

Montgomery ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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Alcoholic Beverage Control

February 19, 2026

CHAIRMAN:
Hank Bauer

Montgomery ABC Board
Thomas Wayne Wooten, Chair
509 E. Main St
Biscoe, NC 27209

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

David Sherlin
Raleigh

Chairperson Wooten,

DEPUTY COMMISSIONER:
Mike DeSilva

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

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

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

Respectfully,

Michael DeSilva
Deputy Commissioner

OBJECTIVE, PURPOSE & BACKGROUND INFORMATION

In addition to regular and special financial audits, G.S. 18B-705(a) authorizes the NC ABC Commission to conduct performance audits of all local ABC boards in the state. Performance audits are examinations of existing operating policies, practices, controls, and activities to determine those areas in which there may be a need for improvement.

The audits are designed to ensure that all local ABC Boards comply with established performance standards pursuant to G.S. 18B-203(a)(20). The audit's scope addresses compliance with ABC laws and rules, store appearance, operating efficiency, solvency, and customer service.

To achieve the objectives of the audit, auditors:

- Review applicable General Statutes, ABC Commission Rules, and Administrative Policies
- Review applicable reports and studies of ABC Boards with similar size and geography.
- Verify compliance with Commission and Board policies.
- Verify results of previous performance audit recommendations
- Review ABC Board annual independent financial audits.
- Review ABC Board reporting and documentation reports.
- Visit the store(s)
- Interview key ABC Board personnel.

Montgomery ABC Board is in Biscoe NC, a small town in Montgomery County in central North Carolina, situated near the Uwharrie Mountains and close to major transportation routes such as Interstate 73/74. Incorporated in 1901, the community originally developed around the railroad industry and once served as an important repair center for train operations in the region. Over time, the railroad's role declined, but the town remained a local service and retail hub for surrounding rural communities.

Today, Biscoe has a population of roughly two thousand residents, with recent estimates showing about 2,259 people in 2023 and a median age around 30. Household incomes are modest, and a significant share of residents live in poverty, reflecting the economic challenges common in many small rural towns. Housing values are relatively low, and most residents commute by car to work, often in manufacturing, construction, or retail—the area's primary employment sectors.

Historically and culturally, Biscoe reflects the broader rural character of the region. Agriculture and small businesses have long contributed to the local economy, while nearby natural features such as the Uwharrie Mountains provide a scenic backdrop and support outdoor recreation and wildlife. Despite its modest size, the town functions as a community center for nearby townships and maintains everyday amenities such as grocery stores, restaurants, and other essential services. Overall, Biscoe is a quiet, historically railroad-rooted community that now serves as a small commercial and residential hub within Montgomery County, balancing rural traditions with the practical needs of modern small-town life.

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

A mixed beverage referendum occurred on May 6, 1969, and it passed. *Currently, the Montgomery ABC Board has a chairperson, a vice chairman, 3 board members, and a general manager on the board.* The Montgomery ABC Board currently operates two (2) retail stores. The board staff (10) in total personnel. These include (4) full-time employees and (6) part-time personnel. The general manager is responsible for daily store operations including supervising personnel, inventory management, and various retail functions. The GM along with the FO provides the board with fiscal management, administrative support, and oversees routine operations of the ABC stores. Sales associate responsibilities include selling products, daily stocking, and floor upkeep & maintenance.

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



509 E. Main St, Biscoe NC

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

On Tuesday, February 10, 2026, ABC Board Program Analyst II Eric McClary visited the Montgomery ABC Board and interviewed Lisa Wilson (Finance Officer) and Graham Fox “Board Member”. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.

FINANCIAL ANALYSIS

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

- In fiscal year (FY) 2024-2025, the Montgomery ABC Board had a profit percentage to sales ratio of 6.61%.
 - The Montgomery ABC Board’s gross sales totaled \$2,993,919, which was an approximate .6% increase from the previous fiscal year.
- Montgomery ABC Board operates two retail stores with mixed beverage sales. The operating cost ratio for the board was .73 in FY 2024-2025. NOTE: financial metrics (profit percent, operating cost ratio) are subject to being reviewed by Chairman Bauer and his team at some point.
- Below are charts showing gross profit on sales, total operating expenses, and income from operations for recent years.

