

Stokes Municipal 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 21, 2026

CHAIRMAN:
Hank Bauer

Stokes Municipal ABC
Board
Brian Booe, Chair
521 N. Main St.
Walnut Cove, NC 27052

COMMISSIONERS:
La'Tanta (L.T.) McCrimmon
Raleigh
David Sherlin
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DEPUTY COMMISSIONER:
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Chairperson Booe,

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

Stokes County is located in northcentral North Carolina, and the county seat is Danberry. The county's population is estimated at around 45,000 residents, up slightly from the 2020 census. On July 1, 2025, the Stokes Municipal ABC Board opened their second retail store.

The board was created via a merger with the Walnut Cove ABC Board, effective February 1, 2024, by resolution(s) of the Town Council of Walnut Cove and the City Council of King. The Walnut Cove ABC board existed from 1969 until January 31, 2024. In November 2022, the City of King voted to allow ABC Stores and Mixed Beverage Sales in their city limits. A county wide ABC Store referendum was held on November 5, 2024, and passed 18,506 to 8,028. On this same date, a county wide mixed beverage election was held and passed 17,992 votes to 8,524.

The board is comprised of four members and a chairperson, with three members being appointed by the Walnut Cove Town Council and two members appointed by the King City Council. Current board members are Brian Booe, Chair, Christina Boles, Keith Morgan, Mark Saunders, and Jason Carter, members.

This is the first performance review for the board as the Stokes Municipal ABC Board. The most recent review for Walnut Cove 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.

OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS

On January 21, 2026, ABC Commission Program Analyst Edwin Strickland visited the Stokes Municipal ABC Board and interviewed the General Manager, Tanner Hairford. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



521 N. Main St. Walnut Cove



501 S. Main St. King

FINANCIAL ANALYSIS

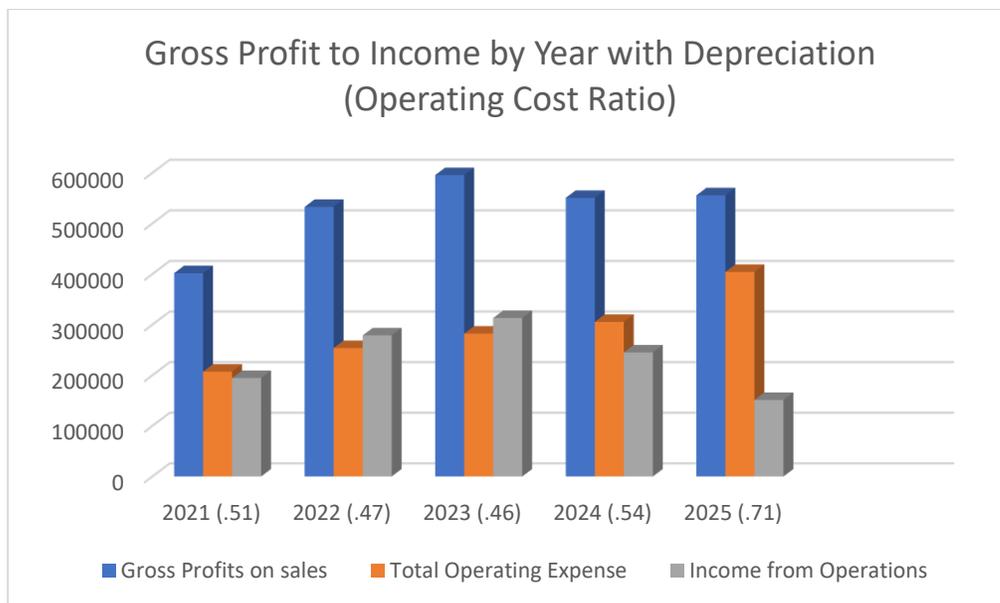
PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

- In fiscal year FY 2024-2025, the Stokes Municipal ABC Board had a profit percentage to sales ratio of 6.36%. The NC ABC Commission 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 10.69%, 13.63%, 12.97%, and 11.70%, respectively.*
 - For year, the board’s total sales were \$2,380,650, up almost 4% from the previous fiscal year. *Since FY 2020-2021, the board’s sales have grown over 43%.*

