



REVENUE MANUAL

Provided by
The Finance Office

Village of Whispering Pines, NC

June 2017

(Rev.3.2.2018)

PREFACE

This Village of Whispering Pines Revenue Manual serves as a tool to define, assess and determine the fiscal capacity and fiscal health of the Village of Whispering Pines. A community's fiscal capacity stems directly from its tax and revenue base. The Revenue Manual was developed to provide a comprehensive reference source for all revenue collected by the Village.

This Revenue Manual is an in-depth view of the Village's revenue sources and its purpose is to provide detailed information of the types of revenue that the Village of Whispering Pines utilizes to provide public services to the community. The Village relies on a variety of revenue sources in order to finance the cost of services provided to its residents.

Public services such as police services, fire rescue services, maintenance of roadways, public buildings and lakes & parks are financed through a variety of revenue sources such as property tax, sales tax, state-shared revenues, and local fees and charges.

The Village's fiscal and budget policy conforms to the General Accepted Accounting Principles (GAAP) and financial statements are prepared in accordance with the standards set by the Governmental Accounting Standards Board (GASB), applicable to local governments for accounting and financial reporting. Village accounts are organized and operated on the basis of funds.

The Village retains the North Carolina League of Municipalities (NCLM) to provide guidance in revenue projections for some revenues each fiscal year. The League gives annual statewide revenue projections, and the Village's local economic conditions may dictate deviations from these forecasts.

The Village of Whispering Pine's revenue sources are presented in the following format:

- Description: Provides an overview of the tax and its purpose
- Graphs and Charts: Illustrate changes, trends and performance of revenue sources
- Legal Authority: Identifies the Authority to impose the tax or fee by the Village Code or State Statute
- Fiscal Capacity: Identifies the potential to increase the tax or fee

INTRODUCTION

Generally, the components of a local government's tax and revenue base can be classified into four (4) broad categories: local taxes; local fees and charges, state-shared revenue; and other local revenue.

- Local taxes can be further sub-divided into: real property and motor vehicle tax, fire district tax, and local sales and use tax.
- Local fees and charges include: facility rentals, permits and fees.
- State-shared revenues are: video programming services tax, beer and wine tax, solid waste disposal tax, utility (electric) tax, telecommunications tax, and motor fuels tax (Powell Bill Funds).
- Other local revenues can include: alcohol beverage control store profits, investment earnings, grants, and minor revenue sources.

Real property and motor vehicle taxes for the Village of Whispering Pines is collected by Moore County and dispersed to the Village for a fee. Property taxes are the single largest source of unrestricted revenues for counties and municipalities in North Carolina.

Section 153A-233 of the North Carolina General Statutes (hereinafter G.S.) authorizes a county to establish and maintain a county fire department. Doing so is often cost prohibitive, though. Instead, almost all counties contract with one or more incorporated volunteer fire departments or municipal fire departments to provide fire protection services in at least a portion of their unincorporated areas.

Local sales and use tax are levied by counties, not municipalities. Counties must share the tax proceeds generated from local sales tax with municipalities. County commissioners choose annually one of two different distribution methods: the per capita method or the ad valorem method. Using the per capita method, the funds are distributed among the county and its incorporated municipalities based on relative populations. Under the ad valorem method, the proceeds are distributed among the county and its incorporated municipalities based on relative property tax levies.

Local fees and charges are assessed on individuals who voluntarily choose to use certain government services that directly benefits individual users. A common Village of Whispering Pines service that charges such a fee is for village facilities rental of the community building.

State-shared revenues are generated by the state and shared with local governments. The state levies the tax and bears the burden of raising the revenue. The downside is that the General Assembly may at any time reduce or eliminate the revenue shared with local governments.

The revenue sources of a local government should be evaluated in the context of a jurisdiction's economic role, the extent of its operating and capital needs, and the cost of service delivery. Doing this will provide an understanding of the municipality's ability to support its services, capital related obligations, and strategic goals. This will ensure that the municipality is prepared to make both short term and long term financial decisions to achieve and maintain an acceptable balance between sufficient revenues and levels of service.

GENERAL FUND

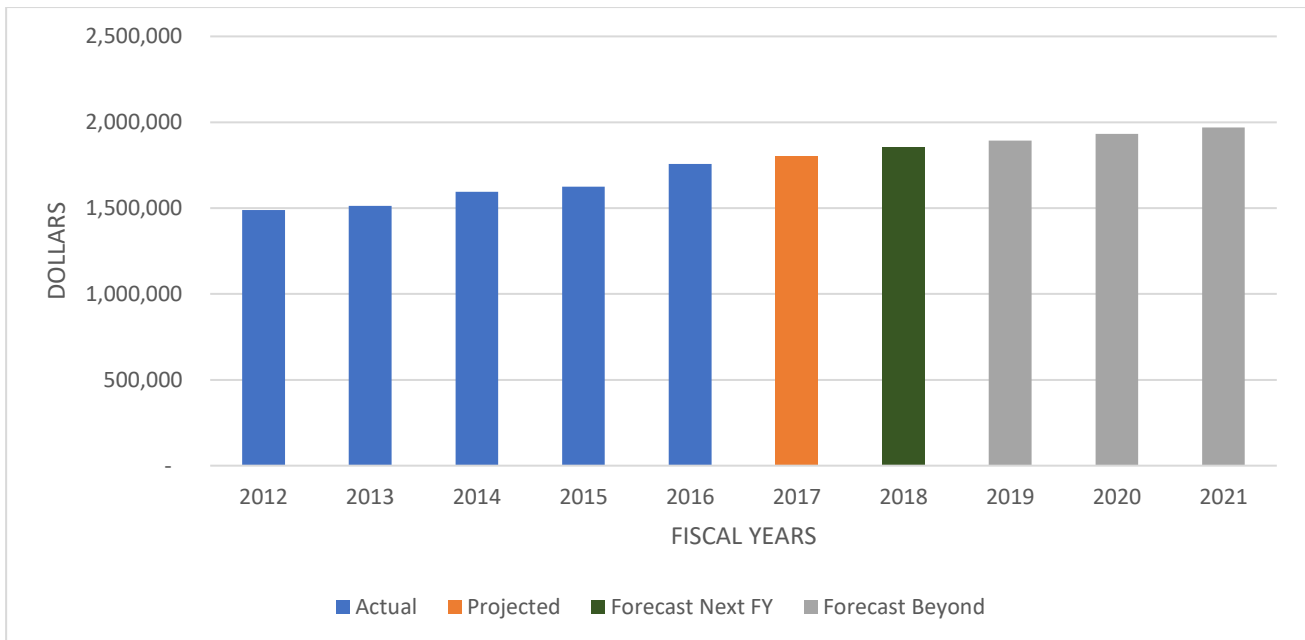
The General Fund is the general operating fund of the Village. All general tax revenue and receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Local Taxes

AD VALOREM TAXES

Description:

This is a levy against the taxable value of real property (land, buildings, and other improvements to land) and personal property (business equipment, automobiles, and so forth). The Village Council sets the property tax rate when it adopts its annual budget ordinance in June for the next fiscal year (FY). Property taxes are due on September 1, but taxpayers may delay payment until January 5 without incurring a penalty. The adopted tax rate is \$.37 per \$100 assessed valuation for FY2016-2017.



Legal Authority:

North Carolina Constitution, Article V (finance), Section 2 (state and local taxation)

North Carolina General Statutes, Chapter 105, Subchapter II

Authorized Exemptions:

Village of Whispering Pines residents who are elderly and/or disabled are eligible for a Homestead Exemption on their homes, if they qualify. The North Carolina G.S. 105-277.1 provides this tax-saving exemption which reduces the taxable value of a residence by the greater of \$25,000 or 50 percent. To be eligible the owner must be sixty-five or older or totally disabled and must satisfy an income requirement. For example, if Sally Smith is eligible for the elderly and disabled exclusion and her home is assessed at \$200,000, she will pay taxes only on \$100,000 of that value.

