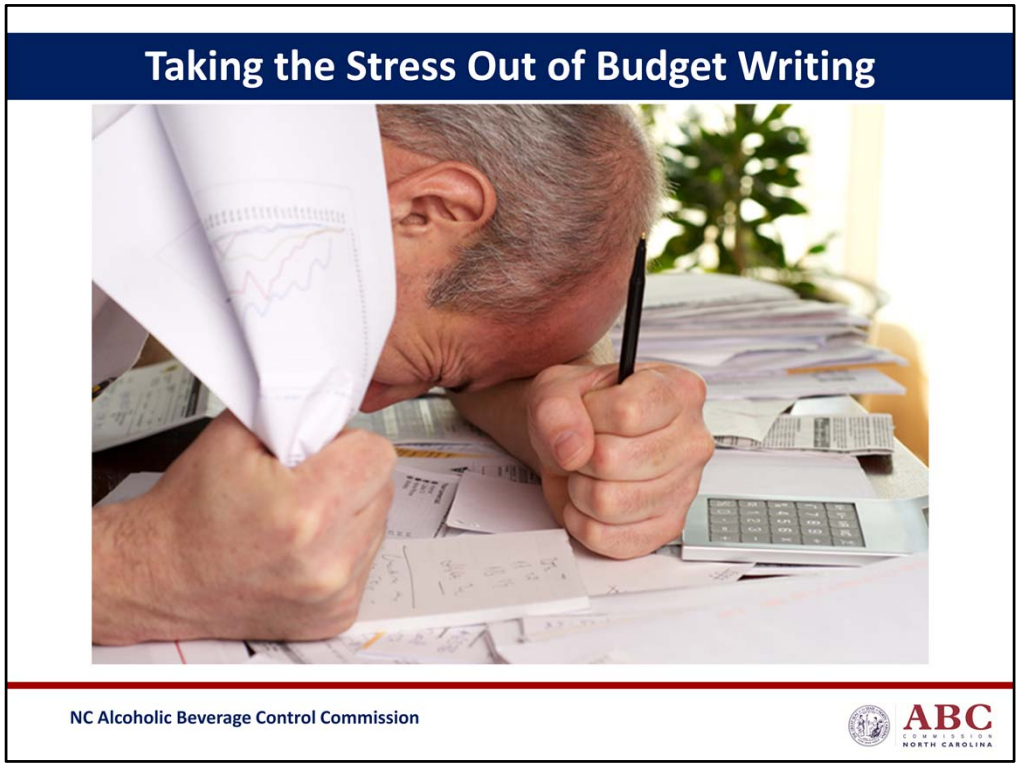
# Budget Writing Webinar

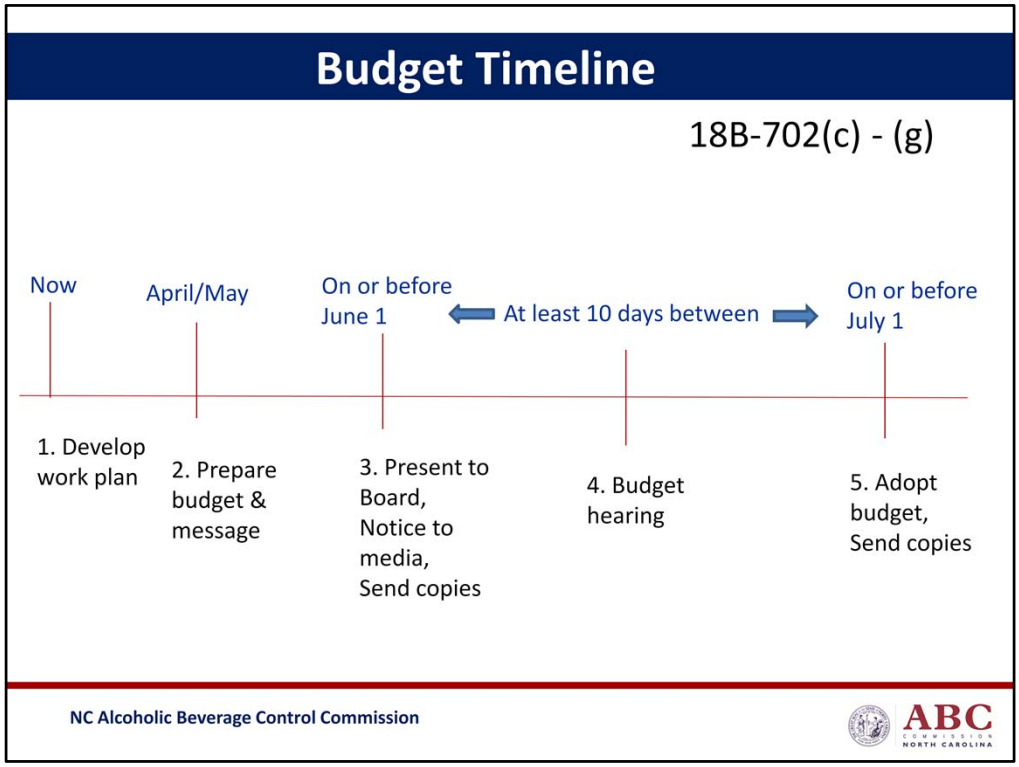
**March, 2016**

NC Alcoholic Beverage Control Commission

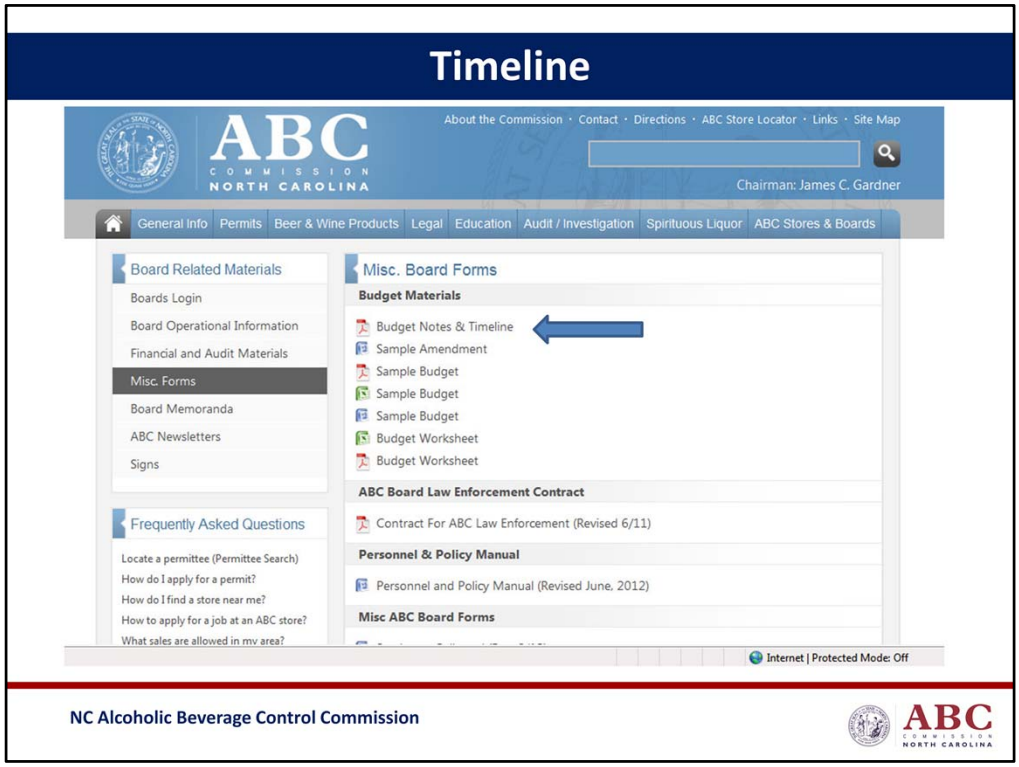
ABC COMMISSION NORTH CAROLINA




The aim of this presentation is to make you comfortable with the budget process. We don't want this to be a stressful project. If you follow the steps outlined here, I think you will find the process fairly easy. If you have questions, please feel free to contact Laurie Lee or Moniqua Mclean at any time.




Here is the basic timeline for the budget process. You can read the actual requirements in the statutes; they are in 18B-702. More detailed notes can also be found on the Commission website. Look under the ABC Stores and Boards tab for Misc. Forms. The key takeaways from this are (1) have your proposed budget ready in time for your board's May meeting and (2) plan to have your public hearing and your board's final approval take place during the June meeting.




On the Miscellaneous Forms page you will find sample documents, a worksheet, and so on. Keep in mind that these are samples only. Your budget does not have to include all of the line items found in the samples. For example, your final budget will likely have just one line for liquor taxes, rather than each tax itemized.

## Materials to Work From

- FY 2015 Audit (budget/actual reconciliation at back)
- Most recent YTD Profit & Loss statement
- Current year's budget

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Start by looking at the budget to actual reconciliation found at the end of this past year's audit. It will show you where you were on target and where you were off on your estimates for last year.
Then, use your most recent financial statements to determine how close to budget you are for this fiscal year. Not only will this help you with next fiscal year's numbers but it will also tell you whether or not you will need to make any budget amendments for the current year.

You might want to use the budget worksheet to build your budget. There is an Excel version for those with Excel and a PDF for those who prefer to work it out with pencil and paper.