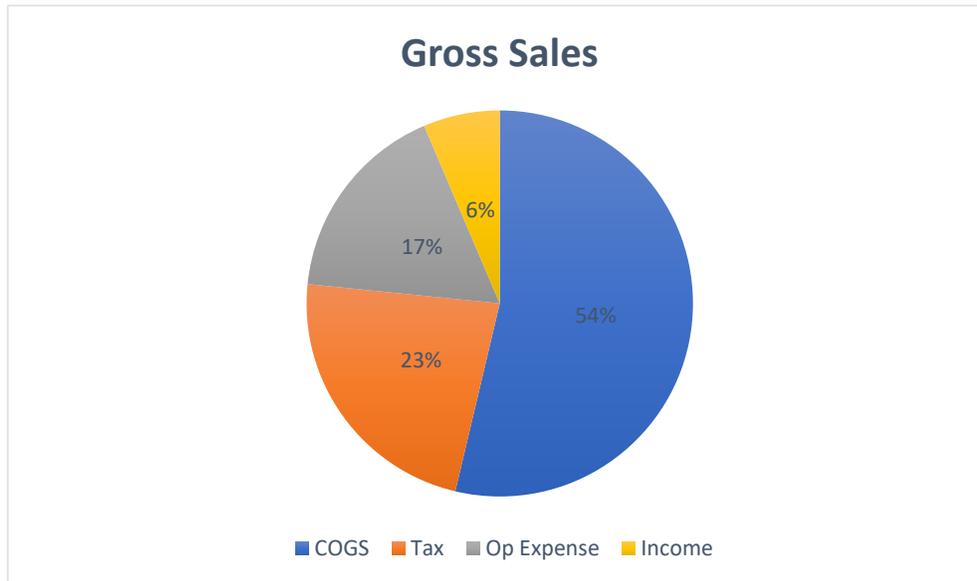
- In FY 2024-2025, the Stokes Municipal ABC Board operated one retail store with mixed beverage sales. The operating cost ratio for the board was .71. The NC ABC Commission standard for ABC Boards with one store and mixed beverage sales is .73 or less.
 - Operating cost ratio is calculated by dividing total operating expense less depreciation by the gross profit on sales (Total operating expenses less depreciation/Gross Profit).

- Thus, the Stokes Municipal ABC Board narrowly did not meet the profitability standard but did meet the operating cost standard set by the NC ABC Commission for FY 2024-2025.
- 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	\$555,622	\$550,585
Total Operating Expense	(\$404,249)	(\$305,491)
Income from Operations	\$151,373	\$245,094



- 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 six ABC Boards with at least one store within a 30-mile radius of a current Stokes Municipal ABC Store.
 - The county borders Virginia with additional possible outlets.
 - A 3.9% unemployment rate in Stokes Municipal in June of 2025, up .3% from the previous year. *The North Carolina Average in June 2025 was 3.7%.*
 - The board currently has 15 active mixed beverage customers. *In FY 2024/2025 mixed beverage accounted for around 11% of gross sales.*
 - ABC stores and mixed beverage sales are new to a significant portion of the county.
- *Factors affecting expenses:*
 - Beginning in 2024 the board paid rent and other expenses associated with their new second store that didn't operate in the fiscal year.
 - Total operating expenses were less than seventeen percent (17%) of total annual sales.
 - Board salaries were less than eight percent (8%) of total annual sales.
 - Cost of Goods Sold (COGS) was 53.7% for the fiscal year with a normal range being 52% to 54%. *Some of these costs are attributable to inventory purchased for their new store that didn't operate during the fiscal year.*

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.
- The Stokes Municipal ABC Board received shipments twice monthly in FY 2024-2025 with a target inventory turnover rate of 5. The inventory turnover rate was 2.7, which is below the goal. *The inventory turnover rate is skewed because of inventory purchased for the board’s new store that did not open until the first day of the next fiscal year.*