Additionally, Village of Whispering Pines residents who are disabled veterans are eligible for a Homestead Exemption on their home. According to North Carolina G.S. 105-277.1C, the first \$45,000 of appraised value of the residence is excluded from taxation. A qualifying owner who receives this exclusion may not receive other property tax relief.

Fiscal Capacity:

Village of Whispering Pine's tax rate has remained at \$0.3700 since 2011. The amount of revenue received through ad valorem taxes is the product of two factors: 1) the tax rate set by the Council; and 2) the value the Moore County Tax Assessor appraiser places upon the property.

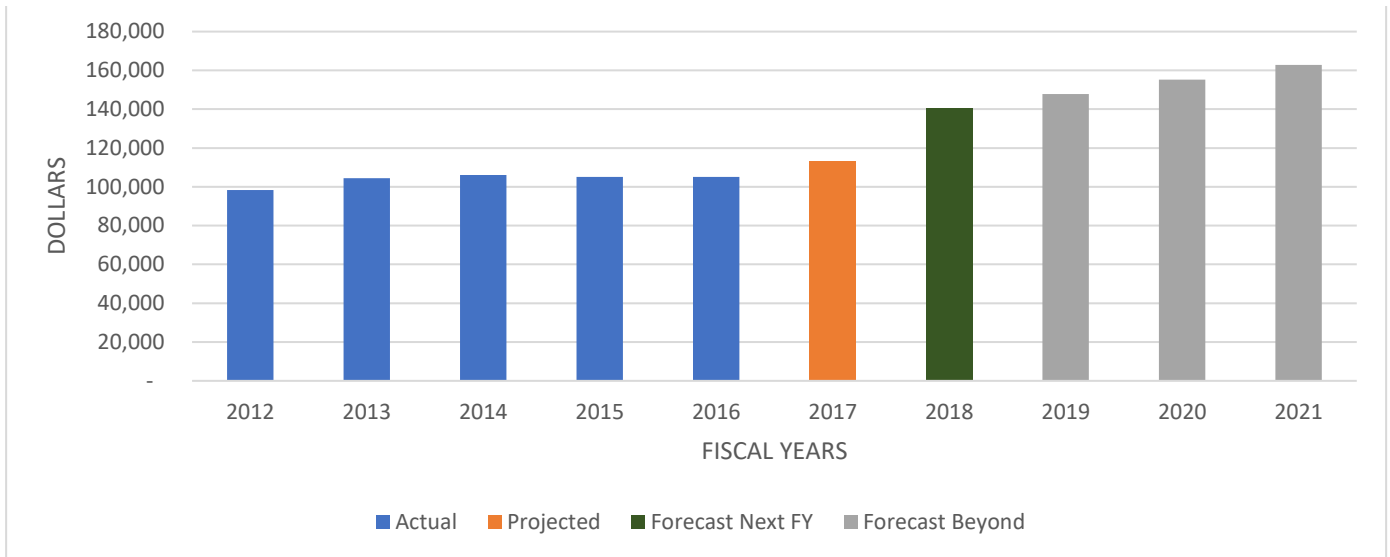
Forecast Assumption(s):

Annually adjusted by the estimation of the valuation of the Village which is provided by Moore County Tax Department; no change in tax rate; and the percentage of the levies expecting to be collected.

FIRE DISTRICT TAX

Description:

Section 153a-233 of the North Carolina General Statutes authorizes a county to establish and maintain a county fire department. Doing so is often cost prohibitive, though. Instead, almost all counties contract with one or more incorporated volunteer fire departments or municipal fire departments to provide fire protection services in at least a portion of their unincorporated areas.



Legal Authority:

North Carolina General Statute 153a-233

Fiscal Capacity:

Fire District Tax Rate is assessed against the real property values within a given fire district. Until July 1, 2015, the fire district tax rate for each individual fire district was established as part of the annual budget process and ultimately approved by the County Commissioners. Beginning July 1, 2015, the County Commissioners established a countywide fire district, which was applicable to all of Moore County, but not the individual municipalities. As part of the annual budget process, the County Commissioners establish a countywide fire district tax rate.

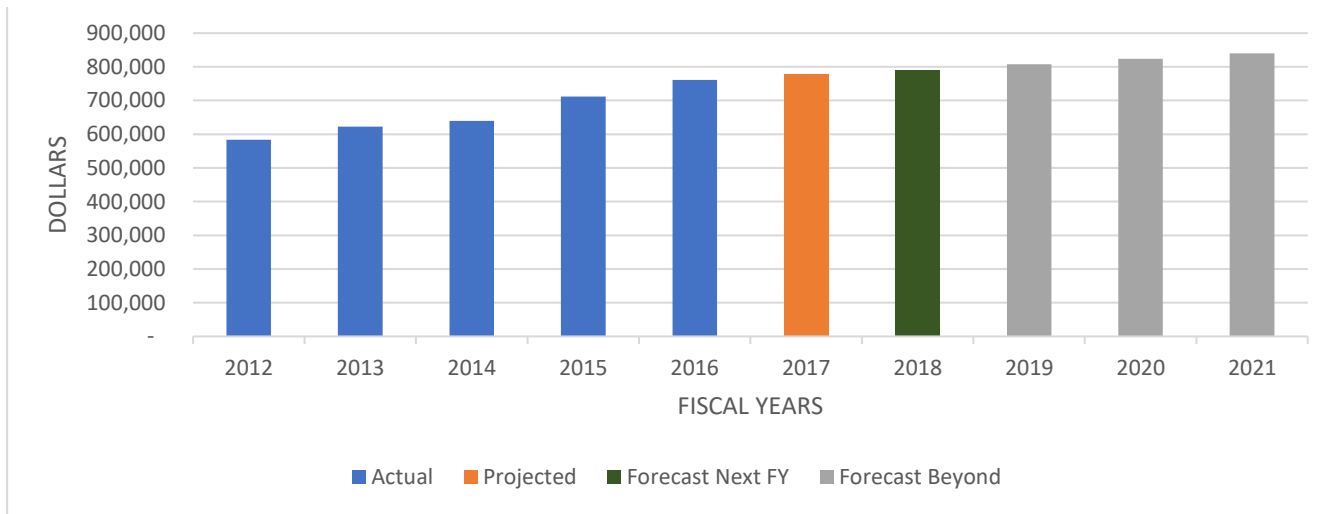
Forecast Assumption(s):

The forecast is based on the Fire Commission's recommendation to the County Commissioners that the countywide fire district tax rate be increased annually 0.05 percent from the initial countywide fire district tax rate of 0.08 (FY2015-16) to a target rate of 0.105 (FY2020-21). The Commissioners approved a countywide fire district tax rate of 0.085 for FY2016-17 and the County Manager has recommended a rate of 0.09 for the upcoming FY2017-18.

LOCAL SALES AND USE TAX

Description:

Currently, Moore County levies 2% in local sales tax which is composed of three different taxes – the Article 39 one cent tax, the Article 40 one-half cent tax, and the Article 42 one-half cent tax. This sales tax is added to the state sales and use tax of 4.75% for a combined rate of 6.75%. Proceeds of the sales tax component of the local sales tax are collected by retailers and remitted to the North Carolina Department of Revenue (DOR). NCDOR distributes sales tax to the counties who must share the tax proceeds with municipalities within its territorial jurisdiction. The Village of Whispering Pines receives funds under the per capita method; the funds are distributed based on relative population.



Legal Authority:

North Carolina General Statute Articles 39, 40, 42, & 44

Fiscal Capacity:

In order to calculate the municipal sales tax collection factor, it is first necessary to allocate a share of the sales tax collected within a county to each of its respective municipalities. This allocation is derived based on population.

