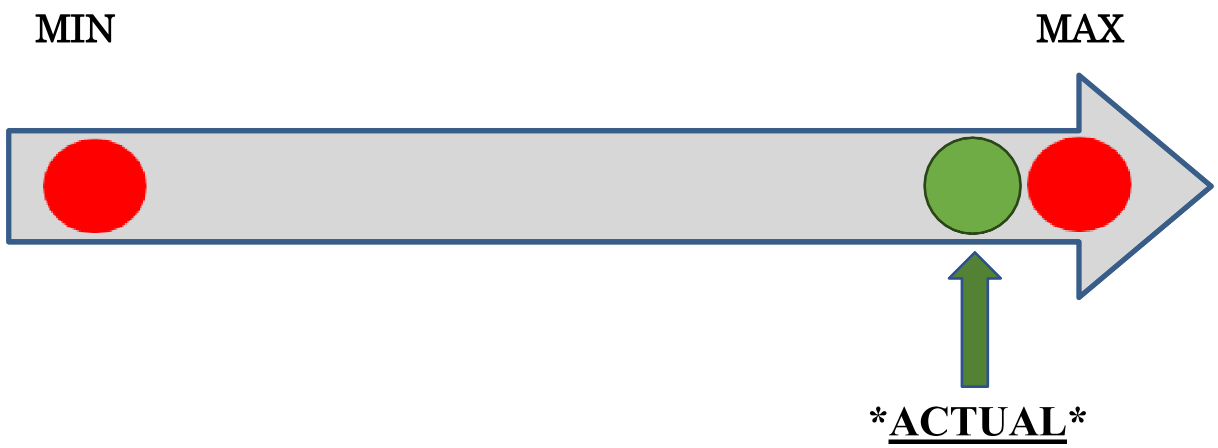
- Since inception, the board has made distributions to the City of Lexington's General Fund in the amount of $15,579,548. *Over thirteen percent (13%) of this has been distributed in the last five fiscal years.*

## 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 greater 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, 2025, the Lexington ABC Board is required to maintain a minimum working capital of $262,346 with a maximum working capital amount of $1,705,246.
  - The Lexington ABC Board had a working capital balance of $1,622,820, which is above the minimum and below the maximum allowed per Commission rule for this section.

### * FY 2024-2025: *Working Capital (WC) Graphic*




- 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 two members and a chairperson whose per-meeting compensation for their services complies with G.S. 18B-700(g).
  - Current board members' terms are appropriately staggered, and all are serving consecutive terms.
  - All members have previously completed the ethics training requirement; however, a recently reappointed member will need to retake the training in the coming months.
  - Members may have taken an oath of office per G.S. 11-7, but copies of the oaths are not in the board's administrative records. *The board should request the city either provide written copies of the oaths or, if no documents can be found, have oaths of office readministered. Once written copies of the oaths are procured, the board should have a copy of the oaths available at the board's administrative office.*
  - Members have extensive professional experience in business, education, community service, and one member currently serves on the city council.
- Meetings are generally held on the second Tuesday of each month, with the city providing public notice for meeting dates and times. *The board should ensure the city is notified if its meeting dates or times change.*
- Meeting minutes are organized, available, generally follow the order of proceedings, and include a statement of no conflict-of-interest.
  - Financial data is discussed at meetings to include a quarterly compilation from the board's CPA firm.
  - Board members are encouraged by the Commission to use internal controls to ensure that cash management practices are upheld. Boards should also routinely review any notes and recommendations provided by the CPA firm.
- The board's login website has 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 Lexington Police Department from 2022 and accrued or disbursed funds in the amount of $21,650 in FY 2025.
- The board submits the required law enforcement reports monthly. However, the reports do not contain applicable data outlined in G.S. 18B-501(f1).
  - *The board should consider reviewing the reporting requirements with its contracted law enforcement agency and request more detailed reports for accountability.*

## Alcohol Education

- The board has two alcohol education distribution recipients and accrued or disbursed funds in the amount of $30,304 in FY 2025.
- While the board has previously requested reports from its recipients, G.S. 18B-805(h) requires the board to include in its meeting minutes how their 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.