BUDGET ANALYSIS

	FY 2024-2025 <i>Budget Projections</i>	FY2024-2025 <i>Actual</i>	Variance	Variance %
Total Revenues	\$2,383,000	\$2,382,087	(\$913)	(.04%)
Total Expenditures	\$2,152,954	\$2,203,302	(\$50,348)	(2.3%)
Distributions/Capital Outlay		\$537,208		
Revenue over/under Expenditures & Finance		(\$358,423)		
After Reconciling Items		\$57,937		

- In reviewing the budget to actual analysis of the FY 2024-2025 financial audit, actual total revenues were .04% below budget and expenditures were 2.3% below the final budget amendment.
 - The change in net position during the fiscal year was \$57,937. *The board’s collective net position on June 30, 2025, was \$1,036,936, which includes a \$200,000 investment from the City of King.*
- Based on sales trajectory for the current fiscal year with six months (50%) of the budget year completed, the board is tracking at around 54% of annual budgeted sales.

DISTRIBUTIONS

G.S. 18B-805 (b) requires the board to pay from gross receipts, all expenses, excise, and rehabilitation taxes. G.S. 18B-805(c)(2) requires the board to *typically* distribute at least five percent (5%) of applicable gross receipts to law enforcement and *typically* at least seven percent (7%) for alcohol education. *Before assigning these percentage distributions, G.S. 18B-805(c)(1) requires the board to first make a minimum quarterly distribution of the 3.5% markup & relevant bottle charges to certain county/municipal recipients. Some of these distribution percentages are designated by an official local enabling act (and thus distribution requirements and recipients are subject to vary).*

DISTRIBUTIONS (Cont.)

- In FY 2024-2025, Stokes Municipal ABC accrued funds for other statutory distributions totaling \$94,873 (Net profit distribution recipient(s) received \$66,555).
- Accruals for law enforcement totaled \$22,280 and alcohol education accruals totaled \$6,038.
- The amount of \$546,618 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Stokes County.
- Per the merger resolution, the distribution formula for recipients of net profits is as follows:
 - 50% to the King General Fund for the first 5 years
 - 50% to the Walnut Cove General Fund for the first 5 years
- **STATUTORY DISTRIBUTIONS:**
 - Net Profit Distributions – The Stokes Municipal ABC board has made net profit distributions for the last five (5) fiscal years at or 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 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.

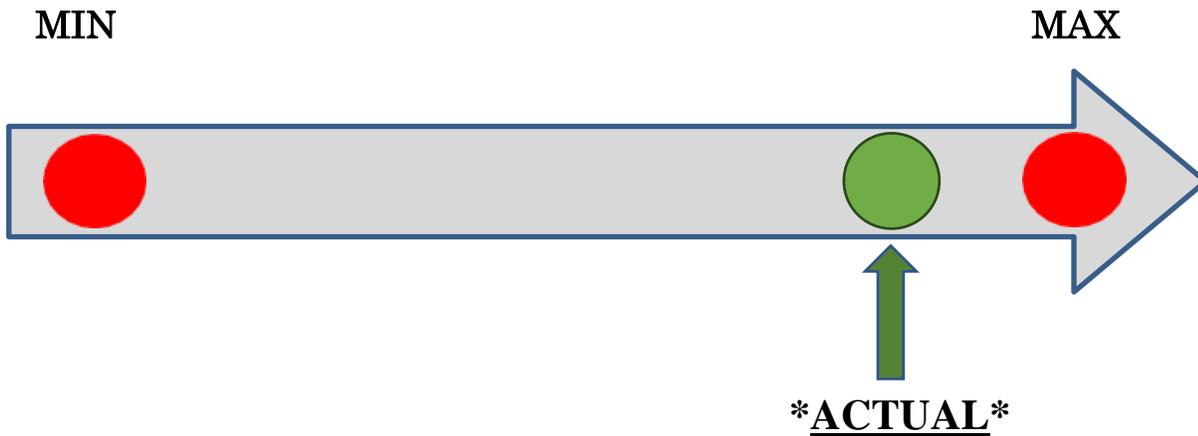
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Stokes Municipal ABC Board or Walnut Cove ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2025	\$66,554	FY-2025	\$66,555
FY-2024	\$67,976	FY-2024	\$67,976
FY-2023	\$64,705	FY-2023	\$64,704
FY-2022	\$61,200	FY-2022	\$64,380
FY-2021	\$47,819	FY-2021	\$47,819

