

High Country 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>



ABC
COMMISSION
NORTH CAROLINA

TABLE OF CONTENTS

ABC Commission Statement.....	3
Objective, Purpose & Background Information.....	4
Financial Analysis, Observations & Findings.....	6
Recommended Actions & Additional Considerations.....	14-15
High Country ABC Board Response Letter.....	16-17



ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

February 17, 2025

CHAIRMAN:
Hank Bauer

High Country ABC Board
Winston Ammann, Chair
4004 Hwy 105, Suite 11
Banner Elk, NC 28604

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

David Sherlin
Raleigh

Chairperson Ammann,

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 High Country 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.

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/>

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.

High Country, ABC board is found in Avery County and situated in the Appalachian Mountain chain and situated near Sugar Mountain ski resort. Through the resolutions of three towns with existing ABC stores, Town of Banner Elk, Town of Seven Devils, and the Town of Sugar Mountain, a merger agreement between the townships was created in 1998 to form the High-Country ABC Board. With this resolution, a new board was created consisting of three members and an alternate for each member, one member and alternate to be appointed by the governing body of each town. The High-Country ABC Board operates one retail store. The board staffs six full-time employees, including the general manager, and one part-time employee. The general manager is responsible for the oversight of all daily operations, inventory management, accounts payable, human resource organization and other administrative decisions for the board. The assistant general manager holds the same duties in the absence of the general manager and serves as the finance officer to the board. The board hired an external accountant who assists with payroll, financial reporting, the annual audit, and other bookkeeping duties as needed. All store employee's primary responsibility is to provide friendly customer service to all customers, store upkeep and stock maintenance.

A mixed beverage referendum occurred in 1998, and it passed. Currently, the Town of High Country appoints a chairperson and two (2) additional board members to serve on the ABC board. The High-Country ABC Board currently operates one (1) retail store. The board staffs seven (7) total personnel. These include two (2) full-time employees and five (5) part-time personnel, they have three members and an alternate for each member, one member and alternate to be appointed by the governing body of each town. The general manager is responsible for daily store operations including supervising personnel, inventory management, and various retail functions. The general manager also serves as the finance officer and 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 High-Country ABC Board occurred in 2014. 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 Thursday, December 5, 2024, ABC Board Program Analyst Quinn Woolard and Eric McClary, visited the High-Country ABC Board and interviewed Bonnie O'Bryan-Betz (General Manager & Finance Officer), Will Wilson (Finance Officer), and Anne Fountain (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, the High-Country ABC Board had a profit percentage to sales of 13.43%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales more than \$2M yet less than \$10M is 6.5%. The High-Country ABC Board's gross sales totaled \$5,651,020, which was a 6.41% increase from the previous fiscal year.

The operating cost ratio for the High-Country ABC Board was 0.45 in FY 2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

Thus, the High-Country ABC Board met the profitability standard and made the operating cost standard set by the NC ABC Commission. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$1,431,675	\$1,339,272
Income from Operations	\$758,815	\$754,682

Factors affecting profitability and cost include:

- Surrounding areas with other ABC Boards operating stores is Boone ABC which is within a 25-mile radius.
 - An ABC Board’s average cost of goods sold (COGS) is between 52% & 54% per year. The High-Country ABC Board’s cost of goods sold was approximately **51.1%** in FY 2023-2024.
 - *Mixed beverage sales were roughly 27% of total sales in FY-2024, and there are currently 32 mixed beverage customers.*

BUDGET ANALYSIS

	FY 2023-2024 Budget Projections	FY2023-2024 Actual	Variance	Variance %
Sales	\$5,731,994	\$5,667,561	(\$64,433)	1.2%
Revenue over or (under) Expenditures		\$67,718		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were under budgeted projections by 1.2%. In addition, revenue more than over the expenditures by \$67,718. *The board’s collective net position on June 30, 2024, was around 1.3M.*

DISTRIBUTIONS

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

In FY 2023-2024, High Country ABC made other, per 18 B 805 C, amounted to \$764, 532. The amount of \$1,330,763 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 Avery County.