## Method

1. Determine revenue
2. Deduct taxes (23 – 24%)
3. Deduct cost of sales (52 – 54%)
4. Determine expenses, distributions & savings

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Start with revenue. You need to know how much you will bring in before you can plan how to spend it. Your goal is to neither over-estimate nor under-estimate your projected sales. Most boards will take the current year's sales and include a modest increase for next year. Only you can decide what is right for your board's circumstances. Make your best estimate.

# Revenue

**BUDGET WORKSHEET**

**_____ABC BOARD**

**ANNUAL BUDGET ESTIMATE - REVENUES**

**Fiscal Year: 20__ - 20__**

| Account | Last Year | Current Year | | | | Next Year | | |
|---|---|---|---|---|---|---|---|---|
| | Actual | Budget | Actual to March 31 | April - June Estimated | Totals for Year | Budget Officer's Estimate | Approved Estimate | Approved By Board |
| Liquor Sales | | | | | | | | |
| Mixed Beverage Sales | | | | | | | | |
| Wine/Mixer Sales | | | | | | | | |
| Investment Income | | | | | | | | |
| Other Income | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| Totals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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To help you with this, take last year's actual sales from your audit. Put that number in the "Last Year" column. Enter current year budget & actual figures to see where you are for this year.

Use last year's sales and this year's sales to project revenue for FY 2017.

## Taxes & COGS

- Taxes ÷ Total sales x 100 = Percentage tax
- 580,225/2,509,400 = 0.2312 x 100 = 23%
- Cost of Sales ÷ Total sales x 100 = Percentage COGS
- 1,301,855/2,509,400 = 0.5187 x 100 = 52%

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Once you have your projected sales figure, you can easily calculate taxes and cost of goods sold. Use your audit from last year to determine the correct percentages for your board. Most boards will find taxes are 23 to 24% of sales and that cost of goods sold is 52 to 53% of sales. On this slide you will see the math used to get these figures.
For taxes, you will take last years total tax figure from your audit and divide it by total revenue. Multiply the results by 100. This will give you your percentage for taxes. Next, take your projected revenue for next year and multiply it by that percentage. This will give you the amount to include in your budget for taxes.
hen do the same for cost of sales. Once you have deducted taxes and cost of goods sold you can move on to operating expenses and the other categories.

# Capital Outlay

**BUDGET WORKSHEET**

**_____ABC BOARD**

**ANNUAL BUDGET ESTIMATE - EXPENDITURES**

**Fiscal Year: 20__ - 20__**

| Account | Last Year | Current Year | | | | Coming Year | | |
|---|---|---|---|---|---|---|---|---|
| | Actual | Budget | Actual Thru March | Estimated Apr-June | Year Total (Round Up) | Requested | Recommended | Approved By Board |
| Capital Outlay: | | | | | | | | |
| (define) | | | | | | | | |
| (Debt Proceeds) | | | | | | | | |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| Debt Service/Lease: | | | | | | | | |
| (define) | | | | | | | | |
| | | | | | | | | |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| Total Estimated Expense | | | | | | | | |

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Capital Outlay = money spent on things that will be depreciated (things considered assets) like computer equipment, furniture, buildings, land.
(define) = insert what this asset is, do not leave the word “define” here.
Debt Proceeds = amount of money already on hand (working capital or capital improvement fund) that will go toward this purchase.
Debt Service/Lease = debt service is the amount of principle you expect to repay on a loan in the coming year. (Interest goes in expenses.)

## Example – Capital Outlay

| | |
|---|---|
| **Capital Outlay:** | |
| Purchase Land | $500,000 |
| Debt Proceeds/Working Capital | -$300,000 |
| | $200,000 |

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In this example, the ABC board is planning to purchase a piece of land for $500,000. They have $300,000 already in a capital improvement account to put toward the purchase. That leaves $200,000 that they expect to pay out of incoming revenue.

## Example – Capital Outlay

| | |
|---|---|
| **Capital Outlay:** | |
| Land Purchase | $500,000 |
| Debt Proceeds | -$500,000 |
| | $0 |
| **Debt Service/Lease:** | |
| Loan Repayment | $50,000 |
| | $50,000 |

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In this case, an ABC board plans to purchase land for $500,000. They also plan to borrow the entire amount and expect to have to pay back $50,000 in principle (not interest) during the fiscal year. Remember, interest payments show up under expenses. To explain this another way, the initial purchase price of the land shows a total expense of zero meaning that none of the sales revenue coming in will go to pay for the land. However, there will be $50,000 in revenue going to repay a portion of the debt.

If you are totally confused, call Laurie or Moniqua for help with this portion of your budget.

## Balanced Budget

Total revenues = Total expenses & distributions (everything else)

- Taxes
- Cost of Sales
- Expenses
- Distributions
- Working Capital Retained

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When you are finished be sure to check that your budget is in balance. If you look at the sample budget on our website, there is a double underline under Total Revenue and another double underline at the bottom under Total Expense, Distribution & Reserve. These two numbers should match.