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 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 Stokes Municipal ABC Board is required to maintain a minimum working capital of \$70,540 with a maximum working capital amount of \$458,508.
 - The Stokes Municipal ABC Board had a working capital balance of \$396,679, which is more than the minimum per Commission requirement 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

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

Board Members

- The board consists of four members and a chairperson. The chairperson's per meeting compensation has been approved by the appointing authorities to exceed the maximum allowable per G.S. 18B-700(g). *Payroll records reviewed indicate that board members are compensated at a rate slightly higher than the approved amount in order to result in a net payment equal to the approved per-meeting compensation after taxes are withheld. The Board should either seek formal approval from the appointing authorities for this adjusted gross pay rate or revise its payment practice to ensure compensation is issued strictly at the approved rate prior to tax withholdings.*
 - Current board members' terms are staggered to comply with G.S. 18B-700(a).
 - All are compliant with ethics training requirements with one recently appointed member needing to fulfill the requirement in the coming months.
 - All but one recently appointed member are serving consecutive terms.
 - Some members may have not taken an oath of office per G.S. 11-7. Copies of the oaths need only to be available at the board's administrative office.
 - Members have professional experience in emergency services, law enforcement, business, and library operations.
- Meetings are generally held on the second Tuesday of each month and alternate between the two stores.
- Meeting minutes were reviewed and determined to provide adequate detail to allow a reasonable person to follow the actions and discussions of the meeting.
 - *A no conflicts of interest statement is included in all minutes reviewed.*
 - Financial data is presented by the general manager and discussed at board meetings to at least sometimes include budget to actual comparisons.
 - 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 or quarterly 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 entered law enforcement contracts with the Stokes County Sheriff's Office and the King Police Department.
- Law enforcement reports are usually submitted by both agencies and consolidated and entered by the general manager. The reports contain applicable data for accountability as outlined in G.S. 18B-501(f1).

Board Personnel

- The board typically staffs twelve people with the six working full time.
- The General Manager has been with the board for around eleven years and was previously the finance officer.
 - He is responsible for all board operations and has dual role approval to serve as the board's finance officer.
 - His salary is in compliance with G.S. 18B-700(g1), and he is compliant with the ethics training requirement.
- The board has a full-time manager for their Walnut Cove store.
- All other store employees are sales associates and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.
- Training for new employees begins with the general manager reviewing work expectations, general policies, and products.
 - On the job training is mentorship styled by the manager and other employees.
 - The general manager is currently cross-training others for administrative support and operational tasks.
 - RASP training has been attended by many team members with plans to have additional training for their new store employees.
- No conflicts pertaining to nepotism found and per discussion with the general manager.

Policies

- The board has a thorough personnel manual which covers the requirements of Rule 15A .1006 and additional work and behavioral expectations.
- Additional policies adopted by the board and/or transferred from the Walnut Cove ABC board include: code of ethics, check signing, credit card usage, social media, in store tastings, and mixed beverage sales.
- Other policies that should be considered by the board include allocated product sales and a shelf management plan.
- 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