## Board Personnel

- The board currently staffs seven full-time employees and twenty part-time team members.
- The General Manager is full-time, responsible for all board operations, and he is compliant with the ethics training requirement.
- The Finance Officer is full-time, responsible for most financial activities within the system, and she is compliant with the ethics training requirement.
- Each store has a designated manager responsible for general store operations.
- Store #1 has an assistant store manager who also serves as the board's inventory control manager.
- The board employs a mixed beverage manager (LBD) who facilitates service for all mixed beverage accounts and other related activities.
- All other employees are sales associates and responsible for providing friendly customer service, general store upkeep, and stock maintenance.
- Training for new employees is mentorship-style and onboarding begins in the administrative office with policy review.
    - Managers conduct initial categorical product knowledge training.
    - Cross training opportunities have been extended for all managerial and administrative positions.
    - RASP training has been attended by all or almost all employees.
- Schedules for sales associates are made by the store managers and reviewed by the General Manager to ensure appropriate coverage.
- A file for each employee is kept in the board's office to include personnel policy acknowledgments and any applicable disciplinary documents.
- Full-time employees are enrolled in LGERS.
- No conflicts pertaining to nepotism were found or per discussion with the General Manager.

## Policies

- The board has a personnel manual which covers all requirements of Rule 15A .1006.
- The board has a code of ethics. Other policies covered in the personnel manual include shelf management, gift acceptance, mixed beverage operations, and cash handling expectations.
- Policies the board may wish to consider adopting in writing include allocated product sales and mixed beverage sales procedures for permittees.
- For travel, the board's personnel manual stipulates it follows the state travel plan for reimbursements.

## Operations

- Full liquor inventory is conducted monthly by the inventory manager's team.
  - Scanners are used, and multiple team members participate.
  - The General Manager reviews variance reports and investigates potential errors within the board's inventory management system.
  - *A sample of products was inventoried during Commission visit at store #1 with no significant discrepancies noted.*
  - Strategies for slow-moving products include relocating items within the store and the board has previously requested price reductions.
- Deliveries are received each Wednesday and alternate between the two stores.
  - Pallets are down stacked using scanners.
  - Cases are dated to assist with recounts.
  - Any variances are rechecked before a discrepancy report is issued to LB&B.
  - The board has a vehicle sometimes used for transfers.
- Orders are built through a multi-step process involving physical checks of shelves and the warehouse.
  - Out of stock and bulk items are ordered first.
  - Monthly SPA lists are reviewed and buy in investments are made.
  - Special order requests and new or limited items are routinely ordered.
- The board retains breakage reports and includes the reports for credit with its suppliers. For compliance with Rule 15A .1701(c), board personnel should email copies of any reports to the Commission quarterly. *The finance officer has likely been emailing these reports to an outdated email address.*
- The LBD Manager is responsible for mixed beverage orders, and the board currently has twenty-seven active permittee accounts.
  - The General Manager reviews orders before they are prepared.
  - Pulled orders undergo multiple verification checks and require sign-offs from multiple employees.
  - Invoices are provided to the permittees, and signed copies are retained in a file for each account.
  - Bottles are stamped to meet the specifications of Rule 15A .1901.
- Allocated products are available to mixed beverage customers on a limited basis, and others are most often sold through drops.
- The board routinely holds tastings at both stores.
- The board has a website and social media account(s).

