

MOORESVILLE ALCOHOLIC BEVERAGE CONTROL BOARD
Budget for the fiscal year 2016/2017

June 1, 2016

RE: BUDGET MESSAGE

To the Mooresville ABC Board

The Annual Budget for the fiscal year July 1, 2016 through June 30, 2017 (FY16/17) has been prepared in accordance with anticipated changes to North Carolina General Statute 18B-702 "Financial operations of local boards." The ABC Board determines, through adoption of an annual budget, the level of customer services that the ABC system will provide and the resources available for operations and capital projects.

The primary drivers during the preparation of this budget included projected operating costs required to sustain acceptable levels of customer service during fiscal year 2016/2017; and the need for revenues sufficient to fund capital improvements as well as to provide distributions to beneficiaries.

Projected operating revenues increase 11.1% in comparison to 2015/2016.

The budget consists of projected revenues from liquor sales and other receipts of \$11,401,068, taxes related to income of \$2,708,614, cost of sales of \$5,868,664, operating expenses costs of \$1,190,790 capital outlay of \$75,000 and income distributions of \$1,500,000.

Highlights of the Budget: Key elements include:

- Sales increases are projected because of overall economy improvements.
- The assumption was that no debt will be obtained.
- There will be approximately \$75,000 of capital improvements
- Pay increases of 3% have been granted for full time employees.

Debt: The Board does not have debt at this time; there is no anticipation of incurring any additional debt during the budget year.

Priorities and Assumptions:

- The Board's primary source of revenue is through the sale of spirituous beverages. A key assumption is that amount of expected sales are to increase 11.1%. Revenue projections are calculated using expected sales growth or decline combined with historic sales figures.
- The Board's books and records are maintained based on the Enterprise method of accounting, which is different than the Fund method of accounting used by many government entities.

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Priorities and Assumptions(continued):

- NC ABC Commission Rules (4 NCAC 2R.0902) define "working capital" as "the total cash, investments and inventory less all unsecured liabilities." Also, "a local Board shall set its Working Capital requirements at not less than two week's average gross sales of the latest fiscal year nor greater than three month's average gross sales of the latest fiscal year. Gross sales means gross receipts from the sales of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3),and (4)."
 - For the period July 1, 2015 through April 30, 2016,
 - Minimum – two week's average gross sales for the current fiscal year equals \$310,888.
 - Maximum – three months average gross sales for the current fiscal year equals \$1,958,594.
 - Actual Working Capital as of 4/30/2016 was \$1,705,038.
 - In addition to providing for operating expenses and distributions, and Board must retain a level sufficient to "seed" future capital improvement and expansion cost.

Staffing Summary:

The Board has authorized a total of four full-time and 27 part-time positions.

Recommendations for Future Budget Considerations:

- Create a ten-year operation/strategic plan to determine future financial requirements of this Board.
- Develop financial performance standards specifically for this entity.
- Establish a fixed percentage of net income (after required distributions) that the Board needs to ensure adequate assets for future expansion and improvements.

Conclusion:

The budget reflects the Board's commitment to fulfill its mission based on known information.



Irvin Walls
Budget Officer

Attached: Proposed Budget Ordinance for Fiscal Year 2016/2017.
Supplemental Information

**BUDGET ORDINANCE
MOORESVILLE ABC BOARD
2016 - 2017**

BE IT ORDAINED by the Mooresville ABC Board, of Iredell County, North Carolina, that the following ordinance establishing revenues and setting expense appropriations is hereby adopted and effective July 1, 2016, through June 30, 2017.

Section 1. Estimated Revenues. It is estimated that the revenues listed below will be available during the fiscal year beginning July 1, 2016 and ending June 30, 2017 to meet the operational and functional appropriations as set forth in Section 2, in accordance with the chart of accounts prescribed by the state ABC Commission.

Estimated Revenues:

Sales	\$ 11,398,568
Investment Income	2,500
<i>Total</i>	<u>11,401,068</u>

Appropriations:

Taxes Based on Revenue	<u>\$ 2,708,614</u>
Cost of Sales	<u>\$ 5,868,664</u>

<i>Operating Expenses:</i>	Store(s)	Administration	Total
Salaries and Benefits	<u>\$ 509,399</u>	<u>\$ 274,292</u>	<u>\$ 783,690</u>
Board Member Per Diem	<u>-</u>	<u>8,400</u>	<u>8,400</u>
Board Member Travel	<u>-</u>	<u>-</u>	<u>-</u>
Unemployment Insurance	<u>4,800</u>	<u>-</u>	<u>4,800</u>
Repairs & Maintenance-Buildings	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Repairs & Maintenance-Equip	<u>600</u>	<u>-</u>	<u>600</u>

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2016 - 2017

<i>Operating Expenses:</i>	<u>Store(s)</u>	<u>Administration</u>	<u>Total</u>
Utilities	\$ -	\$ 39,000	\$ 39,000
Telephone	-	16,500	16,500
Insurance – General & Bonds	-	21,000	21,000
Store Supplies	45,000	-	45,000
Uniforms	-	-	-
Employee Travel	-	-	-
Licenses & Taxes	-	200	200
Delivery	-	-	-
Office Supplies	-	7,500	7,500
Advertising	300	-	300
Postage	-	1,300	1,300
Professional Fees	-	25,000	25,000
Dues & Subscriptions	-	3,000	3,000
Bank Fees	-	2,500	2,500
Credit Card Processing Fees	126,000	-	126,000
Contingencies	-	75,000	75,000
Travel and Conventions	-	6,000	6,000
Other-Outside Labor	10,000	-	10,000
Total	\$ 711,099	\$ 479,692	\$ 1,190,790
<i>Capital Outlay:</i>			
(define)	\$ 75,000	\$ -	\$ 75,000
Total	75,000	-	75,000
<i>Debt Service/Lease:</i>			
Notes Payable	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

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MOORESVILLE ABC BOARD
2016 - 2017**

Distributions:

Law Enforcement	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ 58,000</u>
Alcohol Education & Rehab	<u>-</u>	<u>-</u>	<u>-</u>
County/Municipality	<u>1,000,000</u>	<u>-</u>	<u>1,500,000</u>
Other Distributions	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,055,000</u>	<u>\$ -</u>	<u>\$ 1,558,000</u>

Excess (deficit) of Estimated Revenues over Appropriations	<u>\$ -</u>
Estimated Fund Balance - Beginning of Fiscal year 2016	<u>3,836,619</u>
Estimated Fund Balance - End of Fiscal year 2016	<u>\$ 3,836,619</u>

Section 3. Copies of this Budget Ordinance shall be furnished to the Town of Mooresville, the state ABC Commission, and to the Budget Officer and Finance Officer to be kept on file by them for their direction in the disbursement of funds.

Adopted by the Mooresville ABC Board this 16th day of June 2016.