- Board personnel conduct full inventory annually with perpetual categorical and other spot checks.
 - Counts are made using scanners with multiple team members participating.
 - Discrepancies are recounted and the general manager is responsible for adjustments.
 - *A sample of products was inventoried during Commission visit with no significant variances noted.*
 - Slow moving products are repositioned to a prominent place in the store.
- The board receives deliveries of liquor four weeks out of the month, and the deliveries are alternated between the two stores.
 - Pallets are dropped at the King store and off-load is by case at the Walnut Cove store.
 - Any variances are recounted and balanced against stock before discrepancy reports are sent to LB&B.
- The General Manager makes the liquor orders by reviewing stock status, historical sales, and a two-week sales history.
 - Monthly special price lists are reviewed and buy in investments are made or considered.
 - Special order requests are provided to the general manager and often ordered.
- The board retains breakage reports and includes the reports for credit with their suppliers. Although the board does not frequently have many breakage reports, for compliance with Rule 15A .1701(c), board personnel should email copies of any reports to the Commission quarterly.
- Both stores are mixed beverage outlets.
 - Orders are placed online or occasionally by phone.
 - Pulled and stamped orders are checked for accuracy and orders are rechecked at the transaction with the permittee.
 - Invoices are provided to permittees, and signed copies are retained in a file for each account.
 - The board stamps bottles as required by NCAC 15A .1901.
- Allocated products are offered to mixed beverage customers on a percentage of sales basis, and others are shelved randomly with occasional bourbon drops.
- The board has held tastings and plans to continue.

Financial, Administrative, and Internal Controls

- Invoices for liquor are processed at least twice monthly by the general manager with most being paid by ACH transfer.
- The board's checks, when used, are stamped with the required disbursement certificate in compliance with G.S. 18B-702(q).
 - Checks are cut and signed by the general manager/finance officer and counter-signed by the board's chairperson or other member.
- The preaudit certificate is not fully utilized because of the dual role designation. Most non-recurring purchases are approved by the board during meetings.
- The board has credit card(s) issued to the general manager and the chairperson. Itemized receipts are required and retained until the account is settled by policy.
- Cash-handling procedures are in place, and some are covered in the policy manual.
 - Sales associates are responsible for counting tills, and the board has an overage and shortage policy. Any variance of more than two dollars is researched by the manager.
 - The General Manager routinely verifies actual deposits match the register totals.
 - The general manager conducts full monthly reconciliation for accounts.
 - *A small sample of recent deposits were reviewed with no significant variances noted.*
- Employees are paid monthly through CBIZ.
 - The General Manager submits hours based on the schedule and adjustments are reviewed before being submitted.
- The annual CPA audit was received by the Commission on September 25, 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).
- The Board's CPA firm performs quarterly computations of the statutory distributions required under G.S. 18B-805(c). Distributions for net profits, law enforcement, and alcohol education are calculated based on applicable sales and related data on a per-store basis, with distributions made to each appointing authority and other eligible recipients associated with the respective stores. In January of 2026, the board's appointing authorities amended the original merger resolution to follow this distribution methodology.
- In FY 2024-2025, the board distributed their alcohol education fund to the Stokes County Dare program. Beginning in FY 2025-2026, the board is distributing money for this fund to the City of King and Town of Walnut Cove on a percentage basis for the corresponding stores. *For general accountability and full compliance with G.S. 18B-805(h), the board should include in their meeting minutes how these funds are to be spent and verify any person or agency, the municipalities, receiving funds from the board reports to the board at least annually describing how these funds were spent.*

STORE INSIGHT & OVERVIEW

- Both board's stores are free-standing buildings located on busy roads in commercial and retail areas.
 - Parking is somewhat limited, but adequate at both locations.
 - Both stores have signs and the exterior areas are free of trash and debris.
- The interiors are well lit and organized.
 - Floors and shelves are clean, and counters are not overly cluttered.
 - The Fetal Alcohol Syndrome posters required by G.S. 18B-808 are prominently displayed.
 - A Quarterly price book is available at the counter with an SPA pricing list available upon request.
 - Special colored shelf tags highlight items which are currently on sale.
 - Category signs are prominently displayed and endcaps and other displays are utilized.
 - Stores have North Carolina product sections.
- Shelf management practices are mostly implemented.
 - Products are fronted, dusted, and in their designated category.
 - Premium products are found at eye-level or top shelf.
 - Bottles are generally arranged so they increase in size 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 more than 100 items were selected at both stores to determine if uniform pricing is displayed. Of those selected, only one items' shelf tag didn't match current pricing.
- Price discrepancies will be handled in the customers favor if the shelf tag were to be lower than the current price mandate and the customer objects.
- Sales associate interactions with customers are attentive, courteous, and the staff are eager to meet the needs of the customers.
- The stores are open daily from 9:00 am until 9:00 pm Monday through Saturday.
- All stores are closed every Sunday and the five previously required holidays.
- Security systems are in place and functional in all designated areas to include alarms, cameras, and panic buttons.