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

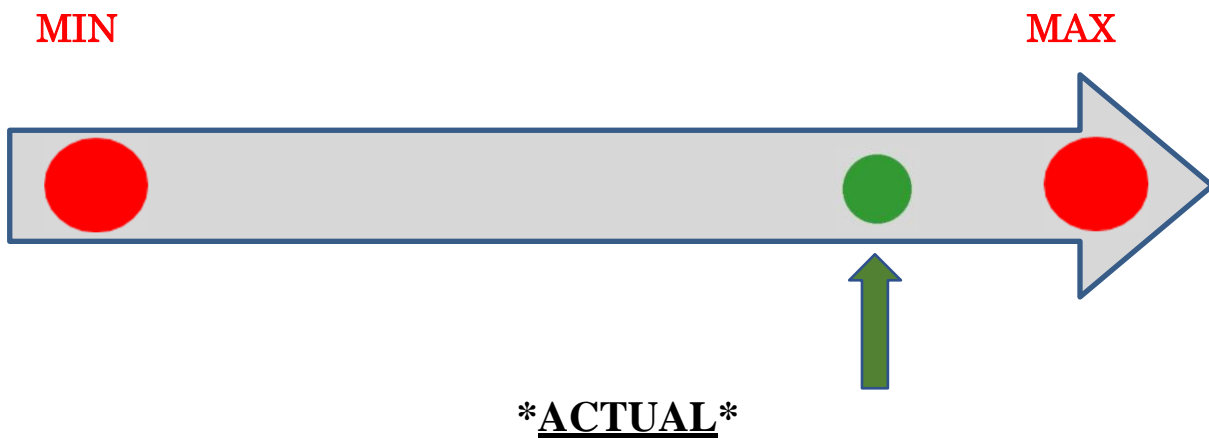
- Thirty-three and a third percent (33 1/3%) to Seven Devils General Fund
- Thirty-three and a third percent (33 1/3%) to Banner Elk General Fund
- Thirty-three and a third percent (33.1/3%) to Sugar Mountain General Fund

WORKING CAPITAL

G.S. 18B-805(d) allows the board to set aside a portion of the remaining gross receipts, within the limits set by the rules of the Commission, as cash to operate the ABC system. The NC ABC Commission has set a working capital standard for boards with annual gross sales more than \$1.5M but less than \$50M an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2024, the High-Country ABC Board is required to maintain a minimum working capital of \$165,877 with a maximum working capital amount of \$1,078,200. The High-Country ABC Board had a working capital balance of \$922,211, which falls within the Commission requirements for this section (*).

*** FY 2023-2024: 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.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

- The board holds board meetings the 3rd Thursday of each month at 4:00 PM, records regular meeting minutes, and provides public notification and awareness of these meetings. The meeting minutes are organized in a folder for review. The Chairperson rotates annually across the three municipalities.
 - Training records review: Two board members will need to do the ethics training webinar in the coming months. The finance officer completed training in July 2024. The general manager last completed training in 2017 per training records.
 - General Manager (GM) Salary and Board Member compensation: GM salary fully adheres to 18B-700(g1) statute requirements. The Board member compensation complies with statute 18B-700(g) requirement.
 - Board website review: The board's login website was updated by the Commission in 2022 for board member term tenure information (*begin dates & end dates*). **Special note**: As part of a revalidation effort, the Commission has worked to revalidate term tenure information for all ABC boards across the state, working directly with the appointing authorities. As a value-added measure for all ABC boards and Commission records tracking in summer 2022, the term begin dates as well as term end dates were entered on all individual ABC board websites.
 - *The expectation going forward is that ABC boards will better manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
 - Board Personnel & Board Members: The general manager is very meticulous with oversight and recordkeeping including keeping board meeting minutes in heavily reinforced binder. The GM provides board members with monthly sales information and previous year's applicable sales and operational concerns along with financials from accounting firm. The board has a new finance officer with previous experience at another board and routinely places truck orders. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.
- POLICIES: The Commission has a copy of the board's personnel policy manual, Credit Card Policy, MXB Policy, Discrepancy Policy and Travel Policy.
- BUDGETS: In FY-2024, the board met the projected budgeted sales. *Based on sales trajectory for the current fiscal year, the board is tracking well on projected sales through November 2024.*
- FINANCIAL INSIGHT: The GM in a dual role as finance officer is signing checks as required per statute with a board member as secondary signature. Invoice records for recent liquor purchases reflect them as being paid routinely well inside of 30 days. Taxes and distributions are paid in a routine and timely manner. The board uses QuickBooks for routine journal entries. *Beginning in 2025, all boards with GMs serving as Finance are required to have an accounting firm provide quarterly financials to the Commission.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- Bank deposits are routinely made each business day per review of bank Statements and discussion with GM. For safeguard measures and adherence to *Commission rule 15A .0905 Daily Deposits*, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.
 - Payroll is processed every two weeks through QuickBooks, and paper checks are issued. Board members will alternate review of monthly financial records and signing checks. Paper checks and biweekly.
 - The pre-audit certificate is not stamped on the orders, per 18B 702 (m) at the time they are placed but the invoices are stamped. The checks do not bear the disbursement certificate. Per 18B 702 (q).
 - All board members and applicable personnel are each bonded for \$50,000 per G.S. 18B-700(i).
 - The annual CPA audit was received and logged by the Commission on September 10, 2024.
- **STATUTORY DISTRIBUTIONS:**
- **Net Profit Distributions** - The High-Country ABC board has routinely made the minimum mandatory distributions to the designated recipients over the last several 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.**
 - **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 properly disbursed at or above the regular 7% statute amount.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		High Country 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-2024	\$154,247	FY-2024	\$690,000
FY-2023	\$145,537	FY-2023	\$648,000
FY-2022	\$140,197	FY-2022	\$480,000