	FY 2024-2025	FY 2023-2024
Gross Profit on Sales	\$751,982	\$735,917
Income from Operations	\$197,818	\$ 214,370

Factors affecting profitability and cost include:

- Surrounding areas with other ABC systems which are within a 30-mile radius include Albemarle ABC, Norwood ABC, Moore County ABC, and Asheboro ABC.
- The board currently has approximately 15 active mixed beverage customers.

➤ **FINANCIAL ANALYSIS (cont.)**

➤ *Factors affecting expenses:*

- Total operating expenses increased around (6.2%) from the last fiscal year.
- Cost of Goods Sold (COGS) was roughly 52.1% for the fiscal year with a normal range being 52% to 54%.

BUDGET ANALYSIS

	FY 2024-2025 Budget Projection	FY 2024-2025 Actual	Variance	Variance %
Sales	\$2,985,132	\$2,993,919	\$8,787	.2%
Revenue over or (under)				
Expenditures		\$11,413		

In reviewing the budget to actual analysis of the FY 2024-2025 financial audit, actual sales revenues were less than forecasted projections of .2%. After reconciliation, the change in the Board’s end net position was \$610,888.

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).*** Montgomery ABC made a total of \$683,579 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), NC Department of Health & Human Services (NCDHHS), and the county commissioners of Montgomery County.

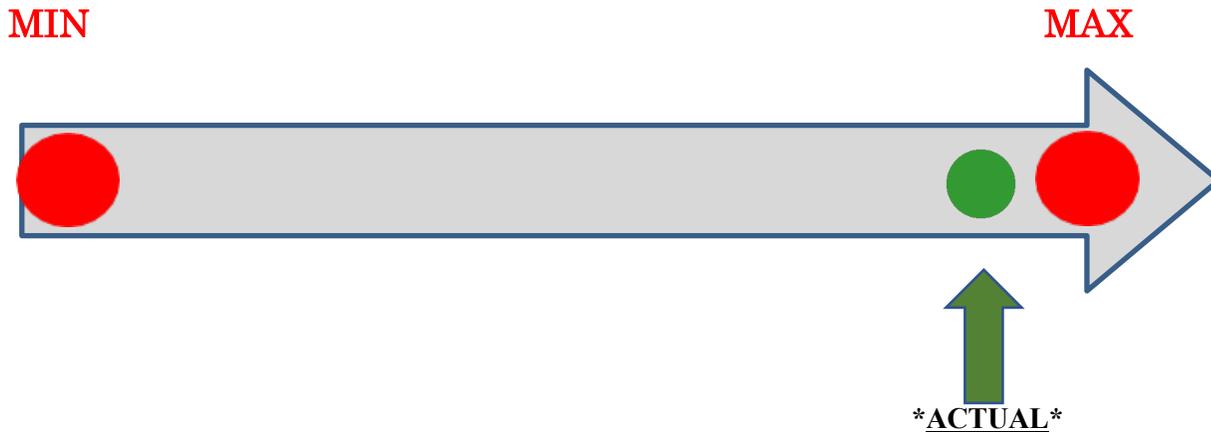
Per the local enabling act, the distribution formula for recipients of net profits is as follows:

- 50% to Montgomery County General Fund
- 50% to Biscoe, Candor, Mount Gilead, Star and Troy

WORKING CAPITAL

- G.S. 18B-805(d) allows the board to set aside a portion of the remaining gross receipts, within the limits set by the rules of the Commission, as cash to operate the ABC system.
 - NCAC 15A .0902 sets a working capital maximum standard for boards with annual gross sales more than \$1.5M as an amount equal to three (3) months of gross sales.
 - G.S. 18B-702(g)(3) defines "Working Capital" as the total of cash, investments, and inventory less all unsecured liabilities. As it pertains to working capital computation, gross sales mean gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4).
- Based upon the existing rules, as of June 30, 2025, the Montgomery ABC Board is required to maintain a minimum working capital of \$88,860 with a maximum working capital amount of \$577,584.
 - The Montgomery ABC Board had a working capital balance of \$575,505 which is more than the minimum and less than the maximum Commission requirements for this section (*).