REQUIRED ACTIONS

- Item #1: Board members receive compensation for their services slightly above the amount(s) approved by their appointing authorities. *The board will need to provide the Commission documentation from their appointing authority for this salary approval for compliance with G.S. 18B-700(g) or discontinue the current practice of paying the board members an amount to equal the approved amount after taxes are deducted.*
- Item #2: When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701(c) requires quarterly reports be submitted for any unsaleable merchandise and retain original copies for three (3) years.
- Item #3: 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

- While oaths have been administered to most current board members, please ensure all board members take an oath before taking office or before the execution of the duties of the office per G.S. 160A-61 and G.S. 11-7. *Once completed, a written account of the oaths should, please, be available at the board's administrative office.*
- The board should consider having the general manager/finance officer placing the approved certificate for compliance with G.S. 18B-702(q) on a summary or similar document indicating the ACH payments were approved and verified.
- Since the board has begun making their alcohol education distributions to their appointing authorities, please ensure the provisions of G.S. 18B-805(h) are followed. This would include describing in the board's official minutes the activity for which the funds are to be spent and having the entity(s) receiving the funds submit a report at least annually describing how the funds were spent.
- The board could consider 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.*
 - Shelf management. Reference Rule 15A-1708.
 - Allocated product sales.

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.
- 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.
- ABC boards are encouraged to routinely review the advertising guidelines for spiritous liquor associated with Rule 15B .1008, especially as it pertains to subsection (e) of the rule.
- Board members and applicable personnel are encouraged to satisfy requirements of G.S. 18B-706(b) and Rule 14B 15A .2001 in a prompt manner and before the twelve (12) month mandate. *One newly appointed member will need to take the training in the coming months.*
- 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 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 G.S. 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.*
- 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.

*Stokes Municipal
Alcoholic Beverage Control Board*

Established February 1969

*521 North Main Street
P.O.Box 511
Walnut Cove, NC 27052
336-591-7447 (Business)
336-591-5159(Fax)*

***Purpose:** The Stokes Municipal Alcoholic Beverage Control Board manages the sale of spirituous liquor through business principles that promote excellence in customer service; establishes effective alcohol education partnerships; administers regulatory provisions; and instills financial accountabilities that benefit those we serve.*

February 20, 2026

Edward Strickland
ABC Board Auditor/Program Analyst
Boards and Pricing Section
North Carolina Alcoholic Beverage Control Commission
400 East Tryon Road
Raleigh, NC 27610

Dear Mr. Strickland:

On behalf of the Stokes Municipal ABC Board, we would like to extend our sincere appreciation for the detailed audit of our store operations. We value the Commission's guidance and the opportunity to strengthen our procedures. Below are the Board's responses to the items identified during the audit:

Audit Findings

Item 1:

Board members are currently receiving compensation slightly above the amount approved by their appointing authorities. The Board understands that documentation from the appointing authority must be provided for compliance with G.S. 18B-700(g), or the current practice of paying an amount equal to the approved compensation after taxes must be discontinued. **Board member compensation will be adjusted to ensure full compliance with G.S. 18B-700(g).**

Item 2:

When applicable, unsaleable merchandise (breakage) reports must be submitted to the Commission quarterly in accordance with NCAC Rule 15A .1701(c), with original copies retained for three (3) years. **The Board will follow up with the General Manager to ensure all required reports are filed in a timely manner and records are properly maintained.**

Item 3:

A Certificate of Accountability attestation form should be reviewed and signed by board members and