# Balanced Budget Document

**BUDGET DOCUMENT**

| | | | |
|---|---|---|---|
| **Estimated Revenues:** | | **Taxes Based on Revenue** | $ |
| Sales | $ | | |
| Other Income | $ | **Cost of Goods Sold** | $ |
| Total | $ | | |
| | | **Operating Expenses** | $ |
| | | **Capital Outlay** | $ |
| | | Debt Proceeds | $ |
| | | **Debt Service/Lease:** | $ |
| | | **Total Estimated Expenses** | $ |
| | | **Distributions:** | |
| | | Law Enforcement | $ |
| | | Alcohol Education & Rehab. | $ |
| | | County/Municipal | $ |
| | | Total Distributions | $ |
| | | Working Capital Retained | $ |
| | | **Total Expense, Distribution & Reserve** | $ |

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This is a simple outline of an entire budget – without all of the line items. The two totals in red should equal when you are finished. Some budgets leave out the working capital retained and stop there, but you need to show that as well. In summary, you are accounting for every dollar coming in as revenue – you are either spending it or saving it.

Don’t forget to set aside some money for contingencies. These are the unexpected expenses that crop up during the year, like a roof leak or broken air conditioner. When you use those funds, you will want to make a budget amendment to move money out of contingencies and into the appropriate expense account.

## Amendments

- Reason/Justification
- Show movement of money (from/to)
  - From one budget line to another
- Signed by board
- Recorded in minutes
- Copies sent to appointing authority and ABC Commission

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A budget amendment must be made prior to funds being obligated. The format of the amendment is up to each individual board, however, certain elements should be present:

- Total increases should equal total decreases
- A brief description of the circumstances surrounding the need for the change
- An indication of board approval - by signatures of the board – add to minutes

Be sure to compare your actual revenue and expenditures monthly to your budget so that amendments get made in a timely manner.

# Amendment - Example 1

BUDGET AMENDMENT

ALBEMARLE ABC BOARD

The following amendment to the annual budget document for the fiscal year ending June 30, 2014 has been approved and adopted

Section 1. To amend Capital Outlay to reflect the purchase of two Office computers with the Windows 7 operating system, the appropriations are to be made as follows:

| Acct. No. | Decrease | Increase |
|---|---|---|
| Capital Outlay | | $ 7,000 |
| Contingencies | $ 7,000 | |
| | $ 7,000 | $ 7,000 |

Section 2. Copies of this budget amendment shall be furnished to the Clerk to the City of Albemarle (appointing authority), ABC Commission, and to the Budget Officer and the Finance Officer for their direction.

Adopted this 26th day of February 2014

Joe McIntyre 2/26/14

Chairman Date

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This is an example of a simple amendment – moving money from contingencies to capital outlay to cover the cost of new computers.
It is signed, dated, and has a brief explanation.

# Amendment – Example 2

NASH COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD

**Budget Amendment**

The following amendment to the annual budget document for the fiscal year ending June 30, 2014 has been approved and adopted by the Nash County ABC Board.

*Section 1. Amendments.*

A. Fund transfers.

| Budget Item | Increase | Decrease | Explanation |
|---|---|---|---|
| Paper Bags/Cash Register Paper | $7,000 | | We were notified of a 14% increase on all Duro paper bags with orders shipped after March 14, 2014 |
| | | | |
| Contingencies | | $7,000 | |
| | | | |
| | | | |
| TOTALS | $7,00.00 | $7,00.00 | |

*Section 2. Copies.*

Copies of this budget amendment shall be furnished to the North Carolina ABC Commission, the clerk to the Nash County Board of Commissioners, and to the Nash County ABC Board Budget and Finance Officers.

Adopted this 27th day of February 2014.

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Here is another example of a simple amendment, this time moving money from contingencies to an operating expense.

# Amendment – Example 3

BUDGET AMENDMENT

Mt Airy ABC Board

April 15, 2014

BE IT ORDAINED by the Mt Airy ABC Board that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2014.

Section 1. Amendment of April 15, 2014 by amending Insurance General and Bond, Contingencies, and Travel to balance budget for year end after March 31, 2014 and estimate for remaining quarter.

| Acct. No. | Decrease | Increase |
|---|---|---|
| 609 Insurance General& Bond | 1,000.00 | |
| 618 Misc.-Contingencies | 2,000.00 | |
| 611 Travel | 1,400.00 | |
| 622 Maintenance | | 900.00 |
| 608 Utilities | | 500.00 |
| 601 Salaries | | 3,000.00 |
| | $4,400.00 | $4,400.00 |

Section 2. Copies of this budget amendment shall be furnished to the City of Mt Airy (appointing authority), ABC Commission, and to the Budget Officer and the Finance Officer for their direction.

Adopted this 15th day of April 2014.

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One final example. It is perfectly fine to combine multiple adjustments into one amendment document.