## Financial, Administrative, and Internal Controls

- Invoices for liquor are generally paid after every other delivery by the Finance Officer.
  - The Finance Officer cuts and signs checks, which are countersigned by the chairperson.
  - Checks include the required disbursement certificate in accordance with G.S. 18B-702(q).
- The Finance Officer currently applies the preaudit certificate to invoices after an order has been made or received.
  - The preaudit certificate should be stamped on any purchase order including liquor orders, and signed by the Finance Officer, prior to the order being made for full compliance with G.S. 18B-702(m).
- The board does not maintain a credit card or petty cash fund. Although most supplies are purchased through established accounts, employees are occasionally reimbursed directly for gas and other incidental expenses.
- Sales associates are responsible for their till and funds are routinely counted before and after shifts.
  - The personnel manual addresses cash handling procedures.
  - Deposits are dropped daily, following the business day, with two employees transporting funds.
  - *A small sample of recent deposits was reviewed with no significant variances noted.*
- The Finance Officer completes a full account reconciliation monthly.
- Payroll is processed every two weeks through ADP.
  - A thumbprint clock system is used for employees, and time is reviewed by the General Manager for accuracy and to monitor potential overtime.
  - Members are paid by check for their services and not included in payroll.
- The annual CPA audit was received by the Commission on August 28, 2025.
- All board members and applicable personnel are bonded for at least $50,000 per G.S. 18B-700(i) and G.S. 18B-803(b).

## STORE INSIGHT & OVERVIEW

- Both stores are located in commercial areas on busy thoroughfares.
  - Both have highly visible roadside signs and adequate parking.
  - The exterior and applicable surrounding areas are well maintained and free of trash and debris.
  - Safety bollards are installed to help with parking and pedestrian safety.
- The interiors are well-lit and organized, and floors and shelves are clean.
  - The Fetal Alcohol Syndrome posters required by G.S. 18B-808 are displayed.
  - Quarterly price books are available.
  - Specially priced shelf tags are used to highlight items currently on sale.
  - Category signs are displayed and endcaps are utilized.
  - North Carolina products are found in their designated category.
- Shelf management practices are implemented effectively.
  - Products are fronted, dusted, and in their designated category.
  - Premium products are found at eye-level or on the top shelf.
  - Bottles are arranged so they increase in size left to right of the same item.
  - Shelf space for products is set to follow market share and the factors identified in Rule 15A .1708(5).
- A sample of about one hundred items was selected to determine if uniform pricing is displayed. Of those selected, all items' shelf tag prices at both stores were correctly displayed.
  - Price discrepancies are resolved in the customer's favor if the shelf tag is lower than the current mandated price and the customer objects.
- Sales associates value customer service, and all are attentive and courteous.
- Stores are open Monday through Saturday from 9:00 am until 9:00 pm and are closed each Sunday.
- Stores close the five previously required holidays, as well as Martin Luther King Jr. Day, Easter Monday, and Memorial Day.
- Security systems are in place and functional. The board has recent significant updates to its interior and exterior camera and lighting systems.

## REQUIRED ACTIONS

- Item #1: Board members should take an oath before taking office or before the execution of the office per G.S. 160A-61 and G.S. 11-7. *If oaths have already been administered, a written account of the oaths should, please, be available at the board's administrative office.*

- Item #2: The board should work with its contracted law enforcement agency, the City of Lexington Police Department, to reestablish law enforcement reporting to comply with the provisions of 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. If current law enforcement agencies are not completing ABC enforcement law activities on behalf of the board, it is recommended for the board to consider entering a contract with a different agency such as Alcohol Law Enforcement (ALE) state agency or the local sheriff department.

- Item #3: While the board has previously requested reports from its alcohol education distribution recipients, for full compliance with G.S. 18B-805(h), the board should include in its meeting minutes how their alcoholism funds are to be spent. The board must also verify all persons or agencies receiving funds from the board report to the board at least annually describing how these funds were spent. *If the board is unable to obtain the required reports, it should consider awarding funds to recipients who are willing to comply with this statutory requirement.*

- Item #4: When applicable, ensure that unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701(c) requires quarterly reports to be submitted for any unsaleable merchandise and retain original copies for three (3) years.