*** FY 2024-2025: Working Capital (WC) graphic**



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

➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Montgomery ABC Board has routinely made mandatory distributions to the designated recipients over the last three years referencing NCGS 18B-805(c)(1). **The table below references distributions calculated by CPA on the left and total net profit distributions made by the ABC Board for the last three (3) years on the right. An explanation is documented in the Recommended Actions Section.**
- Law Enforcement Distributions: Have been properly disbursed at or above the regular 5% statute amount over the last three (3) fiscal years.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount of the last three (3).

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Montgomery ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
CPA Calculated Amount		Total paid to recipient(s)	
FY-2025	\$85,220	FY-2025	\$199,220
FY-2024	\$84,530	FY-2024	\$213,000
FY-2023	\$84,407	FY-2023	\$239,000

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

Board Members

- ➤ The board consists of General Manager, 6 members a chairperson, a vice chairman, and an FO. each receiving compensation for their services at a maximum of \$150.00 per meeting and in compliance with G.S. 18B-700(g).
 - Current board members’ terms are staggered to comply with G.S. 18B-700(a). The board has one member that was reappointed on 2.10.26. The board will follow up with the Commission regarding said members’ appointment terms and Ethics training.
 - Other Board members are currently compliant with the ethics training requirements.
 - Members have professional experience in the fields of business, education, Law Enforcement, and Prison systems.
- All members have taken an oath of office per G.S. 11-7 and there are copies on site.
- Meetings are generally held on the third Wednesday every month at 3:00 p.m. The board announces the meetings by posting them at each store location and sending them to the Montgomery herald.
- Meeting minutes are organized, available, and follow all the order of proceedings.
 - Comprehensive financial data is provided and discussed at meetings to include monthly computations from the board’s FO, sales comparisons and other expense reports.

- Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld. Boards should also routinely review any notes and recommendations provided by the CPA firm on annual audits.
- The board's login website had been updated at and prior to Commission visit and contains accurate information pertaining to board members, personnel, and store locations.

Law Enforcement

- The board has a law enforcement contract with the Montgomery County Sheriff's Department from 2022, and a copy is on file in Commission records.
- Law enforcement reports are submitted regularly by the Montgomery Sherriff's Department, submitted by the Gm and are current to date.

Board Personnel

- The board currently staffs (10) total employees, with (4) full-time, and (6) part-time.
- General Manager has served in this role with the board for approximately 35 years.
 - General Manager is part time; his salary is within the allowable compensation per G.S. 18B-700(g1). All members are compliant with ethics training. Note: One member was reappointed on 2.10.26. The Board will follow up with the Commission with the members' ethics training.
 - The GM and members' responsibilities include full oversight of all daily store operations, human resources, ordering, inventory, and other operational tasks.
- The Finance Officer is Lisa Wilson. She supports the general manager with many additional responsibilities. She is cross trained and has other key responsibilities for the board.
- The FO provides the board with accounting-related duties, including payroll and financial reporting.
 - These responsibilities include processing much of the information provided by personnel, providing financial reports for member review and providing general financial oversight and guidance.
- Training is provided for new employees from management and other personnel and consists of on the job and mentorship style.
 - Product knowledge training is handled informally between management and team members.
- Employee files are kept in the administrative office and include tax and other applicable information.
- No conflicts pertaining to nepotism found and per discussion with general manager.

Policies

- The board has a thorough personnel manual with additional policies that detail various work requirements, behavioral standards, leave and other benefits, scheduling and holidays, code of ethics, recruitment, material handling and the requirements of Rule 15A .1006.
 - The manual includes additional policies for customer relations, employee relations, workplace violence prevention, drug and alcohol use and conduct, intoxication and customer code of conduct.