Forecast Assumption(s):

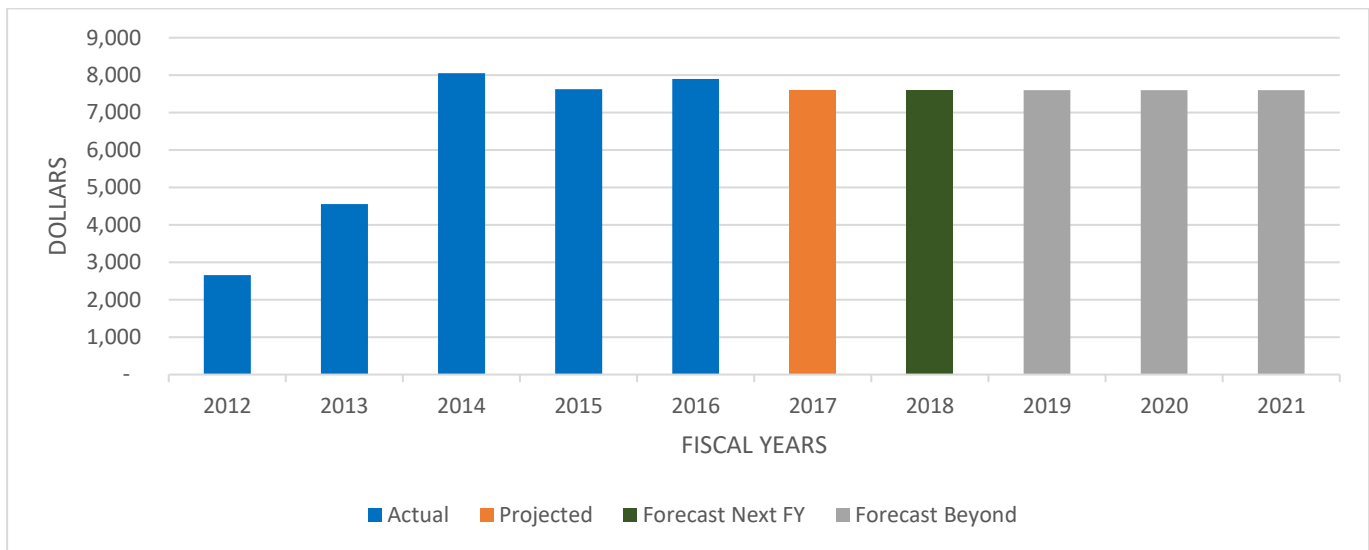
The forecast is adjusted annually by projected sales tax estimates provided by the North Carolina League of Municipalities. The projections are statewide and therefore prudence must be exercised to the local conditions that may affect to what extent an adjustment is made for the Village's particular jurisdiction.

Local Fees & Charges

FACILITY RENTALS

Description:

This fee is assessed on individuals who voluntarily seek out certain government property to use as a direct benefit to the individual user. Residents of Whispering Pines may reserve parks for free though must pay for use of the community building (\$75).



Legal Authority:

Village of Whispering Pines

Fiscal Capacity:

Recurring rental of the community building is a predictive, stable resource. Village of Whispering Pine's facilities rental has provided on average \$6,900 in revenue in past years. The rental fee is set to cover the cost of operating these facilities and to not make a profit.

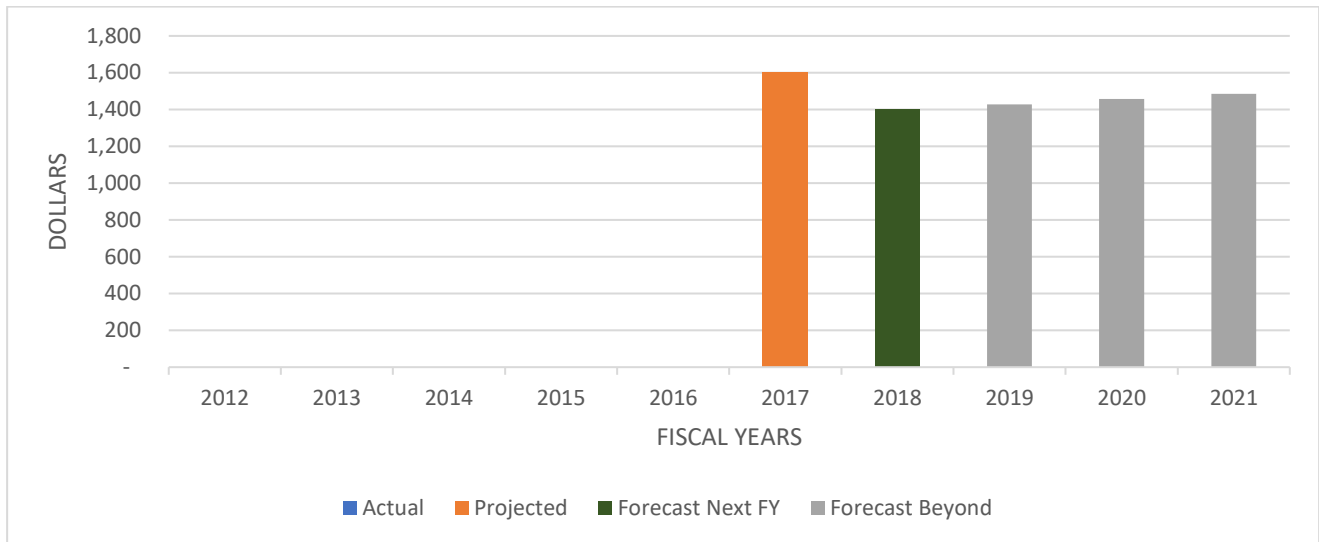
Forecast Assumption(s):

Annually adjusted by the actual revenues received, historical trend, and judgmental forecasting.

ADMINISTRATIVE PENALTIES

Description:

These civil penalties are assessed to cover the costs of certain regulatory activities such as enforcing local ordinances.



Legal Authority:

Village of Whispering Pines, Code of Ordinances, Chapter A, Section 4.

Fiscal Capacity:

Administrative penalties are an on-going revenue source though it is not a general revenue-raising mechanism.

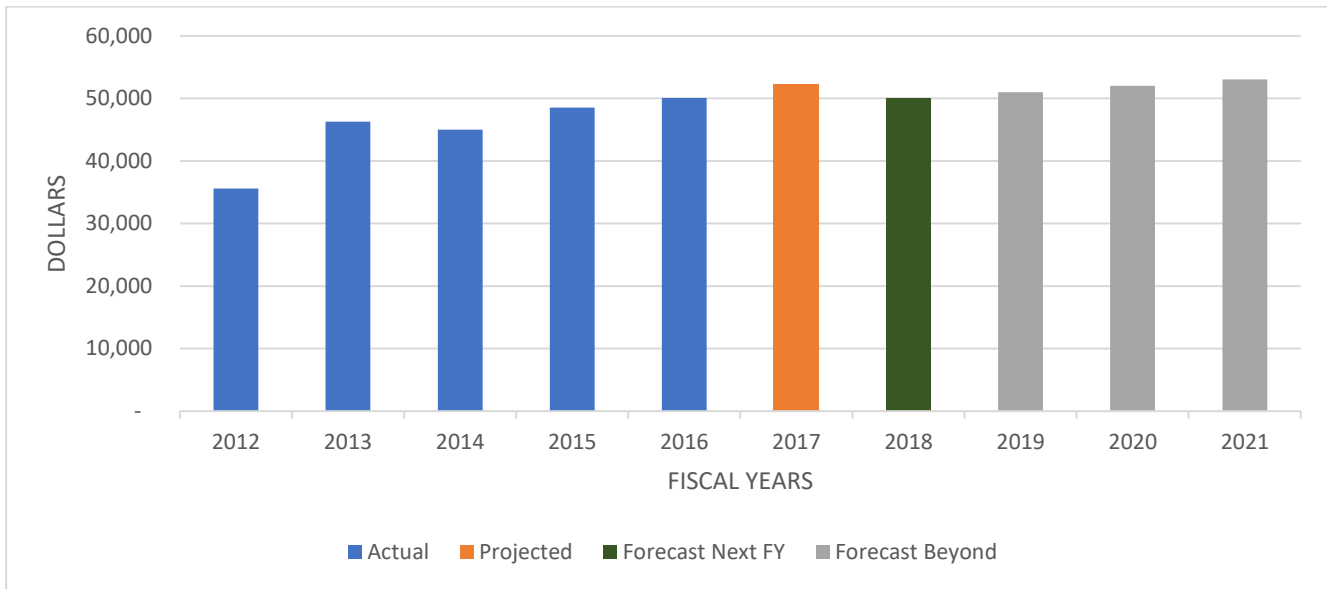
Forecast Assumption(s):

Annually adjusted by the actual revenues received, historical trend, and judgmental forecasting.

