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## BUDGET MESSAGE

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May 16, 2017

**TO: Town of Lake Lure Mayor and Board of Commissioners**

**FR: Ron Nalley, Town Manager**

Submitted for your approval is the Town of Lake Lure Budget for the 2017-2018 fiscal year in the amount of \$6,489,700.00. The budget process that was conducted this year began with informal and formal discussions with Board Members, Agencies and Department Heads. From these discussions, recommended goals and objectives were developed, and funding priorities established.

### Overview

The total recommended budget for fiscal year 2017-2018 is \$6,489,700.00. The tax rate necessary to fund this budget is \$0.276 cents per \$100 of property value, a rate unchanged from last year. The budget is balanced and is prepared in accordance with the Local Government Budget and Fiscal Control Act and in accordance with Local Government Commission guidelines. I believe that the data as presented is accurate in all material aspects and that it is in a manner designed to set forth fairly the financial position and results of the operations of the Town as measured by the financial activity of its various funds. I also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included.

This report is divided into six sections: the Introduction, Policy Document, Financial Plan, Operations Guide, Capital Improvements and Glossary. The Introductory Section contains the Budget Message and information about the Town's organization and principal officials. The Policy Document Section will give a coherent statement of the organization-wide financial and programmatic policies and goals that address long-term concerns and issues. The Financial Plan Section describes all the funds that are subject to appropriation as well as a summary of revenue sources and expenditures. The Operations Guide Section describes the activities, services and functions carried out by each department of the Town.

This next year, several events will have a significant impact on the shaping of this budget. Those events include the current state of our national and state economy, the funding of capital projects as identified in the Capital Improvements Plan, operational increases and employee benefit costs. Features in this budget take into account the effects of each of these events and the impact it will have on service delivery and costs. Every effort has been made to balance the need for service delivery with a fiscally conservative approach to revenue and expenditure estimates.

In government, much more than in business, the budget is an integral part of a Town's accounting system and daily operations. An annual or project budget ordinance, as amended by the governing body, creates a legal limit on spending authorizations. In accordance

with North Carolina State Law, the Town's budget is prepared on the modified accrual basis, and its accounting records also are maintained on that basis. Under modified accrual accounting, revenues are recorded when they are measurable and available. Expenditures are recorded when a liability is incurred, except for interest on a long-term debt and accrued vacation benefits. The Town of Lake Lure has the following types of Governmental Funds:

### **Governmental Funds**

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are Ad Valorem taxes and State-Shared revenues. The primary expenditures are for public safety, administration, public works, recreation and community enhancement. General Fund revenues budgeted for fiscal year 2017-2018 totals \$4,920,000. This is a decrease of approximately 3.1% or \$158,093 budgeted last fiscal year.

To ensure the Town's fiscal stability, it is necessary to maintain a healthy operating fund balance. Because of the need for emergency funds, the fund balance allows the Town to maintain adequate cash flow levels, provides steady investment income, helps absorb revenue shortfalls, and occasionally aids in making recurring purchases. Each year during annual budget preparation, the Board of Commissioners will reevaluate the fund balance level needed for the upcoming year. The Commissioners will take into account the needs of the community, as well as the fiscal strength of the governmental unit, in making its decision on setting an appropriate fund balance level. The Town will retain a fund balance level of at least eight (8%) percent which is recommended by the North Carolina Local Government Commission. With a Town as small as Lake Lure, it is important for the Town to maintain a strong fund balance.

Powell Bill – Until recently, the Powell Bill Fund was the fund used to account for the North Carolina gasoline tax. In November 2015, the State repealed the statutory formula linking Powell Bill funds to the gas tax and instead made the allocations subject to yearly state budget appropriations. Another change directs municipalities to use its Powell Bill funds “primarily for the resurfacing of streets within the corporate limits.” As a result, expenditures commonly found in the Powell Bill Fund have now been moved to the Public Works Department and Capital Outlay within the General Fund. The Powell Bill funds are expected to remain steady at \$68,500.

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town of Lake Lure has two enterprise fund: the Water and Sewer Fund and the Electric Fund.

Water and Sewer Fund - Operating revenues for the Water and Sewer Fund are budgeted for \$1,218,700. This amount represents a \$45,650 or a 3.9 percent increase in revenues budgeted from the last fiscal year. The proposed budget recommends that no adjustment be made to the existing Water and Sewer rates. Water and Sewer Charges for Service (\$1,191,000) accounts for almost ninety-eight percent (98%) of water and sewer fund revenue. This fiscal year we have budgeted \$510,000 for debt service payments and \$82,200 in capital outlay. The Water and Sewer Fund will reimburse the General Fund \$15,000 for shared expenses.

Electric Fund - Operating revenues for the Electric Fund are budgeted for \$351,000. Without considering transfers, this amount represents a \$224,151 or 39% decrease in revenues budgeted from the last fiscal year. Charges for Service accounts for all but \$1,000 of electric revenue. This fiscal year we have budgeted \$101,000 for capital outlay. The Electric Fund will also reimburse the General Fund \$15,000 for shared expenses.

### Conclusion

I feel that this recommendation is a responsible budget with priorities receiving funding based on your input and direction. The budget fulfills obligations that either this Board has made or legal obligations imposed by other levels of government.

The 2017-2018 recommended budget is hereby respectfully submitted for your review and consideration.

**Ronald W. Nalley**  
**Town Manager**