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**BUDGET MESSAGE** (Amended since May 8, 2018)

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June 25, 2018

**TO: Town of Lake Lure Mayor and Board of Commissioners**  
**FROM: Shannon Baldwin, Interim Town Manager**  
**Sam Karr, Finance Director**

Submitted for your approval is the Town of Lake Lure Budget for the 2018-2019 fiscal year in the amount of \$7,401,811. 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 2018-2019 is \$7,401,811. The tax rate necessary to fund this budget is \$0.360 cents per \$100 of property value, a rate increase of \$0.084. 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. We 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. We 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 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 2018-2019 totals \$5,774,810. This is an increase of approximately 9.76% or \$658,111 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 increase slightly to \$68,900.

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 \$1,222,500. This amount represents a \$3,800 or a .32% percent increase in revenues budgeted from the last fiscal year.

Electric Fund – Operating revenues for the Electric Fund are budgeted for \$404,501. Without considering transfers or loan proceeds, this amount represents a \$53,501 or 15.25% increase in revenues budgeted from the last fiscal year. Charges for Service accounts for all but \$1,000 of electric revenue.

**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 2018-2019 recommended budget is hereby respectfully submitted for your review and consideration.

**C. Shannon Baldwin**  
**Interim Town Manager**

**Sam Karr**  
**Finance Director**

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**The proposed Town of Lake Lure tax rate is \$0.360 per \$100 of property valuation;  
 A \$300,000 home generates \$1,080 in annual property taxes for the Town:  
 This comes to \$90.00 per month in Taxes for Town of Lake Lure.**

**LAKE LURE TAX RATE 1996 -2018**

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<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1996-1997	.30	2007-2008	.21
1997-1998	.30	2008-2009	.21
1998-1999	.31	2009-2010	.21
1999-2000	.32	2010-2011	.21
2000-2001	.32	2011-2012	.21
2001-2002	.32	2012-2013	.246
2002-2003	.27	2013-2014	.276
2003-2004	.28	2014-2015	.276
2004-2005	.28	2015-2016	.276
2005-2006	.28	2016-2017	.276
2006-2007	.28	2017-2018	.276
		2018-2019 Proposed	.360