PERMITS & FEES

Description:

For the Village of Whispering Pines, permits are required and fees shall be charged where applicable for items such as: new construction, additions, erosion control, accessory buildings, decks, fence, docks, and more.



Legal Authority:

Village of Whispering Pines, Code of Ordinances, Chapter A, Section 4.

Fiscal Capacity:

Permits and fees are an on-going revenue source as residents strive to improve their homes and properties, and developers build and remodel residential homes in the Village.

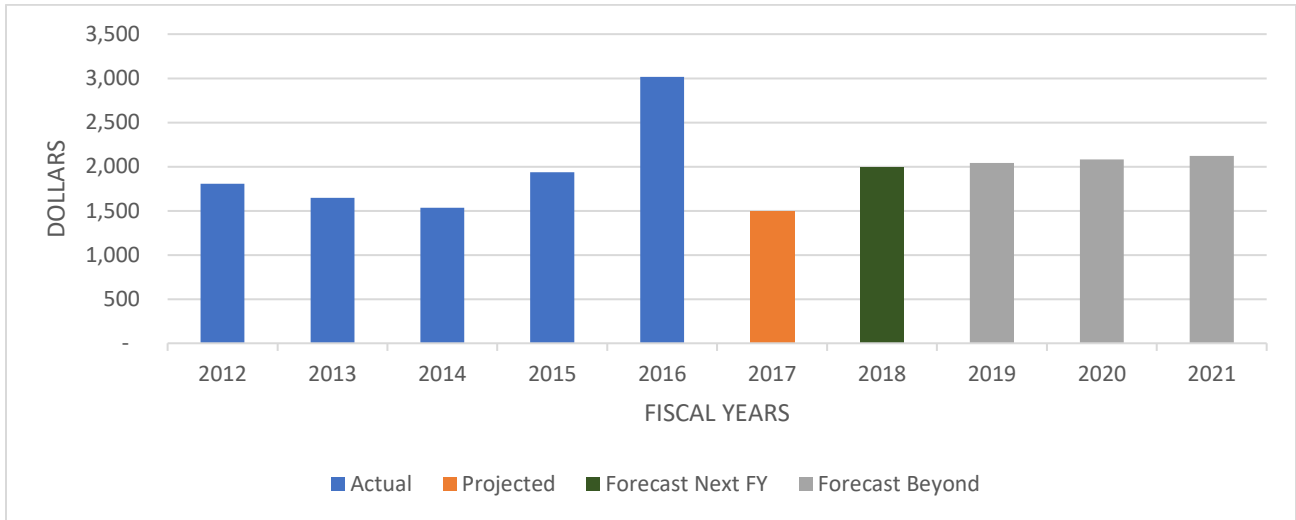
Forecast Assumption(s):

Annually adjusted by the actual revenues received, historical trend, and judgmental forecasting.

OFFICER FEES

Description

The state and counties assess fees against criminal defendants and civil litigants to help offset the costs of operating the court system. As part of these charges, the government employing the officer making an arrest or serving criminal process collects a fee. The Village does not receive any revenue from speeding tickets written in the Village.



Legal Authority:

- North Carolina General Statute 7A-304(a)(2)
- North Carolina General Statute 7A-305(a)(1)
- North Carolina General Statute 7A-307(a)(1)

Fiscal Capacity:

The fees collected under fines are collected and distributed to municipalities according to North Carolina State Statutes. Village of Whispering Pine’s officer fees revenue has averaged \$1,970 annually in past years.

Forecast Assumption(s):

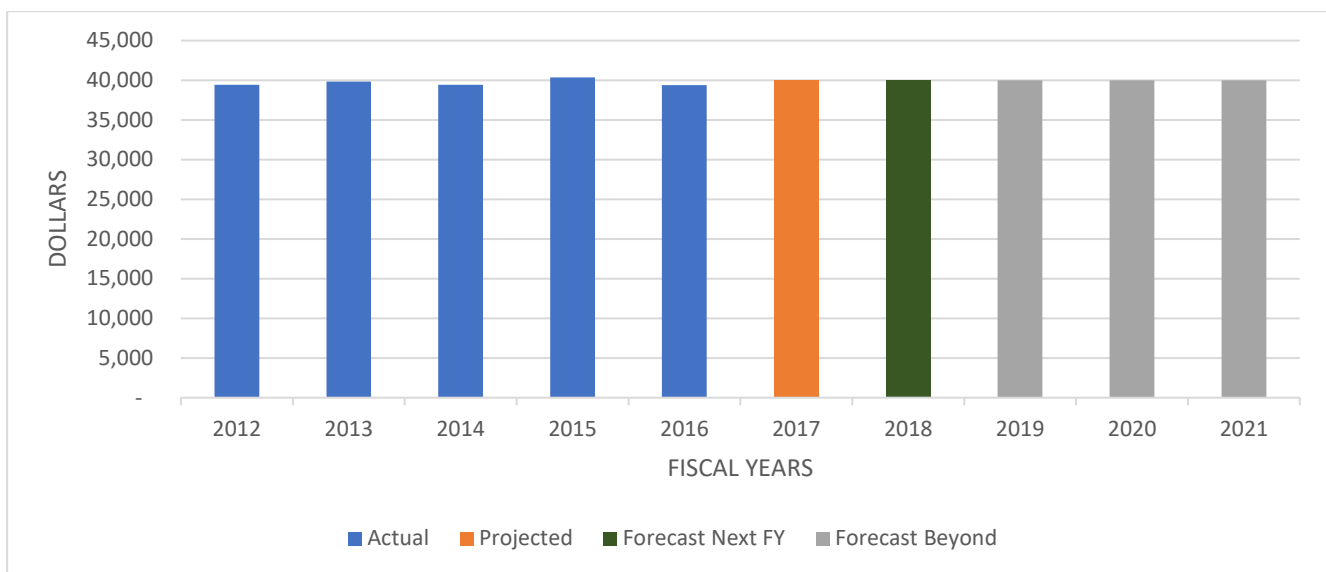
Annually adjusted by the actual revenues received, historical trend, interest rates, and judgmental forecasting.

State-Shared Revenues

VIDEO PROGRAMMING SERVICES TAXES

Description:

All municipalities and counties currently receive share of three state sales tax revenues – 7.7% of the net proceeds of tax collections on telecommunications services, 23.6% of the net proceeds of taxes collected on video programming services, and 37.1% of the net proceeds of taxes collected on direct-to-home satellite services. A portion of the proceeds from these three taxes is distributed to local governments.



Legal Authority:

North Carolina General Statutes, Chapter 105-164.44I

Fiscal Capacity:

Village of Whispering Pine’s video programming services tax rate is set by the state and therefore the Village lacks control over the revenue source. To date, it has received an average \$38,688 annually for the past few years.

