

Hyde ABC Board Meeting

10.24.16

6:30 PM

Call to Order: By Board Chairman Meredith Nicholson

Attendance: Board Members Glenda and John are present with Finance Officer Gary and General Manager/ Board Secretary Vicki

Ethics Reminder: by Meredith

Prior Board Minutes: September 2016 Accepted and Adopted

Old Business: None

New Business:

- 1. Discussion of ABC Commission audit findings.** Tom Robinson has been asked by the State Commission to correct several errors in the Hyde ABC Audit 2015-2016. He has been asked to reissue the corrected Audit. Moniqua McLean will meet with us at the November Board meeting to go over her findings. There will be corrections and discussion of board compliances as well as the audit corrections and a 3.5% distribution tax that we owe to the county because we are now profitable. Some of the needed corrections are current adopted policies. 3 policies are being discussed tonight.
- 2. Polices Approved and Adopted.** Mix Beverage policy, Vehicle Use Policy, Credit Card Policy and Travel Policy. More policies will be adopted at future board meetings.
- 3. Wind and Hail Insurance:** We discussed our coverage of the stores and decided to increase the insurance at both locations.

Gary's Financial Comments

Balance Sheet:

- Our **Checking/Savings** balance is up \$42,404
- Inventory is up \$10,574

- **Current Liabilities** are up \$7,626 due to an increase in **Accounts Payable** of \$7,013 and an increase in the **Payroll Tax Liability** of \$1,806.
- **Long Term Liabilities** have dropped \$11,481 as a result of our paying off the truck loan.
- Our ratio of **Current Assets to Current Liabilities** is 5.49 versus 5.05 last year. In essence our Current Assets are over 5 times what we currently owe.

Profit & Loss:

- **MTD:**
 - **Sales** were up \$5,232 from \$55,896 last year to \$61,129 this year.
 - **Gross Profit** increased from \$18,539 last year to \$20,777 this year.
 - **Operating Expenses** were virtually identical to last year with just a \$75 increase.
 - **Administrative Expenses** increased \$6,479 over last year, most of which is attributable to the fact that we booked the \$5,800 cost of our audit in September this year, but not until November last year. There was also an increase in Wages of \$460.
 - **Net Profit** fell from \$6,962 to \$2,646 due to the increased Administrative Expenses
- **YTD:**
 - **Sales** are up \$12,954 with Gross Profit increasing \$971. This seems to be an unusually small increase in the Gross Profit compared to the increase in sales. As I've noted before we have seen some unexplained month to month fluctuations in Gross Profit which we expect to smooth out over time. We will continue to watch this carefully.
 - **Cost of Goods Sold** is 49.7% versus 48.9% last year. According the Laurie Lee our COGS % should be between 52-54%, but we continue to experience a lower than normal %.
 - **Operating Expenses** are up \$2,422 almost entirely due to increased **Wage Expense** of \$2,224.
 - **Administrative Expenses** are up \$5,516, again almost entirely to our earlier booking of the audit expense of \$5,800.

- **Net Profit** dropped from \$41,427 last year to \$34,454 this year. Recording the \$5,800 audit expense accounts for the bulk of this drop.

The impact of Hurricane Matthew is yet to be determined, but I would expect sales to be off in October. In addition to the 7-10 days that Ocracoke has been closed to tourist, we just learned that the Black Beard Festival scheduled for October 28-30 has been cancelled as a result of the hurricane.

We are still awaiting a final version of our Fiscal Year End June 30, 2016 audit report. The most significant thing to come out of our audit, thanks to conversations with Laurie Lee at the ABC Commission, is that we have not been making distributions to Hyde County of our 3.5% Bottle Tax, nor have we been accruing this expense. This is supposed to be done on a quarterly basis and I will revise these statements to recognize this expense before we publish our October results.

That said, because of the very seasonal nature of our business, this expense may be large during the high season quarter, but then actually become a negative expense in the off season quarters. An annual calculation makes more sense, because of this very seasonal nature of our business cycle. To rationalize this, we will need to obtain permission from the Hyde County Commissioners to compute our overall liability on an annual basis rather than on a quarterly basis.

General Manager Comments:

Audit Compliances: Meredith and Glenda will need to take another ethics class. I will find out about any upcoming dates available. Board members need to adopt and sign the ethics policy we have on file. I was instructed by the State auditor that we cannot ask the county for any loan moving forward. More policies will come in future meetings. September Sales were up 9.76% across the State. We were up 9.75% Beaufort up 8.56% Dare down 0.89% Tyrell up 3.88%. There were 7 out of 164 boards that were down. So it was a good month for us. All inventory and deposits accounted for.