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **LAW ENFORCEMENT (LE) REPORTS:** Reports had been submitted through December 2017 and ceased until resuming during the summer of 2024.
- **LAW ENFORCEMENT (LE) CONTRACT:** The Commission has an electronic copy of a law enforcement contract. Because the current LE contract is from 2011, a new contract is recommended. This should be beneficial to communicate the need for the department to provide enforcement & regulatory data to the ABC board as part of the monthly reporting process.
- **INVENTORY:** Full store inventories are conducted annually. Outside of this, spot checks in certain categories are conducted at random intervals. The inventory turns over at the store with a 8.3 turnover ratio per most recent fiscal year. The target turnover ratio is 5.0 for ABC systems which received deliveries twice per month.
- **INTERNAL CONTROLS:**
 - The board has a Full time Finance Officer and several full-time employees to support the general manager.
 - An accounting firm prepares monthly financial statements for the board. The GM reviews and makes these available for the monthly board meetings.
 - Invoice information is entered into QuickBooks, cash requirements are printed for the truck shipments and the Purchase Orders History from the computer system and is utilized to balance totals to make sure invoices / inventory match the system.
 - Board members alternate reviewing financial statements and monthly reconciliations.
 - Board members alternate signature authority.
 - The board chair rotates annually over jurisdictions.
- **EXPENSES:**
 - Total expenses increased by roughly 9.5% from the last fiscal year.
 - Board payroll was roughly 5.2% of total annual sales.
 - Cost of Goods Sold (COGS) was around 51.1%. With adequate warehouse space, however more space would likely be a benefit. The board is located within a great retail space.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Store has a modern layout, good ergonomics for shoppers, and plenty of inventory on the shelves.
- Sales associate interactions with customers are attentive, courteous, and all are eager to meet the needs of the customers.
- The board has thirty-two (32) MXB customers. Some of the business customers are interested in delivery service, however the GM advises that the cost of service is not worth the investment. They have learned that the boards fee for this service seems to be too high for customers to take advantage of the service.
- A random sample of approximately 120 items were selected to determine if uniform pricing is displayed. Of those selected, there were two that required updating and were updated immediately. Every item reflected the correct quarterly or monthly SPA price. The board highlights the monthly SPA products very well with visual aids.
- 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.
- The store displays the required Fetal Alcohol Syndrome poster required by G.S. 18B-808. A new poster was provided to replace the older one.
- North Carolina products are cross merchandised according to product category.
- Products are placed within the designated categories; premium products are found at eye-level or top shelf. Minimal occurrences were found with various bottle sizes of the same products increasing appropriately from right to left. Bottles were properly fronted and dusted.
- Outside area surrounding the store is well-maintained and free of debris or trash.
- Security systems are in place and functional in all designated areas.
 - *Sixteen (16) cameras work to cover the property footprint with ten outside and six interior cameras.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- 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. A credit card policy is recommended to established authorized use (sample copy forwarded for consideration). A tastings policy is recommended if tastings are done routinely.
- The board is recommended to forward an updated law enforcement contract due to age of current contract and signed members are no longer with the municipalities. Please provide a copy to the Commission *per G.S. 18B-501(f)*.
- ABC Board members must complete ethics training within one (1) year of each appointment and again following all reappointments under NCGS 18B-706(b).
- Ensure all purchase orders to include obligations evidenced by a contract or agreement requiring the payment of money, shall include or bear a certificate stating that the instrument (or order) has been pre-audited to ensure compliance with *G.S. 18B-702(m)* with a signature by the finance officer. The specific statement should read, *“This instrument has been pre audited in the manner required by G.S. 18B-702.”* *Special note:* This would be most reasonably accomplished by signing & stamping the summary total of the Order Edit List from inventory system *before* any liquor orders are placed with state warehouse.
- The board shall submit a copy of the law enforcement report to the appointing authority and the Commission by the 5th business day of each month per G.S. 18B-501(f1). The LEO system is provided for municipalities to capture this data as a good option. Otherwise, the ABC boards would have to submit the required data. On the board log in website.
- The board must annually obtain approval from the appointing authority to adhere to their local government travel policy and annually provide the Commission a copy of this approval per G.S. 18B700(g2). NOTE: As another option the board can alternately adopt the official State of NC government travel policy referenced under G.S. 138-6. This would allow the board an option to eliminate the annual travel policy update requirement by instead formally adopting the state government travel policy at an official board meeting and providing a copy of minutes to the Commission.