- Item #5: 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 should be emailed to Commission personnel for recordkeeping.

## RECOMMENDATIONS

- The Finance Officer pre-audits purchases and liquor invoices after the order(s) have already been placed or received. For full compliance with G.S. 18B-702(m), the preaudit certificate should be administered and signed by the finance officer before an order is placed.

- The board could consider having a written policy for the sale of allocated products and mixed beverage sales. *In addition to establishing guidelines, these policies can be informative to patrons who question your current distribution of these high demand products or new and existing mixed beverage customers who wish to adjust their usual ordering practices.*

- The board may wish to consider obtaining a credit card for the payment of recurring and incidental purchases. In addition to alleviating the need for employee reimbursements for supplies or registrations, many credit cards offer rewards that may be redeemed for cash, which can then be added to working capital or investments as non-operating revenue.

## 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.
- Board members and applicable personnel are encouraged to satisfy the requirements of G.S. 18B-706(b) and Rule 15A .2001 in a prompt manner and before the twelve (12) month mandate. *One recently reappointed board member will need to complete the training in the near future.*
- 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. Ensure budget amendments are submitted to the ABC Commission as required by G.S. 18B-702(h), to include a final reconciliation budget amendment for the FY 2020-2021 period.
- ABC Boards are required to work within general minimum and maximum limits for working capital, as established by 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 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.
- Any ABC board members who also serve on the board of the appointing authority must recuse themselves from voting on or being involved in any decisions involving net profit distributions or other applicable distributions that will be dispersed to the appointing authority, adhering properly to avoiding conflicts of interest referenced in G.S. 18B-201.
- 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.

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

## PREVIOUS PERFORMANCE AUDIT ACTIONS (2021)

- 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. Ensure budget amendments are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the FY 2020-2021 period.
- 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." No certificate however is required on payroll checks or for expenditures from petty cash of $50.00 or less per 18B-702(q).
- Law enforcement (LE) reports must reflect and capture applicable occurrences of regulatory activity and training provided by contracted law enforcement agencies per G.S. 18B-501(f1). If the board chooses to submit the monthly LE reports, law enforcement agencies should be communicating any applicable activities and compliance checks completed.
- A new law enforcement contract reflecting current town officials needs to be obtained and a copy provided to the Commission per G.S. 18B-501(f).
- Any agencies receiving distributed funds from the ABC board for the treatment of alcoholism or substance abuse, or alcohol education or substance abuse research must submit an annual report to the board describing how the funds were spent, as required by G.S.18B-805(h).
- A hard copy travel policy for the current fiscal year for the City of Lexington was reviewed. The board must annually obtain approval from the appointing authority to adhere to their travel policy and annually provide the Commission a copy of this approval per G.S. 18B-700(g2). NOTE: If the board ever decided to instead adhere to the official State of NC government travel policy, then the travel policy requirement would automatically be met and would not require annual approval through the local appointing authority, and thus, no extra board action would be necessary.

**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
July 17, 2026

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

**Item 1: *****
**The board will make sure oaths of office have been administered for current and future board members and keep a copy of the oaths in our records.**

**Item 2: *****
**The board will continue to work with our police department to receive data for law enforcement reports.**

**Item 3******
**The board will continue to request reports for our alcohol education distributions.**

**Item 4******
**We will make sure copies of our unsaleable merchandise reports are forwarded to the ABC Commission quarterly.**

**Item 5******
**The board has already forwarded the signed Certificate of Accountability to the Commission.**

Sincerely,

Bill Sigmon – GM

Lexington ABC Board

| 6 | 9 | 2026 | Lexington ABC Board |
|---|---|---|---|
| Month | Day | Year | 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).

[illegible]
General Manager

Christina Dalton
Financial Officer

Jim Myers
Chairman

[illegible]
Board Member

Board Member

Board Member

Board Member