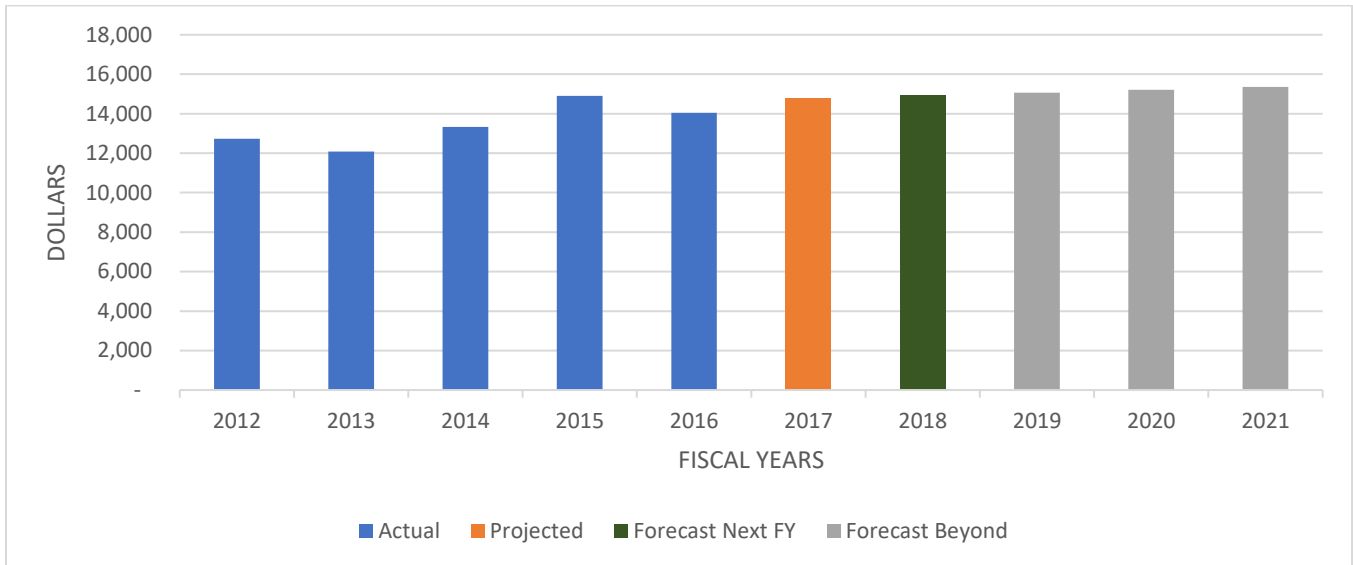
Forecast Assumption(s):

The forecast is adjusted annually by projected revenue estimates provided by the North Carolina League of Municipalities. According to the NCLM, based on historical distributions, video programming services revenue are on the decline. This decline appears to be attributable to cable TV customers “cutting the cord” in favor of streaming services.

BEER AND WINE TAXES

Description:

Because beer and wine can legally be sold within the Village of Whispering Pines, it is eligible to share in the beer and wine excise tax revenues levied by the state. The state shares 20.45% of its excise tax on beer, 49.44% of its excise tax on unfortified wine, and 18% of its excise tax on fortified wine. The distribution to the Village is based on the population of eligible municipalities and counties.



Legal Authority:

North Carolina General Statutes, 105-113.68 – G.S. 105-113.89

Fiscal Capacity:

Village of Whispering Pine’s beer and wine tax rate is set by the state and therefore the Village lacks control over the revenue source. To date, it has received an average \$14,000 annually for the past few years.

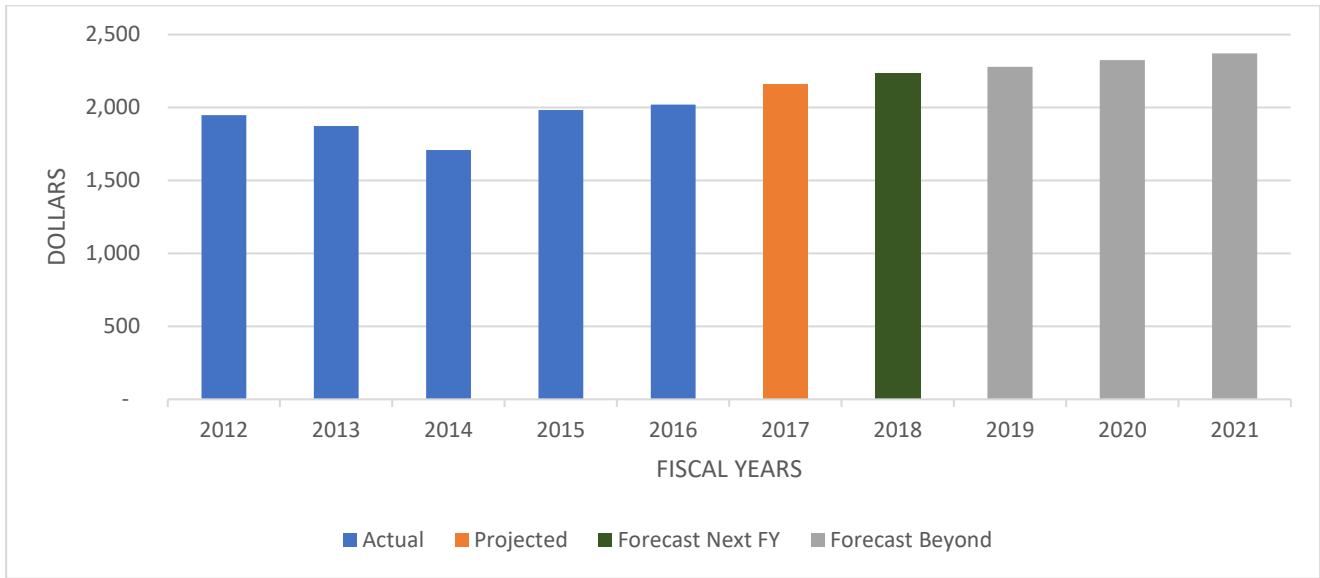
Forecast Assumption(s):

The forecast is adjusted annually by projected revenue estimates provided by the North Carolina League of Municipalities. According to the NCLM, based on historical distributions, beer and wine tax may experience a 1% increase in revenues for FY17-18. This increase is due to a continued strong economy and population growth.

SOLID WASTE DISPOSAL TAX

Description:

The state levies a \$2 per ton “tipping tax” on municipal solid waste and construction and demolition debris that is deposited in a landfill in the state, or transferred at a transfer station for disposal outside the state. The Village of Whispering Pines receives 18.75% of the tax, with the revenues being distributed on a per capita basis.



Legal Authority:

North Carolina General Statutes, Chapter 105-187.6

Fiscal Capacity:

Village of Whispering Pine’s solid waste disposal tax rate is set by the state and therefore the Village lacks control over the revenue source. To date, it has received an average \$2,095 annually for the past few years.

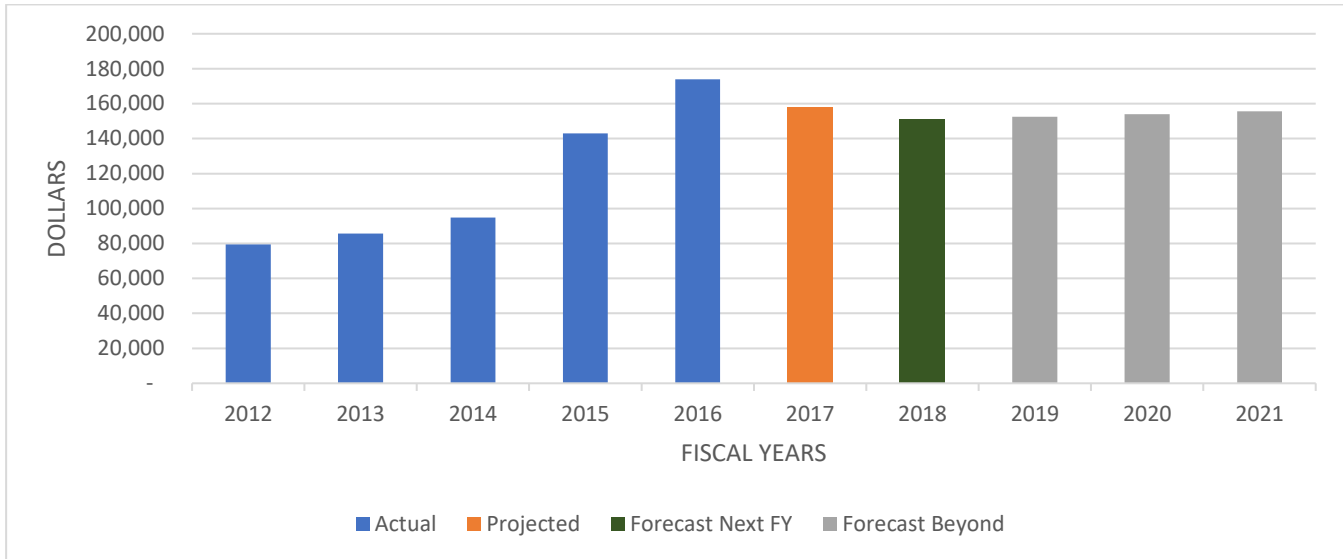
Forecast Assumption(s):

The forecast is adjusted annually by projected revenue estimates provided by the North Carolina League of Municipalities. According to the NCLM, based on historical distributions, solid waste disposal revenue is on the incline.