*Brian Booe, Chairman
Keith Morgan, Board Member
Jason Carter, Board Member
Mark Saunders, Board Member
Christine Boles, Board Member*

applicable personnel during periodic audits, with a signed copy emailed to Commission personnel for recordkeeping. **A signed Certificate of Accountability is attached.**

Recommendations

Item 1:

Although oaths have been administered to most current board members, the Board will ensure that all members take the required oath prior to assuming office or executing the duties thereof, in accordance with G.S. 160A-61 and G.S. 11-7. Written documentation of the oaths will be maintained at the Board's administrative office. **All current board members have now signed their oaths, and copies are attached.**

Item 2:

The Board will consider implementing a process whereby the General Manager/Finance Officer places the approved Certificate of Compliance (G.S. 18B-702(q)) on a summary document indicating ACH payments were approved and verified. **All transactions are currently reviewed monthly during Board meetings and signed off by board members.**

Item 3:

As the Board has begun making alcohol education distributions to its appointing authorities, we will ensure compliance with G.S. 18B-805(h). This will include documenting in the official minutes the specific purposes for which funds are allocated and requiring recipient entities to submit at least annual reports detailing how funds were expended. **The Board will formally request this documentation from all agencies receiving distributions.**

Item 4:

The Board will consider adopting written policies related to shelf management (Reference Rule 15A-1708) and allocated product sales. Establishing formal policies will strengthen internal controls and provide clear guidance for future updates. **The General Manager will develop internal policies and procedures addressing these areas.**

Board Goals

In the coming months, the Board will focus on the following priorities:

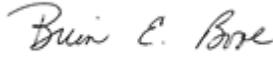
- Continuing to update store policies and working with the Commission to ensure legal compliance prior to implementing new procedures.
- Ensuring employees remain informed and trained on current policies.
- Ensuring all agencies receiving ABC Board funding provide up-to-date documentation detailing the use of distributed funds.

We remain committed to continuous improvement, seeking input from employees and customers, and maintaining full compliance with all Commission rules and applicable local and state requirements.

*Brian Booe, Chairman
Keith Morgan, Board Member
Jason Carter, Board Member
Mark Saunders, Board Member
Christine Boles, Board Member*

Please let us know if any additional information is needed in connection with the performance audit report for the Stokes Municipal ABC Board.

Sincerely,

A handwritten signature in cursive script that reads "Brian E. Booe". The signature is contained within a rectangular box.

Brian E. Booe
Board Chairman

*Brian Booe, Chairman
Keith Morgan, Board Member
Jason Carter, Board Member
Mark Saunders, Board Member
Christine Boles, Board Member*

2 12 2026
Month Day Year

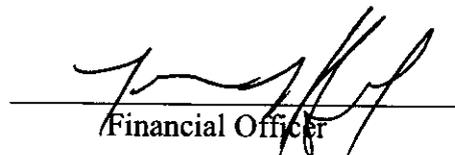
Stokes Municipal
ABC Board

Certificate of Accountability

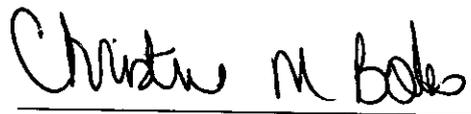
This document assures this Board and the State of North Carolina that the following statutory duties required of local ABC Boards have been properly performed.

1. The system has complied with all State uniform pricing requirements pursuant to NCGS §18B-804.
2. That all alcoholic beverages sold have been approved by the Commission for sale in this State pursuant to NCGS §18B-800.
3. That all "gross receipts" pursuant to NCGS §18B-805(a) have been properly accounted for and are lawful.
4. That all taxes due and board expenses have been properly and timely paid pursuant to NCGS §18B-805(b).
5. That all distributions pursuant to NCGS §18B-805 have been properly and timely paid.
6. That the finance officer for the board has properly performed all duties as required pursuant to NCGS §18B-702(k).


General Manager


Financial Officer


Chairman


Board Member


Board Member


Board Member


Board Member