- Additional policies on file with the commission include a personnel manual, MXB delivery and travel.
- For travel, the board follows the State travel reimbursement schedule for state employees in G.S. 138-6.

Operations

- ➤ Board personnel conduct full inventory three times annually at the board, for both retail stores.
 - Counts manually conducted. Variances are re-checked by the staff.
 - The General Manager reviews and investigates discrepancies before adjustments are made. The GM and all store employees conduct the inventories.
 - Strategies for slow-moving products include placing the items in a section at the store that have incentives for the product.
- The board receives deliveries of liquor on the third Tuesday of each month.
 - Products are removed from the truck by LBB truck onto a conveyer by the staff and placed in the warehouse.
 - Any variances are recounted and balanced against store and warehouse stock before reports are sent to LB&B.
- Liquor orders are made by the general manager and FO.
- The board retains breakage reports and regularly includes the reports for credit with their suppliers. *For compliance with Rule 15A 1701(c), the board regularly emails copies of reports to the Commission as applicable.*
- The board currently has 10 mixed beverage customer accounts active in the county.
 - Invoices are provided to permittees, and signed copies are retained in a file for each account.
 - The board stamps bottles in the manner required by NCAC 15A .1901.

Financial, Administrative, and Internal Controls

- Invoices for liquor are processed for all deliveries and payments are processed via written checks within 30 days.
 - *A sample of payment dates was reviewed and indicated invoices were paid within the thirty-day requirement.*
- Board's checks have the required disbursement certificate in compliance with G.S. 18B-702(q). and are signed by the GM and the Finance Officer.
- The store manager conducts regularly review liquor orders and the pre-audit stamp required by G.S. 18B-702(m) is being properly affixed to purchase orders.
- The board does not have a credit card.
- Deposits are conducted daily. Deposit slips and other banking information are retained at the board's office.
 - *A review of one month's deposit information was conducted, and no discrepancies were found between deposits and register receipts.*
- The board has 2 registers in their showroom. Tills start at \$75.00.
 - Drawers are counted at the beginning and end of each shift.
- Funds are kept in a pooling bank approved by the North Carolina Treasury Office.
- Payroll is weekly and processed by the Finance Officer. The employees submit the hours to the FO, and she then processes the payroll.
 - Employees document their hours manually "in writing" on weekly basis, and hours are reviewed by the GM and the FO.
- The annual CPA audit was received by the Commission on September 25, 2025.
- All board members and the general manager are not properly bonded for \$50,000 per G.S. 18B-700(i).

STORE INSIGHT & OVERVIEW

- The board's administrative office is located off a large commercial thoroughfare.
 - Outside area surrounding the board is well-maintained and free of debris or trash.
 - There is ample parking, and deliveries are conducted at the board primary location.
 - The floors are luxury vinyl and very nice.
 - The Fetal Alcohol Syndrome poster required by G.S. 18B-808 is displayed, and the quarterly price book is available should customers request.
 - Listings for specially priced items are printed and available for customers to review.
- The warehouse and administrative areas are located at the back of the main store.
 - The area is well lit and organized and can accommodate many cases.
- □ Shelf management practices are implemented.
 - Products are fronted and dusted, and most are placed in categorized areas around the store.
 - Premium products are generally found at eye level or top shelves at all retail locations.
 - Bottles are arranged so they increase in size from left to right.
- Sales associate interactions with customers are attentive, courteous, and the staff are very familiar with many of their patrons.
- A sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected there were no prices that were inaccurately posted.
 - Price discrepancies are handled in the customers favor if the shelf tag were to be lower than the current price mandate.
- Store is generally open from 9:00 am until 9:00 pm daily, Monday through Saturday. The board is closed every Sunday. Besides closing on the two (2) required annual holidays and every Sunday, the board may opt to continue closing on New Year's Day, July 4th, and Labor Day annually.
- Security systems are in place and functional in all designated areas.
 - *The board has (6) security cameras.*

(RECOMMENDED ACTIONS (STATUTES OR COMMISSION RULES))

None noted

(GENERAL STATUTE REMINDERS)

- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when the board will exceed its annual forecasted sales budget. *Ensure budget amendment copies are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.*
- Please ensure all newly adopted policies or any updated policies are submitted electronically to the Commission for recordkeeping and review per NCAC 15A .1102 Rule. Electronic copies of the personnel manual should be emailed to Commission personnel for recordkeeping.
- ABC Boards are required to work within general minimum and maximum limits for working capital, as established per Commission Rule NCAC 15A .0902(a)(2). When ABC Boards exceed maximum working capital in any given FY due to planned capital improvements, please secure written approval from the applicable County or Municipal authorities per N.C.G.S. 18B-805(d) and forward to the Commission. As best measure, securing documentation prior to exceeding maximum working capital would be the most ideal approach.

ADDITIONAL CONSIDERATIONS & GUIDANCE

- The Commission's primary focus for ABC board members:
- ABC board members are highly encouraged to meet monthly for the best formal oversight and review of board operations, routinely recording meeting minutes (*adhering to closed meeting requirements where applicable*) and ensuring either no conflicts of interest are present or that they are addressed appropriately when presented. Monthly sales should be reported to the Commission at beginning of next month, providing annual budgets, budget amendments, miscellaneous financial reporting to Commission following timelines, and ensuring Commission has annual CPA audits by Sept 30th.
- ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc. *Moreover, liaising with the Commission when new members are appointed or when member resign early before term has ended is very important for recordkeeping efforts of the Commission.*
- ABC boards are highly encouraged to find straightforward ways to lower any recurring expenses. *A very tangible way to lower operating costs is to fully maximize monthly special purchase allowance (SPA) liquor products that routinely sell well in the store to lower cost of goods sold (COGS).* ABC Boards can limit the number of personnel travelling to conference and convention events across the state. Other ways to try to improve expenses include requesting bids annually from various vendors to get the best rates possible on financial audits, various utilities, maintenance contracts, and *credit card processing companies.*
- ABC boards are encouraged to closely review financial statements monthly, comparing with the annual budget forecast, approving budget amendments when necessary and submitting copies to the Commission for anticipated sales increases as well as other adjustments for budgeted accounts.
- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. Also, training opportunities can work well to develop store employees for increased responsibility roles and serving to make both the routine operations and employee morale stronger.
- NCAC Rule 15A .1701 requires quarterly reports be submitted for any unsaleable merchandise (breakage) and retain original copies for three (3) years. *All breakage reports should only be transmitted via email submission to Commission staff; copies should not be mailed.*
- As a reminder, remove all faded posters and replace with new ones when applicable. Reach out to the Commission to provide fetal alcohol syndrome posters, NC Dept of Labor can provide wage & hour posters, and OSHA can provide some applicable federal posters if any are needed.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission as well as partnering with other ABC boards on specific areas such as best retail and marketing practices.

MONTGOMERY ABC BOARD
PO BOX 279
BISCOE, NC 27209

(910) 428-2231

Phillip Richardson
General Manager



Wayne Wooten
Chairman

February 18, 2026

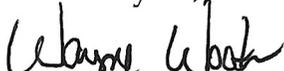
NC ABC Commission
400 E. Tryon Road
Raleigh, NC 27610

SUBJECT: PERFORMANCE AUDIT

We appreciate your support and recommendations from the February 10, 2026 Performance Audit. A periodic performance audit is extremely beneficial. Preparing for the Audit motivates the Staff and Board to examine areas of strength and where improvements are needed.

Thankfully, there were no findings in this audit. We are aware of the reminders and recommendations included in the report and will continue to strive to exceed all standards. A signed Certificate of Accountability is attached.

Thank you,


Wayne Wooten

Chairman

Montgomery ABC 064
910 428-2231

FEB 18TH 2026
Month Day Year

Montgomery-064
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).

Philip Richardson
General Manager

Lisa C. Wilson
Financial Officer

Wayne Woods
Chairman

Arden E. P.
Board Member

Key Cade-Tins
Board Member

Carol B. Whitaker
Board Member

Jana E. Almond, Jr.
Board Member