UTILITY (ELECTRIC) TAX

Description:

North Carolina collects a 7% sales tax on electricity sales of which the NCDOR distributes 44% of the net proceeds of the sales tax collected on electricity, less the cost to the department of administering the distribution. A municipality's share of tax proceeds is determined by a formula.



Legal Authority:

North Carolina General Statutes, Chapter 105-164.44K

Fiscal Capacity:

Village of Whispering Pine's electric tax rate is set by the state and therefore the Village lacks control over the revenue source. To date, it has received an average \$166,401 annually for the past few years.

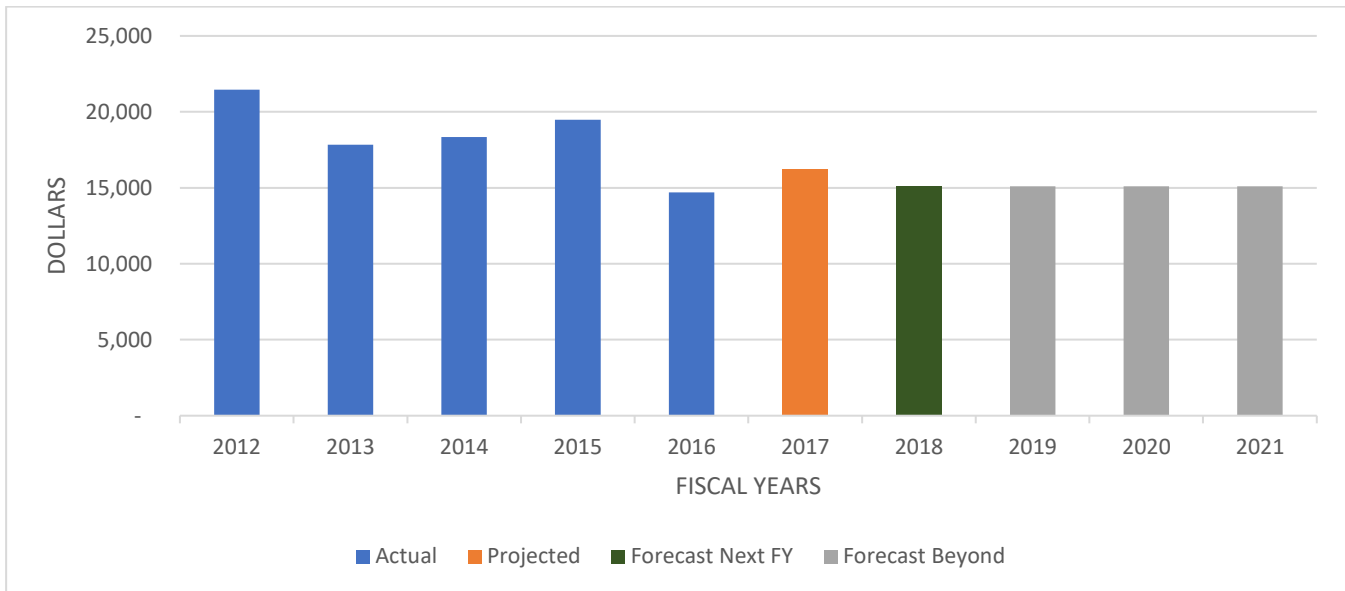
Forecast Assumption(s):

The forecast is adjusted annually by projected revenue estimates provided by the North Carolina League of Municipalities. According to the NCLM, based on historical distributions, electricity revenues are slightly ahead of last year's (FY15-16) pace. Revenues depend on weather and electricity prices.

TELECOMMUNICATIONS TAX

Description:

The state levies a sales tax on the gross receipts of telecommunications services which replaced the telephone franchise tax in 2001. Each quarter, the state distributes a portion of the proceeds to municipalities.



Legal Authority:

North Carolina General Statutes, Chapter 105-164.44F

Fiscal Capacity:

Village of Whispering Pine's telecommunications tax rate is set by the state and therefore the Village lacks control over the revenue source. To date, it has received an average \$14,184 annually for the past two years.

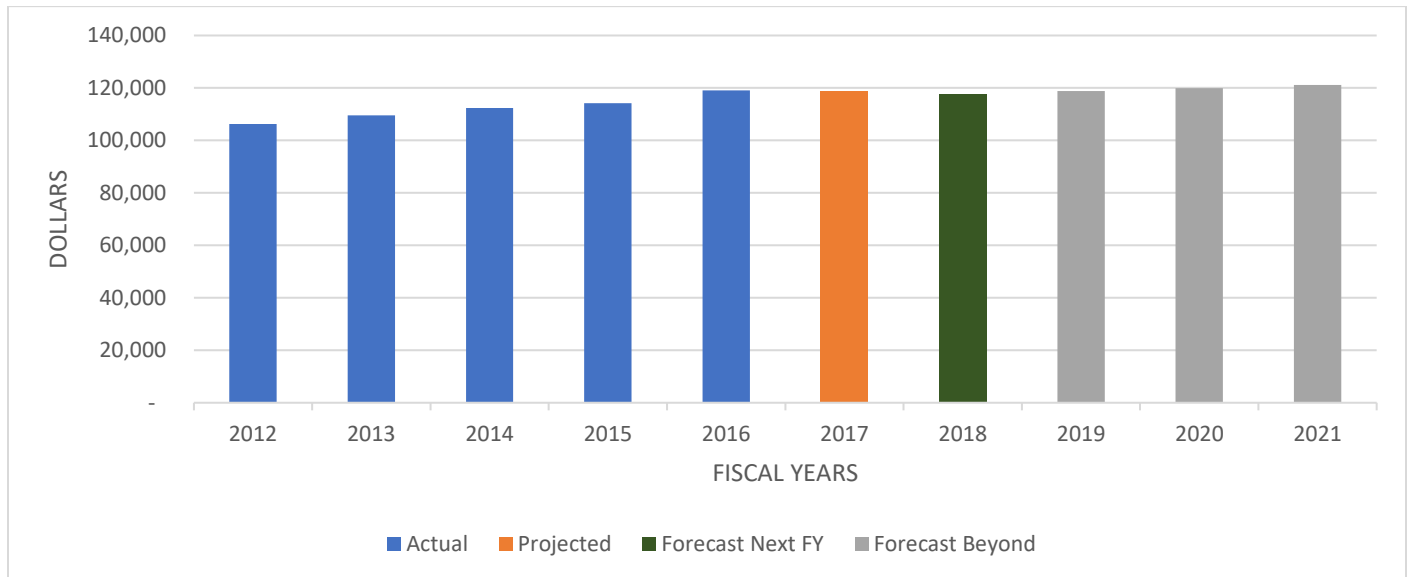
Forecast Assumption(s):

The forecast is adjusted annually by projected revenue estimates provided by the North Carolina League of Municipalities. According to the NCLM, based on historical distributions, telecommunications revenue is on the decline. This decline appears to be attributable to customers abandoning landline telephone services and going solely mobile.