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.

High Country Municipal ABC Board

PO Box 1508

Banner Elk, NC 28604

ABC Commission

400 East Tryon Road

Raleigh, NC 27610

February 7, 2025

Re: Response to recommended actions from High Country ABC store audit

Good afternoon gentlemen,

The Board and I have reviewed your recommendations made following our Store's performance audit. We were pleased with your review and wanted to follow up with your recommendations as to the outcomes we have decided to implement for the store. We will address the seven bullet points as follows:

*Budget amendments – Our store generally does most of our budget amendments at the end of the year when going over the year-end budget. The Board has given the General Manager permission to move funds throughout the year between specific line items, as needed. The General Manager informs the Board at the Board meeting of the line items that she would like to change and why and seeks their approval. The changes are added to the monthly minutes for documentation, sent to the CPA's office, the Commission, and the three Towns (Banner Elk, Sugar Mountain, and Seven Devils) receive a copy of the minutes.

All recommendations will be followed.

*Credit Card Policy – The Board has decided to adopt and model our store's credit card policy after the credit card policy template that was sent from the Commission. At this time, our store does not allow tastings.

Attached is a copy of the new credit card policy being submitted with this letter.

*Update Law Enforcement Contract – We are currently in the process of updating and getting signatures on a new, updated law enforcement contract with the three Towns. We are still inquiring if we need a second contract with our ABC officer since he is on our payroll and is not a contracted employee.

The updated Law Enforcement Contract will be sent to the Commission once it is complete with signatures.

*Ethics Training – One of the two board members has already completed their ethics training and the other member will have their training completed by their appropriate deadline date.

The General Manager has submitted a completion copy to the Commission from the board member and all recommendations will be followed.

*Purchase orders – The General Manager and Finance Officer will begin using the first page of our order manifest that shows case count and complete total cost of anticipated shipment. The General Manager and Finance Officer will ensure pre-audit certificates are present on liquor orders to adhere to NCGS 18B-702(m).

All recommendations will be followed.

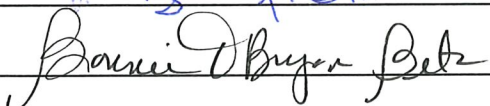
*Law Enforcement report –When the General Manager assumed the role as Manager, there was a miscommunication on who was to submit the law enforcement report. The General Manager and ABC Officer meet and go through the report and submit the noted entries. The report will now be submitted to the Commission by the 5th business day of the month.

All recommendations will be followed.

*Travel Policy – The Board has decided to adopt and immediately begin using the official State of NC governmental travel policy. A reimbursement form will be submitted, and all recommendations will be followed.

Sincerely,


_____, Board Chair Winston Ammann


_____, General Manager Bonnie OBryan Betz