THE MOTOR FUELS TAX (POWELL BILL FUNDS)

Description:

North Carolina levies motor fuel tax pursuant to a statutory formula. Also known as the Powell Bill fund, named after its principal sponsor, the state makes distributions out of yearly state budget appropriations. The available funds are distributed according to a two-part formula. Three-quarters of the local proceeds are distributed among municipalities on a per capita basis, and the remaining proceeds are distributed according to the number of miles of public, non-state streets within the municipality. The funds are distributed to eligible cities twice per year – half on or before October 1 and half on or before January 1.



Legal Authority:

- North Carolina General Statute 105-449.80
- North Carolina General Statute 136-41.1(a)
- North Carolina General Statute 136-41.2
- North Carolina General Statute 103-41.3(b)

Fiscal Capacity:

This revenue will increase or decrease based on the North Carolina Senate and what is appropriated annually for this fund.

Forecast Assumption(s):

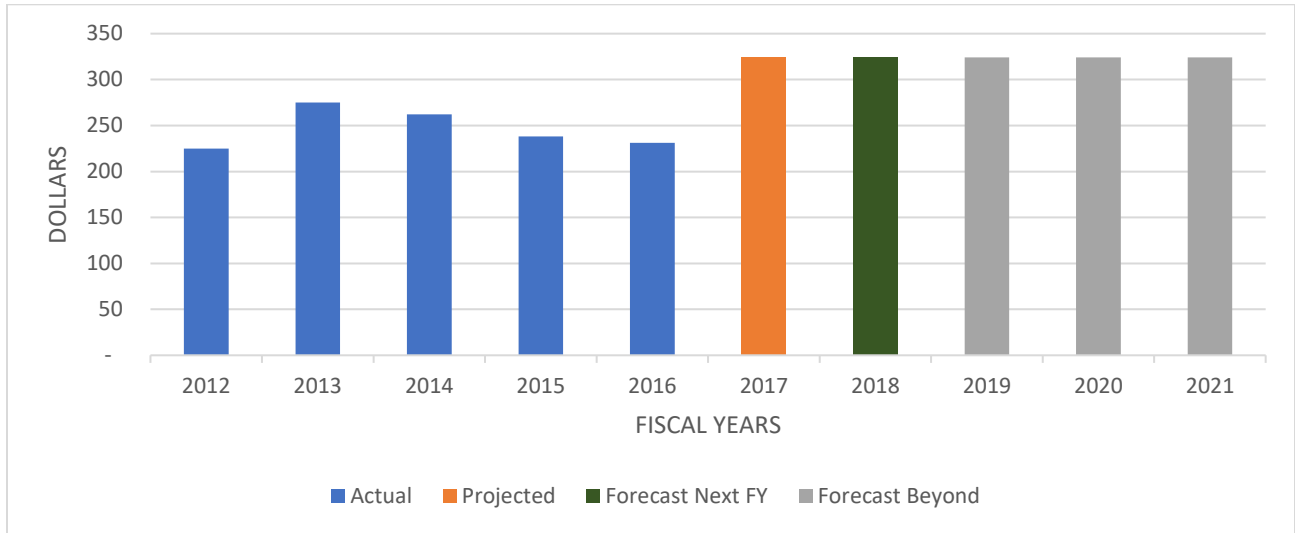
The forecast is adjusted annually by projected revenue estimates provided by the North Carolina League of Municipalities. The NCLM has not received any indication that the Powell Bill funds would be increased or decreased in the Senate's budget proposal, so they project that it will remain at the \$147.5 million to be distributed to municipalities based on the formula of population and street mileage.

OTHER LOCAL REVENUES

ALCOHOL BEVERAGE CONTROL STORE PROFITS

Description:

This revenue is determined through fee and distribution formulas outlined in North Carolina Statutes.



Legal Authority:

North Carolina General Statutes 18B-805

Fiscal Capacity:

The Village of Whispering Pines does not operate an ABC store so receives a very minimal distribution from the county on a periodic basis.

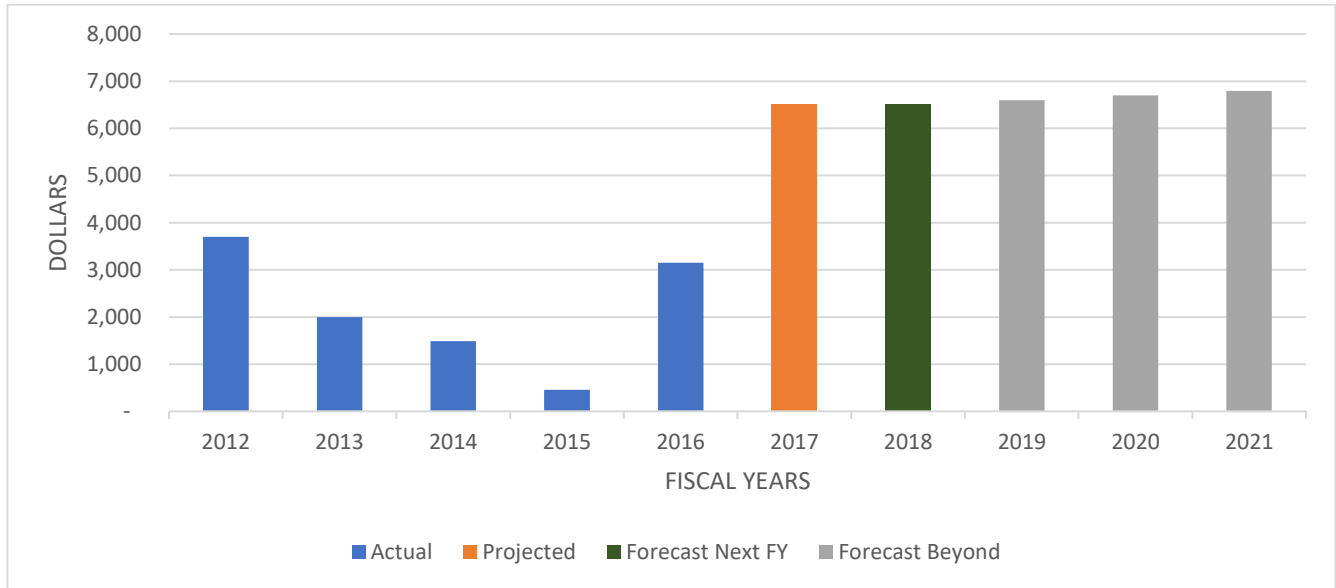
Forecast Assumption(s):

Annually adjusted by the actual revenues received, historical trend, and judgmental forecasting.

INTEREST EARNINGS

Description:

This revenue source includes the rate of return on investments and interest earnings on bank accounts.



Legal Authority:

North Carolina General Statutes 159-30

Fiscal Capacity:

The amount of money that the Village holds in interest bearing bank accounts in addition to the rate of return on investment accounts determines the amount of revenue that is generated from this source.

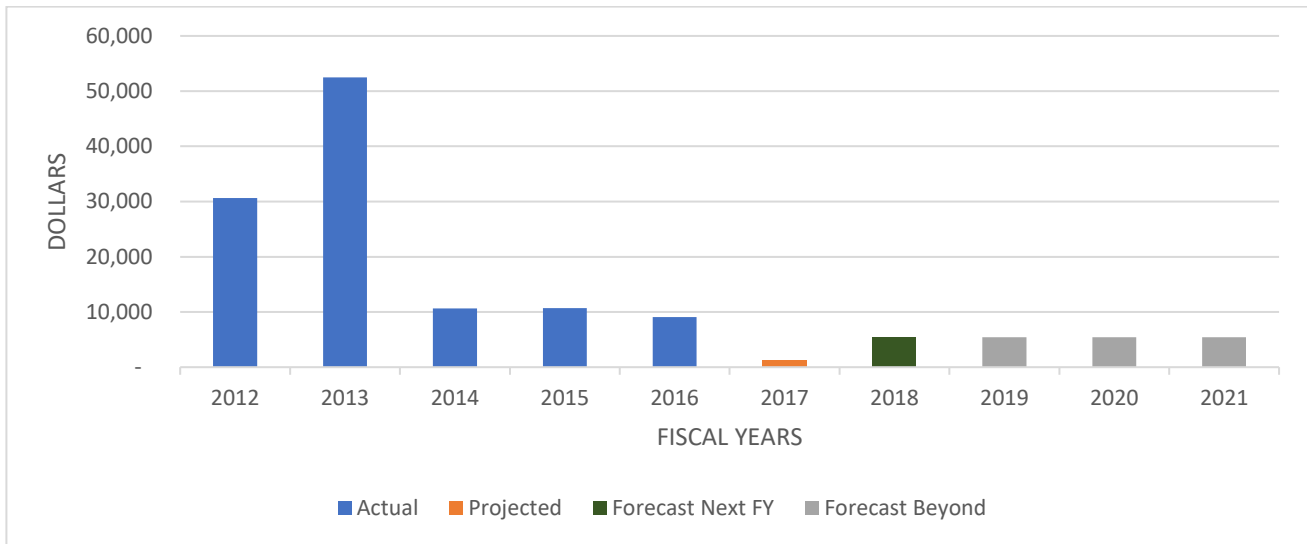
Forecast Assumption(s):

Annually adjusted by the actual revenues received, historical trend, interest rates, and judgmental forecasting.

GRANTS

Description:

The Village of Whispering Pines occasionally takes advantage of federal, state, and private grants offered to support programs for police services and fire and rescue services. The expenditure of grant revenue typically is restricted to one or more specific purposes.



Legal Authority:

Village of Whispering Pines

Fiscal Capacity:

The degree to which the Village participates in grant programs varies according to eligibility and need.

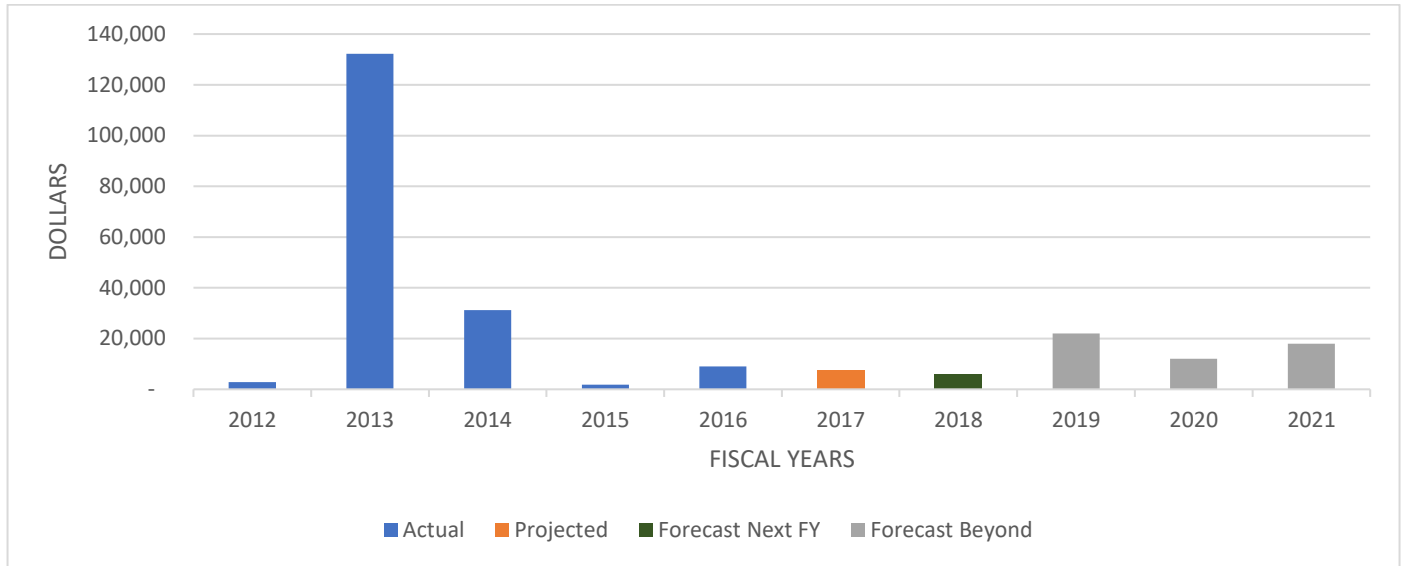
Forecast Assumption(s):

Annually adjusted vis-a-vis direction from the department of public services (generally police and fire rescue).

DISPOSAL OF FIXED ASSETS

Description:

This revenue source includes vehicle sale proceeds, sale of surplus land, and the disposal of equipment.



Legal Authority:

Village of Whispering Pines Ordinances, Chapter A, Sec. 3

Fiscal Capacity:

The liquidation of surplus land, vehicles, and equipment can generate additional revenue. All surplus land, vehicles, and equipment can be sold to private individuals or agencies based on market value.

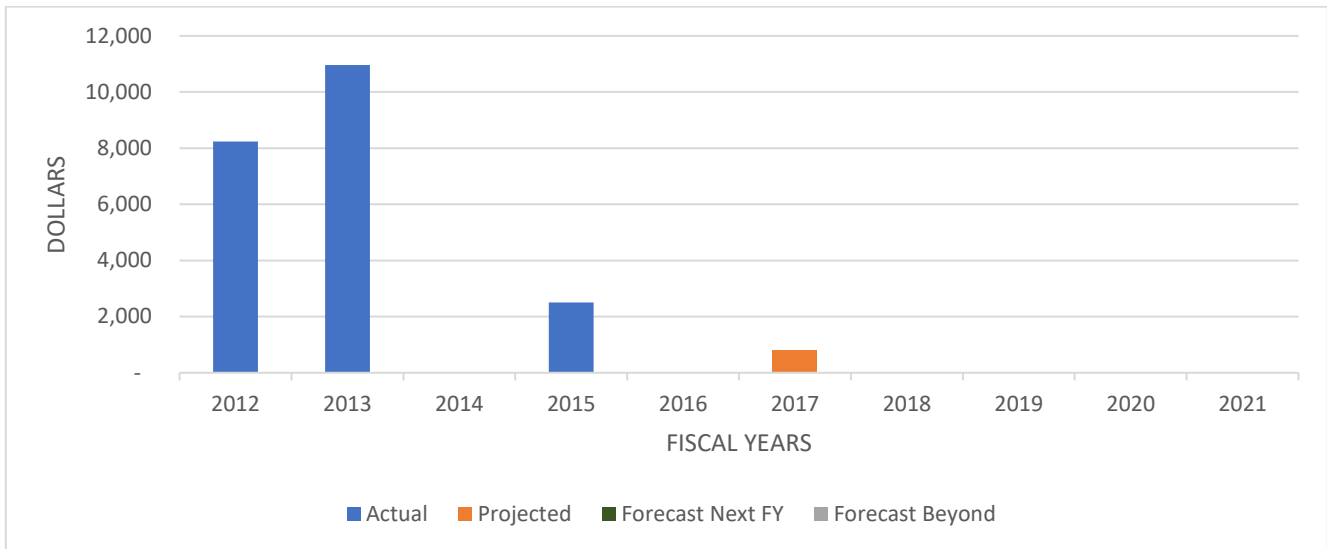
Forecast Assumption(s):

Annually adjusted by a fixed asset schedule.

CONTRIBUTIONS & DONATIONS

Description:

The Village of Whispering Pines periodically receives donations of money or property from individuals or entities to fund one or more services or activities.



Legal Authority:

Village of Whispering Pines

Fiscal Capacity:

Contributions and donations are not a revenue-raising mechanism.

Forecast Assumption(s):

Annually adjusted by the actual revenues received, historical trend, and judgmental forecasting.



Village of Whispering Pines Council:

Mayor Michelle Lexo

Mayor Pro Tem Bob Zschoche

Abbe Allen, Councilwoman

Colin Webster, Councilman

Cheryl Burris, Councilwoman

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